

Energy solution pursuit ongoing

EDITOR'S NOTE: Today is the fourth day of a five-day series of articles on critical electricity cost issues facing the Upper Peninsula.

By **JOHN PEPIN**
Journal Staff Writer

MARQUETTE — There remains a great interest in finding a solution to the problem of making reliable, low-cost electric power readily available to the Upper Peninsula.

Finding such a solution would allow We Energies to close its aging coal-fired Presque Isle Power Plant and make subsidy payments for its continued operation — which threaten to increase ratepayer costs — no longer necessary.

The Presque Isle plant is the only significant power generation facility located in the region north of Green Bay. Many state and local officials think the problem is a critical issue, affecting a wide range of interests — from those championing economic development to consumers trying to make ends meet.

Those closest to the problem solving effort predict it will be at least three to five years before a viable electric transmission or generation solution is up and running. Given that, additional subsidy agreements — like the most-recently negotiated pact which pushes annual Presque Isle costs from \$52 million to \$97 million — will likely remain in place for some time.

However, momentum toward arriving at a consensus solution appears to be picking up. Some state lawmakers anticipate a plan may be announced by the end of the year.

The American Transmission Co., Upper Peninsula Power Co. and the Wisconsin Public Service Commission are hosting an energy summit in Marquette Oct. 28, where most of the entities involved in the issue will meet to discuss the latest developments, hoping to make more progress on the problem.

Among the viewpoints involved, Gov. Snyder remains committed to an energy future for the region that is built on the foundation of adaptability.

“Power that is affordable, reliable, and protective of the environment remain his focus for the U.P. and all of Michigan,” Snyder press secretary Sara Wurfel said. “To this end, the governor is focused on regional solutions that focus on electrical base load generation instead of large-scale transmission solutions that are more expensive, less reliable and depress economic growth.”

Wurfel said that in the near term, Snyder is encouraged by private sector discussions in the U.P. that focus on developing electrical generation, which could ultimately significantly reduce costs for Michigan ratepayers while ensuring opportunities for economic growth.

“The governor is also strongly supportive of the Michigan Public Service Commission’s recent complaint before the Federal Energy Regulatory Commission that seeks to reverse artificial power reliability boundaries drawn up by Wisconsin interests that place an additional burden upon Michigan ratepayers in defiance of years of precedent for allocating system costs,” Wurfel said.

Wurfel said the “bottom line is that the governor remains committed to working with all industry stakeholders, local governments, the business community and Michigan power customers on a ‘no regrets’ power solution for the U.P. that is built on the principles of adaptability, reliability, affordability, and protection of the environment.”

Among the discussions about new generation options, Cliffs Natural Resources — the U.P.’s largest energy consumer — recently announced it had entered into talks with Invenegy Thermal Development, LLC to explore construction of a combined heat and power cogeneration facility to serve the Empire and Tilden mines.

The two companies are working under a 120-day deadline to consider the idea.

Dale Hemmila, Cliffs Natural Resources’ director of public affairs for North America, said it’s not clear at this point whether the plant would generate power for



Crews work to truck a new transformer to the Arnold Substation in south Marquette County. The transformer is set to go online next year. (Photo courtesy of ATC)

users beyond the mines. A planned size for the facility, capacity and many other variables have not been determined.

“It’s kind of an open dart board right now and we’re kind of just throwing everything at it,” Hemmila said.

“Cliffs continues to consider various electric energy options and remains committed to working with all stakeholders to secure the best long-term solution to the U.P.’s electric power challenges.”

Brian Manthey, senior communications specialist with We Energies in Milwaukee, said the utility has offered — to the governor’s energy team — to be part of the discussions with Cliffs and Invenegy.

“We’ve made it clear to them we think the long-term solution for the U.P. is to have additional generation,” Manthey said.

Manthey said We Energies would be willing to invest in generation for the region through a non-utility subsidy of the company. He stressed the importance of Cliffs to offer input.

“They must also participate in discussion of future generation solutions,” Manthey said.

John Quackenbush, chairman of the Michigan Public Service Commission, said the state regulatory body is also working on a long-term power answers.

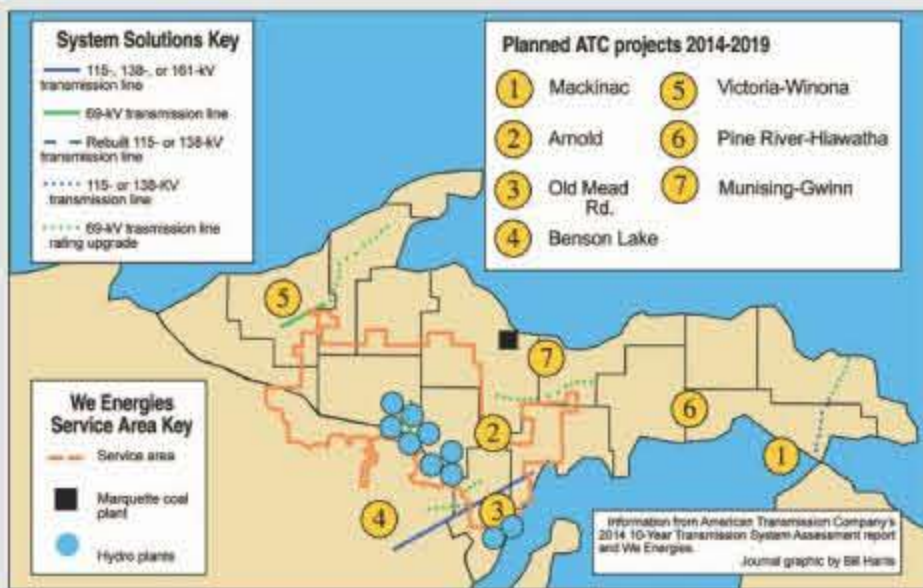
“We are focused on a generation solution because one of the alternatives is just to build more and more transmission from Wisconsin and we have widely ranging cost estimates on that, that haven’t been pinned down yet,” Quackenbush said.

He said the commission is looking for more details from the American Transmission Co. to determine what transmission projects would cost, so that figure can be compared with costs of generation solutions.

“We were hoping to find out what package of transmission projects would definitely replace Presque Isle,” Quackenbush said.

Meanwhile, Quackenbush said the Midcontinent Independent System Operator — which oversees the grid in

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ATC releases 10-year energy report: U.P. projects planned

By **JOHN PEPIN**
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MARQUETTE — The American Transmission Co. — which owns almost 3,000 miles of electric transmission lines — recently released its new 10-year system assessment, which includes projects planned to improve system reliability for the Upper Peninsula.

Company officials said the new 17-page report describes “the need for continued investment to address not only reliability needs, but also to respond to an evolving regional energy market and changes in public policy concerning air quality rules and renewable energy standards.”

“The energy landscape in which we operate today looks vastly different than it did when we began operations in 2001,” Ron Sneed, ATC vice president of system planning, said in a news release. “The grid is being asked to perform in ways it was not originally intended. We continue to work with our interconnected customers to meet their reliability needs and to share information about how changes in their operations impact our system.”

In the new report, projects and proposed work planned

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the Upper Midwest and part of Canada — was asked to identify, in kind of an engineering sense, based on the existing transmission, how much generation would be needed and where it would be most usefully situated to replace the Presque Isle plant.

Over the past couple of months, MISO has provided some detailed information now being reviewed by generation providers. Quackenbush said some generation plants potentially could be spread out over a few locations in the region.

“You could in aggregate have a generation package that was smaller in number of megawatts, but because it was more distributed, it would help voltage support and all these other things,” he said.

Transmission ideas being considered include bringing some additional power from across the Straits of Mackinac, where a power line is already in place.

Jackie Olson, of the ATC corporate communications office in De Pere, Wis., said ATC is a transmission-only electric

utility, which recently released a new 10-year report including several projects aimed at improving reliability of the power system in the area.

“We have worked and continue to work closely with many stakeholders in the Upper Peninsula to address the region’s energy challenges,” Olson said. “ATC has an obligation to evaluate and plan for the transmission system that is required to reliably serve our customers.”

Quackenbush outlined the array of options currently being considered.

“What’s likely to happen here, just to simplify it, is that we could come up with a generation solution that might involve multiple sites, that would have maybe really minimal transmission build with it, or we could do no generation and just have a lot of transmission coming to solve the problem completely or we could do some combination thereof,” he said.

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for five zones are detailed. The service area for ATC’s transmission lines includes the U.P., the eastern half of Wisconsin and north central Illinois.

In all, the new planning analysis calls for \$3.3 billion to \$3.9 billion in infrastructure investment, including \$1.4 billion in specific network projects, \$1.2 billion in maintenance, \$500 million in regional Multi-Value Projects and \$200 million to \$800 million in other capital projects.

“Transmission remains a good value for electricity consumers,” Sneed said, adding that transmission costs within the ATC service territory remain about 8 to 9 percent of a retail customer’s electric bill.

According to ATC, primary drivers of those issues include a mismatch of load to generation in the U.P. and aging facilities in poor or obsolete condition.

Additional studies — including those by ATC and the Midcontinent Independent System Operator — found several voltage and thermal limitations in the region. The ATC report said the most severe of the limitations occur during off-peak periods. Peak usage is during the winter.

The Empire and Tilden mines, along with paper mills in the region, are the largest electricity consumers in the zone.

The ATC report described the zone saying “locally generated electricity is declining in the area with smaller, coal-fired generators most at risk. This includes generation owned by industry, municipalities and utilities.”

In addition to assessing current conditions, the analysis offered forecasts for the zone.

Though not specifically identified in the report’s projects lists, ATC’s forecast in capital expenditures includes money to contend with retirements of power generation plants, including the Presque Isle Power Plant. Solutions to the problem of replacing the plant could include improvements in eastern and north central Wisconsin, the report said.

Between 2014 and 2023,

ATC projects population to grow annually about 0.4 percent and employment to grow about 0.8 percent. Marquette County is projected to have the largest increase in employment. Through 2024, electric load in the zone is predicted to increase by 0.5 percent each year.

There are seven U.P.-related projects for Zone 2 briefly described in the ATC report. Among them, there are four planned projects, one provisional project and two asset renewal projects.

One of the planned projects in Mackinac County put a new high voltage, direct-current flow control device and associated substation into commercial operation this past summer. The device allows operators to better manage the flow of power into and out of the Upper Peninsula, strengthening local-area electric reliability.

Two Bay Lake Project upgrades planned to combat overloads and low voltages include a Holmes-Old Mead Road 138 kilovolt project slated to go into service in 2016 and a Benson Lake 138-kilovolt substation to go on-line in 2019.

“We also are installing a new transformer at our Arnold Substation in Wells Township (Marquette County),” Olson said. “The transformer will improve local voltages and also help control power flows, which in turn provides more operating flexibility to maintain reliability.”

The transformer, which is set to go into service next year, was shipped recently from the Milwaukee area to the Iron Mountain area by train and moved by truck to Arnold, Olson said.

The provisional project will construct a Victoria-Winona 69-kilovolt line. The two asset renewal projects include a Pine River-Hiawatha 69-kilovolt line partial rebuild to go on-line next year and another similar project from Munising to Gwinn, slated to be in service in 2017.

To download the ATC 10-year analysis report, visit: www.atc10yearplan.com.

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