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UMERC wins Michigan Public Service Commission approval to build 2 natural gas-fueled power plants

LANSING, Mich. – The Michigan Public Service Commission (MPSC) today approved a certificate of necessity submitted by Upper Michigan Energy Resources Corp. (UMERC) to build two power generation plants at a total cost of \$277,200,000. The Commission said the two reciprocating internal combustion engine (RICE) electric generation facilities are the most reasonable and prudent means of meeting the utility’s power needs.

The Upper Peninsula Generation Project ([Case No. U-18224](#)) is expected to provide a total of 183 MW of power from the two facilities, one in Negaunee Township and a smaller one in Baraga Township, to serve the Tilden Mining Co. and non-mine customers. Both electric generation facilities are expected to be in operation for 30 years.

“This new gas-fired generation is a critical piece in shaping the future of energy supplies in the U.P. – a future that is cleaner, more reliable and affordable for U.P. residents and businesses,” said Sally Talberg, Chairman of the MPSC. “The Commission appreciates all of the input provided by a diverse set of stakeholders on this important decision.”

The Commission today also approved a special contract with Tilden Mining. It allocates 50 percent of the capital cost of the RICE generators to the mine and all the fixed operations and maintenance as well as the variable O&M expenses for the energy used for meeting Tilden’s daily power needs.

UMERC said it plans to begin construction of both generation facilities in the spring of 2018 and commercial operation should begin at both sites by mid-2019. UMERC chose the two sites because of their proximity to natural gas pipelines, electric transmission, and roadways.

Construction employment is expected to be 300, with approximately 200 workers at the Negaunee Township site and about 100 at the Baraga Township site. UMERC said it expects between 60 percent and 80 percent of the construction employees will be Michigan workers hired from local building trades unions. Once operational, the two plants together are expected to employ a total of about 12 people.

Once construction is complete, UMERC said the Presque Isle Power Plant (PIPP) will close, ending the possibility of any new system support resource (SSR) payments to keep the plant

running. Last week, the [Federal Energy Regulatory Commission \(FERC\) cut](#) by nearly \$23 million the amount all ratepayers were required to make in SSR payments for PIPP. FERC next will decide how much money, if any, should be refunded to ratepayers.

The two RICE electric generation facilities will be fueled by natural gas from the Northern Natural Gas Co.'s interstate pipeline. The Commission today also approved requests by SEMCO Energy Co. to build two gas pipelines to serve the UMERC plants:

- The Baraga Pipeline ([Case No. U-18384](#)) will run 4½ miles from Northern Natural Gas Co.'s 8-inch pipeline to Upper Michigan Energy Resources Corp.'s proposed A.J. Mihm Generating Station in Baraga Township. Most of the pipeline will be routed within a Michigan Department of Transportation right-of-way along M-38 with the remainder on UMERC property.
- The Negaunee Pipeline ([Case No. U-18385](#)) will run 2,000 feet from an 8-inch Northern Natural Gas pipeline to UMERC's proposed F.D. Kuester Generating Station in Negaunee Township. It will be located on UMERC property and won't affect wetlands.

In August, the MPSC approved a settlement agreement to improve natural gas reliability by allowing SEMCO to build the nearly 43-mile Marquette Connector natural gas pipeline ([Case No. U-18202](#)), which will run between Wells Township and Marquette in Marquette County.

For an issue paper on the UMERC certificate of necessity, [click here](#).

Statement of Sally A. Talberg, Chairman, Michigan Public Service Commission

MPSC Case No. U-18224 – UMERC Certificate of Need

Fulfilling energy needs in the Upper Peninsula presents unique challenges to suppliers and customers alike. Numerous small energy providers must deliver reliable and affordable energy to 300,000 people covering huge swaths of land. Just a few years ago, one large customer made up over 80 percent of the overall electricity demand of its local utility provider, UMERC. Given the remoteness to the bulk of power supplies in Wisconsin and Michigan's Lower Peninsula, the UP faces a formidable challenge to keep the lights on every day of the year. Rates are higher than other parts of the state and the region. There is little margin for error when the Commission is making decisions about the future of energy supply and delivery in the UP because of the impact it will have on customers' utility bills.

The new gas-fired electric generation being approved by the Commission today serves this unique need. It is an anchor to stabilize electric reliability in the region in a least-cost manner. It continues the UP's journey toward more affordable rates. This clean, efficient generation will significantly reduce emissions of mercury and other pollutants compared to the coal plant it will replace. And it is adaptable to the changing energy needs of the region—whether that is helping to serve a growing customer base spurred by economic development, providing a foundation for adding renewable energy, or investing in ways to cut energy waste in homes and businesses.

The development of this new electric generation solution, combined with other actions and plans by energy providers, customers, and other stakeholders in the region, demonstrate the focus and commitment by individuals in the UP to secure the region's energy future. The Commission's approval of the new gas generation plants also comes on the heels of a recent decision by federal energy regulators to limit costs that would be passed on to UP electric ratepayers associated with the Presque Isle power plant. No longer will they be at the mercy of the federal government or actions in another state that can affect the affordability and reliability of the region's energy.

The Commission appreciates the significant input by Upper Peninsula residents and businesses who provided a diverse set of comments to help inform the Commission's decision to approve the project under the certificate of need provisions in Michigan law. We also want to acknowledge Administrative Law Judge Martin Snider for presiding over the hearings and preparing the proposal for decision.

For more information about the MPSC, please visit www.michigan.gov/mpsc or sign up for one of its [listservs](#) to keep up to date on MPSC matters.

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