

# Consumers Energy River Hydro Strategy 2023 Community Meetings

## Hodenpyl Dam

November 13, 2023

Maggie Pallone, Public Sector Consultants

Josh Burgett, Consumers Energy



[PUBLICSECTORCONSULTANTS.COM](http://PUBLICSECTORCONSULTANTS.COM)

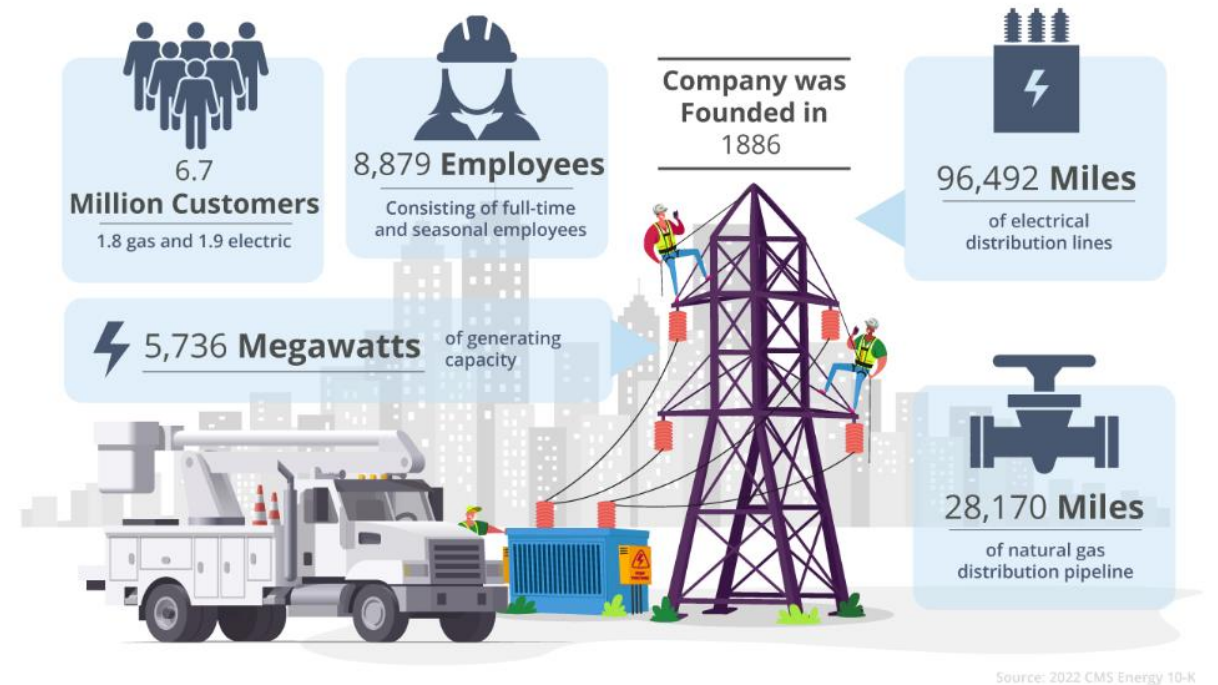
# Agenda for Tonight

- Provide updated information about the development of Consumers Energy's long-term river hydro strategy
- Continue to engage the community in the conversation, identify concerns, and address questions
- Identify a path for the community to have additional ownership in the future decisions



# Consumers Energy Hydro Long-term Hydro Strategy

With 11 out of 13 of the operating licenses issued by the Federal Energy Regulatory Commission (FERC) expiring over the next 11 years, Consumers Energy has started a multi-year review of all its hydroelectric plants to ensure they can continue to deliver cost-effective, safe, reliable, and affordable clean energy for all rate payers.

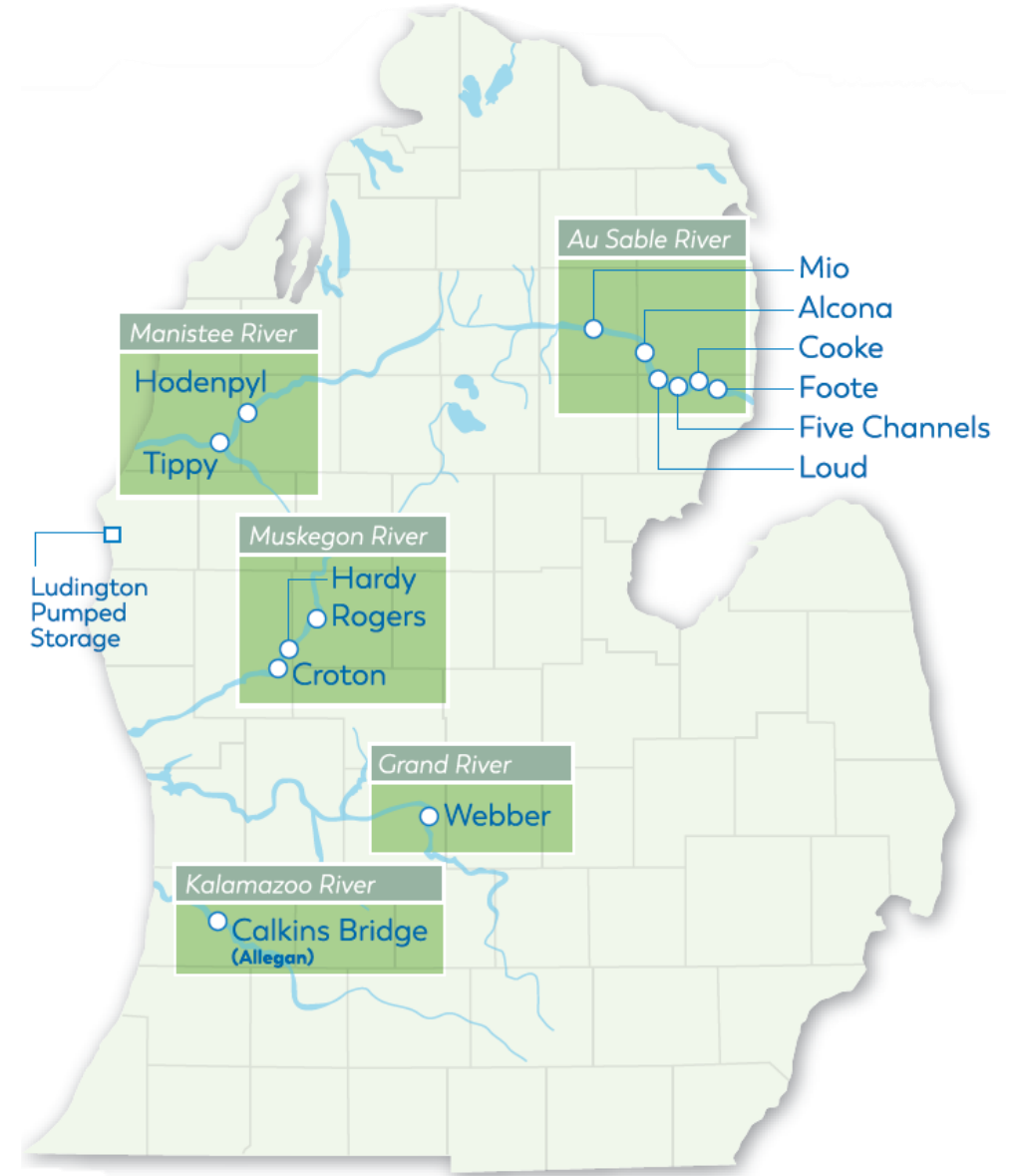


Data reflects Dec. 31, 2022 reports

# River Hydro Locations

## River Systems

- Au Sable River (6)
- Manistee River (2)
- Muskegon River (3)
- Grand River (1)
- Kalamazoo River (1)

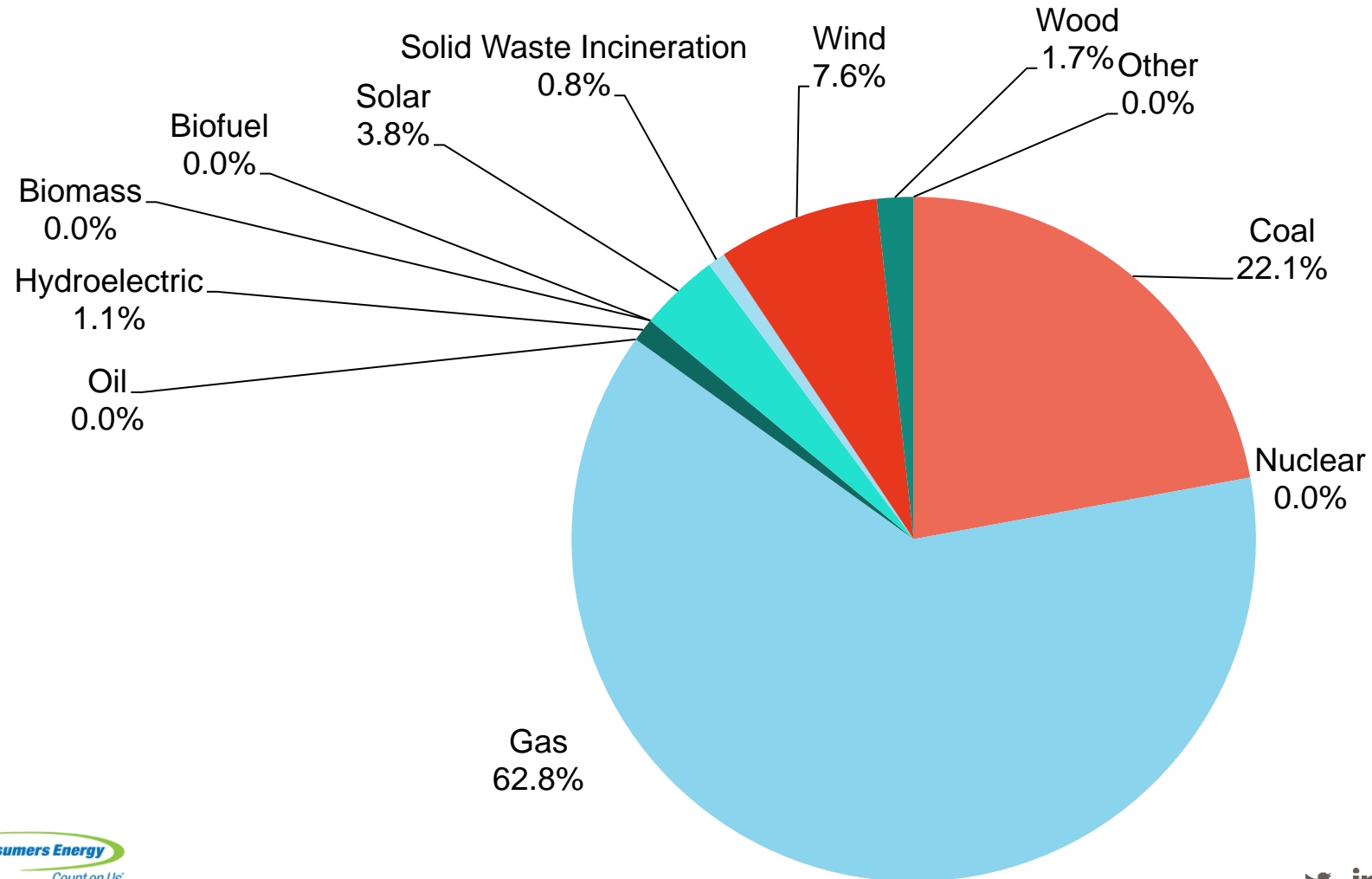


# Hydro Fleet Generation Capacity Overview

Dam	Capacity (MWs)	Average MW/day	Plant Commissioned	FERC License Expiration Date
Rogers	6.75	2.66	1906	6/30/2034
Hardy	31.5	11.87	1931	6/30/2034
Croton	8.85	3.79	1907	6/30/2034
Hodenpyl	17	5.57	1925	6/30/2034
Tippy	20.1	7.13	1918	6/30/2034
Calkins Bridge	2.55	1.52	1935	3/31/2040
Webber	3.25	1.3	1907	5/31/2041
Mio	5	1.74	1916	6/30/2034
Alcona	8	3.29	1924	6/30/2034
Loud	4	2.08	1913	6/30/2034
Five Channels	6	2.79	1912	6/30/2034
Cooke	9	3.15	1911	6/30/2034
Foote	9	3.51	1918	6/30/2034
<b>Total:</b>	<b>131</b>	<b>50</b>	<b>About 1% of CE Total Generation</b>	

# Consumers Energy Generation Sources

Percentage of Fuel Type Used To Produce Consumer Energy's Total Electricity 2024



# Thank You for Your Participation in 2022



## Consumers Energy asks for public input on Michigan dam operations



(WLUC)  
By [Brendan Vrabel](#)  
Published: Aug. 9, 2022 at 12:21 PM EDT



1,700 attendees at 22 facilitated sessions with communities and local leaders



Nearly 570 unique comments via emails and online



60 percent return rate for the adjacent property owner surveys (1,381/2,312)



Three meetings with stakeholder groups

# What Did We Hear and Learn?

---

Communities had not considered an alternative future for the river hydro plants.

---

Trust in the company's safety record is high.

---

Community members do not trust the company to prioritize what communities want concerning the hydro plants.

---

Preferences for the future of the plants reflect the respondents' personal connection to them and their amenities.

---

Preferences for the plants varied based on means of engagement.

---

Community members were most concerned about keeping the impoundment.

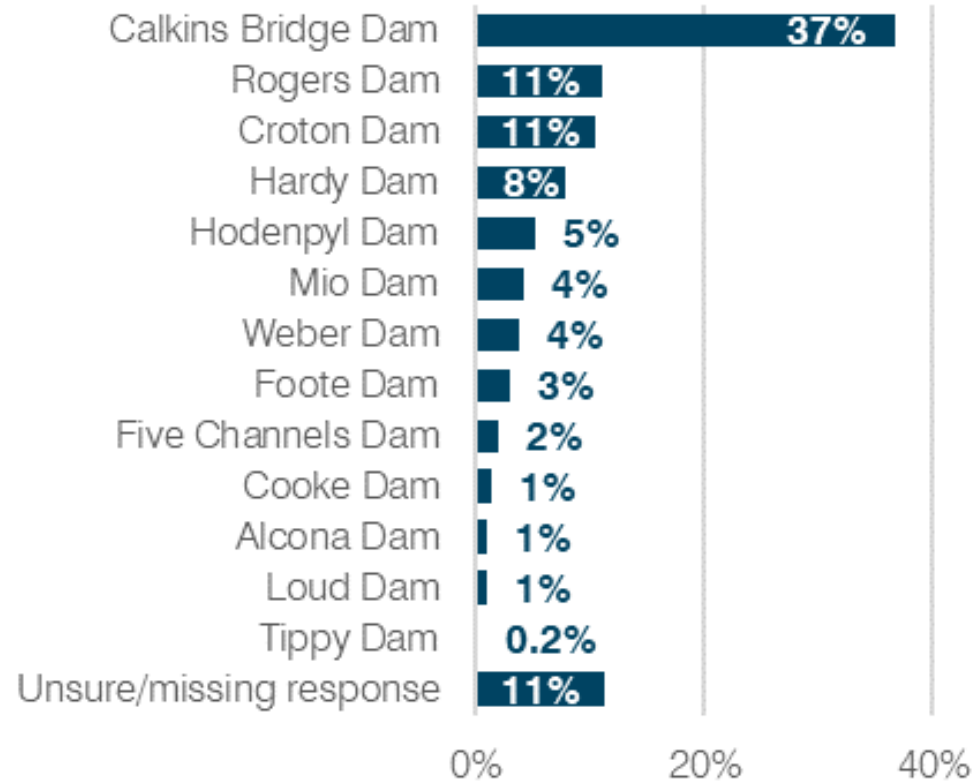
---



A photograph of a modern A-frame cabin with large windows, situated on a grassy bank next to a calm lake. A small wooden boat is docked at a pier in the foreground. The background is filled with tall, thin trees, creating a serene, natural setting. The image is slightly faded to allow the text to be prominent.

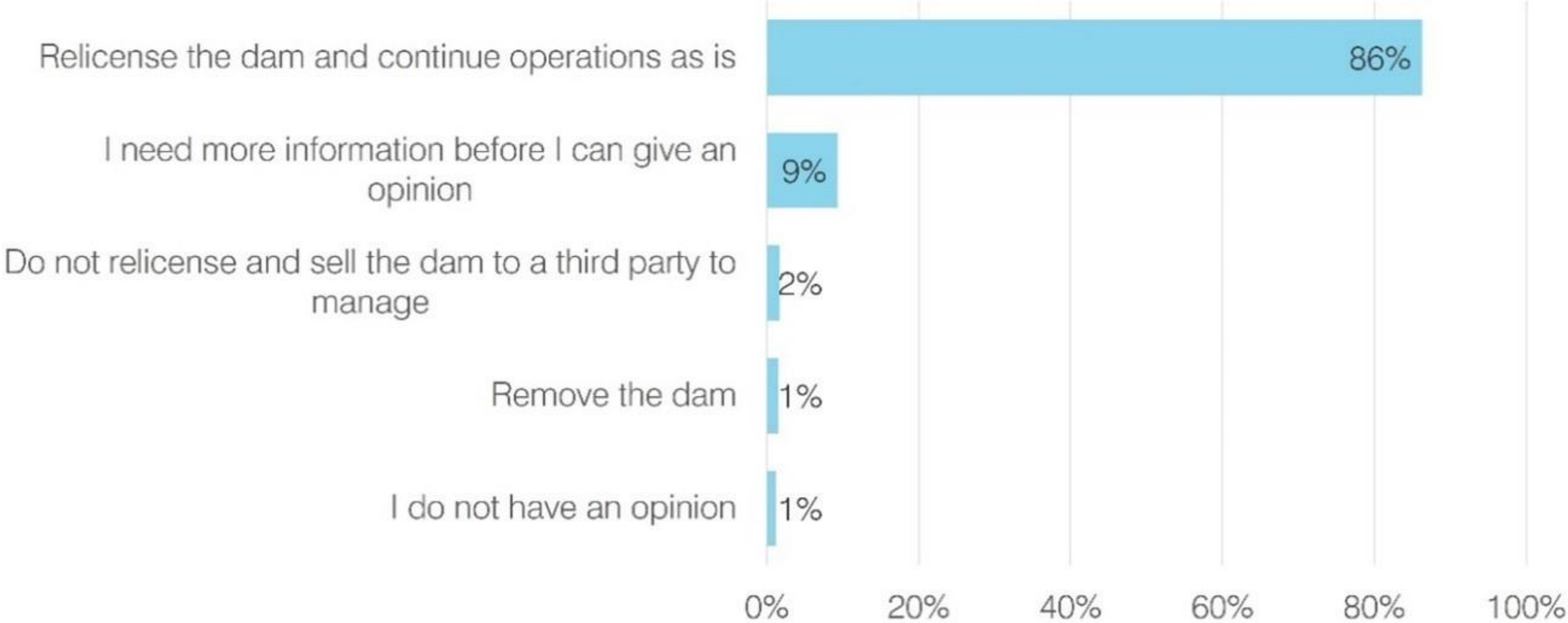
# Summary of Adjacent Property Owners Feedback from 2022

# Survey Respondents By River Hydro



N = 1,381

# Preferences Regarding the Future of the Dams



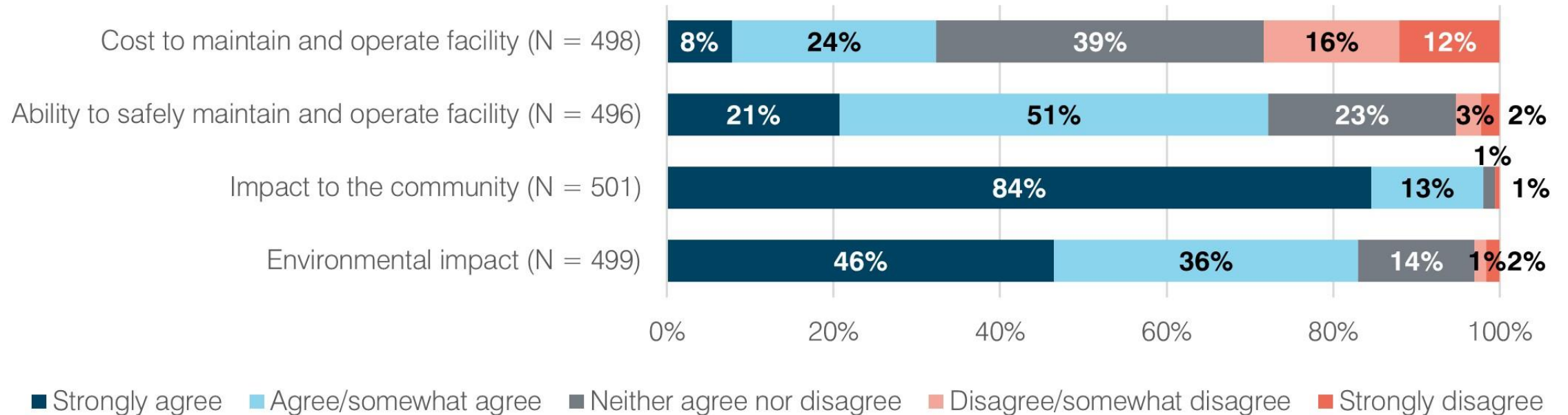
(N = 1,340)



# Property Owner Survey Results

## Important Factors When Deciding Between Dam Relicensing and Removal

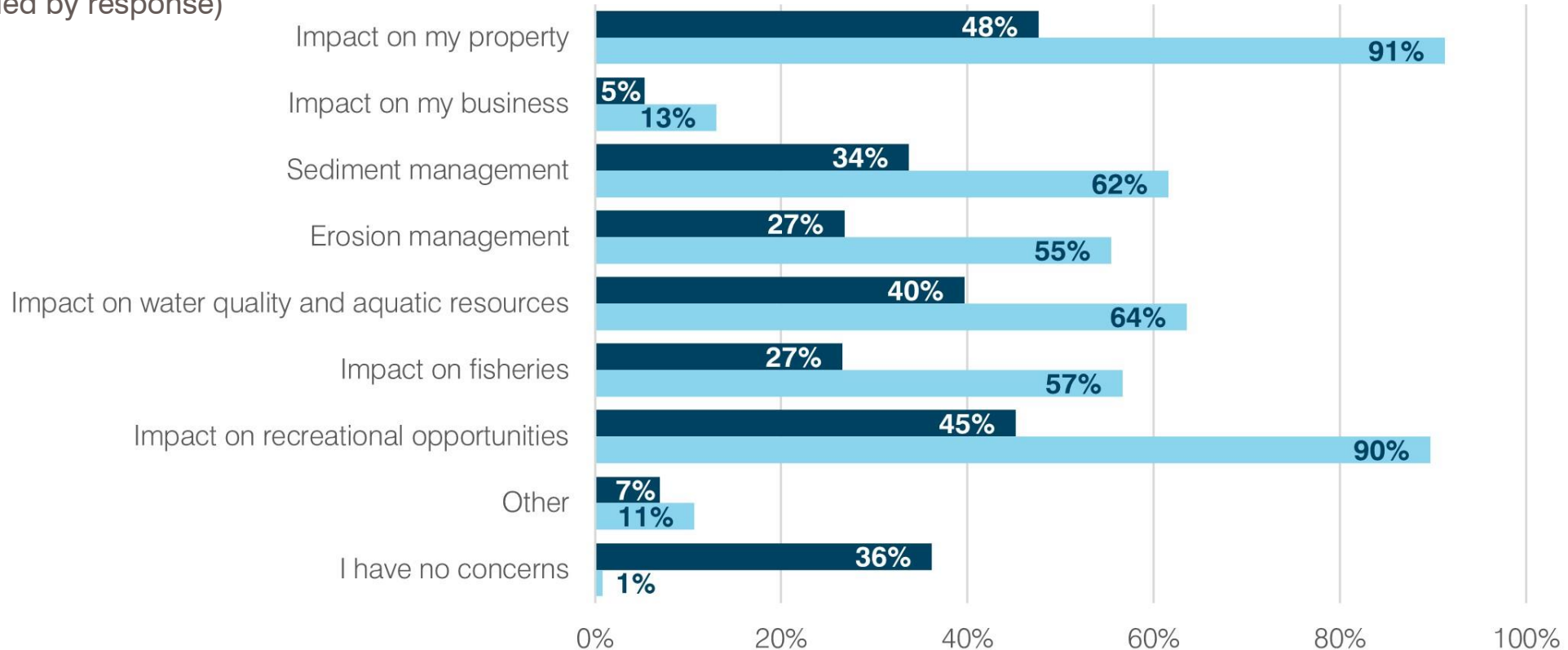
(N varied by response)



# Property Owner Survey Results

## Concerns About Dam Operation at Time of Survey and If It Were Removed

(N varied by response)



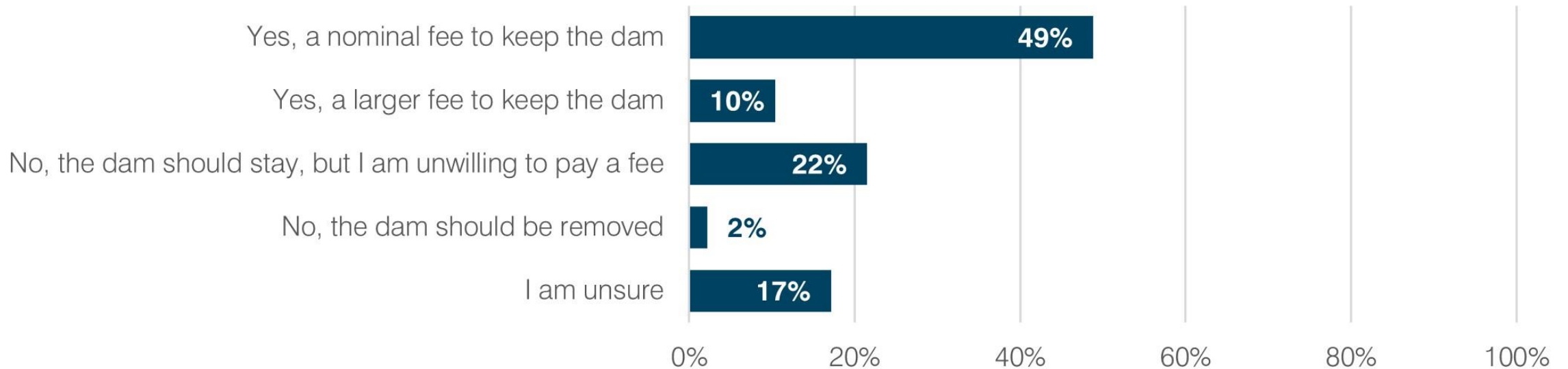
■ As the dam currently operates (N = 489)

■ If the dam were to be removed (N = 505)

# Property Owner Survey Results

## Respondents' Willingness to Pay an Additional Annual Fee

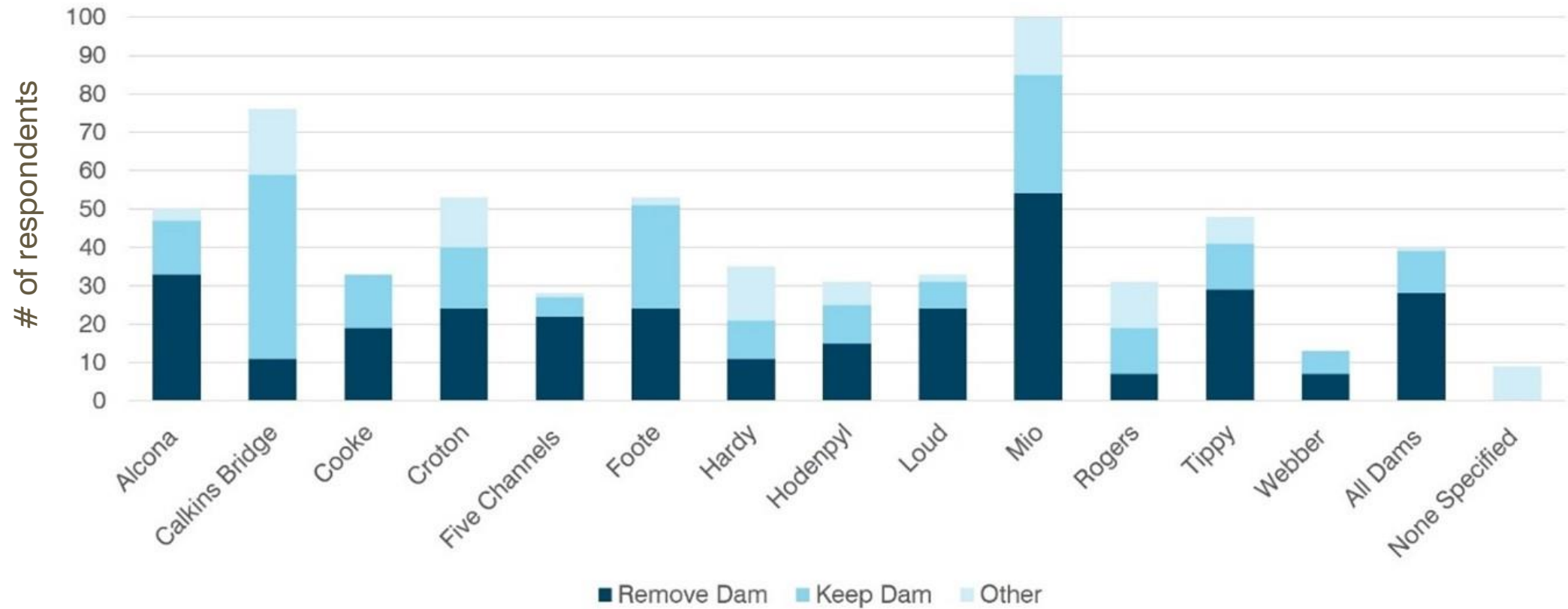
(N = 502)





# Website Respondent Feedback

# Preferences of Website Respondents



(N = 567)



# Hodenpyl Dam Specific Feedback

# Hodenpyl Dam

- 261 comments were received across all channels for input
- Main concerns and priorities:
  - Continued availability of utility services from Consumers Energy
  - Influence on fisheries and wildlife habitats
  - Impact on property values
  - Economic impact on pond-related businesses, tourism, campground use





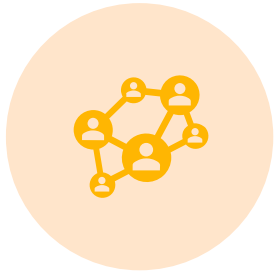
# Responding to Feedback

# Taking Feedback and Turning into Data

Responding to feedback we heard from the community, over the past year Consumers Energy has:

- Completed 13 economic contributions to understand the economic contribution the facilities have on:
  - Taxes
  - Economic spending
  - Property values
- Continued to regularly meet with lake associations and local governments
- Actively identified and applied for external funding
- Collected data to understand impact on rates
- Announced a willingness to allow for potential buyers

# Improving Engagement in 2023



Expanded engagement opportunities so more voices can contribute to the conversation. Two virtual statewide meetings will be held this year.



More direct outreach to people in the communities where the plants are located. Direct mailers and more social media promotion was conducted.



Meetings in 2022 were focused on gathering information from adjacent property owners and community members. This year we are sharing more data and providing more context of the decision-making process.



The community needs a way to stay plugged in and engaged as decisions occur over the next few years. The company is committing to creating a local body that has direct line to decision makers.



# Economic Contributions of the River Hydros

# What is an Economic Contribution Analysis?

- What is an economic contribution analysis?
  - A **current-state snapshot** of the overall market without making assumptions about future changes in the underlying economy or operations of the river hydros.
  - Measures the economy-wide effects of the current level of activity of a business or industry, or, for this study, activity generated from recreational assets
- What contributions were considered?
  - Employment: Number of full- and part-time jobs associated with affected industries
  - Labor income: Dollar total of employee and proprietor compensation excluding distribution of profits
  - Value-added: Regional and statewide income, also called gross regional/state product
  - Taxes: Total expected tax revenues across levels of government

# Economic Contribution Analysis: Hodenpyl Dam

Annually, spending on recreational and business assets surrounding the impoundment created by the Hodenpyl Dam:

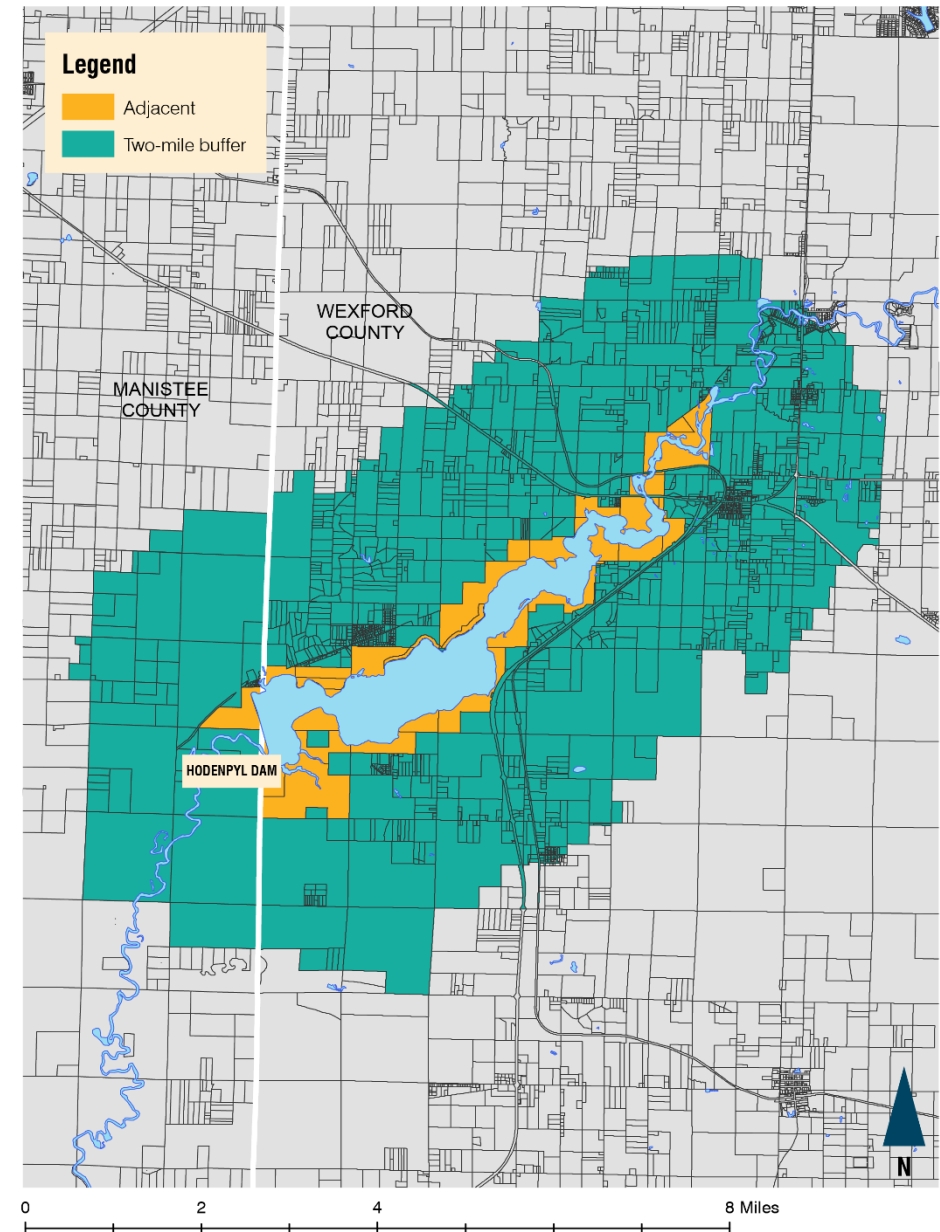
- Contribute approximately \$13.9 million in gross regional product
- Support for 343 jobs
- Generates approximately \$3.9 million in taxes (local, county, state, and federal) from recreational and related spending



# Property Value Analysis: Hodenpyl Dam

Properties adjacent to Hodenpyl Dam represent over \$300,000 of taxable value in Manistee County and \$4.7 million in Wexford County

- Since there are fewer than 20 properties surrounding the pond that are not owned by Consumers or the federal government, additional analyses on enhanced property values were not completed



# Economic Contribution Comparison

River	Direct Employment	Direct Gross Regional Product	Direct Total Tax Revenues	Total Estimated Market Value Enhancement
<b>Au Sable River</b>				
Alcona	67	\$1,567,448	\$597,530	NA
Mio	125	\$4,653,303	\$1,556,964	\$1,135,609
Loud	12	\$356,804	\$120,818	NA
Five Channels	6	\$166,820	\$56,482	NA
Cooke	165	\$4,981,310	\$1,686,123	NA
Foote	229	\$6,368,987	\$2,227,590	NA
<b>Muskegon River</b>				
Croton	25	\$956,226	\$303,639	\$40,019,546
Hardy	425	\$15,831,079	\$4,970,917	\$2,489,925
Rogers	18	\$516,415	\$176,769	\$14,353,427
<b>Manistee River</b>				
Tippy	356	\$15,250,720	\$4,731,736	NA
Hodenpyl	274	\$9,557,553	\$3,069,668	NA
<b>Kalamazoo River</b>				
Calkins Bridge	51	\$2,726,359	\$740,368	\$68,359,791
<b>Grand River</b>				
Webber	13	\$489,987	\$152,043	\$3,641,676



# Statewide Economic Contribution Analysis

**\$140 million** is added to the state's gross product each year as a result of dam-related recreational spending

**1,420 jobs** across the state are a direct result of recreational spending around these impoundments

**636 jobs** are additionally created statewide by the indirect and induced purchases made by households and businesses

**\$20 million** in local, county, and state tax revenue is generated annually from that spending

**\$130 million** in increased market value for residential properties adjacent to the dam impoundment

**\$2.3 million** to local governments in property tax revenues generated from the increased property value



# Understanding the Cost Impact of the River Hydro Fleet

# Cost of Generation

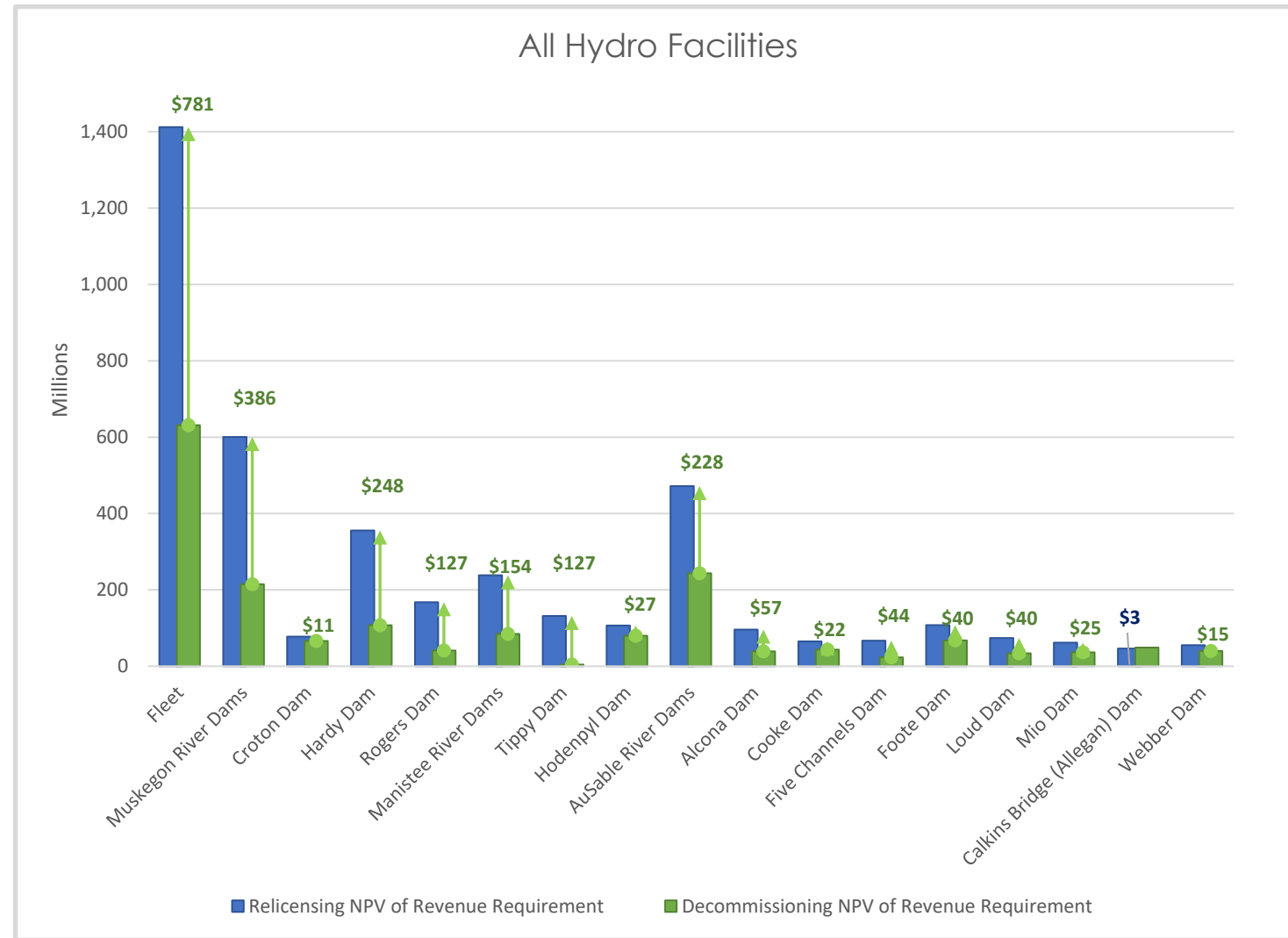
- Hydro power represents approximately 1.1% of Consumers Energy total electricity generation
  - Hydro power is 9x more expensive than other sources of generation
  - After elimination of coal as a generation source, hydro power is about 15x more expensive than other sources of generation

# Financial Impacts

- Relicensing = \$1.4B
- Decommissioning = \$631M

That means customers would pay approximately \$781M\* more to relicense than to decommission all 13 of the hydro facilities.

It is approximately \$27M\* more to relicense than decommission **Hodenpyl Dam** if the entire fleet is operating



\*In Net Present Value (NPV): Value of all future cash flows (positive & negative) over the entire life of an investment discounted to the present. Note: These figures are accurate as of June 2023 and based on numerous regulatory and operational assumptions

# Bill Impacts

**Over 60 years, the cost to relicense Consumers Energy's hydro fleet will increase average customer bills:**

- ↑ Residential      \$3.60/month      or \$43.20/year
- ↑ Small business   \$13.80/month      or \$165.60/year
- ↑ Large business   \$1,040/month      or \$12,480/year

## Current average bills:

Residential	\$117/month
Small Business	\$441/month
Large Business	\$30,236/month



# Seeking External Funding Options

## IIJA

Infrastructure Investment and Jobs Act

### 243 (Efficiency)

- 9 Project applications
- \$16.4M Potential Funding
- Jun 2023 – Applications due (submitted)
- Oct 2023 – Approval notification

UPDATE: 93 applications totaling \$199M requested vs. \$75M program

### 247 (Dam Safety)

- 11 Project Applications
- \$23.2M Potential Funding
- Jun 2023 – Letter of Intent (Submitted)
- Oct 2023 – Applications Due
- Feb 2024 – Approval Notification

UPDATE: 599 LOI submitted totaling \$823M requested for a \$550M program

## Department of Energy Loans

### 9 Dam Safety Project Loan Applications

- \$636M Max guaranteed loan
- Approx \$113M savings over 30 years
- Projects planned from 2023-2031

Update: Applied in September 2023

## IRA

Inflation Reduction Act

Currently not eligible for production tax credit  
Working to expand eligibility for 30% tax PTC

## State

Met with multiple state officials on potential budget funding  
Interest but funding not secured

## Local

Outreach to all impacted communities  
Exploring potential contribution





# Next Steps and Ongoing Actions

# Seeking Potential Buyers



Preparing a Request for Proposals (RFP) that will generate potential buyers



Anticipated release of RFP in Q4 2023



Applications due in 2024



Applications reviewed and interviews scheduled in 2024



Interviews conducted in 2024

# Next Steps for the Hydro Facilities

All decisions will be based on the Triple Bottom Line Approach that considers each river hydro plant individually and in relation to others up- and downstream.

## Planet

Environmental impacts, most notably **water quality** and **fisheries impacts**, are issues Consumers Energy needs to continue working with EGLE and MDNR on addressing, regardless of relicensing

## People

If a community indicates a desire, Consumers Energy is working towards **keeping the impoundment intact** (along with associated community benefits) regardless of future a relicensing decision

- Long-term ownership and funding partnership would be required

## Prosperity for Michiganders

Investment from external funding is **necessary** for Consumers to pursue relicensing. If sufficient funding is not available, the company will need to determine a long-term exit strategy. Options could be:

- Sell, if suitable new buyers respond
- Explore decommissioning and river restoration
- Explore an alternative structure that maintains some level of reservoir and/or blocks sea lamprey

# How long does relicensing or decommissioning take?

While Consumers Energy does not have a date for determining whether it will stay or exit the hydro business, next steps and actions after that decision will take time. The anticipated timeline is:

- Relicensing is a 5 ½ year process
  - Needs to begin no later than 2028 for facilities that FERC licenses expire in 2034
- Decommissioning is a 10–12-year process
  - Decommissioning would happen in a staggered manner
  - Facilities would be prioritized based on environmental and engineering concerns while also considering upstream and downstream impacts
- Divestment potential is a 2–6-year process
  - RFP Released: Q4 2023
  - Proposals received: Q1 2024
  - Proposal evaluations: Q2 – Q4 2024
  - Negotiations with potential bidder and regulators: 1-5 years

# Partnering for Community Prosperity

- In concert with communities, Consumers Energy seeks to be a partner to local groups to develop rivershed prosperity plans.
- More information will be announced before the end of the year, including a local organization that will serve as a convener of a new local group of community stakeholders that will work directly with Consumers Energy.
- These groups will assist Consumers Energy with any future decision on the dams and integrate the communities' voices in a collective way.

# For More Information

Stay up to date on Consumers Energy's Long-Term Hydro  
Strategy

[www.consumersenergy.com/hydrofuture](http://www.consumersenergy.com/hydrofuture)



**PUBLIC SECTOR  
CONSULTANTS**

***Consumers Energy***

*Count on Us<sup>®</sup>*



[PUBLICSECTORCONSULTANTS.COM](http://PUBLICSECTORCONSULTANTS.COM)