

December 27, 2022

Mr. Adam Monroe, Director
Consumers Energy
Hydro Generation
330 Chestnut Street
Cadillac, Michigan 49601
(via email)

Re: Michigan Hydro Relicensing Coalition comments on Consumers Energy's strategy for the long-term future of its hydropower projects.

Dear Mr. Monroe:

The Michigan Hydro Relicensing Coalition (Coalition) appreciates the opportunity to provide comments on Consumers Energy's (Consumers) long-term strategy for the future of its 13 hydropower projects. Consumers has a long-track record of addressing many natural resource concerns related to energy production and the Coalition encourages it to build upon that legacy in moving forward with its river hydropower planning.

As a general principle, the Michigan Hydro Relicensing Coalition (Coalition) prefers restoration of river systems through removal of barriers and dams whenever possible. It is well established that dams negatively affect water quality, block migration and interrupt reproduction of numerous native and game fish species and other aquatic organisms, prevent natural sediment transport, and eliminate conveyance of wood and other organic materials to downstream waters. In addition to the adverse environmental impacts from dams, there is the issue of dams as aging infrastructure. All of Consumers' hydropower dams are aging infrastructure as they are approaching 100 years in existence. As such, the Coalition refers Consumers to the summary from a 2020 "Resources for the Future" article that was published following the Tittabawassee River dam failures: "Repairing hazardous dams can help, but simply removing them can be a better, more cost-effective option with accompanying environmental benefits."¹ Therefore, the Coalition recommends that Consumers surrender the FERC license and decommission projects that are both aging infrastructure and have questionable economic viability, with a long-term goal of dam removal for these projects.

While dam removal is our ideal preference, the Coalition does recognize that the long-term strategic planning being undertaken by Consumers is complex as the hydropower projects provide many associated community recreational and other project-related benefits (e.g., sensitive species habitat), and the current long-term hydropower planning is not likely to lead to a one-size-fits-all approach. However, the Coalition remains an advocate for the license surrender - decommission - dam removal option wherever possible.

¹ Walls, M.A. and V. Gonzales. 2020. "Dismantling Dams Can Help Address US Infrastructure Problems", Resources for the Future. Resource Article, Oct 22, 2020. Washington, D.C.

The following are the Coalition's specific comments and recommendations to Consumers' strategic planning for the long-term future of its 13 hydropower projects. These comments are in two categories: (1) applicable to all the projects; and, (2) applicable to individual projects.

I. Comments related to all the hydropower projects

- Scope of public input - Consumers and Public Sector Consultants hosted community meetings for each hydropower project, presenting history and operational details, projected future costs, environmental factors, community and recreational importance (highly emphasized), and options for long-term future of the project. Local public sentiment was overwhelmingly in favor of keeping the hydropower dams and that Consumers remain the owners. Consumers also announced via a December 19th News Release that it will be conducting a follow-up study during the first half of 2023 to determine the contribution of its 13 hydropower projects to local communities near these dams, building upon information gathered during the 2022 community engagement meetings. It is the Coalition's position that a broader engagement process must occur that targets the "non-local" public (those people who don't live near the dams but are ratepayers who will be impacted by Consumers' decision of the future of their hydropower projects).
- Tribal input - based on discussion with colleagues from the Little River Band of Odawa Indians, Grand Traverse Band of Ottawa and Chippewa Indians, and Little Traverse Bay Band of Odawa Indians there does not appear to have been much outreach to these federally recognized Tribes. Consumers' Muskegon River and Manistee River hydropower projects lie within the 1837 Treaty of Washington ceded territories. As such, they affect a number of species that are of cultural significance to these Tribes, most notably the lake sturgeon. The Coalition urges Consumers to engage with these Tribes for meaningful dialogue about the future of these hydropower projects. This is especially important given that the projects are licensed by the FERC, a federal agency with nation to nation trust responsibilities to the Tribes (the trust responsibility consists of the highest moral obligations that the United States must meet to ensure the protection of tribal and individual Indian lands, assets, resources, and treaty and similarly recognized rights; <https://www.ferc.gov/tribalrelations>).
- Economic considerations - the following information was presented by Consumers at the community meetings and is the basis for the Coalition's position in terms of economics:
 - Hydro only accounts for 1% of total generation by Consumers (50 MW per day; Wind = 640 MW per day with an additional 200MW soon coming on line).
 - Hydro KW of energy 31X more expensive to produce than Wind KW.
 - Projects are aging infrastructure and will require significant capital investment for dam safety purposes (~ \$1 billion over 2023-2028; \$165 million/year projected over the next five years).

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Given these facts, the Coalition questions the economic viability of long-term operation of Consumers' fleet of 13 hydropower projects. It also has questions regarding cost recovery for the forecast dam safety capital investments.

- Economically marginal projects - three projects (Hardy, Tippy, and Hodenpyl) comprise almost 50 % of the average annual value of energy production whereas the other ten collectively contribute the other 50 % (with a number < 5 %; please refer to the attached table for specific project data). For instance, the Mio Project on the Au Sable River only contributes 3.4 % of the to the average annual value. The Coalition questions the long-term economic viability of such projects especially when weighed against the costs of some of the adverse environmental effects (e.g., the cost of stocking fish to maintain a coldwater fishery below the Mio Project to offset downstream warming). The Coalition advocates project decommissioning and dam removal for a number of these economically marginal projects.
- Cost recovery and ratepayer fairness - the Coalition recognizes that as a publicly regulated utility, Consumers must be "made whole" by the Michigan Public Service Commission for approved costs it incurs in providing energy for the public. Based on the information presented at the community and MMAC engagement meetings, Consumers forecasts \$165 million per year in capital investments through 2028 (approximately \$1 billion over this six-year period). The Coalition wants to know how much the average ratepayer's bill will increase for cost recovery of the forecast \$1 billion capital investment (with depreciation, time, and interest factored in), both in total and by individual hydropower projects if possible. The Coalition requested information pertaining to this in a November 8, 2022 email to Consumers and has yet to receive a response. Therefore, please provide the Coalition this information so it can provide a fully informed response related to the topic of cost recovery.

Also, at the October 5, 2022 MMAC meeting, Consumers stated that it will only stay in the hydro business if it is able to get cost recovery through the Michigan Public Service Commission (comment made in reference to the Hardy Project). While the hydropower projects are economically, socially, and culturally important to local communities, is it fair to ask "non-local" ratepayers to subsidize the projected \$165 million per year in capital investments for the future operation of the hydropower projects for the benefit of local communities, especially when it comes to those projects that appear to be economically marginal?

- Options for the future of all projects
 - Relicensing - if Consumers chooses to pursue relicensing for any or all of the 13 hydropower projects, the Coalition will engage fully in the process to ensure that conservation, environmental and recreational concerns are adequately addressed by FERC and given the fullest possible consideration throughout the licensing process. The Coalition will advocate for mitigation for any unavoidable project

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impacts to public trust resources, ranging from financial compensation to dam removal, especially for those six hydropower projects that are currently out of compliance with their FERC license and State water quality temperature requirements.

- Transfer of license - the Coalition recognizes that Consumers is a responsible hydropower project owner that has an excellent track record in meeting all FERC and state dam safety requirements. However, recent history has shown that new project owners may not have the financial resources to meet their obligations should Consumers pursue the license transfer option. There is a history of the ownership of marginal projects in Michigan being transferred and these projects subsequently being “mined” for their revenue stream without substantial capital investment in safety upgrades (e.g., Boyce Hydro LTD’s hydroelectric projects on the Tittabawassee River in Michigan that led to the 2020 catastrophic dam failures). Therefore, the Coalition is generally opposed to the sale and transfer of a license as the Tittabawassee River dam failure lessons must not be forgotten.

Should Consumers pursue sale and license transfer, the Coalition recommends that Consumers only consider transferring ownership when the new owner clearly has the financial and technical expertise to operate the facility consistent with Consumers’ commitment to Michigan’s people and natural resources. This means a potential new owner having the resources and a realistic plan to maintain the dam safely in perpetuity and for operating in ways that maximize natural resource protection (i.e., including the ability to address future resource conservation needs such as fishways). Consumers created these facilities, extracted extensive economic benefits for many years, and must fulfill its commitments to a responsible future.

- Non-power option and transfer of ownership - Consumers gave the example of the Four Lakes Task Force acquiring the Tittabawassee River dams to restore and maintain the dams after license surrender (non-power) and establishing a Special Assessment District to pay for future dam safety costs. Some members of the local public expressed a desire to pursue this option, especially for those projects with significant private riparian home ownership. Others expressed a desire for local governmental entities to take over the dams should Consumers pursue the non-power option. The Coalition recommends that Consumers generate an estimate of average annual dam safety maintenance costs for any project that is converted to a non-power facility. Consumers must also identify all projected necessary future dam safety capital investments. Any local community organization or government entity that would like to acquire a dam needs to know what the true costs of such ownership are over the long-term so it would be fully aware of all the costs and responsibilities over time. The Coalition also has dam safety concerns related to the non-power option and takeover by another entity to maintain the impoundment. Is it realistic to think that a local community-based association or local unit of government would have the financial resources to take on long-term

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responsibilities for maintenance (including necessary capital investments) for dam safety? Would entities be able to get sufficient insurance (can they get insured)? Also, if stakeholders want to take over a dam, then they should be required to have a long-term plan developed to ensure they can meet dam safety requirements. While the Four Lakes Task Force has taken over ownership and responsibility for the four dams on the Tittabawassee River in a non-power mode, it has 7,000+ members in the Special Assessment District. None of Consumers' 13 hydropower projects have individual riparian project owners anywhere near this number to provide such a financial base. Given these questions, The Coalition is generally opposed to license surrender for subsequent transfer of ownership to a non-power mode.

Also, if Consumers were to surrender a license for any of its hydropower projects with intent to transfer ownership for subsequent non-power status of the dam, the Coalition recommends that Consumers also prepare a decommissioning plan to accompany the license surrender application to FERC that would include removal of all generating and transmission equipment. Decommissioning plans need to have defined endpoints and timelines.

- Dam removal option - As stated previously, the Coalition is an advocate for the restoration of river systems through removal of barriers and dams whenever possible. In addition to the well documented negative effects of dams on riverine ecosystems, As previously stated, dams have a negative effect on riverine ecosystems. And as climate change warms the world's rivers, dam removal will be key to protecting coldwater riverine ecosystems. Because northern Michigan's rivers are groundwater fed they may be poised to withstand climate change far better than western streams that rely on surface runoff (snowmelt). Thus, our rivers become even more important from a global perspective and every opportunity to improve and restore them through dam removal should be pursued. The Coalition urges Consumers to strongly consider this option, especially for those projects that are economically marginal. Riparian land ownership is another factor that can be factored in in the consideration of dam removal for economically marginal projects. Projects with predominantly public and/or Consumers' riparian ownership will not have the private homeowner conflict (loss of lakefront property amenity).

In its community presentations, Consumers and Public Sector Consultants have highlighted the importance and value of recreation related to the impoundments. The Coalition does not dispute this and acknowledges that impoundment related recreation would be gone given dam removal. However, this does not mean that recreation opportunities would be foregone. They would change to river-related opportunities as has been the case with the Boardman River dam. Significant river related recreation opportunities have emerged (e.g., kayak based industry, increased river fishing, hiking trails).

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While there are complex issues associated with decommissioning - dam removal, these issues can be worked through as demonstrated by the Boardman River dam removal and ecosystem restoration partnership. When the Boardman River Settlement Agreement and subsequent hydropower licenses were surrendered in 2006, no decision to remove the dams had been made. Rather it established the Boardman River Dams Committee which then worked through a community based process that culminated in the 2008 decision to remove the dams and restore the river. The Coalition offers its support and expertise to Consumers in such an endeavor as it was a signatory to the Boardman River dams settlement agreement and a member of the Implementation Team that oversaw the dam removal. Also, the Coalition recommends that Consumers prepare a decommissioning plan with defined endpoints and timelines as part of any license surrender application.

Finally, related to the dam removal option, the Coalition also recommends that the estimated removal costs developed by Consumers in its 2007 Hydroelectric Plant Retirement Study Plans for the Au Sable, Manistee, and Muskegon Rivers (License Article 204) be updated using current actual dam removal costs (e.g., Boardman River \$30 million costs for removal of three dams).

- Project lands - all 13 hydropower projects have associated lands owned by Consumers that are incorporated into their respective FERC licenses (part of the project boundary) with associated land management plan requirements. These lands, especially in the instance of the 11 projects on the Au Sable, Manistee, and Muskegon Rivers, provide valuable wildlife habitat and recreation opportunities for the public. The Coalition wants to know what Consumers would do with its lands for any project where the license is surrendered. It recommends that Consumers consider the land management objectives of other adjacent landowners (e.g., USFS, MDNR). The Coalition also recommends that should Consumers decide to dispose of these lands that first priority be given to state, federal, land conservancies, or Tribes (for projects located within the ceded territories) to ensure protection of these lands for future generations.
- Greenhouse gas (GHG) - in addition to the risk of an aging project failing, based on the information presented at the community meetings Consumers will be investing significant capital investments for dam safety over the next six years. The carbon impacts of these activities, including carbon emissions from cement are substantial. The GHG emissions of reservoirs may be more modest in Michigan's existing dams than some warmer regions' hydropower impoundments; however they may still offset some of the "green" benefits of hydropower. Research has demonstrated that hydropower is not carbon-free.^{2,3} Therefore, the Coalition recommends that Consumers factor GHG emissions into the analysis of all the options for the future of its hydropower projects. This is especially important given ongoing climate change trends.

²https://alabamarivers.org/reservoir_emissions/

³<https://www.hydropower.org/blog/carbon-emissions-from-hydropower-reservoirs-facts-and-myths>

I. **Comments related to specific hydropower projects**

- Water Quality (Croton, Tippy, Hodenpyl, Mio, Alcona, and Foote Projects) - as previously stated, these six projects are not in compliance with State water quality standards for temperature. The Michigan DNR currently makes an annual investment into stocking fish below these projects because coldwater fish communities cannot sustain themselves due in part to these ongoing thermal impacts that impair natural fish production. Current annual fish stocking costs are upwards of \$900,000. Therefore, the ongoing inability of these six hydropower projects to meet water quality standards must be factored into each option being considered for the future of these hydropower dams. This issue is of paramount importance to the Coalition and the constituents it represents. Its stated position in relation to each of Consumers' options is given below.
 - Re-licensing - if Consumers pursues the re-licensing option for any or all of these projects, it is the position of the Coalition that these unavoidable project impacts to public trust resources will have to be mitigated, ranging from financial compensation to dam removal.
 - License transfer - as stated previously, the Coalition is generally opposed to the sale and transfer of a license, and specifically opposed to license transfer without FERC-mandated proof of financial resources (financial assurances) for dam safety from the new project owner. However, if Consumers pursues this option for any or all of these projects, the Coalition's position regarding water quality remains the same: impacts from ongoing non-compliance will have to be mitigated if the new project owner seeks future re-licensing. In addition, the Coalition would seek immediate mitigation through the FERC license transfer process.
 - Decommissioning (non-power; transfer to another entity) - if Consumers pursues the option of decommissioning any or all of these projects and transferring ownership of the dam to another entity (e.g., local NGO similar to the Tittabawassee River Four Lakes Task Force), Consumers must make any new project owner fully aware of the ongoing water quality non-compliance before transfer. In addition, the Coalition would seek mitigation through the FERC license surrender process. Subsequent to FERC no longer being the regulatory authority for the dam, the Coalition would also seek redress through enforcement of the water quality standards by the Michigan Department of Environment, Great Lakes, and Energy.
 - Decommissioning (dam removal) - if Consumers pursues the option of decommissioning and dam removal for any or all of these projects, the Coalition would strongly support this. Dam removal for long-term river restoration is a priority for the Coalition. As stated earlier, the Coalition would offer its support and expertise to Consumers based on its Boardman River experience.

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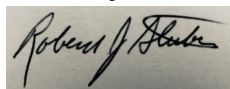
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- Barriers (Calkins Bridge, Croton, Tippy, Foote, Projects) - these four lowermost dams on the Kalamazoo, Muskegon, Manistee, and Au Sable Rivers are barriers to the upstream movement of a number of migratory aquatic organisms.
 - Non-desirable species (sea lamprey) - Consumers must consider the function of these dams as barriers to the upstream movement of undesirable species such as sea lamprey in its evaluation of its options for the future of its hydropower projects. The decommissioning for dam removal option should consider installation of a new barrier device(s) to replace the barrier function of the dam.
 - Desirable fish species (fish passage) - Consumers must also consider the upstream passage of ecological desirable species such as lake sturgeon and host fish species for imperiled mussel species to improve connectivity for all the options. This is especially true for those projects that are having adverse impacts to species that have cultural significance to the Tribes and lie within the 1837 ceded territories (e.g., lake sturgeon; Croton and Tippy Projects).
- Environmental contaminants (Calkins Bridge) - special consideration must be given to contaminant issues should Consumers pursue a change in ownership and operation of this hydropower project. The Calkins Bridge dam and its impoundment are within an EPA-designated Superfund Site, largely because of hazardous substances in sediments. Any proposed changes in dam operations or dam removal that could exacerbate the impacts from the contaminants in the sediments in the impoundment (Lake Allegan) should be coordinated with the U.S. Environmental Protection Agency's Superfund Program and the Michigan Department of Environment, Great Lakes, and Energy.
- ETS Species (Tippy Project) - this project currently supports a winter hibernaculum for bats which is serving as an important refugia for a number of imperiled species (e.g., Indiana bat, northern long-eared bat). The Coalition recommends that Consumers consider this important function for all the options for the future of the Tippy Project in consultation with the U.S Fish and Wildlife Service.

Thank you for providing the Michigan Hydro Relicensing Coalition the opportunity to provide input to your long-term hydropower project planning. The Coalition looks forward to continuing to work with Consumers Energy on the development of the long-term hydropower strategy. Please contact me if you have any questions.

Sincerely,



Robert J. Stuber
Executive Director



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Cc: Maggie Pallone, Public Sector Consultants
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Enclosure (Attachment A)

Attachment A

Consumers Hydropower Projects - Economic Information¹

Consumers Energy Hydropower Projects - Average Value (highest to lowest), Forecasted O&M and Capital Investments 2023-2027 (By Project, Total)					
Project	River	Average Annual Value	% of Total	Forecasted O&M 2023-27 (5 Years)	Forecasted Capital Investments 2023-27 (5 Years)
Hardy	Muskegon	\$3,037,000	23.5	\$6.35 Million	\$411.43 Million
Tippy	Manistee	\$1,826,000	14.1	\$6.01 Million	\$3.45 Million
Hodenpyl	Manistee	\$1,426,000	11.0	\$4.31 Million	\$37.13 Million
Croton	Muskegon	\$969,500	7.5	\$5.57 Million	\$11.69 Million
Foote	Au Sable	\$897,400	7.0	\$6.25 Million	\$10.31 Million
Alcona	Au Sable	\$841,800	6.5	\$4.20 Million	\$46.61 Million
Cooke	Au Sable	\$807,100	6.3	\$5.31 Million	\$12.83 Million
Five Channels	Au Sable	\$715,100	5.5	\$3.92 Million	\$15.27 Million
Rogers	Muskegon	\$679,800	5.3	\$5.91 Million	\$73.39 Million
Loud	Au Sable	\$531,400	4.1	\$3.96 Million	\$12.62 Million
Mio	Au Sable	\$445,800	3.4	\$3.86 Million	\$7.08 Million
Calkins Bridge	Kalamazoo	\$388,800	3.0	\$5.34 Million	\$4.59 Million
Webber	Grand	\$333,500	2.6	\$5.56 Million	\$9.6 Million
Totals		\$12.9 Million	100	\$66.55 Million	\$656.0 Million¹

¹Information taken from Consumers Energy - Public Sector Consultants community meeting packets for each project. Consumers projects \$165 million per year in capital investments thru 2027, ~\$1 billion over 2023-2028 six-year period. Data compiled by Michigan Hydro Relicensing Coalition.