

**HOUSE ENERGY POLICY COMMITTEE  
MAY 7, 2015**

**NEXTERA ENERGY RESOURCES, LLC**

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**Julie Voeck – NextEra Energy Resources Director, Legislative & Regulatory Affairs**

Chairman Nesbitt, Vice Chairmen LaVoy and Glenn, and members of the House Energy Policy Committee:

My name is Julie Voeck and I am the Director of Legislative and Regulatory Affairs for NextEra Energy Resources, LLC. Thank you for the opportunity to testify today on the subject of renewable energy.

Today, I would like to accomplish four things:

1. Describe NextEra Energy Resources;
2. Give a brief history of our wind project development in Michigan;
3. Describe the reasons for the success of our wind projects in the Michigan RPS; and finally
4. Provide recommendations for renewable energy policy and laws in Michigan.

**NextEra Energy Resources, LLC**

My company, NextEra Energy Resources, is a subsidiary of NextEra Energy, Inc., one of America's leading energy companies, where approximately 13,800 employees work in more than 26 states across the nation operating one of the largest and most diverse fleets of power plants in the nation, using natural gas, nuclear, wind, solar and other fuels to generate electricity for millions of Americans every day. NextEra Energy has more than 42,500 megawatts of generating capacity between NextEra Energy Resources and our other main subsidiary, Florida Power and Light (FPL), the largest electric utility in Florida and one of the largest utilities in the

United States. FPL serves approximately 4.7 million customers across Florida and has over 24,000 megawatts of electric generation capacity. In terms of customers and generation output, FPL is roughly the size of Detroit Edison and Consumers Energy combined.

NextEra Energy Resources is a U.S. leader in renewable generation and the largest developer of wind and solar power in North America. We have over 100 wind projects in 19 states and Canada with more than 11,300 MW of wind generation currently in operation. NextEra's over 10,000 wind turbines are capable of generating enough electricity to power about 2.5 million homes.

NextEra is one of Michigan's largest producers of wind energy, providing 370 megawatts of wind generation through four projects: The Tuscola Bay wind farm, located in Tuscola, Bay and Saginaw Counties, has a capacity of 120 MW, and began commercial operations in November, 2012. The Tuscola Bay II wind farm, located in Tuscola County, has a capacity of 100.3 MW, and began commercial operation in November 2013. The Pheasant Run I and II wind farms located in Huron County, each with a capacity of 74.8 megawatts began commercial operation in December 2013 and February 2014 respectively.

Combined, these NextEra Energy wind generation projects represent an investment in Michigan of over \$750 million. And we want to invest more in Michigan. NextEra Energy Resources has other Michigan wind projects currently under development (approximately \$1.5 billion in potential new investment) and is ready to proceed to construction and operation if there is a market for additional renewable energy in Michigan.

Our country confronts unprecedented economic and energy supply challenges. Three critical issues we face are the need for economic strength and vitality; the need to slow or reverse the effects of global climate change; and the need for affordable, reliable energy. Our economy, our environment, our energy supply – the common thread in all three is energy. For nations and communities to thrive, we must have an affordable, reliable, clean supply of energy.

NextEra Energy Resources is helping to address these issues right here in Michigan. We certainly support Governor Snyder's belief that renewable energy, including wind and other clean energy sources, can help reduce our use of fossil fuels while at the same time empowering the future economic growth in Michigan. Wind energy provides diversified income to Michigan farmers, enabling them to retain their land for use to grow crops and related agricultural products.

Wind energy provides much-needed tax income to rural Michigan communities – to schools, libraries and other public services, benefiting the entire community. We estimate that our four projects will also contribute approximately \$247 million in land lease payments and state/local taxes over the first 30 years of operation. In addition to the ~\$750 million of direct investment and the ~\$18 million spent locally during the construction of the projects.

### **History of Success**

The NextEra Energy Resources projects, as well as other wind energy projects throughout the state, have a demonstrated history of success in Michigan. According to the Michigan Public Service Commission's 2015 report on the Implementation of Public Act 295 Renewable Energy

Standard (Report) issued by the Michigan Public Service Commission on February 13, 2015,<sup>1</sup> Michigan wind developers have supplied over 1,500 MW of renewables. The most recent contracts approved by the Commission for new wind energy from wind developers have been approved with levelized costs in the low \$50s per MWh range. The recently approved contracts are about 10 percent less than the lowest levelized contract prices in 2011, and 50 percent of the levelized cost of the first few renewable energy contracts approved in 2009 and 2010. A number of factors have contributed to the decline in the price of wind energy since the Renewable Portfolio Standard (RPS) was implemented in 2008. Most significantly, improvements in wind turbine technology have allowed wind developers to produce energy from new wind farms at a lower cost and thus offer a lower price for wind energy, which is passed on to electric consumers. Competition among experienced wind developers has also contributed to lower pricing over time.

Clearly, Michigan's wind developers have established an exceptionally good record of delivering generating facilities on time, on budget and at affordable prices for Michigan's electricity consumers.

#### **Reasons for Success**

I believe that Michigan consumers have directly benefited from cost competitive, reliable wind energy that has been built in Michigan because of the RPS legislation passed in 2008. The predictable RPS demand for our product is a major factor that has allowed for cost-effective wind development in Michigan.

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<sup>1</sup> *Report on The Implementation of the PA 295 Renewable Energy Standard and the Cost-Effectiveness of the Energy Standards*, Michigan Public Service Commission, February 13, 2015.

Another major reason for our success is the formula in the 2008 legislation which requires that renewable energy projects built to meet the RPS standard be equally owned by independent power producers and utilities. This framework has given utilities strong incentives to work with the RPS program and encourage development of renewable energy projects. The 50/50 mechanism also produces a form of price competition which I believe played a major role in the rapid decline of renewable power prices to a point where those prices are fully competitive and, according to the Michigan Public Service Commission, when combined with energy optimization, can be lower in cost than both natural gas and fossil fuel alternatives.

Competition works when it is visible and when all parties have incentives to participate. Even more importantly, Michigan's current statutory structure has allowed that competitive framework to work in a unique atmosphere that creates meaningful partnerships with the incumbent regulated utilities. Not only have we been able to partner with incumbent utilities for the sale of renewable energy under purchase power agreements, but Public Act 205 allows the utility to purchase an entire renewable project that was cost-effectively developed by a third-party. Such was the case in 2014 with our Pheasant Run II wind project, which DTE purchased from NextEra and subsequently renamed the Brookfield Wind Park. This "turn-key" option is a classic example of a "win-win" scenario under the current law that benefits the low-cost competitive developer, the utility and the utility's customers. For all of these reasons, NextEra believes that the current statutory requirement that allows a 50% of the RPS standard to be met through competitive suppliers, has resulted in low priced, reliable and Michigan-based renewable

energy projects, has been a tremendous success and therefore, justifies a continuation of this framework.

### **Recommendations for the Future**

Wind energy has driven economic growth in Michigan and provided significant economic benefits, including additional jobs to the state, increased tax revenue, NextEra Energy Resources' support of local community activities and purchases of local goods and services. Expanding the current RPS will continue to provide reliable, low cost Michigan-based renewable power as well as continued community and local economic benefits. Based upon our demonstrated record of success in providing reliable and low cost Michigan-based renewable power, I strongly recommend that Michigan continue and expand its current RPS approach. Also, I believe that the 50/50 split of available renewable capacity opportunities between utilities and non-utilities should be continued based on the competitive benefits produced by that framework.

I would be pleased to answer any questions you may have.

