



PERMIT TO INSTALL APPLICATION

For authority to install, construct, reconstruct, relocate, or modify process, fuel-burning or refuse burning equipment and/or control equipment. Permits to install are required by administrative rules pursuant to Section 5505 of 1994 PA 451, as amended.

FOR DEQ USE
APPLICATION NUMBER

Please type or print clearly. The "Application Instructions" and "Information Required for an Administratively Complete Permit to Install Application" are available on the AQD Permit Web Page at http://www.deq.state.mi.us/aps, or contact the Air Quality Division at 517-373-7023.

1. FACILITY CODES: State Registration Number (SRN) and North American Industry Classification System (NAICS)
2. APPLICANT NAME: Consumers Energy
3. APPLICANT ADDRESS: One Energy Plaza
4. EQUIPMENT OR PROCESS LOCATION: 2742 North Weadock Highway
5. GENERAL NATURE OF BUSINESS: Power Generation
6. EQUIPMENT OR PROCESS DESCRIPTION: Consumers Energy is proposing to install a new 8,190 MMBtu (930 MWgross) Advanced Supercritical Pulverized Coal (ASCPC) boiler...
7. REASON FOR APPLICATION: [X] INSTALLATION / CONSTRUCTION OF NEW EQUIPMENT OR PROCESS
8. IF THE EQUIPMENT OR PROCESS THAT WILL BE COVERED BY THIS PERMIT TO INSTALL (PTI) IS CURRENTLY COVERED BY ANY ACTIVE PERMITS, LIST THE PTI NUMBER(S):
9. DOES THIS FACILITY HAVE AN EXISTING RENEWABLE OPERATING PERMIT (ROP)? [X] YES
10. AUTHORIZED EMPLOYEE: Steve Wawro, Manager, Next Generation
11. CONTACT: Jeffrey P. Jaros, NTH Consultants, Ltd.
12. IS THE CONTACT PERSON AUTHORIZED TO NEGOTIATE THE TERMS AND CONDITIONS OF THE PERMIT TO INSTALL? [X] YES [] NO
FOR DEQ USE ONLY - DO NOT WRITE BELOW
DATE OF RECEIPT OF ALL INFORMATION REQUIRED BY RULE 203:
DATE PERMIT TO INSTALL APPROVED: SIGNATURE:
DATE APPLICATION VOIDED: SIGNATURE:
DATE APPLICATION DENIED: SIGNATURE:
A PERMIT CERTIFICATE WILL BE ISSUED UPON APPROVAL OF A PERMIT TO INSTALL



A CMS Energy Company

October 15, 2007

Mr. William Presson
Acting Permit Section Supervisor
Michigan Department of Environmental Quality
Air Quality Division
P.O. Box 30260
Lansing, Michigan 48909-7760

RE: Permit to Install Application – Bay County, Michigan

Dear Mr. Presson:

On behalf of Consumers Energy (“Consumers”), I am pleased to submit the attached Permit to Install (PTI) application for the installation and operation of an Advanced Supercritical Pulverized Coal (ASCPC) unit at the existing site of the Karn/Weadock Generating Station, located in Hampton Township, Bay County, MI. The ASCPC unit will have a gross electrical output rating of approximately 930 megawatts and will be designed to burn 100% low sulfur Western sub-bituminous coal from the Powder River Basin (PRB) with the ability to blend in up to 50% Eastern bituminous coal. The facility will be equipped with the latest control technology and is expected to begin generating power in the 2015 timeframe.

Consumers is Michigan’s second-largest electric and natural gas utility, providing service to more than six million of the state’s 10 million residents in all 68 counties in the Lower Peninsula. With respect to electricity generation specifically, we provide service to some 1.8 million customers in approximately 275 cities and villages. To meet our customers’ demand for electricity, the company currently operates, among other facilities, 12 coal-fired generating units. Fuels available to these units are the same fuels that were projected for this new facility. The business plan for the new unit calls for the use of as much of the existing infrastructure at the Karn/Weadock facility as feasible to reduce the environmental impact of the new unit.

Consumers safely provides reliable and affordable energy to its customers in Michigan. Energy is the engine that drives Michigan’s economy. At the same time, our employees work to protect the quality of Michigan’s priceless natural resources. Balancing the “3 E’s” – energy, environment and the economy – is essential for the future success of Consumers and the State of Michigan.

ENERGY SOLUTIONS

Despite Michigan's current economic condition, overall customer demand for electricity keeps growing. The Michigan Public Service Commission's (MPSC) 21st Century Energy Plan and Consumers have both identified the need for additional generation capacity. The MPSC 21st Century Energy Plan identified energy conservation measures, and increased generating capacity from renewable energy sources, natural gas and coal as elements of the necessary comprehensive plan. Consumers is moving forward to address all of these in accordance with its Balanced Energy Initiative (BEI) filed with the Michigan Public Service Commission on May 1, 2007 with a supplemental Phase II filing on September 21, 2007. The BEI calls for meeting the growing customer demand for electricity with energy efficiency, demand management, expanding the use of renewable energy, utilizing existing generating sources, and developing new power plants.

Consumers performed extensive modeling analysis to develop the BEI. The modeling process optimizes resource alternatives according to technology, timing and amount to arrive at a least cost generation expansion plan. This modeling included a range of potential environmental impacts based on current and possible future regulations for sulfur dioxide, nitrogen dioxide, carbon dioxide, particulate matters and mercury. Significant inputs to that modeling included capital costs, market capacity prices, coal and gas prices, and projections about potential cost of carbon regulation.

Providing energy needs through reliable baseload generation with inexpensive, increasingly clean and domestically abundant coal is critical to the success of our Balanced Energy Initiative. To meet the goals identified in the BEI, Consumers is currently completing the purchase of the Zeeland natural gas power plant, pursuing many renewable energy sources and though this air permit application, beginning the process of permitting and building a new baseload ASCPC unit.

ENVIRONMENTAL STEWARDSHIP

Consumers Energy is committed to minimizing the environmental impact of our generating fleet and will invest more than \$1.5 billion between 2000 and 2015 at its existing coal-fired plants to further control emissions. By switching to low sulfur PRB coal and installing efficient combustion equipment and emission control technology, Consumers has reduced sulfur dioxide emissions from its coal-fired power plants by 79 percent and nitrogen oxides emissions by 67 percent from previous levels. The average age of our fleet is approximately 48 years.

The new clean coal unit will include the latest and best available emissions control technology. As an advanced supercritical power plant, it will run at higher temperatures and steam pressures. As a result, it will burn less coal to generate electricity while producing lower emissions, including CO₂ and mercury. In addition, the design of the new unit protects space for additional control technology that may become available in

Mr. William Presson
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the future for carbon capture and sequestrations in order to reduce carbon dioxide emissions. The advanced supercritical design, in combination with best available control technology, will make this one of the lowest emission pulverized coal plants in the world.

ECONOMIC PROGRESS

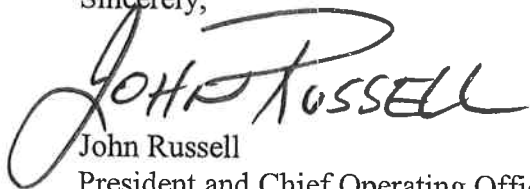
The new coal plant expansion will provide significant economic development benefits for Michigan and the region. It will likely create approximately 2,000 jobs during peak construction and at least 80 permanent jobs with the plant in operation.

The new facility is expected to create millions of dollars in new tax revenue for the local area plus bring other positive economic impacts. The Karn/Weadock Generating Complex already pays about \$10 million per year in property taxes to local government. The proposed new plant is expected to more than double property tax revenues.

Finally, we wish to point out that Consumers, as a regulated public utility, has an obligation to both the Michigan Public Service Commission, as well as to the Michigan Department of Environmental Quality. Our obligation to the MPSC is to make prudent investments that offer the lowest cost and most reliable source of electric power generation to Michigan ratepayers. Working to keep energy rates affordable is a responsibility that we take very seriously. It is our intent to build a model for a reliable, affordable and low-emissions source of energy that will create many jobs and bring economic benefits to Michigan now, and in the future.

If you have any questions or require any further information, please contact Linda Hilbert at 517-788-0044.

Sincerely,



John Russell
President and Chief Operating Officer
Consumers Energy

cc. Mary Ann Dolehanty, MDEQ

Attachment