



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING



STEVEN E. CHESTER
DIRECTOR

May 13, 2009

Mr. Steve Wawro, Manager
Next Generation
Consumers Energy Company
1945 West Parnall Road
Jackson, Michigan 49201

Dear Mr. Wawro:

This letter is in reference to your Permit to Install application, identified as No. 341-07, State Registration Number B2840. The application was received on October 15, 2007, for the proposed installation and operation of a new 930 MW (gross power output) coal-fired Advanced Supercritical Pulverized Coal Boiler, steam turbine generator, and auxiliary processes and equipment at the existing Karn-Weadock Generating Station located at 2742 North Weadock Highway, Essexville, Michigan.

As indicated to you in my April 6, 2009 letter, it is the intent of the Department of Environmental Quality (DEQ) to request an alternatives analysis upon the close of public comment, which ends May 20, 2009. At this point in the public comment process, the DEQ has received numerous comments regarding the need to consider alternatives to the proposed coal-fired power plant. Based upon a preliminary review of these comments, the alternatives analysis should address the items listed below. The DEQ will supplement this request at the end of the formal public comment period if new information is presented for consideration. The request for an alternatives analysis is consistent with state and federal law, specifically Rule 1817(2) of the Michigan Air Pollution Control Rules and Section 165(a)(2) of the federal Clean Air Act.

The analysis should consider alternatives that would reduce emissions of the criteria pollutants (nitrogen oxides, carbon monoxide, volatile organic compounds, particulate matter less than 10 microns, particulate matter, sulfur dioxide, lead), hazardous air pollutants (including mercury), and carbon dioxide from the proposed facility. The analysis should address cost, reliability, availability, and technical feasibility of the alternatives examined. Costs should be presented in a manner to facilitate a comparative analysis (i.e. cost per kilowatt hour for each option).

A preliminary determination of what to include in the alternatives analysis include the following:

1. Reduced generating capacity – Describe future energy requirements and the adequacy of existing supplies. Provide the basis for the proposed design and address whether smaller boilers, a reduced number of boilers, or no new boilers are viable options in light of the other alternatives addressed.
2. Improve Efficiency at Existing Units – Describe the energy efficiency measures available at existing units owned or controlled by Consumers Energy to fully or partially offset the emissions from the proposed facility.
3. Potential Supply Resources – Describe the technologies considered for new generation including the consideration of renewable energy sources, clean fuels (primary fuel and fuel alternatives), and lower emitting technologies.

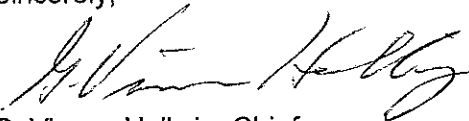
- a. Renewable Energy Sources (i.e., wood, other biomass, etc.).
 - b. Clean Fuels (i.e., lower sulfur coal, etc.).
 - c. Lower Emitting Technologies.
 - i. Natural gas.
 - ii. Wind.
 - iii. Solar.
 - iv. Hydroelectric.
 - v. Nuclear.
 - vi. Geothermal.
 - vii. Combined Heat and Power.
 - viii. Other innovative fuel combustion techniques.
 - ix. Cleaner technologies.
 - x. Sequestering activities.
4. Demand Side Management/Demand Reduction – Describe load management, energy efficiency, and distributed generation as a means of affecting forecasted load requirements.
 5. Combinations of the alternatives in items 1 through 4 above.

The DEQ and Michigan Public Service Commission (PSC) have entered into a Memorandum of Understanding (MOU) to identify each agency's role and responsibility regarding the alternatives analysis review and technical assistance.

Please submit your analysis of items 1 through 5 above in writing. Upon submittal, the DEQ and PSC will make the information available for public comment. Comments received on the analysis will be considered and responded to as part of the overall permit review process. Completion of the review process and a decision on the application is anticipated by the last quarter of 2009.

If you have any questions, please feel free to contact Ms. Mary Ann Dolehanty, Acting Permit Section Supervisor, Air Quality Division, at 517-373-2098, or you may contact me.

Sincerely,



G. Vinson Hellwig, Chief
Air Quality Division
517-373-7069

cc: Ms. Mary Ann Dolehanty, DEQ