Williams Acosta, PLLC

Avery K. Williams
Ruben Acosta
Alan D. Wasserman
David A. Domzal*
Victor J. Torres
*Also admitted in Ohio and Illinois

Attorneys and Counselors
660 Woodward Avenue, Suite 2430
First National Building
Detroit, MI 48226-3535

Phone: (313) 963-3873
Fax: (313) 961-6879
Web: www.williamsacosta.com

December 23, 2003

Via Electronic Mail

Michigan Public Service Commission
6545 Mercantile Way
Suite 7
Lansing, Michigan 48911
Attention: Secretary

Subject: ***Attached Statement of Waste Management of Michigan, Inc.***
Case No. U-12915

Dear Sir or Madam:

Attached please find the Statement of Waste Management of Michigan, Inc. to be filed in the above proceeding. Please file and distribute in your customary manner.

Thank you in advance for your attention to this matter.

Sincerely,

WILLIAMS ACOSTA, PLLC

David A. Domzal

David A. Domzal

DAD/nkm
enclosures

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission's own motion to establish the MICHIGAN RENEWABLES ENERGY PROGRAM.	))))	Case No: U-12915

STATEMENT OF WASTE MANAGEMENT OF MICHIGAN, INC.

Introduction

The Commission Staff has requested comments of any interested persons relating to the November 18, 2003 Annual Report submitted by the Commission Staff to the Commission on the Michigan Renewable Energy Program ("Annual Report").

This Statement is submitted on behalf of Waste Management of Michigan, Inc. and its various related entities (collectively "WMM"). WMM previously provided a Statement in this proceeding on September 11, 2003, expressing its support for development of a renewables program which promotes the use of landfill gas ("LFG"), and now wishes to supplement those comments.

As was previously noted, WMM is the largest landfill owner/operator in the State of Michigan. LFG from WMM's Michigan landfills currently fuels 21 electrical generating units, which in turn generate approximately 16.8 megawatts of electricity.

WMM will limit its comments in this Statement to the area of landfill gas to energy projects ("LFGTE Projects").

As a general observation, in reviewing the Annual Report and the subsequently submitted comments, WMM is somewhat disappointed by the response of a number of parties who continue to focus exclusively on the perceived "excess" costs associated with renewable energy. As noted below, WMM believes that LFGTE Projects are cost competitive with fossil fuel projects, if comparable costs are appropriately considered.

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Moreover, we are residents of a State which is actively promoting new renewable energy technologies, such as fuel cells, as part of our new economy, and such a negative and non-creative approach to renewable energy seems oddly out of touch with where other States are actively heading.

LFG is a unique form of renewable energy, and, for following reasons, we believe LFG should be addressed by the Commission in a separate program.

First, as the Commission may be aware, currently applicable New Source Performance Standards for Municipal Sanitary Landfills require the capture and 98% destruction of non-methane organic compounds. Since methane and non-methane components of LFG are not separated, LFG is readily available as a fuel and, to the extent significant amounts of LFG continue to be flared for lack of a customer, this represents a wasted resource. This differs from many forms of renewable energy, where the energy form needs to be produced before such energy can be considered to be available. The most economical alternative for the sale of LFG continues to be as a direct fuel source for an industrial boiler, and, wherever possible, such projects have been, and will continue to be developed. However, there are a number of smaller landfills, typically in less urban areas, where LFG is readily available and the most cost-effective use of the LFG is in an LFGTE Project.

Second, the costs of developing an LFGTE Project are comparable to that of a traditional fossil fuel source, unlike many other forms of renewable energy.

Third, in WMM's experience, the availability of external financing is not generally a significant issue in the development of LFGTE Projects. Capital for such projects is generally available, provided that the available returns on the investment justifies the investment.

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ATTORNEYS AND COUNSELORS
660 WOODWARD AVENUE, SUITE 2430
DETROIT, MI 48226-3535

Need for Contracts With Public Utilities

The key issue which thus determines whether or not an LFGTE Project will be built is the availability of contracts with public utilities which allow the developer to achieve a reasonable rate of return on its investment. As the Commission is well aware, PURPA provides that utilities are required to purchase power from Qualified Facilities, when such power is offered, at avoided cost. While the term "avoided cost" has been defined in a variety of ways, it has generally been defined in Michigan as a three (3) month rolling average of short-term energy costs, excluding capacity charges. A LFGTE Project, by comparison, cannot choose to ignore the capacity costs in determining whether it can "afford" to construct the project to sell the electrical energy at such avoided cost. As such, in order to compete with energy provided by a public utility, which energy is typically purchased by the public utility in a short term market, an LFGTE must not only be competitive with such energy costs, but it must be cheaper. While one can debate the merit, or lack thereof, of this public policy, the effect undeniably limits the development of LFGTE Projects in Michigan. Many of the LFGTE Projects in Michigan were built under the authority of Public Act 2 of 1989, MCL 460.6o, which Act mandated the availability of purchase contracts. Unfortunately, this authority has long since expired, and Public Act 2 was a success that has not been repeated.

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WMM recommends that the Commission take a closer look at the avoided cost issue, to determine if, consistent with PURPA, the playing field between LFGTE Projects and competing traditional generation projects can be more level. In addition, WMM recommends that the Commission look at approaches to provide incentives (as opposed to threats) to encourage public utilities to make available purchase contracts to LFGTE developers, at reasonable energy rates. Surely there are a variety of "rewards" that can be created by the Commission to encourage utilities to participate in LFGTE Projects. As previously noted, a number of commentators in this proceeding seems to view the economics of renewable energy as a "zero-sum" game, i.e., public utilities must subsidize LFGTE Projects, and must therefore pass through these costs to its customers. As relates to LFGTE Projects, this is not factually correct, and further, it ignores the many worthwhile suggestions that have been noted in the Annual Report to incentivize renewable projects. The Commission should further explore such approaches.

Finally, Commission Staff has set forth a proposal whereby public utilities would be required to solicit "bids" from renewable energy providers, from time to time. Presumably, the renewable energy producer who would submit the lowest energy price would prevail. WMM is not opposed to such a process, or any variation thereof, as long as the Commission does not lose sight of the ultimate goal, to make available energy contracts at reasonable rates. As previously noted, LFGTE projects are generally cost-competitive with traditional fossil fuel projects, and thus such projects would presumably be able to compete in such a competitive bidding process. It may not be fair to lump different types of renewable projects into the same bidding process, however.

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DETROIT, MI 48226-3535

Green Energy Tags

WMM favors the Commission's continued support of a voluntary Green Energy Tag program, such as that currently managed by MIPPA. WMM believes that demand is increasing for such credits, particularly among public utilities located other states, as well as public universities, local communities and federally owned facilities here in Michigan. We believe the Green Tag market will likely continue to increase, as time goes on, even without the support of Michigan public utilities. Public utilities who continue to elect to oppose renewable portfolio standards will have to weigh the risks of having Green Tag markets develop without their active participation.

Final Comments

WMM supports the comments of MIPPA, particularly in the area of Green Energy Tags. WMM continues to belief that LFG remains an underutilized resource, as estimates have been made that there are currently 50 to 75 megawatts of LFGTE currently available in Michigan. It is in Michigan's long term interest to develop a renewable energy policy that promotes the use of such energy. WMM would be pleased to participate in any task force that would be created to deal specifically with biomass/LFG energy. WMM appreciates the opportunity to participate in this proceeding, and to be part of the policy-making process.

Respectfully submitted,

WASTE MANAGEMENT OF
MICHIGAN, INC.

By ______________________

David A. Domzal (P 40830)
Williams Acosta, PLLC
660 Woodward Ave, Ste. 2430
Detroit, Michigan 48226-3535
313-963-3873

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