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STATE OF MICHIGAN
PUBLIC SERVICE COMMISSION
DEPARTMENT OF LABOR & ECONOMIC GROWTH
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DIRECTOR

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CHAIRMAN

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COMMISSIONER

Monica Martinez
COMMISSIONER

July 7, 2006

Dear Sir/Madam,

We are requesting your assistance in completing the enclosed Combined Heat and Power (CHP) Questionnaire which is being gathered as part of the 21st Century Energy Plan (21st CEP) process by the Michigan Public Service Commission (MPSC).

Your company has been identified as having location(s) in Michigan with potential for a CHP project. As such, your cooperation in filling out the questionnaire and returning it to MPSC would be greatly appreciated.

The information obtained as part of this survey process will be kept completely confidential. Information gathered from this survey will be used as part of updating the Capacity Need Forum (CNF) report issued in January 2006. The CNF report contained assumptions pertaining to CHP potential for energy production in Michigan. We are seeking to update these assumptions based on data such as this for inclusion in the 21st Century Energy Plan process and to identify impediments to developing CHP projects.

Please submit your completed CHP Questionnaire in the enclosed self addressed stamped envelope to MPSC offices no later than July 28, 2006. We appreciate your prompt attention to this request, and if you have any questions related to the questionnaire, feel free to contact Pat Poli by phone (517.241.6141) or email (pmpoli@michigan.gov).

For additional information related to the 21st CEP, please go to;
<http://www.dleg.state.mi.us/mpsc/electric/capacity/energyplan/index.htm>

Sincerely,

George Stojic, Director
Operations and Wholesale Markets Division

Enclosure



Combined Heat and Power Questionnaire – Please return by July 28, 2006

Return Completed Form in the enclosed Self-Addressed envelope, or to:

**George Stojic, Director
Operations & Wholesale Markets Division
6545 Mercantile Way
Lansing, MI 48909**

Your company has location(s) that have been identified as having potential for a Combined Heat and Power (CHP) project. The following questions are being asked to determine if the location has potential to support this type of development as well as to determine what roadblocks there may be to such a project.

Has a business case analysis for CHP ever been performed for this location? Yes No

If yes, what were the factors considered and results of the analysis? _____

If no, why? _____

If yes, would you be willing to share the approximate cost (\$/MW) of the project and a copy of the report? (Note: if provided, this data will be kept confidential by the MPSC.) _____\$/MW

Please identify any of the following that were identified or would likely be obstacles to developing a CHP project at this site.

- Insufficient steam demand on a year around basis
- Length of contract or financing commitment required
- Cost of new electric infrastructure at the site (including interconnections)
- Environmental permitting issues for boiler modifications or other reasons
- Cost of electric tariff and/or standby charges
- Low cost of purchased price of electricity from utility or market
- Personnel issues (hiring additional operators, increased O&M etc.)
- Reliability issues associated with operating a CHP
- Fuel price risk (volatility of natural gas or coal price)

Contractually prohibited (exclusive electric supplier, etc.)

Other _____

If the site does not have sufficient steam demand year around to support a CHP project, are there any processes that could be converted to steam usage (i.e. chillers, etc.) to increase steam demand?

Yes No

If yes, please identify _____

What approximate hurdle rate (internal rate of return) would your company require in order to implement a CHP project? _____

If all roadblocks were removed and a favorable business case could be developed for CHP, would your company likely move forward with the project? Yes No

If no, please explain _____