Electric Demand Forecast Comparison

21st Century Energy Plan Meeting

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Comparison of Consumers Energy’s Forecasts

TOTAL DELIVERIES

TOTAL PEAK DEMAND

GWH

MW


CNF Fcst

21st CEP Fcst

CNF Fcst

21st CEP Fcst
Reasons for Differences in Forecast

Declines in the Consumers Energy Forecasts are due to:

- Michigan Economic Outlook
  - Lower Expectations for State Industrial Production & Employment
  - Lower Expectations for New Housing Starts
- Central Air Conditioning Saturation nearing reasonable limits
- Slowing Growth in Commercial Sector Usage
- Continuing Efficiency in Electric Use
  - Large Customer Usage in relation to Industrial Production output
  - Central Air Conditioning SEER rating standards implemented in 2006

Declines in the Consumers Energy Forecast are partially offset by:

- Late 2005 announcements of specific major expansions and construction activity supporting growth in polycrystalline silicon and ethanol production
Michigan Economic Outlook

AVERAGE OF SIX MANUFACTURING SECTORS

TRANSPORTATION EQUIPMENT MANUFACTURING SECTOR

Source of Michigan Economic Data – Global Insight, Inc.
Michigan Economic Outlook

Michigan Housing Starts

TRANSPORTATION EQUIPMENT MANUFACTURING SECTOR

Source of Michigan Economic Data – Global Insight, Inc.
Slowing Commercial Sector Use Growth

1990 – 2003 Average Growth in Usage = 279 GWH/Yr

2003 – 2005 Average Growth In Usage = 187 GWH/Yr
Continuing Efficiency Improvements

**LARGE AUTO SECTOR CUSTOMER EFFICIENCY**

- **CNF Fcst**
- **21st CEP Fcst**

**CENTRAL AIR CONDITIONING UNIT EFFICIENCY**

- **Avg SEER Rating**
- **Central AC Use Index**
Central Air Conditioning Saturation

CNF: 60% central air saturation in 2009 – Peak Forecast extended as if saturation continues to grow 2.3% per year

21st CEP: Houses built before 1990 max out at 50% central air saturation in 2010. Saturation for houses built after 1990 set at 80%. Overall saturation reaches 60% central/20% window/room in 2030.
Conclusion

- Reductions in the forecast of Total Electric Deliveries are due primarily to lagging industrial sector growth in Michigan resulting from Auto Sector restructuring. This lag was not anticipated at the time the original CNF forecast was prepared. Other changes in the forecast offset each other over the next 3 – 4 years.

- Approximately one-half of the reduction in the peak demand forecast is the result of the Company’s revised outlook for residential saturation of central air conditioning. The remaining reduction reflects the general Michigan economic outlook and 2006 national efficiency standards for new installations of air conditioning.

- Consumers Energy will continue to evaluate the impacts of Michigan economic conditions, central air conditioning, and other appliance or usage trends that could affect the outlook for electric demand in our service area.