

The Campaign to SAVE LAKE ALLEGAN



LAKE ALLEGAN'S FUTURE IS UP IN THE AIR.

In August 2022, Consumers Energy (CE) announced it is considering whether to continue generating hydroelectric power at 13 hydroelectric plants across Michigan. One of those plants is the Calkins Bridge dam that creates Lake Allegan on the Kalamazoo River. We are the Lake Allegan Association, Inc. As members of one hydro community, we know the devastating impact CE's resignation from producing hydro power would have. We are determined to save our lake.

LAKE ALLEGAN YESTERDAY AND TODAY

Lake Allegan was formed in 1935, when the City of Allegan built a dam on the Kalamazoo River at Calkins Bridge to generate hydro power¹. In the years since, Lake Allegan has become a haven for nature and people. Thousands of people have invested in the surrounding land, desirable for its gorgeous vistas and access to the City of Allegan, the resort towns Saugatuck and Douglas, and the more urban Kalamazoo and Grand Rapids.

The 1,587-acre lake is ringed with docks, boats, jet skis, barbecue pits, and playgrounds. Visitors and residents take advantage of the lake's stable water levels to swim, fish, sail, ski, and recreate. Lake Allegan has also become a sanctuary for a diverse population of wildlife including 97 bird species such as eagles, herons, kingfishers, sea gulls, ducks and geese, as well as two species of endangered mussels, one endangered butterfly, turtles, bluegill, catfish, bullhead, and northern pike.

Lake Allegan's is located next to the 50,000-acre Allegan State Game Area and the Echo Point Shooting Range, which help us welcome thousands of visitors a year.

AMERICAN HISTORY

Lake Allegan plays a prominent part in American history.

During World War II, a P.O.W. camp for German prisoners operated on the western edge of the lake.

Townships surrounding the lake provided the timber used to rebuild Chicago after the 1871 fire.

THE HYDRO POWER QUESTION

Consumers Energy bought the lake and dam from the City of Allegan in 1969. Calkins Dam is a run-of-river operation, passing water through the powerhouse at the same rate it comes into Lake Allegan. With an annual capacity of 2,550 kilowatts of electricity, Calkins Dam generates 13 million kilowatt hours of energy per year²—enough to power 1,550 households. CE operates Calkins under a federal license expiring in 2040. Many of its other hydro licenses expire earlier, in 2034.

Today, CE is questioning its entire hydro strategy. Here's what they say might happen:

For each plant there are several potential results. It could lead to a renewal of our operating license for 30 more years. It could also lead to replacing or removal of the plant. Transferring ownership is another possibility.³

To the Lake Allegan Association, there can be no question: Threatening the existence of these 13 dams imperils people, businesses, habitats, and communities across the state.

DECOMMISSIONING CE'S 13 DAMS WOULD BE A TERRIBLE MOVE FOR MICHIGAN.

Decommissioning would be a giant step backward in meeting Michigan's renewable energy goal.

Michigan's use of green and renewable energy is upside down. We are ranked in the bottom half for energy use but in the top 10 for carbon emissions.⁴ Consumers Energy should be increasing power generated from renewable energy, not curtailing it. Hydropower generates a negligible amount of CO². In contrast, Consumers operates a coal plant in Bay County and a natural gas plant in Zeeland that kick out 3 million and 1.7 million kilograms of CO² per year respectively⁵. These two plants are in the top 10 dirtiest power plants⁶.

Although the power generated by hydro in Michigan is 1% of total power, that is still a substantial portion of renewable power generated in the state. For Michigan to reach its essential goal of generating 60 percent of the state's electricity from renewable resources by 2030,⁷ it cannot reduce the power generated from clean, renewable hydro.

Decommissioning would wreak havoc—on communities, economies, and environments—across the state.

In our conversations with residents and officials across the state, it is clear that the lakes and ponds created by these 13 dams give life and treasure to their surrounding areas. Many of these areas lack proximity to urban areas, are pockmarked with shuttered factories, or both. Their communities and economies depend on people seeking access to recreational waters and their related habitats for wildlife, hiking, and hunting. Take those waters away and the people may not return. These dams sit in three of the four corners of our state. If the dams are removed, the damage will be all encompassing.

LAKE ALLEGAN—A CASE IN POINT

To understand the macro effects of decommissioning dams, consider the micro effects here, at Lake Allegan.

Removing Calkins Bridge dam would eliminate Lake Allegan—with devastating community consequences.

- Lakeside and nearby home values would plummet, reducing tax revenues that support schools and community needs. In fact, several home sales have already fallen through, and the market for homes around Lake Allegan has collapsed.
- Lake recreation as we know it today would disappear. Area residents and visitors would no longer have Lake Allegan's 1557-acre waters to fish, kayak, boat, swim, and hunt.
- Businesses sustained by the vibrant Lake Allegan community would suffer. These include repair, removal, and storage services for watercraft, docks, and boat lifts; businesses that build docks, seawalls, and retaining walls; stores that sell bait and tackle; and area B&Bs and restaurants.
- The loss of taxpayer dollars would be devastating, particularly for Valley and Allegan Townships.

Resources invested in Lake Allegan's health would be lost.

Lake Allegan, like many waterways, has needed some environmental remediation. Phosphorus-rich farm- and residential run-off have migrated from the Kalamazoo River watershed. Invasive fish and weeds

challenge our lake's native species. But many investments have been made to improve the lake and its recreational value:

- A state-imposed project has been largely successful in reducing phosphorus in the lake.
- Georgia Pacific ran a fruitful program to capture, remove, and study the excessive carp that stirred up sediment and choked out fish diversity.
- Many of us on the lake are working hard to reduce invasive weeds.
- DNR has invested resources to create public access and surrounding camp and recreation grounds.

If Lake Allegan is drained, these investments in creating a healthy, vibrant lake would be moot.

Another critical environmental clean-up could become prohibitively expensive.

Decades ago, paper manufacturers dumped waste into the Kalamazoo. As a result, the soil beneath Lake Allegan contains an estimated 22 tons of PCBs (polychlorinated biphenyls).⁸ PCBs are chemicals deemed probable carcinogens. Because Lake Allegan sits in the Kalamazoo River Superfund Site, the successors to the old polluters are obligated to clean up the PCBs.

Much of Lake Allegan's PCB-tainted soil is trapped under clean sediment built up over the years.⁹ Allowing natural, clean sediment accumulation to trap toxic contaminants is one accepted means of PCB remediation. Called 'monitored natural recovery (MNR),' the process gradually contains, destroys, or reduces the harm posed by the contaminants.¹⁰ MNR is low-cost compared to dredging or other removal levels. But MNR can take decades. *And it depends on leaving Lake Allegan in place.*

- But, if CE removes the dam, EPA and the state would almost certainly require PCB removal from the drained lakebed. Otherwise, the land wouldn't be safe for wildlife or property development. Those costs would be many multiples of the cost of intact-lake clean-up, not to mention the cost of preventing PCB migration during the dam removal process.
- Decommissioning the dam could disrupt the orderly Superfund process, creating expensive, time consuming disputes among Consumers, the other Potentially Responsible Parties, EPA, EGLE, DNR, the Michigan Attorney General and FERC.¹¹
- Regardless of who might end up paying for clean-up, it makes no sense to disturb the clean sediment and *risk accident or error that would allow PCBs to pass downstream.*

TWO IMPEDIMENTS TO PROGRESS

The Lake Allegan Association seeks a solution that keeps the dam in place, with assurances it will be managed and maintained to the highest safety and environmental standards. However, we see two impediments to achieving our objective: (a) over-regulation; and (b) putting profits before people.

MPSC must broaden its view.

CE's ability to operate any hydro dam is subject to two powerful regulators: The Federal Energy Regulation Commission (FERC) and the Michigan Public Services Commission (MPSC).

- FERC tells Consumers if it can run a hydro dam.¹²
- MPSC tells Consumers how much it can charge for electricity coming out of the hydro dam.

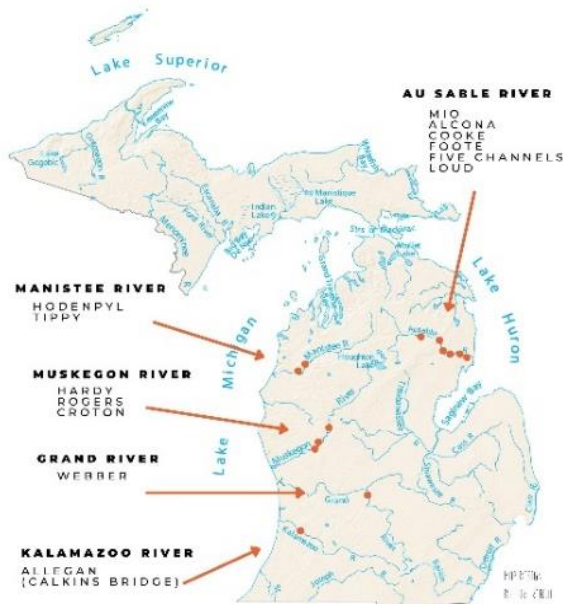
Unfortunately, FERC and MSPC appear to work at cross purposes. FERC can grant licenses with conditions, including dam repairs and/or upgrades; adding environmental and ecological protections; and

enhancing the public’s recreational opportunities. *MPSC, however, does not necessarily allow a power company to charge rates that would recover the cost of FERC’s conditions.*¹³

For example, consider CE’s current MPSC rate case. In March 2022, CE applied to MPSC for authority to increase its electricity rate. CE presented costs, totaling over \$350 million, needed for safety and reliability upgrades to its Hardy dam. CE’s director of hydro operations testified that in his opinion, ‘failure to make this investment in a timely fashion would cause FERC to order the Company to cease operation of the facility well before its project license expires.’¹⁴

The case is still pending, but MPSC currently rejects Consumer’s request to increase rates to fund required upgrades. In testimony, an MPSC staffer maintained that the Hardy and other Muskegon River project costs outweigh their value to CE’s ratepayers. “It is unreasonable,” he said, “for ratepayers to pay for the entirety of the significant costs of these projects and receive limited benefits and as a result, Staff is unable to support the full costs of the significant capital projects at Hardy being included in base rates.”¹⁵

As CE customers ourselves, Lake Allegan Association members do not look forward to rate increases. *But does it make sense for MPSC to disqualify dam safety investments from a power company’s rate base?*



Map Design by Lori Randall

MPSC must revisit its rate-case criteria. It must recognize that investment in hydro brings statewide benefits that eclipse any local issue. To preserve an integral element of Michigan’s renewable energy supply, as well as not destroy communities across the state, MPSC must reconsider its approach to rates around hydro dams.

Further, MPSC’s current intransigence on rates is a matter of safety. We have no reason to suspect Calkins Bridge dam has safety issues at this time.¹⁶ But what about the future? If FERC mandates any significant repairs or improvements, MPSC would likely disqualify some or all the costs, using their Hardy logic that CE’s ratepayers at large would not benefit from the project(s), disincentivizing CE from staying in hydro.

MPSC must reconsider how it treats essential project costs in its rate-setting.

CE must prioritize people and communities in its profit objectives. It must prove that its ‘triple bottom line’ of ‘people, planet, and profit’ is more than a slogan.

In its SEC filings—both financial and Environmental, Social, Governance and Sustainability (ESG)—CE’s parent company portrays a business strategy that prioritizes customers and communities. The company widely quotes its ‘triple bottom line.’

- From CMS Energy’s third-quarter, 2022 earnings report: *The triple bottom line balances the interests of employees, customers, suppliers, regulators, creditors, Michigan’s residents, the investment community, and other stakeholders, and it reflects the broader societal impacts of CMS Energy’s and Consumers’ activities.*

- From its 2022 ESG report: *We know doing what's right for our customers, communities, employees and planet is critical to our sustained success.*

Consumers is a healthy, profitable company. As of July 1, 2022, CMS Energy had a net profit margin of 16.38%. For comparison: DTE Energy, the larger Michigan public energy utility, reported a net profit margin of 4.27%. Amazon's net profit margin was 2.39% for the same period.¹⁷

We can applaud Consumers' financial success but still insist that it not turn its back on hydro communities, even if hydro's rate of return is inconsequential compared to more lucrative power generation.

CE's 13 dams may be inconvenient and less profitable than a solar field or a wind farm, but they still power thousands of homes, without belching noxious gas into the air or jeopardizing the health of the company. Consumers has long profited from people who moved to its lake communities and need to buy power while there. In turn, these communities have flourished, happily and interdependently, with Consumers.

Staying in hydro might mean that CE concedes a minuscule fraction of its potential profit. That's mild disappointment compared to the economic damage to 13 communities, should CE choose to exit hydro. Only one decision—staying in hydro—can *do what's right* for Consumers' communities.

CE MUST HONOR ITS COMMITMENTS TO CLEAN ENERGY AND TO MICHIGAN

That means staying in hydro.

CE states they're committed to growing clean-energy power generation. On its clean energy webpage,¹⁸ CE points to 'More Solar Power. More Battery Power. More Customer Programs. Zero Coal and 90% Clean.' And together, CE says, we can: 'Protect Our Environment. Boost local economies. Create a more sustainable Michigan. Lower our energy consumption.' *Yet nowhere on its clean energy page does CE mention hydro.*

Staying in hydro should be a key strategy if CE is to meet its stated goals.

- Environmental protection. Not only does hydro provide clean power, in the case of Lake Allegan, the Calkins dam creates conditions that will facilitate natural PCB containment over time.
- Boost local economies. CE's thirteen dams are community catalysts, with economic benefits as noted earlier: a heightened property tax base plus recreational waters across the lower peninsula. These waters bring travel and tourism dollars to restaurants, hotels, and campgrounds. They support boating, fishing, and other recreation-related businesses.
- A more sustainable Michigan. Our state brands itself Pure Michigan to attract recreational spending. In 2020, Michigan's tourism industry added \$8 billion to statewide GDP.¹⁹ What portion stems directly from the recreational draw of Lake Allegan and the other twelve dam communities? We don't know—but we intend to find out.

Allegan County commissioners have already passed a resolution to request federal funding for an economic impact study. They are asking commissioners in the other affected counties to join that request. The assessment would measure the value of the dams' individual and collective contributions to our state's economy.

The result, we expect, will be compelling evidence that CE's hydro operations benefit us all. We will use study results to press CE to stay in hydro, thus continue to boost local and state economies. In short—we will press CE to honor its commitment to Michigan.

We'll also share the study with the governor, MPSC, and the attorney general, whose office oversees MPSC. We'll argue that facilitating hydro is consistent with being and staying *Pure Michigan*. CE's

ratepayers benefit widely from its hydro business. Prudent investments—the ones needed to keep the plants generating safe, clean power—must be allowed in rate cases.

YOUR TURN: HOW TO HELP SAVE CALKINS BRIDGE AND THE OTHER AT-RISK DAMS

You can reach out to policy- and decision-makers. For each of the following suggestions, you'll find contact details and wording ideas on our [RESOURCES](#) page.

- Tell Consumers Energy executives why you care about Lake Allegan, or any CE water you live on, near, or travel to. CE's official public survey period has ended, but that doesn't mean we should stop writing.
- If you live in a county with a CE dam, ask your commissioners to join Allegan County in securing the federally funded economic impact study described above. You can also ask our Michigan senators and representatives to push for the funding.
- Press the governor's and the attorney general's office to look at MPSC's rate-case criteria and consider how it has become a barrier to hydro investment in our state.
- Join the Lake Allegan Association if not already a member. [[link to LAA page](#)] You can help with committee work, too... or donate. Grass-roots activism comes with some costs!

ABOUT THIS DOCUMENT

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www.lakeallegan.org

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Resources and references follow.

NOTES

- ¹ <https://www.hollandsentinel.com/story/news/2010/02/02/dam-on-kalamazoo-river-will/45226253007/>
- ² <https://hydroreform.org/hydro-project/calkins-bridge-p-785/#:~:text=This%20project%20is%20located%20on,powerhouse%20with%20three%20generating%20units.>
- ³ <https://www.consumersenergy.com/company/electric-generation/renewables/hydroelectric/hydro-future>
- ⁴ <https://www.eia.gov/state/?sid=MI>
- ⁵ <https://findenergy.com/mi/>
- ⁶ <https://environmentamerica.org/michigan/center/resources/michigans-dirtiest-power-plants/>
- ⁷ MI Healthy Climate Plan, April 2022 <https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Offices/OCE/MI-Healthy-Climate-Plan.pdf?rev=d13f4adc2b1d45909bd708cafccbfffa&hash=99437BF2709B9B3471D16FC1EC692588>
- ⁸ <https://www.michigan.gov/egle/-/media/Project/Websites/egle/Documents/Programs/RRD/Kalamazoo-River/EGLE-Cover-Letter-and-Detailed-Comments-OU5-Area-6-2022-04-13.pdf?rev=f82995067dc244cabae17ace49d31c75&hash=1609B531C4D1DB0E1D87F96769E878B7> PDF page 4
- ⁹ One Lake Allegan study compared sediment samples taken between 1993 and 2009. The study suggested that natural PCB containment was already well underway, demonstrating the potential for natural recovery of Lake Allegan. <https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/remediation/middle-river/NoteonMonitoredNaturalRecovery02-18-13.pdf> See PDF pages 7 and 33
- ¹⁰ <https://frtr.gov/matrix/Monitored-Natural-Recovery-and-Enhanced-Monitored-Natural-Recovery/#Introduction> First sentence under ‘Introduction’
- ¹¹ Obligated by Superfund law, responsible companies have so far, paid costs of a long-term Kalamazoo River clean-up project. https://www.michigan.gov/documents/egle/Report-2021-06-Federal-Superfund-FY20_729946_7.pdf See PDF p. 249.
- ¹² FERC grants 30-year hydro operating licenses after reviews covering safety, economic, environmental, and community impacts. If a dam owner wishing to not renew a license it must still apply to FERC, asking permission to de-license and proving it can do so safely. A licensing (or de-licensing) review can take five to ten years or more. This extended application period explains why CE is considering its Calkins dam licensing decision now—twelve years before the current license expires. <https://www.ferc.gov/about/what-ferc/frequently-asked-questions-faqs/frequently-asked-questions-faqs-citizen-information>
- ¹³ MPSC sets rates for investor-owned utilities like Consumers. MPSC’s stated mission is to ‘serve the public by ensuring safe, reliable, and accessible energy and telecommunications services at reasonable rates.’ <https://www.michigan.gov/mpsc/about/electricity>
- ¹⁴ <https://mi-psc.force.com/s/case/5008y000003b862AAA/in-the-matter-of-the-application-of-consumers-energy-company-for-authority-to-increase-its-rates-for-the-generation-and-distribution-of-electricity-and-for-other-relief> (Specifically, filing number U-212224-0005 on this web page; see testimony of Adam J. Monroe, particularly pages 1422 and 1447 of the filing PDF.)
- ¹⁵ <https://mi-psc.force.com/s/case/5008y000003b862AAA/in-the-matter-of-the-application-of-consumers-energy-company-for-authority-to-increase-its-rates-for-the-generation-and-distribution-of-electricity-and>

[for-other-relief](#) (Specifically, filing number U-212224-0267 on this web page; see testimony of Jonathan J. DeCooman, MPSC engineer, particularly page 40 of the filing PDF.)

¹⁶ CE’s statements and filings suggest that the Calkins Bridge dam is sound. In its August community presentation, CE noted that Calkins’ FERC hazard classification is ‘low,’ indicating a small probability of failure that would cause loss of human life, economic, and/or environmental losses. Also, CE’s current rate case does not include any large Calkins improvements—another signal that today, no large repairs are imminent.

¹⁷<https://www.macrotrends.net/stocks/charts/CMS/cms-energy/profit-margins#:~:text=CMS%20Energy%20net%20profit%20margin,30%2C%202022%20is%2015.63%25.&text=CMS%20Energy%20is%20an%20energy,and%20operates%20power%20generation%20businesses>.

¹⁸ <https://www.consumersenergy.com/company/clean-energy>

¹⁹ <https://medc.app.box.com/s/4bk5k9s8c5u40zt2n7vqgsuslpjgw5k7>