

Act No. 75  
Public Acts of 1996  
Approved by the Governor  
February 25, 1996  
Filed with the Secretary of State  
February 26, 1996

**STATE OF MICHIGAN  
88TH LEGISLATURE  
REGULAR SESSION OF 1996**

Introduced by Rep. Alley

# **ENROLLED HOUSE BILL No. 5326**

AN ACT to amend section 60 of Act No. 3 of the Public Acts of 1939, entitled as amended "An act to provide for the regulation and control of public utilities and other services affected with a public interest within this state; to create a public service commission and to prescribe and define its powers and duties; to abolish the Michigan public utilities commission and to confer the powers and duties vested by law therein on the public service commission; to provide for the continuance, transfer, and completion of certain matters and proceedings; to abolish automatic adjustment clauses; to prohibit rate increases without notice and hearing; to qualify residential energy conservation programs permitted under state law for certain federal exemption; to provide for a restructuring of rates for certain utilities; to encourage the utilization of resource recovery facilities; to provide for appeals; to provide appropriations; to declare the effect of this act; to prescribe penalties; and to repeal all acts contrary to this act," as amended by Act No. 10 of the Public Acts of 1994, being section 460.60 of the Michigan Compiled Laws.

*The People of the State of Michigan enact:*

Section 1. Section 60 of Act No. 3 of the Public Acts of 1939, as amended by Act No. 10 of the Public Acts of 1994, being section 460.60 of the Michigan Compiled Laws, is amended to read as follows:

Sec. 60. (1) As used in this section:

(a) "Resource recovery facility" means a facility that meets all of the following requirements:

(i) Has machinery, equipment, and structures installed for the primary purpose of recovering energy through the incineration of qualified solid waste, qualified landfill gas, or scrap tires.

(ii) Utilizes at least 80% of its total annual fuel input in the form of qualified solid waste, at least 90% of its total annual fuel input in the form of qualified landfill gas, or 90% of its total annual fuel input in the form of scrap tires, exclusive of fuel used for normal start-up and shutdown.

(iii) Is a qualifying facility as defined by the federal energy regulatory commission pursuant to the public utility regulatory policies act of 1978, Public Law 95-617, 92 Stat. 3117.

(b) "Qualified landfill gas" means gas reclaimed from a type II landfill as defined in R 299.4105 of the Michigan administrative code.

(c) "Qualified solid waste" means solid waste that may be lawfully disposed of in a type II landfill as defined in R 299.4105 of the Michigan administrative code, and which is generated within this state.

(d) "Scrap tire", "scrap tire hauler", and "scrap tire processor" mean those terms as they are defined in part 169 (scrap tires) of the natural resources and environmental protection act, Act No. 451 of the Public Acts of 1994, being sections 324.16901 to 324.16909 of the Michigan Compiled Laws.

(2) Public utilities with more than 500,000 customers in this state shall enter into power purchase agreements for the purchase of capacity and energy from resource recovery facilities that incinerate qualified landfill gas; that incinerate qualified solid waste, at least 50.1% of which is generated within the service areas of the public utility; or,

subject to the provisions of this section, that incinerate scrap tires, under rates, charges, terms, and conditions of service that, for these facilities, may differ from those negotiated, authorized, or prescribed for purchases from qualifying facilities that are not resource recovery facilities. If a resource recovery facility incinerates scrap tires, or any other tires that are obtained from outside the state, or if more than 50.1% of the scrap tires or other tires are obtained outside the public utility service area, the public utility may in partial satisfaction of its obligation under this subsection purchase capacity and energy from the facility but is not obligated by this act to purchase the facility's capacity and energy. A resource recovery facility that incinerates at least 90% of its total annual fuel input in the form of scrap tires shall accept all scrap tires that first became scrap tires in the state and that are delivered to the facility by a scrap tire processor or a scrap tire hauler. The first 6,000,000 of these scrap tires delivered to the resource recovery facility each year shall be charged a rate not greater than an amount equal to \$34.50 per ton, increased each calendar quarter beginning July 1, 1990, by an amount equal to the increase in the all items version of the consumer price index for urban wage earners and clerical workers during the prior calendar quarter. Including power purchase agreements executed prior to June 30, 1989, this section does not apply after 120 megawatts of electric resource recovery facility capacity in a utility's service territory have been contracted and entered in commercial operation. Additionally, this section does not apply to more than the first 30 megawatts of scrap tire fueled resource recovery facility capacity in the state that has been contracted and entered in commercial operation. Excluding rate provisions, if 1 or more provisions of a purchase agreement remain in dispute, each party shall submit to the commission all of the purchase agreement provisions of their last best offer and a supporting brief. On each disputed provision, the commission shall within 60 days either select or reject with recommendation the offers submitted by either party.

(3) A power purchase agreement entered into by a public utility for the purchase of capacity and energy from a resource recovery facility shall be filed with the commission and a contested case proceeding shall commence immediately pursuant to chapter 4 of the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.271 to 24.287 of the Michigan Compiled Laws. Notwithstanding section 6j, a power purchase agreement shall be considered approved if the commission does not approve or disapprove the agreement within 6 months of the date of the filing of the agreement. Approval pursuant to this subsection constitutes prior approval under section 6j(13)(b).

(4) The energy rate component of all power sales contracts for resource recovery facilities shall be equal to the avoided energy cost of the purchasing utility.

(5) When averaged over the term of the contract, the capacity rate component of all power sales contracts for resource recovery facilities may be equal to but not less than the full avoided cost of the utility as determined by the commission. In determining the capacity rate, the commission may assume that the utility needs capacity.

(6) Capacity purchased by a utility prior to January 1, 2000 under a power sales contract with a resource recovery facility shall not be considered directly or indirectly in determining the utility's reserve margin, reserve capacity, or other resource capability measurement. To insure compliance with this act, a resource recovery facility that incinerates scrap tires shall provide an annual accounting to the legislature and the commission. The annual accounting shall include the total amount of scrap tires incinerated at the resource recovery facility and the percentage of those scrap tires that prior to incineration were used within this state for their original intended purpose.

This act is ordered to take immediate effect.

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Clerk of the House of Representatives.

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Secretary of the Senate.

Approved -----

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Governor.