Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1260 (as introduced 5-11-00)
Sponsor: Senator Burton Leland
Committee: Technology and Energy

Date Completed: 5-16-00

CONTENT

The bill would amend the Public Service Commission (PSC) enabling Act to do the following:

- **Require the PSC to establish standards for the disclosure of information by persons selling electric service.**
- **Require the PSC to establish a funding mechanism for electric suppliers to carry out an educational program for customers.**
- **Provide that the PSC would have to require suppliers to inform customers about the environmental characteristics of electricity purchased.**
- **Require the PSC to establish a program to inform customers about renewable energy.**
- **Require the PSC to establish a nonbypassable transaction charge to fund low-income assistance and programs to improve energy efficiency.**
- **Create a trust fund to receive the transaction charge and require the Family Independence Agency to administer the fund.**
- **Provide that an annual amount of $30 million would be available for disbursement for the first six years, after which only interest and earnings would be available.**

Disclosures

The PSC would have to establish minimum standards for the form and content of all disclosures, explanations, or sales information disseminated by a person selling electric service to ensure that the person provided adequate, accurate, and understandable information about the service that enabled a customer to make an informed decision relating to the source and type of electric service purchased. The standards could not be unduly burdensome or unnecessarily delay or inhibit the initiation and development of competition for electric generation service in any market. Also, the standards would have to establish different requirements for disclosures, explanations, or sales information relating to different services or similar services to different classes of customers, whenever different requirements were appropriate to carry out the purposes of these provisions.

Before January 1, 2002, the PSC would have to establish a funding mechanism for electric suppliers and alternative electric suppliers to carry out an educational program for customers to do all of the following:

- Inform customers of the changes in the provision of electric service, including the availability of alternative electric suppliers.
- Inform customers of requirements relating to disclosures, explanations, or sales information for alternative suppliers.
- Provide assistance to customers in understanding and using the information to make reasonable informed choices about which service to purchase and from whom.

The PSC would have to require that, starting January 1, 2002, all electric suppliers disclose in a standardized, uniform format on a customer's bill with a bill insert, or on customer contracts, information about the environmental characteristics of electricity purchased by the customer, including:

- -- The average fuel mix, including categories for oil, gas, coal, solar, hydroelectric, wind, biofuel, nuclear, solid waste incineration, biomass (dedicated crops grown for energy production and organic waste), and other fuel sources. A regional average, determined by the PSC, could be used only for that portion of the electricity purchased for which the fuel mix could not be discerned.
- -- The average emissions, in pounds per megawatt hour, of high-level nuclear waste generated, sulfur dioxide, carbon dioxide, and oxides of nitrogen. An emissions default, determined by the PSC, could be used if the regional average fuel mix were being disclosed.
- -- The regional average fuel mix and emissions profile as referenced above.

This information would have to be provided no more than twice annually, and could be based on a rolling annual average. Emissions factors would be based on annual publicly available data by generation source.

The PSC would have to establish the "Michigan Renewables Energy Program", to inform customers about the availability and value of using renewable energy generation and the potential of reduced pollution. The PSC also would have to establish the rates, terms, and conditions of service that would allow customers to purchase renewable energy.

Low-Income Assistance/Energy Efficiency

The PSC would be required to establish a nonbypassable transaction charge to fund low-income energy assistance and programs to improve energy efficiency.

The Low-Income Assistance and Energy Efficiency Trust Fund would be created within the State Treasury and administered through the Family Independence Agency (FIA). The Fund would receive an amount equal to 1.2 mills per kilowatt hour sold in the State for six years, to be collected from customer classes through the nonbypassable transaction charge. Each quarter, the funds would have to be deposited in the Trust Fund. The Department of Treasury would be responsible for the timely collection of these funds, and the FIA would be responsible for their disbursement. The funds could be disbursed only for the purposes identified below.

For the first six years, an annual amount of $30,000,000 would have to be available for disbursement. After that time, interest and earnings only would be available for disbursement, with the remainder of the money collected remaining in the Trust Fund to accumulate interest and earnings. The following percentages of available funds would have to be spent as described below:

- -- 40% for programs to provide low-income assistance.
- -- 59% for energy efficiency programs and services. At least 25% of the funds available under this provision would have to be used to provide energy efficiency services to low-income customers. The remainder would have to be allocated to each customer class in proportion to its relative contribution to the transaction charge revenues deposited into the Trust Fund.
- -- 1% for research, development, and the use of energy efficient fuel cells.

The funds collected for energy efficiency services would have to be distributed to qualified energy efficiency service providers and to eligible customers according to rules promulgated by the FIA. The FIA would have to establish a public advisory committee to assist in developing the rules and overseeing energy efficiency services funded under these provisions. Eligible programs would include grants, low-interest loans, and contracts for achieving energy savings. The funds available for contracts would have to be made available through a competitive process based upon achieving the greatest reductions in energy usage on a cost-effective basis.

Proposed MCL 460.10r & 460.10s Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would require the PSC to establish and maintain the "Michigan Renewables Energy Program", which would be used to inform customers of alternative energy sources. There is no fund source identified for this program, so the fiscal impact is indeterminate. The bill also would require the PSC to charge a transaction charge to fund a low income energy assistance program. Funds would be deposited into a trust fund. Depending on the level of the fee, this could generate additional sales tax revenue, through possible increases in utility charges, which is deposited (73%) in the School Aid Fund.

The bill does not provide sufficient information in order to allow a determination of its fiscal impact on the Family Independence Agency. The department possibly would have some additional administrative costs, but a determination of applicable administrative costs would depend on the degree to which the Trust Fund parameters related to the department's role.

Fiscal Analyst: M. Tyszkiewicz
C. Cole

S9900\s1260sa