

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 1498 (as reported with amendment)  
Senate Bill 1499 (as reported without amendment)  
Sponsor: Senator Mat J. Dunaskiss  
Committee: Technology and Energy

## **CONTENT**

Senate Bill 1498 would create the "Terrorism Protection and Cost Recovery Act" to:

- Allow a "covered utility" to recover "enhanced security costs" incurred as a result of State or Federal regulatory requirements issued after September 11, 2001, or determined to be necessary by the Public Service Commission (PSC).
- Specify application, notice, and hearing requirements for PSC approval of a "security recovery factor" (a charge to all retail customers).
- Specify costs that the PSC could include in determining a security recovery factor.
- Provide for the confidentiality of certain utility records supplied to the PSC by an applicant.

Senate Bill 1499 would amend the Customer Choice and Electricity Reliability Act to excuse from the Act's rate reduction and rate freeze provisions any rates or charges authorized by the PSC under the proposed Terrorism Protection and Cost Recovery Act. The bill is tie-barred to Senate Bill 1498. (The Customer Choice and Electricity Reliability Act required a 5% reduction in the residential rates that were in effect on May 1, 2000, for an electric utility with 1 million or more retail customers; freezes those rates and the utility's other rates until 2004; and prohibits the utility's rates from increasing until December 31, 2013, or until the utility meets the Act's market power test, which limits the utility's commercial control of the generating capacity available to serve the relevant market.)

Under Senate Bill 1498, a covered utility would recover enhanced security costs for an electric generating facility after it applied to the PSC and the Commission issued an order approving reasonable and prudent costs. "Covered utility" would mean an electric utility subject to the rate freeze and rate cap provisions of the Customer Choice and Electricity Reliability Act, or the rate freeze provisions of certain PSC orders. "Enhanced security costs" would mean reasonable and prudent costs of new and enhanced security measures incurred before January 1, 2006, for an electric generating facility by a covered utility that were required by Federal or State regulatory security requirements issued after September 11, 2001, or determined to be necessary by the PSC to provide reasonable and prudent security from terrorist attacks. Enhanced security costs would include insurance and the costs of maintaining or restoring electric service following the result of an act of terrorism.

MCL 460.10d (S.B. 1499)

Legislative Analyst: George Towne

## **FISCAL IMPACT**

To the extent that a State agency or local government is a customer of the affected utilities, utility costs could increase.

Date Completed: 11-20-02

Fiscal Analyst: Maria Tyszkiewicz