

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5457 (as passed by the House)
House Bill 5458 (Substitute H-1 as passed by the House)
House Bill 5459 (as passed by the House)
Sponsor: Representative Ken Bradstreet (House Bill 5457)
Representative Joseph Rivet (House Bill 5458)
Representative Barb Vander Veen (House Bill 5459)
House Committee: Energy and Technology
Senate Committee: Technology and Energy

Date Completed: 3-13-02

CONTENT

The bills would amend the Michigan Energy Employment Act to authorize a joint agency (e.g., two or more municipalities engaged in the generation, transmission, or distribution of electricity) to have an ownership interest in a multistate regional transmission system organization or transfer the agency's interest in transmission facilities to such an organization.

Under the Act, the governing bodies of two or more municipalities engaged in the generation, transmission, or distribution of electricity may create a joint agency for the purpose of undertaking a "project" to supply electric power for their present or future needs. Also, a governmental unit may enter into a joint venture agreement to develop, finance, construct, acquire, improve, or operate a project in or outside of the State, with one or more municipalities, joint agencies, or power utilities. ("Governmental unit" means a municipality or a joint agency venture project. "Joint agency" means a combination of two or more municipalities, authorities, or other public bodies organized according to the Act.)

House Bill 5457 would amend the definition of "project" to include stock, membership units, or any other interest in a multistate regional transmission system organization (RTO) approved by the Federal government and operating in Michigan, or a transmission-owning entity that was a member of an RTO approved by the Federal government and operating in Michigan. Currently, the Act defines "project" as a system or facility for the generation, transmission, or transformation of electricity carried out by a municipal electric utility system by any means.

House Bill 5458 (H-1) states that a joint agency could do either or both of the following:

- Transfer all or part of its interest in transmission facilities to a multistate regional transmission system organization approved by the Federal government and operating in Michigan or to one or more of its transmission-owning members.
- Purchase, acquire, sell, or otherwise transfer stock, membership units, or any other interest in an RTO or in one or more of its transmission-owning members.

House Bill 5459 would limit the current requirement that a joint agency, before undertaking a project, determine that it is necessary to provide for the projected needs for power and energy of its members. Under the bill, this requirement would apply only to a project for the construction or acquisition of facilities for the transmission or generation of electric power and energy.

MCL 460.805 (H.B. 5457)
460.844 (H.B. 5458)
460.840 (H.B. 5459)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would have no fiscal impact on the State. The fiscal impact on local units is indeterminate and likely to be minimal. Regional transmission organizations (RTOs) are traditionally nonprofit entities designed to circumvent discriminatory pricing for the transmission of electricity. The RTO covering Michigan is a for-profit entity and was scheduled to begin operation in December 2001. No data are available regarding the costs or fees for transmission for the RTO covering Michigan. The bills would not require joint agencies to join an RTO and the fiscal impact depends upon whether a joint agency would join an RTO and what the transmission prices of the RTO are relative to the transmission prices for the joint agency. Given that transmission costs nationally comprise less than 9% of the price of electricity and that substantial price differentials are unlikely given the purposes and economics of most joint agencies, the fiscal impact is likely to be minimal even if a joint agency were to join an RTO. The two joint agencies in Michigan involve a limited number of communities. For example, one joint agency, the Michigan Public Power Agency, has 13 member municipalities, with Bay City, Lansing, and Traverse City being the largest member communities.

Fiscal Analyst: David Zin