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ELECTRICITY GENERATION: NET METERING PROGRAM

House Bill 4015

Sponsor: Rep. John Stewart

Committee: Energy and Technology

Complete to 2-10-03

A SUMMARY OF HOUSE BILL 4015 AS INTRODUCED 1-28-03

House Bill 4015 would amend Public Act 3 of 1939, which established the Public Service Commission (PSC) to regulate the state's utilities, to require the PSC to establish a statewide "net metering" program applying to all electric utilities and alternative electric suppliers in the state. (Net metering allows a customer with an electric generator to interconnect with electricity distribution facilities, to feed surplus power back into the grid during periods where the customer's production exceeds consumption, and to pay the electric supplier only for the net amount of electricity used over the billing period.) The PSC would have to establish the program by July 1, 2003. The program would have to be designed for a period of at least ten years and would have to limit each customer to generation capacity designed to meet only the customer's electric needs. Except as otherwise provided in the bill, customers of any class would be eligible to interconnect eligible electric generators with the customer's local electric utility and operate the generators in parallel with the distribution system. "Eligible electric generator" would be defined as a system for the generation of electricity not exceeding 100 kw that is fueled by a renewable fuel or a fuel cell, with a generation capacity limited to the customer's electric need. A detailed summary of the bill's provisions is provided below. (House Bill 4015 is identical to House Bill 4090.)

Limit to program. An electric utility or alternative electric supplier ("utility" or "supplier" below) would not be required to allow for net metering that was greater than one-half of one percent of its in-state peak load for the preceding calendar year. The utility or supplier would be responsible for notifying the PSC if the program exceeded this limit.

Selection of customers. Selection of customers for participation in the program would be based on the order in which applications for participation were received by the utility or supplier. A utility or supplier could not refuse to provide or discontinue electric service to a customer solely because the customer participated in the program.

Net metering program. The program would have to include the following three components. First, the program would have to include statewide uniform interconnection requirements for all eligible electric generators, and the requirements would have to be designed to protect electric utility workers and equipment as well as the general public. Second, the program would have to include minimum qualifications and a certification process for individuals responsible for the installation of eligible electric generators. Only individuals certified by the PSC as qualified installers could install generators. Third, the program would have to include a uniform application form and process to be used by all utilities and suppliers in

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the state. Customers of an alternative electric supplier would have to submit a copy of the application to the electric utility for the customer's service area.

Records, fees, rates and charges. Each utility and supplier would have to maintain records of all applications and up-to-date records of all eligible electric generators located within its service area. A utility or supplier could charge an application fee not to exceed \$100. Except as otherwise provided in the bill, no additional fee or charge could be imposed. The utility or supplier would have to charge a customer participating in the program rates and charges identical to those charged other similarly situated retail customers, and a utility or supplier could not charge for additional standby, capacity, interconnection, or other service charge.

Interconnection requirements. The interconnection requirements would have to provide that a utility or supplier could, at its own expense and upon reasonable written notice to the net metering customer, perform testing and inspection of an eligible electric generator as is necessary to determine that the system complies with all applicable electric safety, power quality, and interconnection requirements. Also, the interconnection requirements would have to require all eligible electric generators, alternative electric suppliers, and electric utilities to comply with all applicable federal and state laws, rules, or regulations and any national standards as determined by the PSC.

Meters. Electric meters would be used to determine the amount of the customer's use in each billing period, net of any excess energy the customer's generator delivered to the utility distribution system during that same billing period.

An electric utility serving over one million customers in the state could provide customers participating in its net metering program, at no additional charge, a meter or meters capable of measuring the flow of energy in both directions. A utility serving fewer than one million customers in the state would have to provide the meter or meters to its customers at cost. An eligible customer would have to pay only the incremental cost above that for meters provided by the utility to similarly situated nongenerating customers.

Credit for electricity generated in excess of electricity used. If the quantity of electricity generated by an eligible electric generator during a billing period exceeded the quantity of the customer's usage during the billing period, the eligible customer would be credited by their supplier of generation service for the excess kilowatt-hours generated during the billing period. The credit would have to appear on the bill for the following billing period and be determined in one of three ways. First, for systems capable of generating less than ten kilowatts or for eligible electric generators using a meter that measures only the net energy the customer consumes during any billing period, credit would be at the same rate the customer paid for service from the utility or supplier. Second, except as provided under the first procedure, for eligible electric generators using time-of-day meters, credit would have to be applied for each time-of-day period at their utility's average top incremental cost for the billing period of that time-of-day period. Third, except as provided under the first procedure, for eligible electric generators using interval meters, credit would have to be applied at the utility's top incremental cost for each hour for all kilowatt hours delivered during that hour.

Basic service charge for transmission and distribution. The PSC could establish a rate for customers participating in the net metering program that included a basic service charge for

transmission and distribution to be paid by the customer each billing period regardless of any excess generation credits. For customers who purchased generation service from an alternative electric supplier, the PSC could determine that some portion of the basic service charge be paid to the supplier.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.