

SENATE BILL No. 1332

July 1, 2004, Introduced by Senators PATTERSON, OLSHOVE, BERNERO and HAMMERSTROM and referred to the Committee on Technology and Energy.

A bill to amend 1939 PA 3, entitled

"An act to provide for the regulation and control of public utilities and other services affected with a public interest within this state; to provide for alternative energy suppliers; to provide for licensing; to include municipally owned utilities and other providers of energy under certain provisions of this act; 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 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 certain rate increases without notice and hearing; to qualify residential energy conservation programs permitted under state law for certain federal exemption; to create a fund; to provide for a restructuring of the manner in which energy is provided in this state; to encourage the utilization of resource recovery facilities; to prohibit certain acts and practices of providers of energy; to allow for the securitization of stranded costs; to reduce rates; to provide for appeals; to provide appropriations; to declare the effect and purpose of this act; to prescribe remedies and penalties; and to repeal acts and parts of acts,"

by amending section 10q (MCL 460.10q), as added by 2000 PA 141.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 10q. (1) A person shall not engage in the business of

1 an alternative electric supplier in this state unless the person
2 obtains and maintains a license issued under section 10a.

3 (2) In addition to any other information required by the
4 commission in connection with a licensing application, the
5 applicant shall be required to do both of the following:

6 (a) Provide information, including information as to the
7 applicant's safety record and its history of service quality and
8 reliability, as to the applicant's technical ability, as defined
9 under regulations of the commission, to safely and reliably
10 generate or otherwise obtain and deliver electricity and provide
11 any other proposed services.

12 (b) Demonstrate that the employees of the applicant that will
13 be installing, operating, and maintaining generation or
14 transmission facilities within this state, or any entity with
15 which the applicant has contracted to perform those functions
16 within this state, have the requisite knowledge, skills, and
17 competence to perform those functions in a safe and responsible
18 manner in order to provide safe and reliable service.

19 ~~(3) The commission shall order the applicant to post a bond~~
20 ~~or provide a letter of credit or other financial guarantee in a~~
21 ~~reasonable amount established by the commission of not less than~~
22 ~~\$40,000.00, if the commission finds after an investigation and~~
23 ~~review that the requirement of a bond would be in the public~~
24 ~~interest.~~

25 (3) ~~-(4)-~~ Only investor-owned, cooperative, or municipal
26 electric utilities shall own, construct, or operate electric
27 distribution facilities or electric meter equipment used in the

1 distribution of electricity in this state. This subsection does
2 not prohibit a self-service power provider from owning,
3 constructing, or operating electric distribution facilities or
4 electric metering equipment for the sole purpose of providing or
5 utilizing self-service power. This act does not affect the
6 current rights, if any, of a nonutility to construct or operate a
7 private distribution system on private property or private
8 easements. This does not preclude crossing of public
9 rights-of-way.

10 (4) ~~(5)~~ The commission shall not prohibit an electric
11 utility from metering and billing its customers for services
12 provided by the electric utility.

13 (5) Within 90 days after the effective date of the amendatory
14 act that added this subsection, the commission shall do both of
15 the following:

16 (a) Establish electric supply reliability standards that are
17 applicable to all electric utilities and alternative electric
18 suppliers who provide electric supply to retail customers in this
19 state. The commission shall require each electric utility and
20 alternative electric supplier to file annually with the
21 commission an electric supply plan to demonstrate that it is in
22 compliance with the electric supply reliability standards. The
23 commission shall annually verify the adequacy of the electric
24 supply plan of each electric utility and alternative electric
25 supplier to assure that each plan meets the minimum electric
26 supply reliability standards. The electric supply reliability
27 standards shall be uniformly applied to electric utilities and

1 alternative electric suppliers, and shall include, but not be
2 limited to, all of the following:

3 (i) That the electric utility or alternative electric
4 supplier maintain a minimum 15% planning reserve margin over and
5 above its forecasted peak load demand.

6 (ii) That the planning reserve margin requirement be for a
7 minimum of 1 year.

8 (iii) That each electric utility and alternative electric
9 supplier meet its total electric supply resource requirements
10 through self-supply and contracts to purchase generation supply.
11 Until the commission determines that a proper electric capacity
12 market exists in this state or region, electric supply resources
13 shall be tied to physical generating assets, whether through
14 ownership or contracts. If the electric supply resources are
15 tied to physical generating assets by contract, the contracted
16 output of the assets shall be solely dedicated to the load
17 serving entity and meet the standards of subparagraph (iv).

18 (iv) That the electric supply resources of the electric
19 utility or alternative electric supplier shall be required to
20 satisfy deliverability standards established by the commission to
21 ensure that the supply resources are capable of being delivered
22 to the load serving entity's retail customers without
23 jeopardizing supply reliability.

24 (v) That the electric utility or alternative electric
25 supplier may utilize direct load control options as a means of
26 satisfying the minimum planning reserve margin requirements to
27 the extent that the direct load control options meet applicable

1 regional electric utility reserve standards.

2 (vi) That the electric utility or alternative electric
3 supplier shall have entered into all electric supply resource
4 commitments before April 1 for that year's peak load period. As
5 used in this subparagraph, "peak load period" means the months of
6 June, July, and August.

7 (b) Establish financial reliability standards that are
8 applicable to all alternative electric suppliers that are
9 licensed to provide electric service to customers in this state
10 that require the supplier to demonstrate that it has sufficient
11 financial resources for the services it seeks to provide. An
12 alternative electric supplier shall demonstrate to the commission
13 that it has done both of the following:

14 (i) Completed an audited financial statement demonstrating
15 that it has a net worth of at least \$5,000,000.00, or obtained a
16 letter of credit or other equivalent credit instrument found
17 acceptable to the commission in an amount not less than the
18 greater of \$1,000,000.00 or 20% of the amount of the supplier's
19 revenue for the sale of electricity for the most recently
20 completed fiscal year.

21 (ii) Complied with all other additional financial safeguards
22 the commission determines are necessary to protect electric
23 retail customers in this state.

24 Enacting section 1. This amendatory act does not take
25 effect unless all of the following bills of the 92nd Legislature
26 are enacted into law:

27 (a) Senate Bill No. 1335.

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2 (b) Senate Bill No. 1331.

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4 (c) Senate Bill No. 1336.

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6 (d) Senate Bill No. 1333.

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8 (e) Senate Bill No. 1334.

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