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BILL ANALYSIS

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Senate Bill 219 (as introduced 2-20-07)
Sponsor: Senator Roger Kahn, M.D.
Committee: Energy Policy and Public Utilities

Date Completed: 4-24-07

CONTENT

The bill would create a new act to do the following:

-- **Require the Public Service Commission (PSC) to establish a renewable energy portfolio standard for each electric service provider.**
-- **Require renewable energy, by 2015, to constitute at least 7% of the electricity a provider sold to Michigan retail customers, under the portfolio standard.**
-- **Require at least 1% of the electricity a provider generated from renewable energy sources to come from a solar renewable energy system, under the portfolio standard.**
-- **Authorize the PSC to establish a system of renewable energy credits that a provider could use to comply with its portfolio standard.**
-- **Require a provider to meet its portfolio standard under a renewable energy contract, if the provider were unable to comply with the standard by generating electricity with its own renewable energy system or the use of renewable energy credits.**
-- **Require the PSC to exempt a provider from the portfolio standard, under certain circumstances.**
-- **Require each provider to submit to the PSC an annual report on the actions taken to comply with its portfolio standard.**
-- **Authorize the PSC to impose a fine on or take other action against a provider that did not comply with its portfolio standard.**

The bill is described below in further detail.

Renewable Portfolio Standard

For each provider, the PSC would have to establish a portfolio standard for renewable energy. The portfolio standard would have to require the provider to generate or acquire electricity from renewable energy systems in the minimum amounts shown in Table 1 (expressed as a percentage of the total amount of electricity the provider sold to its retail customers in Michigan during the calendar year):

Table 1

Time Period	Amount
Calendar years 2006 through 2008	4%
Calendar years 2009 through 2011	5%
Calendar years 2012 through 2014	6%
Calendar year 2015 and every following year	7%

In addition, the portfolio standard for each provider would have to require that, of the total amount of electricity the provider was required to generate or acquire from renewable energy systems during each calendar year, at least 1% be generated or acquired from solar renewable energy systems.

If the provider acquired electricity from a renewable energy system under a renewable energy contract with another party, the portfolio standard would have to require the contract to provide for both of the following:

-- That the term of the renewable energy contract was at least 20 years, unless the other party agreed to a contract with a shorter term.
-- That the terms and conditions of the contract were just and reasonable, as determined by the PSC.

If, for the benefit of one or more of its retail customers in Michigan, the provider had subsidized, in whole or in part, the acquisition or installation of a solar thermal energy system that qualified as a renewable energy system and that reduced the consumption of electricity, the total reduction in the consumption during each calendar year that resulted from the system would be considered electricity that the provider generated or acquired from a renewable energy system for the purposes of complying with its portfolio standard.

("Provider" would mean any person in the business of selling electricity to retail customers in this State. "Portfolio standard" would mean a portfolio standard for renewable energy established by the PSC under the proposed act.

"Renewable energy" would mean biomass; geothermal energy; solar thermal energy; or wind energy. "Biomass" would mean any organic matter that was available on a renewable basis, including agricultural crops, waste, and residue; wood and wood waste and residue; animal waste; municipal waste; and aquatic plants.

"Renewable energy system" would mean a facility or energy system that uses renewable energy to generate electricity and transmits or distributes the electricity that it generates from renewable energy; or a solar thermal energy system that reduces the consumption of electricity.

"Renewable energy contract" would mean a contract to acquire electricity from one or more renewable energy systems owned, operated, or controlled by third parties. "Terms and conditions" would include the price that an electric service provider was to pay to acquire electricity under a renewable energy contract.)

<u>Renewable Energy Credits, Contracts</u>

The PSC could establish a system of renewable energy credits that a provider could use to comply with its portfolio standard.

If a provider were unable to comply with its portfolio standard through the generation of electricity from its own renewable energy systems or the use of renewable energy credits, the provider would have to acquire electricity under one or more renewable energy contracts.

The Commission would have to determine whether the terms and conditions of a renewable energy contract were just and reasonable.

Portfolio Standard Exemption; Cost Recovery

If the PSC determined that there was not or would not be a sufficient supply of electricity made available to a provider under renewable energy contracts with just and reasonable terms and conditions, it would have to exempt the provider, for that calendar year, from the remaining requirements of its portfolio standard or from any appropriate portion of the standard.

If considered in the public interest, the PSC could approve a rate that allowed a regulated rate provider to recover from its retail customers the cost of providing total renewable energy.

Annual Report

Each electric service provider would have to submit to the PSC an annual report that provided information relating to the actions the provider took to comply with its portfolio standard.

Each provider would have to submit the report after the end of each calendar year in a format approved by, and within the time prescribed by, the PSC. Each report would have to include all of the following information:

-- The amount of electricity that the provider generated or acquired from renewable energy systems during the reporting period and the amount of renewable energy credits that the provider acquired, sold, or traded during the reporting period to comply with its portfolio standard.
-- The capacity of each renewable energy system owned, operated, or controlled by the provider, the total amount of electricity generated by each system during the reporting period, and the percentage of that total amount that was generated directly from renewable energy.
-- Whether, during the reporting period, the provider began construction on, acquired, or placed into operation any renewable energy system.
-- Any other information that the PSC required.

Penalties

If a provider did not comply with its portfolio standard for any calendar year and the PSC had not exempted the provider from the requirements of its portfolio standard, the PSC could impose a fine or take other appropriate action against the provider.

The Commission could impose a fine against a provider based on either of the following:

-- Each kilowatt-hour of electricity that the provider did not generate or acquire from a renewable energy system or a solar thermal renewable energy system during a calendar year in violation of its portfolio standard.
-- Any other reasonable formula adopted by the PSC.

If the PSC imposed a fine against a regulated rate provider, all of the following would apply:

-- The fine would not be a cost of service to the provider.
-- The provider could not include any portion of the fine in any application for a rate adjustment or rate increase.
-- The PSC could not allow the provider to recover any portion of the fine from its retail customers.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the administrative responsibility of the Public Service Commission; however, any additional costs would be covered through existing revenue. The bill also would allow the PSC to impose fines for noncompliance. The amount of revenue generated would depend on the frequency and level of the fines. Any revenue generated from the fines would be deposited into the General Fund.

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