Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 947 (as discharged)
Sponsor: Senator Bruce Patterson
Committee: Energy Policy and Public Utilities

CONTENT

The bill would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to:

-- Require the PSC to establish electric supply reliability standards applicable to all electric utilities and alternative electric suppliers (AESs) in Michigan, and require them to file an annual electric supply plan demonstrating compliance with the standards.
-- Require each retail electricity provider to establish an annual portfolio standard for renewable energy.
-- Require renewable energy, by 2016, to constitute at least 10% of the electricity a provider sold to Michigan retail customers, under the portfolio standard.
-- Require the PSC to establish a system of renewable energy credits that a provider could use to comply with its portfolio standard.
-- Require the PSC to establish a credit tracking and certification program.
-- Require a provider to meet its portfolio standard under a renewable energy contract, if the provider could not comply with the standard by generating credits derived from its own renewable energy systems, from alternative compliance payments, or from the purchase of certified renewable energy credits.
-- Require the PSC to exempt a provider from the portfolio standard, under certain circumstances.
-- Allow providers to make alternative compliance payments to a proposed "Renewable Energy Fund" to meet their portfolio standards.
-- Require the PSC to impose a fine on a provider that did not meet its portfolio standard.
-- Create the Renewable Energy Fund for the promotion and growth of renewable energy projects in Michigan, and require fine money to be deposited into the Fund.
-- Authorize the PSC to establish a solar pilot program for one or more electric utilities.
-- Allow a utility that sought to construct an electric generation facility to apply to the PSC for a certificate of need, and require the utility to file an integrated resource plan.
-- Require the PSC to establish standards for an integrated resource plan.
-- Require the PSC to issue a certificate upon making specified determinations.
-- Provide that a certificate would take precedence over a conflicting local law, policy, or practice.
-- Require the PSC, every three years, to approve an energy efficiency factor that would be a nonbypassable surcharge payable by every customer of an AES, cooperative electric utility, electric utility, or municipal utility.
-- Create the Michigan Energy Efficient Program and the "Michigan Energy Efficiency Fund", and require money collected through the surcharge to be deposited in the Fund.
-- Provide for the selection of a program administrator, and require the PSC chairperson to establish a committee to advise the administrator.
-- Require the PSC to review the net metering program within 270 days after the bill took effect, and allow the Commission to modify the program if necessary.
-- Authorize the PSC to promulgate rules to implement the Act.

MCL 460.10q et al. Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the responsibilities and the costs of the Public Service Commission within the Department of Labor and Economic Growth by an unknown amount. The bill also would increase the revenue to the Department by providing for new funding streams that would flow into two proposed funds, the Renewable Energy Fund and the Michigan Energy Efficiency Fund.

The Renewable Energy Fund would receive revenue from two sources. First, alternative compliance payments would go into that Fund. Electricity providers would be permitted to make alternative compliance payments through 2012 as a method of complying with the renewable energy portfolio standard that the bill would require. After 2012, alternative compliance payments could be used only by providers with 100,000 or fewer retail customers. Second, revenue from fines paid by a company that did not meet its renewable energy portfolio standard would be paid into the Fund. The amount of a fine would be determined by the PSC at a rate not to exceed $50 per megawatt hour, applied to the amount by which the provider failed to meet its portfolio standard. The revenue in the Fund would not lapse to the General Fund, but would carry forward. Money in the Fund could be spent only pursuant to appropriation. The amount of payments to the Fund would depend on the method that electricity providers determined to meet the proposed portfolio standards and the rate of alternative compliance payments established by the PSC.

The bill also would create the Michigan Energy Efficiency Fund. A surcharge would be applied to all customers purchasing electricity from an alternative electric supplier, a cooperative electric utility, an electric utility, or a municipal utility. The amount of the surcharge would be determined by the PSC at a rate not to exceed 1 mill per kilowatt-hour of electricity used. Based on electricity sales in 2006, it is estimated that if the surcharge were assessed at the maximum rate, revenue to the Fund would be approximately $108.0 million annually. Actual revenue would differ depending on the rate imposed, the degree to which large industrial customers received exemptions under the bill from the PSC, and the amount of electricity consumption. Expenditures from the Fund would be for the implementation of the energy efficiency programs as determined by the program administrator with oversight by the PSC.

The additional responsibilities for the PSC would include establishing a renewable energy credit program, a process to award certificates of need for construction of new power plants, and oversight and implementation of the expanded energy efficiency programs.

The PSC has estimated that the expanded responsibilities would require the addition of 20.0 to 25.0 FTEs. The administrative costs of the PSC are funded through utility company assessments. The rate of assessment could increase to cover the additional regulatory costs.

Date Completed: 1-28-08

Fiscal Analyst: Elizabeth Pratt
Maria Tyszkiewicz

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