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BILL ANALYSIS

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Senate Bill 947 (as introduced 12-5-07)
Sponsor: Senator Bruce Patterson
Committee: Energy Policy and Public Utilities

Date Completed: 1-9-08

CONTENT

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

-- 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 were unable to 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.
-- Authorize the PSC to establish a solar pilot program for one or more electric utilities.
-- 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.
-- Allow a utility that sought to construct an electric generation facility to apply to the PSC for a certificate of need.
-- Require a utility requesting a certificate 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.
-- Authorize the PSC to promulgate rules to implement the Act.
-- Create the Michigan Energy Efficiency Program within the PSC.
-- 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 Efficiency Fund", and require money

collected through the surcharge to be deposited in the Fund.

-- Provide for the selection of a Program administrator.

-- Require the PSC chairperson to establish a committee to advise the Program administrator.

-- Within 270 days after the bill took effect, require the PSC to review the net metering program, and allow the Commission to modify it if necessary.

Electric Supply Reliability Standards

Within 90 days after the bill took effect, the PSC would have to establish electric supply reliability standards that were applicable to all electric utilities and AESs that provided electric supply to retail customers in Michigan. The PSC would have to require each electric utility and AES to file annually an electric supply plan to demonstrate that it was in compliance with the standards. The Commission annually would have to verify the adequacy of each electric utility's and AES's plan to assure that it met the minimum standards. The standards would have to be uniformly applied to electric utilities and AESs. They would have to include all of the following:

-- That the electric utility or AES maintain a minimum 15% planning reserve margin above its forecasted peak load demand.

-- That the planning reserve margin requirement be for a minimum of five years.

-- That the electric supply resources of the utility or AES would be required to satisfy deliverability standards established by the PSC to ensure that the supply resources were capable of being delivered to the load serving entity's retail customers without jeopardizing supply reliability.

-- That the electric utility or AES could use direct load control options as a means of satisfying the minimum planning reserve margin requirements to the extent that those options met applicable regional electric utility reserve standards.

-- That the electric utility or AES would be required to have entered into all electric supply resource commitments before January 1 for that year's "peak load period" (i.e., June, July, and August).

-- That each electric utility and AES meet its total electric supply resource requirements through self-supply and contracts to purchase generation supply.

Until the PSC determined that a proper electric capacity market existed in Michigan or in the region, electric supply resources would have to be tied to physical generating assets, whether through ownership or contracts. If the resources were tied to physical generating assets by contract, the assets' contracted output would have to be solely dedicated to the load serving entity and meet the deliverability standards.

Renewable Portfolio Standard

Renewable Portfolio Standard. On an annual basis, each provider would have to establish a portfolio standard for renewable energy, and file with the PSC a report regarding the provider's status in meeting the portfolio standard. The standard would have to require the provider to generate or acquire electricity from renewable energy systems, for sale to retail customers in Michigan, or acquire equivalent renewable energy credits, in the minimum amounts and by the dates shown in Table 1 (expressed as a percentage of the total amount of kilowatt hours of electricity the provider sold to its Michigan retail customers during the calendar year).

Table 1

Date	Amount
December 31, 2008	3%
December 31, 2010	5%
December 31, 2012	6%
December 31, 2015	7%
After December 31, 2015	10%

The PSC could require that at least 20% of the total amount of kilowatt hours of electricity a provider sold to Michigan retail customers by 2025 be generated or acquired from renewable energy systems.

A provider could comply with the renewable energy portfolio standard by producing electric energy from renewable energy systems, by purchasing power through a contract with another entity that produced electric energy from a renewable energy system, by purchasing renewable energy credits, or through payment of alternate compliance payments.

If a provider acquired electricity and the associated renewable energy credits from a renewable energy system under a renewable energy contract entered into after the bill's effective date, the PSC would have to determine whether the contract provided reasonable terms and conditions.

The PSC would have to consider all costs reasonably and prudently incurred by a regulated utility in meeting the requirements of the Act to be a cost of service. The Commission would have to determine the mechanism for the recovery of those costs.

The bill would define "provider" as any person in the business of selling electricity to retail customers in Michigan. The term would include any of the following:

-- Any person or entity that was regulated by the PSC for the purpose of selling electricity to retail customers.
-- A municipal electric provider.
-- A cooperative electric provider.
-- An AES.
-- An independent investor-owned electric utility.

"Renewable energy system" would mean a facility, electricity generation system, or integrated set of electricity generation systems that use renewable energy fuel. "Renewable energy fuel would mean biomass, geothermal, solar, wind, hydroelectric (except for pump storage systems), gas captured from the decomposition of waste, or that portion of a fuel mixture that is a biomass fuel. "Biomass" would mean any organic matter that can be converted to usable fuel for the production of energy and that is available on a renewable basis, including all of the following:

-- Agricultural crops and crop wastes.
-- Wood and wood wastes, including wood and wood waste from wood product and paper processing.
-- Animal waste.
-- Municipal wastewater sludge.
-- Aquatic plants.
-- Food production and processing waste.
-- Municipal solid waste.

"Renewable energy contract" would mean a contract to acquire electricity and the associated renewable energy credits from one or more renewable energy systems. "Terms and conditions" would include the price that an electric service provider was to pay to acquire electricity and the associated renewable energy credits under a renewable energy contract, along with other contract provisions.

Renewable Energy Credits. The PSC would have to establish a system of renewable energy credits that a provider could use to comply with its portfolio standard. ("Renewable energy credit" would mean a certified credit equal to one megawatt hour of generated renewable energy.) The program would have to include the following:

-- Renewable energy systems eligible to receive renewable energy credits were renewable energy systems within Michigan.
-- A process to certify all existing and new renewable energy systems operating on the bill's effective date as eligible to receive renewable energy credits.
-- A method for the transferability of credits.
-- For power purchase agreements that existed on the bill's effective date, ownership of any renewable energy credits would reside with the generator of the renewable energy unless the ownership were otherwise stated in contract.

The PSC also would have to establish a credit certification and tracking program. The program could be contracted to and performed by a third party through a system of competitive bidding. The program would have to include all of the following:

-- Certification that the renewable energy system was a qualified renewable energy system under the Act.
-- Certification that the operator of a renewable energy system was in compliance with State and Federal law applicable to the operation of a renewable energy system at the time certification was granted.
-- Affixing the date that the credit was valid for transfer under the Act.
-- A method for ensuring that credits traded and sold under the Act were properly accounted for.

If a provider were unable to comply with its portfolio standard through the generation of

credits derived from its own renewable energy systems, from alternative compliance payments (as described below), or from the purchase of certified renewable energy credits, the provider would have to comply by entering into one or more renewable energy contracts.

Renewable energy credits a provider used to comply with its portfolio standard would be extinguished upon use. Credits would expire automatically three years after their original certification.

Portfolio Standard Exemption. 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, the Commission would have to exempt the provider from the remaining requirements of its portfolio standard or from any appropriate portion of the standard for that calendar year.

Alternative Compliance Payments. Through 2012, providers could make alternative compliance payments to the Renewable Energy Fund to satisfy the requirements of their portfolio standards. After 2012, providers with 100,000 or fewer retail customers could make alternative compliance payments into the Fund to meet their portfolio standards.

The PSC biennially would have to establish the rate of alternative compliance payments based on the costs of purchasing renewable energy credits, generating renewable energy, or other factors that it considered appropriate.

The Commission could treat alternative compliance payments as recoverable costs that could be included in a regulated provider's retail electric rates.

Provider Report. Each provider of electric service would have to submit to the PSC an annual report that gave information relating to the provider's actions taken to comply with its portfolio standard. Each provider would have to submit the report to the PSC after the end of each calendar year and within the time prescribed by the Commission. The report would have to be submitted in a format approved by the Commission. Each annual report would have to include all of the following information:

-- The amount of electricity and renewable energy credits 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 determined necessary.

The PSC would have to file with the Legislature an annual report that summarized data collected under these provisions.

Penalties. If a provider did not comply with its portfolio standard and the PSC had not exempted it, the Commission would have to impose on the provider a fine of up to $50 for each megawatt hour that the provider did not generate or acquire from a renewable energy system during a calendar year in violation of its portfolio standard.

The Commission annually would have to adjust the fines that would be imposed for each calendar year using the prevailing consumer price index for the Detroit region.

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.

-- Money resulting from any fines imposed on a provider would have to be deposited into the Renewable Energy Fund.

Renewable Energy Fund

The bill would create the Renewable Energy Fund within the State Treasury. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund. The PSC would have to spend Fund money, upon appropriation, to promote and "grow" renewable energy projects in Michigan.

Solar Pilot Program

The PSC could establish a solar pilot program for one or more electric utilities. The program would have to be designed to determine the value of solar energy in meeting Michigan's electric energy needs, including peak demand needs, and would have to be limited to 50 megawatts of electric capacity. The Commission would have to allow recovery of prudent and reasonable costs incurred by participating electric utilities.

Certificate of Need

Procedures for Issuance. An electric utility that sought to construct an electric generation facility to serve its customers could apply to the PSC for a certificate. The PSC could not issue a certificate unless a requesting electric utility filed an integrated resource plan and demonstrated a need for the facility. If the Commission issued a certificate, the need for the facility could not be used as the basis for challenging the cost recovery of the facility in subsequent rate proceedings.

("Electric utility" would mean a person, partnership, corporation, association, or other legal entity whose generation or transmission of electricity the PSC regulates under Public Act 3 of 1939.)

Before applying for a certificate, a utility would have to schedule and hold a public meeting in the municipality (city, township, or village) in which the generation facility was proposed. A public meeting held in a township would satisfy the requirement that a public meeting be held in each affected village located within the township.

Upon applying for a certificate, an electric utility would have to give public notice, in the manner and form the PSC prescribed, of an opportunity to comment on the application. Notice would have to be published in a newspaper of general circulation in the utility's service area within a reasonable time period after an application was provided to the Commission, and would have to be sent to each affected municipality and each affected landowner within 1,000 feet of the proposed facility. The notice would have to be written in plain, nontechnical, and easily understood terms and would have to contain a title that included the name of the utility and the words "NOTICE OF INTENT TO CONSTRUCT AN ELECTRIC GENERATION FACILITY".

The PSC would have to conduct a proceeding on the application as a contested case under the Administrative Procedures Act (APA). Upon receiving an application, each affected municipality and each affected landowner would have to be granted full intervenor status as of right in Commission proceedings concerning the proposed facility.

The PSC would have to grant or deny the application for a certificate within 270 days after the application's filing date. The PSC could condition its approval upon the convenience, health, and safety and reliability of the proposed facility.

The Commission would have to grant the application and issue a certificate if it determined all of the following:

-- The utility had demonstrated a need for the facility through its integrated resource plan filing.
-- The proposed location was feasible and reasonable.
-- The proposed facility did not present an unreasonable threat to public health or safety.
-- The utility could finance the facility in reasonable terms.

A certificate would have to identify the facility's proposed location and contain an estimated cost for the facility.

If construction of a proposed generation facility did not begin within five years after the certificate was granted, the certificate would be invalid and a new one would be required for the proposed facility.

("Construction" would mean any substantial action taken on an electric generation facility constituting placement or erection of the foundations or structures supporting the facility. The term would not include preconstruction activity or routine maintenance of an existing facility. "Preconstruction activity" would mean any activity on a proposed electric generation facility conducted before construction begins. The term would include surveys, measurements, examinations, soundings, borings, sample-taking, or other testing procedures, photography, appraisal, or tests of soil, groundwater, structures, or other materials in or on the real property for contamination.)

A utility that received a certificate would have to competitively bid the engineering, procurement, and construction portion of the facility.

If the PSC granted a certificate, it would take precedence over a local ordinance, law, rule, regulation, policy, or practice that prohibited or regulated the location or construction of a generation facility for which the Commission had issued a certificate.

Integrated Resource Plan Standards. The PSC would have to establish standards for an integrated resource plan that an electric utility requesting a certificate would have to file. An integrated resource plan would have to include all of the following:

-- A long-term forecast of the utility's load growth.
-- The type of generation technology proposed for the facility and the proposed capacity of the facility.
-- Energy purchased or produced by the utility pursuant to any renewable portfolio standard.
-- Energy efficiency savings, load management savings, and demand response savings for the utility.
-- Electric transmission options for the utility.

AES Customers. Customers who received electric generation service from an electric utility when a certificate was issued but subsequently received service from an AES would have to be assessed a prorated share of the fixed cost of the new plan through a distribution charge established by the PSC.

Customers who received electric generation service from an AES when a certificate was issued but subsequently received service from an electric utility that received a certificate would have to be assessed the cost of the new plan in their base rates. If such a customer subsequently received service from an AES, that customer would have to be assessed a prorated share of the fixed cost of the new plan through a distribution charge established by the PSC.

Customers who received electric generation service from an AES when a certificate was issued could not be assessed the cost of the facility that received the certificate as long as they did not receive generation service from a utility that received a certificate.

FOIA Request. Except as otherwise provided, information obtained by the PSC under these provisions would be a public record as provided in the Freedom of Information Act (FOIA).

An electric utility could designate information received by a third party that the utility submitted to the PSC in an application for a certificate or in other documents required by the Commission for purposes of certification as being only for the confidential use of the Commission. The PSC would have to notify the utility of a request for public records under FOIA if the scope of the request included information designated as confidential. The utility would have 10 days after receiving the notice to demonstrate to the PSC that the information should not be disclosed because it was a trade secret or secret process or was production, commercial, or financial information whose disclosure would jeopardize the competitive position of the utility or the person from whom the information was obtained. The PSC could not grant the request for the information if the utility demonstrated to the Commission's satisfaction that the information should not be disclosed for a reason authorized in the bill. If the Commission decided to grant a request, the requested information could not be released until three days after notice of the decision was given to the utility.

Rule-Making. The PSC could promulgate rules to implement the Act pursuant to the APA. The rules could contain standards to determine a proposed generation facility's health and safety aspects. Until rules were

promulgated, the PSC would have to consider and determine any health or safety issue a party raised in a proceeding concerning a certificate application.

Energy Efficiency Program

Program & Fund. The bill would create the Michigan Energy Efficiency Program within the PSC. The Program would have to be funded by the Michigan Energy Efficiency Fund, which would be created in the State Treasury and administered by the PSC. The money collected through the surcharge (described below) would have to be deposited with the State Treasurer and credited to the Fund. The State Treasurer could receive money or other assets from any source for deposit into the Fund. No money could be spent from the Fund except as specifically authorized by the bill. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund.

Energy Efficiency Factor. Every three years, after notice and hearing, the PSC would have 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. The PSC could impose a surcharge of up to one mill per kilowatt-hour of electricity used. The surcharge would have to be payable by all customer classes. Money collected by a particular utility would have to be used, to the extent practicable, to fund energy efficiency programs for that utility's customers. In setting the surcharge, the Commission would have to factor in any excess money in the Michigan Energy Efficiency Fund at the end of the three-year period.

Program Administrator. The PSC chairperson would have to establish a screening committee to make recommendations on the selection of a Program administrator. The committee would consist of the chairperson, the Director of the Department of Management and Budget, the Director of the Department of Treasury, and two energy efficiency experts appointed by the chairperson.

Every three years, the PSC would have to prepare a request for proposal to select a Program administrator. The selected administrator could have no affiliation with any utility. A public announcement would have to be released to the trade press and likely bidders and posted on the PSC's website. All bids would have to be received by the Commission. The Commission would have to evaluate the bids under established evaluation criteria it adopted after input from interested parties in a contested case process.

The PSC would have to enter into a contract with the Program administrator to administer the Program. The contract could not exceed three years in length.

Fund money would have to be used to administer the Program, including paying the salary of the administrator, the costs of the Program, and any incentives for energy savings designated in the administrator's contract. The administrator could conduct energy efficiency programs or subcontract with another entity to perform the tasks outlined in the contract.

Advisory Committee. The PSC chairperson would have to establish an advisory committee to give advice to the Program administrator on the type of energy efficiency programs the administrator should implement. The committee would have to consist of 10 individuals appointed by the commissioner as follows:

-- Two individuals chosen from PSC staff.
-- Two individuals chosen from a list submitted by regulated utilities.
-- One individual chosen from a list submitted by electric cooperatives.
-- One individual chosen from a list submitted by municipal utilities.
-- Two individuals chosen from a list submitted by consumer advocates.

PSC Report. Every three years, the PSC would have to issue a report to the Legislature and the Governor by February 1 regarding the effectiveness and use of the Program.

Nonparticipation. An individual customer with a peak load of over one megawatt could choose not to participate in the Program if that customer demonstrated to the PSC that it already had undertaken sufficient energy efficiency measures.

Net Metering

Within 270 days after the bill took effect, the PSC would have to review the net metering program provided for in the Commission's March 29, 2005, order in case number U-14346. (The case is described under **BACKGROUND**, below.) The PSC could modify the program based on its review. The Commission could establish any rates, terms, and conditions for the program that it considered necessary and appropriate. The program would have to apply to all electric utilities and AESs in Michigan. These provisions would be repealed two years after the bill's effective date.

Under the bill, "net metering" would mean an arrangement whereby a customer of an electric utility or AES may do both of the following:

-- Purchase electricity from the regulated utility or AES.
-- Sell electricity to the regulated utility or AES if the electricity is generated by a facility on the premises of the customer, whose capacity is designed to serve the annual electric generation needs of the customer at the facility's location, and the electricity is in excess of the customer's consumption needs.

MCL 460.10q et al.

BACKGROUND

The PSC's March 29, 2005, order in case number U-14346 approved a consensus agreement between the Commission and various electric utilities regarding a voluntary statewide net metering program. The consensus agreement defines "net metering" as an accounting mechanism whereby retail electric utility customers who generate a portion or all of their own retail electricity needs are billed for generation (or energy) by their electric utility for only their net energy consumption during each billing period. Net energy consumption during a billing period is the amount of energy delivered by the utility and used by the customer, minus the amount of energy, if any, generated by the retail customer and delivered to the utility at the location of the eligible unit.

The agreement provides that its foundation is that each utility will be allowed to recover from its customer all costs associated with its net metering program. Costs eligible for recovery are program operating costs, transmission and distribution costs attributable to the net metering customer, and the above-market costs, if any, of generation credits provided to net-metered customers. If needed, eligible cost recovery may be through a separate fixed charge in the rates of participating customers. A utility may track its eligible costs that are not assigned directly to participating customers. The agreement states that because all customers ultimately may benefit from the availability of the net metering program, it may be reasonable to recover some eligible costs from all utility customers through a nonbypassable distribution charge, subject to hearing and approval by the PSC. Any eligible costs not determined to be appropriate to recover from all customers will be assigned to and recovered from participating customers.

Under the agreement, net-metered customers will be credited for net excess generation (NEG) at the utility's retail price of generation. "Net excess generation" means the amount of electric generation by the customer, beyond the customer's own metered usage, that is delivered to the utility during the billing period. A utility voluntarily may propose a program to award customers a cash payment for NEG. The value of cumulative NEG credits retained by the utility will be used to offset costs associated with the utility's operation of the net metering program.

The agreement provides that each utility will offer a net metering program with a maximum program limit of either 0.1% of the utility's previous year's peak demand or 100 kilowatts, whichever is greater. A utility seeking an alternative maximum limit must request and obtain PSC approval before implementing it.

Under the agreement, a utility's net metering program will be open to all electric generating technologies as provided in the Customer Choice and Electricity Reliability Act, Section 10g(1)(f), which defines "renewable energy source" as energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric. With PSC approval, a utility voluntarily may expand eligibility to other energy conversion

technologies, including fuel cells, Stirling engines, and other new fossil fueled technologies with the potential to be enabling technologies for the use of hydrogen as a primary fuel source.

For purposes of net metering programs, all application fees, procedures, and requirements for interconnecting net metering customer generators will be those contained in the PSC's Electric Interconnection Standards Rules (R 460.481 through 460.489) and the utility's associated PSC-approved Generator Interconnection Requirements. A utility is not obligated to interconnect customer generators with a capacity of 100 kilowatts or less except as provided in the consensus agreement, or as otherwise required by law.

The program must be open for customer enrollment for at least five years, and customers who enroll are eligible to continue their participation for at least 10 years. A participating customer may terminate its participation in a net metering program at any time for any reason.

Each utility must use reasonable efforts to obtain and report to PSC staff representatives of the Michigan Renewable Energy Program (MREP) Collaborative all data needed to monitor and evaluate its net metering program. Each utility annually must submit its net metering program data. Commission staff must include data and status reports of net metering programs in each year's MREP annual report to the Commission. Each utility's program will be monitored and evaluated through the MREP process. After the program's fourth year, the MREP Collaborative will present to the PSC a Michigan Net Metering Evaluation Report, including recommendations about the continuation and any proposed alterations of the program.

A utility may petition the PSC for an extension of its program.

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 be used to promote and increase renewable energy projects in Michigan. The Fund would receive revenue from two sources. First, alternative compliance payments, optional payments permitted under the bill, would go into the Renewable Energy 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 would be required by the bill. 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 the 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 to fund energy efficiency programs. Under the bill, 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 of 1 mill per kilowatt-hour, revenue to the Michigan Energy Efficiency 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 pursuant to 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 under the bill 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 under the bill 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.

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