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BILL ANALYSIS

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House Bill 5524 (Substitute S-1 as reported)
Sponsor: Representative Frank Accavitti, Jr.
House Committee: Energy and Technology
Senate Committee: Energy Policy and Public Utilities

CONTENT

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

-- Revise procedures for the filing, investigation, and hearing of petitions and applications for gas and electric utility rate increases.
-- Increase the time period the PSC has to make a determination in a rate filing, and provide that a petition or application would be considered approved if the PSC did not make a determination by that deadline.
-- Require the PSC, upon a gas utility's request, to establish load retention transportation rate schedules or approve gas transportation contracts for the purpose of retaining large industrial or commercial customers.
-- Require the PSC to adopt standard rate application filing forms and instructions.
-- Prohibit a person from acquiring, controlling, or merging with a jurisdictional regulated utility without PSC approval; and prescribe approval application procedures.
-- Allow an electric utility that proposed to construct, invest in, or purchase generation facilities or enter into a power purchase agreement for at least seven years to apply for a certificate of necessity from the PSC, if the construction, investment, or purchase would cost at least $500.0 million.
-- Authorize the PSC to implement separate review criteria and approval standards for utilities with under 1.0 million customers, for projects costing less than $500.0 million.
-- Require the PSC to establish standards for an integrated resource plan that a utility requesting a certificate would have to file.

The bill also would require the PSC to adopt electric rates for utilities with more than 1.0 million Michigan customers equal to the cost of providing service to each customer class, subject to certain conditions; and require the PSC to approve rates for smaller utilities equal to the cost of providing service. The maximum retail rate impact attributed to moving rates to cost of service could not exceed 2.5%. Also, the PSC would have to establish an eligible low-income customer and eligible senior citizen customer rate, and a utility would have to include in a rate increase request a proposed rate and a method to allocate the revenue shortfall attributed to that rate upon all customer classes.

Additionally, the bill would amend the part of the PSC law known as the "Customer Choice and Electricity Reliability Act" to do the following:

-- Require the PSC to issue orders providing that up to 10% of an electric utility's average total system retail sales could take service from an alternative electric supplier (AES) at any time.
-- Allow an AES customer to receive standard tariff service from an electric utility in accordance with its procedures in place on January 1, 2008, for the return of an AES customer to utility service; and allow the PSC to amend the procedures as needed.

-- Require the PSC to authorize rates that would ensure that an electric utility that offered retail open access service from 2002 until the bill took effect fully recovered within five years its restructuring costs and any associated accrued regulatory costs.
-- Provide that the Low Income and Energy Efficiency Fund would be administered by the PSC, and require the Commission to establish standards for the Fund's use to provide shut-off and other protection and to promote energy efficiency.
-- Require the PSC to adopt service quality and reliability standards for generation systems.
-- Require the PSC to submit to the Legislature and the Governor reports on electricity quality and efficiency, the possibility of separating generation and distribution, and the potential benefit of creating an electric generation purchasing pool.
-- Require the PSC to review its existing rules and amend them, if necessary, to implement performance standards for generation and distribution facilities.
-- Require each regulated utility to file a plan for using dispatchable customer-owned distributed generation within the context of its integrated planning resource process.
-- Revise provisions pertaining to the ability of municipally owned utility customers to choose service from an AES.
-- Appropriate to the PSC $1.0 million to hire 25.0 full-time equated employees.

The bill is tie-barred to House Bills 5525, 5548, 5549, and 5972 through 5977. House Bill 5525 (H-6) would create the "Energy Efficient Michigan Act" to establish an energy efficiency program for electric and natural gas utilities. House Bills 5548 (S-1) and 5549 (S-1) would create the "Renewable Energy Portfolio Act" to require retail electric service providers to achieve a renewable energy portfolio. House Bills 5972 (H-1) through 5976 (H-1) would amend the Michigan Business Tax (MBT) Act to allow one manufacturer of polycrystalline silicon for solar cells and semiconductor microchips that constructed a new facility in Michigan to claim an MBT credit based on electricity costs. House Bill 5977 (H-1) would amend the Michigan Economic Growth Authority Act to allow the Authority to grant the proposed MBT credit and an MBT credit under Public Acts 88 and 92 of 2008.

MCL 460.6a et al. Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the responsibilities of the Public Service Commission. Additional staff would be required to implement the proposed new programs, including an optional program for certification of need for facilities changes, review of mergers, time lines for decisions, and changes to the electric choice program. The bill also would require the PSC to conduct several studies and report findings to the Governor and the Legislature. The administrative costs of the PSC are appropriated in the budget for the Department of Labor and Economic Growth and are funded by assessments paid by public utilities regulated by the Commission. Municipally owned utilities under current law are not regulated by the PSC and are specifically excluded from paying public utility assessments; however, under tie-barred bills (House Bills 5525, 5548, and 5549), they would become subject to PSC regulation for certain alternative energy programs. To meet the expanded responsibilities, House Bill 5524 (H-3) would provide the PSC with an additional 25.0 full-time equivalent employees (FTEs) and a supplemental appropriation of $1.0 million in FY 2007-08 from public utility assessments. The cost of 25.0 FTEs on an annual basis is approximately $2.4 million. The Department, however, estimates that implementation of House Bill 5524 (H-3) alone would require 34.0 FTEs, and that the combined staffing requirements for House Bills 5524 (H-3), 5525 (H-6), 5548 (H-4), and 5549 (H-3) would be 50.0 FTEs. On an annual basis, 50.0 FTEs would cost approximately $4.8 million.

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