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BILL ANALYSIS

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House Bill 5548 (Substitute S-1 as reported)
House Bill 5549 (Substitute S-1 as reported)
Sponsor: Representative Jeff Mayes (H.B. 5548)
Representative David Palsrok (H.B. 5549)
House Committee: Energy and Technology
Senate Committee: Energy Policy and Public Utilities

CONTENT

The bills would create the "Renewable Energy Portfolio Act" to do the following:

- Require electricity providers to generate or acquire electricity from renewable energy systems, for sale to Michigan retail customers, or acquire equivalent renewable energy credits, in amounts sufficient to meet a renewable energy portfolio standard of at least: 5% in 2010, 7% in 2012, 9% in 2014, and 10% in 2015 and beyond.
- Require a provider to meet the renewable energy portfolio standard through the issuance of a request for proposals (RFPs) based on criteria established by the Public Service Commission (PSC).
- Allow a provider with fewer than 1.0 million Michigan customers to obtain approval from the PSC for procuring sufficient renewable resources, rather than issue an RFP.
- Require providers to file with the PSC proposed plans describing how they would meet this renewable energy portfolio standard.
- Require the plans to include the expected incremental costs of complying with the standard for a 20-year period.
- Require the plans of providers whose rates are regulated by the PSC to include a mechanism for the recovery of incremental costs of compliance within customer rates; and require other providers' plans to provide for cost allocation.
- Require the PSC to approve or reject providers' renewable energy portfolio plans, and require the biennial review of plans.
- Require providers to comply with the renewable energy portfolio standard by producing electricity from renewable energy sources, purchasing electricity through renewable energy contracts, or purchasing renewable energy credits apart from electricity.
- Establish an allocation formula for a provider with 1.0 million or more retail customers in Michigan to obtain renewable energy credits necessary to meet its portfolio standard in 2015 and beyond.
- Allow the PSC to extend the deadlines for complying with the portfolio standard.
- Require the PSC to establish a renewable energy credit certification and tracking program, which could be contracted to and performed by a third party.
- Require additional energy credits to be granted for electricity produced from solar power, renewable energy systems at peak demand time, or renewable energy systems constructed with equipment made in Michigan or using a workforce composed of State residents.
- Allow a provider not to comply with the renewable energy portfolio standard if recovery of the cost of compliance would exceed certain rate impacts.
- Prescribe the calculation of incremental costs of compliance for a rate-regulated provider.
- Require the PSC to conduct an annual renewable cost reconciliation proceeding for each rate-regulated provider.
- Prescribe remedies for providers that failed to meet the standard or comply with the Act.

House Bill 5549 (S-1) is tie-barred to House Bill 5548 and to House Bills 5383, 5524, 5525, and 5972 through 5977. House Bill 5383 (H-1) would create the "Electric Cooperative Member-Regulation Act" to allow the board of a cooperative electric utility to elect member-regulation for rates, charges, accounting standards, billing practices, and terms of service.

House Bill 5524 (S-1) would amend Public Act 3 of 1939, the PSC law, to revise utility rate procedures, modify the electricity choice program, and make other changes (as described in the Floor Summary of that bill).

House Bill 5525 (H-6) would create the "Energy Efficient Michigan Act" to establish energy efficiency performance standards consisting of annual or biennial incremental energy savings; and require electric and natural gas utilities to develop energy efficiency programs that would meet the standards.

House Bills 5972 (H-1), 5973 (H-1), 5974 (H-1), 5975 (H-1), and 5976 (H-1) would amend the Michigan Business Tax (MBT) Act to allow a manufacturer of polycrystalline silicon for solar cells and semiconductor chips, that would construct a facility in Michigan, to claim an MBT credit for certain energy consumption costs. House Bill 5970 (H-1) would amend Michigan Economic Growth Authority Act to allow the Authority to grant the proposed credit, as well as credits available to an anchor company under Public Acts 88 and 92 of 2008.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bills would increase the responsibilities of the Public Service Commission. Additional staff would be required to implement the new programs that the bills would establish. The Public Service Commission has estimated that implementing the renewable energy program pursuant to the bills would require an additional 7.0 full-time equivalent employees (FTEs). It is estimated that these positions would cost approximately \$672,000 annually. 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.

In addition, House Bills 5548 (S-1) would authorize the PSC to order the payment of civil fines ranging from \$5,000 to \$50,000 for each violation of the proposed Renewable Energy Portfolio Act. The amount of the fine revenue would depend on the number of violations and the size of the fines levied. The revenue from the fines would be deposited into the General Fund.

Under the bills, municipally owned utilities would be subject to PSC regulation regarding renewable energy programs. Municipally owned utilities would incur an unknown amount of additional costs to comply with these requirements.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.