HOUSE BILL No. 5218

September 15, 2007, Introduced by Rep. Kathleen Law and referred to the Committee on Energy and Technology.

A bill to require certain providers of electric service to purchase electricity from eligible electric generators; to prescribe the powers and duties of certain state agencies and officials; and to provide for penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 1. This act shall be known and may be cited as the "Michigan renewable energy sources act".

Sec. 2. The purpose of this act is to do the following:

(a) Enable the rapid and sustainable development of Michigan's abundant renewable energy resources for the clean generation of electricity.

(b) Protect Michigan's atmosphere from air pollution.

(c) Protect Michigan's climate from global warming.

(d) Protect Michigan's natural resources.

(e) Allow all citizens to participate in renewable electricity

HOUSE BILL No. 5218

generation.

(f) Reduce the volatility of future electricity prices.

(g) Reduce the long-term costs of electricity.

(h) Place Michigan at the forefront of north America's renewable energy revolution.

(i) Stimulate the development of new jobs, technologies, and industry in Michigan.

(j) Create a Michigan marketplace for the development of renewable energy.

Sec. 3. As used in this act:

(a) "Average specific yield" means the average production in kilowatt hours for the first 5 years of production of a wind-powered plant, less the maximum and minimum years of production, divided by the rotor-swept area in square meters.

(b) "Capacity" means the electrical capacity that an eligible electric generator may produce during regular operations, not including standby capacity.

(c) "Commission" means the Michigan public service commission.

(d) "Electric utility" means that term as defined in section 2 of the electric transmission line certification act, 1995 PA 30, MCL 460.562.

(e) "Eligible electric generator" means a system for the generation of electricity that is fueled by a renewable fuel in this state.

(f) "Reasonable profit" means a profit of not less than 10% but not more than 30%.

(g) "Renewable fuel" means solar, hydroelectric, wind,

geothermal, landfill gas, sewage treatment gas, biofuel, or biomass. For the purposes of this subdivision:

(*i*) "Biofuel" means a fuel that is composed of a gas or liquid which is made entirely from biomass.

(*ii*) "Biomass" means organic waste or dedicated crops grown for energy production.

(h) "Small wind turbine" means any wind turbine with a rotor blade swept area of no more than 2,000 square feet.

Sec. 4. (1) An electric utility shall connect an eligible electric generator to the utility's distribution systems within 30 to 60 days of such a request by an eligible electric generator. An electric utility that refuses to connect an eligible electric generator to the utility's distribution systems is subject to fines of not more than $100.00 per day that the electric utility is in violation of this subsection.

(2) The commission shall establish standards for the interconnection of eligible electric generators with the distribution systems of electric utilities. The standards shall be consistent with generally accepted industry practices and guidelines and shall be established to ensure the reliability of electric service and the safety of customers, utility employees, and the general public. The costs associated with the interconnection of eligible electric generators shall be included in the surcharge under subsection (4).

(3) Electric utilities shall enter into power purchase agreements for a term of not less than 20 years to purchase all electricity from eligible electric generators in this state at the

following rates set by the commission:

(a) For electricity generated by hydroelectric power, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) $0.10 per kilowatt hour for projects with a capacity under 500 kilowatts.

(*ii*) $0.085 per kilowatt hour for projects with a capacity of 500 kilowatts to 10 megawatts.

(*iii*) $0.065 per kilowatt hour for projects with a capacity greater than 10 megawatts to 20 megawatts.

(b) For electricity generated by landfill gas or sewage treatment gas, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) $0.10 per kilowatt hour for projects with a capacity under 500 kilowatts.

(*ii*) $0.085 per kilowatt hour for projects with a capacity equal to or greater than 500 kilowatts.

(c) For electricity generated by biomass and biogas, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) $0.145 per kilowatt hour for projects with a capacity less than 150 kilowatts.

(*ii*) $0.125 per kilowatt hour for projects with a capacity of 150 kilowatts to 500 kilowatts.

(*iii*) $0.115 per kilowatt hour for projects with a capacity greater than 500 kilowatts to 5 megawatts.

(*iv*) $0.105 per kilowatt hour for projects with a capacity

greater than 5 megawatts to 20 megawatts.

(d) For electricity generated by geothermal energy plants, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) $0.19 per kilowatt hour for projects with a capacity less than 5 megawatts.

(*ii*) $0.18 per kilowatt hour for projects with a capacity of 15 megawatts to 10 megawatts.

(*iii*) $0.115 per kilowatt hour for projects with a capacity greater than 10 megawatts to 20 megawatts.

(*iv*) $0.09 per kilowatt hour for projects with a capacity greater than 20 megawatts.

(e) For electricity generated by wind-powered plants, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) For years 1 through 5, $0.105 per kilowatt hour.

(*ii*) For years 6 through 20, $0.105 per kilowatt hour for projects with an average specific yield less than 700 kilowatt hours per square meter per year.

(*iii*) For years 6 through 20, $0.08 per kilowatt hour for projects with an average specific yield greater than 1,100 kilowatt hours per square meter per year.

(*iv*) For years 6 through 20, for projects with an average specific yield greater than 700 kilowatt hours per square meter per year but less than 1,100 kilowatt hours per square meter per year shall be paid a rate that is a linear extrapolation between the rate at 700 kilowatt hours per square meter per year to 1,100

kilowatt hours per square meter per year.

(*v*) For small wind turbines, $0.025 per kilowatt hour.

(f) For electricity generated by solar-powered plants, the rate needed for development plus a reasonable profit, but no less than the following:

(*i*) $0.50 per kilowatt hour for free standing or open field projects.

(*ii*) $0.65 per kilowatt hour for rooftop projects with a capacity less than 30 kilowatts.

(*iii*) $0.62 per kilowatt hour for rooftop projects with a capacity of 30 kilowatts to 100 kilowatts.

(*iv*) $0.61 per kilowatt hour for rooftop projects with a capacity greater than 100 kilowatts.

(*v*) $0.71 per kilowatt hour for façade cladding projects with a capacity under 30 kilowatts.

(*vi*) $0.68 per kilowatt hour for façade cladding projects with a capacity of 30 kilowatts to 100 kilowatts.

(*vii*) $0.67 per kilowatt hour for façade cladding projects with a capacity greater than 100 kilowatts.

(4) The commission shall, after notice and hearing, annually approve a renewable energy factor that shall be a nonbypassable surcharge payable by every customer of an alternative electric supplier, cooperative electric utility, electric utility, or municipal utility. The surcharge shall be payable by all customer classes. The commission shall set the surcharge at a level sufficient to pay the costs of electricity purchased under subsection (3) and any interconnection costs under subsection (2).

(5) The commission shall approve a standard contract to be used in all power purchase agreements under this act. The contract must include the prices paid for each kilowatt hour generated, the duration of the contract, and any adjustments of those prices for inflation. The commission shall provide utilities with standard contracts within 3 months of the effective date of this act.

(6) The commission shall review the rates in subsection (3) every 2 years and adjust those rates as necessary to account for inflation, assist in the profitable development of eligible electric generators, prevent excessive profits for eligible electric generators, and prevent unnecessary costs to ratepayers. The commission shall reduce the rates in subsection (3) to reflect any federal or state subsidies, tax credits, or other incentives that an eligible electric generator is receiving.

(7) In each of the first 2 years and every 4 years thereafter, the commission shall file a report with the governor and legislature that shall include all of the following:

(a) The number of new eligible electric generators in this state and the environmental effects of the addition of those generators.

(b) Recommendations for legislation and changes to the rates in subsection (3), if any.

(c) Actions taken by the commission to implement this act.

(8) Eligible electric generators shall, upon request, provide the commission any information that may be relevant to the commission performing its duties under this act.