

# HOUSE BILL No. 6685

November 19, 2008, Introduced by Rep. Accavitti and referred to the Committee on Energy and Technology.

A bill to amend 1939 PA 3, entitled

"An act to provide for the regulation and control of public and certain private utilities and other services affected with a public interest within this state; to provide for alternative energy suppliers; to provide for licensing; to include municipally owned utilities and other providers of energy under certain provisions of this act; to create a public service commission and to prescribe and define its powers and duties; to abolish the Michigan public utilities commission and to confer the powers and duties vested by law on the public service commission; to provide for the continuance, transfer, and completion of certain matters and proceedings; to abolish automatic adjustment clauses; to prohibit certain rate increases without notice and hearing; to qualify residential energy conservation programs permitted under state law for certain federal exemption; to create a fund; to provide for a restructuring of the manner in which energy is provided in this state; to encourage the utilization of resource recovery facilities; to prohibit certain acts and practices of providers of energy; to allow for the securitization of stranded costs; to reduce rates; to provide for appeals; to provide appropriations; to declare the effect and purpose of this act; to prescribe remedies and penalties; and to repeal acts and parts of acts,"

by amending sections 10dd and 11 (MCL 460.10dd and 460.11), as

added by 2008 PA 286.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 10dd. For the fiscal year ending September 30, 2009,  
2 there is appropriated to the commission from the assessments  
3 imposed under 1972 PA 299, MCL 460.111 to 460.120, the amount of  
4 \$2,500,000.00 to hire 25.0 full-time equated positions to implement  
5 the provisions of ~~the amendatory act that added this section~~ **2008**  
6 **PA 286**.

7           Sec. 11. (1) This subsection applies beginning January 1,  
8 2009. Except as otherwise provided in this subsection, the  
9 commission shall phase in electric rates equal to the cost of  
10 providing service to each customer class over a period of 5 years  
11 ~~from the effective date of the amendatory act that added this~~  
12 ~~section~~ **OCTOBER 6, 2008**. If the commission determines that the rate  
13 impact on industrial metal melting customers will exceed the 2.5%  
14 limit in subsection (2), the commission may phase in cost-based  
15 rates for that class over a longer period. The cost of providing  
16 service to each customer class shall be based on the allocation of  
17 production-related and transmission costs based on using the 50-25-  
18 25 method of cost allocation. The commission may modify this method  
19 to better ensure rates are equal to the cost of service if this  
20 method does not result in a greater amount of production-related  
21 and transmission costs allocated to primary customers.

22           (2) The commission shall ensure that the impact on residential  
23 and industrial metal melting rates due to the cost of service  
24 requirement in subsection (1) is no more than 2.5% per year.

25           (3) Notwithstanding any other provision of this act, the

1 commission may establish eligible low-income customer or eligible  
2 senior citizen customer rates. Upon filing of a rate increase  
3 request, a utility shall include proposed eligible low-income  
4 customer and eligible senior citizen customer rates and a method to  
5 allocate the revenue shortfall attributed to the implementation of  
6 those rates upon all customer classes. As used in this subsection,  
7 "eligible low-income customer" and "eligible senior citizen  
8 customer" mean those terms as defined in section 10t.

9 (4) Notwithstanding any other provision of this section, the  
10 commission shall establish rate schedules which ensure that public  
11 and private schools, universities, and community colleges are  
12 charged retail electric rates that reflect the actual cost of  
13 providing service to those customers. Not later than 90 days after  
14 ~~the effective date of the amendatory act that added this section~~  
15 **OCTOBER 6, 2008**, electric utilities regulated under this section  
16 shall file with the commission tariffs to ensure that public and  
17 private schools, universities, and community colleges are charged  
18 electric rates as provided in this subsection.

19 (5) Subsections (1) to (4) apply only to electric utilities  
20 with 1,000,000 or more retail customers in this state.

21 (6) This subsection applies beginning January 1, 2009. The  
22 commission shall approve rates equal to the cost of providing  
23 service to customers of electric utilities serving less than  
24 1,000,000 retail customers in this state. The rates shall be  
25 approved by the commission in each utility's first general rate  
26 case filed after passage of ~~the amendatory act that added this~~  
27 ~~section~~ **2008 PA 286**. If, in the judgment of the commission, the

1 impact of imposing cost of service rates on customers of a utility  
2 would have a material impact, the commission may approve an order  
3 that implements those rates over a suitable number of years. The  
4 commission shall ensure that any impact on rates due to the cost of  
5 service requirement in this subsection is not more than 2.5% per  
6 year.

7 (7) The commission shall annually retain an independent  
8 consultant to verify that the requirements of this section are  
9 being satisfied for each electric utility. The costs of this  
10 service shall be recoverable in the utility's electric rates. This  
11 subsection does not apply after December 31, 2015.