

# SENATE BILL No. 219

February 20, 2007, Introduced by Senators KAHN, JELINEK, SWITALSKI and RICHARDVILLE and referred to the Committee on Energy Policy.

A bill to require certain providers of electric service to comply with a portfolio standard for renewable energy; 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:

1       Sec. 1. As used in this act:

2       (a) "Biomass" means any organic matter that is available on a  
3 renewable basis, including, but not limited to, all of the  
4 following:

5           (i) Agricultural crops and agricultural wastes and residues.

6           (ii) Wood and wood wastes and residues.

7           (iii) Animal wastes.

1 (iv) Municipal wastes.

2 (v) Aquatic plants.

3 (b) "Commission" means the Michigan public service commission.

4 (c) "Portfolio standard" means a portfolio standard for  
5 renewable energy established by the commission under this act.

6 (d) "Provider" means any person or entity that is in the  
7 business of selling electricity to retail customers in this state.

8 (e) "Renewable energy" means any of the following:

9 (i) Biomass.

10 (ii) Geothermal energy.

11 (iii) Solar thermal energy.

12 (iv) Wind energy.

13 (f) "Renewable energy system" means any of the following:

14 (i) A facility or energy system that uses renewable energy to  
15 generate electricity and transmits or distributes the electricity  
16 that it generates from renewable energy.

17 (ii) A solar thermal energy system that reduces the consumption  
18 of electricity.

19 Sec. 2. (1) For each provider, the commission shall establish  
20 a portfolio standard for renewable energy. The portfolio standard  
21 shall require the provider to generate or acquire electricity from  
22 renewable energy systems in the following amounts:

23 (a) For calendar years 2006 through 2008, not less than 4% of  
24 the total amount of electricity sold by the provider to its retail  
25 customers in this state during the calendar year.

26 (b) For calendar years 2009 through 2011, not less than 5% of  
27 the total amount of electricity sold by the provider to its retail

1 customers in this state during the calendar year.

2 (c) For calendar years 2012 through 2014, not less than 6% of  
3 the total amount of electricity sold by the provider to its retail  
4 customers in this state during the calendar year.

5 (d) For calendar year 2015 and for each calendar year  
6 thereafter, not less than 7% of the total amount of electricity  
7 sold by the provider to its retail customers in this state during  
8 the calendar year.

9 (2) In addition to the requirements under subsection (1), the  
10 portfolio standard for each provider shall require all of the  
11 following:

12 (a) That of the total amount of electricity that the provider  
13 is required to generate or acquire from renewable energy systems  
14 during each calendar year, not less than 1% of that amount must be  
15 generated or acquired from solar renewable energy systems.

16 (b) If the provider acquires electricity from a renewable  
17 energy system under a renewable energy contract with another party,  
18 the contract shall provide both of the following:

19 (i) That the term of the renewable energy contract shall be not  
20 less than 20 years, unless the other party agrees to a renewable  
21 energy contract with a shorter term.

22 (ii) That the terms and conditions of the renewable energy  
23 contract are just and reasonable, as determined by the commission.

24 (3) If, for the benefit of 1 or more of its retail customers  
25 in this state, the provider has subsidized, in whole or in part,  
26 the acquisition or installation of a solar thermal energy system  
27 that qualifies as a renewable energy system and that reduces the

1 consumption of electricity, the total reduction in the consumption  
2 of electricity during each calendar year that results from the  
3 solar thermal energy system is considered to be electricity that  
4 the provider generated or acquired from a renewable energy system  
5 for the purposes of complying with its portfolio standard.

6 (4) The commission may establish a system of renewable energy  
7 credits that may be used by a provider to comply with its portfolio  
8 standard.

9 (5) If a provider is unable to comply with its portfolio  
10 standard through the generation of electricity from its own  
11 renewable energy systems or the use of renewable energy credits,  
12 the provider shall acquire electricity under 1 or more renewable  
13 energy contracts.

14 (6) If the commission determines that there is not or will not  
15 be a sufficient supply of electricity made available to a provider  
16 under renewable energy contracts with just and reasonable terms and  
17 conditions, the commission shall exempt the provider, for that  
18 calendar year, from the remaining requirements of its portfolio  
19 standard or from any appropriate portion of the standard.

20 (7) If considered in the public interest, the commission may  
21 approve a rate that allows a regulated rate provider to recover  
22 from its retail customers the cost of providing total renewable  
23 energy.

24 (8) The commission shall determine whether the terms and  
25 conditions of a renewable energy contract are just and reasonable.

26 (9) As used in this section:

27 (a) "Renewable energy contract" means a contract to acquire

1 electricity from 1 or more renewable energy systems owned,  
2 operated, or controlled by third parties.

3 (b) "Terms and conditions" includes the price that a provider  
4 of electric service is to pay to acquire electricity under a  
5 renewable energy contract.

6 Sec. 3. (1) Each provider of electric service shall submit to  
7 the commission an annual report that provides information relating  
8 to the actions taken by the provider to comply with its portfolio  
9 standard.

10 (2) Each provider shall submit the annual report to the  
11 commission after the end of each calendar year and within the time  
12 prescribed by the commission. The report shall be submitted in a  
13 format approved by the commission.

14 (3) Each annual report shall include all of the following  
15 information:

16 (a) The amount of electricity that the provider generated or  
17 acquired from renewable energy systems during the reporting period  
18 and the amount of renewable energy credits that the provider  
19 acquired, sold, or traded during the reporting period to comply  
20 with its portfolio standard.

21 (b) The capacity of each renewable energy system owned,  
22 operated, or controlled by the provider, the total amount of  
23 electricity generated by each system during the reporting period  
24 and the percentage of that total amount that was generated directly  
25 from renewable energy.

26 (c) Whether, during the reporting period, the provider began  
27 construction on, acquired, or placed into operation any renewable

1 energy system.

2 (d) Any other information that the commission may require.

3 Sec. 4. (1) If a provider does not comply with its portfolio  
4 standard for any calendar year and the commission has not exempted  
5 the provider from the requirements of its portfolio standard, the  
6 commission may impose a fine or take other appropriate action  
7 against the provider.

8 (2) The commission may impose a fine against a provider based  
9 on either of the following:

10 (a) Each kilowatt-hour of electricity that the provider does  
11 not generate or acquire from a renewable energy system or a solar  
12 thermal renewable energy system during a calendar year in violation  
13 of its portfolio standard.

14 (b) Any other reasonable formula adopted by the commission.

15 (3) If the commission imposes a fine against a regulated rate  
16 provider, then all of the following apply:

17 (a) The fine is not a cost of service of the provider.

18 (b) The provider shall not include any portion of the fine in  
19 any application for a rate adjustment or rate increase.

20 (c) The commission shall not allow the provider to recover any  
21 portion of the fine from its retail customers.