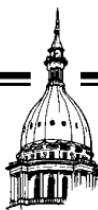




Senate Fiscal Agency
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BILL



ANALYSIS

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House Bill 4937 (Substitute H-1 as passed by the House)
Sponsor: Representative Aric Nesbitt
House Committee: Energy and Technology
Senate Committee: Energy and Technology

Date Completed: 10-7-13

CONTENT

The bill would repeal Section 4 of the Value-Added Act, which requires an electric or natural gas utility to establish and administer an uncollectibles allowance recovery fund; rescind related administrative rules; appropriate money in the Michigan Clean Air Fund to the Public Service Commission for distribution to utilities in the amounts they contributed to the Fund; and require the utilities to refund the money to customers. The bill also would amend the Act to eliminate a reference to the uncollectables allowance recovery funds in a provision regarding the Clean Air Fund.

Section 4, which the bill would repeal, requires the Public Service Commission (PSC) to require each utility to establish and administer an uncollectibles allowance recovery fund, into which the utility must deposit on an annual basis the difference between the uncollectible provision as recorded in the utility's financial records for 1999 minus the provision as recorded in each subsequent fiscal year. Within 30 days after the close of a utility's fiscal year, the utility must inform the PSC of the amount of money in its fund for that year.

("Utility" means a person, firm, corporation, cooperative, association, or other agency that is subject to the PSC's jurisdiction and that distributes and sells electricity or natural gas to the public for residential use.)

An investor-owned utility (IOU) annually must allocate all money from its uncollectibles allowance recovery fund to the State Treasurer for deposit into the Michigan Clean Air Fund (described below) in accordance with PSC rules and orders.

A cooperative electric utility annually must allocate all of the money from its fund to its customers in proportionate amounts based on each customer's patronage with the cooperative.

Section 4 also directs the PSC to promulgate rules to implement these provisions.

The bill would rescind those rules (R 460.2601 to R 460.2605), which contain provisions similar to those in Section 4, but specifically require an IOU to disburse money from its fund annually according to the following formula:

- 25% must be retained by the utility.
- 75% must be contributed to the Clean Air Fund.

The bill would appropriate and transfer to the PSC all money in the Clean Air Fund on the bill's effective date for distribution to utilities in the amounts they contributed to the Fund. The money would have to be refunded to customers through the reconciliation process provided in Sections 6h and 6j of Public Act 3 of 1939, which governs the PSC. (Those sections establish procedures for a gas cost recovery reconciliation and a power supply cost reconciliation, respectively.)

The Act created the Clean Air Fund within the Department of Treasury to be administered by the Department of Environmental Quality (DEQ). The DEQ must use money in the Clean Air Fund to provide grants and loans to individuals, private or public corporations, and local units of government for programs or projects established to reduce oxides of nitrogen and volatile organic compounds, and for the administration of the grant and loan program. The Act requires the State Treasurer to credit to the Fund the money from the uncollectibles allowance recovery funds established in Section 4, as well as money from any other source provided by law. The bill would delete the reference to the uncollectibles allowance recovery funds.

MCL 285.303

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have a neutral fiscal impact on the State and no fiscal impact on local units of government. Under the bill, the accumulated balance in the Michigan Clean Air Fund would be transferred from the Department of Environmental Quality to the Public Service Commission. The bill also would appropriate all funds in the Clean Air Fund to the PSC for the purpose of distributing the money to utilities that paid into the Fund since its inception.

The Michigan Clean Air Fund is not currently used by the DEQ for any purpose, so removing the requirement that investor-owned utilities deposit revenue from their uncollectibles allowance recovery fund to the Clean Air Fund would have no practical fiscal impact on the DEQ's operations. The DEQ has indicated that since fiscal year 2001-02, approximately \$640,000 has been deposited in the Fund.

Fiscal Analyst: Josh Sefton

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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.