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House Bill 5612 (Substitute H-1 as passed by the House)
Sponsor: Representative Mike Shirkey
House Committee: Energy and Technology

CONTENT

The bill would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to include utility cost allocation and rate design proceedings initiated under Section 11(3) (proposed by House Bill 5476) among the allowed uses of the Utility Consumer Representation Fund.

Under the Act, each energy utility that has applied to the PSC for the initiation of an energy cost recovery proceeding must remit to the Fund on an annual basis an amount determined according to a prescribed formula. The PSC must allow a utility to charge its customers for these payments. The Fund money is used to finance participation on behalf of ratepayers by the Attorney General, nonprofit organizations, and local units of government in certain administrative and judicial proceedings that directly affect the energy costs paid by Michigan utilities.

Enrolled House Bill 5476 would add Section 11(3) to provide for the examination and modification of the cost allocation and rate design methods used to set electric utilities' rates, to ensure that rates were equal to the cost of service. The requirement for the commencement of PSC proceedings for these purposes would apply to utilities with at least 1.0 million retail customers in Michigan. House Bill 5612 (H-1) would allow Fund money to be used for these proceedings.

MCL 460.6m

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would not have a substantial fiscal impact on the Public Service Commission within the Department of Licensing and Regulatory Affairs (LARA) or on local units of government. The bill would allow the Utility Consumer Representation Fund to be used for cost allocation and rate design proceedings. According to the State Budget Office, the Fund had a balance of \$2.4 million at the end of fiscal year 2012-13, and will have an estimated balance of \$1.9 million at the end of fiscal year 2013-14. Allowing the Fund to be used for additional purposes would increase the rate at which the balance in the Fund would be spent, assuming that other expenditures from the Fund were not reduced to compensate. Since the Fund is appropriated only for use in distributing grants under current law and for judicial proceedings by the Attorney General, a lower Fund balance could affect amounts available for those purposes, but would not have a significant impact on the operations of either LARA or the PSC.

Date Completed: 6-10-14

Fiscal Analyst: Josh Sefton