# HOUSE BILL No. 5968

November 13, 2014, Introduced by Reps. Dianda, Kivela and Foster and referred to the Committee on Energy and Technology.

A bill to amend 2008 PA 295, entitled

"Clean, renewable, and efficient energy act,"

by amending the title, the heading of part 5, and sections 3, 5, 7, 9, 11, 13, 21, 23, 25, 27, 29, 31, 33, 39, 45, 49, 173, 175, 177, and 179 (MCL 460.1003, 460.1005, 460.1007, 460.1009, 460.1011, 460.1013, 460.1021, 460.1023, 460.1025, 460.1027, 460.1029, 460.1031, 460.1033, 460.1039, 460.1045, 460.1049, 460.1173, 460.1175, 460.1177, and 460.1179).

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

TITLE

An act to require certain providers of electric service to

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establish renewable energy programs; to require certain providers of electric or natural gas service to establish energy optimization programs; to authorize the use of certain energy systems to meet the requirements of those programs; to provide for the approval of energy optimization service companies; to provide for certain charges on electric and natural gas bills; to promote energy conservation by state agencies and the public; to create a wind energy resource zone board and provide for its power and duties; to authorize the creation and implementation of wind energy resource zones; to provide for expedited transmission line siting certificates; to provide for a ~~net metering~~ **CUSTOMER ELECTRIC GENERATION** program and the responsibilities of ~~certain~~ providers of electric service and customers with respect to ~~net metering;~~ **THAT PROGRAM;** to provide for fees; to prescribe the powers and duties of certain state agencies and officials; to require the promulgation of rules and the issuance of orders; and to provide for civil sanctions, remedies, and penalties.

Sec. 3. As used in this act:

(a) "Advanced cleaner energy" means electricity generated using an advanced cleaner energy system.

(b) "Advanced cleaner energy credit" means a credit certified under section 43 that represents generated advanced cleaner energy.

(c) "Advanced cleaner energy system" means any of the following:

(*i*) A gasification facility.

(*ii*) An industrial cogeneration facility.

(*iii*) A coal-fired electric generating facility if 85% or more of the carbon dioxide emissions are captured and permanently geologically sequestered.

(*iv*) An electric generating facility or system that uses technologies not in commercial operation on ~~the effective date of this act.~~**OCTOBER 6, 2008.**

(d) "Affiliated transmission company" means that term as defined in **SECTION 2 OF** the electric transmission line certification act, 1995 PA 30, MCL 460.562.

(e) "Applicable regional transmission organization" means a nonprofit, member-based organization governed by an independent board of directors that serves as the federal energy regulatory ~~commission-approved~~ **COMMISSION APPROVED** regional transmission organization with oversight responsibility for the region that includes the provider's service territory.

(f) "Biomass" means any organic matter that is not derived from fossil fuels, that can be converted to usable fuel for the production of energy, and that replenishes over a human, not a geological, time frame, including, but not limited to, all of the following:

(*i*) Agricultural crops and crop wastes.

(*ii*) Short-rotation energy crops.

(*iii*) Herbaceous plants.

(*iv*) Trees and wood, but only if derived from sustainably managed forests or procurement systems, as defined in section 261c of the management and budget act, 1984 PA 431, MCL 18.1261c.

(*v*) Paper and pulp products.

(*vi*) Precommercial wood thinning waste, brush, or yard waste.

(*vii*) Wood wastes and residues from the processing of wood products or paper.

(*viii*) Animal wastes.

(*ix*) Wastewater sludge or sewage.

(*x*) Aquatic plants.

(*xi*) Food production and processing waste.

(*xii*) Organic by-products from the production of biofuels.

(g) "Board" means the wind energy resource zone board created under section 143.

(h) "Carbon dioxide emissions benefits" means that the carbon dioxide emissions per megawatt hour of electricity generated by the advanced cleaner energy system are at least 85% less or, for an integrated gasification combined cycle facility, 70% less than the average carbon dioxide emissions per megawatt hour of electricity generated from all coal-fired electric generating facilities operating in this state on January 1, 2008.

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

**(J) "CUSTOMER GENERATION PROGRAM" MEANS THE PROGRAM CREATED UNDER SECTION 173.**

**(K)** ~~(j)~~ "Customer meter" means an electric meter of a provider's retail customer. Customer meter does not include a municipal water pumping meter or additional meters at a single site that were installed specifically to support interruptible air conditioning, interruptible water heating, ~~net metering,~~ **CUSTOMER GENERATION,** or time-of-day tariffs.

Sec. 5. As used in this act:

(a) "Electric provider", subject to sections 21(1), 23(1), and 25(1), means any of the following:

(*i*) Any person or entity that is regulated by the commission for the purpose of selling electricity to retail customers in this state.

(*ii*) A municipally-owned electric utility in this state.

(*iii*) A cooperative electric utility in this state.

(*iv*) Except as used in subpart B of part 2, an alternative electric supplier licensed under section 10a of 1939 PA 3, MCL 460.10a.

(b) "Eligible electric generator" means ~~that a methane digester or~~ **A CUSTOMER'S** renewable energy system**,** ~~with~~ **COGENERATION SYSTEM FUELED BY NATURAL GAS, OR WASTE HEAT RECOVERY SYSTEM THAT MEETS BOTH OF THE FOLLOWING REQUIREMENTS:**

**(*i*) IS LOCATED IN THIS STATE.**

**(*ii*) HAS** a generation capacity ~~limited to the customer's electric need and that does not exceed the following:~~**THAT IS CONSISTENT WITH THE SAFETY AND RELIABILITY REQUIREMENTS OF THE CUSTOMER'S INTERCONNECTION.**

~~(*i*) For a renewable energy system, 150 kilowatts of aggregate generation at a single site.~~

~~(*ii*) For a methane digester, 550 kilowatts of aggregate generation at a single site.~~

(c) "Energy conservation" means the reduction of customer energy use through the installation of measures or changes in energy usage behavior. Energy conservation does not include the

use of advanced cleaner energy systems.

(d) "Energy efficiency" means a decrease in customer consumption of electricity or natural gas achieved through measures or programs that target customer behavior, equipment, devices, or materials without reducing the quality of energy services.

(e) "Energy optimization", subject to subdivision (f), means all of the following:

(*i*) Energy efficiency.

(*ii*) Load management, to the extent that the load management reduces overall energy usage.

(*iii*) Energy conservation, but only to the extent that the decreases in the consumption of electricity produced by energy conservation are objectively measurable and attributable to an energy optimization plan.

(f) Energy optimization does not include electric provider infrastructure projects that are approved for cost recovery by the commission other than as provided in this act.

(g) "Energy optimization credit" means a credit certified pursuant to section 87 that represents achieved energy optimization.

(h) "Energy optimization plan" or "EO plan" means a plan **APPROVED** under section ~~71.~~**73.**

(i) "Energy optimization standard" means the minimum energy savings required to be achieved under section 77.

(j) "Energy star" means the voluntary partnership among the United States department of energy, the United States

environmental protection agency, product manufacturers, local utilities, and retailers to help promote energy efficient products by labeling with the energy star logo, **TO** educate consumers about the benefits of energy efficiency, and **TO** help promote energy efficiency in buildings by benchmarking and rating energy performance.

(k) "Federal approval" means approval by the applicable regional transmission organization or other federal energy regulatory commission approved transmission planning process of a transmission project that includes the transmission line. Federal approval may be evidenced in any of the following manners:

(*i*) The proposed transmission line is part of a transmission project included in the applicable regional transmission organization's board-approved transmission expansion plan.

(*ii*) The applicable regional transmission organization has informed the electric utility, affiliated transmission company, or independent transmission company that a transmission project submitted for an out-of-cycle project review has been approved by the applicable regional transmission organization, and the approved transmission project includes the proposed transmission line.

(*iii*) If, after ~~the effective date of this act,~~ **OCTOBER 6, 2008,** the applicable regional transmission organization utilizes another approval process for transmission projects proposed by an electric utility, affiliated transmission company, or independent transmission company, the proposed transmission line is included in a transmission project approved by the applicable regional

transmission organization through the approval process developed after ~~the effective date of this act.~~**OCTOBER 6, 2008.**

(*iv*) Any other federal energy regulatory commission approved transmission planning process for a transmission project.

Sec. 7. As used in this act:

(a) "Gasification facility" means a facility located in this state that uses a thermochemical process that does not involve direct combustion to produce synthesis gas, composed of carbon monoxide and hydrogen, from carbon-based feedstocks (such as coal, petroleum coke, wood, biomass, hazardous waste, medical waste, industrial waste, and solid waste, including, but not limited to, municipal solid waste, electronic waste, and waste described in section 11514 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11514) and that uses the synthesis gas or a mixture of the synthesis gas and methane to generate electricity for commercial use. Gasification facility includes the transmission lines, gas transportation lines and facilities, and associated property and equipment specifically attributable to such a facility. Gasification facility includes, but is not limited to, an integrated gasification combined cycle facility and a plasma arc gasification facility.

(b) "Incremental costs of compliance" means the net revenue required by an electric provider to comply with the renewable energy standard, calculated as provided under section 47.

(c) "Independent transmission company" means that term as defined in section 2 of the electric transmission line

certification act, 1995 PA 30, MCL 460.562.

(d) "Industrial cogeneration facility" means a facility that generates electricity using industrial thermal energy or industrial waste energy.

(e) "Industrial thermal energy" means thermal energy that is a by-product of an industrial or manufacturing process and that would otherwise be wasted. For the purposes of this subdivision, industrial or manufacturing process does not include the generation of electricity.

(f) "Industrial waste energy" means exhaust gas or flue gas that is a by-product of an industrial or manufacturing process and that would otherwise be wasted. For the purposes of this subdivision, industrial or manufacturing process does not include the generation of electricity.

(g) "Integrated gasification combined cycle facility" means a gasification facility that uses a thermochemical process, including high temperatures and controlled amounts of air and oxygen, to break substances down into their molecular structures and that uses exhaust heat to generate electricity.

(h) "LEED" means the leadership in energy and environmental design green building rating system developed by the United States green building council.

(i) "Load management" means measures or programs that target equipment or devices to result in decreased peak electricity demand such as by shifting demand from a peak to an off-peak period.

~~(j) "Modified net metering" means a utility billing method~~

~~that applies the power supply component of the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under section 177(4). Standby charges for modified net metering customers on an energy rate schedule shall be equal to the retail distribution charge applied to the imputed customer usage during the billing period. The imputed customer usage is calculated as the sum of the metered on-site generation and the net of the bidirectional flow of power across the customer interconnection during the billing period. The commission shall establish standby charges for modified net metering customers on demand-based rate schedules that provide an equivalent contribution to utility system costs.~~

Sec. 9. As used in this act:

(a) "Natural gas provider" means an investor-owned business engaged in the sale and distribution of natural gas within this state whose rates are regulated by the commission. However, as used in subpart B of part 2, natural gas provider does not include an alternative gas supplier licensed under section 9b of 1939 PA 3, MCL 460.9b.

**(B) "NET METERING" MEANS A UTILITY BILLING METHOD THAT APPLIES THE FULL RETAIL RATE TO THE NET OF THE BIDIRECTIONAL FLOW OF KILOWATT HOURS ACROSS THE CUSTOMER INTERCONNECTION WITH THE**

**UTILITY DISTRIBUTION SYSTEM, DURING A BILLING PERIOD OR TIME-OF-USE PRICING PERIOD. A NEGATIVE NET METERED QUANTITY DURING THE BILLING PERIOD OR DURING EACH TIME-OF-USE PRICING PERIOD WITHIN THE BILLING PERIOD REFLECTS NET EXCESS GENERATION FOR WHICH THE CUSTOMER IS ENTITLED TO RECEIVE CREDIT UNDER SECTION 177.**

**(C)** ~~(b)~~ "Plasma arc gasification facility" means a gasification facility that uses a plasma torch to break substances down into their molecular structures.

**(D)** ~~(c)~~ "Provider" means an electric provider or a natural gas provider.

**(E)** ~~(d)~~ "PURPA" means the public utility regulatory policies act of 1978, Public Law 95-617.

**(F)** ~~(e)~~ "Qualifying small power production facility" means that term as defined in 16 USC 824a-3.

Sec. 11. As used in this act:

(a) "Renewable energy" means electricity generated using a renewable energy system.

(b) "Renewable energy capacity portfolio" means the number of megawatts calculated under section 27(2) for a particular year.

(c) "Renewable energy contract" means a contract to acquire renewable energy and the associated renewable energy credits from 1 or more renewable energy systems.

(d) "Renewable energy credit" means a credit granted pursuant to **THE CERTIFICATION AND TRACKING PROGRAM UNDER** section 41 that represents generated renewable energy.

(e) "Renewable energy credit portfolio" means the sum of the

renewable energy credits achieved by a provider for a particular year.

(f) "Renewable energy credit standard" means a minimum renewable energy portfolio required under section 27.

(g) "Renewable energy generator" means a person that, together with its affiliates, has constructed or has owned and operated 1 or more renewable energy systems with combined gross generating capacity of at least 10 megawatts.

(h) "Renewable energy plan" or "plan", means a plan approved under section 21 or 23 or found to comply with this act under section 25, with any amendments adopted under this act.

(i) "Renewable energy resource" means a resource that naturally replenishes over a human, not a geological, time frame and that is ultimately derived from solar power, water power, or wind power. Renewable energy resource does not include petroleum, nuclear, natural gas, or coal. A renewable energy resource comes from the sun or from thermal inertia of the earth and minimizes the output of toxic material in the conversion of the energy and includes, but is not limited to, all of the following:

(*i*) Biomass.

(*ii*) Solar and solar thermal energy.

(*iii*) Wind energy.

(*iv*) Kinetic energy of moving water, including all of the following:

(A) Waves, tides, or currents.

(B) Water released through a dam.

(*v*) Geothermal energy.

(*vi*) Municipal solid waste.

(*vii*) Landfill gas produced by municipal solid waste.

(j) "Renewable energy standard" means the minimum renewable energy capacity portfolio, if applicable, and the renewable energy credit portfolio required to be achieved under section 27.

(k) "Renewable energy system" means a facility, electricity generation system, or set of electricity generation systems that use 1 or more renewable energy resources to generate electricity. **RENEWABLE ENERGY SYSTEM INCLUDES AN ANAEROBIC DIGESTER OR OTHER SYSTEM TO GASIFY BIOMASS.** Renewable energy system does not include any of the following:

(*i*) A hydroelectric pumped storage facility.

(*ii*) A hydroelectric facility that uses a dam constructed after ~~the effective date of this act~~ **OCTOBER 6, 2008** unless the dam is a repair or replacement of a dam in existence on ~~the effective date of this act~~ **OCTOBER 6, 2008** or an upgrade of a dam in existence on ~~the effective date of this act~~ **OCTOBER 6, 2008** that increases its energy efficiency.

(*iii*) An incinerator unless the incinerator is a municipal solid waste incinerator as defined in section 11504 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.11504, that was brought into service before ~~the effective date of this act,~~ **OCTOBER 6, 2008,** including any of the following:

(A) Any upgrade of such an incinerator that increases energy efficiency.

(B) Any expansion of such an incinerator before ~~the~~

~~effective date of this act.~~**OCTOBER 6, 2008.**

(C) Any expansion of such an incinerator on or after ~~the effective date of this act~~ **OCTOBER 6, 2008** to an approximate design rated capacity of not more than 950 tons per day pursuant to the terms of a final request for proposals issued on or before October 1, 1986.

(*l*) "Revenue recovery mechanism" means the mechanism for recovery of incremental costs of compliance established under section 21 **FOR A PROVIDER WHOSE RATES ARE REGULATED BY THE COMMISSION**.

Sec. 13. As used in this act:

(a) "Site" means a contiguous site, regardless of the number of meters at that site. A site that would be contiguous but for the presence of a street, road, or highway shall be considered to be contiguous for the purposes of this subdivision.

(b) "Transmission line" means all structures, equipment, and real property necessary to transfer electricity at system bulk supply voltage of 100 kilovolts or more.

~~(c) "True net metering" means a utility billing method that applies the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under section 177(4).~~

**(C)** ~~(d)~~ "Utility system resource cost test" means a standard

that is met for an investment in energy optimization if, on a life cycle basis, the total avoided supply-side costs to the provider, including representative values for electricity or natural gas supply, transmission, distribution, and other associated costs, are greater than the total costs to the provider of administering and delivering the energy optimization program, including net costs for any provider incentives paid by customers and capitalized costs recovered under section 89.

**(D)** ~~(e)~~ "Wind energy conversion system" means a renewable energy system that uses 1 or more wind turbines to generate electricity and has a nameplate capacity of 100 kilowatts or more.

**(E)** ~~(f)~~ "Wind energy resource zone" or "wind zone" means an area designated by the commission under section 147.

Sec. 21. (1) This section applies only to electric providers whose rates are regulated by the commission.

(2) Each electric provider shall file a proposed renewable energy plan with the commission within 90 days after the commission issues a temporary order under section ~~171.~~ **191.** The proposed plan shall meet all of the following requirements:

(a) Describe how the electric provider will meet the renewable energy standards.

(b) Specify whether the number of megawatt hours of electricity used in the calculation of the renewable energy credit portfolio will be weather-normalized or based on the average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail

customers in this state. Once the plan is approved by the commission, this option shall not be changed.

(c) Include the expected incremental cost of compliance with the renewable energy standards for a 20-year period beginning when the plan is approved by the commission.

(d) For an electric provider that had 1,000,000 or more retail customers in this state on January 1, 2008, describe the bidding process to be used by the electric provider under section 33. The description shall include measures to be employed in the preparation of requests for proposals and the handling and evaluation of proposals received to ensure that any bidder that is an affiliate of the electric ~~utility~~ **PROVIDER** is not afforded a competitive advantage over any other bidder and that each bidder, including any bidder that is an affiliate of the electric provider, is treated in a fair and nondiscriminatory manner.

(3) The proposed plan shall establish a nonvolumetric mechanism for the recovery of the incremental costs of compliance within the electric provider's customer rates. **HOWEVER, THE ELECTRIC PROVIDER SHALL AMEND THE PLAN TO ESTABLISH, EFFECTIVE 1 YEAR AFTER THE EFFECTIVE DATE OF THE 2014 ACT THAT AMENDED THIS SECTION, A VOLUMETRIC MECHANISM FOR THE RECOVERY OF THE INCREMENTAL COSTS OF COMPLIANCE WITHIN THE ELECTRIC PROVIDER'S CUSTOMER RATES IN THE SAME MANNER AS OTHER METHODS OF GENERATING ELECTRICITY. THE VOLUMETRIC CHARGE SHALL BE UNIFORM ACROSS ALL CUSTOMER CLASSES, SUBJECT TO ADJUSTMENT FOR LINE LOSSES.** The revenue recovery mechanism shall not result in rate impacts that exceed the monthly maximum retail rate impacts specified under

section 45. The revenue recovery mechanism is subject to adjustment under sections 47(4) and 49. A customer participating in a commission-approved voluntary renewable energy program under an agreement in effect on ~~the effective date of this act~~ **OCTOBER 6, 2008** shall not incur charges under the revenue recovery mechanism unless the charges under the revenue recovery mechanism exceed the charges the customer is incurring for the voluntary renewable energy program. In that case, the customer shall only incur the difference between the charge assessed under the revenue recovery mechanism and the charges the customer is incurring for the voluntary renewable energy program. The limitation on charges applies only during the term of the agreement, not including automatic agreement renewals, or until ~~1 year after the effective date of this act,~~ **OCTOBER 6, 2009,** whichever is later. Before entering an agreement with a customer to participate in a commission-approved voluntary renewable energy program and before the last automatic monthly renewal of such an agreement that will occur ~~less than 1 year after the effective date of this act,~~ **BEFORE OCTOBER 6, 2009,** an electric provider shall notify the customer that the customer will be responsible for the full applicable charges under the revenue recovery mechanism and under the voluntary renewable energy program as provided under this subsection.

(4) If proposed by the electric provider in its proposed plan, the revenue recovery mechanism shall result in an accumulation of reserve funds in advance of expenditure and the creation of a regulatory liability that accrues interest at the

average short-term borrowing rate available to the electric provider during the appropriate period. If proposed by the electric provider in its proposed plan, the commission shall establish a minimum balance of accumulated reserve funds for the purposes of section 47(4).

(5) The commission shall conduct a contested case hearing on the proposed plan filed under subsection (2), pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. If a renewable energy generator files a petition to intervene in the contested case in the manner prescribed by the commission's rules for interventions generally, the commission shall grant the petition. Subject to subsections (6) and (10), after the hearing and within 90 days after the proposed plan is filed with the commission, the commission shall approve, with any changes consented to by the electric provider, or reject the plan.

(6) The commission shall not approve an electric provider's plan unless the commission determines both of the following:

(a) That the plan is reasonable and prudent. In making this determination, the commission shall take into consideration projected costs and whether or not projected costs included in prior plans were exceeded.

(b) That the life-cycle cost of renewable energy acquired or generated under the plan less the projected life-cycle net savings associated with the provider's energy optimization plan does not exceed the expected life-cycle cost of electricity generated by a new ~~conventional coal-fired~~ **COMBINED CYCLE NATURAL**

**GAS** facility. In ~~determining the expected life-cycle cost of electricity generated by a new conventional coal-fired facility,~~ **MAKING THIS DETERMINATION,** the commission shall consider data from this state and the states of Ohio, Indiana, Illinois, Wisconsin, and Minnesota, including ~~, if applicable,~~ the life-cycle costs of the renewable energy system and new ~~conventional coal-fired~~ facilities. When determining the life-cycle costs of the renewable energy system and new ~~conventional coal-fired~~ **COMBINED CYCLE NATURAL GAS** facilities, the commission shall use a methodology that includes, but is not limited to, consideration of the value of energy, capacity, and ancillary services. The commission shall also consider other costs such as transmission, economic benefits, and environmental costs, including, but not limited to, greenhouse gas constraints or taxes. In performing its assessment, the commission may utilize other available data, including national or regional reports and data published by federal or state governmental agencies, industry associations, and consumer groups.

(7) An electric provider shall not begin recovery of the incremental costs of compliance within its rates until the commission has approved its proposed plan.

(8) Every 2 years after initial approval of a plan under subsection (5) **THROUGH 2015**, the commission shall review the plan. ~~The commission shall conduct a contested case hearing on the plan pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.~~ **WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THE 2014 ACT THAT AMENDED THIS SECTION, THE**

**COMMISSION SHALL ISSUE AN ORDER SCHEDULING A REVIEW OF THE PLAN OF EACH ELECTRIC PROVIDER BEFORE JANUARY 1, 2019. AFTER THAT REVIEW, THE COMMISSION SHALL REVIEW THE PLAN EVERY 3 YEARS. IF SECTION 6S(1) OF 1939 PA 3, MCL 460.6S, IS AMENDED TO REQUIRE AN ELECTRIC PROVIDER TO SUBMIT AN APPLICATION TO THE COMMISSION SEEKING A CERTIFICATE OF NECESSITY FOR A POWER SUPPLY PLAN INCLUDING INVESTMENTS TO BE MADE OVER A SPECIFIED PERIOD OF TIME TO MEET CURRENT AND FUTURE DEMAND FOR ELECTRIC GENERATION AND TRANSMISSION FOR CUSTOMERS OF THAT ELECTRIC PROVIDER, AN ELECTRIC PROVIDER SHALL INCLUDE ANY PROPOSED CHANGES TO ITS RENEWABLE ENERGY PLAN WITHIN ITS POWER SUPPLY PLAN AND A SEPARATE CONTESTED CASE ON THE ELECTRIC PROVIDER'S RENEWABLE ENERGY PLAN SHALL NOT BE CONDUCTED UNDER THIS SECTION.** The annual renewable cost reconciliation under section 49 for that year may be joined with the overall plan review in the same contested case hearing. Subject to subsections (6) and (10), after the hearing, the commission shall approve, with any changes consented to by the electric provider, or reject the plan and any proposed amendments to the plan.

(9) If an electric provider proposes to amend its plan at a time other than during the ~~biennial~~ **PERIODIC** review process under subsection (8), the electric provider shall file the proposed amendment with the commission. If the proposed amendment would modify the revenue recovery mechanism, the commission shall conduct a contested case hearing on the amendment pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. The annual renewable cost reconciliation under section 49

may be joined with the plan amendment in the same contested case proceeding. Subject to subsections (6) and (10), after the hearing and within 90 days after the amendment is filed, the commission shall approve, with any changes consented to by the electric provider, or reject the plan and the proposed amendment or amendments to the plan.

(10) If the commission rejects a proposed plan or amendment under this section, the commission shall explain in writing the reasons for its determination.

Sec. 23. (1) This section applies only to alternative electric suppliers and cooperative electric utilities that have elected to become member-regulated under the electric cooperative member-regulation act, 2008 PA 167, MCL 460.31 to 460.39.

(2) Each alternative electric supplier or cooperative electric utility shall file a proposed renewable energy plan with the commission within 90 days or 120 days, respectively, after the commission issues a temporary order under section ~~171.~~ **191.** The proposed plan shall meet all of the following requirements:

(a) Describe how the electric provider will meet the renewable energy standards.

(b) Specify whether the number of megawatt hours of electricity used in the calculation of the renewable energy portfolio will be weather-normalized or based on the average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail customers in this state. Once the plan is approved by the commission, this option shall not be changed.

(3) The commission shall provide an opportunity for public comment on the proposed plan filed under subsection (2). After the opportunity for public comment and within 90 days after the proposed plan is filed with the commission, the commission shall approve, with any changes consented to by the electric provider, or reject the plan.

(4) Every 2 years after initial approval of a plan under subsection (3) **THROUGH 2015**, the commission shall review the plan. **WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THE 2014 ACT THAT AMENDED THIS SECTION, THE COMMISSION SHALL ISSUE AN ORDER SCHEDULING A REVIEW OF THE PLAN OF EACH ELECTRIC PROVIDER BEFORE JANUARY 1, 2019. AFTER THAT REVIEW, THE COMMISSION SHALL REVIEW THE PLAN EVERY 3 YEARS.** The commission shall provide an opportunity for public comment on the plan. After the opportunity for public comment, the commission shall approve, with any changes consented to by the electric provider, or reject any proposed amendments to the plan.

(5) If an electric provider proposes to amend its plan at a time other than during the ~~biennial~~ **PERIODIC** review process under subsection (4), the electric provider shall file the proposed amendment with the commission. The commission shall provide an opportunity for public comment on the amendment. After the opportunity for public comment and within 90 days after the amendment is filed, the commission shall approve, with any changes consented to by the electric provider, or reject the amendment.

(6) If the commission rejects a proposed plan or amendment

under this section, the commission shall explain in writing the reasons for its determination.

Sec. 25. (1) This section applies only to municipally-owned electric utilities.

(2) Each electric provider shall file a proposed renewable energy plan with the commission within 120 days after the commission issues a temporary order under section ~~171.~~ **191.** Two or more electric providers that each serve fewer than 15,000 customers may file jointly. The proposed plan shall meet all of the following requirements:

(a) Describe how the **ELECTRIC** provider will meet the renewable energy standards.

(b) Specify whether the number of megawatt hours of electricity used in the calculation of the renewable energy credit portfolio will be weather-normalized or based on the average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail customers in this state. Once the commission determines that the proposed plan complies with this act, this option shall not be changed.

(c) Include the expected incremental cost of compliance with the renewable energy standards.

(d) Describe the manner in which the provider will allocate costs.

(3) Subject to subsection (6), the commission shall provide an opportunity for public comment on the proposed plan filed under subsection (2). After the applicable opportunity for public

comment and within 90 days after the proposed plan is filed with the commission, the commission shall determine whether the proposed plan complies with this act.

(4) Every 2 years after the commission initially determines under subsection (3) that a renewable energy plan complies with this act **THROUGH 2015**, the commission shall review the plan. **WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THE 2014 ACT THAT AMENDED THIS SECTION, THE COMMISSION SHALL ISSUE AN ORDER SCHEDULING A REVIEW OF THE PLAN OF EACH ELECTRIC PROVIDER BEFORE JANUARY 1, 2019. AFTER THAT REVIEW, THE COMMISSION SHALL REVIEW THE PLAN EVERY 3 YEARS.** Subject to subsection (6), the commission shall provide an opportunity for public comment on the plan. After the applicable opportunity for public comment, the commission shall determine whether any amendment to the plan proposed by the provider complies with this act. The proposed amendment is adopted if the commission determines that it complies with this act.

(5) If a provider proposes to amend its renewable energy plan at a time other than during the ~~biennial~~ **PERIODIC** review process under subsection (4), the provider shall file the proposed amendment with the commission. Subject to subsection (6), the commission shall provide an opportunity for public comment on the amendment. After the applicable opportunity for public comment and within 90 days after the amendment is filed, the commission shall determine whether the proposed amendment to the plan complies with this act. The proposed amendment is adopted if the commission determines that it complies with this

act.

(6) The commission need not provide an opportunity for public comment under subsection (3), (4), or (5) if the governing body of the provider has already provided an opportunity for public comment and filed the comments with the commission.

(7) If the commission determines that a proposed plan or amendment under this section does not comply with this act, the commission shall explain in writing the reasons for its determination.

Sec. 27. (1) Subject to sections 31 and 45, and in addition to the requirements of subsection (3), an electric provider that is an electric utility with 1,000,000 or more retail customers in this state as of January 1, 2008 shall achieve a renewable energy capacity portfolio of not less than the following:

(a) For an electric provider with more than 1,000,000 but less than 2,000,000 retail electric customers in this state on January 1, 2008, a renewable energy capacity portfolio of 200 megawatts by December 31, 2013 and 500 megawatts by December 31, 2015.

(b) For an electric provider with more than 2,000,000 retail electric customers in this state on January 1, 2008, a renewable energy capacity portfolio of 300 megawatts by December 31, 2013 and 600 megawatts by December 31, 2015.

(2) An electric provider's renewable energy capacity portfolio shall be calculated by adding the following:

(a) The nameplate capacity in megawatts of renewable energy systems owned by the electric provider that were not in

commercial operation before ~~the effective date of this act.~~**OCTOBER 6, 2008.**

(b) The capacity in megawatts of renewable energy that the electric provider is entitled to purchase under contracts that were not in effect before ~~the effective date of this act.~~**OCTOBER 6, 2008.**

(3) Subject to sections 31 and 45, an electric provider shall achieve a renewable energy credit portfolio as follows:

(a) In 2012, 2013, 2014, and 2015, a renewable energy credit portfolio based on the sum of the following:

(*i*) The number of renewable energy credits from electricity generated in the 1-year period preceding ~~the effective date of this act~~ **OCTOBER 6, 2008** that would have been transferred to the electric provider pursuant to section 35(1), if this act had been in effect during that 1-year period.

(*ii*) The number of renewable energy credits equal to the number of megawatt hours of electricity produced or obtained by the electric provider in the 1-year period preceding ~~the effective date of this act~~ **OCTOBER 6, 2008** from renewable energy systems for which recovery in electric rates was approved ~~on the effective date of this act.~~**AS OF OCTOBER 6, 2008.**

(*iii*) Renewable energy credits in an amount calculated as follows:

(A) Taking into account the number of renewable energy credits under subparagraphs (*i*) and (*ii*), determine the number of additional renewable energy credits that the electric provider would need to reach a 10% renewable energy portfolio in that

year.

(B) Multiply the number under sub-subparagraph (A) by 20% for 2012, 33% for 2013, 50% for 2014, and 100% for 2015.

(b) In 2016**,** ~~and each year thereafter, maintain~~ **2017, AND 2018,** a renewable energy credit portfolio that consists of at least the ~~same~~ number of renewable energy credits ~~as~~ **THAT** were required in 2015 ~~under~~ **BY** subdivision (a).

**(C) IN 2019, A 15% RENEWABLE ENERGY CREDIT PORTFOLIO.**

**(D) IN 2020 AND 2021, A RENEWABLE ENERGY CREDIT PORTFOLIO THAT CONSISTS OF AT LEAST THE NUMBER OF RENEWABLE ENERGY CREDITS THAT WERE REQUIRED IN 2019 BY SUBDIVISION (C).**

**(E) IN 2022, A 19% RENEWABLE ENERGY PORTFOLIO.**

**(F) IN 2023 AND 2024, A RENEWABLE ENERGY CREDIT PORTFOLIO THAT CONSISTS OF AT LEAST THE NUMBER OF RENEWABLE ENERGY CREDITS THAT WERE REQUIRED IN 2022 BY SUBDIVISION (E).**

**(G) IN 2025 AND EACH THIRD YEAR THEREAFTER, A RENEWABLE ENERGY PORTFOLIO 4.5% HIGHER THAN THE THIRD YEAR PRECEDING, UNLESS THE COMMISSION DETERMINES UPON REVIEW OF AN ELECTRIC PROVIDER'S RENEWABLE ENERGY PLAN THAT THIS REQUIREMENT IS NOT IN THE PUBLIC INTEREST AND ESTABLISHES A LOWER REQUIREMENT FOR THAT ELECTRIC PROVIDER.**

**(H) IN YEARS AFTER 2025 IN WHICH SUBDIVISION (G) IS NOT APPLICABLE, A RENEWABLE ENERGY CREDIT PORTFOLIO THAT CONSISTS OF AT LEAST THE SAME NUMBER OF RENEWABLE ENERGY CREDITS AS WERE REQUIRED IN THE LAST YEAR IN WHICH SUBDIVISION (G) WAS APPLICABLE.**

(4) An electric provider's renewable energy credit portfolio

shall be calculated as follows:

(a) Determine the number of renewable energy credits used to comply with this subpart during the applicable year.

(b) Divide by 1 of the following at the option of the electric provider as specified in its renewable energy plan:

(*i*) The number of weather-normalized megawatt hours of electricity sold by the electric provider during the previous year to retail customers in this state.

(*ii*) The average number of megawatt hours of electricity sold by the electric provider annually during the previous 3 years to retail customers in this state.

(c) Multiply the quotient under subdivision (b) by 100.

(5) Subject to subsection (6), each electric provider shall meet the renewable energy credit standards with renewable energy credits obtained by 1 or more of the following means:

(a) Generating electricity from renewable energy systems for sale to retail customers.

(b) Purchasing or otherwise acquiring renewable energy credits with or without the associated renewable energy.

(6) An electric provider may substitute energy optimization credits, advanced cleaner energy credits with or without the associated advanced cleaner energy, or a combination thereof for renewable energy credits otherwise required to meet the renewable energy credit standards if the substitution is approved by the commission. However, commission approval is not required to substitute advanced cleaner energy from industrial cogeneration for renewable energy credits. The commission shall not approve a

substitution unless the commission determines that the substitution is cost-effective compared to other sources of renewable energy credits and, if the substitution involves advanced cleaner energy credits, that the advanced cleaner energy system provides carbon dioxide emissions benefits. In determining whether the substitution of advanced cleaner energy credits is cost-effective, the commission shall include as part of the costs of the system the environmental costs attributed to the advanced cleaner energy system, including the costs of environmental control equipment or greenhouse gas constraints or taxes. The commission's determinations shall be made after a contested case hearing that includes consultation with the department of environmental quality on the issue of carbon dioxide emissions benefits, if relevant, and environmental costs.

(7) Under subsection (6), energy optimization credits, advanced cleaner energy credits, or a combination thereof shall not be used by a provider to meet more than 10% of the renewable energy credit standards. Advanced cleaner energy from advanced cleaner energy systems in existence on January 1, 2008 shall not be used by a provider to meet more than 70% of this 10% limit. This 10% limit does not apply to advanced cleaner energy credits from plasma arc gasification.

(8) Substitutions under subsection (6) shall be made at the following rates per renewable energy credit:

(a) One energy optimization credit.

(b) One advanced cleaner energy credit from plasma arc gasification or industrial cogeneration.

(c) Ten advanced cleaner energy credits other than from plasma arc gasification or industrial cogeneration.

Sec. 29. (1) Subject to subsection (2), a renewable energy system that is the source of renewable energy credits used to satisfy the renewable energy standards shall ~~be either located outside of this state in the retail electric customer service territory of any provider that is not an alternative electric supplier or located anywhere in this state. For the purposes of this subsection, a retail electric customer service territory shall be considered to be the territory recognized by the commission on January 1, 2008 and any expansion of retail electric customer service territory recognized by the commission after January 1, 2008 under 1939 PA 3, MCL 460.1 to 460.10cc. The commission may also expand a service territory for the purposes of this subsection if a lack of transmission lines limits the ability to obtain sufficient renewable energy from renewable energy systems that meet the location requirement of this subsection.~~ **MEET 1 OR MORE OF THE FOLLOWING REQUIREMENTS:**

**(A) GENERATE ELECTRICITY THAT IS DELIVERED TO A CUSTOMER LOCATED WITHIN THIS STATE.**

**(B) DIVERSIFY THE RESOURCES THAT MAY BE USED TO RELIABLY MEET THE ENERGY NEEDS OF CONSUMERS IN THIS STATE.**

**(C) HAVE BEEN RECOGNIZED BY THE COMMISSION AS OF JANUARY 1, 2014 AS A SOURCE OF RENEWABLE ENERGY CREDITS USED TO SATISFY THE RENEWABLE ENERGY STANDARD.**

(2) The renewable energy system ~~location~~ requirements in subsection (1) do not apply if 1 or more of the following

requirements are met:

(a) The renewable energy system is a wind energy conversion system and the electricity generated by the wind energy system, or the renewable energy credits associated with that electricity, is being purchased under a contract in effect on January 1, 2008. If the electricity and associated renewable energy credits purchased under such a contract are used by an electric provider to meet renewable energy requirements established after January 1, 2008 by the legislature of the state in which the wind energy conversion system is located, the electric provider may, for the purpose of meeting the renewable energy credit standard under this act, obtain, by any means authorized under section 27, up to the same number of replacement renewable energy credits from any other wind energy conversion systems located in that state. This subdivision shall not be utilized by an alternative electric supplier unless the alternative electric supplier was licensed in this state on January 1, 2008. Renewable energy credits from a renewable energy system under a contract with an alternative electric supplier under this subdivision shall not be used by another electric provider to meet its requirements under this part.

(b) The renewable energy system is a wind energy conversion system that was under construction or operational and owned by an electric provider on January 1, 2008. This subdivision shall not be utilized by an alternative electric supplier.

(c) The renewable energy system is a wind energy conversion system that includes multiple wind turbines, at least 1 of the

wind turbines meets the location requirements of this section, and the remaining wind turbines are within 15 miles of a wind turbine that is part of that wind energy conversion system and that meets the location requirements of this section.

(d) Before January 1, 2008, an electric provider serving not more than 75,000 retail electric customers in this state filed an application for a certificate of authority for the renewable energy system with a state regulatory commission in another state that is also served by the electric provider. However, renewable energy credits shall not be granted under this subdivision for electricity generated using more than 10.0 megawatts of nameplate capacity of the renewable energy system.

(e) Electricity generated from the renewable energy system is sold by a not-for-profit entity located in Indiana or Wisconsin to a municipally-owned electric utility in this state or cooperative electric utility in this state under a contract in effect on January 1, 2008, and the electricity is not being used to meet another state's standard for renewable energy.

(f) Electricity generated from the renewable energy system is sold by a not-for-profit entity located in Ohio to a municipally-owned electric utility in this state under a contract approved by resolution of the governing body of the municipally-owned electric utility by January 1, 2008, and the electricity is not being used to meet another state's standard for renewable energy. However, renewable energy credits shall not be granted for electricity generated using more than 13.4 megawatts of nameplate capacity of the renewable energy system.

(g) All of the following requirements are met:

(*i*) The renewable energy system is a wind energy system, is interconnected to the electric provider's transmission system, and is located in a state in which the electric provider has service territory.

(*ii*) The electric provider competitively bid any contract for engineering, procurement, or construction of the renewable energy system, if the electric provider owns the renewable energy system, or for purchase of the renewable energy and associated renewable energy credits from the renewable energy system, if the provider does not own the renewable energy system, in a process open to renewable energy systems sited in this state.

(*iii*) The renewable energy credits from the renewable energy system are only used by that electric provider to meet the renewable energy standard.

(*iv*) The electric provider is not an alternative electric supplier.

(3) Advanced cleaner energy systems that are the source of the advanced cleaner energy credits used under section 27 shall ~~be either located outside this state in the service territory of any electric provider that is not an alternative electric supplier or located anywhere in this state.~~ **MEET 1 OR MORE OF THE FOLLOWING REQUIREMENTS:**

**(A) GENERATE ELECTRICITY THAT IS DELIVERED TO A CUSTOMER LOCATED WITHIN THIS STATE.**

**(B) DIVERSIFY THE RESOURCES THAT MAY BE USED TO RELIABLY MEET THE ENERGY NEEDS OF CONSUMERS IN THIS STATE.**

**(C) HAVE BEEN RECOGNIZED BY THE COMMISSION AS OF JANUARY 1, 2014 AS A SOURCE OF ADVANCED CLEANER ENERGY CREDITS USED UNDER SECTION 27.**

Sec. 31. (1) Upon petition by an electric provider, the commission may for good cause grant 2 extensions of ~~the 2015~~ renewable energy standard ~~deadline~~ **DEADLINES** under section 27. Each extension shall be for up to 1 year.

(2) If 2 extensions of the ~~2015~~ renewable energy standard ~~deadline~~ **DEADLINES** have been granted to an electric provider under subsection (1), upon subsequent petition by the electric provider at least 3 months before the expiration of the second extended deadline, the commission shall, after consideration of prior extension requests under this section and for good cause, establish a revised renewable energy standard attainable by the electric provider. If the electric provider achieves the revised renewable energy standard, the provider is considered to be in compliance with this subpart.

(3) An electric provider ~~that makes a good faith effort to spend the full amount of incremental costs of compliance as outlined in its approved renewable energy plan and~~ that complies with its approved plan, subject to any approved extensions or revisions, shall be considered to be in compliance with this subpart. **FOR AN ELECTRIC PROVIDER WHOSE RATES ARE REGULATED BY THE COMMISSION OR FOR A MUNICIPALLY OWNED ELECTRIC UTILITY, COMPLYING WITH ITS APPROVED PLAN FOR THE PURPOSES OF THIS SUBSECTION INCLUDES MAKING A GOOD-FAITH EFFORT TO SPEND THE FULL AMOUNT OF THE EXPECTED INCREMENTAL COSTS OF COMPLIANCE AS SET**

**FORTH IN THE PLAN.**

(4) As used in this section, "good cause" includes, but is not limited to, the electric provider's inability, as determined by the commission, to meet a renewable energy standard because of a renewable energy system feasibility limitation including, but not limited to, any of the following:

(a) Renewable energy system site requirements, zoning, siting, land use issues, permits, including environmental permits, any certificate of ~~need~~ **NECESSITY** process under section 6s of 1939 PA 3, MCL 460.6s, or any other necessary governmental approvals that effectively limit availability of renewable energy systems, if the electric provider exercised reasonable diligence in attempting to secure the necessary governmental approvals. For purposes of this subdivision, "reasonable diligence" includes, but is not limited to, submitting timely applications for the necessary governmental approvals and making good faith efforts to ensure that the applications are administratively complete and technically sufficient.

(b) Equipment cost or availability issues including electrical equipment or renewable energy system component shortages or high costs that effectively limit availability of renewable energy systems.

(c) Cost, availability, or time requirements for electric transmission and interconnection.

(d) Projected or actual unfavorable electric system reliability or operational impacts.

(e) Labor shortages that effectively limit availability of

renewable energy systems.

(f) An order of a court of competent jurisdiction that effectively limits the availability of renewable energy systems.

Sec. 33. (1) Subject to subsections (2) and (3), an electric provider that had 1,000,000 or more retail customers in this state on January 1, 2008 shall obtain the renewable energy credits that are necessary to meet the renewable energy credit standard in 2015 and thereafter as follows:

(a) At the electric provider's option, up to but no more than 50% of the renewable energy credits shall be from any of the following:

(*i*) Renewable energy systems that were developed by and are owned by the electric provider **AND EACH OF WHICH GENERATES ELECTRICITY AT A COST THAT IS NOT MORE THAN 110% OF THE AVERAGE COST PER MEGAWATT HOUR OF ELECTRICITY PURCHASED BY THAT ELECTRIC PROVIDER PURSUANT TO SUBDIVISION (B)**. An electric provider shall competitively bid any contract for engineering, procurement, or construction of any new renewable energy systems described in this subdivision. However, an electric provider may consider unsolicited proposals presented to it by a renewable energy system developer outside of a competitive bid process. If the provider determines that such an unsolicited proposal provides opportunities that may not otherwise be available or commercially practical, the provider may enter into a contract with the developer.

(*ii*) Renewable energy systems that were developed by 1 or more third parties pursuant to a contract with the electric

provider under which the ownership of the renewable energy system may be transferred to the electric provider, but only after the renewable energy system begins commercial operation. Any such contract shall be executed after a competitive bidding process conducted pursuant to guidelines issued by the commission. ~~However, an electric provider may consider unsolicited proposals presented to it by a renewable energy system developer outside of a competitive bid process. If the provider determines that such an unsolicited proposal provides opportunities that may not otherwise be available or commercially practical, the provider may enter into a contract with the developer.~~ An affiliate of the electric provider may submit a proposal in response to a request for proposals, subject to the code of conduct under section 10a(4) of 1939 PA 3, MCL 460.10a, and the sanctions for violation of the code under section 10c of 1939 PA 3, MCL 460.10c.

(b) At least 50% of the renewable energy credits shall be from renewable energy contracts that do not require transfer of ownership of the applicable renewable energy system to the electric provider or from contracts for the purchase of renewable energy credits without the associated renewable energy. A renewable energy contract or contract for the purchase of renewable energy credits under this subdivision shall be executed after a competitive bidding process conducted pursuant to guidelines issued by the commission. However, an electric provider may consider unsolicited proposals presented to it outside of a competitive bid process by a renewable energy system developer that is not affiliated with the electric provider. If

the provider determines that such an unsolicited proposal provides opportunities that may not otherwise be available or commercially practical, the provider may enter into a contract with the developer. The contract is subject to review and approval by the commission under section 21. An electric provider or its affiliate may not submit a proposal in response to its own request for proposals under this subdivision. If an electric provider selects a bid other than the lowest price conforming bid from a qualified bidder, the electric provider shall promptly notify the commission. The commission shall determine in the manner provided under section 37 whether the electric provider had good cause for selecting that bid. If the commission determines that the electric provider did not have good cause, the commission shall disapprove the contract.

(2) Subsection (1) does not apply to either of the following:

(a) Renewable energy credits that are transferred to the electric provider pursuant to section 35(1).

(b) Renewable energy credits that are produced or obtained by the electric provider from renewable energy systems for which recovery in electric rates was approved as of ~~the effective date of this act,~~ **OCTOBER 6, 2008,** including renewable energy credits resulting from biomass co-firing of electric generation facilities in existence on ~~the effective date of this act,~~ **OCTOBER 6, 2008,** except to the extent the number of megawatt hours of electricity annually generated by biomass co-firing exceeds the number of megawatt hours generated during the 1-year

period ~~immediately preceding the effective date of this act.~~**ENDING OCTOBER 5, 2008.**

(3) An electric provider shall submit a contract entered into pursuant to subsection (1) to the commission for review and approval. If the commission approves the contract, it shall be considered to be consistent with the electric provider's renewable energy plan. The commission shall not approve a contract based on an unsolicited proposal unless the commission determines that the unsolicited proposal provides opportunities that may not otherwise be available or commercially practical.

Sec. 39. (1) Except as otherwise provided in section 35(1), 1 renewable energy credit shall be granted to the owner of a renewable energy system for each megawatt hour of electricity generated from the renewable energy system, subject to all of the following:

(a) If a renewable energy system uses both a renewable energy resource and a nonrenewable energy resource to generate electricity, the number of renewable energy credits granted shall be based on the percentage of the electricity generated from the renewable energy resource.

(b) A renewable energy credit shall not be granted for renewable energy generated from a municipal solid waste incinerator to the extent that the renewable energy was generated by operating the incinerator in excess of the greater of the following, as applicable:

(*i*) The incinerator's nameplate capacity rating on January 1, 2008.

(*ii*) If the incinerator is expanded after ~~the effective date of this act~~ **OCTOBER 6, 2008** to an approximate continuous design rated capacity of not more than 950 tons per day pursuant to the terms of a final request for proposals issued not later than October 1986, the nameplate capacity rating required to accommodate that expansion.

(c) A renewable energy credit shall not be granted for renewable energy the renewable attributes of which are used by an electric provider in a commission-approved voluntary renewable energy program.

(2) Subject to subsection (3), the following additional renewable energy credits, to be known as Michigan incentive renewable energy credits, shall be granted under the following circumstances:

(a) 2 renewable energy credits for each megawatt hour of electricity from solar power.

(b) 1/5 renewable energy credit for each megawatt hour of electricity generated from a renewable energy system ~~, other than wind,~~ at peak demand time as determined by the commission.

(c) 1/5 renewable energy credit for each megawatt hour of electricity generated from a renewable energy system during off-peak hours, stored using advanced electric storage technology or a hydroelectric pumped storage facility, and used during peak hours. However, the number of renewable energy credits shall be calculated based on the number of megawatt hours of renewable energy used to charge the advanced electric storage technology or fill the pumped storage facility, not the number of megawatt

hours actually discharged or generated by discharge from the advanced energy storage facility or pumped storage facility.

(d) 1/10 renewable energy credit for each megawatt hour of electricity generated from a renewable energy system constructed using equipment made in this state as determined by the commission. The additional credit under this subdivision is available for the first 3 years after the renewable energy system first produces electricity on a commercial basis.

(e) 1/10 renewable energy credit for each megawatt hour of electricity from a renewable energy system constructed using a workforce composed of residents of this state as determined by the commission. The additional credit under this subdivision is available for the first 3 years after the renewable energy system first produces electricity on a commercial basis.

**(F) 1/10 RENEWABLE ENERGY CREDIT FOR EACH MEGAWATT HOUR OF ELECTRICITY GENERATED UNDER THE CUSTOMER GENERATION PROGRAM FROM AN ELIGIBLE ELECTRIC GENERATOR TO REFLECT THE AVOIDANCE OF LINE LOSSES IN DELIVERING POWER TO THE CUSTOMER. THE COMMISSION, UPON EVIDENCE THAT CUMULATIVE LINE LOSSES FROM TRANSMISSION AND DISTRIBUTION ARE IN A DIFFERENT RATIO TO DELIVERED POWER, MAY MODIFY THIS INCENTIVE CREDIT TO REFLECT THE ACTUAL AVOIDANCE OF LINE LOSSES.**

(3) A renewable energy credit expires at the earliest of the following times:

(a) When used by an electric provider to comply with its renewable energy credit standard.

(b) When substituted for an energy optimization credit under

section 77.

(c) Three years after the end of the month in which the renewable energy credit was generated.

(4) A renewable energy credit associated with renewable energy generated within 120 days after the start of a calendar year may be used to satisfy the prior year's renewable energy standard and expires when so used.

Sec. 45. (1) ~~For~~ **SUBJECT TO SECTION 21(3), FOR** an electric provider whose rates are regulated by the commission, the commission shall determine the appropriate charges for the electric provider's tariffs that permit recovery of the incremental cost of compliance subject to the retail rate impact limits set forth in subsection (2). **ANY OUTSTANDING REGULATORY ASSETS OR LIABILITIES AS OF JANUARY 1, 2016 RELATED TO THE RENEWABLE ENERGY PROGRAM OF AN ELECTRIC PROVIDER WHOSE RATES ARE REGULATED BY THE COMMISSION SHALL BE ROLLED INTO GENERAL RATES IN A MANNER DETERMINED BY THE COMMISSION, WITH CREDITS AND LIABILITIES ALLOCATED TO CUSTOMER CLASSES PROPORTIONAL TO THE AMOUNTS PAID BY THOSE CLASSES UNDER THE REVENUE RECOVERY MECHANISM. SUBSECTIONS (2), (3), AND (4) DO NOT APPLY AFTER DECEMBER 31, 2015.**

(2) An electric provider shall recover the incremental cost of compliance with the renewable energy standards by an itemized charge on the customer's bill for billing periods beginning not earlier than 90 days after the commission approves the electric provider's renewable energy plan under section 21 or 23 or determines under section 25 that the plan complies with this act.

An electric provider shall not comply with the renewable energy standards to the extent that, as determined by the commission, recovery of the incremental cost of compliance will have a retail rate impact that exceeds any of the following:

(a) $3.00 per month per residential customer meter.

(b) $16.58 per month per commercial secondary customer meter.

(c) $187.50 per month per commercial primary or industrial customer meter.

(3) The retail rate impact limits of subsection (2) apply only to the incremental costs of compliance and do not apply to costs approved for recovery by the commission other than as provided in this act.

(4) The incremental cost of compliance shall be calculated for a 20-year period beginning with approval of the renewable energy plan and shall be recovered on a levelized basis.

(5) In its billing statements for a residential customer, each provider shall report to the residential customer all of the following in a format consistent with other information on the customer bill:

(a) An itemized monthly charge, expressed in dollars and cents, collected from the customer for implementing the renewable energy program requirements of this act. ~~In the first bill issued after the close of the previous year, an electric provider shall notify each residential customer that the customer may be entitled to an income tax credit to offset some of the annual amounts collected for the renewable energy program.~~

(b) An itemized monthly charge, expressed in dollars and cents, collected from the customer for implementing the energy optimization program requirements of this act.

(c) An estimated monthly savings, expressed in dollars and cents, for that customer to reflect the reductions in the monthly energy bill produced by the energy optimization program under this act.

(d) An estimated monthly savings, expressed in dollars and cents, for that customer to reflect the long-term, life-cycle, levelized costs of building and operating new ~~conventional coal-fired~~ **COMBINED CYCLE NATURAL GAS** electric generating power plants avoided under this act as determined by the commission.

(e) The website address at which the commission's annual report under section 51 is posted.

(6) ~~For the first year of the programs under this part, the values reported under subsection (5) shall be estimates by the commission.~~ The values ~~in following years~~ **UNDER SUBSECTION (5)** shall be based on the provider's actual customer experiences. If the provider is unable to provide customer-specific information under subsection (5)(b) or (c), it shall instead specify the state average itemized charge or savings, as applicable, for residential customers. The provider shall make this calculation based on a method approved by the commission.

(7) In determining long-term, life-cycle, levelized costs of building and operating and acquiring nonrenewable electric generating capacity and energy for the purpose of subsection (5)(d), the commission shall consider historic and predicted

costs of financing, construction, operation, maintenance, fuel supplies, environmental protection, and other appropriate elements of energy production. For purposes of this comparison, the capacity of avoided new ~~conventional coal-fired~~ **COMBINED CYCLE NATURAL GAS** electric generating facilities shall be expressed in megawatts and avoided new ~~conventional coal-fired~~ **COMBINED CYCLE NATURAL GAS** electricity generation shall be expressed in megawatt hours. Avoided costs shall be measured in cents per kilowatt hour.

Sec. 49. (1) This section applies only to an electric provider whose rates are regulated by the commission. Concurrent with the submission of each report under section ~~51,~~ **51(1),** the commission shall commence an annual proceeding, to be known as a renewable cost reconciliation, for each electric provider whose rates are regulated by the commission. The renewable cost reconciliation proceeding shall be conducted as a contested case pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328. Reasonable discovery shall be permitted before and during the reconciliation proceeding to assist in obtaining evidence concerning reconciliation issues including, but not limited to, the reasonableness and prudence of expenditures and the amounts collected pursuant to the revenue recovery mechanism.

(2) At the renewable cost reconciliation, an electric provider may propose any necessary modifications of the revenue recovery mechanism to ensure the electric provider's recovery of its incremental cost of compliance with the renewable energy

standards.

(3) The commission shall reconcile the pertinent revenues recorded and the allowance for the ~~nonvolumetric~~ revenue recovery mechanism with the amounts actually expensed and projected according to the electric provider's **RENEWABLE ENERGY** plan. ~~for compliance.~~ The commission shall consider any issue regarding the reasonableness and prudence of expenses for which customers were charged in the relevant reconciliation period. In its order, the commission shall do all of the following:

(a) Make a determination of an electric provider's compliance with the renewable energy standards, subject to section 31.

(b) Adjust the revenue recovery mechanism for the incremental costs of compliance. The commission shall ensure that the retail rate impacts under this renewable cost reconciliation revenue recovery mechanism do not exceed the maximum retail rate impacts specified under section ~~45.~~ **45(2), IF APPLICABLE.** The commission shall ensure that the recovery mechanism is projected to maintain a minimum balance of accumulated reserve so that a regulatory asset does not accrue.

(c) Establish the price per megawatt hour for renewable energy and advanced cleaner energy capacity and for renewable energy and advanced cleaner energy to be recovered through the power supply cost recovery clause under section 6j of 1939 PA 3, MCL 460.6j, as outlined in section 47(2)(b)(*iv*).

(d) Adjust, if needed, the minimum balance of accumulated reserve funds established under section 21.

(4) If an electric provider has recorded a regulatory liability in any given month during the 20-year period beginning when the electric provider's plan is approved by the commission, interest on the regulatory liability balance shall be accrued at the average short-term borrowing rate available to the electric provider during the appropriate period, and shall be used to fund incremental costs of compliance incurred in subsequent periods within the 20-year period beginning when the electric provider's plan is approved by the commission.

PART 5.

~~NET METERING~~ **CUSTOMER GENERATION**

Sec. 173. (1) ~~The commission shall establish a statewide net metering program by~~ **BY** order issued not later than 180 days after the effective date of ~~this act.~~ **THE 2014 ACT THAT AMENDED THIS SECTION, THE COMMISSION SHALL ESTABLISH A PROGRAM BY WHICH ANY CUSTOMER OF AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER MAY GENERATE ELECTRICITY USING AN ELIGIBLE ELECTRIC GENERATOR INTERCONNECTED WITH THE LOCAL ELECTRIC UTILITY AND OPERATED PARALLEL TO THE DISTRIBUTION SYSTEM. THE VALUE OF ELECTRICITY GENERATED BY THE CUSTOMER SHALL BE CREDITED TO THE CUSTOMER PURSUANT TO A FAIR VALUE TARIFF, A STANDARD-OFFER CONTRACT, OR NET METERING. HOWEVER, AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER IS ONLY REQUIRED TO PARTICIPATE IN THE NET METERING COMPONENT OF THE CUSTOMER GENERATION PROGRAM.**

**(2)** No later than 180 days after the effective date of ~~this act,~~ **THE 2014 ACT THAT AMENDED THIS SECTION,** the commission shall

promulgate rules regarding any time limits on the submission of ~~net metering applications or~~ **CUSTOMER APPLICATIONS TO PARTICIPATE IN THE PROGRAM,** inspections of ~~net metering equipment~~ **ELIGIBLE ELECTRIC GENERATORS,** and any other matters the commission considers necessary to implement this part. Any rules adopted regarding time limits for approval of parallel operation shall recognize reliability and safety complications including those arising from equipment saturation, use of multiple technologies, and proximity to synchronous motor loads. ~~The program shall apply to all electric utilities and alternative electric suppliers in this state. Except as otherwise provided under this part, customers of any class are eligible to interconnect eligible electric generators with the customer's local electric utility and operate the generators in parallel with the distribution system. The program shall be designed for a period of not less than 10 years and limit each customer to generation capacity designed to meet only the customer's electric needs. The commission may waive the application, interconnection, and installation requirements of this part for customers participating in the net metering program under the commission's March 29, 2005 order in case no. U-14346.~~

~~(2) An electric utility or alternative electric supplier is not required to allow for net metering that is greater than 1% of its in-state peak load for the preceding calendar year. The utility or supplier shall notify the commission if its net metering program reaches the 1% requirement under this subsection. The 1% limit under this subsection shall be allocated~~

~~as follows:~~

~~(a) No more than 0.5% for customers with a system capable of generating 20 kilowatts or less.~~

~~(b) No more than 0.25% for customers with a system capable of generating more than 20 kilowatts but not more than 150 kilowatts.~~

~~(c) No more than 0.25% for customers with a system capable of generating more than 150 kilowatts.~~

(3) ~~Selection of customers for participation in the net metering program shall be based on the order in which the applications for participation in the net metering program are received by the electric utility or alternative electric supplier.~~**THE SELECTION OF CUSTOMER APPLICANTS FOR PARTICIPATION IN A CUSTOMER GENERATION PROGRAM SHALL BE BASED SOLELY ON MEETING THE INTERCONNECTION AND EQUIPMENT REQUIREMENTS FOR PARTICIPATION. AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER SHALL NOT RESTRICT THE NUMBER OF PARTICIPANTS OR THE AMOUNT OF GENERATION FROM THE CUSTOMER GENERATION PROGRAM UNLESS, AFTER A HEARING, THE COMMISSION DETERMINES THAT THE RESTRICTION IS NECESSARY TO PROTECT THE PUBLIC HEALTH AND SAFETY OR THE INTEGRITY OF THE DISTRIBUTION SYSTEM.**

(4) An electric utility or alternative electric supplier shall not refuse to provide ~~or discontinue~~ electric service to a customer solely ~~for the reason that~~ **BECAUSE** the customer participates in the ~~net metering~~ **CUSTOMER GENERATION** program.

(5) The **CUSTOMER GENERATION** program ~~created under subsection (1)~~ shall include all of the following:

(a) Statewide uniform interconnection requirements for all eligible electric generators. The interconnection requirements shall be designed to protect electric utility workers and equipment and the general public.

(b) ~~Net metering equipment and its installation must~~ **REQUIREMENTS THAT AN ELIGIBLE ELECTRIC GENERATOR AND ITS INSTALLATION** meet all current local and state electric and construction code requirements. Any equipment that is certified by a nationally recognized testing laboratory to IEEE 1547.1 testing standards and in compliance with UL 1741 scope 1.1A, effective May 7, 2007, **OR UPDATES TO THOSE STANDARDS APPROVED BY THE COMMISSION** and **THAT IS** installed in compliance with this part is considered to be eligible equipment. Within the time provided by the commission in rules promulgated under subsection (1) and consistent with good utility practice ~~,~~ **AND THE** protection of electric utility workers, ~~protection of~~ electric utility equipment, and ~~protection of~~ the general public, an electric utility may study, confirm, and ensure that an eligible electric generator installation at the customer's site meets the IEEE 1547 anti-islanding requirements **OR IEEE STANDARDS APPROVED BY THE COMMISSION THAT ENABLE INTENTIONAL ISLANDING**. Utility testing and approval of the interconnection and execution of a parallel operating agreement must be completed ~~prior to~~ **BEFORE** the equipment ~~operating~~ **IS OPERATED** in parallel with the distribution system of the utility.

(c) A uniform **CUSTOMER GENERATION** application form and process to be used by all electric utilities and alternative

electric suppliers in this state. ~~Customers~~ **APPLICANTS** who are served by an alternative electric supplier shall submit a copy of the application to the electric utility for the customer's service area.

~~(d) Net metering customers with a system capable of generating 20 kilowatts or less qualify for true net metering.~~

~~(e) Net metering customers with a system capable of generating more than 20 kilowatts qualify for modified net metering.~~

**(D)** ~~(6) Each~~ **A REQUIREMENT THAT EACH** electric utility and alternative electric supplier ~~shall~~ maintain records of all applications and up-to-date records of all active eligible electric generators located within ~~their~~ **ITS** service area.

**(6) THE CUSTOMER GENERATION PROGRAM SHALL INCLUDE A STATEWIDE UNIFORM METHODOLOGY BY WHICH AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER MAY ESTABLISH A FAIR VALUE TARIFF IF APPROVED BY THE COMMISSION AFTER A CONTESTED CASE HEARING UNDER THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.201 TO 24.328. BOTH OF THE FOLLOWING APPLY TO A FAIR VALUE TARIFF:**

**(A) A FAIR VALUE TARIFF SHALL MEET ALL OF THE FOLLOWING REQUIREMENTS:**

**(*i*) ALLOW CUSTOMER GENERATION FOR IMMEDIATE SELF-SERVICE WITHOUT ANY CHARGE TO THE CUSTOMER.**

**(*ii*) APPLY THE SAME DELIVERY AND POWER SUPPLY CHARGE FOR ELECTRICITY DELIVERED TO A CUSTOMER THAT PARTICIPATES IN THE CUSTOMER GENERATION PROGRAM AS TO A CUSTOMER THAT IS SIMILARLY**

**SITUATED BUT DOES NOT PARTICIPATE.**

**(*iii*) CREDIT THE CUSTOMER FOR GENERATION IN EXCESS OF IMMEDIATE CUSTOMER SELF-SERVICE AT A RATE THAT MEETS BOTH OF THE FOLLOWING REQUIREMENTS:**

**(A) IS NOT LESS THAN THE FULL RETAIL RATE FOR A CUSTOMER THAT IS SIMILARLY SITUATED BUT DOES NOT PARTICIPATE IN THE CUSTOMER GENERATION PROGRAM AT THE TIME OF EXCESS GENERATION, MINUS THE DELIVERY CHARGE.**

**(B) INCLUDES THE VALUE OF AVOIDED GENERATION COSTS INCLUDING LINE LOSSES, AVOIDED COSTS OF LONG-TERM GENERATION CAPACITY AND RESERVE REQUIREMENTS INCLUDING LINE LOSSES, AVOIDED TRANSMISSION AND DISTRIBUTION COSTS, AND AVOIDED HEALTH AND ENVIRONMENTAL EFFECTS.**

**(*iv*) ALLOW THE CUSTOMER TO RETAIN ANY RENEWABLE ENERGY CREDITS ASSOCIATED WITH ELECTRICITY GENERATED BY THE CUSTOMER'S ELIGIBLE ELECTRIC GENERATOR. THE RATE OR TERMS OF THE TARIFF SHALL NOT BE BASED ON CONSIDERATION OF WHETHER OR TO WHOM THE CUSTOMER SELLS THE RENEWABLE ENERGY CREDITS. THE CUSTOMER MAY SELL THE RENEWABLE ENERGY CREDITS TO THE ELECTRIC UTILITY, THE ALTERNATIVE ELECTRIC SUPPLIER, OR A THIRD PARTY UNDER A SEPARATE CONTRACT.**

**(*v*) REQUIRE A UTILITY TO RECALCULATE A FAIR VALUE TARIFF, SUBJECT TO COMMISSION APPROVAL, IN ANY PROCEEDING THAT CHANGES POWER SUPPLY TARIFFS.**

**(*vi*) NOT IMPOSE ANY ADDITIONAL CHARGES ON A CUSTOMER FOR PARTICIPATION IN THE CUSTOMER GENERATION PROGRAM.**

**(B) A FAIR VALUE TARIFF MAY DO ANY OF THE FOLLOWING:**

**(*i*) IF THE TARIFF CREDITS THE CUSTOMER FOR CAPACITY WITHOUT DEDUCTING FOR FORCED OUTAGES, DEDUCT STANDBY CHARGES FOR AN ELIGIBLE ELECTRIC GENERATOR WITH CAPACITY IN EXCESS OF 500 KILOWATTS BASED ON THE PRODUCT OF THE UTILITY'S MARKET COST OF CAPACITY AND THE AVERAGE PEAK-COINCIDENT FORCED OUTAGE RATE OF CUSTOMER GENERATORS USING SIMILAR GENERATION TECHNOLOGY.**

**(*ii*) BASED ON KNOWN AND MEASURABLE EVIDENCE OF THE COST OR BENEFIT OF THE CUSTOMER GENERATION PROGRAM TO THE ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER, INCORPORATE OTHER VALUES INTO THE FAIR VALUE TARIFF, INCLUDING CREDIT FOR AN ELIGIBLE ELECTRIC GENERATOR THAT IS INSTALLED AT A HIGH-VALUE LOCATION ON THE DISTRIBUTION GRID.**

**(7) THE CUSTOMER GENERATION PROGRAM SHALL INCLUDE UNIFORM PROVISIONS PURSUANT TO WHICH AN ELECTRIC UTILITY OR ALTERNATIVE ENERGY SUPPLIER MAY ENTER A STANDARD-OFFER CONTRACT FOR ELECTRICITY GENERATED BY CUSTOMERS WITH ELIGIBLE ELECTRIC GENERATORS. A STANDARD-OFFER CONTRACT SHALL MEET ALL OF THE FOLLOWING REQUIREMENTS:**

**(A) BE ON A FORM APPROVED BY THE COMMISSION.**

**(B) IN NET PRESENT VALUE, BE ECONOMICALLY EQUIVALENT TO OR LARGER THAN THE CUSTOMER COMPENSATION THAT WOULD BE EXPECTED UNDER A FAIR VALUE TARIFF AND ASSIGN APPROPRIATE VALUE TO ANY REDUCED UNCERTAINTY ABOUT FUTURE POWER SUPPLY COSTS FOR THE ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER AND ITS OTHER CUSTOMERS.**

**(C) PROVIDE A FIXED PRICE SCHEDULE FOR POWER DELIVERED FROM THE ELIGIBLE ELECTRIC GENERATOR OVER THE FULL TERM OF THE**

**CONTRACT, SUBJECT TO ADJUSTMENT FOR CHANGES IN THE CONSUMER PRICE INDEX. AS USED IN THIS SUBDIVISION, "CONSUMER PRICE INDEX" MEANS THE MOST COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS STATE FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES DEPARTMENT OF LABOR.**

**(D) HAVE A TERM OF AT LEAST 20 YEARS, UNLESS A SHORTER TERM IS AGREED TO BY THE PARTIES.**

**(E) PROVIDE A SATISFACTORY BASIS FOR THE CUSTOMER TO FINANCE THE ELIGIBLE ELECTRIC GENERATOR THROUGH A LENDING INSTITUTION UNDER NORMAL COMMERCIAL TERMS.**

**(F) ALLOW THE CUSTOMER TO RETAIN ANY RENEWABLE ENERGY CREDITS ASSOCIATED WITH ELECTRICITY GENERATED BY THE CUSTOMER'S ELIGIBLE ELECTRIC GENERATOR. THE PRICE OR OTHER TERMS OF THE STANDARD-OFFER CONTRACT SHALL NOT BE BASED ON CONSIDERATION OF WHETHER OR TO WHOM THE CUSTOMER SELLS THE RENEWABLE ENERGY CREDITS. THE CUSTOMER MAY SELL THE RENEWABLE ENERGY CREDITS TO THE ELECTRIC UTILITY, THE ALTERNATIVE ELECTRIC SUPPLIER, OR A THIRD PARTY UNDER A SEPARATE CONTRACT.**

**(8) THE CUSTOMER GENERATION PROGRAM SHALL INCLUDE NET METERING. AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER SHALL MAKE NET METERING AVAILABLE TO ANY CUSTOMER THAT SUBMITS AN APPLICATION. HOWEVER, THE COMMISSION MAY AUTHORIZE AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER TO SUSPEND RECEIPT OF APPLICATIONS TO PARTICIPATE IN NET METERING FROM CUSTOMERS WITH A SPECIFIED TYPE OF ELIGIBLE ELECTRIC GENERATOR WITH A CAPACITY EXCEEDING 2 MEGAWATTS WHEN THE ELECTRIC UTILITY OR ALTERNATIVE SUPPLIER IS OFFERING A FAIR VALUE TARIFF AND A STANDARD-OFFER**

**CONTRACT APPROVED BY THE COMMISSION FOR ELECTRICITY FROM THAT TYPE OF ELIGIBLE ELECTRIC GENERATOR. THE COMMISSION MAY WAIVE THE APPLICATION, INTERCONNECTION, AND INSTALLATION REQUIREMENTS UNDER THIS PART FOR CUSTOMERS PARTICIPATING IN THE NET METERING PROGRAM UNDER THE COMMISSION'S MARCH 29, 2005 ORDER IN CASE NO. U-14346.**

Sec. 175. (1) An electric utility or alternative electric supplier may charge a fee not to exceed $100.00 to process an application for ~~net metering.~~ **TO PARTICIPATE IN THE CUSTOMER GENERATION PROGRAM.** A customer with ~~a system~~ **AN ELIGIBLE ELECTRIC GENERATOR** capable of generating more than 20 kilowatts shall pay all interconnection costs. ~~A customer with a system capable of generating more than 150 kilowatts shall pay standby costs.~~ The commission shall recognize the reasonable cost for each electric utility and alternative electric supplier to operate a ~~net metering~~ **CUSTOMER GENERATION** program. For an electric utility with 1,000,000 or more retail customers in this state, the commission shall include in that utility's nonfuel base rates all costs of meeting all **CUSTOMER GENERATION** program requirements except that all energy costs of the program shall be recovered through the utility's power supply cost recovery mechanism under sections 6j and 6k of 1939 PA 3, MCL 460.6j and 460.6k. ~~For~~ **THE COMMISSION SHALL ALLOW** an electric utility with ~~less~~ **FEWER** than 1,000,000 base distribution customers in this state ~~, the commission shall allow that utility~~ to recover all energy costs of the program through the power supply cost recovery mechanism under sections 6j and 6k of 1939 PA 3, MCL 460.6j and 460.6k, and shall develop a cost recovery mechanism for that utility to

contemporaneously recover all other costs of meeting the program requirements.

(2) The interconnection requirements of the ~~net metering~~ **CUSTOMER GENERATION** program shall provide that an electric utility or alternative electric supplier shall, subject to any time requirements imposed by the commission and upon reasonable written notice to the ~~net metering~~ customer **PARTICIPATING IN THE CUSTOMER GENERATION PROGRAM**, perform testing and inspection of an interconnected eligible electric generator as is necessary to determine that the ~~system~~ **ELIGIBLE ELECTRIC GENERATOR** complies with all applicable electric safety, power quality, and interconnection requirements. The costs of testing and inspection are considered a cost of operating a ~~net metering~~ **CUSTOMER GENERATION** program and shall be recovered under subsection (1).

(3) The interconnection requirements shall require all eligible electric generators, alternative electric suppliers, and electric utilities to comply with all applicable federal, state, and local laws, rules, or regulations, and any national standards as determined by the commission.

Sec. 177. (1) ~~Electric~~ **IN THE CUSTOMER GENERATION PROGRAM, ELECTRIC** meters shall be used to determine the amount of the customer's energy use in each billing period, net of any excess energy the customer's **ELIGIBLE ELECTRIC** generator delivers to the **ELECTRIC** utility distribution system during that same billing period. For a customer with ~~a generation system~~ **AN ELIGIBLE ELECTRIC GENERATOR** capable of generating more than 20 kilowatts, the utility shall install and utilize a generation meter and a

meter or meters capable of measuring the flow of energy in both directions. A customer with ~~a system~~ **AN ELIGIBLE ELECTRIC GENERATOR** capable of generating more than 150 kilowatts shall pay the costs of installing any new meters.

(2) An electric utility serving over 1,000,000 customers in this state may provide its customers participating in the ~~net metering~~ **CUSTOMER GENERATION** program, at no additional charge, a meter or meters capable of measuring the flow of energy in both directions.

(3) An electric utility serving fewer than 1,000,000 customers in this state shall provide a meter or meters described in subsection (2) to customers participating in the ~~net metering~~ **CUSTOMER GENERATION** program at cost. Only the incremental cost above that for meters provided by the electric utility to similarly situated nongenerating customers shall be paid by the ~~eligible~~ customer **PARTICIPATING IN THE CUSTOMER GENERATION PROGRAM**.

(4) If the ~~quantity~~ **VALUE** of electricity generated and delivered to the **ELECTRIC** utility distribution system by an eligible electric generator during a billing period exceeds the ~~quantity~~ **VALUE** of electricity supplied from the electric utility or alternative electric supplier during the billing period, the ~~eligible~~ customer shall be credited by ~~their~~ **THE** supplier of electric generation service for the excess ~~kilowatt hours~~ **VALUE** generated during the billing period. ~~The credit shall appear on the bill for the following billing period and shall be limited to the total power supply charges on that bill. Any excess kilowatt~~

~~hours not used to offset electric generation charges in the next billing period will be carried forward to subsequent billing periods. Notwithstanding any law or regulation, net metering customers shall not receive credits for electric utility transmission or distribution charges. The credit per kilowatt hour for kilowatt hours delivered into the utility's distribution system shall be either of the following:~~**THE CUSTOMER MAY ELECT IN THE APPLICATION TO PARTICIPATE IN THE CUSTOMER GENERATION PROGRAM OR BY SUBSEQUENT NOTICE TO THE SUPPLIER OF ELECTRIC GENERATION TO DO ANY OF THE FOLLOWING:**

(a) ~~The monthly average real-time locational marginal price for energy at the commercial pricing node within the electric utility's distribution service territory, or for net metering customers on a time-based rate schedule, the monthly average real-time locational marginal price for energy at the commercial pricing node within the electric utility's distribution service territory during the time-of-use pricing period.~~**CARRY EXCESS CREDITS FORWARD TO FUTURE BILLING PERIODS UNTIL THE CUSTOMER REQUESTS PAYMENT FOR ANY OUTSTANDING CREDIT.**

(b) ~~The electric utility's or alternative electric supplier's power supply component of the full retail rate during the billing period or time-of-use pricing period.~~**TRANSFER EXCESS CREDITS TO OTHER ACCOUNTS FOR THE SAME CUSTOMER OR ITS AFFILIATES WITH THE SAME ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER.**

**(C) RECEIVE PAYMENT FOR OUTSTANDING CREDIT IN THE BILLING PERIOD FOLLOWING THE END OF EACH CALENDAR YEAR.**

**(D) ASSIGN OUTSTANDING CREDIT IN THE BILLING PERIOD**

**FOLLOWING THE END OF EACH CALENDAR YEAR TO A NONPROFIT ORGANIZATION THAT ASSISTS LOW-INCOME HOUSEHOLDS WITH ENERGY EFFICIENCY.**

Sec. 179. ~~An eligible electric generator~~ **THE CUSTOMER** shall own any renewable energy credits granted for electricity generated **BY THE CUSTOMER** under the ~~net metering program created in this part.~~**CUSTOMER GENERATION PROGRAM ESTABLISHED UNDER SECTION 173.**