SENATE BILL NO. 276

April 19, 2023, Introduced by Senators BAYER, SINGH, MCMORROW, CAVANAGH, IRWIN, SANTANA, SHINK, GEISS, CHANG, CAMILLERI, HERTEL, MOSS, BRINKS and ANTHONY and referred to the Committee on Energy and Environment.

A bill to amend 1939 PA 3, entitled

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

by amending section 6t (MCL 460.6t), as added by 2016 PA 341.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 6t. (1) The commission shall, within 120 days of the
 effective date of the amendatory act that added this section by
 August 18, 2017 and every 5 years thereafter, commence a proceeding
 and, in consultation with the Michigan agency for energy, the
 department of environmental quality, environment, Great Lakes, and
 energy and other interested parties, do all of the following as
 part of the proceeding:

8 (a) Conduct an assessment of the potential for energy waste 9 reduction in this state, based on what is economically and 10 technologically feasible, as well as what is reasonably achievable. (b) Conduct an assessment for the use of demand response 11 12 programs in this state, based on what is economically and 13 technologically feasible, as well as what is reasonably achievable. The assessment shall must expressly account for advanced metering 14 15 infrastructure that has already been installed in this state and 16 seek to fully maximize potential benefits to ratepayers in lowering 17 utility bills.

18 (c) Identify significant state or federal environmental
19 regulations, laws, or rules and how each regulation, law, or rule
20 would affect electric utilities in this state.

21

(d) Identify any formally proposed state or federal

2

environmental regulation, law, or rule that has been published in
 the Michigan Register or the Federal Register and how the proposed
 regulation, law, or rule would affect electric utilities in this
 state.

5 (e) Identify any required planning reserve margins and local6 clearing requirements in areas of this state.

7 (f) Establish the modeling scenarios and assumptions each
8 electric utility should include in addition to its own scenarios
9 and assumptions in developing its integrated resource plan filed
10 under subsection (3), including, but not limited to, all of the
11 following:

12 (i) Any required planning reserve margins and local clearing13 requirements.

14 (*ii*) All applicable state and federal environmental15 regulations, laws, and rules identified in this subsection.

16 (iii) Any supply-side and demand-side resources that reasonably 17 could address any need for additional generation capacity, 18 including, but not limited to, the type of generation technology 19 for any proposed generation facility, projected energy waste 20 reduction savings, and projected load management and demand 21 response savings.

22 (*iv*) Any regional infrastructure limitations in this state.

(v) The projected costs of different types of fuel used forelectric generation.

(g) Allow other state agencies to provide input regarding any
other regulatory requirements that should be included in modeling
scenarios or assumptions.

28 (h) Publish a copy of the proposed modeling scenarios and29 assumptions to be used in integrated resource plans on the

1 commission's website.

2 (i) Before issuing the final modeling scenarios and
3 assumptions each electric utility should include in developing its
4 integrated resource plan, receive written comments and hold
5 hearings to solicit public input regarding the proposed modeling
6 scenarios and assumptions.

7 (2) A-The commission shall complete a proceeding commenced 8 under subsection (1) shall be completed within 120 days, and shall 9 not be conduct the proceeding as a contested case under chapter 4 10 of the administrative procedures act of 1969, 1969 PA 306, MCL 11 24.271 to 24.287. 24.288. The determination of the modeling assumptions for integrated resource plans made under subsection (1) 12 is not considered a final order for purposes of judicial review. 13 14 The determinations made under subsection (1) are only subject to 15 judicial review as part of the final commission order approving an 16 integrated resource plan under this section.

17 (3) Not later than 2 years after the effective date of the 18 amendatory act that added this section, April 20, 2019, each 19 electric utility whose rates are regulated by the commission shall 20 file with the commission an integrated resource plan that provides a 5-year, 10-year, and 15-year projection of the utility's load 21 obligations and a plan to meet those obligations, to meet the 22 23 utility's requirements to provide generation reliability, including 24 meeting planning reserve margin and local clearing requirements 25 determined by the commission or the appropriate independent system operator, and to meet all applicable state and federal reliability 26 27 and environmental regulations over the ensuing term of the plan. 28 The commission shall issue an order establishing filing 29 requirements, including application forms and instructions, and

S02623'23

KHS

1 filing deadlines for an integrated resource plan filed by an
2 electric utility whose rates are regulated by the commission. The
3 electric utility's plan may include alternative modeling scenarios
4 and assumptions in addition to those identified under subsection
5 (1).

6 (4) For an electric utility with fewer than 1,000,000 7 customers in this state whose rates are regulated by the 8 commission, the commission may issue an order implementing separate 9 filing requirements, review criteria, and approval standards that 10 differ from those established under subsection (3). An electric 11 utility providing electric tariff service to customers both in this 12 state and in at least 1 other state may design its integrated resource plan to cover all its customers on that multistate basis. 13 14 If an electric utility has filed a multistate integrated resource 15 plan that includes its service area in this state with the relevant 16 utility regulatory commission in another state in which it provides tariff service to retail customers, the commission shall accept 17 18 that integrated resource plan filing for filing purposes in this state. However, the commission may require supplemental information 19 20 if necessary as part of its evaluation and determination of whether 21 to approve the plan. Upon request of an electric utility, the commission may adjust the filing dates for a multistate integrated 22 23 resource plan filing in this state to place its review on the same 24 timeline as other relevant state reviews.

25 (5) An integrated resource plan shall must include all of the 26 following:

27 (a) A long-term forecast of the electric utility's sales and28 peak demand under various reasonable scenarios.

29

(b) The type of generation technology proposed for a

5

generation facility contained in the plan and the proposed capacity of the generation facility, including projected fuel costs under various reasonable scenarios. Beginning in 2030, an electric utility shall not include a coal-fired electric generation facility in a plan.

6 (c) Projected energy purchased or produced by the electric
7 utility from a renewable energy resource. If the level of renewable
8 energy purchased or produced is projected to drop over the planning
9 periods set forth in subsection (3), the electric utility must
10 demonstrate why the reduction is in the best interest of
11 ratepayers.

(d) Details regarding the utility's plan to eliminate energy
waste, including the total amount of energy waste reduction
expected to be achieved annually, the cost of the plan, and the
expected savings for its retail customers.

(e) An analysis of how the combined amounts of renewable 16 energy and energy waste reduction achieved under the plan compare 17 18 to the renewable energy resources and energy waste reduction goal provided in section 1 of the clean and renewable energy and energy 19 20 waste reduction act, 2008 PA 295, MCL 460.1001. This analysis and 21 comparison may include renewable energy and capacity in any form, including generating electricity from renewable energy systems for 22 23 sale to retail customers or purchasing or otherwise acquiring 24 renewable energy credits with or without associated renewable 25 energy, allowed under section 27 of the clean and renewable energy and energy waste reduction act, 2008 PA 295, MCL 460.1027, as it 26 27 existed before the effective date of the amendatory act that added this section.April 20, 2017. 28

29

KHS

(f) Projected load management and demand response savings for

S02623'23

7

1

the electric utility and the projected costs for those programs.

2 (g) Projected energy and capacity purchased or produced by the3 electric utility from a cogeneration resource.

4 (h) An analysis of potential new or upgraded electric5 transmission options for the electric utility.

6 (i) Data regarding the utility's current generation portfolio,
7 including the age, capacity factor, licensing status, and remaining
8 estimated time of operation for each facility in the portfolio.

9 (j) Plans for meeting current and future capacity needs with
10 the cost estimates for all proposed construction and major
11 investments, including any transmission or distribution
12 infrastructure that would be required to support the proposed
13 construction or investment, and power purchase agreements.

14 (k) Plans for retiring any coal-fired electric generation15 facilities owned by that electric utility by 2030.

16 (l) (k) An analysis of the cost, capacity factor, and viability 17 of all reasonable options available to meet projected energy and 18 capacity needs, including, but not limited to, existing electric 19 generation facilities in this state.

(m) (*l*) Projected rate impact for the periods covered by the
 plan.

(n) (m) How the utility will comply with all applicable state and federal environmental regulations, laws, and rules, and the projected costs of complying with those regulations, laws, and rules.

26 (o) (n) A forecast of the utility's peak demand and details
27 regarding the amount of peak demand reduction the utility expects
28 to achieve and the actions the utility proposes to take in order to
29 achieve that peak demand reduction.

(p) (o) The projected long-term firm gas transportation 1 2 provide an adequate supply of natural gas to any new generation 3 4 facility.

5 (6) Before filing an integrated resource plan under this 6 section, each electric utility whose rates are regulated by the 7 commission shall issue a request for proposals to provide any new 8 supply-side generation capacity resources needed to serve the 9 utility's reasonably projected electric load, applicable planning 10 reserve margin, and local clearing requirement for its customers in 11 this state and customers the utility serves in other states during the initial 3-year planning period to be considered in each 12 integrated resource plan to be filed under this section. An 13 14 electric utility shall define qualifying performance standards, 15 contract terms, technical competence, capability, reliability, 16 creditworthiness, past performance, and other criteria that responses and respondents to the request for proposals must meet in 17 18 order to be considered by the utility in its integrated resource 19 plan to be filed under this section. Respondents to a request for 20 proposals may request that certain proprietary information be 21 exempt from public disclosure as allowed by the commission. A utility that issues a request for proposals under this subsection 22 23 shall use the resulting proposals to inform its integrated resource plan filed under this section and include all of the submitted 24 25 proposals as attachments to its integrated resource plan filing 26 regardless of whether the proposals met the qualifying performance 27 standards, contract terms, technical competence, capability, 28 reliability, creditworthiness, past performance, or other criteria 29 specified for the utility's request for proposals under this

contracts or natural gas storage the electric utility will hold to

KHS

section. An existing supplier of electric generation capacity 1 currently producing at least 200 megawatts of firm electric 2 generation capacity resources located in the independent system 3 operator's zone in which the utility's load is served that seeks to 4 5 provide electric generation capacity resources to the utility may 6 submit a written proposal directly to the commission as an 7 alternative to any supply-side generation capacity resource 8 included in the electric utility's integrated resource plan 9 submitted under this section, and has standing to intervene in the 10 contested case proceeding conducted under this section. This 11 subsection does not require an entity that submits an alternative 12 under this subsection to submit an integrated resource plan. This subsection does not limit the ability of any other person to submit 13 14 to the commission an alternative proposal to any supply-side 15 generation capacity resource included in the electric utility's 16 integrated resource plan submitted under this section and to petition for and be granted leave to intervene in the contested 17 18 case proceeding conducted under this section under the rules of practice and procedure of the commission. The commission shall only 19 20 consider an alternative proposal submitted under this subsection as part of its approval process under subsection (8). The electric 21 22 utility submitting an integrated resource plan under this section 23 is not required to adopt any proposals submitted under this 24 subsection. To the extent practicable, each electric utility is 25 encouraged, but not required, to partner with other electric providers in the same local resource zone as the utility's load is 26 27 served in the development of any new supply-side generation capacity resources included as part of its integrated resource 28 29 plan.

9

(7) Not later than 300 days after an electric utility files an 1 integrated resource plan under this section, the commission shall 2 state if the commission has any recommended changes, and if so, 3 describe them in sufficient detail to allow their incorporation in 4 5 the integrated resource plan. If the commission does not recommend 6 changes, it the commission shall issue a final, appealable order 7 approving or denying the plan filed by the electric utility. If the 8 commission recommends changes, the commission shall set a schedule 9 allowing parties at least 15 days after that recommendation to file 10 comments regarding those recommendations, and allowing the electric 11 utility at least 30 days to consider the recommended changes and 12 submit a revised integrated resource plan that incorporates 1 or more of the recommended changes. If the electric utility submits a 13 14 revised integrated resource plan under this section, the commission 15 shall issue a final, appealable order approving the plan as revised by the electric utility or denying the plan. The commission shall 16 issue a final, appealable order no later than 360 days after an 17 18 electric utility files an integrated resource plan under this 19 section. Up to 150 days after an electric utility makes its initial 20 filing, the electric utility may file to update its cost estimates 21 if those cost estimates have materially changed. A utility shall not modify any other aspect of the initial filing unless the 22 23 utility withdraws and refiles the application. A utility's filing 24 updating its cost estimates does not extend the period for the 25 commission to issue an order approving or denying the integrated resource plan. The commission shall review the integrated resource 26 27 plan in a contested case proceeding conducted pursuant to in 28 accordance with chapter 4 of the administrative procedures act of 29 1969, 1969 PA 306, MCL 24.271 to 24.287. 24.288. The commission

10

shall allow intervention by interested persons including electric 1 customers of the utility, respondents to the utility's request for 2 proposals under this section, or other parties approved by the 3 commission. The commission shall request an advisory opinion from 4 the department of environmental quality environment, Great Lakes, 5 6 and energy regarding whether any potential decrease in emissions of 7 sulfur dioxide, oxides of nitrogen, mercury, and particulate matter 8 would reasonably be expected to result if the integrated resource 9 plan proposed by the electric utility under subsection (3) was 10 approved and whether the integrated resource plan can reasonably be 11 expected to achieve compliance with the regulations, laws, or rules 12 identified in subsection (1). The commission may take official notice of the opinion issued by the department of environmental 13 14 quality environment, Great Lakes, and energy under this subsection 15 pursuant to R 792.10428 of the Michigan Administrative Code. 16 Information submitted by the department of environmental quality 17 environment, Great Lakes, and energy under this subsection is 18 advisory and is not binding on future determinations by the 19 department of environmental quality environment, Great Lakes, and 20 **energy** or the commission in any proceeding or permitting process. 21 This section does not prevent an electric utility from applying for, or receiving, any necessary permits from the department of 22 23 environmental quality. environment, Great Lakes, and energy. The 24 commission may invite other state agencies to provide testimony 25 regarding other relevant regulatory requirements related to the integrated resource plan. The commission shall permit reasonable 26 27 discovery after an integrated resource plan is filed and during the 28 hearing in order to assist parties and interested persons in 29 obtaining evidence concerning the integrated resource plan,

11

including, but not limited to, the reasonableness and prudence of
 the plan and alternatives to the plan raised by intervening
 parties.

4 (8) The commission shall approve the integrated resource plan
5 under subsection (7) if the commission determines all of the
6 following:

7 (a) The proposed integrated resource plan represents the most
8 reasonable and prudent means of meeting the electric utility's
9 energy and capacity needs. To determine whether the integrated
10 resource plan is the most reasonable and prudent means of meeting
11 energy and capacity needs, the commission shall consider whether
12 the plan appropriately balances all of the following factors:

13 (i) Resource adequacy and capacity to serve anticipated peak
14 electric load, applicable planning reserve margin, and local
15 clearing requirement.

16 (ii) Compliance with applicable state and federal environmental 17 regulations.

18 (*iii*) Competitive pricing.

19 (*iv*) Reliability.

20 (v) Commodity price risks.

21 (vi) Diversity of generation supply.

22 (vii) Whether the proposed levels of peak load reduction and 23 energy waste reduction are reasonable and cost effective. Exceeding 24 the renewable energy resources and energy waste reduction goal in section 1 of the clean and renewable energy and energy waste 25 reduction act, 2008 PA 295, MCL 460.1001, by a utility shall not, 26 in and of itself, be grounds for determining that the proposed 27 28 levels of peak load reduction, renewable energy, and energy waste reduction are not reasonable and cost effective. 29

12

(b) To the extent practicable, the construction or investment
 in a new or existing capacity resource in this state is completed
 using a workforce composed of residents of this state as determined
 by the commission. This subdivision does not apply to a capacity
 resource that is located in a county that lies on the border with
 another state.

13

7

(c) The plan meets the requirements of subsection (5).

8 (9) If the commission denies a utility's integrated resource 9 plan, the utility, within 60 days after the date of the final order 10 denying the integrated resource plan, may submit revisions to the 11 integrated resource plan to the commission for approval. The 12 commission shall commence a new contested case hearing under chapter 4 of the administrative procedures act of 1969, 1969 PA 13 14 306, MCL 24.271 to 24.287. 24.288. Not later than 90 days after the 15 date that the utility submits the revised integrated resource plan 16 to the commission under this subsection, the commission shall issue an order approving or denying, with recommendations, the revised 17 18 integrated resource plan if the revisions are not substantial or 19 inconsistent with the original integrated resource plan filed under this section. If the revisions are substantial or inconsistent with 20 21 the original integrated resource plan, the commission has up to 150 days to issue an order approving or denying, with recommendations, 22 23 the revised integrated resource plan.

(10) If the commission denies an electric utility's integrated resource plan, the electric utility may proceed with a proposed construction, purchase, investment, or power purchase agreement contained in the integrated resource plan without the assurances granted under this section.

29

(11) In approving an integrated resource plan under this

section, the commission shall specify the costs approved for the 1 construction of or significant investment in an electric generation 2 facility, the purchase of an existing electric generation facility, 3 the purchase of power under the terms of the power purchase 4 5 agreement, or other investments or resources used to meet energy 6 and capacity needs that are included in the approved integrated 7 resource plan. The costs for specifically identified investments, 8 including the costs for facilities under subsection (12), included 9 in an approved integrated resource plan that are commenced within 3 10 years after the commission's order approving the initial plan, 11 amended plan, or plan review are considered reasonable and prudent 12 for cost recovery purposes.

14

(12) Except as otherwise provided in subsection (13), for a 13 14 new electric generation facility approved in an integrated resource 15 plan that is to be owned by the electric utility and that is 16 commenced within 3 years after the commission's order approving the plan, the commission shall finalize the approved costs for the 17 18 facility only after the utility has done all of the following and 19 filed the results, analysis, and recommendations with the commission: 20

(a) Implemented a competitive bidding process for all major
engineering, procurement, and construction contracts associated
with the construction of the facility.

(b) Implemented a competitive bidding process that allows
third parties to submit firm and binding bids for the construction
of an electric generation facility on behalf of the utility that
would meet all of the technical, commercial, and other
specifications required by the utility for the generation facility,
such that ownership of the electric generation facility vests with

the utility no later than the date the electric generation facility
 becomes commercially available.

3 (c) Demonstrated to the commission that the finalized costs
4 for the new electric generation facility are not significantly
5 higher than the initially approved costs under subsection (11). If
6 the finalized costs are found to be significantly higher than the
7 initially approved costs, the commission shall review and approve
8 the proposed costs if the commission determines those costs are
9 reasonable and prudent.

10 (13) If the capacity resource under subsection (12) is for the 11 construction of an electric generation facility of 225 megawatts or 12 more or for the construction of an additional generating unit or 13 units totaling 225 megawatts or more at an existing electric 14 generation facility, the utility shall submit an application to the 15 commission seeking a certificate of necessity under section 6s.

16 (14) An electric utility shall annually, or more frequently if 17 required by the commission, file reports to the commission 18 regarding the status of any projects included in the initial 3-year 19 period of an integrated resource plan approved under subsection 20 (7).

(15) For power purchase agreements that a utility enters into after the effective date of the amendatory act that added this section April 20, 2017 with an entity that is not affiliated with that utility, the commission shall consider and may authorize a financial incentive for that utility that does not exceed the utility's weighted average cost of capital.

27 (16) Notwithstanding any other provision of law, an order by
28 the commission approving an integrated resource plan may be
29 reviewed by the court of appeals upon a filing by a party to the

15

commission proceeding within 30 days after the order is issued. All 1 2 appeals of the order shall be heard and determined as expeditiously as possible with lawful precedence over other matters. Review on 3 appeal shall be is based solely on the record before the commission 4 5 and briefs to the court and is limited to whether the order 6 conforms to the constitution and laws of this state and the United 7 States and is within the authority of the commission under this 8 act.

9 (17) The commission shall include in an electric utility's 10 retail rates all reasonable and prudent costs specified under 11 subsections (11) and (12) that have been incurred to implement an integrated resource plan approved by the commission. The commission 12 13 shall not disallow recovery of costs an electric utility incurs in 14 implementing an approved integrated resource plan, if the costs do 15 not exceed the costs approved by the commission under subsections (11) and (12). If the actual costs incurred by the electric utility 16 exceed the costs approved by the commission, the electric utility 17 18 has the burden of proving by a preponderance of the evidence that 19 the costs are reasonable and prudent. The portion of the cost of a 20 plant, facility, power purchase agreement, or other investment in a 21 resource that meets a demonstrated need for capacity that exceeds 22 the cost approved by the commission is presumed to have been 23 incurred due to a lack of prudence. The commission may include any 24 or all of the portion of the cost in excess of the cost approved by 25 the commission if the commission finds by a preponderance of the 26 evidence that the costs are reasonable and prudent. The commission 27 shall disallow costs the commission finds have been incurred as the 28 result of fraud, concealment, gross mismanagement, or lack of 29 quality controls amounting to gross mismanagement. The commission

shall also require refunds with interest to ratepayers of any of 1 these costs already recovered through the electric utility's rates 2 and charges. If the assumptions underlying an approved integrated 3 resource plan materially change, or if the commission believes it 4 is unlikely that a project or program will become commercially 5 6 operational, an electric utility may request, or the commission on 7 its own motion may initiate, a proceeding to review whether it is 8 reasonable and prudent to complete an unfinished project or program 9 included in an approved integrated resource plan. If the commission 10 finds that completion of the project or program is no longer 11 reasonable and prudent, the commission may modify or cancel approval of the project or program and unincurred costs in the 12 electric utility's integrated resource plan. Except for costs the 13 14 commission finds an electric utility has incurred as the result of 15 fraud, concealment, gross mismanagement, or lack of quality 16 controls amounting to gross mismanagement, if commission approval is modified or canceled, the commission shall not disallow 17 18 reasonable and prudent costs already incurred or committed to by contract by an electric utility. Once the commission finds that 19 20 completion of the project or program is no longer reasonable and 21 prudent, the commission may limit future cost recovery to those costs that could not be reasonably avoided. 22

(18) The commission may allow financing interest cost recovery in an electric utility's base rates on construction work in progress for capital improvements approved under this section prior to the assets' being considered used and useful. Regardless of whether or not the commission authorizes base rate treatment for construction work in progress financing interest expense, an electric utility may recognize, accrue, and defer the allowance for

17

1 funds used during construction.

2 (19) An electric utility may seek to amend an approved integrated resource plan. Except as otherwise provided under this 3 subsection, the commission shall consider the amendments under the 4 5 same process and standards that govern the review and approval of a 6 revised integrated resource plan under subsection (9). The 7 commission may order an electric utility that seeks to amend an 8 approved integrated resource plan under this subsection to file a 9 plan review under subsection (21).

10 (20) An electric utility shall file an application for review 11 of its integrated resource plan not later than 5 years after the effective date of the most recent commission order approving a 12 plan, a plan amendment, or a plan review. The commission shall 13 14 consider a plan review under the same process and standards 15 established in this section for review and approval of an 16 integrated resource plan. A commission order approving a plan review has the same effect as an order approving an integrated 17 18 resource plan.

19 (21) The commission may, on its own motion or at the request 20 of the electric utility, order an electric utility to file a plan 21 review. The department of environmental quality environment, Great 22 Lakes, and energy may request the commission to order a plan review 23 to address material changes in environmental regulations and 24 requirements that occur after the commission's approval of an 25 integrated resource plan. An electric utility must file a plan review within 270 days after the commission orders the utility to 26 27 file a plan review.

28 (22) As used in this section, "long-term firm gas29 transportation" means a binding agreement entered into between the

S02623'23

KHS

1 electric utility and a natural gas transmission provider for a set

2 period of time to provide firm delivery of natural gas to an

3 electric generation facility.