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Senate Bill 213 (as introduced 2-20-07)
Sponsor: Senator Patricia L. Birkholz
Committee: Energy Policy and Public Utilities

Date Completed: 4-24-07

CONTENT

The bill would create a new act to do the following:

- **Require each electric service provider to establish an annual renewable energy portfolio standard.**
- **Require renewable energy, by 2016, to constitute at least 10% of the electricity a provider sold to Michigan retail customers, under its portfolio standard.**
- **Require the Public Service Commission (PSC) to establish a system of renewable energy credits that a provider could use to meet its portfolio standard.**
- **Require the PSC to establish a credit certification and tracking program.**
- **Require a provider to meet its portfolio standard by entering into a renewable energy contract, if the provider were unable to comply with the standard through the generation of renewable energy credits derived from its own renewable energy system, or through the purchase of renewable energy credits.**
- **Establish a rebate for solar electric generation systems of \$2,000 per kilowatt hour of installed capacity, payable by the provider of meter service.**
- **Require each provider to submit to the PSC an annual report on the actions taken to comply with its portfolio standard.**
- **Require the PSC to report to the Legislature annually on the information gathered from the provider reports.**
- **Require the PSC to impose a fine on a provider that did not comply with its portfolio standard.**

The bill is described below in further detail.

Renewable Portfolio Standard

The bill would require each provider, on an annual basis, to establish a portfolio standard for renewable energy. The provider would have to file an annual report with the PSC regarding the provider's status in meeting the portfolio standard.

The portfolio standard would have to require the provider to generate or acquire electricity from renewable energy systems, for sale to retail customers in Michigan, or acquire equivalent renewable energy credits (described below), in the minimum amounts shown in Table 1 (expressed as a percentage of the total amount of kilowatt hours of electricity the provider sold to its retail customers in Michigan during the calendar year):

Table 1

Time Period	Amount
January 1, 2008 to December 31, 2008	4%
January 1, 2009 to December 31, 2010	5%
January 1, 2011 to December 31, 2012	6%
January 1, 2013 to December 31, 2015	7%
After December 31, 2015	10%

If the provider acquired electricity and the associated renewable energy credits from a renewable energy system under a renewable energy contract, entered into after the bill's effective date, the PSC would have to determine whether the contract provided all of the following:

- That the term of the renewable energy contract was at least 20 years, unless the renewable energy supplier agreed to a contract with a shorter term.
- That the terms and conditions of the contract were just and reasonable.
- That the terms and conditions of the contract would provide a long-term purchase price from a creditworthy party to allow financing, construction, and operation of the renewable energy system.

The PSC would have to consider all costs reasonably and prudently incurred by a regulated utility in meeting the requirements of the proposed act to be a cost of service. The PSC would have to determine the mechanism for the recovery of those costs.

("Provider" would mean any person in the business of selling electricity to retail customers in this State. The term would mean any of the following:

- Any person or entity that is regulated by the PSC for the purpose of selling electricity to retail customers.
- A municipal electric provider.
- A cooperative electric provider.
- An alternative electric supplier.
- An independent investor-owned electric utility.

"Portfolio standard" would mean the required minimum percentage of a provider's total annual retail kilowatt hour electricity sales in Michigan composed of electricity produced from a renewable energy fuel source. "Renewable energy fuel" would mean biomass; geothermal; solar; wind; hydroelectric, except for pump storage systems; or that portion of a fuel mixture that is a biomass fuel.

"Biomass" would mean any organic matter that can be converted to usable fuel for the production of energy and is available on a renewable basis, including agricultural crops and crop waste; wood and wood waste, including wood and wood waste from wood product and paper processing; animal waste; municipal wastewater sludge; aquatic plants; food production and processing waste; and municipal solid waste.

"Renewable energy system" would mean a facility, an electricity generation system, or an integrated set of electricity generation systems that use renewable energy fuel. "Renewable energy credit" would mean a certified credit under the proposed act equal to one megawatt hour of generated renewable energy.

"Renewable energy contract" would mean a contract to acquire electricity and the associated renewable energy credits from one or more renewable energy systems. "Terms and conditions" would include the price that an electric service provider was to pay to acquire electricity and the associated renewable energy credits under a renewable energy contract.)

Renewable Energy Credits

The PSC would have to establish a system of renewable energy credits that a provider could use to comply with its portfolio standard. The renewable energy credit program would have to include the following:

- That renewable energy systems eligible to receive renewable energy credits were renewable energy systems in Michigan.
- A process to certify all existing and new renewable energy systems operating on the bill's effective date as eligible to receive renewable energy credits.
- A method for the transferability of credits.

- For power purchase agreements existing on the bill's effective date, that ownership of any renewable energy credits resided with the generator of the renewable energy unless the ownership were otherwise stated in contract.

The PSC also would have to establish a credit certification and tracking program, which could be contracted to and performed by a third party through a system of competitive bidding. This program would have to include all of the following:

- Certification that the renewable energy system was a qualified system under the proposed act.
- Certification that the operator of a renewable energy system was in compliance with State and Federal law applicable to the operation of a renewable energy system at the time the certification was granted.
- Affixing the date that the renewable energy credit was valid for transfer under the proposed act.
- A method for ensuring that renewable energy credits traded and sold were accounted properly under the proposed act.

If a provider were unable to comply with its portfolio standard through the generation of renewable energy credits derived from its own renewable energy systems, or from the purchase of certified renewable energy credits, the provider would have to comply by entering into one or more renewable energy contracts.

Renewable energy credits used by a provider to comply with its portfolio standard would be extinguished upon use. The credits would expire automatically three years after their original certification.

Solar Generation Rebate

Solar electric generation systems installed in Michigan would be eligible for a rebate of \$2,000 per kilowatt hour of installed capacity. ("Installed capacity" would mean the total amount of electricity a renewable energy system could generate in one hour at full load.) The provider of meter service to the electric generation system owner would pay the rebate, which would be a one-time payment.

Rebates would be paid for systems that had been installed and had demonstrated an ability to produce electricity. To qualify for a rebate, all solar energy panels would have to be certified by the Solar Rating and Certification Corporation.

The maximum limits placed on the total rebate program statewide are shown in Table 2.

Table 2

Year	Solar Capacity
2008	5,000 kW
2010	10,000 kW
2012	15,000 kW
2014	20,000 kW
2016	25,000 kW

The PSC would have to allow a provider that paid a rebate to a solar electric generation system to recover those costs from its ratepayers, on the same basis as other capital investments used to serve its customers, using a 20-year amortization period, starting with the year the rebate cost was incurred.

The provider making the rebate payment to the solar generation system would have to be the owner of all renewable energy credits associated with power generated from the facility.

Annual Reports

Each electric service provider would have to submit to the PSC an annual report that provided information relating to the actions the provider took to comply with its portfolio standard.

Each provider would have to submit the report after the end of each calendar year in a format approved by, and within the time prescribed by, the PSC. Each report would have to include all of the following information:

- The amount of electricity and renewable energy credits that the provider generated or acquired from renewable energy systems during the reporting period and the amount of renewable energy credits that the provider acquired, sold, or traded during the reporting period to comply with its portfolio standard.
- The capacity of each renewable energy system owned, operated, or controlled by the provider, the total amount of electricity generated by each system during the reporting period, and the percentage of that total amount that was generated directly from renewable energy.
- Whether, during the reporting period, the provider began construction on, acquired, or placed into operation any renewable energy system.
- Any other information that the PSC determined necessary.

The PSC would have to file an annual report with the Legislature summarizing the data collected from the providers' reports.

Penalties

If a provider did not comply with its portfolio standard as required, the PSC would have to impose on the provider a fine of \$50 per megawatt hour for each renewable energy credit that the provider did not generate or acquire from a renewable energy system during a calendar year in violation of its portfolio standard.

The PSC annually would have to adjust the fines that would be imposed for each calendar year using the prevailing consumer price index for the Detroit region.

If the PSC imposed a fine against a regulated rate provider, all of the following would apply:

- The fine would not be a cost of service to the provider.
- The provider could not include any portion of the fine in any application for a rate adjustment or rate increase.
- The PSC could not allow the provider to recover any portion of the fine from its retail customers.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would increase the administrative responsibility of the Public Service Commission; however, any additional costs would be covered through existing revenue. The bill also would require the PSC to impose fines for noncompliance. The amount of revenue generated would depend on the frequency and level of these fines. Any revenue generated from the fines would be deposited into the General Fund.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.