

HOUSE BILL No. 5522

December 4, 2007, Introduced by Reps. LaJoy, Mayes, Gaffney, Hune and Accavitti and referred to the Committee on Energy and Technology.

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 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 provide for a restructuring of the manner in which energy is provided in this state; 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,"

(MCL 460.1 to 460.10cc) by adding section 11.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 11. (1) SUBJECT TO SUBSECTIONS (2), (4), AND (7), THE
2 COMMISSION SHALL ADOPT ELECTRIC RATES THAT REFLECT THE COST OF
3 PROVIDING SERVICE TO EACH CUSTOMER CLASS. THE COST OF PROVIDING
4 SERVICE TO EACH CUSTOMER CLASS SHALL BE DETERMINED USING A METHOD
5 THAT ALLOCATES COSTS AMONG CUSTOMER CLASSES AS FOLLOWS:

6 (A) PRODUCTION-RELATED AND TRANSMISSION COSTS TO EACH CUSTOMER
7 CLASS BASED ON THE 75-25 METHOD OF COST ALLOCATION.

8 (B) FIXED COSTS BASED UPON THE DEMAND OF EACH CUSTOMER CLASS.

9 (C) COSTS THAT VARY WITH THE NUMBER OF CUSTOMERS BASED UPON
10 THE NUMBER OF CUSTOMERS IN EACH CLASS.

11 (D) COSTS THAT VARY WITH ELECTRICITY USAGE BASED UPON THE
12 LEVEL OF ELECTRICITY CONSUMPTION IN EACH CUSTOMER CLASS.

13 (2) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, THE
14 COMMISSION SHALL ESTABLISH RATE SCHEDULES WHICH ENSURE THAT PUBLIC
15 AND PRIVATE SCHOOLS, UNIVERSITIES, AND COMMUNITY COLLEGES ARE
16 CHARGED RETAIL ELECTRIC RATES THAT REFLECT THE ACTUAL COST OF
17 PROVIDING SERVICE TO THOSE CUSTOMERS. NOT LATER THAN 90 DAYS AFTER
18 THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION,
19 ELECTRIC UTILITIES REGULATED UNDER THIS SECTION SHALL FILE WITH THE
20 COMMISSION TARIFFS TO ENSURE THAT PUBLIC AND PRIVATE SCHOOLS,
21 UNIVERSITIES, AND COMMUNITY COLLEGES ARE CHARGED ELECTRIC RATES
22 THAT FULLY REFLECT THEIR UNIQUE LOAD CHARACTERISTICS.

23 (3) FOR THE PURPOSES OF THIS SECTION, THE COMMISSION SHALL
24 DETERMINE THE DEMAND OF EACH CUSTOMER CLASS BASED UPON THE
25 CONTRIBUTION OF EACH CUSTOMER CLASS TO THE AVERAGE OF THE UTILITY'S
26 12 MONTHLY SYSTEM COINCIDENT PEAK DEMANDS FOR THE RELEVANT 12-MONTH

1 PERIOD.

2 (4) THE COMMISSION SHALL ADOPT RATES THAT TAKE INTO ACCOUNT
3 COST DIFFERENCES BASED UPON THE TIME OF DAY AND SEASON OF YEAR, THE
4 ABILITY OF A CUSTOMER TO SHIFT USAGE FROM PEAK TO OFF-PEAK PERIODS,
5 AND THE COST OF INTERRUPTIBLE SERVICE.

6 (5) IF IT DETERMINES THAT IT IS NECESSARY TO MINIMIZE IMPACT
7 ON CUSTOMERS, THE COMMISSION MAY PHASE IN COST-BASED RATES OVER A
8 PERIOD THAT DOES NOT EXCEED 3 YEARS FROM THE EFFECTIVE DATE OF THE
9 AMENDATORY ACT THAT ADDED THIS SECTION FOR PRIMARY CUSTOMERS AND
10 OVER A PERIOD THAT DOES NOT EXCEED 7 YEARS FROM THE EFFECTIVE DATE
11 OF THE AMENDATORY ACT THAT ADDED THIS SECTION FOR SECONDARY OR
12 RESIDENTIAL CUSTOMERS.

13 (6) DURING THE PHASE-IN PERIOD DESCRIBED IN SUBSECTION (5),
14 THE COMMISSION SHALL, FOR EACH CUSTOMER CLASS, ENSURE THAT RATES IN
15 EFFECT FOR CUSTOMERS RECEIVING SERVICE FROM ALTERNATIVE ELECTRIC
16 SUPPLIERS REFLECT THE FULL AMOUNT, WHETHER POSITIVE OR NEGATIVE, BY
17 WHICH THE RATES IN EFFECT FOR OTHER CUSTOMERS IN THE SAME CUSTOMER
18 CLASS DIFFER FROM ACTUAL COST OF SERVICE. ANY DIFFERENTIAL MAY BE
19 ALLOCATED ON A PER-CUSTOMER BASIS.

20 (7) NOTWITHSTANDING SUBSECTION (1), THE COMMISSION SHALL
21 ESTABLISH 1 OR MORE ECONOMIC INCENTIVE RATE SCHEDULES OR APPROVE 1
22 OR MORE SPECIAL CONTRACTS FOR THE PURPOSE OF ATTRACTING OR
23 RETAINING INDUSTRIAL OR COMMERCIAL FACILITIES IN THIS STATE. THE
24 COMMISSION SHALL ADOPT POLICIES TO DETERMINE WHAT FACILITIES ARE
25 ELIGIBLE FOR THOSE RATE SCHEDULES OR CONTRACTS. IN ADOPTING THE
26 POLICIES UNDER THIS SUBSECTION, THE COMMISSION SHALL CONSIDER
27 WHETHER THE FACILITIES HAVE RECEIVED A COMPETITIVE AND VERIFIABLE

1 ECONOMIC INCENTIVE RATE FROM ANOTHER STATE OR JURISDICTION, ARE IN
2 AN ENERGY INTENSIVE INDUSTRY, CREATE SIGNIFICANT JOBS, TAX REVENUE,
3 OR OTHER ECONOMIC BENEFITS TO THIS STATE, ARE ELIGIBLE FOR AND HAVE
4 RECEIVED ECONOMIC DEVELOPMENT INCENTIVES FROM THE MICHIGAN ECONOMIC
5 DEVELOPMENT CORPORATION, OR ARE ENGAGED IN A COMPETITIVE EDGE
6 TECHNOLOGY AS DEFINED IN SECTION 88A OF THE MICHIGAN STRATEGIC FUND
7 ACT, 1984 PA 270, 125.2088A. THE ANNUAL AGGREGATE AMOUNT OF
8 ELECTRICITY AVAILABLE UNDER THE ECONOMIC INCENTIVE RATE SCHEDULES
9 OR CONTRACTS FOR AN INDIVIDUAL UTILITY SHALL BE LIMITED TO AN
10 AMOUNT EQUAL TO 5% OF THE UTILITY'S PRIMARY LOAD. THE COMMISSION
11 SHALL ADOPT ACCOUNTING AND RATE-MAKING POLICIES TO ENSURE THAT ALL
12 DISCOUNTS PROVIDED UNDER THIS SUBSECTION ARE RECOVERED BY THE
13 UTILITY THROUGH CHARGES APPLICABLE TO ALL CUSTOMERS.

14 (8) AS USED IN THIS SECTION:

15 (A) "CUSTOMER CLASS" MEANS GROUPINGS OF CUSTOMERS DETERMINED
16 BY THE COMMISSION BASED UPON THE VOLTAGE LEVEL AT WHICH EACH
17 CUSTOMER RECEIVES ELECTRIC SERVICE.

18 (B) "FIXED COSTS" MEANS THOSE NON-PRODUCTION-RELATED AND
19 NONTRANSMISSION COSTS THAT DO NOT VARY DIRECTLY WITH THE NUMBER OF
20 CUSTOMERS OR THE LEVEL OF ELECTRICITY USE.

21 (C) "PRIMARY CUSTOMERS" MEANS CUSTOMERS RECEIVING SERVICE AT A
22 NOMINAL VOLTAGE LEVEL EQUAL TO OR EXCEEDING 2,400 VOLTS.

23 (D) "SECONDARY CUSTOMERS" MEANS NONRESIDENTIAL CUSTOMERS
24 RECEIVING SERVICE AT A NOMINAL VOLTAGE LEVEL LESS THAN 2,400 VOLTS.

25 (E) "75-25 METHOD OF COST ALLOCATION" MEANS A COST ALLOCATION
26 METHOD WHICH ALLOCATES 75% OF TOTAL CAPACITY COSTS BASED UPON THE
27 DEMAND OF EACH CUSTOMER CLASS AND 25% OF TOTAL CAPACITY COSTS BASED

1 UPON THE LEVEL OF ELECTRICITY CONSUMPTION OF EACH CUSTOMER CLASS.

2 Enacting section 1. This amendatory act does not take effect
3 unless all of the following bills of the 94th Legislature are
4 enacted into law:

5 (a) Senate Bill No.____ or House Bill No. 5524 (request no.
6 02552'07*).

7 (b) Senate Bill No.____ or House Bill No. 5521 (request no.
8 04883'07*).

9 (c) Senate Bill No.____ or House Bill No. 5520 (request no.
10 04885'07*).

11 (d) Senate Bill No.____ or House Bill No. 5523 (request no.
12 05023'07*).

13 (e) Senate Bill No.____ or House Bill No.____ (request no.
14 05570'07).

15 (f) Senate Bill No.____ or House Bill No.____ (request no.
16 05919'07).

17 (g) Senate Bill No.____ or House Bill No. 5525 (request no.
18 05920'07).

19 (h) House Bill No. 5383.

20 (i) House Bill No. 5384.