

HOUSE BILL No. 6755

November 25, 2008, Introduced by Rep. Mayes 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,"

by amending section 11 (MCL 460.11), as added by 2008 PA 286.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) This subsection applies beginning January 1,
2 2009. Except as otherwise provided in this subsection, the
3 commission shall phase in electric rates equal to the cost of
4 providing service to each customer class over a period of 5 years
5 from ~~the effective date of the amendatory act that added this~~
6 ~~section~~ **OCTOBER 6, 2008**. If the commission determines that the rate
7 impact on industrial metal melting customers will exceed the 2.5%
8 limit **PROVIDED** in subsection (2), the commission may phase in cost-
9 based rates for that class over a longer period. The cost of
10 providing service to each customer class shall be based on the
11 allocation of production-related and transmission costs based on
12 using the 50-25-25 method of cost allocation. The commission may
13 modify this method to better ensure **THAT** rates are equal to the
14 cost of service if this method does not result in a greater amount
15 of production-related and transmission costs allocated to primary
16 customers.

17 (2) The commission shall ensure that the impact on residential
18 and industrial metal melting rates due to the cost of service
19 requirement **PROVIDED** in subsection (1) is no more than 2.5% per
20 year.

21 (3) Notwithstanding any other provision of this act, the
22 commission may establish eligible low-income customer or eligible
23 senior citizen customer rates. Upon filing of a rate increase
24 request, a utility shall include proposed eligible low-income
25 customer and eligible senior citizen customer rates and a ~~method~~
26 **METHODOLOGY** to allocate the revenue shortfall attributed to the

1 implementation of those rates upon all customer classes. As used in
2 this subsection, "eligible low-income customer" and "eligible
3 senior citizen customer" mean those terms as defined in section
4 10t.

5 (4) Notwithstanding any other provision of this section, the
6 commission shall establish rate schedules which ensure that public
7 and private schools, universities, and community colleges are
8 charged retail electric rates that reflect the actual cost of
9 providing service to those customers. Not later than 90 days after
10 ~~the effective date of the amendatory act that added this section~~
11 **OCTOBER 6, 2008**, electric utilities regulated under this section
12 shall file with the commission tariffs to ensure that public and
13 private schools, universities, and community colleges are charged
14 electric rates as provided in this subsection.

15 (5) Subsections (1) to (4) apply only to electric utilities
16 with 1,000,000 or more retail customers in this state.

17 (6) This subsection applies beginning January 1, 2009. The
18 commission shall approve rates equal to the cost of providing
19 service to customers of electric utilities serving less than
20 1,000,000 retail customers in this state. The rates shall be
21 approved by the commission in each utility's first general rate
22 case filed after passage of ~~the amendatory act that added this~~
23 ~~section~~ **2008 PA 286**. If, in the judgment of the commission, the
24 impact of imposing cost of service rates on customers of a utility
25 would have a material impact, the commission may approve an order
26 that implements those rates over a suitable number of years. The
27 commission shall ensure that any impact on rates due to the cost of

1 service requirement in this subsection is not more than 2.5% per
2 year.

3 (7) The commission shall annually retain an independent
4 consultant to verify that the requirements of this section are
5 being satisfied for each electric utility. The costs of this
6 service shall be recoverable in the utility's electric rates. This
7 subsection does not apply after December 31, 2015.