

# HOUSE BILL No. 5862

April 24, 2018, Introduced by Reps. Dianda, Rabhi, Chirkun, Cochran, Barrett and Glenn and referred to the Committee on Energy Policy.

A bill to amend 2008 PA 295, entitled  
"Clean and renewable energy and energy waste reduction act,"  
by amending sections 3, 5, 7, 9, 13, 173, 175, and 177 (MCL  
460.1003, 460.1005, 460.1007, 460.1009, 460.1013, 460.1173,  
460.1175, and 460.1177), as amended by 2016 PA 342.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 3. As used in this act:

2       (a) "Applicable regional transmission organization" means a  
3 nonprofit, member-based organization governed by an independent  
4 board of directors that serves as the regional transmission  
5 organization approved by the Federal Energy Regulatory Commission  
6 with oversight responsibility for the region that includes the  
7 provider's service territory.

8       **(B) "BIOGAS" MEANS LANDFILL GAS OR A MIXTURE OF GASES COMPOSED**

**1    PRIMARILY OF METHANE AND CARBON DIOXIDE PRODUCED BY BIOMASS.**

**2            (C) ~~(b)~~**—"Biomass" means any organic matter that is not derived  
**3** from fossil fuels, that can be converted to usable fuel for the  
**4** production of energy, and that replenishes over a human, not a  
**5** geological, time frame, including, but not limited to, all of the  
**6** following:

**7            (i)** Agricultural crops and crop wastes.

**8            (ii)** Short-rotation energy crops.

**9            (iii)** Herbaceous plants.

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

**13           (v)** Paper and pulp products.

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

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

**17           (viii)** Animal wastes.

**18           (ix)** Wastewater sludge or sewage.

**19           (x)** Aquatic plants.

**20           (xi)** Food production and processing waste.

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

**22           (D) ~~(c)~~**—"Board" means the wind energy resource zone board  
**23** created under section 143.

**24           (E) ~~(d)~~**—"Carbon dioxide emissions benefits" means that the  
**25** carbon dioxide emissions per megawatt hour of electricity generated  
**26** by the advanced cleaner energy system are at least 85% less or, for  
**27** an integrated gasification combined cycle facility or an integrated

pyrolysis 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.

(F) ~~(e)~~ "Cogeneration facility" means a facility that produces both electricity and useful thermal energy, such as heat or steam, in a way that is more efficient than the separate production of those forms of energy.

(G) ~~(f)~~ "Commission" means the Michigan ~~public service~~ **PUBLIC SERVICE COMMISSION.**

(H) ~~(g)~~ "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, or time-of-day tariffs.

(I) ~~(h)~~ "Distributed generation program" means the program established by the commission under section 173.

Sec. 5. As used in this act:

(a) "Electric provider" 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 C of part 2, an alternative electric supplier licensed under section 10a of 1939 PA 3, MCL

1 460.10a.

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

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

7 (ii) **HAS** a generation capacity ~~limited to the customer's~~  
8 ~~electric need and that does not exceed the following:~~

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

11 ~~—— (ii) For a methane digester, 550 kilowatts of aggregate~~  
12 ~~generation at a single site.~~ **THAT IS CONSISTENT WITH THE SAFETY AND**  
13 **RELIABILITY REQUIREMENTS OF THE CUSTOMER'S INTERCONNECTION.**

14 (c) "Energy conservation" means the reduction of customer  
15 energy use through the installation of measures or changes in  
16 energy usage behavior.

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

21 (e) "Energy star" means the voluntary partnership among the  
22 United States Department of Energy, the United States Environmental  
23 Protection Agency, product manufacturers, local utilities, and  
24 retailers to help promote energy efficient products by labeling  
25 with the energy star logo, educate consumers about the benefits of  
26 energy efficiency, and help promote energy efficiency in buildings  
27 by benchmarking and rating energy performance.

1 (f) "Energy waste reduction", subject to subdivision (g),  
2 means all of the following:

3 (i) Energy efficiency.

4 (ii) Load management, to the extent that the load management  
5 reduces provider costs.

6 (iii) Energy conservation, but only to the extent that the  
7 decreases in the consumption of electricity produced by energy  
8 conservation are objectively measurable and attributable to an  
9 energy waste reduction plan.

10 (g) Energy waste reduction does not include electric provider  
11 infrastructure projects that are approved for cost recovery by the  
12 commission other than as provided in this act.

13 (h) "Energy waste reduction credit" means a credit certified  
14 pursuant to section 87 that represents achieved energy waste  
15 reduction.

16 (i) "Energy waste reduction plan" means a plan under section  
17 71.

18 (j) "Energy waste reduction standard" means the minimum energy  
19 savings required to be achieved under section 77 or 78(1), as  
20 applicable.

21 (k) "Federal approval" means approval by the applicable  
22 regional transmission organization or other Federal Energy  
23 Regulatory Commission-approved transmission planning process of a  
24 transmission project that includes the transmission line. Federal  
25 approval may be evidenced in any of the following manners:

26 (i) The proposed transmission line is part of a transmission  
27 project included in the applicable regional transmission

1 organization's board-approved transmission expansion plan.

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

8 (iii) If, after October 6, 2008, the applicable regional  
9 transmission organization utilizes another approval process for  
10 transmission projects proposed by an electric utility, affiliated  
11 transmission company, or independent transmission company, the  
12 proposed transmission line is included in a transmission project  
13 approved by the applicable regional transmission organization  
14 through the approval process developed after October 6, 2008.

15 (iv) Any other Federal Energy Regulatory Commission-approved  
16 transmission planning process for a transmission project.

17 Sec. 7. As used in this act:

18 (a) "Gasification facility" means a facility located in this  
19 state that, using a thermochemical process that does not involve  
20 direct combustion, produces synthesis gas, composed of carbon  
21 monoxide and hydrogen, from carbon-based feedstocks, ~~+~~ such as  
22 coal, petroleum coke, wood, biomass, hazardous waste, medical  
23 waste, industrial waste, and solid waste, including, but not  
24 limited to, municipal solid waste, electronic waste, and waste  
25 described in section 11514 of the natural resources and  
26 environmental protection act, 1994 PA 451, MCL 324.11514, ~~+~~ and  
27 that uses the synthesis gas or a mixture of the synthesis gas and

1 methane to generate electricity for commercial use. Gasification  
2 facility includes the transmission lines, gas transportation lines  
3 and facilities, and associated property and equipment specifically  
4 attributable to such a facility. Gasification facility includes,  
5 but is not limited to, an integrated gasification combined cycle  
6 facility and a plasma arc gasification facility.

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

10 (c) "Independent transmission company" means that term as  
11 defined in section 2 of the electric transmission line  
12 certification act, 1995 PA 30, MCL 460.562.

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

18 (e) "Integrated pyrolysis combined cycle facility" means a  
19 pyrolysis facility that uses exhaust heat to generate electricity.

20 **(F) "ISLAND MODE" MEANS THAT A GENERATION SYSTEM IS IN A**  
21 **STATUS IN WHICH LOADS AND ENERGY RESOURCES ARE ABLE TO OPERATE ON-**  
22 **SITE OR WITHIN A LOCAL MICROGRID BUT POWER IS NOT EXCHANGED WITH**  
23 **THE UTILITY-OWNED TRANSMISSION OR DISTRIBUTION NETWORK.**

24 **(G) ~~(f)~~**—"LEED" means the leadership in energy and  
25 environmental design green building rating system developed by the  
26 United States Green Building Council.

27 **(H) ~~(g)~~**—"Load management" means measures or programs that

1 target equipment or behavior to result in decreased peak  
2 electricity demand such as by shifting demand from a peak to an  
3 off-peak period.

4 (I) ~~(h)~~ "Megawatt", "megawatt hour", or "megawatt hour of  
5 electricity", unless the context implies otherwise, includes the  
6 steam equivalent of a megawatt or megawatt hour of electricity.

7 ~~—— (i) "Modified net metering" means a utility billing method  
8 that applies the power supply component of the full retail rate to  
9 the net of the bidirectional flow of kilowatt hours across the  
10 customer interconnection with the utility distribution system,  
11 during a billing period or time-of-use pricing period. A negative  
12 net metered quantity during the billing period or during each time-  
13 of-use pricing period within the billing period reflects net excess  
14 generation for which the customer is entitled to receive credit  
15 under section 177(4). Under modified net metering, standby charges  
16 for distributed generation customers on an energy rate schedule  
17 shall be equal to the retail distribution charge applied to the  
18 imputed customer usage during the billing period. The imputed  
19 customer usage is calculated as the sum of the metered on-site  
20 generation and the net of the bidirectional flow of power across  
21 the customer interconnection during the billing period. The  
22 commission shall establish standby charges under modified net  
23 metering for distributed generation customers on demand-based rate  
24 schedules that provide an equivalent contribution to utility system  
25 costs. A charge for net metering and distributed generation  
26 customers established pursuant to section 6a of 1939 PA 3, MCL  
27 460.6a, shall not be recovered more than once. This subdivision is~~



1 ~~subject to section 177(5).~~

2       **(J) "MICROGRID" MEANS A GROUP OF INTERCONNECTED LOADS AND**  
3 **DISTRIBUTED ENERGY RESOURCES WITH CLEARLY DEFINED ELECTRICAL**  
4 **BOUNDARIES THAT ACTS AS A SINGLE CONTROLLABLE ENTITY WITH RESPECT**  
5 **TO THE MACROGRID AND THAT CONNECTS AND DISCONNECTS FROM THE**  
6 **MACROGRID TO ENABLE IT TO OPERATE IN GRID-CONNECTED OR ISLAND MODE.**

7       Sec. 9. As used in this act:

8       (a) "Natural gas provider" means an investor-owned business  
9 engaged in the sale and distribution at retail of natural gas  
10 within this state whose rates are regulated by the commission.

11       **(B) "NET METERING" MEANS A UTILITY BILLING METHOD THAT APPLIES**  
12 **THE FULL RETAIL RATE TO THE NET OF THE BIDIRECTIONAL FLOW OF**  
13 **KILOWATT HOURS ACROSS THE CUSTOMER INTERCONNECTION WITH THE UTILITY**  
14 **DISTRIBUTION SYSTEM, DURING A BILLING PERIOD OR TIME-OF-USE PRICING**  
15 **PERIOD. A NEGATIVE NET METERED QUANTITY DURING THE BILLING PERIOD**  
16 **OR DURING EACH TIME-OF-USE PRICING PERIOD WITHIN THE BILLING PERIOD**  
17 **REFLECTS NET EXCESS GENERATION FOR WHICH THE CUSTOMER IS ENTITLED**  
18 **TO RECEIVE CREDIT UNDER SECTION 177(4) .**

19       **(C) ~~(b)~~**"Pet coke" means a solid carbonaceous residue produced  
20 from a coker after cracking and distillation from petroleum  
21 refining operations.

22       **(D) ~~(c)~~**"Plasma arc gasification facility" means a  
23 gasification facility that uses a plasma torch to break substances  
24 down into their molecular structures.

25       **(E) ~~(d)~~**"Provider" means an electric provider or a natural gas  
26 provider.

27       **(F) ~~(e)~~**"PURPA" means the public utility regulatory policies

1 act of 1978, Public Law 95-617.

2 (G) ~~(f)~~ "Pyrolysis facility" means a facility that effects  
3 thermochemical decomposition at elevated temperatures without the  
4 participation of oxygen, from carbon-based feedstocks including,  
5 but not limited to, coal, wood, biomass, industrial waste, or solid  
6 waste, but not including pet coke, hazardous waste, coal waste, or  
7 scrap tires. Pyrolysis facility includes the transmission lines,  
8 gas transportation lines and facilities, and associated property  
9 and equipment specifically attributable to the facility. Pyrolysis  
10 facility includes, but is not limited to, an integrated pyrolysis  
11 combined cycle facility.

12 Sec. 13. As used in this act:

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

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

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

1 ~~is subject to section 177(5).~~

2 (C) ~~(d)~~ "Utility system resource cost test" means a standard  
3 that is met for an investment in energy waste reduction if, on a  
4 life cycle basis, the total avoided supply-side costs to the  
5 provider, including representative values for electricity or  
6 natural gas supply, transmission, distribution, and other  
7 associated costs, are greater than the total costs to the provider  
8 of administering and delivering the energy waste reduction program,  
9 including net costs for any provider incentives paid by customers  
10 and capitalized costs recovered under section 89.

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

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

16 Sec. 173. (1) The commission shall establish a distributed  
17 generation program by order issued not later than 90 days after the  
18 effective date of the ~~2016~~ 2018 act that amended this section.

19 **UNDER THE DISTRIBUTED GENERATION PROGRAM, ANY CUSTOMER OF AN**  
20 **ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER MAY GENERATE**  
21 **ELECTRICITY USING AN ELIGIBLE ELECTRIC GENERATOR INTERCONNECTED**  
22 **WITH THE LOCAL ELECTRIC UTILITY AND OPERATED PARALLEL TO THE**  
23 **DISTRIBUTION SYSTEM. THE VALUE OF ELECTRICITY GENERATED BY THE**  
24 **CUSTOMER SHALL BE CREDITED TO THE CUSTOMER PURSUANT TO A FAIR VALUE**  
25 **TARIFF, A STANDARD-OFFER CONTRACT, OR NET METERING. HOWEVER, AN**  
26 **ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER IS REQUIRED TO**  
27 **PARTICIPATE ONLY IN THE NET METERING COMPONENT OF THE CUSTOMER**

1 **GENERATION PROGRAM.** The commission may promulgate rules the  
2 commission considers necessary to implement this program. Any rules  
3 adopted regarding time limits for approval of parallel operation  
4 shall recognize reliability and safety complications including  
5 those arising from equipment saturation, use of multiple  
6 technologies, and proximity to synchronous motor loads. ~~The program~~  
7 ~~shall apply to all electric utilities whose rates are regulated by~~  
8 ~~the commission and alternative electric suppliers in this state.~~

9 (2) ~~Except as otherwise provided under this part, an electric~~  
10 ~~customer of any class is eligible to interconnect an eligible~~  
11 ~~electric generator with the customer's local electric utility and~~  
12 ~~operate the eligible electric generator in parallel with the~~  
13 ~~distribution system. The~~ **DISTRIBUTED GENERATION** ~~program shall be~~  
14 ~~designed for a period of not less than 10-20 years and limit each~~  
15 ~~customer to generation capacity designed to meet up to 100% of the~~  
16 ~~customer's electricity consumption for the previous 12 months. The~~  
17 ~~commission may waive the application, interconnection, and~~  
18 ~~installation requirements of this part for customers participating~~  
19 ~~in the net metering program under the commission's March 29, 2005~~  
20 ~~order in case no. U 14346.~~

21 ~~—— (3) An electric utility or alternative electric supplier is~~  
22 ~~not required to allow for a distributed generation program that is~~  
23 ~~greater than 1% of its average in-state peak load for the preceding~~  
24 ~~5 calendar years. The electric utility or alternative electric~~  
25 ~~supplier shall notify the commission if its distributed generation~~  
26 ~~program reaches the 1% limit under this subsection. The 1% limit~~  
27 ~~under this subsection shall be allocated as follows:~~

~~1 (a) No more than 0.5% for customers with an eligible electric  
2 generator capable of generating 20 kilowatts or less.~~

~~3 (b) No more than 0.25% for customers with an eligible electric  
4 generator capable of generating more than 20 kilowatts but not more  
5 than 150 kilowatts.~~

~~6 (c) No more than 0.25% for customers with a methane digester  
7 capable of generating more than 150 kilowatts.~~

**8 (3) ~~(4)~~ Selection of customers for participation in the  
9 distributed generation program shall be based on the order in which  
10 the applications for participation in the program are received by  
11 the electric utility or alternative electric supplier. SOLELY ON  
12 MEETING THE INTERCONNECTION AND EQUIPMENT REQUIREMENTS FOR  
13 PARTICIPATION. AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER  
14 SHALL NOT RESTRICT THE NUMBER OF PARTICIPANTS IN THE CUSTOMER  
15 GENERATION PROGRAM UNLESS IT DEMONSTRATES TO THE SATISFACTION OF  
16 THE COMMISSION THAT THE RESTRICTION IS NECESSARY TO PROTECT THE  
17 PUBLIC HEALTH AND SAFETY OR THE INTEGRITY OF THE DISTRIBUTION  
18 SYSTEM IN A CONTESTED CASE HEARING PURSUANT TO CHAPTER 4 OF THE  
19 ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306, MCL 24.271 TO  
20 24.287.**

**21 (4) ~~(5)~~ An electric utility or alternative electric supplier  
22 shall not discontinue or refuse to provide electric service to a  
23 customer solely because the customer participates in the  
24 distributed generation program.**

**25 (5) ~~(6)~~ The distributed generation program created under  
26 subsection (1) shall include all of the following:**

**27 (a) Statewide uniform interconnection requirements for all**

1 eligible electric generators. The interconnection requirements  
 2 shall be designed to protect electric utility workers and equipment  
 3 and the general public.

4 ~~(b) Distributed generation equipment~~ **AN ELIGIBLE ELECTRIC**  
 5 **GENERATOR** and its installation shall meet all current local and  
 6 state electric and construction code requirements. Any equipment  
 7 that is certified by a nationally recognized testing laboratory to  
 8 IEEE 1547.1 testing standards and in compliance with UL 1741 scope  
 9 1.1A, effective May 7, 2007, **OR UPDATES TO THOSE TESTING STANDARDS**  
 10 **AND SCOPE APPROVED BY THE COMMISSION**, and **THAT IS** installed in  
 11 compliance with this part is considered to be compliant. Within the  
 12 time provided by the commission in rules promulgated under  
 13 subsection (1) and consistent with good utility practice ~~and the~~  
 14 ~~protection of electric utility workers, electric utility equipment,~~  
 15 ~~and the general public, an electric utility may study, confirm, and~~  
 16 ~~ensure that an eligible electric generator installation at the~~  
 17 ~~customer's site meets the IEEE 1547 anti-islanding requirements or~~  
 18 ~~any applicable successor anti-islanding requirements determined by~~  
 19 ~~the commission to be reasonable and consistent with the purposes of~~  
 20 ~~this subdivision.~~ **"IEEE 1547 STANDARD FOR INTERCONNECTING**  
 21 **DISTRIBUTED RESOURCES WITH ELECTRIC POWER SYSTEMS", A COMMISSION-**  
 22 **APPROVED UPDATE TO IEEE 1547, OR STANDARDS APPROVED BY THE**  
 23 **COMMISSION THAT ENABLE OPERATION IN ISLAND MODE.** If necessary to  
 24 promote reliability or safety, the commission may promulgate rules  
 25 that require the use of inverters that perform specific automated  
 26 grid-balancing functions to integrate distributed generation onto  
 27 the electric grid. Inverters that interconnect distributed

1 generation resources may be owned and operated by electric  
 2 utilities. Both of the following must be completed before the  
 3 equipment is operated in parallel with the distribution system of  
 4 the utility:

5 (i) Utility testing and approval of the interconnection,  
 6 including all metering.

7 (ii) Execution of a parallel operating agreement.

8 (c) A uniform **DISTRIBUTED GENERATION** application form and  
 9 process to be used by all electric utilities and alternative  
 10 electric suppliers in this state. ~~Customers~~ **APPLICANTS** who are  
 11 served by an alternative electric supplier shall submit a copy of  
 12 the application to the electric utility for the customer's service  
 13 area.

14 ~~—— (d) Distributed generation customers with a system capable of~~  
 15 ~~generating 20 kilowatts or less qualify for true net metering.~~

16 ~~—— (e) Distributed generation customers with a system capable of~~  
 17 ~~generating more than 20 kilowatts qualify for modified net~~  
 18 ~~metering.~~

19 (D) ~~(7) Each~~ **A REQUIREMENT THAT EACH** electric utility and  
 20 alternative electric supplier ~~shall~~ maintain records of all  
 21 applications and up-to-date records of all active eligible electric  
 22 generators located within their service area.

23 (6) **NOT LATER THAN 1 YEAR AFTER THE EFFECTIVE DATE OF THE 2018**  
 24 **ACT THAT AMENDED THIS SECTION, THE COMMISSION SHALL ESTABLISH A**  
 25 **STATEWIDE UNIFORM METHODOLOGY BY WHICH AN ELECTRIC UTILITY OR**  
 26 **ALTERNATIVE ELECTRIC SUPPLIER MAY ESTABLISH A FAIR VALUE TARIFF IF**  
 27 **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 DISTRIBUTED 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 DISTRIBUTED GENERATION PROGRAM AS TO A CUSTOMER THAT IS SIMILARLY SITUATED BUT DOES NOT PARTICIPATE.

(iii) CREDIT THE CUSTOMER FOR ELECTRICITY GENERATED BY THE CUSTOMER THAT IS DELIVERED TO THE LOCAL UTILITY'S DISTRIBUTION SYSTEM. THE CUSTOMER SHALL BE CREDITED 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 THE COSTS AND BENEFITS THAT WILL ACCRUE OVER A PERIOD OF NOT LESS THAN 20 YEARS, CONSIDERING THE LOCATION AND TIME OF GENERATION. THE COSTS AND BENEFITS INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING:

(I) ENERGY GENERATED.

(II) GENERATION CAPACITY.

(III) AVOIDED LINE LOSSES.

(IV) AVOIDED TRANSMISSION CAPACITY.

(V) AVOIDED OR DEFERRED DISTRIBUTION SYSTEM INVESTMENTS.



1 (VI) VOLTAGE SUPPORT AND REGULATION.

2 (VII) HEALTH AND ENVIRONMENTAL BENEFITS RESULTING FROM  
3 POLLUTION REDUCTION.

4 (VIII) REDUCED FUEL PRICE RISK TO UTILITY CUSTOMERS.

5 (IX) REASONABLY QUANTIFIABLE ECONOMIC DEVELOPMENT BENEFITS  
6 INCLUDING JOB CREATION AND LOCAL TAX REVENUE BENEFITS.

7 (X) ANY COSTS TO THE ELECTRIC PROVIDER INCURRED TO SERVE  
8 DISTRIBUTED GENERATION CUSTOMERS REFLECTING ACTUAL PENETRATION  
9 LEVELS.

10 (iv) NOT ESTABLISH THE RATE OR OTHER TERMS BASED ON  
11 CONSIDERATION OF WHETHER OR TO WHOM THE CUSTOMER SELLS RENEWABLE  
12 ENERGY CREDITS OWNED BY THE CUSTOMER UNDER SECTION 179. THE  
13 CUSTOMER MAY, UNDER A SEPARATE CONTRACT, SELL THE RENEWABLE ENERGY  
14 CREDITS TO THE ELECTRIC UTILITY, THE ALTERNATIVE ELECTRIC SUPPLIER,  
15 OR A THIRD PARTY.

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

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

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

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

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

7           (7) THE DISTRIBUTED GENERATION PROGRAM SHALL INCLUDE UNIFORM  
8 PROVISIONS PURSUANT TO WHICH AN ELECTRIC UTILITY OR ALTERNATIVE  
9 ENERGY SUPPLIER MAY ENTER A STANDARD-OFFER CONTRACT FOR ELECTRICITY  
10 GENERATED BY CUSTOMERS WITH ELIGIBLE ELECTRIC GENERATORS WITH A  
11 CAPACITY OF 500 KILOWATTS OR MORE. A STANDARD-OFFER CONTRACT SHALL  
12 MEET ALL OF THE FOLLOWING REQUIREMENTS:

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

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

19           (C) PROVIDE A FIXED PRICE SCHEDULE FOR POWER DELIVERED FROM  
20 THE ELIGIBLE ELECTRIC GENERATOR OVER THE FULL TERM OF THE CONTRACT,  
21 SUBJECT TO ADJUSTMENT FOR CHANGES IN THE CONSUMER PRICE INDEX. AS  
22 USED IN THIS SUBDIVISION, "CONSUMER PRICE INDEX" MEANS THE MOST  
23 COMPREHENSIVE INDEX OF CONSUMER PRICES AVAILABLE FOR THIS STATE  
24 FROM THE BUREAU OF LABOR STATISTICS OF THE UNITED STATES DEPARTMENT  
25 OF LABOR.

26           (D) HAVE A TERM OF 20 YEARS OR MORE, UNLESS A SHORTER TERM IS  
27 REQUESTED BY THE CUSTOMER AND AGREED TO BY THE ELECTRIC UTILITY OR

1 ALTERNATIVE ELECTRIC SUPPLIER.

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

5 (F) NOT ESTABLISH THE PRICE OR OTHER TERMS BASED ON  
6 CONSIDERATION OF WHETHER OR TO WHOM THE CUSTOMER SELLS THE  
7 RENEWABLE ENERGY CREDITS OWNED BY THE CUSTOMER UNDER SECTION 179.  
8 THE CUSTOMER MAY, UNDER A SEPARATE CONTRACT, SELL THE RENEWABLE  
9 ENERGY CREDITS TO THE ELECTRIC UTILITY, THE ALTERNATIVE ELECTRIC  
10 SUPPLIER, OR A THIRD PARTY.

11 (8) THE DISTRIBUTED GENERATION PROGRAM SHALL INCLUDE NET  
12 METERING. AN ELECTRIC UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER  
13 SHALL MAKE NET METERING AVAILABLE TO ANY CUSTOMER THAT SUBMITS AN  
14 APPLICATION. HOWEVER, THE COMMISSION MAY AUTHORIZE AN ELECTRIC  
15 UTILITY OR ALTERNATIVE ELECTRIC SUPPLIER TO SUSPEND RECEIPT OF  
16 APPLICATIONS TO PARTICIPATE IN NET METERING FROM CUSTOMERS WITH AN  
17 ELIGIBLE ELECTRIC GENERATOR WITH A CAPACITY EXCEEDING 500 KILOWATTS  
18 WHEN THE ELECTRIC UTILITY OR ALTERNATIVE SUPPLIER IS OFFERING A  
19 FAIR VALUE TARIFF OR A STANDARD-OFFER CONTRACT APPROVED BY THE  
20 COMMISSION FOR ELECTRICITY FROM THAT TYPE OF ELIGIBLE ELECTRIC  
21 GENERATOR. THE COMMISSION MAY WAIVE THE APPLICATION,  
22 INTERCONNECTION, AND INSTALLATION REQUIREMENTS UNDER THIS PART FOR  
23 CUSTOMERS PARTICIPATING IN THE NET METERING PROGRAM UNDER THE  
24 COMMISSION'S MARCH 29, 2005 ORDER IN CASE NO. U-14346.

25 Sec. 175. (1) An electric utility or alternative electric  
26 supplier may charge a fee not to exceed \$50.00 to process an  
27 application to participate in the distributed generation program.

1 ~~The~~ **A** customer shall pay all interconnection costs. The commission  
2 shall recognize the reasonable cost for each electric utility and  
3 alternative electric supplier to operate a distributed generation  
4 program. For an electric utility with 1,000,000 or more retail  
5 customers in this state, the commission shall include in that  
6 electric utility's nonfuel base rates all costs of meeting all  
7 program requirements except that all energy costs of the program  
8 shall be recovered through the utility's power supply cost recovery  
9 mechanism under section 6j of 1939 PA 3, MCL 460.6j. For an  
10 electric utility with fewer than 1,000,000 base distribution  
11 customers in this state, the commission shall allow that electric  
12 utility to recover all energy costs of the program through the  
13 power supply cost recovery mechanism under section 6j of 1939 PA 3,  
14 MCL 460.6j, and shall develop a cost recovery mechanism for that  
15 utility to contemporaneously recover all other costs of meeting the  
16 program requirements.

17 (2) The interconnection requirements of the distributed  
18 generation program shall provide that an electric utility or  
19 alternative electric supplier shall, subject to any time  
20 requirements imposed by the commission and upon reasonable written  
21 notice to the distributed generation customer, perform testing and  
22 inspection of an interconnected eligible electric generator as is  
23 necessary to determine that the ~~system~~ **ELIGIBLE ELECTRIC GENERATOR**  
24 complies with all applicable electric safety, power quality, and  
25 interconnection, including metering, requirements. The costs of  
26 testing and inspection are considered a cost of operating a  
27 distributed generation program and shall be recovered under

1 subsection (1).

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

7 Sec. 177. (1) ~~Electric~~ **IN THE DISTRIBUTED GENERATION PROGRAM,**  
8 **ELECTRIC** meters shall be used to determine the amount of the  
9 customer's energy use in each billing period, net of any excess  
10 energy the customer's **ELIGIBLE ELECTRIC** generator delivers to the  
11 utility distribution system during that same billing period. For a  
12 customer with ~~a generation system~~ **AN ELIGIBLE ELECTRIC GENERATOR**  
13 capable of generating more than 20 kilowatts, the utility shall  
14 install and utilize a generation meter and a meter or meters  
15 capable of measuring the flow of energy in both directions. A  
16 customer with ~~a system~~ **AN ELIGIBLE ELECTRIC GENERATOR** capable of  
17 generating more than 150 kilowatts shall pay the costs of  
18 installing any new meters.

19 (2) An electric utility serving over 1,000,000 customers in  
20 this state may provide its customers participating in the  
21 distributed generation program, at no additional charge, a meter or  
22 meters capable of measuring the flow of energy in both directions.

23 (3) An electric utility serving fewer than 1,000,000 customers  
24 in this state shall provide a meter or meters described in  
25 subsection (2) to customers participating in the distributed  
26 generation program at cost. Only the incremental cost above that  
27 for meters provided by the electric utility to similarly situated

1 nongenerating customers shall be paid by the ~~eligible~~ customer

2 **PARTICIPATING IN THE DISTRIBUTED GENERATION PROGRAM.**

3 (4) If the ~~quantity~~ **VALUE** of electricity generated and  
 4 delivered to the **ELECTRIC** utility distribution system by an  
 5 eligible electric generator during a billing period exceeds the  
 6 ~~quantity~~ **VALUE** of electricity supplied from the electric utility or  
 7 alternative electric supplier during the billing period, the  
 8 eligible customer shall be credited by ~~their~~ **THE** supplier of  
 9 electric generation service for the excess kilowatt hours **VALUE**  
 10 generated during the billing period. The credit shall appear on the  
 11 bill for the following billing period. ~~and shall be limited to the~~  
 12 ~~total power supply charges on that bill. Any excess kilowatt hours~~  
 13 **VALUE** not used to offset electric generation charges in the next  
 14 billing period will be carried forward to subsequent billing  
 15 periods. ~~Notwithstanding any law or regulation, distributed~~  
 16 ~~generation customers shall not receive credits for electric utility~~  
 17 ~~transmission or distribution charges. The credit per kilowatt hour~~  
 18 ~~for kilowatt hours delivered into the utility's distribution system~~  
 19 ~~shall be either of the following:~~

20 ~~—— (a) The monthly average real-time locational marginal price~~  
 21 ~~for energy at the commercial pricing node within the electric~~  
 22 ~~utility's distribution service territory, or for distributed~~  
 23 ~~generation customers on a time-based rate schedule, the monthly~~  
 24 ~~average real-time locational marginal price for energy at the~~  
 25 ~~commercial pricing node within the electric utility's distribution~~  
 26 ~~service territory during the time-of-use pricing period.~~

27 ~~—— (b) The electric utility's or alternative electric supplier's~~

1 ~~power supply component, excluding transmission charges, of the full~~  
2 ~~retail rate during the billing period or time-of-use pricing~~  
3 ~~period.~~

4 ~~—— (5) A charge for net metering and distributed generation~~  
5 ~~customers established pursuant to section 6a of 1939 PA 3, MCL~~  
6 ~~460.6a, shall not be reduced by any credit or other ratemaking~~  
7 ~~mechanism for distributed generation under this section.~~

8 Enacting section 1. This amendatory act takes effect 90 days  
9 after the date it is enacted into law.

10 Enacting section 2. This amendatory act does not take effect  
11 unless Senate Bill No. \_\_\_\_ or House Bill No. 5863 (request no.  
12 02681'17) of the 99th Legislature is enacted into law.