

HOUSE BILL No. 4608

April 13, 2005, Introduced by Reps. Kahn, Moolenaar and Walker and referred to the
Committee on Energy and Technology.

A bill to require certain providers of electric service to
comply with a portfolio standard for renewable energy; to prescribe
the powers and duties of certain state agencies and officials; and
to provide for penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Biomass" means any organic matter that is available on a
3 renewable basis, including, but not limited to, all of the
4 following:

5 (i) Agricultural crops and agricultural wastes and residues.

6 (ii) Wood and wood wastes and residues.

7 (iii) Animal wastes.

1 (iv) Municipal wastes.

2 (v) Aquatic plants.

3 (b) "Commission" means the Michigan public service commission.

4 (c) "Portfolio standard" means a portfolio standard for
5 renewable energy established by the commission under this act.

6 (d) "Provider" means any person or entity that is in the
7 business of selling electricity to retail customers in this state.

8 (e) "Renewable energy" means any of the following:

9 (i) Biomass.

10 (ii) Geothermal energy.

11 (iii) Solar thermal energy.

12 (iv) Wind energy.

13 (f) "Renewable energy system" means any of the following:

14 (i) A facility or energy system that uses renewable energy to
15 generate electricity and transmits or distributes the electricity
16 that it generates from renewable energy.

17 (ii) A solar thermal energy system that reduces the consumption
18 of electricity.

19 Sec. 2. (1) For each provider, the commission shall establish
20 a portfolio standard for renewable energy. The portfolio standard
21 shall require the provider to generate or acquire electricity from
22 renewable energy systems in the following amounts:

23 (a) For calendar years 2004 through 2006, not less than 4% of
24 the total amount of electricity sold by the provider to its retail
25 customers in this state during the calendar year.

26 (b) For calendar years 2007 through 2009, not less than 5% of
27 the total amount of electricity sold by the provider to its retail

1 customers in this state during the calendar year.

2 (c) For calendar years 2010 through 2012, not less than 6% of
3 the total amount of electricity sold by the provider to its retail
4 customers in this state during the calendar year.

5 (d) For calendar year 2013 and for each calendar year
6 thereafter, not less than 7% of the total amount of electricity
7 sold by the provider to its retail customers in this state during
8 the calendar year.

9 (2) In addition to the requirements under subsection (1), the
10 portfolio standard for each provider shall require all of the
11 following:

12 (a) That of the total amount of electricity that the provider
13 is required to generate or acquire from renewable energy systems
14 during each calendar year, not less than 1% of that amount must be
15 generated or acquired from solar renewable energy systems.

16 (b) If the provider acquires electricity from a renewable
17 energy system under a renewable energy contract with another party,
18 the contract shall provide both of the following:

19 (i) That the term of the renewable energy contract shall be not
20 less than 20 years, unless the other party agrees to a renewable
21 energy contract with a shorter term.

22 (ii) That the terms and conditions of the renewable energy
23 contract are just and reasonable, as determined by the commission.

24 (3) If, for the benefit of 1 or more of its retail customers
25 in this state, the provider has subsidized, in whole or in part,
26 the acquisition or installation of a solar thermal energy system
27 that qualifies as a renewable energy system and that reduces the

1 consumption of electricity, the total reduction in the consumption
2 of electricity during each calendar year that results from the
3 solar thermal energy system is considered to be electricity that
4 the provider generated or acquired from a renewable energy system
5 for the purposes of complying with its portfolio standard.

6 (4) The commission may establish a system of renewable energy
7 credits that may be used by a provider to comply with its portfolio
8 standard.

9 (5) If a provider is unable to comply with its portfolio
10 standard through the generation of electricity from its own
11 renewable energy systems or the use of renewable energy credits,
12 the provider shall acquire electricity under 1 or more renewable
13 energy contracts.

14 (6) If the commission determines that there is not or will not
15 be a sufficient supply of electricity made available to a provider
16 under renewable energy contracts with just and reasonable terms and
17 conditions, the commission shall exempt the provider, for that
18 calendar year, from the remaining requirements of its portfolio
19 standard or from any appropriate portion of the standard.

20 (7) If considered in the public interest, the commission may
21 approve a rate that allows a regulated rate provider to recover
22 from its retail customers the cost of providing total renewable
23 energy.

24 (8) The commission shall determine whether the terms and
25 conditions of a renewable energy contract are just and reasonable.

26 (9) As used in this section:

27 (a) "Renewable energy contract" means a contract to acquire

1 electricity from 1 or more renewable energy systems owned,
2 operated, or controlled by third parties.

3 (b) "Terms and conditions" includes the price that a provider
4 of electric service is to pay to acquire electricity under a
5 renewable energy contract.

6 Sec. 3. (1) Each provider of electric service shall submit to
7 the commission an annual report that provides information relating
8 to the actions taken by the provider to comply with its portfolio
9 standard.

10 (2) Each provider shall submit the annual report to the
11 commission after the end of each calendar year and within the time
12 prescribed by the commission. The report shall be submitted in a
13 format approved by the commission.

14 (3) Each annual report shall include all of the following
15 information:

16 (a) The amount of electricity that the provider generated or
17 acquired from renewable energy systems during the reporting period
18 and the amount of renewable energy credits that the provider
19 acquired, sold, or traded during the reporting period to comply
20 with its portfolio standard.

21 (b) The capacity of each renewable energy system owned,
22 operated, or controlled by the provider, the total amount of
23 electricity generated by each system during the reporting period
24 and the percentage of that total amount that was generated directly
25 from renewable energy.

26 (c) Whether, during the reporting period, the provider began
27 construction on, acquired, or placed into operation any renewable

1 energy system.

2 (d) Any other information that the commission may require.

3 Sec. 4. (1) If a provider does not comply with its portfolio
4 standard for any calendar year and the commission has not exempted
5 the provider from the requirements of its portfolio standard, the
6 commission may impose a fine or take other appropriate action
7 against the provider.

8 (2) The commission may impose a fine against a provider based
9 on either of the following:

10 (a) Each kilowatt-hour of electricity that the provider does
11 not generate or acquire from a renewable energy system or a solar
12 thermal renewable energy system during a calendar year in violation
13 of its portfolio standard.

14 (b) Any other reasonable formula adopted by the commission.

15 (3) If the commission imposes a fine against a regulated rate
16 provider, then all of the following apply:

17 (a) The fine is not a cost of service of the provider.

18 (b) The provider shall not include any portion of the fine in
19 any application for a rate adjustment or rate increase.

20 (c) The commission shall not allow the provider to recover any
21 portion of the fine from its retail customers.