

# Legislative Analysis



## COMMUNITY SOLAR FACILITIES

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<http://www.house.mi.gov/hfa>

**House Bill 4715 as introduced**  
**Sponsor: Rep. Rachel Hood**

Analysis available at  
<http://www.legislature.mi.gov>

**House Bill 4716 as introduced**  
**Sponsor: Rep. Michele Hoyenga**

**Committee: Energy**  
**Complete to 10-26-21**

### SUMMARY:

House Bills 4715 and 4716 would together add Part 8 (Community Solar Facilities) to the Clean and Renewable Energy and Energy Waste Reduction Act. (Each bill would add two sections of the proposed new part.) Among other things, House Bill 4716 would require an electric provider to apply a bill credit to a subscriber's monthly electric bill based on the subscriber's portion of the electricity produced by a community solar facility, and House Bill 4715 would require the Michigan Public Service Commission (MPSC) to promulgate rules to implement the creation of community solar facilities and provide for subscribers to a community solar facility to receive a bill credit.

According to the U.S. Department of Energy, "community solar" refers to a solar project or purchasing program located within a geographic area in which multiple customers, including individuals, businesses, and nonprofits, can benefit from energy generated by solar panels typically located at an off-site array. The department explains that community solar customers buy or lease a portion of the solar panels in the array. In return, the customer receives a share of the energy generated in the form of a credit on the customer's electric bill. The department reports that as of 2020, about a third of the states have enacted legislation to create a framework for community solar.<sup>1</sup>

**House Bill 4716** would require an electric provider to apply a *bill credit* to a *subscriber's* monthly electric bill for the output of a *community solar facility* attributable to that subscriber during the immediately preceding month.

*Community solar facility* would mean a facility located on one or more parcels of land that meets all of the following:

- It is connected to the electric distribution grid serving Michigan.
- It generates electricity by means of a solar photovoltaic device.
- It has a capacity of not greater than 5 megawatts.
- It has at least three subscribers.
- It produces for each subscriber a bill credit for the electricity generated in proportion to the size of the subscriber's *subscription*.
- No subscriber holds more than a 40% proportional interest in the output of the system.

<sup>1</sup> <https://www.energy.gov/eere/solar/community-solar-basics>

- Beginning one year after commencing operation, at least 60% of its capacity is subscribed by subscriptions of 40 kilowatts or less.
- For purposes of initial program qualifications, it does not have a point of interconnection located within one mile of the point of interconnection of a solar facility under the control of the same entity.

**Bill credit** would mean the monetary value of the electricity in kilowatt-hours generated by the community solar facility allocated to a subscriber to offset that subscriber's electricity bill.

**Subscriber** would mean a retail electric customer of an electric provider that owns one or more subscriptions to a community solar facility interconnected with and located in the electric provider's service area as long as the subscriber's property with the electric bill the bill credits are applied to is also located in that same service territory.

**Subscription** would mean a contract between a subscriber and the owner of a community solar facility under which the estimated bill credits of the subscriber do not exceed the average annual bill for the customer account to which the subscription is attributed.

The bill would prescribe the manner in which a bill credit is calculated and require any amount of the bill credit that exceeds a subscriber's monthly bill to be carried over to the next monthly bill as needed until the entire credit has been applied. Other provisions of the bill would do the following:

- Require an electric provider to provide bill credits to each subscriber for electricity generated by the community solar facility for at least 25 years from the date the community solar facility begins commercial operation.
- Require an electric provider to include options in the tariffs that it files with MPSC that allow a subscriber to receive bill credits for the subscriber's electricity bills.
- Require an electric provider to provide a report, on a monthly basis and in an electronic format, to a **subscriber organization** that has a community solar facility in its service territory that specifies the total value of bill credits generated by that community solar facility in the prior month and the amount of the bill credit applied to each subscriber.
- Require a subscriber organization to provide a subscriber list to the electric provider in whose service territory the subscriber organization's community solar facility is located and require the list to be updated as subscriptions are canceled or added. The list would have to be in an electronic format and would have to specify the percentage of the community solar facility's generation attributable to each subscriber.
- Allow a subscriber organization to accumulate bill credits if all of the electricity generated by the community solar facility is not allocated to subscribers in a given month. On an annual basis, a subscriber organization would have to provide to the electric provider instructions for distributing excess bill credits to subscribers.
- Provide that renewable energy credits granted for electricity generated by a community solar facility are the property of the subscriber organization that owns or operates the community solar facility and allow the subscriber organization to sell, accumulate, retire, or distribute to subscribers the renewable energy credits.

**Subscriber organization** would mean a for-profit or nonprofit entity that owns or operates one or more community solar facilities.

Finally, the bill would amend the act's current definition of the term "electric provider" to exclude a licensed alternative electric supplier, as used in the proposed Part 8, from being an electric provider.

MCL 460.1005 and proposed MCL 460.1231 to 460.1233

**House Bill 4715** would require MPSC, by one year after the bill's effective date, to promulgate rules to do all of the following:

- Allow for the creation and financing of community solar facilities and for subscribers to receive bill credits.
- Ensure that all customer classes have opportunities to participate as subscribers to a community solar facility.
- Include at least one mechanism that ensures accessibility to subscriptions to a community solar facility for **low-income households** and **low-income service organizations** and that is designed to achieve tangible economic benefits for low-income households. MPSC would have to collaborate with electric providers and other stakeholders to consider financing options, financial incentives, education and outreach programs, and appropriate participation goals.
- Prohibit an electric provider from removing a customer from the appropriate customer class because the customer subscribes to a community solar facility.
- Provide for the transferability and portability of subscriptions, including the ability to retain a subscription if the subscriber moves within the same electric provider's service territory.
- Provide for consumer protection in compliance with existing laws.
- Allow an electric provider to recover costs of administering bill credits.
- Modify existing interconnection standards, fees, and processes as needed to facilitate the efficient and cost-effective interconnection of community solar facilities and to allow an electric provider to recover reasonable interconnection costs for each community solar facility.
- Require electric providers to efficiently connect community solar facilities to the electrical distribution grid and not discriminate against them.
- Ensure that subscriber organizations have received interconnection agreements, have legal control of their sites, and have received all necessary **nonministerial** permits.
- Otherwise implement the proposed Part 8.

**Low-income household** would mean a household with an income of not more than 80% of the area median household income based on U.S. Department of Housing and Urban Development (HUD) guidelines.

**Low-income service organization** would mean an organization whose primary function is to provide services or assistance to individuals in low-income households.

**Nonministerial permits** would mean governmental permits and approvals to construct the project, other than ministerial permits such as a building permit.

The bill also would require MPSC, by one year after the bill's effective date, to establish an applicable bill credit rate at a level that results in robust community solar facility development and access to subscriptions for all customer classes.

Finally, the bill would provide that a subscriber organization is not considered to be an electric provider as a result of its ownership or operation of community solar facility.

Proposed MCL 460.1235 and 460.1237

The bills are tie-barred to each other, which means that neither could take effect unless both were enacted.

**FISCAL IMPACT:**

House Bills 4715 and 4716 would not have a fiscal impact on any units of state or local government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.