

HOUSE BILL No. 4562

March 29, 2007, Introduced by Reps. Accavitti, Hopgood, Valentine, Farrah, Byrnes, Ebli, Wojno, Condino, Bieda, Lindberg, Brown, Espinoza, Gillard, Robert Jones, Donigan, Kathleen Law, Meisner and Sheltroun 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 create energy diversity for the long-term security of our economy and environment; to promote the health of our citizens; 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 can be converted
3 to usable fuel for the production of energy and is available on a
4 renewable basis, including, but not limited to, all of the
5 following:

6 (i) Agricultural crops and crop wastes.

7 (ii) Wood and wood wastes, including wood and wood waste from
8 wood product and paper processing.

(iii) Animal wastes.

(iv) Municipal wastewater sludge.

(v) Aquatic plants.

(vi) Food production and processing waste.

(vii) Municipal solid waste.

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

(c) "Installed capacity" means the total amount of electricity a renewable energy system can generate in 1 hour at full load.

(d) "Portfolio standard" is the required minimum percentage of a provider's total annual retail kilowatt hour electricity sales in this state that is composed of electricity produced from a renewable energy fuel source.

(e) "Provider" means any person that is in the business of selling electricity to retail customers in this state. For the purposes of this act, 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.

(ii) A municipal electric provider.

(iii) A cooperative electric provider.

(iv) An alternative electric supplier.

(v) An independent investor-owned electric utility.

(f) "Renewable energy contract" means a contract to acquire electricity and the associated renewable energy credits from 1 or more renewable energy systems.

(g) "Renewable energy credit" means a certified credit under

1 this act equal to 1 megawatt hour of generated renewable energy.

2 (h) "Renewable energy fuel" means any of the following:

3 (i) Biomass.

4 (ii) Geothermal.

5 (iii) Solar.

6 (iv) Wind.

7 (v) Hydroelectric, except for pump storage systems.

8 (vi) Gas captured from the decomposition of waste.

9 (vii) That portion of a fuel mixture that is a biomass fuel.

10 (i) "Renewable energy system" means a facility, an
11 electricity generation system, or an integrated set of
12 electricity generation systems that use renewable energy fuel.

13 (j) "Terms and conditions" includes the price that a
14 provider of electric service is to pay to acquire electricity and
15 the associated renewable energy credits under a renewable energy
16 contract.

17 Sec. 2. (1) Each provider shall on an annual basis establish
18 a portfolio standard for renewable energy. The provider shall
19 annually file a report with the commission regarding the status
20 of the provider in meeting the portfolio standard established
21 under this section. The portfolio standard shall require the
22 provider to generate or acquire electricity from renewable energy
23 systems, for sale to retail customers in this state, or acquire
24 equivalent renewable energy credits, in the following amounts:

25 (a) For the period of January 1, 2008 to December 31, 2008,
26 not less than 4% of the total amount of kilowatt hours of
27 electricity sold by the provider to its retail customers in this

1 state during the calendar year.

2 (b) For the period of January 1, 2009 to December 31, 2010,
3 not less than 5% of the total amount of kilowatt hours of
4 electricity sold by the provider to its retail customers in this
5 state during the calendar year.

6 (c) For the period of January 1, 2011 to December 31, 2012,
7 not less than 6% of the total amount of kilowatt hours of
8 electricity sold by the provider to its retail customers in this
9 state during the calendar year.

10 (d) For the period of January 1, 2013 to December 31, 2015,
11 not less than 7% of the total amount of kilowatt hours of
12 electricity sold by the provider to its retail customers in this
13 state during the calendar year.

14 (e) After December 31, 2015, not less than 10% of the total
15 amount of kilowatt hours of electricity sold by the provider to
16 its retail customers in this state during each calendar year.

17 (2) If the provider acquires electricity and the associated
18 renewable energy credits from a renewable energy system under a
19 renewable energy contract, entered into after the effective date
20 of this act, the commission shall determine whether the contract
21 provides all of the following:

22 (a) That the term of the renewable energy contract is not
23 less than 20 years, unless the supplier of the renewable energy
24 agrees to a renewable energy contract with a shorter term.

25 (b) That the terms and conditions of the renewable energy
26 contract are just and reasonable.

27 (c) That the terms and conditions of the renewable energy

1 contract will provide a long-term purchase price from a
2 creditworthy party to allow financing, construction, and
3 operation of the renewable energy system.

4 (3) The commission shall consider all costs reasonably and
5 prudently incurred by a regulated utility in meeting the
6 requirements of this act to be a cost of service. The commission
7 shall determine the mechanism for the recovery of those costs.

8 Sec. 3. (1) The commission shall establish a system of
9 renewable energy credits that can be used by a provider to comply
10 with its portfolio standard. The renewable energy credit program
11 shall include the following:

12 (a) Renewable energy systems eligible to receive renewable
13 energy credits are renewable energy systems within this state.

14 (b) A process to certify all existing and new renewable
15 energy systems operating on the effective date of this act as
16 eligible to receive renewable energy credits.

17 (c) A method for the transferability of credits.

18 (d) For power purchase agreements that exist on the
19 effective date of this act, ownership of any renewable energy
20 credits resides with the generator of the renewable energy unless
21 the ownership of the renewable energy credits is otherwise stated
22 in contract.

23 (2) The commission shall establish a credit certification
24 and tracking program. The certification and tracking program may
25 be contracted to and performed by a third party through a system
26 of competitive bidding. The credit certification and tracking
27 program shall include all of the following:

1 (a) Certification that the renewable energy system is a
2 qualified renewable energy system under this act.

3 (b) Certification that the operator of a renewable energy
4 system is in compliance with state and federal law applicable to
5 the operation of a renewable energy system at the time
6 certification is granted.

7 (c) Affixing the date that the renewable energy credit is
8 valid for transfer under this act.

9 (d) A method for ensuring that renewable energy credits
10 traded and sold under this act are properly accounted under this
11 act.

12 Sec. 4. (1) If a provider is unable to comply with its
13 portfolio standard through the generation of renewable energy
14 credits derived from its own renewable energy systems, or from
15 the purchase of certified renewable energy credits, the provider
16 shall comply by entering into 1 or more renewable energy
17 contracts.

18 (2) Renewable energy credits used by a provider to comply
19 with its portfolio standard are extinguished upon use.

20 (3) Renewable energy credits shall automatically expire upon
21 the date 3 years after the original certification of the
22 renewable energy credit.

23 Sec. 5. (1) Solar electric generation systems, installed in
24 this state, shall be eligible for a rebate of \$2,000.00 per
25 kilowatt hour of installed capacity. To qualify for a rebate
26 under this section, all solar energy panels shall be certified by
27 the solar rating and certification corporation.

(2) The rebate will be paid by the provider of meter service to the electric generation system owner and shall be a 1-time payment.

(3) Rebates will be paid for systems that have been installed and have demonstrated an ability to produce electricity.

(4) The following shall be the maximum limits placed on the total rebate program statewide:

	<u>YEAR</u>	<u>SOLAR CAPACITY</u>
	2008	5,000 kW
	2010	10,000 kW
	2012	15,000 kW
	2014	20,000 kW
	2016	25,000 kW

(5) The commission shall allow the provider that pays a rebate to a solar electric generation system to recover those costs from its ratepayers, on the same basis as other capital investments used to serve its customers, using a 20-year amortization period starting with the year the rebate cost is incurred.

(6) The provider that provides the rebate payment to the solar generation system in accordance with this section shall be the owner of all renewable energy credits associated with power generated from the facility.

Sec. 6. (1) Each provider of electric service shall submit to the commission an annual report that provides information

1 relating to the actions taken by the provider to comply with its
2 portfolio standard.

3 (2) Each provider shall submit the annual report to the
4 commission after the end of each calendar year and within the
5 time prescribed by the commission. The report shall be submitted
6 in a format approved by the commission.

7 (3) Each annual report shall include all of the following
8 information:

9 (a) The amount of electricity and renewable energy credits
10 that the provider generated or acquired from renewable energy
11 systems during the reporting period and the amount of renewable
12 energy credits that the provider acquired, sold, or traded during
13 the reporting period to comply with its portfolio standard.

14 (b) The capacity of each renewable energy system owned,
15 operated, or controlled by the provider, the total amount of
16 electricity generated by each system during the reporting period,
17 and the percentage of that total amount that was generated
18 directly from renewable energy.

19 (c) Whether, during the reporting period, the provider began
20 construction on, acquired, or placed into operation any renewable
21 energy system.

22 (d) Any other information that the commission determines
23 necessary.

24 (4) The commission shall file an annual report with the
25 legislature that summarizes data collected under this section.

26 Sec. 7. (1) If a provider does not comply with its portfolio
27 standard as required under section 2, the commission shall impose

1 on the provider a fine of \$50.00 per megawatt hour for each
2 renewable energy credit that the provider does not generate or
3 acquire from a renewable energy system during a calendar year in
4 violation of its portfolio standard.

5 (2) The commission shall annually adjust the fines that will
6 be imposed for each calendar year using the prevailing consumer
7 price index for the Detroit region.

8 (3) If the commission imposes a fine under subsection (1)
9 against a regulated rate provider, then all of the following

10 apply:

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

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

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