

## REMOVE CAP ON CUSTOMER PARTICIPATION IN DISTRIBUTED GENERATION PROGRAM

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

**House Bill 4236 as introduced**  
**Sponsor: Rep. Gregory Markkanen**  
**Committee: Energy**  
**Complete to 2-17-21**

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

### SUMMARY:

House Bill 4236 would amend the Clean and Renewable Energy and Energy Waste Reduction Act to remove the cap on customer participation in a distributed generation program operated by a utility or alternative electric supplier (AES).

The act was last amended by 2016 PA 342, which, among other things, replaced a net metering program with the distributed generation program, although current net metering customers were allowed to remain in programs that enable customers of utilities or AESs to be reimbursed by their electric supplier for electricity they generate from renewable sources (e.g., rooftop solar panels) but do not use. One of the main differences between the two programs is how participants are reimbursed for the excess electricity they generate that flows back to the electric grid. Under net metering, participants received the full retail rate, while under the distributed generation program, participants receive a rate determined by the utility or AES, which, in general, is closer to wholesale electricity rates.

2016 PA 342 required the Michigan Public Service Commission (MPSC) to establish a distributed generation program that applied to all electric utilities whose rates are regulated by the MPSC or AESs in Michigan. The act requires the program to be designed for a period of at least 10 years.

Currently, the act also provides that an electric utility or AES is not required to allow for a distributed generation program that is greater than 1% of its average in-state peak load for the preceding five calendar years (although a utility or AES may exceed the 1% limit if approved by the MPSC). The utility or AES must notify the MPSC if its distributed generation program reaches that 1% limit. The act also specifies how that 1% is to be allocated among customers based on the customer's equipment (electric generator or methane digester) and the kilowatts it is capable of generating. The bill would delete these provisions, thus eliminating any cap or restriction on allocation among customers.

Currently, selection of customers for participation in the distributed generation program is based on the order in which the applications for participation are received by the utility or AES. The bill would delete this provision. Instead, selection of customers who have submitted a complete application would be based solely on meeting the interconnection requirements for participation. An electric utility or AES could not restrict the number of participants in the distributed generation program.

Currently, the distributed generation program must include requirements that distributed generation equipment and its installation meet all current local and state electric and construction code requirements. The act specifies that equipment certified by a nationally recognized testing laboratory to IEEE 1547.1 testing standards and in compliance with UL 1741 scope 1.1A, effective May 7, 2007, and installed in compliance with the act is considered to be compliant. The bill would also deem as compliant equipment meeting updates to those testing standards and scope approved by the MPSC.

The bill would take effect 90 days after its enactment.

MCL 460.1173

### **BACKGROUND:**

House Bill 4236 is similar, but not identical, to HB 5145 and SB 597 of the 2019-20 legislative session. Those bills were part of a broader three-bill package of legislation, referred to as the “Powering Michigan Forward” package, that would have revised various provisions of the distributed generation program. The bills were introduced in the House as HBs 5143, 5144, and 5145 and in the Senate as SBs 596, 597, and 598.

### **FISCAL IMPACT:**

House Bill 4236 would have an indeterminate fiscal impact on the Department of Licensing and Regulatory Affairs (LARA), which would likely depend on the effect that the removal of the distributed generation program cap would have on levels of program participation.

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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.