

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 271

A bill to amend 2008 PA 295, entitled "Clean and renewable energy and energy waste reduction act," by amending the title, the heading of subpart A of part 2, and sections 1, 3, 5, 7, 9, 11, 13, 22, 28, 29, 39, 45, 47, 49, 173, 177, and 191 (MCL 460.1001, 460.1003, 460.1005, 460.1007, 460.1009, 460.1011, 460.1013, 460.1022, 460.1028, 460.1029, 460.1039, 460.1045, 460.1047, 460.1049, 460.1173, 460.1177, and 460.1191), the title and sections 1, 3, 5, 7, 9, 11, 13, 29, 39, 45, 47, 49, 173, and 177 as amended and sections 22 and 28 as added by 2016 PA 342, and by adding sections 32, 51, 53, 101, and 103.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

TITLE

1 An act to require certain providers of electric service to

1 establish and recover costs for renewable energy **and clean energy**
 2 programs; to require certain providers of electric or natural gas
 3 service to establish, **and recover costs for,** energy waste reduction
 4 programs; **to ensure that any energy cost savings from renewable**
 5 **energy, clean energy, and energy waste reduction programs are**
 6 **ultimately returned to customers;** to authorize the use of certain
 7 energy systems to meet the requirements of those programs; to
 8 provide for the approval of energy waste reduction service
 9 companies; to reduce energy waste by state agencies and the public;
 10 to create a wind energy resource zone board and provide for its
 11 power and duties; to authorize the creation and implementation of
 12 wind energy resource zones; to provide for expedited transmission
 13 line siting certificates; to provide for customer generation and
 14 net metering programs and the responsibilities of certain providers
 15 of electric service and customers with respect to customer
 16 generation and net metering; to provide for fees; to prescribe the
 17 powers and duties of certain state agencies and officials; to
 18 require the promulgation of rules and the issuance of orders; to
 19 authorize the establishment of residential energy improvement
 20 programs by providers of electric or natural gas service; **to**
 21 **authorize certification by this state before the construction of**
 22 **certain wind and solar energy facilities and energy storage**
 23 **facilities; to regulate certain local ordinances;** and to provide
 24 for civil sanctions, remedies, and penalties.

25 Sec. 1. (1) This act ~~shall be known and~~ may be cited as the
 26 "clean and renewable energy and energy waste reduction act".

27 (2) The purpose of this act is to promote the development and
 28 use of clean and renewable energy resources and the reduction of
 29 energy waste through programs that will cost-effectively do all of

1 the following:

2 (a) Diversify the resources used to reliably meet the energy
3 needs of consumers in this state.

4 (b) Provide greater energy security through the use of
5 indigenous energy resources available within ~~the~~**this** state.

6 (c) Encourage private investment in renewable energy and
7 energy waste reduction.

8 (d) Coordinate with federal regulations to provide improved
9 air quality and other benefits to energy consumers and citizens of
10 this state.

11 ~~(e) Remove unnecessary burdens on the appropriate use of solid
12 waste as a clean energy source.~~

13 ~~(3) As a goal, not less than 35% of this state's electric
14 needs should be met through a combination of energy waste reduction
15 and renewable energy by 2025, if the investments in energy waste
16 reduction and renewable energy are the most reasonable means of
17 meeting an electric utility's energy and capacity needs relative to
18 other resource options. Both of the following count toward
19 achievement of the goal:~~

20 ~~(a) All renewable energy, including renewable energy credits
21 purchased or otherwise acquired with or without the associated
22 renewable energy, and any banked renewable energy credits, that
23 counted toward the renewable energy standard on the effective date
24 of the 2016 amendatory act that added this subsection, as well as
25 renewable energy credits granted as a result of any investments
26 made in renewable energy by the utility or a utility customer after
27 that effective date.~~

28 ~~(b) The sum of the annual electricity savings since October 6,
29 2008, as recognized by the commission through annual reconciliation~~

1 ~~proceedings, that resulted from energy waste reduction measures~~
2 ~~implemented under an energy optimization plan or energy waste~~
3 ~~reduction plan approved under section 73.~~

4 **(e) Provide more reliable and resilient energy supplies during**
5 **periods of extreme weather.**

6 **(3) Pursuant to the reconciliation processes provided for in**
7 **this act, the commission shall determine the costs and savings**
8 **resulting from compliance with the renewable energy, clean energy,**
9 **and energy waste reduction programs required under this act and**
10 **include those costs and savings in the determination of the rates**
11 **charged to customers of the electric and natural gas providers.**
12 **This section does not prohibit the commission from authorizing**
13 **shared savings or incentive programs as provided for in this act.**

14 Sec. 3. As used in this act:

15 (a) "Applicable regional transmission organization" means a
16 nonprofit, member-based organization governed by an independent
17 board of directors that serves as the regional transmission
18 organization approved by the Federal Energy Regulatory Commission
19 with oversight responsibility for the region that includes the
20 provider's service territory.

21 (b) "Biomass" means any organic matter that is not derived
22 from fossil fuels, that can be converted to usable fuel for the
23 production of energy, and that replenishes over a human, not a
24 geological, time frame, including, but not limited to, all of the
25 following:

26 (i) Agricultural crops and crop wastes.

27 (ii) Short-rotation energy crops.

28 (iii) Herbaceous plants.

29 (iv) Trees and wood, but only if derived from sustainably

1 managed forests or procurement systems, as defined in section 261c
2 of the management and budget act, 1984 PA 431, MCL 18.1261c.

3 (v) Paper and pulp products.

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

5 (vii) Wood wastes and residues from the processing of wood
6 products or paper.

7 (viii) Animal wastes.

8 (ix) Wastewater sludge or sewage.

9 (x) Aquatic plants.

10 (xi) Food production and processing waste.

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

12 (c) "Board" means the wind energy resource zone board created
13 under section 143.

14 ~~(d) "Carbon dioxide emissions benefits" means that the carbon~~
15 ~~dioxide emissions per megawatt hour of electricity generated by the~~
16 ~~advanced cleaner energy system are at least 85% less or, for an~~
17 ~~integrated gasification combined cycle facility or an integrated~~
18 ~~pyrolysis combined cycle facility, 70% less than the average carbon~~
19 ~~dioxide emissions per megawatt hour of electricity generated from~~
20 ~~all coal-fired electric generating facilities operating in this~~
21 ~~state on January 1, 2008.~~

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

26 **(d) "Carbon capture and storage" means a process that involves**
27 **collecting carbon dioxide at its source and storing, or**
28 **sequestering, it to prevent its release into the atmosphere.**

29 **(e) "Clean energy" means electricity or steam generated using**

1 a clean energy system.

2 (f) "Clean energy plan" means an electric provider's plan to
3 meet the clean energy standard approved under section 51.

4 (g) "Clean energy portfolio" means the percentage of an
5 electric provider's total retail electric sales consisting of clean
6 energy or renewable energy.

7 (h) "Clean energy standard" means the clean energy portfolio
8 required under section 51(1).

9 (i) "Clean energy system" means an electricity generation
10 facility or system or set of electricity generation systems that
11 meets any of the following requirements:

12 (i) Generates electricity or steam without emitting greenhouse
13 gas, including nuclear generation.

14 (ii) Is fueled by natural gas and uses carbon capture and
15 storage that is at least 90% effective in capturing and permanently
16 storing carbon dioxide. If the department of environment, Great
17 Lakes, and energy determines, through a facility-specific major
18 source permitting analysis consistent with applicable United States
19 Environmental Protection Agency rules, that a capture rate higher
20 than 90% meets the best available control technology standard, as
21 applicable, that higher percentage shall be used instead of 90% for
22 facilities permitted after the effective date of the amendatory act
23 that added section 51. Using carbon dioxide for enhanced oil
24 recovery is not considered to be permanent storage for the purposes
25 of this subparagraph.

26 (iii) Is an independently owned combined cycle power plant
27 fueled by natural gas that has a power purchase agreement with an
28 electric provider as of the effective date of the amendatory act
29 that added this subparagraph and that by 2030 receives approval

1 from the commission for a plan that achieves functional equivalence
2 with the clean energy standard in section 51(1)(b) through
3 reduction of greenhouse gas emissions using carbon capture and
4 sequestration and other available applications, including, but not
5 limited to, carbon removal technologies. In reviewing and approving
6 a plan submitted under this subparagraph, the commission shall
7 consider best available technology and applications as well as rate
8 affordability, resource adequacy, and grid reliability.

9 (iv) Is defined as a clean energy system in rules adopted by
10 the commission consistent with the purposes of this subdivision.

11 (j) ~~(f)~~—"Commission" means the Michigan public service
12 commission.

13 (k) ~~(g)~~—"Customer meter" means an electric meter of a
14 provider's retail customer. Customer meter does not include a
15 municipal water pumping meter or additional meters at a single site
16 that were installed specifically to support interruptible air
17 conditioning, interruptible water heating, net metering, or time-
18 of-day tariffs.

19 (l) "Distributed generation" means the generation of
20 electricity under the distributed generation program.

21 (m) ~~(h)~~—"Distributed generation program" means the program
22 established by the commission under section 173.

23 Sec. 5. As used in this act:

24 (a) "Efficient electrification measure" means an electric
25 appliance or equipment installed in an existing building to
26 electrify, in whole or in part, space heating, water heating,
27 cooling, drying, cooking, industrial processes, or another building
28 or industrial end use that would otherwise be served by combustion
29 of fossil fuel on the premises and that meets best-practice

1 standards for cost-effective energy efficiency as determined by the
2 commission. Efficient electrification measure includes, but is not
3 limited to, any of the following:

4 (i) A cold-climate air-source heat pump.

5 (ii) An electric clothes dryer.

6 (iii) A ground-source heat pump.

7 (iv) High-efficiency electric cooking equipment.

8 (v) A heat pump or high-efficiency electric water heater.

9 (b) "Efficient electrification measures plan" means a plan to
10 offer and promote efficient electrification measures.

11 (c) "Efficient electrification measures program" means a
12 program to implement an efficient electrification measures plan.

13 (d) ~~(a)~~ "Electric provider" means any of the following:

14 (i) Any person or entity that is regulated by the commission
15 for the purpose of selling electricity to retail customers in this
16 state.

17 (ii) A municipally owned electric utility in this state.

18 (iii) A cooperative electric utility in this state.

19 (iv) Except as used in subpart C of part 2, an alternative
20 electric supplier licensed under section 10a of 1939 PA 3, MCL
21 460.10a.

22 (e) ~~(b)~~ "Eligible electric generator" means a methane digester
23 or renewable energy system with a generation capacity limited to
24 **110% of** the customer's electric need and that does not exceed the
25 following:

26 ~~(i) For a renewable energy system, 150 kilowatts of aggregate
27 generation at a single site.~~

28 ~~(ii) For a methane digester, 550 kilowatts of aggregate
29 generation at a single site.~~ **electricity consumption for the**

1 **previous 12 months.**

2 (f) ~~(e)~~—"Energy conservation" means the reduction of customer
3 energy use through the installation of measures or changes in
4 energy usage behavior.

5 (g) ~~(d)~~—"Energy efficiency" means a decrease in customer
6 consumption of electricity or natural gas achieved through measures
7 or programs that target customer behavior, equipment, devices, or
8 materials without reducing the quality of energy services.

9 (h) ~~(e)~~—"Energy star" means the voluntary partnership among
10 the United States Department of Energy, the United States
11 Environmental Protection Agency, product manufacturers, local
12 utilities, and retailers to help promote energy efficient products
13 by labeling with the energy star logo, educate consumers about the
14 benefits of energy efficiency, and help promote energy efficiency
15 in buildings by benchmarking and rating energy performance.

16 (i) **"Energy storage system" means any technology that is**
17 **capable of absorbing energy, storing the energy for a period of**
18 **time, and redelivering the energy. Energy storage system does not**
19 **include either of the following:**

20 (i) **Fossil fuel storage.**

21 (ii) **Power-to-gas storage that directly uses fossil fuel**
22 **inputs.**

23 (j) ~~(f)~~—"Energy waste reduction", subject to subdivision ~~(g)~~,
24 (k), means all of the following:

25 (i) Energy efficiency.

26 (ii) Load management, to the extent that the load management
27 reduces provider costs.

28 (iii) Energy conservation, but only to the extent that the
29 decreases in the consumption of electricity produced by energy

1 conservation are objectively measurable and attributable to an
2 energy waste reduction plan.

3 (k) ~~(g)~~—Energy waste reduction does not include electric
4 provider infrastructure projects that are approved for cost
5 recovery by the commission other than as provided in this act.

6 (l) ~~(h)~~—"Energy waste reduction credit" means a credit
7 certified pursuant to section 87 that represents achieved energy
8 waste reduction.

9 (m) ~~(i)~~—"Energy waste reduction plan" means a plan under
10 section 71.

11 (n) ~~(j)~~—"Energy waste reduction standard" means the minimum
12 energy savings required to be achieved under section 77. ~~or 78(1),~~
13 ~~as applicable.~~

14 (o) ~~(k)~~—"Federal approval" means approval by the applicable
15 regional transmission organization or other Federal Energy
16 Regulatory Commission-approved transmission planning process of a
17 transmission project that includes the transmission line. Federal
18 approval may be evidenced in any of the following manners:

19 (i) The proposed transmission line is part of a transmission
20 project included in the applicable regional transmission
21 organization's board-approved transmission expansion plan.

22 (ii) The applicable regional transmission organization has
23 informed the electric utility, affiliated transmission company, or
24 independent transmission company that a transmission project
25 submitted for an out-of-cycle project review has been approved by
26 the applicable regional transmission organization, and the approved
27 transmission project includes the proposed transmission line.

28 (iii) If, after October 6, 2008, the applicable regional
29 transmission organization utilizes another approval process for

1 transmission projects proposed by an electric utility, affiliated
2 transmission company, or independent transmission company, the
3 proposed transmission line is included in a transmission project
4 approved by the applicable regional transmission organization
5 through the approval process developed after October 6, 2008.

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

8 Sec. 7. As used in this act:

9 ~~(a) "Gasification facility" means a facility located in this
10 state that, using a thermochemical process that does not involve
11 direct combustion, produces synthesis gas, composed of carbon
12 monoxide and hydrogen, from carbon-based feedstocks (such as coal,
13 petroleum coke, wood, biomass, hazardous waste, medical waste,
14 industrial waste, and solid waste, including, but not limited to,
15 municipal solid waste, electronic waste, and waste described in
16 section 11514 of the natural resources and environmental protection
17 act, 1994 PA 451, MCL 324.11514) and that uses the synthesis gas or
18 a mixture of the synthesis gas and methane to generate electricity
19 for commercial use. Gasification facility includes the transmission
20 lines, gas transportation lines and facilities, and associated
21 property and equipment specifically attributable to such a
22 facility. Gasification facility includes, but is not limited to, an
23 integrated gasification combined cycle facility and a plasma-arc
24 gasification facility.~~

25 (a) "Greenhouse gas" means carbon dioxide, methane, nitrous
26 oxide, hydrofluorocarbons, perfluorocarbons, or sulfur
27 hexafluoride.

28 (b) "Grid reliability" means the ability, as defined by the
29 regional transmission organization, of the bulk power system to

1 **withstand sudden, unexpected disturbances, such as short circuits**
 2 **or unanticipated loss of system elements because of natural causes.**

3 (c) ~~(b)~~—"Incremental costs of compliance" means the net
 4 revenue required by an electric provider to comply with the
 5 renewable energy standard, calculated as provided under section 47.

6 (d) ~~(e)~~—"Independent transmission company" means that term as
 7 defined in section 2 of the electric transmission line
 8 certification act, 1995 PA 30, MCL 460.562.

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

14 ~~(e) "Integrated pyrolysis combined cycle facility" means a~~
 15 ~~pyrolysis facility that uses exhaust heat to generate electricity.~~

16 (e) ~~(f)~~—"LEED" means the leadership in energy and
 17 environmental design green building rating system developed by the
 18 United States Green Building Council.

19 (f) ~~(g)~~—"Load management" means measures or programs that
 20 target equipment or behavior to result in decreased peak
 21 electricity demand such as by shifting demand from a peak to an
 22 off-peak period.

23 (g) **"Long-duration energy storage system" means an energy**
 24 **storage system capable of continuously discharging electricity at**
 25 **its full rated capacity for more than 10 hours.**

26 (h) **"Low-income residential customer" means a customer that**
 27 **meets any of the following requirements:**

28 (i) **The customer's household income does not exceed 250% of the**
 29 **federal poverty line, as published by the United States Department**

1 of Health and Human Services under its authority to revise the
2 poverty line under 42 USC 9902.

3 (ii) The customer's household income does not exceed 80% of the
4 adjusted median income as determined by the United States
5 Department of Housing and Urban Development.

6 (iii) The customer is enrolled in a federal, state, or local
7 program with similar income eligibility requirements, including,
8 but not limited to, an emergency relief or food assistance program
9 or Medicaid.

10 (i) ~~(h)~~—"Megawatt", "megawatt hour", or "megawatt hour of
11 electricity", unless the context implies otherwise, includes the
12 steam equivalent of a megawatt or megawatt hour of electricity.

13 (j) ~~(i)~~—"Modified net metering" means a utility billing method
14 that applies the power supply component of the full retail rate to
15 the net of the bidirectional flow of kilowatt hours across the
16 customer interconnection with the utility distribution system,
17 during a billing period or time-of-use pricing period. A negative
18 net metered quantity during the billing period or during each time-
19 of-use pricing period within the billing period reflects net excess
20 generation for which the customer is entitled to receive credit
21 under section ~~177(4)~~.—**177(2)**. Under modified net metering, standby
22 charges for distributed generation customers on an energy rate
23 schedule shall be equal to the retail distribution charge applied
24 to the imputed customer usage during the billing period. The
25 imputed customer usage is calculated as the sum of the metered on-
26 site generation and the net of the bidirectional flow of power
27 across the customer interconnection during the billing period. The
28 commission shall establish standby charges under modified net
29 metering for distributed generation customers on demand-based rate

1 schedules that provide an equivalent contribution to utility system
 2 costs. A charge for net metering and distributed generation
 3 customers established pursuant to section 6a of 1939 PA 3, MCL
 4 460.6a, shall not be recovered more than once. ~~This subdivision is
 5 subject to section 177(5).~~

6 **(k) "Multiday energy storage system" means an energy storage**
 7 **system capable of continuously discharging electricity at its full**
 8 **rated capacity for more than 24 hours.**

9 Sec. 9. As used in this act:

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

13 (b) "Pet coke" means a solid carbonaceous residue produced
 14 from a coker after cracking and distillation from petroleum
 15 refining operations.

16 ~~(c) "Plasma arc gasification facility" means a gasification~~
 17 ~~facility that uses a plasma torch to break substances down into~~
 18 ~~their molecular structures.~~

19 **(c) ~~(d)~~"Provider" means an electric provider or a natural gas**
 20 **provider.**

21 **(d) ~~(e)~~"PURPA" means the public utility regulatory policies**
 22 **act of 1978, Public Law 95-617.**

23 ~~(f) "Pyrolysis facility" means a facility that effects~~
 24 ~~thermochemical decomposition at elevated temperatures without the~~
 25 ~~participation of oxygen, from carbon-based feedstocks including,~~
 26 ~~but not limited to, coal, wood, biomass, industrial waste, or solid~~
 27 ~~waste, but not including pet coke, hazardous waste, coal waste, or~~
 28 ~~scrap tires. Pyrolysis facility includes the transmission lines,~~
 29 ~~gas transportation lines and facilities, and associated property~~

1 ~~and equipment specifically attributable to the facility. Pyrolysis~~
2 ~~facility includes, but is not limited to, an integrated pyrolysis~~
3 ~~combined cycle facility.~~

4 Sec. 11. As used in this act:

5 (a) "Renewable energy" means electricity or steam generated
6 using a renewable energy system.

7 (b) "Renewable energy contract" means a contract to acquire
8 renewable energy and the associated renewable energy credits from 1
9 or more renewable energy systems.

10 (c) "Renewable energy credit" means a credit granted under a
11 certification and tracking program established under section 41,
12 which represents generated renewable energy.

13 (d) "Renewable energy credit portfolio" means the sum of the
14 renewable energy credits achieved by a provider for a particular
15 year.

16 (e) "Renewable energy credit standard" means a minimum
17 renewable energy credit portfolio required under section 28 or
18 former section 27.

19 (f) "Renewable energy plan" or "plan" means a plan approved
20 under section 22 or former section 21 or 23 or found to comply with
21 this act under former section 25, with any amendments adopted under
22 this act.

23 (g) "Renewable energy resource" means a resource that
24 naturally replenishes over a human, not a geological, time frame
25 and that is ultimately derived from solar power, water power, or
26 wind power. Renewable energy resource does not include petroleum,
27 nuclear, natural gas, **industrial waste, post-use polymers, tires,**
28 **tire-derived fuel, plastic,** or coal. A renewable energy resource
29 comes from the sun or from thermal inertia of the earth and

1 minimizes the output of toxic material in the conversion of the
2 energy and includes, but is not limited to, all of the following:

3 (i) Biomass, as described in any of the following:

4 (A) Landfill gas as described in subparagraph (vii).

5 (B) Gas from a methane digester using only feedstock as
6 described in subparagraph (viii).

7 (C) Biomass used by renewable energy systems that are in
8 commercial operation on the effective date of the amendatory act
9 that added section 51.

10 (D) Trees and wood used in renewable energy systems that are
11 placed in commercial operation after the effective date of the
12 amendatory act that added section 51, if the trees and wood are
13 derived from sustainably managed forests or procurement systems, as
14 defined in section 261c of the management and budget act, 1984 PA
15 431, MCL 18.1261c.

16 (ii) Solar and solar thermal energy.

17 (iii) Wind energy.

18 (iv) Kinetic energy of moving water, including all of the
19 following:

20 (A) Waves, tides, or currents.

21 (B) Water released through a dam.

22 (v) Geothermal energy.

23 (vi) Thermal energy produced from a geothermal heat pump.

24 ~~(vii) Any of the following cleaner energy resources:~~**Landfill**
25 **gas produced from solid waste facilities.**

26 ~~(viii) (A) Municipal solid waste, including the biogenic and~~
27 ~~anthropogenic fractions.~~**Any of the following if used as feedstock in**
28 **a methane digester:**

29 (A) Municipal wastewater treatment sludge, wastewater, and

1 **sewage.**

2 (B) ~~Landfill gas produced by municipal solid waste.~~ **Food waste**
3 **and food production and processing waste.**

4 (C) ~~Fuel that has been manufactured in whole or significant~~
5 ~~part from waste, including, but not limited to, municipal solid~~
6 ~~waste. Fuel that meets the requirements of this subparagraph~~
7 ~~includes, but is not limited to, material that is listed under 40~~
8 ~~CFR 241.3(b) or 241.4(a) or for which a nonwaste determination is~~
9 ~~made by the United States Environmental Protection Agency pursuant~~
10 ~~to 40 CFR 241.3(c). Pet coke, hazardous waste, coal waste, or scrap~~
11 ~~tires are not fuel that meets the requirements of this~~
12 ~~subparagraph.~~ **Animal manure.**

13 (D) **Organics separated from municipal solid waste.**

14 (h) "Renewable energy standard" means the minimum renewable
15 energy capacity portfolio, if applicable, and the renewable energy
16 credit portfolio required to be achieved under section 28 or former
17 section 27.

18 (i) "Renewable energy system" means a facility, electricity
19 generation system, or set of electricity generation systems that
20 use 1 or more renewable energy resources to generate electricity or
21 steam. Renewable energy system **includes the following:**

22 (i) **A landfill gas recovery and electricity generation facility**
23 **located in a landfill whose operator employs best practices for**
24 **methane gas collection and control and emissions monitoring, as**
25 **determined by the department of environment, Great Lakes, and**
26 **energy.**

27 (ii) **A methane digester, if it processes only 1 or more of the**
28 **following:**

29 (A) **Municipal wastewater treatment sludge, wastewater, or**

1 sewage.

2 (B) Food waste or food production and processing waste.

3 (C) Animal manure.

4 (D) Organics separated from municipal solid waste.

5 (iii) A facility or generation system or set of systems that is
6 placed in commercial operation after the effective date of the
7 amendatory act that added section 51, but only if the facility or
8 generation system or set of systems uses as feedstock trees and
9 wood derived from sustainably managed forests or procurement
10 systems, as defined in section 261c of the management and budget
11 act, 1984 PA 431, MCL 18.1261c.

12 (j) Renewable energy system does not include any of the
13 following:

14 (i) A hydroelectric pumped storage facility.

15 (ii) A hydroelectric facility that uses a dam constructed after
16 October 6, 2008 unless the dam is a repair or replacement of a dam
17 in existence on October 6, 2008 or an upgrade of a dam in existence
18 on October 6, 2008 that increases its energy efficiency.

19 (iii) ~~An incinerator. unless the incinerator is a municipal~~
20 ~~solid waste incinerator as defined in section 11504 of the natural~~
21 ~~resources and environmental protection act, 1994 PA 451, MCL~~
22 ~~324.11504.~~ **This subparagraph does not apply before 2040 to an**
23 **incinerator that was generating power before January 1, 2023,**
24 **unless the incinerator is expanded.**

25 (iv) A gasification facility.

26 (v) A facility that cofires biomass with tires or tire-derived
27 fuel.

28 (k) "Resource adequacy" describes having sufficient resources
29 to provide customers with a continuous supply of electricity at the

1 **proper voltage and frequency, virtually always and across a range**
2 **of reasonably foreseeable conditions.**

3 (l) ~~(j)~~—"Revenue recovery mechanism" means the mechanism for
4 recovery of incremental costs of compliance provided for under
5 section 22.

6 Sec. 13. As used in this act:

7 (a) "Site" means, **except as used in part 8**, a contiguous site,
8 regardless of the number of meters at that site. A site that would
9 be contiguous but for the presence of a street, road, or highway is
10 considered to be contiguous for the purposes of this subdivision.

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

14 ~~(c) "True net metering" means a utility billing method that~~
15 ~~applies the full retail rate to the net of the bidirectional flow~~
16 ~~of kilowatt hours across the customer interconnection with the~~
17 ~~utility distribution system, during a billing period or time-of-use~~
18 ~~pricing period. A negative net metered quantity during the billing~~
19 ~~period or during each time-of-use pricing period within the billing~~
20 ~~period reflects net excess generation for which the customer is~~
21 ~~entitled to receive credit under section 177(4). This subdivision~~
22 ~~is subject to section 177(5).~~

23 (c) ~~(d)~~—"Utility system resource cost test" means a standard
24 that is met for an investment in energy waste reduction if, on a
25 life cycle basis, **using a real societal discount rate based on**
26 **actual long-term United States treasury bond yields**, the total
27 avoided supply-side costs to the provider, including representative
28 values for electricity or natural gas supply, transmission,
29 distribution, and other associated costs, are greater than the

1 total costs to the provider of administering and delivering the
 2 energy waste reduction program, including net costs for any
 3 provider incentives paid by customers and capitalized costs
 4 recovered under section 89.

5 (d) ~~(e)~~—"Wind energy conversion system" means a system that
 6 uses 1 or more wind turbines to generate electricity and has a
 7 nameplate capacity of 100 kilowatts or more.

8 (e) ~~(f)~~—"Wind energy resource zone" or "wind zone" means an
 9 area designated by the commission under section 147.

10 PART 2

11 ENERGY STANDARDS

12 SUBPART A

13 RENEWABLE **AND CLEAN** ENERGY

14 Sec. 22. (1) Renewable energy plans and associated revenue
 15 recovery mechanisms filed by an electric provider, approved under
 16 former section 21 or 23 or found to comply with this act under
 17 former section 25 and in effect on ~~the effective date of the 2016~~
 18 ~~amendatory act that added this section,~~ **the effective date of the**
 19 **amendatory act that added section 51**, remain in effect, subject to
 20 amendments ~~as provided for under subsections (3) and (4).~~ **under**
 21 **subsection (3) or (4).**

22 (2) For an electric provider whose rates are regulated by the
 23 commission, amended renewable energy plans shall establish a
 24 ~~nonvolumetric~~ mechanism for the recovery of the incremental costs
 25 of compliance within the electric provider's customer rates. ~~The~~
 26 ~~revenue recovery mechanism shall not result in rate impacts that~~
 27 ~~exceed the monthly maximum retail rate impacts specified under~~
 28 ~~section 45.~~ The revenue recovery mechanism is subject to adjustment
 29 ~~under sections 47(4) and 49.~~ **in amended renewable energy plans under**

1 subsection (3) or (4) or as provided in section 49.

2 (3) Within 1 year after the effective date of the 2016
3 amendatory act that added ~~this section, the commission shall review~~
4 ~~each electric provider's plan~~ **section 51, and within 2 years after**
5 **the commission issues an order approving the electric provider's**
6 **last amended renewable energy plan, an electric provider shall file**
7 **an amended renewable energy plan that includes a forecast of the**
8 **renewable energy resources needed to comply with the renewable**
9 **energy credit standard** pursuant to a filing schedule established by
10 the commission. For an electric provider whose rates are regulated
11 by the commission, the commission shall conduct a contested case
12 hearing on the **amended renewable energy** plan pursuant to the
13 administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to
14 24.328. After the hearing, the commission shall approve, with any
15 changes consented to by the electric provider, or reject the
16 **amended renewable energy** plan. ~~and any amendments to the plan.~~ For
17 all other electric providers, the commission shall provide an
18 opportunity for public comment on the **amended renewable energy**
19 plan. After the applicable opportunity for public comment, the
20 commission shall determine whether any amendment to the **renewable**
21 **energy** plan proposed by the provider complies with this act. For
22 alternative electric suppliers, the commission shall approve, with
23 any changes consented to by the electric provider, or reject any
24 proposed amendments to the **renewable energy** plan. **For each amended**
25 **renewable energy plan filed by an electric provider, the commission**
26 **shall issue a final order within 300 days after the date the**
27 **amended renewable energy plan was filed with the commission.** For
28 cooperative electric utilities and municipally owned utilities, the
29 proposed amendment is adopted if the commission determines that it

1 complies with this act.

2 (4) If an electric provider proposes to amend its **renewable**
3 **energy** plan ~~after the~~ **at a time other than a scheduled** review
4 process under subsection (3), the electric provider shall file the
5 proposed amendment with the commission. For an electric provider
6 whose rates are regulated by the commission, if the proposed
7 amendment would modify the revenue recovery mechanism, the
8 commission shall conduct a contested case hearing on the amendment
9 pursuant to the administrative procedures act of 1969, 1969 PA 306,
10 MCL 24.201 to 24.328. After the hearing and within ~~90~~**180** days
11 after the amendment is filed, the commission shall approve, with
12 any changes consented to by the electric provider, or reject ~~the~~
13 ~~plan and~~ the proposed amendment or amendments to the **renewable**
14 **energy** plan. For all other electric providers, the commission shall
15 provide an opportunity for public comment on the amendment. After
16 the applicable opportunity for public comment and within ~~90~~**180**
17 days after the amendment is filed, the commission shall determine
18 whether the proposed amendment to the **renewable energy** plan
19 complies with this act. For alternative electric suppliers, the
20 commission shall approve, with any changes consented to by the
21 electric provider, or reject any proposed amendments to the
22 **renewable energy** plan. For cooperative electric utilities and
23 municipally owned utilities, the proposed amendment is adopted if
24 the commission determines that it complies with this act.

25 (5) For an electric provider whose rates are regulated by the
26 commission, the commission shall approve ~~the plan or~~ amendments to
27 the **renewable energy** plan if the commission determines **both of the**
28 **following:**

29 (a) That the **amended renewable energy** plan is reasonable and

1 prudent. In making this determination, the commission shall take
 2 into consideration projected costs and whether or not projected
 3 costs in prior **amended renewable energy** plans were exceeded.

4 (b) That the **amended renewable energy** plan is consistent with
 5 the purpose ~~and goal~~ set forth in section 1(2) ~~and (3)~~ and meets
 6 the renewable energy credit standard. ~~through 2021.~~

7 (6) **For an electric provider whose rates are regulated by the**
 8 **commission, the commission shall review the projected costs of the**
 9 **renewable energy plan and approve, in whole or in part, the**
 10 **projected costs if the commission finds those projected costs, in**
 11 **whole or in part, to be reasonable and prudent. In making this**
 12 **determination, the commission shall consider whether projected**
 13 **costs in prior renewable energy plans were exceeded.**

14 (7) ~~(6)~~ If the commission rejects a proposed **renewable energy**
 15 plan, ~~or an~~ amendment, **or projected costs** under this section, the
 16 commission shall explain in writing the reasons for its
 17 determination.

18 Sec. 28. (1) An electric provider shall achieve a renewable
 19 energy credit portfolio ~~as follows:~~ **of at least the following:**

20 ~~(a) In 2016 through 2018, a renewable energy credit portfolio~~
 21 ~~that consists of at least the same number of renewable energy~~
 22 ~~credits as were required under former section 27.~~

23 ~~(b) In 2019 and 2020, a renewable energy credit portfolio of~~
 24 ~~at least 12.5%, as calculated under subsection (2).~~

25 ~~(c) In 2021, a renewable energy credit portfolio of at least~~
 26 ~~15%, as calculated under subsection (2).~~

27 (a) **Through 2029, 15%.**

28 (b) **In 2030 through 2034, 50%.**

29 (c) **In 2035 and each year thereafter, 60%.**

1 (2) An electric provider's renewable energy credit portfolio
2 shall be calculated as follows:

3 (a) Determine the number of renewable energy credits used to
4 comply with this subpart during the applicable year.

5 (b) Divide by 1 of the following at the option of the electric
6 provider as specified in its renewable energy plan:

7 (i) The number of weather normalized megawatt hours of
8 electricity sold by the electric provider during the previous year
9 to retail customers in this state, **less the amount of sales**
10 **attributable to customers participating in an electric provider's**
11 **voluntary green pricing program under section 61 and the outflow**
12 **from customers participating in the distributed generation program**
13 **under section 173 for that year.**

14 (ii) The average number of megawatt hours of electricity sold
15 by the electric provider annually during the previous 3 years to
16 retail customers in this state, **less the amount of sales**
17 **attributable to customers participating in an electric provider's**
18 **voluntary green pricing program under section 61 and the outflow**
19 **from customers participating in the distributed generation program**
20 **under section 173 for that year.**

21 (c) Multiply the quotient under subdivision (b) by 100.

22 (3) Notwithstanding subsection (1) and subject to subsection
23 (4), in any year a cooperative electric provider or a multistate
24 electric provider may calculate its maximum renewable energy credit
25 portfolio requirement as follows:

26 (a) Determine the number of megawatt hours of electricity sold
27 by the electric provider to retail customers in this state using
28 the option the electric provider selected under subsection (2) (b).

29 (b) Subtract the number of megawatt hours of nuclear energy

1 that the electric provider obtained from a system located in this
2 state that the electric provider owned or from which the electric
3 provider had contracted to receive nuclear energy on or before
4 January 1, 2024.

5 (4) An electric provider described in subsection (3) is
6 required to achieve a renewable energy credit portfolio equal only
7 to the electric provider's maximum renewable energy credit
8 portfolio requirement if the electric provider's maximum renewable
9 energy credit portfolio requirement is less than the number of
10 renewable energy credits required to comply with the applicable
11 standard in subsection (1). If the electric provider is a
12 multistate electric provider, and the electric provider's maximum
13 renewable energy credit portfolio requirement is less than the
14 number of renewable energy credits required to comply with the
15 applicable standard in subsection (1), then the electric provider
16 is required to achieve a renewable energy credit portfolio equal
17 only to the electric provider's maximum renewable energy credit
18 portfolio requirement if all of the following requirements are met:

19 (a) The electric provider's electricity generation systems
20 located within this state produce energy exceeding the electric
21 provider's electricity sales in this state.

22 (b) All of the electric provider's electricity generation
23 systems located within this state are clean energy systems.

24 (c) All of the renewable energy credits generated in this
25 state are used by the electric provider toward compliance with the
26 renewable energy credit portfolio as calculated under subsection
27 (2).

28 (d) Renewable energy and clean energy generated in this state
29 equal to or exceeding the provider's electricity sales in this

1 state are not used by the provider or any other provider to comply
2 with any similar standards.

3 (5) ~~(3) Subject to subsection (5), each~~ **Each** electric provider
4 shall meet the renewable energy credit standards ~~standard, subject~~
5 **to subsection (3)**, with renewable energy credits obtained by ~~1 or~~
6 ~~more~~ **any** of the following means:

7 (a) Generating electricity from renewable energy systems for
8 sale to retail customers.

9 (b) Purchasing or otherwise acquiring renewable energy ~~credits~~
10 ~~with or without the associated renewable energy and capacity.~~

11 (c) **Purchasing or otherwise acquiring renewable energy credits**
12 **without the associated renewable energy or capacity. Renewable**
13 **energy credits acquired under this subdivision shall be produced**
14 **within the territory of the regional transmission organization of**
15 **which the electric provider is a member, and, except for a**
16 **municipally owned electric utility, shall not exceed 5% of an**
17 **electric provider's renewable energy credits annually used to**
18 **comply with the renewable energy standard. Renewable energy credits**
19 **acquired under this subdivision are not subject to the requirements**
20 **of section 29 and shall not be used to comply with the renewable**
21 **energy standard after 2035.**

22 (6) ~~(4)~~ For an electric provider whose rates are regulated by
23 the commission, the electric provider shall submit a contract
24 entered into for the purposes of subsection ~~(3)~~ **(5)** to the
25 commission for review and approval. If the commission approves the
26 contract, it ~~shall be~~ **is** considered consistent with the electric
27 provider's renewable energy plan. The commission shall not approve
28 a contract based on an unsolicited proposal unless the commission
29 determines that the unsolicited proposal provides opportunities

1 that may not otherwise be available or commercially practical
2 through a competitive bid process.

3 **(7) ~~(5)~~—An electric provider that has achieved annual**
4 **incremental energy savings of greater than 2% under an energy waste**
5 **reduction plan approved under section 73** may substitute energy
6 waste reduction credits for renewable energy credits otherwise
7 required to meet the renewable energy credit ~~standards~~**—standard** if
8 the substitution is approved by the commission. Under this
9 subsection, energy waste reduction credits shall not be used by a
10 provider to meet more than 10% of the renewable energy credit
11 standard. One renewable energy credit shall be awarded per 1 energy
12 waste reduction credit.

13 **(8) If an electric provider whose rates are regulated by the**
14 **commission enters into a purchase power agreement for renewable**
15 **energy resources or a third-party contract for an energy storage**
16 **system or clean energy system with an entity that is not an**
17 **affiliate, the commission shall authorize an annual financial**
18 **incentive for the electric provider. The financial incentive shall**
19 **be calculated as the product of contract payments in that year**
20 **multiplied by the electric provider's pre-tax weighted average cost**
21 **of permanent capital comprised of long-term debt obligations and**
22 **equity of the electric provider's total capital structure as**
23 **determined by the commission's final order in the electric**
24 **provider's most recent general rate case. The pre-tax weighted**
25 **average cost of permanent capital used to calculate the financial**
26 **incentive shall not be fixed throughout the entire term of the**
27 **contract at the pre-tax weighted average cost of capital applicable**
28 **in the first year but shall be updated based on the commission's**
29 **final order in each succeeding general rate case for the electric**

1 provider. The financial incentive shall apply to each contract
 2 described in this subsection from the date the contract is executed
 3 for the entire term of the contract. This subsection applies to any
 4 contract entered into after June 30, 2024.

5 (9) As used in this section, "cooperative electric provider"
 6 means an entity that is a member of or that purchases energy from
 7 an entity that is either of the following:

8 (a) Organized as a cooperative corporation under sections 98
 9 to 109 of 1931 PA 327, MCL 450.98 to 450.109.

10 (b) A cooperative corporation in the business of generating or
 11 transmitting electricity.

12 Sec. 29. (1) Subject to ~~subsection (2),~~ **subsections (2) to**
 13 **(4),** a renewable energy system that is the source of renewable
 14 energy credits used to satisfy the renewable energy standards shall
 15 be ~~either located outside~~ **as described in either of the following:**

16 (a) **Anywhere in this state.**

17 (b) **Outside of this state, but only if the electric provider**
 18 **includes the capacity from the renewable energy system toward**
 19 **meeting its resource adequacy obligations to the applicable**
 20 **regional transmission organization.** ~~in the retail electric customer~~
 21 ~~service territory of any provider that is not an alternative~~
 22 ~~electric supplier or located anywhere in this state. For the~~
 23 ~~purposes of this subsection, a retail electric customer service~~
 24 ~~territory shall be considered to be the territory recognized by the~~
 25 ~~commission on January 1, 2008 and any expansion of retail electric~~
 26 ~~customer service territory recognized by the commission after~~
 27 ~~January 1, 2008 under 1939 PA 3, MCL 460.1 to 460.11. The~~
 28 ~~commission may also expand a service territory for the purposes of~~
 29 ~~this subsection if a lack of transmission lines limits the ability~~

1 ~~to obtain sufficient renewable energy from renewable energy systems~~
2 ~~that meet the location requirement of this subsection.~~

3 ~~(2) The renewable energy system location requirements in~~
4 ~~subsection (1) do not apply if 1 or more of the following~~
5 ~~requirements are met:~~

6 ~~(a) The renewable energy system is a wind energy conversion~~
7 ~~system and the electricity generated by the wind energy system, or~~
8 ~~the renewable energy credits associated with that electricity, is~~
9 ~~being purchased under a contract in effect on January 1, 2008. If~~
10 ~~the electricity and associated renewable energy credits purchased~~
11 ~~under such a contract are used by an electric provider to meet~~
12 ~~renewable energy requirements established after January 1, 2008 by~~
13 ~~the legislature of the state in which the wind energy conversion~~
14 ~~system is located, the electric provider may, for the purpose of~~
15 ~~meeting the renewable energy credit standard under this act,~~
16 ~~obtain, by any means authorized under section 28, up to the same~~
17 ~~number of replacement renewable energy credits from any other wind~~
18 ~~energy conversion systems located in that state. This subdivision~~
19 ~~shall not be utilized by an alternative electric supplier unless~~
20 ~~the alternative electric supplier was licensed in this state on~~
21 ~~January 1, 2008. Renewable energy credits from a renewable energy~~
22 ~~system under a contract with an alternative electric supplier under~~
23 ~~this subdivision shall not be used by another electric provider to~~
24 ~~meet its requirements under this part.~~

25 ~~(b) The renewable energy system is a wind energy conversion~~
26 ~~system that was under construction or operational and owned by an~~
27 ~~electric provider on January 1, 2008. This subdivision shall not be~~
28 ~~utilized by an alternative electric supplier.~~

29 ~~(c) The renewable energy system is a wind energy conversion~~

~~1 system that includes multiple wind turbines, at least 1 of the wind
2 turbines meets the location requirements of this section, and the
3 remaining wind turbines are within 15 miles of a wind turbine that
4 is part of that wind energy conversion system and that meets the
5 location requirements of this section.~~

~~6 (d) Before January 1, 2008, an electric provider serving not
7 more than 75,000 retail electric customers in this state filed an
8 application for a certificate of authority for the renewable energy
9 system with a state regulatory commission in another state that is
10 also served by the electric provider. However, renewable energy
11 credits shall not be granted under this subdivision for electricity
12 generated using more than 10.0 megawatts of nameplate capacity of
13 the renewable energy system.~~

~~14 (e) Electricity~~

**15 (2) Subsection (1) does not require an electric provider to
16 procure firm transmission rights to ensure deliverability to the
17 resource adequacy zone where the load is served.**

18 (3) Subsection (1) does not apply if electricity generated
19 from the renewable energy system is sold by a not-for-profit entity
20 located in Indiana, Ohio, or Wisconsin to a ~~municipally-owned~~
21 **municipally owned** electric utility in this state or cooperative
22 electric utility in this state, and the electricity is not being
23 used to meet another state's standard for renewable energy.

~~24 (f) All of the following requirements are met:~~

~~25 (i) The renewable energy system is a wind energy system, is
26 interconnected to the electric provider's transmission system, and
27 is located in a state in which the electric provider has service
28 territory.~~

~~29 (ii) The electric provider competitively bid any contract for~~

1 ~~engineering, procurement, or construction of the renewable energy~~
2 ~~system, if the electric provider owns the renewable energy system,~~
3 ~~or for purchase of the renewable energy and associated renewable~~
4 ~~energy credits from the renewable energy system, if the provider~~
5 ~~does not own the renewable energy system, in a process open to~~
6 ~~renewable energy systems sited in this state.~~

7 ~~(iii) The renewable energy credits from the renewable energy~~
8 ~~system are only used by that electric provider to meet the~~
9 ~~renewable energy standard.~~

10 ~~(iv) The electric provider is not an alternative electric~~
11 ~~supplier.~~

12 (4) Renewable energy credits produced in the continental
13 United States and owned by a customer of an electric provider may
14 be utilized by the electric provider to meet the renewable energy
15 credit standard if the electric customer chooses to report
16 renewable energy credits to its electric provider as attributable
17 to the customer's electric load. Any renewable energy credits
18 reported by an electric customer for use by its electric provider
19 shall be applied to the electric customer's proportional share of a
20 renewable energy credit portfolio requirement for the year in which
21 renewable energy credits are used to comply with the renewable
22 energy credit standard. On an annual basis, not later than December
23 1, the electric customer shall provide the electric provider with
24 an update on its 5-year forecast and notify the electric provider
25 of the expected amount of renewable energy credits to be used
26 toward compliance in the coming year. If the projected amount of
27 renewable energy credits available for compliance will be less than
28 what the electric customer projected in its 5-year forecast, then
29 the electric customer shall notify the electric provider at least 5

1 years before the compliance year in which a projected reduction in
2 renewable energy credits will occur. If the electric provider's
3 rates are regulated by the commission and the electric provider
4 uses the reported renewable energy credits to comply with the
5 renewable energy credit portfolio standard, the electric provider
6 shall grant the customer an appropriate cost-based rate credit
7 against the cost of compliance under section 47. As used in this
8 subsection, "customer of an electric provider" or "customer" means
9 any of the following:

10 (a) A customer taking service under a rate approved by the
11 commission under section 10gg of 1939 PA 3, MCL 460.10gg.

12 (b) A customer whose manufacturing complex is described in
13 section 10a(4)(c) of 1939 PA 3, MCL 460.10a, and that takes service
14 for a portion of its load from an alternative electric supplier
15 licensed under section 10a of 1939 PA 3, MCL 460.10a, on the
16 effective date of the amendatory act that added section 51.

17 (c) A customer of a municipally owned electric utility on the
18 effective date of the amendatory act that added this subsection if
19 the customer represents at least 25% of the municipally owned
20 electric utility's peak load.

21 (5) Renewable energy credits that qualify under subsection (1)
22 and are owned by members of a public body corporate established
23 under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL
24 124.501 to 124.512, on or before December 1, 2022, if those members
25 are part of Michigan's educational community and take service from
26 an alternative electric supplier licensed under section 10a of 1939
27 PA 3, MCL 460.10a, may be utilized by the members' electric
28 provider to meet the renewable energy credit standards if the
29 members choose to report renewable energy credits to the electric

1 provider as attributable to the electric load of members of the
2 cooperative. Any renewable energy credits reported by a member of
3 the cooperative for use by a provider to the members of the
4 cooperative shall be applied to the member's proportional share of
5 a renewable energy credit portfolio requirement for the year in
6 which renewable energy credits are used to comply with the
7 renewable energy credit standard.

8 Sec. 32. (1) Upon petition by an electric provider, the
9 commission may, upon a showing of good cause, grant an extension of
10 a renewable energy credit portfolio deadline under section 28. Each
11 extension shall not exceed 2 years. An extension of a deadline does
12 not affect a subsequent deadline.

13 (2) In a petition under subsection (1), an electric provider
14 must include a plan for resolving the barrier to compliance and
15 must make a showing of good cause by demonstrating any of the
16 following:

17 (a) Despite all commercially reasonable efforts by the
18 electric provider to comply with the deadline, compliance is not
19 practically feasible for reasons that may include, but are not
20 limited to, zoning, siting, permitting, supply chains, transmission
21 interconnection, labor shortages, delays in project deliverability
22 from developers, or unanticipated load growth. Issuing a request
23 for proposals to purchase renewable energy and not receiving a
24 commercially viable offer creates a rebuttable presumption that
25 compliance with the deadline is not practically feasible.

26 (b) Compliance would be excessively costly to customers
27 despite commercially reasonable efforts by the electric provider to
28 contain costs.

29 (c) Compliance would result in a deficiency in meeting

1 resource adequacy requirements in the electric provider's service
2 territory.

3 (d) Compliance would result in a local grid reliability issue.

4 (3) Upon granting an additional extension for a particular
5 renewable energy credit portfolio deadline beyond the first 2
6 extensions, the commission shall notify the speaker of the house,
7 the majority leader of the senate, and the chairpersons of the
8 committees of the legislature having jurisdiction over energy
9 issues that it has granted an additional extension to the electric
10 provider and the reasons for the extension.

11 Sec. 39. (1) Except as otherwise provided in section 35(1), 1
12 renewable energy credit shall be granted to the owner of a
13 renewable energy system for each megawatt hour of electricity
14 generated from the renewable energy system, subject to all of the
15 following:

16 (a) If a renewable energy system uses both a renewable energy
17 resource and a nonrenewable energy resource to generate electricity
18 or steam, the number of renewable energy credits granted shall be
19 based on the percentage of the electricity or steam, or both,
20 generated from the renewable energy resource.

21 (b) A renewable energy credit shall not be granted for
22 renewable energy the renewable attributes of which are used by an
23 electric provider in a commission-approved voluntary renewable
24 energy program.

25 (c) For a renewable energy system described in section
26 11(j) (iii), for each megawatt hour of electricity generated from the
27 renewable energy system before 2040, 0.5 renewable energy credits
28 shall be granted. No renewable energy credits shall be granted for
29 electricity generated in 2040 or thereafter. A renewable energy

1 system described in section 11(j) (iii) shall, by January 1, 2035,
 2 file a decommissioning plan with the county in which the facility
 3 is located detailing its plans to retire and decommission the
 4 facility not later than January 1, 2040.

5 (2) The following additional renewable energy credits, to be
 6 known as Michigan incentive renewable energy credits, shall be
 7 granted under the following circumstances:

8 (a) 2 renewable energy credits for each megawatt hour of
 9 electricity from solar power generated by a renewable energy system
 10 that was approved in a renewable energy plan before ~~the effective~~
 11 ~~date of the 2016 amendatory act that amended this section.~~ **April 20,**
 12 **2017.**

13 (b) 1/5 renewable energy credit for each megawatt hour of
 14 electricity generated from a renewable energy system, other than
 15 wind, at peak demand time as determined by the commission.

16 (c) 1/5 renewable energy credit for each megawatt hour of
 17 electricity generated from a renewable energy system during off-
 18 peak hours, stored using ~~advanced electric storage technology~~ **an**
 19 **energy storage system** or a hydroelectric pumped storage facility,
 20 and used during peak hours. However, the number of renewable energy
 21 credits shall be calculated based on the number of megawatt hours
 22 of renewable energy used to charge the ~~advanced electric storage~~
 23 ~~technology~~ **energy storage system** or fill the pumped storage
 24 facility, not the number of megawatt hours actually discharged or
 25 generated by discharge from the ~~advanced energy storage facility~~
 26 **energy storage system** or pumped storage facility.

27 (d) 1/10 renewable energy credit for each megawatt hour of
 28 electricity generated from a renewable energy system constructed
 29 using equipment made in this state as determined by the commission.

1 The additional credit under this subdivision is available for the
 2 first 3 years after the renewable energy system first produces
 3 electricity on a commercial basis.

4 (e) 1/10 renewable energy credit for each megawatt hour of
 5 electricity from a renewable energy system constructed using a
 6 workforce composed of residents of this state as determined by the
 7 commission. The additional credit under this subdivision is
 8 available for the first 3 years after the renewable energy system
 9 first produces electricity on a commercial basis.

10 (3) A renewable energy credit expires at the earliest of the
 11 following times:

12 (a) When used by an electric provider to comply with its
 13 renewable energy standard.

14 (b) When substituted for an energy waste reduction credit
 15 under section 77.

16 ~~(c) When used by an electric provider whose rates are~~
 17 ~~regulated by the commission to contribute to achievement of the~~
 18 ~~goal under section 1(3).~~

19 ~~(c) (d)~~ Five years after the end of the month in which the
 20 renewable energy credit was generated.

21 Sec. 45. (1) For an electric provider whose rates are
 22 regulated by the commission, the commission shall determine ~~the~~
 23 ~~appropriate charges~~ **a revenue recovery mechanism, subject to**
 24 **section 47**, for the electric provider's tariffs that permit
 25 recovery of the incremental cost of compliance ~~subject to the~~
 26 ~~retail rate impact limits set forth in subsection (2).~~

27 ~~(2) An electric provider shall recover the incremental cost of~~
 28 ~~compliance with the renewable energy standards. An electric~~
 29 ~~provider shall not comply with the renewable energy standards to~~

1 ~~the extent that, as determined by the commission, recovery of the~~
 2 ~~incremental cost of compliance will have a retail rate impact that~~
 3 ~~exceeds any of the following:~~

4 ~~(a) \$3.00 per month per residential customer meter.~~

5 ~~(b) \$16.58 per month per commercial secondary customer meter.~~

6 ~~(c) \$187.50 per month per commercial primary or industrial~~
 7 ~~customer meter.~~

8 ~~(3) The retail rate impact limits of subsection (2) apply only~~
 9 ~~to the incremental costs of compliance and do not apply to costs~~
 10 ~~approved for recovery by the commission other than as provided in~~
 11 ~~this act. to implement the amended renewable energy plan.~~

12 **(2) An electric provider's incremental cost of compliance**
 13 **shall be recovered through a revenue recovery mechanism that is**
 14 **designed consistent with the production allocation approved in the**
 15 **provider's most recent general rate case under section 6a of 1939**
 16 **PA 3, MCL 460.6a. An electric provider may propose a revenue**
 17 **recovery mechanism in an amended renewable energy plan to include**
 18 **all or a portion of the electric provider's incremental cost of**
 19 **compliance in base rates. If an electric provider proposes to**
 20 **include all or a portion of the incremental cost of compliance in**
 21 **base rates, the commission shall review and approve, approve with**
 22 **modifications, or deny the revenue recovery mechanism proposed by**
 23 **the electric provider.**

24 **(3)** ~~(4)~~ **The incremental cost of compliance shall be calculated**
 25 **for a 20-year period beginning with approval of the amended**
 26 **renewable energy plan and shall ~~may~~ be recovered on a levelized**
 27 **basis.**

28 ~~Sec. 47. (1) Subject to the retail rate impact limits under~~
 29 ~~section 45, the~~ **The** ~~commission shall consider all actual costs~~

1 reasonably and prudently incurred in good faith to implement a
2 ~~commission-approved~~ **an amended** renewable energy plan by an electric
3 provider whose rates are regulated by the commission to be a cost
4 of service to be recovered by the electric provider. ~~Subject to the~~
5 ~~retail rate impact limits under section 45, an~~ **An** electric provider
6 whose rates are regulated by the commission shall recover through
7 its retail electric rates all of the electric provider's
8 incremental costs of compliance ~~during the 20-year period beginning~~
9 when the electric provider's **amended renewable energy** plan is
10 approved by the commission. ~~and all reasonable and prudent ongoing~~
11 ~~costs of compliance during and after that period.~~ The recovery
12 shall include, but is not limited to, the electric provider's
13 authorized rate of return on equity for costs approved under this
14 section. ~~, which shall remain fixed at the rate of return and debt~~
15 ~~to equity ratio that was in effect in the electric provider's base~~
16 ~~rates when the electric provider's renewable energy plan was~~
17 ~~approved.~~ **The authorized rate of return on equity for costs of any**
18 **renewable energy system approved through the electric provider's**
19 **amended renewable energy plan to comply with the renewable energy**
20 **standard in effect before the effective date of the amendatory act**
21 **that added section 51 shall remain fixed at the rate of return and**
22 **debt-to-equity ratio that was in effect when the electric**
23 **provider's amended renewable energy plan that first included the**
24 **renewable energy system was approved by the commission.**

25 (2) Incremental costs of compliance shall be calculated as
26 follows:

27 (a) Determine the sum of the following costs to the extent
28 those costs are reasonable and prudent and not already approved for
29 recovery in electric rates as of October 6, 2008:

1 (i) Capital, operating, and maintenance costs of renewable
 2 energy systems, ~~or advanced cleaner energy systems,~~ including
 3 property taxes, insurance, and return on equity associated with an
 4 electric provider's renewable energy systems, ~~or advanced cleaner~~
 5 ~~energy systems,~~ including the electric provider's renewable energy
 6 portfolio established to achieve compliance with the renewable
 7 energy standards and any additional renewable energy systems ~~or~~
 8 ~~advanced cleaner energy systems~~ that are built or acquired by the
 9 electric provider to maintain compliance with the renewable energy
 10 standards. ~~during the 20-year period beginning when the electric~~
 11 ~~provider's plan is approved by the commission.~~

12 (ii) Financing costs attributable to capital, operating, and
 13 maintenance costs of capital facilities associated with renewable
 14 energy systems ~~or advanced cleaner energy systems~~ used to meet the
 15 renewable energy standard.

16 (iii) Costs that are not otherwise recoverable in rates approved
 17 by the Federal Energy Regulatory Commission and that are related to
 18 the infrastructure required to bring renewable energy systems ~~or~~
 19 ~~advanced cleaner energy systems~~ used to achieve compliance with the
 20 renewable energy standards on to the transmission system, including
 21 interconnection and substation costs for renewable energy systems
 22 ~~or advanced cleaner energy systems~~ used to meet the renewable
 23 energy standard.

24 (iv) Ancillary service costs determined by the commission to be
 25 necessarily incurred to ensure the quality and reliability of
 26 renewable energy ~~or advanced cleaner energy~~ used to meet the
 27 renewable energy standards, regardless of the ownership of a
 28 renewable energy system. ~~or advanced cleaner energy technology.~~

29 (v) Except to the extent the costs are allocated under a

1 different subparagraph, all of the following:

2 (A) The costs of renewable energy credits purchased under this
3 act.

4 (B) The costs of contracts described in former section 33(1).

5 **(C) The financial compensation mechanism for all renewable**
6 **energy contracts established under section 28(8).**

7 (vi) Expenses incurred as a result of state or federal
8 governmental actions related to renewable energy systems ~~or~~
9 ~~advanced cleaner energy systems~~ attributable to the renewable
10 energy standards, including changes in tax or other law.

11 (vii) Any additional electric provider costs determined by the
12 commission to be necessarily incurred to ensure the quality and
13 reliability of renewable energy ~~or advanced cleaner energy~~ used to
14 meet the renewable energy standards.

15 (b) Subtract from the sum of costs not already included in
16 electric rates determined under subdivision (a) the sum of the
17 following revenues:

18 (i) Revenue derived from the sale of environmental attributes
19 associated with the generation of renewable energy ~~or advanced~~
20 ~~cleaner energy systems~~ attributable to the renewable energy
21 standards. Such revenue shall not be considered in determining
22 power supply cost recovery factors under section 6j of 1939 PA 3,
23 MCL 460.6j.

24 (ii) Interest on regulatory liabilities.

25 (iii) Tax credits specifically designed to promote renewable
26 energy. ~~or advanced cleaner energy.~~

27 (iv) Revenue derived from the provision of renewable energy ~~or~~
28 ~~advanced cleaner energy~~ to retail electric customers subject to a
29 power supply cost recovery clause under section 6j of 1939 PA 3,

1 MCL 460.6j, of an electric provider whose rates are regulated by
2 the commission. After providing an opportunity for a contested case
3 hearing for an electric provider whose rates are regulated by the
4 commission, the commission shall annually establish a price per
5 megawatt hour. An electric provider whose rates are regulated by
6 the commission may at any time petition the commission to revise
7 the price. In setting the price per megawatt hour under this
8 subparagraph, the commission shall consider factors, including, but
9 not limited to, projected capacity, energy, maintenance, and
10 operating costs; information filed under section 6j of 1939 PA 3,
11 MCL 460.6j; and information from wholesale markets, including, but
12 not limited to, locational marginal pricing. This price shall be
13 multiplied by the sum of the number of megawatt hours of renewable
14 energy ~~and the number of megawatt hours of advanced cleaner energy~~
15 used to maintain compliance with the renewable energy standard. The
16 product shall be considered a booked cost of purchased and net
17 interchanged power transactions under section 6j of 1939 PA 3, MCL
18 460.6j. For energy purchased by such an electric provider under a
19 renewable energy contract, ~~or advanced cleaner energy contract,~~ the
20 price shall be the lower of the amount established by the
21 commission or the actual price paid and shall be multiplied by the
22 number of megawatt hours of renewable energy ~~or advanced cleaner~~
23 ~~energy~~ purchased. The resulting value shall be considered a booked
24 cost of purchased and net interchanged power under section 6j of
25 1939 PA 3, MCL 460.6j.

26 (v) Revenue from wholesale renewable energy sales. ~~and~~
27 ~~advanced cleaner energy sales.~~ Such revenue shall not be considered
28 in determining power supply cost recovery factors under section 6j
29 of 1939 PA 3, MCL 460.6j.

1 (vi) Any additional electric provider revenue considered by the
2 commission to be attributable to the renewable energy standards.

3 (vii) Any revenues recovered in rates for renewable energy
4 costs that are included under subdivision (a).

5 (3) The commission shall authorize an electric provider whose
6 rates are regulated by the commission to spend in any given month
7 more to comply with this act and implement an ~~approved~~**amended**
8 renewable energy plan than the revenue actually generated by the
9 revenue recovery mechanism. An electric provider whose rates are
10 regulated by the commission shall recover its commission approved
11 pre-tax rate of return on regulatory assets during the appropriate
12 period. An electric provider whose rates are regulated by the
13 commission shall record interest on regulatory liabilities at the
14 average short-term borrowing rate available to the electric
15 provider during the appropriate period. Any regulatory assets or
16 liabilities resulting from the recovery of costs of renewable
17 energy ~~or advanced cleaner energy~~ attributable to renewable energy
18 standards through the power supply cost recovery clause under
19 section 6j of 1939 PA 3, MCL 460.6j, shall continue to be
20 reconciled under that section.

21 **(4) The incremental costs of compliance as that term is used**
22 **in section 61 shall be calculated as provided in this section.**

23 ~~(4) If an electric provider's incremental costs of compliance~~
24 ~~in any given month during the 20-year period beginning when the~~
25 ~~electric provider's plan is approved by the commission are in~~
26 ~~excess of the revenue recovery mechanism as adjusted under section~~
27 ~~49 and in excess of the balance of any accumulated reserve funds,~~
28 ~~subject to the minimum balance established under section 49, the~~
29 ~~electric provider shall immediately notify the commission. The~~

~~1 commission shall promptly commence a contested case hearing
2 pursuant to the administrative procedures act of 1969, 1969 PA 306,
3 MCL 24.201 to 24.328, and modify the revenue recovery mechanism so
4 that the minimum balance is restored. However, if the commission
5 determines that recovery of the incremental costs of compliance
6 would otherwise exceed the maximum retail rate impacts specified
7 under section 45, it shall set the revenue recovery mechanism for
8 that electric provider to correspond to the maximum retail rate
9 impacts. Excess costs shall be accrued and deferred for recovery.
10 Not later than the expiration of the 20-year period beginning when
11 the electric provider's plan is approved by the commission, for an
12 electric provider whose rates are regulated by the commission, the
13 commission shall determine the amount of deferred costs to be
14 recovered under the revenue recovery mechanism and the recovery
15 period, which shall not extend more than 5 years beyond the
16 expiration of the 20-year period beginning when the electric
17 provider's plan is approved by the commission. The recovery of
18 excess costs shall be proportional to the retail rate impact limits
19 in section 45 for each customer class. The recovery of excess costs
20 alone, or, if begun before the expiration of the 20-year period, in
21 combination with the recovery of incremental costs of compliance
22 under the revenue recovery mechanism, shall not exceed the retail
23 rate impact limits of section 45 for each customer class.~~

~~24 (5) If, at the expiration of the 20-year period beginning when
25 the electric provider's plan is approved by the commission, an
26 electric provider whose rates are regulated by the commission has a
27 regulatory liability, the refund to customer classes shall be
28 proportional to the amounts paid by those customer classes under
29 the revenue recovery mechanism.~~

1 ~~(6) After achieving compliance with the renewable energy~~
2 ~~standard for 2015, the actual costs reasonably and prudently~~
3 ~~incurred to continue to comply with this subpart both during and~~
4 ~~after the conclusion of the 20-year period beginning when the~~
5 ~~electric provider's plan is approved by the commission shall be~~
6 ~~considered costs of service. The commission shall determine a~~
7 ~~mechanism for an electric provider whose rates are regulated by the~~
8 ~~commission to recover these costs in its retail electric rates,~~
9 ~~subject to the retail rate impact limits in section 45. Remaining~~
10 ~~and future regulatory assets shall be recovered consistent with~~
11 ~~subsections (3) and (4) and section 49.~~

12 ~~(7) As used in this section:~~

13 ~~(a) "Advanced cleaner energy" means electricity generated~~
14 ~~using an advanced cleaner energy system.~~

15 ~~(b) "Advanced cleaner energy system" means any of the~~
16 ~~following:~~

17 ~~(i) A gasification facility.~~

18 ~~(ii) A cogeneration facility.~~

19 ~~(iii) A coal-fired electric generating facility if 85% or more~~
20 ~~of the carbon dioxide emissions are captured and permanently~~
21 ~~geologically sequestered or used for other commercial or industrial~~
22 ~~purposes that do not result in release of carbon dioxide to the~~
23 ~~atmosphere.~~

24 ~~(iv) A hydroelectric pumped storage facility.~~

25 ~~(v) An electric generating facility or system that uses~~
26 ~~technologies not in commercial operation on October 6, 2008 and~~
27 ~~that the commission determines has carbon dioxide emissions~~
28 ~~benefits or will significantly reduce other regulated air~~
29 ~~emissions.~~

1 Sec. 49. (1) This section applies only to an electric provider
2 whose rates are regulated by the commission **and that has recorded a**
3 **regulatory asset or regulatory liability under this subpart for the**
4 **last 12 months.** The commission shall commence an annual proceeding,
5 to be known as a renewable cost reconciliation, for each electric
6 provider whose rates are regulated by the commission. The renewable
7 cost reconciliation proceeding shall be conducted as a contested
8 case pursuant to the administrative procedures act of 1969, 1969 PA
9 306, MCL 24.201 to 24.328. Reasonable discovery shall be permitted
10 before and during the reconciliation proceeding to assist in
11 obtaining evidence concerning reconciliation issues, including, but
12 not limited to, the reasonableness and prudence of expenditures and
13 the amounts collected pursuant to the revenue recovery mechanism.

14 (2) At the renewable cost reconciliation, an electric provider
15 may propose any necessary modifications of the revenue recovery
16 mechanism to ensure the electric provider's recovery of its
17 incremental cost of compliance with the renewable energy standards.

18 (3) The commission shall reconcile the pertinent revenues
19 recorded and the allowance for the ~~nonvolumetric~~ revenue recovery
20 mechanism with the amounts actually expensed and projected
21 according to the electric provider's **amended** renewable energy plan.
22 The commission shall consider any issue regarding the
23 reasonableness and prudence of expenses for which customers were
24 charged in the relevant reconciliation period. In its order, the
25 commission shall do all of the following:

26 (a) Make a determination of an electric provider's compliance
27 with the renewable energy standards.

28 (b) Adjust the revenue recovery mechanism for the incremental
29 costs of compliance. ~~The commission shall ensure that the retail~~

1 ~~rate impacts under this renewable cost reconciliation revenue~~
2 ~~recovery mechanism do not exceed the maximum retail rate impacts~~
3 ~~specified under section 45. The commission shall ensure that the~~
4 ~~recovery mechanism is projected to maintain a minimum balance of~~
5 ~~accumulated reserve so that a regulatory asset does not accrue.~~**Any**
6 **regulatory asset or regulatory liability accrued during the**
7 **reconciliation period shall be used to adjust the revenue recovery**
8 **mechanism and reflected in the incremental cost of compliance for**
9 **the following calendar year.**

10 (c) Establish the price per megawatt hour for renewable energy
11 ~~and advanced cleaner energy capacity and for renewable energy and~~
12 ~~advanced cleaner energy to be recovered through the power supply~~
13 ~~cost recovery clause under section 6j of 1939 PA 3, MCL 460.6j, as~~
14 ~~outlined in section 47(2) (b) (iv) .~~

15 ~~(d) Adjust, if needed, the minimum balance of accumulated~~
16 ~~reserve funds described in subdivision (b).~~

17 ~~(4) If an electric provider has recorded a regulatory~~
18 ~~liability in any given month during the 20-year period beginning~~
19 ~~when the electric provider's renewable energy plan was approved by~~
20 ~~the commission, interest on the regulatory liability balance shall~~
21 ~~be accrued at the average short term borrowing rate available to~~
22 ~~the electric provider during the appropriate period, and shall be~~
23 ~~used to fund incremental costs of compliance incurred in subsequent~~
24 ~~periods within the 20-year period beginning when the electric~~
25 ~~provider's plan was approved by the commission.~~

26 ~~(5) As used in this section, "advanced cleaner energy" means~~
27 ~~that term as defined in section 47.~~

28 **(4) In its order in a renewable energy cost reconciliation,**
29 **the commission shall require an electric provider to adjust the**

1 revenue recovery mechanism by any difference between the net amount
2 determined to have been recovered and the net amount needed to
3 recover the electric provider's incremental cost of compliance.

4 (5) The commission shall determine the appropriate charges for
5 an electric provider's tariffs that permit recovery of the cost of
6 compliance and issue a final order in a renewable energy
7 reconciliation proceeding within 270 days from the date an
8 application is filed by an electric provider.

9 Sec. 51. (1) As a clean energy standard, an electric provider
10 shall achieve a clean energy portfolio of at least the following:

11 (a) In 2035 through 2039, 80%.

12 (b) In 2040 and each year thereafter, 100%.

13 (2) All of the following apply to an electric provider whose
14 rates are regulated by the commission:

15 (a) The electric provider shall submit a plan to comply with
16 the clean energy standard as part of that electric provider's
17 integrated resource plans filed under section 6t of 1939 PA 3, MCL
18 460.6t. The costs of compliance with the clean energy standard are
19 a cost of service and may be recovered as provided by 1939 PA 3,
20 MCL 460.1 to 460.11.

21 (b) The commission may, upon a showing of good cause based on
22 a factor listed in section 32(2), grant the electric provider an
23 extension of a clean energy standard deadline. Each extension shall
24 not exceed 2 years. An extension of a deadline does not affect a
25 subsequent deadline. Upon granting an additional extension for a
26 particular clean energy standard deadline beyond the first 2
27 extensions, the commission shall notify the speaker of the house,
28 the majority leader of the senate, and the chairpersons of the
29 committees of the legislature having jurisdiction over energy

1 issues that it has granted an additional extension and the reasons
2 for the extension.

3 (c) The electric provider qualifies for a financial incentive
4 for a clean energy contract under section 28(8).

5 (3) All of the following apply to an alternative electric
6 supplier or a cooperative electric utility that has elected to
7 become member-regulated under the electric cooperative member-
8 regulation act, 2008 PA 167, MCL 460.31 to 460.39:

9 (a) An electric provider described in this subsection shall
10 file a proposed clean energy plan with the commission by January 1,
11 2028. The proposed clean energy plan shall meet all of the
12 following requirements:

13 (i) Describe how the electric provider will meet the clean
14 energy standard.

15 (ii) Specify whether the number of megawatt hours of
16 electricity used in the calculation of the clean energy portfolio
17 will be weather-normalized or based on the average number of
18 megawatt hours of electricity sold by the electric provider
19 annually during the previous 3 years to retail customers in this
20 state. Once the plan is approved by the commission, this option
21 shall not be changed.

22 (b) The commission shall provide an opportunity for public
23 comment on the proposed clean energy plan filed under subdivision
24 (a). After the opportunity for public comment and within 150 days
25 after the proposed clean energy plan is filed with the commission,
26 the commission shall approve, with any changes consented to by the
27 electric provider, or reject the clean energy plan.

28 (c) Every 4 years after initial approval of a clean energy
29 plan under subdivision (b), the commission shall review the clean

1 energy plan. The commission shall provide an opportunity for public
2 comment on the clean energy plan. After the opportunity for public
3 comment, the commission shall approve, with any changes consented
4 to by the electric provider described in this subsection, or reject
5 any proposed amendments to the clean energy plan.

6 (d) If an electric provider described in this subsection
7 proposes to amend its clean energy plan at a time other than during
8 the review process under subdivision (c), the electric provider
9 shall file the proposed amendment with the commission. The
10 commission shall provide an opportunity for public comment on the
11 amendment. After the opportunity for public comment and within 150
12 days after the amendment is filed, the commission shall approve,
13 with any changes consented to by the electric provider, or reject
14 the amendment.

15 (e) If the commission rejects a proposed clean energy plan or
16 amendment under this subsection, the commission shall explain in
17 writing the reasons for its determination.

18 (f) The commission may, upon a showing of good cause based on
19 a factor listed in section 32(2), grant an alternative electric
20 supplier an extension of a clean energy standard deadline. Each
21 extension shall not exceed 2 years. An extension of a deadline does
22 not affect a subsequent deadline. Upon granting an additional
23 extension for a particular clean energy standard deadline beyond
24 the first 2 extensions, the commission shall notify the speaker of
25 the house, the majority leader of the senate, and the chairpersons
26 of the committees of the legislature having jurisdiction over
27 energy issues that it has granted an additional extension and the
28 reasons for the extension.

29 (g) The governing board of a cooperative electric utility may,

1 upon a demonstration of good cause based on a factor listed in
2 section 32(2), grant an extension of a clean energy standard
3 deadline. Each extension shall not exceed 2 years. An extension of
4 a deadline does not affect a subsequent deadline. Upon granting an
5 additional extension for a particular clean energy standard
6 deadline beyond the first 2 extensions, the governing board of a
7 cooperative electric utility shall notify the commission that it
8 has granted an additional extension and the reasons for the
9 extension.

10 (4) All of the following apply to a municipally owned electric
11 utility:

12 (a) Each municipally owned electric utility shall file a
13 proposed clean energy plan with the commission by July 1, 2028. Two
14 or more municipally owned electric utilities may file jointly for
15 the purposes of compliance with the requirements of this
16 subsection. The proposed clean energy plan shall meet all of the
17 following requirements:

18 (i) Describe how the municipally owned electric utility or a
19 joint filing of municipally owned electric utilities will meet the
20 clean energy standard.

21 (ii) Specify whether the number of megawatt hours of
22 electricity used in the calculation of the clean energy portfolio
23 will be weather-normalized or based on the average number of
24 megawatt hours of electricity sold by the municipally owned
25 electric utility annually during the previous 3 years to retail
26 customers in this state. Once the commission determines that the
27 proposed plan complies with this act, this option shall not be
28 changed.

29 (b) Subject to subdivision (e), the commission shall provide

1 an opportunity for public comment on the proposed clean energy plan
2 filed under subdivision (a). After the applicable opportunity for
3 public comment and within 150 days after the proposed clean energy
4 plan is filed with the commission, the commission shall determine
5 whether the proposed clean energy plan complies with this act.

6 (c) Every 4 years after the commission initially determines
7 under subdivision (b) that a clean energy plan complies with this
8 act, the commission shall review the clean energy plan. Subject to
9 subdivision (e), the commission shall provide an opportunity for
10 public comment on the clean energy plan. After the opportunity for
11 public comment, the commission shall determine whether any
12 amendment to the clean energy plan proposed by the municipally
13 owned electric utility complies with this act. The proposed
14 amendment is adopted if the commission determines that it complies
15 with this act.

16 (d) If a municipally owned electric utility proposes to amend
17 its clean energy plan at a time other than during the review
18 process under subdivision (c), the municipally owned electric
19 utility shall file the proposed amendment with the commission.
20 Subject to subdivision (e), the commission shall provide an
21 opportunity for public comment on the amendment. After the
22 applicable opportunity for public comment and within 150 days after
23 the amendment is filed, the commission shall determine whether the
24 proposed amendment to the clean energy plan complies with this act.
25 The proposed amendment is adopted if the commission determines that
26 it complies with this act.

27 (e) The commission need not provide an opportunity for public
28 comment under subdivision (b), (c), or (d) if the governing body of
29 the municipally owned electric utility has already provided an

1 opportunity for public comment and filed the comments with the
2 commission.

3 (f) If the commission determines that a proposed clean energy
4 plan or amendment under this subsection does not comply with this
5 act, the commission shall explain in writing the reasons for its
6 determination.

7 (g) The governing board of a municipally owned electric
8 utility may, upon a demonstration of good cause based on a factor
9 listed in section 32(2), grant an extension of a clean energy
10 standard deadline. Each extension shall not exceed 2 years. An
11 extension of a deadline does not affect a subsequent deadline. Upon
12 granting an additional extension for a particular clean energy
13 standard deadline beyond the first 2 extensions, the governing
14 board of a municipally owned electric utility shall notify the
15 commission that it has granted an additional extension and the
16 reasons for the extension.

17 (5) By December 1, 2024, the commission shall deliver to the
18 governor, the senate majority leader, the senate minority leader,
19 the speaker of the house of representatives, the minority leader of
20 the house of representatives, and the chairpersons of the senate
21 and house of representatives standing committees with primary
22 responsibility for energy issues a written report detailing all of
23 the following:

24 (a) The unique conditions influencing electric generation,
25 transmission, and demand in the Upper Peninsula.

26 (b) The unique role of the reciprocating internal combustion
27 units placed in service to facilitate the retirement of coal-fired
28 generation located in the Upper Peninsula after the regional
29 transmission organization imposed system support resource charges.

1 (c) Changes in electric demand, including changes from mining-
2 related economic development projects, that may influence the
3 utilization of the reciprocating internal combustion units
4 described in subdivision (b).

5 (d) Options to reduce the carbon intensity of the existing
6 reciprocating internal combustion units described in subdivision
7 (c), with particular focus on how the unique geological conditions
8 within the Upper Peninsula influence the feasibility of deploying
9 clean energy systems.

10 (e) Any other information the commission determines may be
11 relevant to the development of strategies to satisfy the clean
12 energy standard for an electric provider whose rates are regulated
13 by the commission and that owns and operates reciprocating internal
14 commission engine units in the Upper Peninsula.

15 Sec. 53. The attorney general or any customer of a municipally
16 owned electric utility or a cooperative electric utility that is
17 member-regulated under the electric cooperative member-regulation
18 act, 2008 PA 167, MCL 460.31 to 460.39, may commence a civil action
19 for injunctive relief against that municipally owned electric
20 utility or cooperative electric utility if the municipally owned
21 electric utility or cooperative electric utility fails to meet the
22 applicable requirements of this subpart or an order issued or rule
23 promulgated under this subpart. The attorney general or customer
24 shall commence an action under this section in the circuit court
25 for the circuit in which the principal office of the municipally
26 owned electric utility or cooperative electric utility is located.
27 The attorney general or customer shall not file an action under
28 this section unless the attorney general or customer has given the
29 municipally owned electric utility or cooperative electric utility

1 at least 60 days' written notice of the intent to sue, the basis
2 for the suit, and the relief sought. Within 30 days after the
3 municipally owned electric utility or cooperative electric utility
4 receives written notice of the intent to sue, the municipally owned
5 electric utility or cooperative electric utility and the attorney
6 general or customer shall meet and make a good-faith attempt to
7 determine if there is a credible basis for the action. The
8 municipally owned electric utility or cooperative electric utility
9 shall take all reasonable and prudent steps necessary to comply
10 with the applicable requirements of this subpart or an order issued
11 or rule promulgated under this subpart within 90 days after the
12 meeting if there is a credible basis for the action. If the parties
13 do not agree as to whether there is a credible basis for the
14 action, the attorney general or customer may proceed to file the
15 suit. When making a determination of whether a credible basis for
16 the action exists, the attorney general or customer shall consider
17 the factors listed in section 32(2).

18 Sec. 101. (1) By December 31, 2029, each electric provider
19 whose rates are regulated by the commission shall petition the
20 commission for any necessary approvals, and each alternative
21 electric supplier shall submit a plan to the commission, to
22 construct or acquire eligible energy storage systems or enter into
23 eligible energy storage contracts to meet its share of a statewide
24 energy storage target of a combined capacity of at least 2,500
25 megawatts. An electric provider's share of the statewide energy
26 storage target shall be apportioned based on the electric
27 provider's annual average contribution to in-state retail electric
28 peak load for the 5-year period immediately preceding the filing of
29 the electric provider's plan under this subsection.

1 (2) An electric provider whose rates are regulated by the
2 commission shall demonstrate compliance with its plan under
3 subsection (1) as part of the electric provider's integrated
4 resource plan filed under section 6t of 1939 PA 3, MCL 460.6t. An
5 alternative electric supplier shall demonstrate compliance with its
6 plan under subsection (1) in the demonstration required under
7 section 6w(8)(b) of 1939 PA 3, MCL 460.6w.

8 (3) An alternative electric supplier may contract with an
9 electric provider whose rates are regulated by the commission to
10 construct the eligible energy storage systems necessary to fulfil
11 the alternative electric supplier's portion of the statewide energy
12 storage target that is attributable to the alternative electric
13 supplier's load within the service territory of the electric
14 provider whose rates are regulated by the commission. An eligible
15 energy storage contract under this subsection shall be filed with
16 the commission. The contract prices may not exceed the cost plus
17 the applicable rate of return for the electric provider whose rates
18 are regulated by the commission.

19 (4) An electric provider whose rates are regulated by the
20 commission shall submit to the commission for review and approval
21 eligible energy storage contracts entered into to meet its share of
22 the statewide storage target under subsection (1). If the
23 commission approves an eligible energy storage contract, the
24 commission shall authorize the electric provider to recover the
25 costs of the contract in the electric provider's base rates. An
26 electric provider whose rates are regulated by the commission shall
27 conduct a competitive bidding process before entering an eligible
28 energy storage contract to meet its share of the statewide target
29 under subsection (1).

1 (5) An electric provider whose rates are regulated by the
2 commission qualifies for a financial incentive under section 28(8)
3 for an eligible energy storage contract.

4 (6) This act does not limit the amount of energy storage
5 capacity an electric provider may procure.

6 (7) Within 1 year after the effective date of the amendatory
7 act that added this section, the commission shall complete a study
8 on long-term energy storage systems and multiday energy storage
9 systems.

10 (8) For purposes of this subsection, an energy storage system
11 must have been placed in service on or after the effective date of
12 the amendatory act that added this section.

13 (9) As used in this section:

14 (a) "Eligible energy storage contract" means a contract to
15 construct, acquire, or use the services of an eligible energy
16 storage system.

17 (b) "Eligible energy storage system" means an energy storage
18 system that is located within the local resource zone or the
19 locational deliverability area, as defined by the appropriate
20 independent system operator or regional transmission organization,
21 in which the electric provider is subject to capacity demonstration
22 obligations pursuant to section 6w(8)(b) of 1939 PA 3, MCL 460.6w.

23 Sec. 103. By December 31, 2024, and each year thereafter, an
24 electric provider whose rates are regulated by the commission shall
25 submit a report to the commission documenting the centralized and
26 distributed electricity storage systems in its service territory.

27 Sec. 173. (1) The commission shall establish a distributed
28 generation program by order issued ~~not later than 90 days after the~~
29 ~~effective date of the 2016 act that amended this section.~~ **by July**

1 **19, 2017.** The commission may promulgate rules the commission
2 considers necessary to implement this program. Any rules adopted
3 regarding time limits for approval of parallel operation ~~shall~~**must**
4 recognize **grid** reliability and safety complications including those
5 arising from equipment saturation, use of multiple technologies,
6 and proximity to synchronous motor loads. The program ~~shall~~**must**
7 apply to all electric utilities whose rates are regulated by the
8 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 program ~~shall be designed for a period of~~
14 ~~not less than 10 years and~~**must** limit each customer to generation
15 capacity designed to meet up to ~~100%~~**110%** of the customer's
16 electricity consumption for the previous 12 months. The commission
17 may waive the application, interconnection, and installation
18 requirements of this part for customers participating in the net
19 metering program under the commission's March 29, 2005 order in
20 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%~~**10%** of its average in-state peak load for the
24 preceding 5 calendar years. The electric utility or alternative
25 electric supplier shall notify the commission if its distributed
26 generation program reaches the ~~1%~~**10%** limit under this subsection.
27 The ~~1%~~**10%** limit under this subsection shall be allocated as
28 follows:

29 (a) ~~No more~~**Not less** than ~~0.5%~~**50%** for customers with an

1 eligible electric generator capable of generating 20 kilowatts or
2 less.

3 (b) ~~No more than 0.25%~~ **Not more than 50%** for customers with an
4 eligible electric generator capable of generating more than 20
5 kilowatts but not more than ~~150~~ **550** kilowatts.

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

8 (4) Selection of customers for participation in the
9 distributed generation program ~~shall~~ **must** be based on the order in
10 which the applications for participation in the program are
11 received by the electric utility or alternative electric supplier.

12 (5) An electric utility or alternative electric supplier shall
13 not discontinue or refuse to provide electric service to a customer
14 solely because the customer participates in the distributed
15 generation program. **An electric utility or alternative electric**
16 **supplier shall not limit the rate schedule under which a customer**
17 **is served solely because the customer participates in the**
18 **distributed generation program.**

19 (6) The distributed generation program created under
20 subsection (1) ~~shall~~ **must** include all of the following:

21 (a) Statewide uniform interconnection requirements for all
22 eligible electric generators. The interconnection requirements
23 ~~shall~~ **must** be designed to protect electric utility workers and
24 equipment and the general public.

25 (b) Distributed generation equipment and its installation
26 shall meet all current local and state electric and construction
27 code requirements. Any equipment that is certified by a nationally
28 recognized testing laboratory to IEEE ~~1547.1~~ **1547.1-2020** testing
29 standards and in compliance with UL 1741 scope 1.1A ~~, effective May~~

1 ~~7, 2007,~~ and installed in compliance with this part is considered
2 to be compliant. **The commission may adopt successor requirements by**
3 **promulgating rules under the administrative procedures act of 1969,**
4 **1969 PA 306, MCL 24.201 to 24.328, if the commission determines the**
5 **successor requirements are reasonable and consistent with the**
6 **purposes of this subdivision.** Within the time provided by the
7 commission in rules promulgated under subsection (1) and consistent
8 with good utility practice, and the protection of electric utility
9 workers, electric utility equipment, and the general public, an
10 electric utility may study, confirm, and ensure that an eligible
11 electric generator installation at the customer's site meets the
12 IEEE ~~1547 anti-islanding~~ **1547.1-2020** requirements or any applicable
13 successor ~~anti-islanding~~ requirements ~~determined~~ **adopted** by the
14 commission. ~~to be reasonable and consistent with the purposes of~~
15 ~~this subdivision.~~ If necessary to promote **grid** reliability or
16 safety, the commission may promulgate rules that require the use of
17 inverters that perform specific automated grid-balancing functions
18 to integrate distributed generation onto the electric grid.
19 Inverters that interconnect distributed generation resources may be
20 owned and operated by electric utilities. Both of the following
21 must be completed before the equipment is operated in parallel with
22 the distribution system of the utility:

23 (i) Utility testing and approval of the interconnection,
24 including all metering.

25 (ii) Execution of a parallel operating agreement.

26 (c) A uniform application form and process to be used by all
27 electric utilities and alternative electric suppliers in this
28 state. Customers who are served by an alternative electric supplier
29 shall submit a copy of the application to the electric utility for

1 the customer's service area.

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

4 ~~(e) Distributed generation customers with a system capable of~~
5 ~~generating more than 20 kilowatts qualify for modified net~~
6 ~~metering.~~ **shall pay the retail rates for electricity inflow under**
7 **the rate schedule under which the customer is served.**

8 (7) **Distributed generation customers shall receive a monthly**
9 **bill credit for outflow as determined by the commission. Credits**
10 **for outflow must reflect cost of service.**

11 (8) ~~(7)~~ Each electric utility and alternative electric
12 supplier shall maintain records of all applications and up-to-date
13 records of all active eligible electric generators located within
14 their service area.

15 Sec. 177. (1) ~~Electric meters shall~~ **An electric meter provided**
16 **by a utility must** be used to determine the amount of the customer's
17 ~~energy use~~ **inflow and outflow electricity** in each ~~billing~~ **pricing**
18 period. ~~, net of any excess energy the customer's generator~~
19 ~~delivers to the utility distribution system during that same~~
20 ~~billing period. For a customer with a generation system capable of~~
21 ~~generating more than 20 kilowatts, the utility shall install and~~
22 ~~utilize a generation meter and a meter or meters capable of~~
23 ~~measuring the flow of energy in both directions. A customer with a~~
24 ~~system capable of generating more than 150 kilowatts shall pay the~~
25 ~~costs of installing any new meters.~~

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

1 ~~(3) An electric utility serving fewer than 1,000,000 customers~~
 2 ~~in this state shall provide a meter or meters described in~~
 3 ~~subsection (2) to customers participating in the distributed~~
 4 ~~generation program at cost. Only the incremental cost above that~~
 5 ~~for meters provided by the electric utility to similarly situated~~
 6 ~~nongenerating customers shall be paid by the eligible customer.~~

7 ~~(4) If the quantity of electricity generated and delivered to~~
 8 ~~the utility distribution system by an eligible electric generator~~
 9 ~~during a billing period exceeds the quantity of electricity~~
 10 ~~supplied from the electric utility or alternative electric supplier~~
 11 ~~during the billing period, the eligible~~ **Eligible customers shall**
 12 **pay only the incremental cost above that for meters provided by the**
 13 **electric utility to similarly situated, nongenerating customers.**

14 **(2) A distributed generation** customer shall be credited by
 15 ~~their~~ **the customer's** supplier of electric generation service for
 16 the ~~excess kilowatt hours generated~~ **outflow** during the billing
 17 period. The credit shall ~~shall~~ **must** appear on the bill for the following
 18 billing period and shall be limited to the total ~~power supply~~
 19 charges on that bill. Any excess kilowatt hours ~~bill credits~~ **bill credits** not
 20 used to offset ~~electric generation~~ **inflow** charges in the next
 21 billing period will be carried forward to subsequent billing
 22 periods. ~~Notwithstanding any law or regulation, distributed~~
 23 ~~generation customers shall not receive credits for electric utility~~
 24 ~~transmission or distribution charges. The credit per kilowatt hour~~
 25 ~~for kilowatt hours delivered into the utility's distribution system~~
 26 shall be either of the following:

27 ~~(a) The monthly average real-time locational marginal price~~
 28 ~~for energy at the commercial pricing node within the electric~~
 29 ~~utility's distribution service territory, or for distributed~~

1 ~~generation customers on a time-based rate schedule, the monthly~~
 2 ~~average real-time locational marginal price for energy at the~~
 3 ~~commercial pricing node within the electric utility's distribution~~
 4 ~~service territory during the time-of-use pricing period.~~

5 ~~(b) The electric utility's or alternative electric supplier's~~
 6 ~~power supply component, excluding transmission charges, of the full~~
 7 ~~retail rate during the billing period or time-of-use pricing~~
 8 ~~period.~~

9 ~~(5) A charge for net metering and distributed generation~~
 10 ~~customers established pursuant to section 6a of 1939 PA 3, MCL~~
 11 ~~460.6a, shall not be reduced by any credit or other ratemaking~~
 12 ~~mechanism for distributed generation under this section.~~

13 ~~Sec. 191. (1) Within 60 days after the effective date of this~~
 14 ~~act, the commission shall issue a temporary order implementing this~~
 15 ~~act, including, but not limited to, all of the following:~~

16 ~~(a) Formats of renewable energy plans for various categories~~
 17 ~~of electric providers.~~

18 ~~(b) Guidelines for requests for proposals under this act.~~

19 ~~(2) Within 1 year after the effective date of this act, the~~
 20 ~~commission shall promulgate rules to~~ **Subject to subsection (2), to**
 21 **implement this act, the commission shall issue orders or promulgate**
 22 **rules** pursuant to the administrative procedures act of 1969, 1969
 23 PA 306, MCL 24.201 to 24.328. ~~Upon promulgation of the rules, the~~
 24 ~~order under subsection (1) is rescinded.~~

25 **(2) By January 1, 2026, the commission shall issue an order**
 26 **providing formats and guidelines for an electric provider to submit**
 27 **a clean energy plan pursuant to section 51.**

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