

PA 295 Update

Presented by

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Michigan Public Service Commission

June 9, 2009

Key Energy Acts of 2008

- **PA 295**
RPS, Energy Optimization Plans, State Government Efficiency & Conservation, Wind Resource Zones, Net Metering
- **PA 287**
Tax credits for various home improvements
- **PA 286**
Amendment to 2000 PA 141: Michigan Customer Choice & Electricity Reliability Act

PA 295

Clean, Renewable, and Efficient Energy Act

- Part 1: General Provisions
 - Sections 3, 5, 7, 9, 11, 13 definitions
- Part 2: Energy Standards
 - Subpart A: Renewable Energy
 - Subpart B: Energy Optimization
- Part 3: State Government Energy Efficiency and Conservation
- Part 4: Wind Energy Resource Zones
- Part 5: Net Metering

PA 295 Part 2 Subpart A (RPS)

- RPS of 10% by 2015 for all Michigan electricity suppliers
- Provider plans filed 90 days after temporary Commission order
- Interim targets
- Capacity targets for large providers

Utilities with >1,000,000 Customers

- Consumers:
 - 200 MW renewable energy capacity portfolio by 2013
 - 500 MW by 2015
- Edison:
 - 300 MW renewable energy capacity portfolio by 2013
 - 600 MW by 2015
- Ownership limits – no more than 50% owned

MPSC Rules Promulgation

- December 4, 2008 the Commission issued a temporary order implementing this act.
 - Formats of renewable energy plans and energy optimization plans
 - Guidelines for utility requests for proposals for new renewable energy
 - U15800
- Within 1 year, the Commission shall promulgate permanent rules.

What counts towards RPS?

- Generation from “renewable energy systems”
- Includes pre-existing capacity
 - plus new power purchase agreement contracts
 - plus new facilities owned by the utility
- RECs with or without associated energy
- Special details for biomass cofiring and pre-existing PURPA facilities

What counts towards RPS? (2)

- Energy optimization credits, advanced cleaner energy credits, if “substitution” is approved by the Commission.
 - Commission approval not needed for substituting “industrial cogeneration”
 - Substitution approval by Commission requires determination of cost-effectiveness plus CO2 emissions benefits
 - ACECs shall not be used to meet more than 10% of the standard
 - Credits for energy optimization, plasma arc gasification, & industrial cogeneration substituted 1 to 1; for other Advanced Cleaner Energy Credits substituted 10 ACEC = 1 REC

Special Provisions for RECs

- Special treatment for pre-existing PURPA facilities; 4 RECs to utility, 1 REC to QF owner
- Not for preexisting waste-to-energy projects
- Not for MWh sold in Green Pricing programs
- RECs expire in maximum 3-years
- RECs can be “back-dated” by up to 120 days to meet a previous year’s RPS

Special “Michigan Incentive” RECs

- **2 REC** for each MWh of solar generation.
- **1/5 REC** for each MWh of non-wind generation available on-peak.
- **1/5 REC** for each MWh of renewable generation stored & then used on-peak (from advanced energy storage, pumped hydro).
- **1/10 REC** for each MWh of generation from Michigan-made equipment, and for generation constructed by a Michigan workforce, for the first 3 years of production.-*-*

RPS Cost Recovery

- Incremental costs of renewables will be levelized & collected over 20-years.
 - Avoided costs of new conventional coal plant will be considered
- Charges: Not more than:
 - Residential \$3/month
 - Commercial \$16.58/month
 - Industrial \$187.50/month
- Both RPS and Energy Optimization Charges, and Energy Optimization Savings, will be itemized on residential bills.

Circuit Breakers and Off-Ramps

- Time extensions to meet RPS (up to two years); good faith efforts; good cause; cost; siting, zoning, permitting.
- Penalties for not meeting the RPS requirements.

Energy Optimization Plans

- Overall goal is to reduce future cost of service for both gas and electric suppliers.
- Delay need for constructing new power plants.
- All energy optimization programs, collectively, shall be cost effective using the standardized Utility Cost Test.
- Utilities can earn a financial incentive.

Energy Optimization Plan Goals

- Electric providers:
 - 2008-2009 0.3% of 2007 sales
 - 2010 0.5% of 2009 sales
 - 2011 0.75% of 2010 sales
 - 2012 and thereafter 1.0% of sales the preceding year

Energy Optimization Plan Goals

- Gas providers:
 - 2008-2009 0.1% of 2007 load
 - 2010 0.25% 2009 load
 - 2011 0.5% 2010 load
 - 2012 and thereafter 0.75% of the preceding year

EO Spending Caps

- 2009, 0.75% of total retail sales revenues for 2007
- 2010, 1.0% of total retail sales revenues for 2008
- 2011, 1.5% of total retail sales revenues for 2009
- 2012 and each year thereafter, 2.0% of total retail sales revenues for the 2 years preceding
- Without specific approval from the Commission

The Commission's December 4th Order identified 92 providers required to file under PA 295

- 26 Alternative Energy Suppliers
- 41 Municipal Electric Providers
- 10 Cooperatives
- 9 Investor Owned Electric Providers
- 6 Investor Owned Gas Providers

PA 295 Filings

- Of the 26 AESs required to file, most filed an acceptable response in their docket and the Commission issued an order approving their plan.
- The remainder requested that their license be terminated.

PA 295 Filings

- Of the 41 Municipals required to file by the December 4th order, 40 have filed plans for meeting their requirements.
- My staff is working with the one hold out to get a plan filed.
- Review and approval of the Municipal plans continues.

PA 295 Filings

- The 10 Cooperatives all filed plans meeting the requirements of the act and the resulting settlement agreements were approved by the Commission.
- One cooperative chose to use the state administered EO plan.

PA 295 Filings

- All 9 of the IOU Electric Providers filed plans in their respective dockets seeking approval for their Renewable Energy plans.
- Two providers filed EO plans and the remainder choose the state administered plan.
- The Commission has either approved a settlement agreement or issued an order in each docket.

PA 295 Filings

- Two of the six IOU Natural Gas Providers filed seeking approval for a Energy Efficiency plan.
- The remaining four notified the Commission they intend to use the state administered provider.

PA 295 Filings

- Only Consumers and Detroit Edison had significant intervention by outside parties requiring a contested hearing and a resulting Commission Order.

DTE EO Plan

- Proposed a total 31- month EO expenditure of \$127 million (NPV) which is expected to result in lifetime energy savings of 6,633 GWh. This roughly equals \$0.019/kWh.
- Approved 6/2/2009

DTE RPS

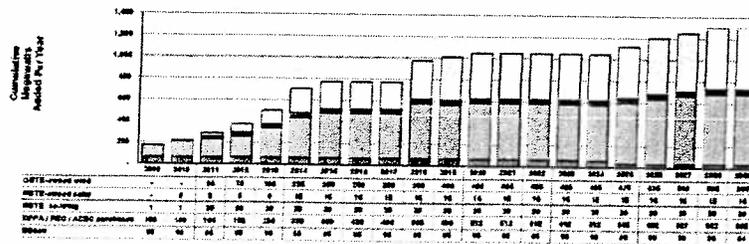
- By 2015, 10% of retail sales will be derived from a combination of renewable energy sources and advanced cleaner energy (ACE) as defined by the legislation.
- By 2029, Edison will have 1,295 MW of renewable/ACE generating capacity.
- Edison will own roughly 49% of this capacity with the remaining 51% to be owned by 3rd parties and purchased through power purchase agreements.
- Approved 6/2/2009

Edison's Renewable Energy Portfolio

Michigan Public Service Commission
The Central Edison Company
Renewable Energy Plan Overview

Case No. 03-0000-RPS
Exhibit No. 01-0000-01
Witness: J. B. Conway
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Detroit Edison Renewable Energy Plan to 2030



Line#	Year	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	
1	REC/ACE/PPA	2000	2000	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
2	DTE owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	PPA/REC/ACE purchases	0	0	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
4	Total (Wind + Solar)	0	0	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
5	DTE owned																							
6	PPA/REC/ACE purchases																							

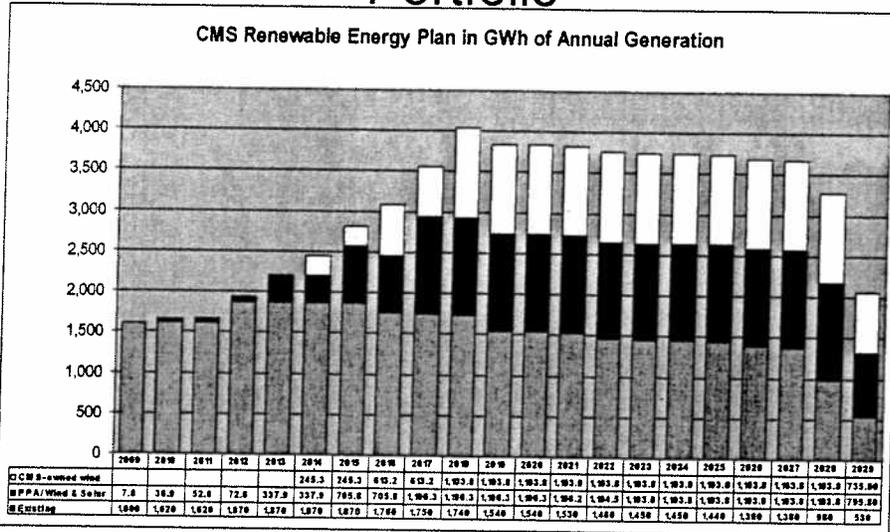
Consumers Energy's EO Plan

- Proposed a 6 year EO expenditure of \$508 million which is expected to result in annual electric energy savings of 1,611 GWh and annual natural gas savings of 8,870 MMCF.
- The plan was approved May 26, 2009.

CE RPS Plan

- By 2015, 10% of retail sales will be derived from a combination of renewable energy sources and advanced cleaner energy (ACE) as defined by the legislation.
- By 2029, CMS's generation portfolio will include 912 MW of new renewable/ACE generation capacity.
- CMS will own roughly 49% of this capacity with the remaining 51% to be owned by 3rd parties and purchased through either power purchase agreements.
- The plan was approved May 26, 2009.

Consumers' Renewable Energy Portfolio



Current Status

- Negotiating a contract with the State Administered Provider for EO.
- Negotiating a contract with the REC's certification entity.
- Developing the final rules.
- Follow on work with the providers as they implement the plans.
- Municipal plan approval.

Questions?