Legislative Analysis

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ELECTRICITY: RENEWABLE ENERGY

House Bill 4608
Sponsor: Rep. Roger Kahn
Committee: Energy and Technology

Complete to 5-30-06

A SUMMARY OF HOUSE BILL 4608 AS INTRODUCED 4-13-05

The bill would require the Public Service Commission to establish a "portfolio standard" for renewable energy for firms selling electricity to retail customers in Michigan.

As introduced, the portfolio standard would require the electricity provider to generate or acquire electricity from renewable energy systems in the following amounts.

** For calendar years 2004 through 2006, at least **four** percent of the total amount of electricity sold to retail customers.

** For 2007 through 2009, at least **five** percent.

** For 2010 through 2012, at least **six** percent.

** For 2013 and thereafter, at least **seven** percent.

In addition, the portfolio standard would require that at least one percent of renewable energy would have to be from solar renewable energy systems. (The preceding dates will probably need to be adjusted.)

If a provider acquires electricity from a renewable energy system under a contract with another party, the contract would have to be for a term of at least 20 years, unless the other party agrees to a shorter term; and the terms of the contract would have to be just and reasonable, as determined by the PSC.

<u>Renewable Energy</u>. The bill would define "renewable energy" as biomass, geothermal energy, solar thermal energy, and wind energy.

<u>Reduction in Consumption</u>. If an electricity provider has subsidized in whole or in part the acquisition or installation of a solar thermal energy system for the benefit of one or more of its retail customers and that system reduces electricity consumption, the total reduction in consumption of electricity would count toward the portfolio standard.

<u>Renewable Energy Credits</u>. The PSC could establish a system of renewable energy credits that a provider of electricity could use to comply with its portfolio standard.

<u>Renewable Energy Contracts</u>. If a provider cannot comply with its portfolio standard through its own renewable energy systems, it would have to acquire electricity under one or more renewable energy contracts.

If the commission determines that there is not or will not be a sufficient supply of electricity available to a provider through just and reasonable renewable energy contracts, the commission would exempt the provider from all or a portion of its portfolio standard requirements for the calendar year.

Renewable Energy Rate. If considered in the public interest, the PSC could approve a rate that allows a regulated rate provider to recover from retail customers the cost of providing total renewable energy.

Annual Report. Each provider of electric service would have to submit to the PSC an annual report on compliance with portfolio standards. The report would have to include:

** The amount of energy generated or acquired during the reporting period and the amount of credits acquired, sold, or traded.

** The capacity of each renewable energy system owned, operated, or controlled by the provider; the total amount of electricity generated by each system; and the percentage of that total generated directly from renewable energy.

** Whether during the reporting period the provider began construction on, acquired, or placed into operation any renewable energy systems.

** Any other information required by the PSC.

Penalties. If a provider failed to comply with a portfolio standard for a calendar year, the PSC could impose a fine or take other appropriate action against the provider. A fine could be imposed on the basis of each kilowatt-hour of electricity not generated or acquired in violation of the standard, or using any other reasonable formula. If a fine is imposed against a regulated rate provider, then the fine would not be considered a cost of service of the provider; the fine could not be included in any application for a rate adjustment or increase; and the commission could not let the provider recover any portion of the fine from its retail customers.

FISCAL IMPACT:

This bill should result in increased Department of Labor and Economic Growth expenditures for additional staff, and related costs such as travel and benefits. New staff are likely to be needed for audits to monitor compliance with the new portfolio standard for renewable energy. Presumably, these audits would include both a field audit of each electric utility's records, and a desk audit of the annual report required by this bill. The Department has not taken a public position on this bill as yet, so no estimate is available of the number of new full-time equated employees needed. These added costs may be partially offset by an increase in Department revenue from fines levied for non-compliance with the new portfolio standard. However, the amount of such fines is not determinable.

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