

Legislative Analysis



ENERGY FOR ECONOMIC DEVELOPMENT ACT: MAKE PERMANENT

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House Bill 5013

Sponsor: Rep. Jim Stamas

Committee: Energy and Technology

Complete to 2-3-14

A SUMMARY OF HOUSE BILL 5013 AS INTRODUCED 9-26-13

The Energy for Economic Development Act of 2010 is scheduled to be repealed effective December 1, 2015; the bill would eliminate the repeal. The bill would also prohibit the MPSC from taking any action that would disapprove, modify, or otherwise limit the enforceability of a *new contract* between an electric utility and a particular industrial customer pursuant to an economic development tariff provision originally approved by the MPSC.

BACKGROUND INFORMATION:

Several years ago, legislation was approved to provide significant tax abatements as an incentive for Hemlock Semiconductor Corporation (HSC) to expand its operations in the state. As part of the incentive, the Michigan Public Service Commission (MPSC) approved an agreement for Consumers Energy to provide electric service to the HSC at a reduced rate. Subsequently, however, legislation was enacted in 2008 that changed the manner in which electricity rates for customer classes are set.

Prior to the 2008 legislation, large commercial and industrial customers subsidized residential rates. Public Act 286 of 2008 required the MPSC to "deskew" its rating system and instead set electric rates so that each customer class pays its true cost of service. The effective dates for the deskewing would have prevented HSC from receiving the reduced rate established in its contract with Consumers Energy, and so the Energy for Economic Development Act of 2010 was enacted to exempt HSC's economic development tariff from the deskewing requirement.

CONTENT OF THE BILL:

The Energy for Economic Development Act of 2010, which prohibits the Michigan Public Service Commission from taking any action that would alter a contract between an electric utility and a particular industrial customer pursuant to an economic development tariff provision approved by the MPSC is scheduled to be repealed effective December 1, 2015.

House Bill 5013 would amend the act (MCL 460.995) to eliminate the repealer, thus making the act permanent. In addition, the bill would give the right to an electric utility

and a customer who had a written contract under provisions of the act to negotiate a new contract that would provide the customer with the same or similar rate for all of that customer's load following the expiration of the initial contract. The MPSC would be prohibited from taking any action that would disapprove, modify, or otherwise limit the enforceability of that contract.

Further, the act establishes a method by which the utility may recover the full amount of the difference, if any, between the total projected revenue under the economic development tariff and the utility's cost to provide the discounted electric service. Under the bill, the ability for the utility to recover its costs would also apply to any new contract.

FISCAL IMPACT:

The bill would have no significant fiscal impact on the state or local governments.

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