

HOUSE BILL No. 5476

April 23, 2014, Introduced by Rep. Stamas and referred to the Committee on Energy and Technology.

A bill to amend 1939 PA 3, entitled

"An act to provide for the regulation and control of public and certain private utilities and other services affected with a public interest within this state; to provide for alternative energy suppliers; to provide for licensing; to include municipally owned utilities and other providers of energy under certain provisions of this act; to create a public service commission and to prescribe and define its powers and duties; to abolish the Michigan public utilities commission and to confer the powers and duties vested by law on the public service commission; to provide for the continuance, transfer, and completion of certain matters and proceedings; to abolish automatic adjustment clauses; to prohibit certain rate increases without notice and hearing; to qualify residential energy conservation programs permitted under state law for certain federal exemption; to create a fund; to provide for a restructuring of the manner in which energy is provided in this state; to encourage the utilization of resource recovery facilities; to prohibit certain acts and practices of providers of energy; to allow for the securitization of stranded costs; to reduce rates; to provide for appeals; to provide appropriations; to declare the effect and purpose of this act; to prescribe remedies and penalties; and to repeal acts and parts of acts,"

by amending section 11 (MCL 460.11), as added by 2008 PA 286.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 11. (1) ~~This subsection applies beginning January 1,~~
2 ~~2009.~~ Except as otherwise provided in this subsection, the
3 commission shall phase in electric rates equal to the cost of
4 providing service to each customer class over a period of 5 years
5 from ~~the effective date of the amendatory act that added this~~
6 ~~section.~~ **OCTOBER 6, 2008.** If the commission determines that the
7 rate impact on industrial metal melting customers will exceed the
8 2.5% limit in subsection (2), the commission may phase in cost-
9 based rates for that class over a longer period. The cost of
10 providing service to each customer class shall be based on the
11 allocation of production-related and transmission costs based on
12 using the 50-25-25 method of cost allocation. The commission may
13 modify this method to better ensure rates are equal to the cost of
14 service if this method does not result in a greater amount of
15 production-related and transmission costs allocated to primary
16 customers.

17 (2) The commission shall ensure that the impact on residential
18 and industrial metal melting rates due to the cost of service
19 requirement in subsection (1) is no more than 2.5% per year.

20 **(3) WITHIN 60 DAYS OF THE EFFECTIVE DATE OF THE AMENDATORY ACT**
21 **THAT ADDED THIS SUBSECTION, THE COMMISSION SHALL COMMENCE A**
22 **PROCEEDING FOR EACH AFFECTED ELECTRIC UTILITY TO EXAMINE COST**
23 **ALLOCATION METHODS AND RATE DESIGN METHODS USED TO SET RATES. IN**
24 **EACH PROCEEDING, EACH AFFECTED UTILITY SHALL FILE WITHIN 60 DAYS OF**
25 **THE COMMENCEMENT OF THAT PROCEEDING A PROPOSAL TO MODIFY THE**
26 **EXISTING COST ALLOCATION METHODS AND RATE DESIGN METHODS THAT HAVE**
27 **BEEN USED TO SET EXISTING RATES. A PROPOSAL FILED BY AN AFFECTED**

1 ELECTRIC UTILITY SHALL MEET ALL OF THE FOLLOWING CONDITIONS:

2 (A) BE CONSISTENT WITH SUBSECTION (1), WHICH AUTHORIZES THE
3 COMMISSION TO MODIFY THE 50-25-25 METHOD OF ALLOCATING PRODUCTION-
4 RELATED AND TRANSMISSION COSTS TO BETTER ENSURE RATES ARE EQUAL TO
5 THE COST OF SERVICE IF THIS METHOD DOES NOT RESULT IN A GREATER
6 AMOUNT OF PRODUCTION-RELATED AND TRANSMISSION COST ALLOCATED TO
7 PRIMARY CUSTOMERS.

8 (B) EXPLORE DIFFERENT METHODS FOR ENCOURAGING ENERGY-INTENSIVE
9 INDUSTRIAL CUSTOMERS TO LOCATE OR MAINTAIN THEIR OPERATIONS IN THIS
10 STATE, WHILE MAINTAINING AFFORDABLE RATES FOR RESIDENTIAL CUSTOMERS
11 TO BETTER ENSURE RATES ARE EQUAL TO THE COST OF SERVICE.

12 (C) WITHIN THE PRIMARY AND SECONDARY CLASSES, ENCOURAGE THE
13 ATTRACTION AND RETENTION OF INDUSTRIAL CUSTOMERS TO BETTER ENSURE
14 RATES ARE EQUAL TO THE COST OF SERVICE.

15 (4) THE SCOPE OF A PROCEEDING UNDER SUBSECTION (3) IS LIMITED
16 TO EXAMINING COST ALLOCATION AND RATE DESIGN METHODS USED TO SET
17 RATES FOR EACH AFFECTED ELECTRIC UTILITY THAT FILED A PROPOSAL
18 UNDER SUBSECTION (3). THE COMMISSION SHALL, WITHIN 180 DAYS AFTER A
19 PROPOSAL IS FILED UNDER SUBSECTION (3), ISSUE A FINAL ORDER
20 ADOPTING THE COST ALLOCATION METHODS AND RATE DESIGN METHODS
21 CONSIDERED APPROPRIATE BY THE COMMISSION AND FIXING A DATE FOR THE
22 ESTABLISHMENT OF RATES CONSISTENT WITH THOSE COST ALLOCATION
23 METHODS AND RATE DESIGN METHODS, WHICH DATE SHALL NOT BE LATER THAN
24 DECEMBER 1, 2015.

25 (5) A UTILITY MAY FILE OTHER RATE APPLICATIONS DURING THE
26 PENDENCY OF A PROCEEDING UNDER SUBSECTION (3). IF AN AFFECTED
27 ELECTRIC UTILITY FILES A RATE APPLICATION BEFORE DECEMBER 1, 2014,

1 THE COMMISSION MAY CLOSE AND CONSOLIDATE THE PROCEEDINGS WITH
2 ANOTHER CASE SO LONG AS A FINAL ORDER CAN BE IMPLEMENTED BY
3 DECEMBER 1, 2015.

4 (6) ~~(3)~~ Notwithstanding any other provision of this act, the
5 commission may establish eligible low-income customer or eligible
6 senior citizen customer rates. Upon filing of a rate increase
7 request, a utility shall include proposed eligible low-income
8 customer and eligible senior citizen customer rates and a method to
9 allocate the revenue shortfall attributed to the implementation of
10 those rates upon all customer classes. As used in this subsection,
11 "eligible low-income customer" and "eligible senior citizen
12 customer" mean those terms as defined in section 10t.

13 (7) ~~(4)~~ Notwithstanding any other provision of this section,
14 the commission shall establish rate schedules which ensure that
15 public and private schools, universities, and community colleges
16 are charged retail electric rates that reflect the actual cost of
17 providing service to those customers. ~~Not later than 90 days after~~
18 ~~the effective date of the amendatory act that added this section,~~
19 ~~electric~~ **ELECTRIC** utilities regulated under this section shall file
20 with the commission tariffs to ensure that public and private
21 schools, universities, and community colleges are charged electric
22 rates as provided in this subsection.

23 (8) ~~(5)~~ Subsections (1) to ~~(4)~~ (7) apply only to electric
24 utilities with 1,000,000 or more retail customers in this state.

25 (9) **FOR ELECTRIC UTILITIES WITH LESS THAN 1,000,000 RETAIL**
26 **CUSTOMERS, THE COMMISSION MAY COMMENCE A PROCEEDING TO EXAMINE COST**
27 **ALLOCATION METHODS AND RATE DESIGN METHODS USED TO SET RATES.**

1 (10) ~~(6) This subsection applies beginning January 1, 2009.~~

2 The commission shall approve rates equal to the cost of providing
3 service to customers of electric utilities serving less than
4 1,000,000 retail customers in this state. The rates shall be
5 approved by the commission in each utility's first general rate
6 case filed after passage of ~~the amendatory act that added this~~
7 ~~section.~~ **2008 PA 286**. If, in the judgment of the commission, the
8 impact of imposing cost of service rates on customers of a utility
9 would have a material impact, the commission may approve an order
10 that implements those rates over a suitable number of years. The
11 commission shall ensure that any impact on rates due to the cost of
12 service requirement in this subsection is not more than 2.5% per
13 year.

14 (11) ~~(7)~~—The commission shall annually retain an independent
15 consultant to verify that the requirements of this section are
16 being satisfied for each electric utility. The costs of this
17 service shall be recoverable in the utility's electric rates. This
18 subsection does not apply after December 31, 2015.