

Act No. 169  
Public Acts of 2014  
Approved by the Governor  
June 17, 2014  
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June 17, 2014  
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**STATE OF MICHIGAN  
97TH LEGISLATURE  
REGULAR SESSION OF 2014**

Introduced by Rep. Stamas

# **ENROLLED HOUSE BILL No. 5476**

AN ACT 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:*

Sec. 11. (1) Except as otherwise provided in this subsection, the commission shall phase in electric rates equal to the cost of providing service to each customer class over a period of 5 years from October 6, 2008. If the commission determines that the rate impact on industrial metal melting customers will exceed the 2.5% limit in subsection (2), the commission may phase in cost-based rates for that class over a longer period. The cost of providing service to each customer class shall be based on the allocation of production-related and transmission costs based on using the 50-25-25 method of cost allocation. The commission may modify this method to better ensure rates are equal to the cost of service.

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

(3) Within 60 days of the effective date of the amendatory act that added this subsection, the commission shall commence a proceeding for each affected electric utility to examine cost allocation methods and rate design methods used to set rates. In each proceeding, each affected utility shall file within 60 days of the commencement of that proceeding a proposal to modify the existing cost allocation methods and rate design methods that have been used to set existing rates and shall provide notice to all of that utility's customers outlining the proposed cost allocation methods and rate design methods. A proposal filed by an affected electric utility must meet both of the following conditions:

(a) Be consistent with subsection (1), which authorizes the commission to modify the 50-25-25 method of allocating production-related and transmission costs to better ensure rates are equal to the cost of service.

(b) Explore different methods for allocation of production, transmission, distribution, and customer-related costs and overall rate design, based on cost of service, that support affordable and competitive electric rates for all customer classes.

(4) The scope of a proceeding under subsection (3) is limited to examining cost allocation and rate design methods proposed to set rates for each affected electric utility that filed a proposal under subsection (3). The commission shall allow any interested person to intervene in a proceeding under subsection (3), including on behalf of residential utility customers. The commission shall not schedule a prehearing conference for the purposes of considering interventions until an electric utility files a proposal under subsection (3). Within 270 days after a proposal is filed under subsection (3), the commission shall issue a final order adopting the cost allocation methods and rate design methods considered appropriate by the commission and doing either of the following:

(a) Implementing rates consistent with those cost allocation methods and rate design methods.

(b) Fixing a date for the establishment of rates consistent with those cost allocation methods and rate design methods, which date shall not be later than December 1, 2015.

(5) A utility may file other rate applications during the pendency of a proceeding initiated under subsection (3). If an affected electric utility files a rate application before December 1, 2014, the commission may close and consolidate the proceedings initiated under subsection (3) with the case so long as a final order addressing the proceedings initiated under subsection (3) can be implemented by December 1, 2015.

(6) The commission shall order the administrative law judge presiding over a proceeding under subsection (3) or (5) to prepare an interim report that the commission shall submit to the legislature within 150 days after proposals are filed under subsection (3) or in a consolidated case under subsection (5) describing the actions that have been taken to comply with subsection (3), including a summary of the record evidence and positions of the parties submitted to date regarding all of the following:

(a) A summary of proceedings that have been initiated.

(b) The schedules adopted for those proceedings.

(c) The cost allocation and rate design proposals made by parties to each of those proceedings.

(d) The estimated impacts on the various customer classes of each of the proposals, in aggregate and for an average customer in each customer class.

(e) A description of qualifications for any proposed new rate and estimation of the number of customers impacted by that new rate.

(f) A description of proposed definitions or methods that support affordable and competitive electric rates for all customer classes.

(7) Not later than 60 days before a final order is required to be issued under subsection (4) or in a consolidated case under subsection (5), the commission shall forward to the legislature the proposal for decision in each of the proceedings initiated under subsection (3) issued by the administrative law judge presiding over those proceedings including a summary of the evidence presented by the parties in the proceeding on which the commission's final decision must be made.

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

(9) Notwithstanding any other provision of this section, the commission shall establish rate schedules which ensure that public and private schools, universities, and community colleges are charged retail electric rates that reflect the actual cost of providing service to those customers. Electric utilities regulated under this section shall file with the commission tariffs to ensure that public and private schools, universities, and community colleges are charged electric rates as provided in this subsection.

(10) Subsections (1) to (9) apply only to electric utilities with 1,000,000 or more retail customers in this state.

(11) Within 2 years of the effective date of the amendatory act that added this subsection, an electric utility serving fewer than 120,000 retail customers in this state may file an application with the commission to modify the cost allocation methods and rate design methods used to set that utility's existing rates. Within 180 days of the effective date of the amendatory act that added this subsection, an electric utility serving 120,000 or more but fewer than 1,000,000 retail customers in this state shall file an application with the commission to modify the cost allocation methods and rate design methods used to set that utility's existing rates. This subsection does not apply to a cooperative electric utility that has elected to become member-regulated under the electric cooperative member-regulation act, 2008 PA 167, MCL 460.31 to 460.39. Upon receipt of an application under this subsection, the commission shall commence a proceeding for that electric utility, limited to examining and implementing any modifications to the cost allocation methods and rate design methods used by that utility. An electric utility's application must meet both of the following conditions:

(a) Be consistent with the cost of providing service provisions of subsection (12).

(b) Explore different methods for allocation of production, transmission, distribution, and customer-related costs and overall rate design, based on cost of service, that support affordable and competitive electric rates for all customer classes.

(12) The commission shall approve rates equal to the cost of providing service to customers of electric utilities serving less than 1,000,000 retail customers in this state. The rates shall be approved by the commission in each utility's first general rate case filed after passage of 2008 PA 286. If, in the judgment of the commission, the impact of imposing cost of service rates on customers of a utility would have a material impact, the commission may approve an order that implements those rates over a suitable number of years. The commission shall ensure that any impact on rates due to the cost of service requirement in this subsection is not more than 2.5% per year.

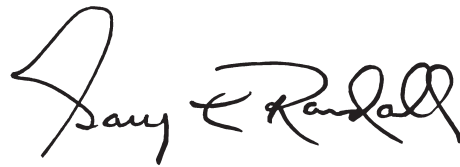
(13) The commission shall annually retain an independent consultant to verify that the requirements of this section are being satisfied for each electric utility. The costs of this service shall be recoverable in the utility's electric rates. This subsection does not apply after December 31, 2015.

(14) An analysis of affordable rates under this section shall include both of the following:

(a) An analysis of rate impacts directly attributable to proposed cost allocation methods, not including expiring costs associated with non-base energy and non-base energy delivery that have, except for an expiring contract described in section 5 of the energy for economic development act of 2010, 2010 PA 297, MCL 460.995, specific statutory time durations.

(b) An analysis of the expected impact overall on customer bills.

This act is ordered to take immediate effect.



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Clerk of the House of Representatives



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Secretary of the Senate

Approved .....

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Governor