



Senate Fiscal Agency
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Senate Bill 597 and 598 (as introduced 10-23-19)
Sponsor: Senator Ed McBroom (S.B. 597)
Senator Jeff Irwin (S.B. 598)
Committee: Energy and Technology

Date Completed: 2-11-20

CONTENT

Senate Bill 597 would amend the Clean and Renewable Energy and Energy Waste Reduction Act to do the following:

- **Require the Michigan Public Service Commission to establish a distributed generation program for a period of at least 20, instead of 10, years.**
- **Delete a provision that allows an electric utility or alternative electric supplier to limit its distributed generation program if certain circumstances were met.**
- **Modify the criteria for customer selection by an electric utility or alternative electric supplier for the distributed generation program.**
- **Eliminate provisions of the Act pertaining to qualifications for net metering and true net metering, and reduction of net metering changes by credits, among other things.**

Senate Bill 598 would amend Public Act 3 of 1939, the Public Service Commission law, to delete a requirement that the Commission approve, for any rate case filed after June 1, 2018, a tariff reflecting equitable cost of service for inclusion in the rates of all customers participating in a net metering or distributed generation program under the Clean and Renewable Energy and Energy Waste Reduction Act.

The bills are tie-barred. Senate Bill 597 would take effect 90 days after its enactment.

Senate Bill 597

Under the Clean and Renewable Energy and Energy Waste Reduction Act, the Michigan Public Service Commission must establish a distributed generation program by order issued not later than July 19, 2017. The program must apply to all electric utilities whose rates are regulated by the Commission and alternative electric suppliers in Michigan. The program must be designed for a period of at least 10 years and limit each customer to generation capacity designed to meet up to 100% of the customer's electricity consumption for the previous 12 months. Under the bill, the program would have to be designed for a period of at least 20 years.

Under the Act, an electric utility or alternative electric supplier is not required to allow for a distributed generation program that is greater than 1% of its average in-state peak load for the preceding five calendar years. The electric utility or alternative electric supplier must notify the Commission if its distributed generation program reaches the 1% limit. The 1% limit must be allocated as follows:

- No more than 0.5% for customers with an eligible electric generator capable of generating 20 kilowatts or less.
- No more than 0.25% for customers with an eligible electric generator capable of generating more than 20 kilowatts but not more than 150 kilowatts.
- No more than 0.25% for customers with a methane digester capable of generating more than 150 kilowatts.

The bill would delete this provision.

The Act requires the selection of customers for the distributed generation program to be based on the order in which the applications for participation are received by the electric utility or alternative electric supplier. Under the bill, selection of customers who had submitted a complete application would have to be based solely on meeting the interconnection and equipment requirements for participation. An electric utility or alternative electric supplier could not restrict the number of participants in the distributed generation program unless, in a hearing before the Commission, it demonstrated to the satisfaction of the Commission that the restriction was necessary to protect the public health and safety or the integrity of the distribution system.

Among other things, the Act requires the distributed generation program to include requirements that distributed generation equipment and its installation meet all current local and State electric and construction code requirements. Any equipment that is certified by a nationally recognized testing laboratory to IEEE 1547.1 testing standards and in compliance with UL 1741 scope 1.1A, effective May 7, 2007, and installed in compliance with the Act is considered to be compliant. The bill specifies that updates to the above testing standards and scope approved by the Commission would be considered compliant.

(The IEEE 1547.1 testing standards specify the type, production, and commissioning tests that must be performed to demonstrate that the interconnection functions and equipment of the distributed generation system are appropriate. The UL 1741 requirements cover inverters, converters, charge controllers and interconnection system equipment intended for use in stand-alone or utility-interactive power systems.)

Under the Act, distributed generation customers with a system capable of generating 20 kilowatts or less qualify for true net metering, and customers with a system capable of generating more than 20 kilowatts qualify for modified net metering. The bill would delete these provisions.

("Modified net metering" means a utility billing method that applies the power supply component of the full retail rate to the net of the bidirectional flow of kilowatt hours across the customer interconnection with the utility distribution system, during a billing period or time-of-use pricing period. A negative net metered quantity during the billing period or during each time-of-use pricing period within the billing period reflects net excess generation for which the customer is entitled to receive credit under the Act.

The Act specifies that a charge for net metering and distributed generation customers must not be recovered more than once. The bill would delete this provision.)

Currently, a charge for net metering and distributed generation customers must not be reduced by any credit or other ratemaking mechanism for distributed generation. The bill would delete this provision.

Senate Bill 598

Under the Act, in any rate case filed after June 1, 2018, the Commission must approve a tariff for inclusion in the rates of all customers participating in a net metering or distributed generation program under the Clean and Renewable Energy and Energy Waste Reduction Act. A tariff established under the Public Service Commission law does not apply to customers participating in a net metering program under the Clean and Renewable Energy and Energy Waste Reduction Act, before the date that the Commission establishes a tariff under the Public Service Commission law, who continues to participate in the program at their current site or facility. The bill would delete this provision.

MCL 460.1007 et al. (S.B. 597)
460.6a (S.B. 598)

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

Senate Bill 597

The bills would have no significant fiscal impact on the Public Service Commission or local government units. Current appropriations likely are sufficient to cover administrative and regulatory activities undertaken by the Commission due to the bill. The bills may affect rate payers if they resulted in significant changes to the costs of service, but estimates currently are not available.

Senate Bill 598

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.