

ENGINEERING AUDITS, INFRASTRUCTURE DEVELOPMENT PLANS, AND VEGETATION MANAGEMENT PROGRAMS

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House Bill 5222 as introduced
Sponsor: Rep. Abraham Aiyash
Committee: Energy, Communications, and Technology
Complete to 11-6-23

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5222 would amend 1939 PA 3, the Michigan Public Service Commission (MPSC) enabling act, to require electric utilities to have third-party engineering audits of their distribution systems; require electric utilities and other entities under MPSC jurisdiction to submit infrastructure development plans and vegetation management programs for MPSC approval; and require the MPSC to review its rules concerning service quality and reliability standards for entities subject to its jurisdiction.

Engineering audit

By January 1, 2024, each *electric utility* operating in Michigan would have to consult with an independent third party for the purpose of conducting an engineering audit to review its distribution systems, including all of its equipment and operations. An engineering audit would have to be conducted once every 10 years, with the goal of addressing actions necessary to reduce the total number and duration of outages and to address public safety and two-way generation capacity. The MPSC would have to develop a method for covering the cost of third-party engineering audits.

Electric utility means a person, partnership, corporation, association, or other legal entity whose transmission or distribution of electricity the MPSC regulates under 1939 PA 3 or under 1909 PA 106.¹ Electric utility does not include a municipal utility, affiliated transmission company, or independent transmission company.

An engineering audit would have to consist of the following two components:

- A physical audit of the existing installed infrastructure to determine whether it matches the utility's records. This would have to include at least the following:
 - Measurements of the existing installed infrastructure.
 - A comparison of the condition of the utility's infrastructure to that of other utilities.
- A programs-and-processes audit to determine whether existing programs and processes are sufficient and equitable and whether they properly plan for climate change and changing load profiles. This would have to include at least a review of the following:
 - Emergency preparedness.
 - Storm restoration.
 - System maintenance, including maintenance prioritization.
 - Accounting processes.

¹ <http://legislature.mi.gov/doc.aspx?mcl-act-106-of-1909>

- Personnel and company management, including internal policies and procedures regarding outages, distribution management, safety, and planning.

The MPSC would have to submit to the House and Senate committees with jurisdiction over energy issues a report on the findings of the engineering audit and how those findings affect all of the following:

- Performance-based rate making.
- Multiyear rates.
- Grid resiliency.
- Grid reliability.
- The accuracy of each utility's grid distribution plans.
- Identifiable gaps in the state energy plan and current infrastructure.
- Legislative recommendations.

Infrastructure development plans and vegetation management programs

The act currently requires the MPSC to adopt generally applicable service quality and reliability standards for the transmission, generation, and distribution systems of electric utilities and other entities subject to its jurisdiction. The bill would require those standards to include, in addition to other current requirements, procedures and standards for the submission of infrastructure development plans and vegetation management programs.²

In developing those procedures and standards, the MPSC would have to require infrastructure development plans or vegetation management plans to be approved or rejected at the beginning of every *multiyear* rate case.³

Service quality rules

By January 1, 2025, the MPSC would have to review its existing rules under section 10p of the act⁴ and amend them as needed to implement performance standards for generation facilities and for distribution facilities to protect end-use customers from power quality disturbances.⁵

Section 10p requires the MPSC to adopt generally applicable service quality and reliability standards⁶ for the transmission, generation, and distribution systems of electric utilities and other entities subject to its jurisdiction, including standards for service outages, distribution facility upgrades, repairs and maintenance, telephone service, billing service, operational reliability, and public and worker safety. In setting the standards, the MPSC must consider safety, costs, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The MPSC also must include provisions to upgrade the service quality of distribution circuits that historically have experienced significantly below-average performance in relationship to similar distribution circuits. Section 10p also requires the MPSC to create benchmarks for individual jurisdictional entities within their rate-making process, in order to accomplish the goals of alleviating end-use customer power quality disturbances and promoting power plant generating cost efficiency,

² The bill does not include a definition of either term.

³ Italics added.

⁴ <http://legislature.mi.gov/doc.aspx?mcl-460-10p>

⁵ These parameters are the same as for a review the act required the MPSC to conduct by December 31, 2009.

⁶ <https://ars.apps.lara.state.mi.us/AdminCode/DownloadAdminCodeFile?FileName=R%20460.701%20to%20R%20460.752.pdf&ReturnHTML=True> These rules were last amended in April 2023.

and establish a method for gathering data from the industrial customer class to assist in monitoring power quality and reliability standards related to service characteristics of the industrial customer class.

MCL 460.10p and proposed MCL 460.6y

The bill cannot take effect unless House Bills 5216, 5217, 5219, 5220, and 5221, and an unidentified bill currently designated only by its request number, are also enacted.

FISCAL IMPACT:

House Bill 5222 would have an indeterminate fiscal impact on the Michigan Public Service Commission (MPSC), other units of state government, and municipal governments. The bill would require the MPSC to develop and present a report on the findings of engineering audits required by the bill. Furthermore, the MPSC would be required to “develop a method for covering the cost of third-party engineering audits.” It is currently unknown what form this funding mechanism would take, or what entity would bear the ultimate onus of funding the mechanism. It is unclear whether the MPSC’s responsibilities under the bill could be sufficiently absorbed with existing appropriations and resources, or whether additional appropriations would be required to offset the costs. In the event that additional resources were required, the MPSC is financed primarily by public utility assessments levied on the utilities, so any additional incurred costs would likely be factored into the assessment and sufficiently mitigated.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.