

# SENATE BILL NO. 587

September 25, 2025, Introduced by Senators HOITENGA, MCBROOM, DALEY, THEIS, LINDSEY and HAUCK and referred to Committee on Energy and Environment.

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 and certain providers of electric vehicle charging services; 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 powers and duties of certain state governmental officers and entities; 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 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 6a (MCL 460.6a), as amended by 2023 PA 231.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 6a. (1) A gas utility, electric utility, or steam utility  
 2 shall not increase its rates and charges or alter, change, or amend  
 3 any rate or rate schedules, the effect of which will be to increase  
 4 the cost of services to its customers, without first receiving  
 5 commission approval as provided in this section. A utility shall  
 6 coordinate with the commission staff in advance of filing its  
 7 general rate case application under this section to avoid resource  
 8 challenges with applications being filed at the same time as  
 9 applications filed under this section by other utilities. In the  
 10 case of electric utilities serving more than 1,000,000 customers in  
 11 this state, the commission may, if necessary, order a delay in  
 12 filing an application to establish a 21-day spacing between filings  
 13 of electric utilities serving more than 1,000,000 customers in this  
 14 state. The utility shall place in evidence facts relied upon to  
 15 support the utility's petition or application to increase its rates  
 16 and charges, or to alter, change, or amend any rate or rate  
 17 schedules. The commission shall require notice to be given to all  
 18 interested parties ~~within~~**in** the service area to be affected, and  
 19 allow interested parties a reasonable opportunity for a full and  
 20 complete hearing. A utility may use projected costs and revenues

1 for a future consecutive 12-month period in developing its  
2 requested rates and charges. The commission shall notify the  
3 utility ~~within~~**not later than** 30 days after filing, whether the  
4 utility's petition or application is complete. A petition or  
5 application is considered complete if it complies with the rate  
6 application filing forms and instructions adopted under subsection  
7 (8). If the application is not complete, the commission shall  
8 notify the utility of all information necessary to make that filing  
9 complete. If the commission has not notified the utility within 30  
10 days of whether the utility's petition or application is complete,  
11 the application is considered complete. Concurrently with filing a  
12 complete application, or at any time after filing a complete  
13 application, a gas utility serving fewer than 1,000,000 customers  
14 in this state may file a motion seeking partial and immediate rate  
15 relief. After providing notice to the interested parties ~~within~~**in**  
16 the service area to be affected and affording interested parties a  
17 reasonable opportunity to present written evidence and written  
18 arguments relevant to the motion seeking partial and immediate rate  
19 relief, the commission shall make a finding and enter an order  
20 granting or denying partial and immediate relief ~~within~~**not later**  
21 **than** 180 days after the motion seeking partial and immediate rate  
22 relief was submitted. **Before issuing an order under this section,**  
23 **the commission shall submit a report to the house and senate**  
24 **committees with jurisdiction over energy and utility policy**  
25 **detailing any proposed rate increase, the justification for that**  
26 **rate increase, and the anticipated impact on customers in this**  
27 **state. Not later than 30 days after receiving a report under this**  
28 **subsection, the house and senate committees that received the**  
29 **report shall hold a public hearing to review the proposed rate**

**1 increase, receive expert and stakeholder testimony, and issue a**  
**2 nonbinding recommendation to the commission.** The commission has 12  
3 months to issue a final order in a case in which a gas utility has  
4 filed a motion seeking partial and immediate rate relief.

5 (2) If the commission has not issued an order within 180 days  
6 after the filing of a complete application, the utility may  
7 implement up to the amount of the proposed annual rate request  
8 through equal percentage increases or decreases applied to all base  
9 rates. If the utility uses projected costs and revenues for a  
10 future period in developing its requested rates and charges, the  
11 utility may not implement the equal percentage increases or  
12 decreases before the calendar date corresponding to the start of  
13 the projected 12-month period. For good cause, the commission may  
14 issue a temporary order preventing or delaying a utility from  
15 implementing its proposed rates or charges. If a utility implements  
16 increased rates or charges under this subsection before the  
17 commission issues a final order, that utility shall refund to  
18 customers, with interest, any portion of the total revenues  
19 collected through application of the equal percentage increase that  
20 exceed the total that would have been produced by the rates or  
21 charges subsequently ordered by the commission in its final order.  
22 The commission shall allocate any refund required by this  
23 subsection among primary customers based ~~upon~~**on** their pro rata  
24 share of the total revenue collected through the applicable  
25 increase, and among secondary and residential customers in a manner  
26 to be determined by the commission. The rate of interest for  
27 refunds is 5% plus the London interbank offered rate (LIBOR) for  
28 the appropriate time period. For any portion of the refund that,  
29 exclusive of interest, exceeds 25% of the annual revenue increase

1 awarded by the commission in its final order, the rate of interest  
2 is the authorized rate of return on the common stock of the utility  
3 during the appropriate period. Any refund or interest awarded under  
4 this subsection must not be included, in whole or in part, in any  
5 application for a rate increase by a utility. This subsection only  
6 applies to completed applications filed with the commission before  
7 April 20, 2017.

8 (3) This section does not impair the commission's ability to  
9 issue a show cause order as part of its rate-making authority. An  
10 alteration or amendment in rates or rate schedules applied for by a  
11 public utility that will not result in an increase in the cost of  
12 service to its customers may be authorized and approved without  
13 notice or hearing. There shall be no increase in rates based upon  
14 changes in cost of fuel, purchased gas, or purchased steam unless  
15 notice has been given ~~within~~**in** the service area to be affected,  
16 and there has been an opportunity for a full and complete hearing  
17 on the cost of fuel, purchased gas, or purchased steam. The rates  
18 charged by any utility under an automatic fuel, purchased gas, or  
19 purchased steam adjustment clause ~~shall~~**must** not be altered,  
20 changed, or amended unless notice has been given ~~within~~**in** the  
21 service area to be affected, and there has been an opportunity for  
22 a full and complete hearing on the cost of the fuel, purchased gas,  
23 or purchased steam.

24 (4) The commission shall adopt rules and procedures for the  
25 filing, investigation, and hearing of petitions or applications to  
26 increase or decrease utility rates and charges as the commission  
27 finds necessary or appropriate to enable it to reach a final  
28 decision with respect to petitions or applications within a period  
29 of time allotted by law to issue a final order after the filing of

1 the complete petitions or applications. The commission shall not  
2 authorize or approve adjustment clauses that operate without notice  
3 and an opportunity for a full and complete hearing, and all such  
4 clauses are abolished. The commission may hold a full and complete  
5 hearing to determine the cost of fuel, purchased gas, purchased  
6 steam, or purchased power separately from a full and complete  
7 hearing on a general rate case and may hold that hearing  
8 concurrently with the general rate case. The commission shall  
9 authorize a utility to recover the cost of fuel, purchased gas,  
10 purchased steam, or purchased power only to the extent that the  
11 purchases are reasonable and prudent.

12 (5) Except as otherwise provided in this subsection and  
13 subsection (1), if the commission fails to reach a final decision  
14 with respect to a completed petition or application to increase or  
15 decrease utility rates within the 10-month period following the  
16 filing of the completed petition or application, the petition or  
17 application is considered approved. If a utility makes any  
18 significant amendment to its filing, the commission has an  
19 additional 10 months after the date of the amendment to reach a  
20 final decision on the petition or application. If the utility files  
21 for an extension of time, the commission shall extend the 10-month  
22 period by the amount of additional time requested by the utility.

23 (6) A utility shall not file a general rate case application  
24 for an increase in rates earlier than 12 months after the date of  
25 the filing of a complete prior general rate case application. A  
26 utility may not file a new general rate case application until the  
27 commission has issued a final order on a prior general rate case or  
28 until the rates are approved under subsection (5).

29 (7) The commission shall, if requested by a gas utility,

1 establish load retention transportation rate schedules or approve  
2 gas transportation contracts as required for the purpose of serving  
3 industrial or commercial customers whose individual annual  
4 transportation volumes exceed 500,000 decatherms on the gas  
5 utility's system. The commission shall approve these rate schedules  
6 or approve transportation contracts entered into by the utility in  
7 good faith if the industrial or commercial customer has the  
8 installed capability to use an alternative fuel or otherwise has a  
9 viable alternative to receiving natural gas transportation service  
10 from the utility, the customer can obtain the alternative fuel or  
11 gas transportation from an alternative source at a price that would  
12 cause them not to use the gas utility's system, and the customer,  
13 as a result of their use of the system and receipt of  
14 transportation service, makes a significant contribution to the  
15 utility's fixed costs. The commission shall adopt accounting and  
16 rate-making policies to ensure that the discounts associated with  
17 the transportation rate schedules and contracts are recovered by  
18 the gas utility through charges applicable to other customers if  
19 the incremental costs related to the discounts are no greater than  
20 the costs that would be passed on to those customers as the result  
21 of a loss of the industrial or commercial customer's contribution  
22 to a utility's fixed costs.

23 (8) The commission shall adopt standard rate application  
24 filing forms and instructions for use in all general rate cases  
25 filed by utilities whose rates are regulated by the commission. For  
26 cooperative electric utilities whose rates are regulated by the  
27 commission, in addition to rate applications filed under this  
28 section, the commission shall continue to allow for rate filings  
29 based on the cooperative's times interest earned ratio. The

1 commission may modify the standard rate application forms and  
2 instructions adopted under this subsection.

3 (9) If, on or before January 1, 2008, a merchant plant entered  
4 into a contract with an initial term of 20 years or more to sell  
5 electricity to an electric utility whose rates are regulated by the  
6 commission with 1,000,000 or more retail customers in this state  
7 and if, before January 1, 2008, the merchant plant generated  
8 electricity under that contract, in whole or in part, from wood or  
9 solid wood wastes, then the merchant plant shall, ~~upon-on~~ petition  
10 by the merchant plant, and subject to the limitation set forth in  
11 subsection (10), recover the amount, if any, by which the merchant  
12 plant's reasonably and prudently incurred actual fuel and variable  
13 operation and maintenance costs exceed the amount that the merchant  
14 plant is paid under the contract for those costs. This subsection  
15 does not apply to landfill gas plants, hydro plants, municipal  
16 solid waste plants, or to merchant plants engaged in litigation  
17 against an electric utility seeking higher payments for power  
18 delivered pursuant to contract.

19 (10) The total aggregate additional amounts recoverable by  
20 merchant plants under subsection (9) in excess of the amounts paid  
21 under the contracts must not exceed \$1,000,000.00 per month for  
22 each affected electric utility. The \$1,000,000.00 per month limit  
23 specified in this subsection must be reviewed by the commission  
24 ~~upon-on~~ petition of the merchant plant filed no more than once per  
25 year and may be adjusted if the commission finds that the eligible  
26 merchant plants reasonably and prudently incurred actual fuel and  
27 variable operation and maintenance costs exceed the amount that  
28 those merchant plants are paid under the contract by more than  
29 \$1,000,000.00 per month. The annual amount of the adjustments must

1 not exceed a rate equal to the United States Consumer Price Index.  
2 The commission shall not make an adjustment unless each affected  
3 merchant plant files a petition with the commission. If the total  
4 aggregate amount by which the eligible merchant plants reasonably  
5 and prudently incurred actual fuel and variable operation and  
6 maintenance costs determined by the commission exceed the amount  
7 that the merchant plants are paid under the contract by more than  
8 \$1,000,000.00 per month, the commission shall allocate the  
9 additional \$1,000,000.00 per month payment among the eligible  
10 merchant plants based ~~upon~~**on** the relationship of excess costs  
11 among the eligible merchant plants. The \$1,000,000.00 limit  
12 specified in this subsection, as adjusted, does not apply to actual  
13 fuel and variable operation and maintenance costs that are incurred  
14 due to changes in federal or state environmental laws or  
15 regulations that are implemented after October 6, 2008. The  
16 \$1,000,000.00 per month payment limit under this subsection does  
17 not apply to merchant plants eligible under subsection (9) whose  
18 electricity is purchased by a utility that is using wood or wood  
19 waste or fuels derived from those materials for fuel in ~~their~~**its**  
20 power plants. As used in this subsection, "United States Consumer  
21 Price Index" means the United States Consumer Price Index for all  
22 urban consumers as defined and reported by the United States  
23 Department of Labor, Bureau of Labor Statistics.

24 (11) The commission shall issue orders to permit the recovery  
25 authorized under subsections (9) and (10) ~~upon~~**on** petition of the  
26 merchant plant. The merchant plant is not required to alter or  
27 amend the existing contract with the electric utility ~~in order to~~  
28 obtain the recovery under subsections (9) and (10). The commission  
29 shall permit or require the electric utility whose rates are

1 regulated by the commission to recover from its ratepayers all fuel  
2 and variable operation and maintenance costs that the electric  
3 utility is required to pay to the merchant plant as reasonably and  
4 prudently incurred costs.

5 (12) Subject to subsection (13), if requested by an electric  
6 utility with less than 200,000 customers in this state, the  
7 commission shall approve an appropriate revenue decoupling  
8 mechanism that adjusts for decreases in actual sales compared to  
9 the projected levels used in that utility's most recent rate case  
10 that are the result of implemented energy waste reduction,  
11 conservation, demand-side programs, and other waste reduction  
12 measures, if the utility first demonstrates the following to the  
13 commission:

14 (a) That the projected sales forecast in the utility's most  
15 recent rate case is reasonable.

16 (b) That the electric utility has achieved annual incremental  
17 energy savings at least equal to the lesser of the following:

18 (i) The incremental energy savings requirement of section 77(1)  
19 of the clean and renewable energy and energy waste reduction act,  
20 2008 PA 295, MCL 460.1077.

21 (ii) The amount of any incremental savings yielded by energy  
22 waste reduction, conservation, demand-side programs, and other  
23 waste reduction measures approved by the commission in that  
24 utility's most recent integrated resource plan.

25 (13) The commission shall consider the aggregate revenues  
26 attributable to revenue decoupling mechanisms, financial  
27 incentives, and shared savings mechanisms the commission has  
28 approved for an electric utility relative to energy waste  
29 reduction, conservation, demand-side programs, peak load reduction,

1 and other waste reduction measures. The commission may approve an  
2 alternative methodology for a revenue decoupling mechanism  
3 authorized under subsection (12) or a financial incentive  
4 authorized under section 75 of the clean and renewable energy and  
5 energy waste reduction act, 2008 PA 295, MCL 460.1075, if the  
6 commission determines that the resulting aggregate revenues from  
7 those mechanisms would not result in a reasonable and cost-  
8 effective method to ensure that investments in energy waste  
9 reduction, demand-side programs, peak load reduction, and other  
10 waste reduction measures are not disfavored when compared to  
11 utility supply-side investments. The commission's consideration of  
12 an alternative methodology under this subsection must be conducted  
13 as a contested case in accordance with chapter 4 of the  
14 administrative procedures act of 1969, 1969 PA 306, MCL 24.271 to  
15 24.288.

16 (14) By April 20, 2018, the commission shall conduct a study  
17 on an appropriate tariff reflecting equitable cost of service for  
18 utility revenue requirements for customers who participate in a net  
19 metering program or distributed generation program under the clean  
20 and renewable energy and energy waste reduction act, 2008 PA 295,  
21 MCL 460.1001 to ~~460.1211.~~ **460.1232.** In any rate case filed after  
22 June 1, 2018, the commission shall, subject to section 173(7) of  
23 the clean and renewable energy and energy waste reduction act, 2008  
24 PA 295, MCL 460.1173, approve such a tariff for inclusion in the  
25 rates of all customers participating in a net metering or  
26 distributed generation program under the clean and renewable energy  
27 and energy waste reduction act, 2008 PA 295, MCL 460.1001 to  
28 ~~460.1211.~~ **460.1232.** A tariff established under this subsection does  
29 not apply to customers participating in a net metering program

1 under the clean and renewable energy and energy waste reduction  
2 act, 2008 PA 295, MCL 460.1001 to ~~460.1211~~, **460.1232**, before the  
3 date that the commission establishes a tariff under this  
4 subsection, who continues to participate in the program at their  
5 current site or facility.

6 (15) Except as otherwise provided in this act, "utility" and  
7 "electric utility" do not include a municipally owned electric  
8 utility.

9 (16) As used in this section:

10 (a) "Full and complete hearing" means a hearing that provides  
11 interested parties a reasonable opportunity to present and cross-  
12 examine evidence and present arguments relevant to the specific  
13 element or elements of the request that are the subject of the  
14 hearing.

15 (b) "General rate case" means a proceeding initiated by a  
16 utility in an application filed with the commission that alleges a  
17 revenue deficiency and requests an increase in the schedule of  
18 rates or charges based on the utility's total cost of providing  
19 service.

20 (c) "Steam utility" means a steam distribution company  
21 regulated by the commission.