

HOUSE BILL No. 4970

July 16, 2003, Introduced by Reps. Kolb, Gillard, Tobocman, Rivet, Minore, Jamnick,
Gielegem, Lipsey and Sak and referred to the Committee on Energy and Technology.

A bill to require certain providers of electric service to
comply with a portfolio standard for renewable energy; to
prescribe the powers and duties of certain state agencies and
officials; and to provide for penalties.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. As used in this act:

2 (a) "Biomass" means any organic matter that is available on a
3 renewable basis, including, but not limited to, all of the
4 following:

5 (i) Agricultural crops and agricultural wastes and residues.

6 (ii) Wood and wood wastes and residues.

7 (iii) Animal wastes.

8 (iv) Municipal wastes.

9 (v) Aquatic plants.

10 (b) "Commission" means the Michigan public service commission

1 in the department of consumer and industry services.

2 (c) "Portfolio standard" means a portfolio standard for
3 renewable energy established by the commission under this act.

4 (d) "Provider" means any person or entity that is in the
5 business of selling electricity to retail customers in this
6 state.

7 (e) "Renewable energy" means any of the following:

8 (i) Biomass.

9 (ii) Geothermal energy.

10 (iii) Solar thermal energy.

11 (iv) Wind energy.

12 (f) "Renewable energy system" means any of the following:

13 (i) A facility or energy system that uses renewable energy to
14 generate electricity and transmits or distributes the electricity
15 that it generates from renewable energy.

16 (ii) A solar thermal energy system that reduces the
17 consumption of electricity.

18 Sec. 2. (1) For each provider, the commission shall
19 establish a portfolio standard for renewable energy. The
20 portfolio standard shall require the provider to generate or
21 acquire electricity from renewable energy systems in the
22 following amounts:

23 (a) For calendar years 2004 through 2006, not less than 7% of
24 the total amount of electricity sold by the provider to its
25 retail customers in this state during the calendar year.

26 (b) For calendar years 2007 through 2009, not less than 9% of
27 the total amount of electricity sold by the provider to its

1 retail customers in this state during the calendar year.

2 (c) For calendar years 2010 through 2012, not less than
3 13% of the total amount of electricity sold by the provider to
4 its retail customers in this state during the calendar year.

5 (d) For calendar year 2013 and for each calendar year
6 thereafter, not less than 15% of the total amount of electricity
7 sold by the provider to its retail customers in this state during
8 the calendar year.

9 (2) In addition to the requirements under subsection (1), the
10 portfolio standard for each provider shall require all of the
11 following:

12 (a) That of the total amount of electricity that the provider
13 is required to generate or acquire from renewable energy systems
14 during each calendar year, not less than 5% of that amount must
15 be generated or acquired from solar renewable energy systems.

16 (b) If the provider acquires electricity from a renewable
17 energy system under a renewable energy contract with another
18 party, the contract shall provide both of the following:

19 (i) That the term of the renewable energy contract shall be
20 not less than 10 years, unless the other party agrees to a
21 renewable energy contract with a shorter term.

22 (ii) That the terms and conditions of the renewable energy
23 contract are just and reasonable, as determined by the
24 commission.

25 (3) If, for the benefit of 1 or more of its retail customers
26 in this state, the provider has subsidized, in whole or in part,
27 the acquisition or installation of a solar thermal energy system

1 that qualifies as a renewable energy system and that reduces the
2 consumption of electricity, the total reduction in the
3 consumption of electricity during each calendar year that results
4 from the solar thermal energy system is considered to be
5 electricity that the provider generated or acquired from a
6 renewable energy system for the purposes of complying with its
7 portfolio standard.

8 (4) The commission may establish a system of renewable energy
9 credits that may be used by a provider to comply with its
10 portfolio standard.

11 (5) If a provider is unable to comply with its portfolio
12 standard through the generation of electricity from its own
13 renewable energy systems or the use of renewable energy credits,
14 the provider shall acquire electricity under 1 or more renewable
15 energy contracts.

16 (6) If the commission determines that there is not or will
17 not be a sufficient supply of electricity made available to a
18 provider under renewable energy contracts with just and
19 reasonable terms and conditions, the commission shall exempt the
20 provider, for that calendar year, from the remaining requirements
21 of its portfolio standard or from any appropriate portion of the
22 standard.

23 (7) The commission shall determine whether the terms and
24 conditions of a renewable energy contract are just and
25 reasonable.

26 (8) As used in this section:

27 (a) "Renewable energy contract" means a contract to acquire

1 electricity from 1 or more renewable energy systems owned,
2 operated, or controlled by third parties.

3 (b) "Terms and conditions" includes the price that a provider
4 of electric service is to pay to acquire electricity under a
5 renewable energy contract.

6 Sec. 3. (1) Each provider of electric service shall submit
7 to the commission an annual report that provides information
8 relating to the actions taken by the provider to comply with its
9 portfolio standard.

10 (2) Each provider shall submit the annual report to the
11 commission after the end of each calendar year and within the
12 time prescribed by the commission. The report shall be submitted
13 in a format approved by the commission.

14 (3) Each annual report shall include all of the following
15 information:

16 (a) The amount of electricity that the provider generated or
17 acquired from renewable energy systems during the reporting
18 period and the amount of renewable energy credits that the
19 provider acquired, sold, or traded during the reporting period to
20 comply with its portfolio standard.

21 (b) The capacity of each renewable energy system owned,
22 operated, or controlled by the provider, the total amount of
23 electricity generated by each system during the reporting period
24 and the percentage of that total amount that was generated
25 directly from renewable energy.

26 (c) Whether, during the reporting period, the provider began
27 construction on, acquired, or placed into operation any renewable

1 energy system.

2 (d) Any other information that the commission may require.

3 Sec. 4. (1) If a provider does not comply with its
4 portfolio standard for any calendar year and the commission has
5 not exempted the provider from the requirements of its portfolio
6 standard, the commission may impose a fine or take other
7 appropriate action against the provider.

8 (2) The commission may impose a fine against a provider based
9 on either of the following:

10 (a) Each kilowatt-hour of electricity that the provider does
11 not generate or acquire from a renewable energy system or a solar
12 thermal renewable energy system during a calendar year in
13 violation of its portfolio standard.

14 (b) Any other reasonable formula adopted by the commission.

15 (3) If the commission imposes a fine against a regulated rate
16 provider, then all of the following apply:

17 (a) The fine is not a cost of service of the provider.

18 (b) The provider shall not include any portion of the fine in
19 any application for a rate adjustment or rate increase.

20 (c) The commission shall not allow the provider to recover
21 any portion of the fine from its retail customers.