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BILL ANALYSIS

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Senate Bill 334 (Substitute S-3 as reported)
Sponsor: Senator Bruce Patterson
Committee: Technology and Energy

CONTENT

The bill would amend the Customer Choice and Electricity Reliability Act to do the following:

-- Create the Low Income Energy Assistance and Efficiency Program within the Public Service Commission (PSC).
-- Require the PSC to terminate the existing Low Income and Energy Efficiency Fund.
-- Require the PSC annually to approve a low income energy assistance and efficiency factor that would be a nonbypassable surcharge payable by every customer receiving a distribution service from a natural gas or electric utility with rates regulated by the PSC.
-- Create the Low Income Energy Assistance and Efficiency Fund within the State Treasury, and require money collected under the bill to be deposited into the Fund.
-- Allow the PSC to authorize the State Treasurer to make grants from the Fund to any entity that provided assistance to electric or natural gas utility customers.
-- Require the PSC, in consultation with the Attorney General, to issue an annual report to the Legislature and the Governor regarding the Fund's use and effectiveness.
-- Require the Auditor General to audit the Fund at least every two years.
-- Require the PSC to conduct audits and investigations to ensure that money was disbursed legally from the Fund, and require the Attorney General to institute criminal proceedings or civil action against a grantee if necessary.
-- Repeal Section 6c of the Act, which authorizes the PSC to approve residential energy conservation programs funded through general utility rates.

Proposed MCL 460.10dd Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would increase revenue to the Low Income and Energy Efficiency Fund from approximately $40 million annually to $94 million, but would restrict the distribution of the revenue collected to the particular service area and by particular service; i.e., electric surcharge would go back to the electric company, and gas surcharge back to the gas company. This restriction would increase the administrative responsibilities of the Commission, which would have to hold a public hearing before awarding any grants. The Department of Labor and Economic Growth estimates that it would require 2.0 additional FTEs as well as increased auditing personnel.

The proposed surcharge would increase the cost of purchasing electricity and natural gas for all consumers, which would affect the amount of sales tax generated from electricity and natural gas purchases. Assuming that at least some of this increased cost for electricity and natural gas would be offset by reduced purchases in other areas, it is estimated that the proposed surcharge would generate a net increase of $2 million to $3 million in sales tax revenue on a full-year basis. Most of this increased sales tax revenue would go to the School Aid Fund and the General Fund.

The bill also would result in additional administrative costs for the Department of Attorney General and the Auditor General. Enforcement costs (for the Attorney General and local prosecutors) would depend on the number of violations.

Date Completed: 5-24-05

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