

SENATE BILL No. 1504

November 28, 2006, Introduced by Senator BIRKHOLZ and referred to the Committee on Technology and Energy.

A bill to require certain providers of electric service to comply with a portfolio standard for renewable energy; to create energy diversity for the long-term security of our economy and environment; to promote the health of our citizens; 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:

Sec. 1. As used in this act:

(a) "Biomass" means any organic matter that can be converted to usable fuel for the production of energy and is available on a renewable basis, including, but not limited to, all of the following:

(i) Agricultural crops and crop wastes.

(ii) Wood and wood wastes, including wood and wood waste from

1 wood product and paper processing.

2 (iii) Animal wastes.

3 (iv) Municipal wastewater sludge.

4 (v) Aquatic plants.

5 (vi) Food production and processing waste.

6 (vii) Municipal solid waste.

7 (b) "Commission" means the Michigan public service
8 commission.

9 (c) "Installed capacity" means the total amount of
10 electricity a renewable energy system can generate in 1 hour at
11 full load.

12 (d) "Portfolio standard" is the required minimum percentage
13 of a provider's total annual retail kilowatt hour electricity
14 sales in this state that is composed of electricity produced from
15 a renewable energy fuel source.

16 (e) "Provider" means any person that is in the business of
17 selling electricity to retail customers in this state. For the
18 purposes of this act, provider means any of the following:

19 (i) Any person or entity that is regulated by the commission
20 for the purpose of selling electricity to retail customers.

21 (ii) A municipal electric provider.

22 (iii) A cooperative electric provider.

23 (iv) An alternative electric supplier.

24 (v) An independent investor-owned electric utility.

25 (f) "Renewable energy contract" means a contract to acquire
26 electricity and the associated renewable energy credits from 1 or
27 more renewable energy systems.

(g) "Renewable energy credit" means a certified credit under this act equal to 1 megawatt hour of generated renewable energy.

(h) "Renewable energy fuel" means any of the following:

(i) Biomass.

(ii) Geothermal.

(iii) Solar.

(iv) Wind.

(v) Hydroelectric, except for pump storage systems.

(vi) Gas captured from the decomposition of waste.

(vii) That portion of a fuel mixture that is a biomass fuel.

(i) "Renewable energy system" means a facility, an electricity generation system, or an integrated set of electricity generation systems that use renewable energy fuel.

(j) "Terms and conditions" includes the price that a provider of electric service is to pay to acquire electricity and the associated renewable energy credits under a renewable energy contract.

Sec. 2. (1) Each provider shall on an annual basis establish a portfolio standard for renewable energy. The provider shall annually file a report with the commission regarding the status of the provider in meeting the portfolio standard established under this section. The portfolio standard shall require the provider to generate or acquire electricity from renewable energy systems, for sale to retail customers in this state, or acquire equivalent renewable energy credits, in the following amounts:

(a) For the period of January 1, 2007 to December 31, 2007, not less than 4% of the total amount of kilowatt hours of

1 electricity sold by the provider to its retail customers in this
2 state during the calendar year.

3 (b) For the period of January 1, 2008 to December 31, 2009,
4 not less than 5% of the total amount of kilowatt hours of
5 electricity sold by the provider to its retail customers in this
6 state during the calendar year.

7 (c) For the period of January 1, 2010 to December 31, 2011,
8 not less than 6% of the total amount of kilowatt hours of
9 electricity sold by the provider to its retail customers in this
10 state during the calendar year.

11 (d) For the period of January 1, 2012 to December 31, 2013,
12 not less than 7% of the total amount of kilowatt hours of
13 electricity sold by the provider to its retail customers in this
14 state during the calendar year.

15 (e) After December 31, 2013, not less than 8% of the total
16 amount of kilowatt hours of electricity sold by the provider to
17 its retail customers in this state during each calendar year.

18 (2) If the provider acquires electricity and the associated
19 renewable energy credits from a renewable energy system under a
20 renewable energy contract, entered into after the effective date
21 of this act, the commission shall determine whether the contract
22 provides all of the following:

23 (a) That the term of the renewable energy contract is not
24 less than 20 years, unless the supplier of the renewable energy
25 agrees to a renewable energy contract with a shorter term.

26 (b) That the terms and conditions of the renewable energy
27 contract are just and reasonable.

1 (c) That the terms and conditions of the renewable energy
2 contract will provide a long-term purchase price from a
3 creditworthy party to allow financing, construction, and
4 operation of the renewable energy system.

5 (3) The commission shall consider all costs reasonably and
6 prudently incurred by a regulated utility in meeting the
7 requirements of this act to be a cost of service. The commission
8 shall determine the mechanism for the recovery of those costs.

9 Sec. 3. (1) The commission shall establish a system of
10 renewable energy credits that can be used by a provider to comply
11 with its portfolio standard. The renewable energy credit program
12 shall include the following:

13 (a) Renewable energy systems eligible to receive renewable
14 energy credits are renewable energy systems within this state.

15 (b) A process to certify all existing and new renewable
16 energy systems operating on the effective date of this act as
17 eligible to receive renewable energy credits.

18 (c) A method for the transferability of credits.

19 (d) For power purchase agreements that exist on the
20 effective date of this act, ownership of any renewable energy
21 credits resides with the generator of the renewable energy unless
22 the ownership of the renewable energy credits is otherwise stated
23 in contract.

24 (2) The commission shall establish a credit certification
25 and tracking program. The certification and tracking program may
26 be contracted to and performed by a third party through a system
27 of competitive bidding. The credit certification and tracking

1 program shall include all of the following:

2 (a) Certification that the renewable energy system is a
3 qualified renewable energy system under this act.

4 (b) Certification that the operator of a renewable energy
5 system is in compliance with state and federal law applicable to
6 the operation of a renewable energy system at the time
7 certification is granted.

8 (c) Affixing the date that the renewable energy credit is
9 valid for transfer under this act.

10 (d) A method for ensuring that renewable energy credits
11 traded and sold under this act are properly accounted under this
12 act.

13 Sec. 4. (1) If a provider is unable to comply with its
14 portfolio standard through the generation of renewable energy
15 credits derived from its own renewable energy systems, or from
16 the purchase of certified renewable energy credits, the provider
17 shall comply by entering into 1 or more renewable energy
18 contracts.

19 (2) Renewable energy credits used by a provider to comply
20 with its portfolio standard are extinguished upon use.

21 (3) Renewable energy credits shall automatically expire upon
22 the date 3 years after the original certification of the
23 renewable energy credit.

24 Sec. 5. (1) Solar electric generation systems, installed in
25 this state, shall be eligible for a rebate of \$2,000.00 per
26 kilowatt hour of installed capacity. To qualify for a rebate
27 under this section, all solar energy panels shall be certified by

the solar rating and certification corporation.

(2) The rebate will be paid by the provider of meter service to the electric generation system owner and shall be a 1-time payment.

(3) Rebates will be paid for systems that have been installed and have demonstrated an ability to produce electricity.

(4) The following shall be the maximum limits placed on the total rebate program statewide:

<u>YEAR</u>	<u>SOLAR CAPACITY</u>
2007	5,000 kW
2009	10,000 kW
2011	15,000 kW
2013	20,000 kW
2015	25,000 kW

(5) The commission shall allow the provider that pays a rebate to a solar electric generation system to recover those costs from its ratepayers, on the same basis as other capital investments used to serve its customers, using a 20-year amortization period starting with the year the rebate cost is incurred.

(6) The provider that provides the rebate payment to the solar generation system in accordance with this section shall be the owner of all renewable energy credits associated with power generated from the facility.

Sec. 6. (1) Each provider of electric service shall submit

1 to the commission an annual report that provides information
2 relating to the actions taken by the provider to comply with its
3 portfolio standard.

4 (2) Each provider shall submit the annual report to the
5 commission after the end of each calendar year and within the
6 time prescribed by the commission. The report shall be submitted
7 in a format approved by the commission.

8 (3) Each annual report shall include all of the following
9 information:

10 (a) The amount of electricity and renewable energy credits
11 that the provider generated or acquired from renewable energy
12 systems during the reporting period and the amount of renewable
13 energy credits that the provider acquired, sold, or traded during
14 the reporting period to comply with its portfolio standard.

15 (b) The capacity of each renewable energy system owned,
16 operated, or controlled by the provider, the total amount of
17 electricity generated by each system during the reporting period,
18 and the percentage of that total amount that was generated
19 directly from renewable energy.

20 (c) Whether, during the reporting period, the provider began
21 construction on, acquired, or placed into operation any renewable
22 energy system.

23 (d) Any other information that the commission determines
24 necessary.

25 (4) The commission shall file an annual report with the
26 legislature that summarizes data collected under this section.

27 Sec. 7. (1) If a provider does not comply with its portfolio

1 standard as required under section 2, the commission shall impose
2 on the provider a fine of \$50.00 per megawatt hour for each
3 renewable energy credit that the provider does not generate or
4 acquire from a renewable energy system during a calendar year in
5 violation of its portfolio standard.

6 (2) The commission shall annually adjust the fines that will
7 be imposed for each calendar year using the prevailing consumer
8 price index for the Detroit region.

9 (3) If the commission imposes a fine under subsection (1)
10 against a regulated rate provider, then all of the following
11 apply:

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

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

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