HOUSE BILL No. 4137

February 4, 2009, Introduced by Rep. Gonzales and referred to the Committee on Energy and Technology.

A bill to require certain providers of electric service to purchase electricity from eligible electric generators; 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. This act shall be known and may be cited as the "renewable energy sources act".

Sec. 3. As used in this act:

(a) "Average specific yield" means the average production in kilowatt hours for the first 5 years of production of a wind-powered plant, less the maximum and minimum years of production, divided by the rotor-swept area in square meters.

(b) "Capacity" means the electrical capacity that an eligible electric generator may produce during regular operations, not

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including standby capacity.

(c) "Commission" means the Michigan public service commission.

(d) "Electric utility" means that term as defined in section 2 of the electric transmission line certification act, 1995 PA 30, MCL 460.562.

(e) "Eligible electric generator" means a system for the generation of electricity that is fueled by a renewable fuel in this state.

(f) "Reasonable profit" means a profit of not less than 10% but not more than 30%.

(g) "Renewable fuel" means solar, hydroelectric, wind, geothermal, landfill gas, sewage treatment gas, biofuel, or biomass. For the purposes of this subdivision:

(*i*) "Biofuel" means a fuel that is composed of a gas or liquid which is made entirely from biomass.

(*ii*) "Biomass" means organic waste or dedicated crops grown for energy production.

(h) "Small wind turbine" means any wind turbine with a rotor blade swept area of no more than 2,000 square feet.

Sec. 5. (1) An electric utility shall connect an eligible electric generator to the utility's distribution systems not less than 30 or more than 60 days after such a request by an eligible electric generator. An electric utility that violates this subsection is subject to a fine of not more than $100.00 per day for each day that the violation continues.

(2) The commission shall establish standards for the interconnection of eligible electric generators with the

distribution systems of electric utilities. The standards shall be consistent with generally accepted industry practices and guidelines and shall be established to ensure the reliability of electric service and the safety of customers, utility employees, and the general public. The costs associated with the interconnection of eligible electric generators shall be included in the surcharge under subsection (4).

(3) Electric utilities shall enter into power purchase agreements for a term of not less than 20 years to purchase all electricity from eligible electric generators in this state at the following rates set by the commission:

(a) For electricity generated by hydroelectric power, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) $0.10 per kilowatt hour for projects with a capacity less than 500 kilowatts.

(*ii*) $0.085 per kilowatt hour for projects with a capacity of at least 500 kilowatts but not greater than 10 megawatts.

(*iii*) $0.065 per kilowatt hour for projects with a capacity greater than 10 megawatts but not greater than 20 megawatts.

(b) For electricity generated by landfill gas or sewage treatment gas, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) $0.10 per kilowatt hour for projects with a capacity less than 500 kilowatts.

(*ii*) $0.085 per kilowatt hour for projects with a capacity equal to or greater than 500 kilowatts.

(c) For electricity generated by biofuel, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) $0.145 per kilowatt hour for projects with a capacity less than 150 kilowatts.

(*ii*) $0.125 per kilowatt hour for projects with a capacity of at least 150 kilowatts but not greater than 500 kilowatts.

(*iii*) $0.115 per kilowatt hour for projects with a capacity greater than 500 kilowatts but not greater than 5 megawatts.

(*iv*) $0.105 per kilowatt hour for projects with a capacity greater than 5 megawatts but not greater than 20 megawatts.

(d) For electricity generated by geothermal energy plants, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) $0.19 per kilowatt hour for projects with a capacity less than 5 megawatts.

(*ii*) $0.18 per kilowatt hour for projects with a capacity of at least 5 megawatts but not greater than 10 megawatts.

(*iii*) $0.115 per kilowatt hour for projects with a capacity greater than 10 megawatts but not greater than 20 megawatts.

(*iv*) $0.09 per kilowatt hour for projects with a capacity greater than 20 megawatts.

(e) For electricity generated by wind-powered plants, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) For years 1 through 5, $0.105 per kilowatt hour.

(*ii*) For years 6 through 20, $0.105 per kilowatt hour for

projects with an average specific yield less than 700 kilowatt hours per square meter per year.

(*iii*) For years 6 through 20, $0.08 per kilowatt hour for projects with an average specific yield greater than 1,100 kilowatt hours per square meter per year.

(*iv*) For years 6 through 20, for projects with an average specific yield greater than 700 kilowatt hours per square meter per year but less than 1,100 kilowatt hours per square meter per year shall be paid a rate that is a linear extrapolation between the rate at 700 kilowatt hours per square meter per year to 1,100 kilowatt hours per square meter per year.

(*v*) For small wind turbines, $0.25 per kilowatt hour.

(f) For electricity generated by solar-powered plants, the rate needed for development plus a reasonable profit, but not less than the following:

(*i*) $0.50 per kilowatt hour for free standing or open field projects.

(*ii*) $0.65 per kilowatt hour for rooftop projects with a capacity less than 30 kilowatts.

(*iii*) $0.62 per kilowatt hour for rooftop projects with a capacity of at least 30 kilowatts but not greater than 100 kilowatts.

(*iv*) $0.61 per kilowatt hour for rooftop projects with a capacity greater than 100 kilowatts.

(*v*) $0.71 per kilowatt hour for façade cladding projects with a capacity less than 30 kilowatts.

(*vi*) $0.68 per kilowatt hour for façade cladding projects with

a capacity of at least 30 kilowatts but not greater than 100 kilowatts.

(*vii*) $0.67 per kilowatt hour for façade cladding projects with a capacity greater than 100 kilowatts.

(4) The commission shall, after notice and hearing, annually approve a renewable energy factor that shall be a nonbypassable surcharge payable by every customer of an alternative electric supplier, cooperative electric utility, electric utility, or municipal utility. The surcharge shall be payable by all customer classes. The commission shall set the surcharge at a level sufficient to pay the costs of electricity purchased under subsection (3) and any interconnection costs under subsection (2).

(5) The commission shall approve a standard contract to be used in all power purchase agreements under this act. The contract must include the prices paid for each kilowatt hour generated, the duration of the contract, and any adjustments of those prices for inflation. The commission shall provide utilities with standard contracts within 3 months after the effective date of this act.

(6) The commission shall review the rates in subsection (3) every 2 years and adjust those rates as necessary to account for inflation, assist in the profitable development of eligible electric generators, prevent excessive profits for eligible electric generators, and prevent unnecessary costs to ratepayers. The commission shall reduce the rates in subsection (3) to reflect any federal or state subsidies, tax credits, or other incentives that an eligible electric generator is receiving.

(7) In each of the first 2 years after the effective date of

this act and every 4 years thereafter, the commission shall file a report with the governor and legislature that shall include all of the following:

(a) The number of new eligible electric generators in this state and the environmental effects of the addition of those generators.

(b) Recommendations for legislation and changes to the rates in subsection (3), if any.

(c) Actions taken by the commission to implement this act.

(8) Eligible electric generators shall, upon request, provide the commission any information that may be relevant to the commission performing its duties under this act.