



Senate Fiscal Agency
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Senate Bill 502 (Substitute S-4 as reported)

Sponsor: Senator Sue Shink

Committee: Energy and Environment

CONTENT

The bill would amend Public Act 3 of 1939, the Public Service Commission law, to do the following:

- Establish goals for the Michigan Public Service Commission (MPSC) to prioritize when exercising its authority.
- Allow the MPSC to approve an appropriate revenue decoupling mechanism upon a utility's request if the utility demonstrated, among other requirements, that it complied with incremental energy savings requirements of the Clean and Renewable Energy and Energy Waste Reduction Act.
- Increase the amounts that a utility must remit to the Fund upon its application for a cost recovery case, from \$900,000 to \$1.8 million for a utility serving at least 100,000 customers, and from \$650,000 to \$2.0 million for a utility serving at least 100,000 residential customers.
- Require the MPSC to encourage grant making to nonprofits representing environmental justice communities and communities with the highest energy burdens.
- Require, beginning August 18, 2022, the MPSC to conduct proceedings to determine modeling assumptions for integrated resource plans (IRP) every four years.
- Modify the MPSC's required duties while conducting an IRP modeling assumption proceeding to include: 1) conducting an assessment of the requirements to support electrification of transportation, buildings, and industries; 2) identifying environmental justice communities; and 3) identifying how an electric utility would promote electrification of transportation, buildings, and industries.
- Require a utility's IRP to address the projected long-term forecast of greenhouse gas emissions and other pollutants generated or purchased by an electric utility, as well as its effects on the goals established by the bill, and to provide an analysis on how the utility would meet renewable energy and distributed generation requirements and the clean energy requirements partially proposed in Senate Bill 271.
- Require the MPSC to consider the potential impact of proposed energy generation resources and other alternatives recommended by the Department of Environment, Great Lakes, and Energy (EGLE) on whether an IRP would make adequate progress towards the elimination of greenhouse gases from power generations by 2040 and State economy-wide elimination by 2050.
- Require the MPSC to consider whether an IRP or its alternatives would make adequate progress towards the elimination of adverse effects on human health due to power generation
- Require the MPSC to consider whether an IRP, in comparison to proposed alternatives, would adequately reduce harm to the health, safety, and welfare of environmental justice communities.
- Modify the requirements for an IRP to be approved by the MPSC to include considerations of prevailing wage and fringe benefits for projects and whether an IRP would be consistent with a renewable energy plan, a clean energy plan, and energy waste reduction requirements partially proposed in Senate Bills 271 (S-2) and 273 (S-2).

- Require EGLE to hold public input hearings on specified cases considered by the MPSC before orders were issued for the cases.
- By June 1, 2024, require the MPSC to consider options to expand opportunities for engagement in its decision-making processes and procedures concerning accessibility and transparency, among other aspects.

The bill is tie-barred to Senate Bills 271 and 273.

MCL 460.6 et al.

Legislative Analyst: Tyler P. VanHuyse

FISCAL IMPACT

The bill would have a negative fiscal impact on the State and no fiscal impact on local units of government.

Under the bill, the MPSC would be required to prioritize and factor certain goals into its decision-making. It is possible that additional resources could be expended due to the time required to develop these goals and to review utility plans that include the new information. It is likely that these activities would be sufficiently covered by existing appropriations.

However, the Commission likely would incur additional costs in undertaking the assessments of requirements to support elimination of greenhouse gas emissions and of utility programs' ability to promote electrification as well as in identifying environmental justice communities. These activities would be performed in conjunction with EGLE and other State agencies and would occur every four years. For long-term forecasts, it is possible that the MPSC could elect to engage with outside entities to complete its evaluations or assist in data collection. The costs of these activities cannot be estimated at this time, but likely would require an increase in appropriations for the fiscal years in which work would be undertaken. It is also possible that the MPSC would require one or more additional activities to help manage this work. The annual cost of a full-time-equivalent (FTE) is approximately \$137,500.

The bill would double the total amount paid proportionally to the Utility Consumer Representation Fund by certain energy utility companies. The amount for those serving at least 100,000 total customers would increase to \$1.8 million and the amount would increase to \$2.0 million for companies serving at least 100,000 residential customers. Each qualifying utility company would have to pay a portion of this amount according to the formula described in the bill. These amounts are available to the Attorney General for the administrative and judicial proceedings before and involving the MPSC as well as proceedings that would have a direct effect on the rates paid by customers. Five percent of the total of the Fund is available for administrative purposes.

The bill would have a minor negative fiscal impact on EGLE due to the incurred administrative costs associated with hosting public hearings prior to the MPSC acting. There are also costs associated with the time and labor required for EGLE to fulfill its advisory role in assessing integrated resource plans. While EGLE is currently redirecting FTEs to fulfill these duties, it estimates that it would require 2.0 additional FTEs to regularly perform the assessments related to these plans.

Date Completed: 10-26-23

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Bill Analysis @ www.senate.michigan.gov/sfa

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