

MICHIGAN PUBLIC SERVICE COMMISSION (EXCERPT)
Act 3 of 1939

***** 460.6x.added THIS ADDED SECTION IS EFFECTIVE APRIL 20, 2017 *****

460.6x.added Shared saving mechanism.

Sec. 6x. (1) Subject to section 6a(13), in order to ensure equivalent consideration of energy waste reduction resources within the integrated resource planning process, the commission shall by January 1, 2021 authorize a shared savings mechanism for an electric utility to the extent that the electric utility has not otherwise capitalized the costs of the energy waste reduction, conservation, demand reduction, and other waste reduction measures.

(2) For an electric utility that achieves annual electric energy savings of at least 1% but not greater than 1.25% of its total annual weather-adjusted retail sales in megawatt hours in the previous calendar year, the shared savings incentive shall be 25% of the net benefits validated as a result of the programs implemented by the electric utility related to energy waste reduction, conservation, demand reduction, and other waste reduction. A shared savings mechanism authorized under this subsection shall not exceed 15% of the electric utility's expenditures associated with implementing energy waste reduction programs for the calendar year in which the shared savings mechanism was authorized. The commission shall determine net benefits by calculating the net present value of the lifetime avoided utility costs that are projected from the utility's energy waste reduction programs implemented in a calendar year less the utility expenditures associated with implementing the energy waste reduction program in that calendar year, including all overhead and administrative costs. The commission shall calculate net present value by using a discount rate of the utility's weighted average cost of capital in that calendar year.

(3) For an electric utility that achieves annual electric energy savings of greater than 1.25% but not greater than 1.5% of the total annual weather-adjusted retail sales in megawatt hours in the previous calendar year, the shared savings incentive shall be 27.5% of the net benefits validated as a result of the programs implemented by the electric utility related to energy waste reduction, conservation, demand reduction, and other waste reduction. A shared savings mechanism authorized under this subsection shall not exceed 17.5% of the electric utility's expenditures associated with implementing energy waste reduction programs for the calendar year in which the shared savings mechanism was authorized. The commission shall determine net benefits by calculating the net present value of the lifetime avoided utility costs that are projected from the utility's energy waste reduction programs implemented in a calendar year less the utility expenditures associated with implementing the energy waste reduction program in that calendar year, including all overhead and administrative costs. The commission shall calculate net present value by using a discount rate of the utility's weighted average cost of capital in that calendar year.

(4) For an electric utility that achieves annual electric energy savings greater than 1.5% of the total annual weather-adjusted retail sales in megawatt hours in the previous calendar year, the shared savings incentive shall be 30% of the net benefits validated as a result of the programs implemented by the electric utility related to energy waste reduction, conservation, demand reduction, and other waste reduction. A shared savings mechanism authorized under this subsection shall not exceed 20% of the electric utility's expenditures associated with implementing energy waste reduction programs for the calendar year in which the shared savings mechanism was authorized. The commission shall determine net benefits by calculating the net present value of the lifetime avoided utility costs that are projected from the utility's energy waste reduction programs implemented in a calendar year less the utility expenditures associated with implementing the energy waste reduction program in that calendar year, including all overhead and administrative costs. The commission shall calculate net present value by using a discount rate of the utility's weighted average cost of capital in that calendar year.

History: Add. 2016, Act 341, Eff. Apr. 20, 2017.