Welcome to Michigan

Energy Regulatory Partnership
Program
Lansing, Michigan
November 30 to December 6, 2008

America’s Winter Wonderland

Summary
2008 Michigan Energy Legislation

Michigan Renewable Energy Program

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Michigan Public Service Commission

Three New Laws Signed On October 6, 2008

- HB 5524 (Act 286)

  Amendment to 2000 PA 141: Michigan Customer Choice & Electricity Reliability Act

- SB 1048 (Act 287)

  Tax credits for various home improvements & Renewable Portfolio Standards (RPS) costs

- SB 213 (Act 295)

  RPS, Energy Optimization Plans, State Government Efficiency & Conservation, Wind Resource Zones, Net Metering

Act 286 – Before & After

- Before – Nine month “soft cap” on rate cases
- After – Twelve month “hard cap” on rate cases

Act 286 – Before & After

- Before – Ability to grant “partial and immediate” rate relief

- After – No more P & I rate relief, but utilities may now implement rates six months after filing

Act 286 – Before & After

- Before – No regulatory oversight of Mergers and Acquisitions (M&A)
- After – MPSC oversight of utility M&A activities

Act 286 – Before & After

- Before – The MPSC had no authority to review the need for a power plant prior to its completion

- After – Certificate of need process for plant construction or power purchase agreements that are 6 years or longer (includes integrated resource planning)

Act 286 – Before & After

- Before – No upward limit on the amount of an electric utility's load that can shift to an Alternative Electric Supplier (AES)

- After – The new law establishes that not more than 10% of an electric utility's retail sales may take service from an alternative electric supplier

Act 286 – Before & After

- Before – MPSC shifted some costs of residential customer class to commercial and industrial customer classes in setting rates
- After – the new law provides for rates to move to cost of service based rates (a.k.a. “deskewing”) over a 5-year period (by 2013) subject to a limitation of 2.5% rate increases per year

Act 287

- Establishes tax credits, limited by income level, for the purchase and installation of “qualified home improvements”
  - insulation
  - furnaces
  - water heaters
  - windows
  - refrigerators, clothes washers, and dishwashers
- Establishes tax credits, limited by income level, for 10% to 25% of the costs of renewable energy under Act 295 (other limits apply)
- Tax credits are for 2009 through 2011

Act 295

- Named the "***Clean, Renewable, and Efficient Energy Act of 2008***"

Organization of Act 295

- Part 1: General Provisions and Definitions
- Part 2: Energy Standards
  - Subpart A: Renewable Energy
  - Subpart B: Energy Optimization
- Part 3: State Government Energy Efficiency and Conservation
- Part 4: Wind Energy Resource Zones
- Part 5: Net Metering

Act 295 – Part 2A

- Commission issues Temporary Order implementing Act 295, which will happen at the December 4, 2008 meeting
- Within 1 year, Commission promulgates rules to implement this act
- Basic idea: RPS of 10% by 2015 for all Michigan electricity suppliers

The **Temporary Order** will:

- Establish formats for all renewable energy plans
- Establish guidelines for utility requests for proposals for new renewable energy
- Tell all electric providers when to file their applications
- Set schedules for contested cases and comment proceedings

RPS Plans for Rate Regulated Utilities

- MPSC rate-regulated electric providers file plans within 90 days after the Temporary Order
- Major utilities must use fair and nondiscriminatory bidding processes to acquire renewable energy
- MPSC holds contested case hearing on plans, within 90 days of plan filing
  - Commission determines: Is Plan reasonable and prudent? Will life-cycle cost of renewable energy not exceed expected live-cycle cost of new conventional coal-fired facility?
  - Commission approves, approves with changes consented by applicant, or rejects the plan
- Plans are reviewed and updated every two years or when application to amend is filed by electric provider

RPS Plans for AESs & Member-Regulated Cooperatives

- AESs file plans within 90 days, Co-ops 120 days, after Commission temporary order
- MPSC invites public comment on plans, within 90 days of plan filing
  - Commission approves, approves with changes consented by applicant, or rejects the plan
  - Commission explains why, in writing, if it finds the plan does not comply with the Act
- Plans are reviewed and updated every two years or when application to amend is filed by AES or Coop

RPS Plans for Municipal Electric Utilities

- Municipal Utility files plan within 120 days, after Commission temporary order
- Either Board or MPSC invites public comment on plans, within 90 days of plan filing
  - Commission determines whether plan complies with the Act and explains why, in writing, if it finds the plan does not comply with the Act
- Plans are reviewed and updated every two years or when application to amend is filed

RPS for All Suppliers

- 10% by 2015 and at least that same number of MWh per year for 2016 and after
- Goal set using 2007 baseline with interim steps towards the final goal for 2012 through 2014
- Note: Some Michigan providers with ample hydroelectric resources already exceed 10%: Alger-Delta, Cloverland, & Ontonagon co-ops, Edison Sault and Xcel Energy utilities

Hemlock Semiconductor Produces Photovoltaic Cells for Solar Panels

- An abundant source of clean energy

Targets for Large Utilities

- Consumers: 200 MW renewable energy capacity portfolio by 12/31/2013, 500 MW by 2015
- Detroit Edison: 300 MW renewable energy capacity portfolio by 12/31/2013, 600 MW by 2015

What can qualify towards RPS?

- Generation from “renewable energy systems”
- Includes pre-existing capacity plus new power purchase agreement contracts plus new facilities owned by the utility
- RECs with or without associated energy

RPS Cost Recovery

- Incremental costs of renewables will be levelized & collected over 20-years
  - Avoided costs of new conventional coal plant will be considered
- Charges: Not more than $3/month for residential; $16.58/month for commercial (~$200/yr); $187.50/month for industrial (~2,250/yr)
  - Residential customers may be entitled to a state income tax credit to offset costs of the renewable energy program
- Both RPS and Energy Optimization Charges, and Energy Optimization Savings, will be itemized on residential bills
- Eligible costs itemized in §47

Energy Optimization Plans

- Filed in 90 days after Temporary Order for rate regulated utilities; 120 days for Co-ops and Municipals
- Overall goal shall be to reduce future costs of service for both gas and electric suppliers
- All of a company’s energy optimization programs, collectively, shall be cost effective
- Utilities can earn a financial incentive

Energy Optimization Plan Goals

- Electric providers: 0.3% of annual 2007 load in 2008-2009; 0.5% in 2010; 0.75% in 2011; 1% per year for 2012, 2013, 2014, 2015, and thereafter
- Gas providers: 0.1% of annual 2007 load in 2008-2009; 0.25% in 2010; 0.5% in 2010; 0.75% per year for 2012, 2013, 2014, 2015, and thereafter
- After 2012, electric providers can substitute for up to 10% of EOCs, RECs or ACECs determined by the Commission to be cost-effective and provide carbon dioxide emissions

Self-Directed Energy Optimization

- Largest customers eligible
- Independent Energy Optimization Service Companies (EOSCs) used to develop and implement plans for customers with loads less than 2MW per location or 10MW in aggregate
- Multi-year plans with reports every two years
- By September 1, 2010, Commission will establish "approval" process for EOSCs
- Customers with Self-Directed Plans won't pay their supplier's Energy Optimization Program Charges

SB 213 Part 4: Wind Energy Resource Zones

- Commission creates 9-member board, within 60 days
- Board responsibilities
  - Study Michigan wind resources, potential, viability, land availability, requests in interconnection queues
  - Issue report within 240 days, identifying regions with highest wind energy harvest potential
  - Submit copies of report to all local legislative bodies located in the identified regions
  - Accept comments from legislative bodies (63 days);
hold hearings (may include hearings in each region identified)
  - Issue final report (45 days)
  - Board dissolved 90 days after final report is issued

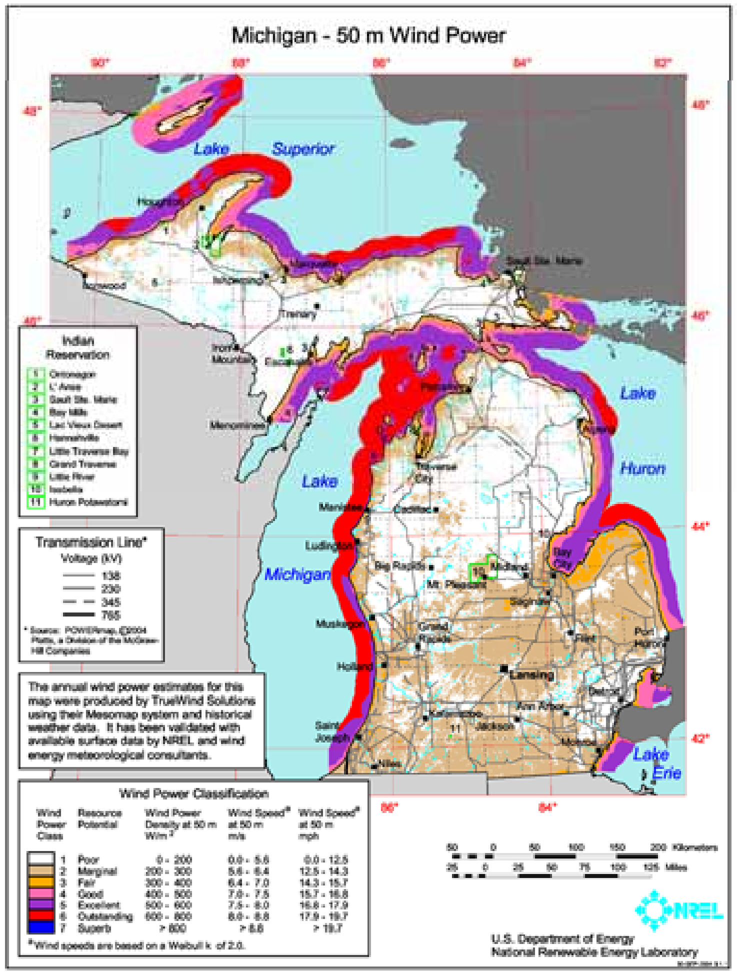
Michigan’s First Commercial Wind Farm near Elkton, Michigan

Harvest Wind Farm

SB 213 Part 4:
Wind Energy Resource Zones (2)

- After Board final report, area utilities and transmission companies identify necessary existing or new transmission infrastructure to deliver maximum and minimum wind potential for each region, and submit that information to the Board for its review
- After the Board’s findings, the Commission issues an order which identifies the primary wind energy resource zone, and may identify additional zones.
- Commission reports to state legislature, including any recommendations for legislation
- Commission may issue expedited siting certificates for wind energy resource zone transmission

Wind power potential in Michigan



Net Metering

SB 213 Part 5: Net Metering

- Based on §171, the program applies only to PSC rate-regulated electric utilities and alternative electric suppliers
- Only for renewable generators sized to meet the customer's electric needs
- §173 requires the PSC to establish a statewide net metering program by order not later than 180 days after the effective date of this act.
- Program size is 1% of in-state peak load
  - 0.5% for 20 kW or smaller generators
  - 0.25% for >20 kW to 150 kW generators
  - 0.25% for methane digesters up to 550 kW

Questions?

To stay informed, subscribe to the Michigan Renewables Energy Program e-mail distribution list at:

http://www.dleg.state.mi.us/mpsc/about/subscribe-listserv.htm

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