

# HOUSE BILL No. 5218

September 15, 2007, Introduced by Rep. Kathleen Law 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:**

1           Sec. 1. This act shall be known and may be cited as the  
2 "Michigan renewable energy sources act".

3           Sec. 2. The purpose of this act is to do the following:

4           (a) Enable the rapid and sustainable development of Michigan's  
5 abundant renewable energy resources for the clean generation of  
6 electricity.

7           (b) Protect Michigan's atmosphere from air pollution.

8           (c) Protect Michigan's climate from global warming.

9           (d) Protect Michigan's natural resources.

10          (e) Allow all citizens to participate in renewable electricity

1 generation.

2 (f) Reduce the volatility of future electricity prices.

3 (g) Reduce the long-term costs of electricity.

4 (h) Place Michigan at the forefront of north America's  
5 renewable energy revolution.

6 (i) Stimulate the development of new jobs, technologies, and  
7 industry in Michigan.

8 (j) Create a Michigan marketplace for the development of  
9 renewable energy.

10 Sec. 3. As used in this act:

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

15 (b) "Capacity" means the electrical capacity that an eligible  
16 electric generator may produce during regular operations, not  
17 including standby capacity.

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

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

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

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

27 (g) "Renewable fuel" means solar, hydroelectric, wind,

1 geothermal, landfill gas, sewage treatment gas, biofuel, or  
2 biomass. For the purposes of this subdivision:

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

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

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

9 Sec. 4. (1) An electric utility shall connect an eligible  
10 electric generator to the utility's distribution systems within 30  
11 to 60 days of such a request by an eligible electric generator. An  
12 electric utility that refuses to connect an eligible electric  
13 generator to the utility's distribution systems is subject to fines  
14 of not more than \$100.00 per day that the electric utility is in  
15 violation of this subsection.

16 (2) The commission shall establish standards for the  
17 interconnection of eligible electric generators with the  
18 distribution systems of electric utilities. The standards shall be  
19 consistent with generally accepted industry practices and  
20 guidelines and shall be established to ensure the reliability of  
21 electric service and the safety of customers, utility employees,  
22 and the general public. The costs associated with the  
23 interconnection of eligible electric generators shall be included  
24 in the surcharge under subsection (4).

25 (3) Electric utilities shall enter into power purchase  
26 agreements for a term of not less than 20 years to purchase all  
27 electricity from eligible electric generators in this state at the

1 following rates set by the commission:

2 (a) For electricity generated by hydroelectric power, the rate  
3 needed for development plus a reasonable profit, but no less than  
4 the following:

5 (i) \$0.10 per kilowatt hour for projects with a capacity under  
6 500 kilowatts.

7 (ii) \$0.085 per kilowatt hour for projects with a capacity of  
8 500 kilowatts to 10 megawatts.

9 (iii) \$0.065 per kilowatt hour for projects with a capacity  
10 greater than 10 megawatts to 20 megawatts.

11 (b) For electricity generated by landfill gas or sewage  
12 treatment gas, the rate needed for development plus a reasonable  
13 profit, but no less than the following:

14 (i) \$0.10 per kilowatt hour for projects with a capacity under  
15 500 kilowatts.

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

18 (c) For electricity generated by biomass and biogas, the rate  
19 needed for development plus a reasonable profit, but no less than  
20 the following:

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

23 (ii) \$0.125 per kilowatt hour for projects with a capacity of  
24 150 kilowatts to 500 kilowatts.

25 (iii) \$0.115 per kilowatt hour for projects with a capacity  
26 greater than 500 kilowatts to 5 megawatts.

27 (iv) \$0.105 per kilowatt hour for projects with a capacity

1 greater than 5 megawatts to 20 megawatts.

2 (d) For electricity generated by geothermal energy plants, the  
3 rate needed for development plus a reasonable profit, but no less  
4 than the following:

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

7 (ii) \$0.18 per kilowatt hour for projects with a capacity of 15  
8 megawatts to 10 megawatts.

9 (iii) \$0.115 per kilowatt hour for projects with a capacity  
10 greater than 10 megawatts to 20 megawatts.

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

13 (e) For electricity generated by wind-powered plants, the rate  
14 needed for development plus a reasonable profit, but no less than  
15 the following:

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

17 (ii) For years 6 through 20, \$0.105 per kilowatt hour for  
18 projects with an average specific yield less than 700 kilowatt  
19 hours per square meter per year.

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

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

1 kilowatt hours per square meter per year.

2 (v) For small wind turbines, \$0.025 per kilowatt hour.

3 (f) For electricity generated by solar-powered plants, the  
4 rate needed for development plus a reasonable profit, but no less  
5 than the following:

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

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

10 (iii) \$0.62 per kilowatt hour for rooftop projects with a  
11 capacity of 30 kilowatts to 100 kilowatts.

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

14 (v) \$0.71 per kilowatt hour for façade cladding projects with  
15 a capacity under 30 kilowatts.

16 (vi) \$0.68 per kilowatt hour for façade cladding projects with  
17 a capacity of 30 kilowatts to 100 kilowatts.

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

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

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

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

15           (7) In each of the first 2 years and every 4 years thereafter,  
16 the commission shall file a report with the governor and  
17 legislature that shall include all of the following:

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

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

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

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