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MPSC Directs Consumers Energy to Fund Renewable Energy Resource Program, Directs Staff to Develop a Net Metering Program for Implementation in Michigan

May 18, 2004

The Michigan Public Service Commission (MPSC) today issued an order granting in part and denying in part the application filed by Mackinaw Power LLC and North American Wind Energy to amend Consumer Energy's green power pilot program. The Commission also issued an order approving the MPSC staff's proposed 2003 annual report and directing the staff to file the 2004 MREP report by Nov. 30. The 2004 report will include plans for the implementation of a net metering program in Michigan.

"Michigan's Renewable Energy Program has had a good start, and the Commission believes the time is right to take another step in promoting renewable resources," said MPSC Chair J. Peter Lark. "By requiring Consumers Energy to fund a new renewable energy program, we expect the use of renewable energy resources to increase significantly and further diversify the generation fuel mix.

"Today, the Commission is also requiring the establishment of net metering in Michigan," said Commissioner Robert Nelson. "Net metering benefits Michigan by encouraging the use of renewable energy sources, making Michigan less dependent on traditional energy sources and enhancing the environment."

The Michigan Legislature directed the MPSC, in Public Act 141 of 2000, to establish a renewable energy program. A renewable energy source was defined as "energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric."

On August 18, 2003 the MPSC opened a docket on the possibility of amending Consumers Energy Company's existing green power pilot program, which is scheduled to expire on Dec. 31.

In today's order, the Commission ordered Consumers Energy to assess a five-cent per meter per month charge to implement a new renewable resource program and a new funding mechanism that recovers green power program costs not covered by contributions of customers who agree to pay a premium for green power. To the extent that voluntary payments fall short of all program costs, the Commission approved use of a five cents per meter per month customer charge levied on all customer meters. The Commission notes that this customer charge ensures that the amount any customer pays is minimal. Because rate caps imposed by Public Act 141 are in still in effect, the proceeds of the approved funding mechanism is limited and is estimated to be about $2,000 per month for the time that it is in effect in 2004. That amount is expected to be $10,000 per month in 2005, and $87,500 per month in 2006, when all rate caps are lifted. Residential customers will not begin paying the five cents per month charge until Jan. 1, 2006. The Commission will periodically review the fund to determine if it needs to be continued.

In U-12915, the MPSC approved the MPSC staff's proposed 2003 annual report and directed the staff to file the 2004 MREP report by Nov. 30. The Commission specifically called for the 2004 report to include plans for the implementation of a statewide net metering program in Michigan. Net metering occurs when customers produce electric energy in excess of their needs, providing power back to the serving utility. In such cases, the meter runs "backwards," thereby reducing the amount for which the customer is billed. Some 38 states and the District of Columbia already have net metering.

If consensus cannot be reached on a statewide net metering proposal on the part of MREP collaborative members, the Commission is directing the staff to put forth a design proposal that, at a minimum, allows net metering for all residential and small commercial customers with systems powered by renewable energy.

In addition, the MPSC directed regulated utilities with more than 250,000 customers in Michigan to issue requests for proposals for renewable energy resources or for agreements with third-party suppliers who provide green power turnkey operations by Aug. 16. Consumers Energy is exempt from this requirement because of its implementation of a renewable resource funding mechanism.

Today's order also directed the staff to include in its 2004 report its recommendations on coordination; education; tariffs and rates; cost/benefit analysis; use of renewable energy by the State of Michigan; financing mechanisms; emission credits; portfolio standards; and a generic green power program.

The MPSC is an agency within the Department of Labor & Economic Growth.

Cases Nos. U-13843, U-12915

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