



MEMORANDUM

TO: House Energy Committee Members

CC: Senator Mike Nofs, Chairman Senate Energy & Technology Committee
Valerie Brader, Executive Director, Michigan Agency for Energy

FROM: Larry Ward, Executive Director, MCEF
Keith den Hollander, President, Christian Coalition of MI

RE: Renewable Energy Policy – Recommended Language & Bill Substitutes

DATE: November 2, 2015

While the House Energy Committee is scheduled to meet tomorrow, and by all accounts the intention is to vote on bills, it is important that you continue advocating for an open and transparent process. The votes you cast on the future of state energy policy will be important – and clearly you will not want to defend back home a process that did not invite public input, nor allow you or your colleagues sufficient time to explore options, ask questions, listen to testimony.

The House Energy Committee has not heard testimony since June. Much has happened in that time – additional data, testimony, shifting positions, revised language, EPA regulations, etc. We all want a speedy resolution to the current energy policy debate – but not at the expense of creating a political problem, or leaving us having fallen short on seizing the full potential for energy policy to serve as an economic driver and job creator in Michigan.

Please do not settle for “less than” proposals – it is critical that GOP lawmakers be viewed as pro-clean energy, and forward-looking in establishing the state’s next generation of policy – including expanding Michigan’s commitment to renewable energy and energy optimization.

The following are MCEF’s specific recommendations and language on renewable energy provisions. We look forward to answering any questions you may have, and to contributing toward conservative solutions to the state’s energy transition.



Established in 2008, PA 295 and PA 3 set the state's current Renewable Portfolio Standard (RPS) of 10% by 2015. As the House Energy Committee, under your leadership, works on a package of bills addressing the state's specific policy for future treatment of renewables (HB4297/HB4298), the Michigan Conservative Energy Forum offers the below detailed bill language as substitutes to HB4297/4298. Specifically, this is language only addressing the work you are doing to rewrite the sections on **Renewable Energy**. While MCEF is supporting additional energy policy priorities beyond just those related to renewable energy, such changes will be addressed in subsequent memoranda.

MCEF recently commissioned Hillsdale College Professor Dr. Gary Wolfram to create a white paper entitled [Improving Michigan's Electric Utility Industry](#). As you know, based on subsequent conversations between you and Dr. Wolfram, he offers that in our regulated electricity market, it is the responsibility of the legislature to create policies aligning incentives with desired outcomes.

To that end, and to ensure that Michigan continues its pursuit of an "all-of-the-above" energy mix consistent with Governor Snyder's vision for affordable, reliable, adaptable and environmentally sound energy policy, MCEF has established the following recommended priorities:

- 1) Keep the state's current 10% renewable 'standard' in place.
- 2) Maintain the current rate of 1.5% growth of renewable generation.
- 3) Keep in place the current requirement that 50% of new renewable generation comes from Independent Power Producers (IPPs).
- 4) Provide an "off-ramp(s)" through a mechanism and authority to delay the use of renewables if not cost competitive with other sources of generation.
- 5) Assure a diversified portfolio of clean power production.

To achieve these policy priorities, we are recommending the following specific changes (and the relevant bills/acts):

PA295 (HB4297)

- Pg.21, Lines 9,14,15,17; Replace "new conventional coal fired facility" with the term "COMBINED CYCLE NATURAL GAS".
- Pg.22, Line 7; need "OFF RAMP" language included. Change the Certificate of Need (CON) to require each electric provider must submit an application for a CON for current and future demand for electric generation and transmission for customers of that electric provider.



Application shall include any proposed changes to its renewable energy plan within its power supply plan.

HB4297 (H1)

- Add the following to Pg.24, after line 23:
 - “(C) In 2016, and each year thereafter, maintain a 10% renewable energy credit portfolio.”
 - “(D) In 2017, and each year thereafter, maintain 1.5% per year growth in the renewable energy credit portfolio.”
 - “(E) In 2022, the Commission shall maintain a renewable energy credit portfolio that consists of at least the number of renewable energy credits that were required by subdivision (D).”
 - “(F) The Commission can suspend the growth in the renewable energy credit portfolio required by Subdivision (D) if the Commission determines upon review of an electric provider’s renewable energy plan that this requirement is not reasonable and prudent relative to other option considering costs, fuel supply, and fuel price volatility.” (i.e. OFF-RAMP)
 - Also need language added to define “most reasonable and prudent”:

“MOST REASONABLE AND PRUDENT MEANS TO MEET NEEDS RELATIVE TO OTHER OPTIONS CONSIDERING COSTS, FUEL SUPPLY, FUEL PRICE VOLATILITY, THE LIKELIHOOD OF FUTURE ENVIRONMENTAL REGULATIONS, AND OTHER RISKS.”
- Change Section 31 (4)(a)(i) to read as follows:

“(i) Renewable energy systems that were developed by and are owned by the electric provider AND EACH OF WHICH GENERATES ELECTRICITY AT A COST THAT IS NOT MORE THAN 110% OF THE AVERAGE COST PER MEGAWATT HOUR OF ELECTRICITY PURCHASED BY THAT ELECTRIC PROVIDER PURSUANT TO SUBDIVISION (B).”

PA3/HB4298 (H2)

- Pg.27 and 28 – Reduce the threshold from \$500,000,000 to \$100,000,000 in the CON process.
- Pg.29, line 3 – Remove all of subsection (4) and insert language that would strengthen the current CON (not having an open ended IRP process). Language needed:
 1. CON shall maintain or increase electric reliability.



2. CON shall require compliance with all applicable laws.
3. CON represents most reasonable and prudent means to meet power supply needs relative to other options considering costs, fuel supply, and fuel price volatility of the evaluated scenarios.
4. CON must include all cost-effective programs to reduce energy waste.
5. Make the CON the most reasonable and prudent plan to provide reasonable progress toward an increase in Energy Efficiency.

Our recommendations are reasonable and achievable. We are merely asking that the current level of Michigan's commitment to renewable energy growth be maintained, with "off-ramp" language providing cost-protection for ratepayers. As I mentioned above, subsequent memos outlining additional energy policy priorities – included recommended expansion of the State's Energy Optimization standard – will be created later this week. MCEF's recommended policy priorities will include the following:

- Increasing Michigan's commitment to reducing energy waste through by increasing our **Energy Optimization (EO) standard**.
- **Net Metering** should be supported and expanded to encourage home solar generation.
- Expand the scope and budget for the **Utility Consumer Participation Board (UCPB)** to hold utilities accountable on rates.
- Ensuring **Ratepayer Protection** is codified in all electricity regulatory statutes.
- Maintain the current "**Code of Conduct**" language assuring a level playing field for all electricity providers.
- Enforcement of the current federal **PURPA** requirements, and avoided cost calculation

MCEF, it's Leadership Council, and statewide membership is prepared to support meaningful legislation, which advances and expands the use of clean and renewable sources of energy production in Michigan.

Energy is an issue that touches every Michigander – we all use it. We are grateful for your leadership, and stand ready to work with you to create meaningful and lasting energy policy that transitions Michigan from PA 295 to an improved model for success.