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MPSC Staff are developing a summary of other state RPS programs, in order to highlight how other states have addressed the following questions. Other Policy Team participants are invited to contribute to this effort, too. A preliminary outline, based on MPSC Staff review, will be provided in time for the June 7 Renewable Energy Workgroup meeting.

QUESTIONS TO ADDRESS IN AN RPS FOR MICHIGAN:

1. WHICH SUPPLIERS?

Should the portfolio requirements apply to ALL suppliers? If not ALL, then should there be any exceptions or exemptions that would allow any suppliers (Load Serving Entities, or LSEs) to avoid meeting portfolio requirements? If yes, what should be allowed as possible reasons? What procedure should be used to request and obtain an exception or exemption?

Should the RPS proposal be designed to include participation and compliance by Michigan's municipal electric utilities? If yes, would legislation be required to accomplish their participation?

2. WHAT RPS REQUIREMENT?

What should be the portfolio standard, and how should it be measured? Should it be a percentage of all energy sales?, of all new sales growth, of all new capacity?

How would the BASELINE be calculated and the annual requirement be set?

Should the RPS apply equally to all utilities (and AESs?), whether or not they face a need for new capacity?

Should the RPS be mandatory or voluntary?

3. QUALIFYING RESOURCES?

What should be the definitions, exactly, for what will qualify for the portfolio? How will "renewable energy" be defined for inclusion in the RPS?

- a. Should there be allowances for THERMAL ENERGY to be included in the portfolio, either when it is produced by renewable energy technologies (such as solar-hot water systems), or through qualifying combined heat and power technologies? If yes, what criteria should be met for each thermal technology to qualify, and what calculations will be used to

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translate from thermal to kWh equivalents?

- b. Should a proposed portfolio standard have SET-ASIDES (either minimums or maximums) for various specific technologies? For example, some states have special provisions for the mix of renewable resources being deployed, such as minimum percentages to be met by solar technologies. Or, there might be minimum requirements for the percentage of new, in-state, in-service-territory, and/or self-service power systems, or a maximum percentage that could be met through green rate programs. If such limits are to be incorporated, what should they be?

Also, if a utility service territory offers a particular resource in sufficient quantity (e.g., wind or hydro), should that utility be relieved from any particular set-asides?

- c. Should existing facilities qualify for inclusion in an RPS, or should the requirements be limited only to new facilities? How will pre-existing PURPA and/or CHP facilities be affected by the proposed RPS?
- d. Are there any forms of biomass energy (especially waste-to-energy) that should not be included in an RPS, because they are not clean technologies?

4. RECs and REC Trading System?

- a. How can a REC trading system be established which will best support Michigan economic development?
- b. Should BANKING of credits be allowed? For what duration? Similarly, If an RPS target (in MWh or MW) is not met, should suppliers be allowed to carry forward the deficit into the next program year, and add it to that year's target, thus being allowed to make it up late?
- c. How will line-losses be considered? Or, put another way, does the REC refer to the point of generation or the point of end-use consumption, or some other place?
- d. Should sales through GREEN RATE programs or any other "speciality" rates for renewable energy be eligible for inclusion in the portfolio standard? If yes, what criteria should green rates be required to meet, in order to qualify?
- e. What agency(ies) would certify power supplies as being eligible for inclusion in the RPS? What agency(ies) would manage the REC trading

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system? If a multi-state agency is used for REC tracking, how would Michigan be assured that all RECs counted towards a Michigan program do indeed meet all criteria for our state program?

5. How can a STANDARD OFFER CONTRACT or feed-in tariff work in conjunction with a portfolio standard proposal?

If a standard offer contract (SOC) is used, who would establish the rates, terms, and conditions for the tariff? Should there be one, state-wide feed-in tariff (or, more likely one for each major technology type, e.g. biomass, solar, wind)? How would the SOC process be managed? By what agency(ies)? How often would SOCs be set and what would be their duration/term?

6. RATE-IMPACT LIMIT?

Should there be any rate-impact limit or surcharge limit imposed, as a kind of a backstop, which would prevent the portfolio standard from reaching too high of a cost to utility customers? If yes, what should that limit be? Examples: Colorado has something like 50-cents/meter/month, Arizona has something like 1% rate increase. (Tom)

7. COST RECOVERY?

How will costs associated with RPS compliance be addressed? Will legislation be required in order to implement an RPS, or does the Commission's current authority suffice?

8. REPORTING REQUIREMENTS:

What kinds of reports should be completed? How frequently and on what schedule? What should be the contents of the reports? (John)

9. SUNSET REVIEW?

Should there be provisions for a sunset review of the portfolio standard? If yes, what should be the duration between reviews? The content of the review? What criteria should be used to determine whether to adjust the portfolio standard, if circumstances warrant?

10. What OTHER POLICIES should be implemented in conjunction with an RPS?

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BIBLIOGRAPHY AND REFERENCES ABOUT RPS AND SIMILAR POLICIES

Learn more about Renewable Portfolio Standards and other policies for the support of renewable energy and energy efficiency from the Database of State Incentives for Renewable Energy (DSIRE; www.dsireusa.org).

DSIRE defines *Renewables Portfolio Standards/Set Asides*:

Renewables Portfolio Standards (RPS) require that a certain percentage of a utility's overall or new generating capacity or energy sales must be derived from renewable resources, i.e., 1% of electric sales must be from renewable energy in the year 200x. Portfolio Standards most commonly refer to electric sales measured in megawatt-hours (MWh), as opposed to electric capacity measured in megawatts (MW). The term "set asides" is frequently used to refer to programs where a utility is required to include a certain amount of renewables capacity in new installations.

Cambridge University & Massachusetts Institute of Technology Study: *Comparison of Feed in Tariff, Quota and Auction Mechanisms to Support Wind Power Development*, December 21, 2004, Lucy Butler and Karsten Neuhoff, CMI Working Paper 70.

<http://www.econ.cam.ac.uk/electricity/publications/wp/ep70.pdf>.

Center for Resource Solutions. (2006, March). *Regulator's Handbook on Renewable Energy Programs and Tariffs*. Jan Hamrin, Dan Lieberman, and Meredith Wingate; <http://www.resource-solutions.org/policy/TariffHandbook/>. See also CRS Webcasts on *Renewable Energy Certificates and Green Power Tariff Setting*, at <http://www.resource-solutions.org/policy/tariffwebcasts.htm>.