

# MPSC Staff Strawman Proposal

Renewable Energy Workgroup  
June 7, 2006

# RPS Strawman Proposal

- This is staff's proposal (not a Commission-approved proposal)
- The staff strawman proposal contains all of the elements that we believe are critical to the development of an RPS
- Additional details are being provided to focus our discussions and provide specific issues for comments and alternative proposals

# Strawman RPS Details

- Staff believes that as a matter of policy Michigan's RPS should apply to all load serving entities

# Strawman RPS Requirements

- RPS targets are mandatory, subject to review by the PSC every 3 years
- RPS targets should be consistent with those modeled in the CNF Alternative Generation scenario, subject to updating and validation
- Starting year should be about 18 months after legislative approval to allow new projects to become operational
- Baseline retail sales calculation for first year = average of last 3 complete calendar years

# RPS Qualifying Resources

- Facilities must meet the renewable energy definition in PA 141
- Only new facilities qualify
  - New is defined as becoming operational after the passage of PA 141: June 5, 2000
- Thermal energy generated from renewable resources (e.g., solar thermal, geothermal, biomass-fired CHP)

# RPS Qualifying Resources

- Generation & sales through green rate programs, net metering and self-service power tariffs will be eligible, as long as those programs and tariffs meet specific listed criteria.
- Biomass facilities should be eligible only if they meet all existing environmental and waste management regulations

# REC Trading System

- The RPS will include a tradable REC system
- 2-year banking
- If an RPS target is not met in a given year, the load serving entity should have the opportunity to make up the deficiency the following year by purchasing RPS-qualifying energy equal to 1.5 times the previous year deficiency

# REC Trading System

- Facilities will be certified by an independent certification agent, based on criteria established by the PSC
- Any disputes will be heard by the PSC
- RECs for half of each participant's RPS target must come from renewable generation located within Michigan
- The remaining half of the RECs can come from any state

# Reporting Requirements

- Load serving entities will report annually on their compliance during the previous year and include purchasing plans for the next 1,2,5, and 10 years in a process similar to the PSCR planning procedure

# RPS Planning and Compliance

- Regulated Utilities
  - Reviewed in conjunction with the annual PSCR process
  - Cost recovery will also be part of the annual PSCR process
- AESs
  - An annual process shall be developed

# Sunset Review

- The MPSC will review and report on the RPS every 3 years
- The report will include
  - Progress toward the RPS
  - Costs associated with the RPS
  - Diversity of Michigan's retail electric sales portfolio
  - Recommendations on adjustments to future RPS targets
  - Recommendations on whether the RPS program should continue

# RPS Target Example

- Average of 2003-2005 retail sales
  - 107,738,000 MWh
- ½% of 3 year average
  - 538,690 MWh
- Assume 35% Capacity Factor
  - Michigan would need 176 MW of new capacity to meet annual RPS target

107,738,000

# Standard Offer Contracts

- A statewide renewable energy purchasing agent shall establish appropriate, cost-based standard offer contracts (SOCs, also known as feed-in tariffs)
- SOCs will be contracts with terms long enough to cover the duration of financing
- New SOCs will be developed every two years (offers adjusted to reflect current renewable energy costs)

# Statewide Renewable Energy Purchasing Agent

- Participants may meet some or all of their RPS targets using this agent
- Need a way to fund initial contracts – preferably without the use of a systems benefits charge

# Comment Period

- We know this group has a divergence of opinion on RPS programs
- Your comments and alternative RPS proposals are the next important step in the process.
- We are requesting comments and alternative RPS proposals by July 7<sup>th</sup>.  
(email to Tom Stanton – [tstanton@michigan.gov](mailto:tstanton@michigan.gov))