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
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 7th. (email to Tom Stanton – tstanton@michigan.gov)