



Request for Comments on Elements of the Strawman RPS Proposal

Suggested alternative(s), additions, deletions, and comments should be emailed to both pmpoli@michigan.gov and tstanton@michigan.gov by June 30, 2006.

Please provide your suggested alternative(s) and comments on the critical Renewable Portfolio Standard (RPS) components listed below, or indicate if you are in disagreement with the inclusion of that component in the Strawman proposal.

1. RPS Load Serving Entities

Michigan's RPS should apply to all load serving entities (LSE). This includes: Investor owned utilities, cooperative utilities, alternative electric suppliers, and municipal utilities.

Suggested Alternative:

2. RPS Targets

RPS targets are mandatory for all LSEs, but subject to potential adjustment from time to time as discussed in element number 6 below. RPS targets should be established based on the results of the Capacity Need Forum modeling for the Alternative Generation Scenario, with any changes based on new model results for the 21st Century Energy Plan.

Each LSE in Michigan will have a 24-month period to generate or purchase qualifying renewable energy or RECs, up to the initial target amount. That initial target will be set equal to the then-current statewide average renewable resource use (now approximately 3% of annual retail sales). Existing renewable resources may be included to reach RPS targets. Each subsequent target amount would have to be reached by pre-established dates.

For example, the Non-Traditional Case Scenario modeling completed for the Capacity Need Forum Report indicated these targets: 3% additional renewable resources by 2008, 5% by 2010, and 7 percent by 2015, to reach total renewable resource levels of approximately 6% by 2008, 8 percent by 2010, and 10 percent by 2015.¹ The target years and quantities will be adjusted as necessary to reflect the 24-month lead time and the best available information about Michigan renewable energy resource availability and cost.

The strawman proposal has no carve-outs or set-asides for particular types of renewable energy.

¹ This scenario for the Capacity Need Forum modeling included non-renewable combined heat & power (CHP) generation, which would not qualify in the strawman RPS proposal.

The strawman proposal has a provision for alternative compliance payments. The payment will be twice the average Michigan REC market price during the previous year in Michigan. Alternative compliance payments, if any, will be deposited into the Low Income and Energy Efficiency Fund administered by the MPSC.

Suggested Alternative:

3. **Eligible/Qualifying Resources**

Renewable energy should qualify based on the definition from 2000 PA 141 (MCL 460.10g: “Renewable energy source” means energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric.)

Biomass facilities should be eligible only if they meet all existing environmental and waste management regulations.

Any discussion of RECs from net metering, green rates, or other utility tariffs or programs will be handled by the Policy Team. (See also element number 10, Other Related Policies, below.)

Suggested Alternative:

4. **REC System**²

Strawman proposal includes a tradable REC system with 2-year banking.

A minimum of 75% of each LSE’s RPS target must come from renewable energy generated within Michigan. The remaining 25% can come from any state.

Renewable facilities will be certified by an independent certification agent, based on criteria established by the MPSC.

REC trading agents may participate in the Michigan program, as long as there are assurances that credits certified for use in Michigan will meet all Michigan criteria.

Suggested Alternative:

5. **Statewide Renewable Energy Purchasing Agent**³

LSEs may meet their RPS targets by purchasing RECs from a statewide renewable energy purchasing agent.

² As a part of the 21st Century Energy Plan, a detailed plan for REC management is being developed.

³ The original staff strawman proposal included recommendations on Standard Offer Contracts. Any discussion on this issue will be handled by the Policy Team.

The strawman proposal has not identified any specific provisions for a statewide renewable energy purchasing agent. If commenters agree that this approach is a good one, Staff requests suggestions regarding how to identify and fund a statewide renewable energy purchasing agent.

Suggested Alternative:

6. **Rate Impact Limit**

MPSC will review the RPS program one year prior to the date that the target is scheduled to change, and would adjust the RPS target as necessary. This review will include reporting and analysis of RPS progress, RPS program costs, diversity of Michigan's retail electric sales portfolio, and recommendations on adjustments to future RPS targets and on whether the RPS should continue. (See also element number 9, Program Review, below.)

Suggested Alternative:

7. **Cost Recovery**

Costs associated with renewable energy purchased by regulated utilities pursuant to the RPS targets will be considered an integral part of each utility's power supply portfolio and will be recovered through the annual power supply cost recovery process.

Suggested Alternative:

8. **Compliance Reporting Requirements**

Each LSE will file an annual report regarding compliance in the previous year, explaining renewable resource plans in detail for the next 1 year, and providing a renewable resource plan forecast for the next 5 years. Regulated utility reporting will be part of the annual PSCR process at the PSC, and a reporting schedule and requirements for AESs will be developed.

Suggested Alternative:

9. **RPS Program Review**

Every 3 years the PSC will review the RPS program and make recommendations on whether the RPS targets should be adjusted or if the RPS program should continue. The program may be suspended if RPS targets are regularly being met, REC prices are remaining very low (at or near zero), and the state has attained acceptable levels of renewable energy in the retail sales portfolio.

Suggested Alternative:

10. **Other Related Policies**

The Strawman proposal recognizes that additional policies may be important or even necessary to implement in conjunction with an RPS. The review and discussion of other policies is taking place in a separate process, through the Policy Team. Commenters on the RPS Strawman proposal are encouraged to simply list other related policies they feel are essential or very important to consider in conjunction with an RPS. Details of those proposed policies will be reviewed and discussed separately. MPSC Staff is now compiling a summary of which related policies have been implemented by other states that have RPSs, and will post that summary for review.

Suggested Other Related Policies: