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## BILL ANALYSIS



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Senate Bills 152 and 153 (as introduced 3-8-23)  
Sponsor: Senator Ed McBroom (S.B. 152)  
Senator Jeff Irwin (S.B. 153)  
Committee: Energy and Environment

Date Completed: 6-12-24

**INTRODUCTION**

The bills would establish a regulatory framework to allow for the creation and interconnection of community solar facilities in the State. They would require an electric provider to connect a community solar facility within the provider's service area to its electric grid and provide a subscriber of the facility a credit on the subscriber's electric bill. The Michigan Public Service Commission (MPSC) would have to establish a bill credit rate for the calculation of credits and regulate the creation, financing, grid-interconnection, and business practices of community solar.

Generally, community solar facilities are solar projects owned by third parties that sell subscriptions to customers who use the portion of the facility's output associated with their subscription to offset their electric bills with electric providers. To qualify as a community solar facility under the bill, a facility would need to have a generating capacity of less than five megawatts, at least three subscribers, and 60% of its capacity subscribed by subscriptions of 40 kilowatts or less, among other general requirements. The bills would require community solar facility owners and electric providers to regularly exchange information concerning their mutual customers for the facilitation of monthly bill credits. The bills also would allow a community solar facility owner to accumulate bill credits if all the electricity generated by a community solar facility were not allocated to subscribers in each month.

The bills are tie-barred.

**FISCAL IMPACT**

Senate Bill 152 would have no fiscal impact on State or local government.

Senate Bill 153 likely would have a minor negative fiscal impact on the Department of Environment, Great Lakes, and Energy due to administration and enforcement costs, although it is unclear at this time what duties the Department would fulfill. The extent of this impact is indeterminate and would depend upon the number of community solar facilities developed.

Proposed MCL 460.1235 & 460.1237 (S.B. 152)  
MCL 460.1005 et al. (S.B. 153)

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## **CONTENT**

**Senate Bill 153 would add Part 8 (Community Solar Facilities) to the Clean and Renewable Energy and Energy Waste Reduction Act to do the following:**

- Require an electric provider, not including a municipally- or cooperatively owned electric utility, to credit toward a community solar subscriber's monthly electric bill the output of the community solar facility during the immediately preceding month attributable to that subscriber.**
- Prescribe the calculation for a subscriber's bill credit.**
- Require a community solar facility to provide a subscriber list to the electric provider in whose service territory the subscriber organization's community solar facility was located.**
- Allow a subscriber organization to accumulate bill credits if all the electricity generated by a community solar facility were not allocated to subscribers in each month.**

**Senate Bill 152 would amend the Clean and Renewable Energy and Energy Waste Reduction Act to require the MPSC to promulgate rules for the creation and financing of community solar facilities and to establish a bill credit rate for community solar subscriptions.**

### **Senate Bill 153**

#### **Part 8 Definitions**

"Applicable bill credit rate" would mean the dollar-per-kilowatt-hour rate established by the MPSC to calculate a subscriber's bill credit.

"Bill credit" would mean the monetary value of the electricity in kilowatt-hours generated by the community solar facility allocated to a subscriber to offset that subscriber's electricity bill.

"Community solar facility" would mean a facility, which may be located on one or more parcels of land, that meets all the following requirements:

- Generates electricity by means of a solar photovoltaic device.
- Produces for each subscriber a bill credit for the electricity generated in proportion to the size of the subscriber's subscription.
- Is connected to the electric distribution grid serving the State.
- Has at least three subscribers.
- For the purpose of initial program qualifications, does not have a point of interconnection located within one mile of the point of interconnection of a solar facility under the control of the same entity.
- Has no subscriber that holds more than a 40% proportional interest in the output of the system.
- Beginning one year after commencing operation, has at least 60% of its capacity subscribed by subscriptions of 40 kilowatts or less.
- Has a capacity of not greater than five megawatts alternating current.

"Control" would mean the possession, directly or indirectly, of the power to direct the management and policies of an entity, whether through the ownership of voting securities, by contract, or otherwise. Control would exist when affiliates had shared sales or revenue-sharing arrangements or common debt and equity financing arrangements, but control would not be limited to such situations.

"Low-income household" would mean a household that meets any of the following conditions:

- Has a household income of not more than 80% of the area median household income, as published by the United States Department of Housing and Urban Development.
- Has a household income of not more than 200% of the poverty line as defined in the Social Security Act.
- Is enrolled in a low-income program facilitated by the State or overseen by the electric utility.
- Other low-income criteria as determined by the MPSC.

"Low-income service organization" would mean an organization that provides services, assistance, or housing to individuals in low-income households and may include a central tribal government, or a tribally designated housing authority.

"Nonministerial permits" would mean governmental permits and approvals to construct the project, other than ministerial permits such as a building permit.

"Subscriber" would mean a retail electric customer of an electric provider that meets all the following requirements:

- The subscriber owns one or more subscriptions to a community solar facility interconnected with and located in the service territory of the electric provider.
- The subscriber's property to the electric bill of which the bill credits are applied is located in the same service territory.

"Subscriber organization" would mean a for-profit or nonprofit entity that owns or operates one or more community solar facilities.

"Subscription" would mean a contract between a subscriber and the owner of a community solar facility under which the estimated bill credits of the subscriber do not exceed the average annual bill for the customer account to which the subscription is attributed.

#### Part 8 Provisions

Under the bill, an electric provider would have to apply a bill credit to a subscriber's monthly electric bill for the output of a community solar facility during the immediately preceding month attributable to that subscriber. The value of the bill credit would be calculated by multiplying the subscriber's portion of the kilowatt-hour electricity production from the community solar facility by the applicable bill credit rate for the subscriber. Any amount of the bill credit that exceeded the subscriber's monthly bill would be carried over and applied to the next monthly bill as many times as necessary until the entire credit had been applied.

An electric provider would have to provide bill credits to each of a community solar facility's subscribers for electricity generated by the community solar facility for at least 25 years from the date the community solar facility began commercial operation. When an electric provider filed tariffs with the MPSC, the electric provider would have to include options in the tariffs that allowed a subscriber to receive bill credits for the subscriber's electricity bills.

A subscriber organization would have to provide a subscriber list to the electric provider in whose service territory the subscriber organization's community solar facility was located. The subscriber list would have to be in a standardized electronic format and specify the percentage of the community solar facility's generation attributable to each subscriber. The subscriber organization would have to update the subscriber list by removing subscribers that canceled their subscriptions and added new subscribers.

Monthly and in a standardized electronic format, an electric provider would have to provide to a subscriber organization that had a community solar facility within the electric provider's service territory a report that specified the following:

- The total value of bill credits generated by the subscriber organization's community solar facility in the prior month.
- The amount of the bill credit applied to each subscriber.

A subscriber organization could accumulate bill credits if all the electricity generated by a community solar facility were not allocated to subscribers in each month. On an annual basis, the subscriber organization would have to provide to the electric provider whose service territory included the location of the subscriber organization's community solar facility instructions for distributing excess bill credits to subscribers.

Any renewable energy credits for electricity generated by a community solar facility would be the property of the subscriber organization that owned or operated the community solar facility. The subscriber organization could sell, accumulate, retire, or distribute to subscribers the subscriber organization's renewable energy credits.

### **Senate Bill 152**

Within one year after the bill's effective date, the MPSC would have to promulgate rules to do all the following:

- Allow for the creation and financing of community solar facilities and for subscribers to receive bill credits.
- Ensure that all customer classes had opportunities to participate as subscribers to a community solar facility.
- Require that not less than 30% of the electricity produced by each community solar facility was reserved for low-income households and low-income service organizations.
- Prohibit an electric provider from removing a customer from the customer's applicable customer class because the customer subscribed to a community solar facility.
- Provide for the transferability and portability of subscriptions, including a subscriber's retention of a subscription to a community solar facility if the subscriber moved within the same electric provider's service territory.
- Provide for consumer protection in compliance with existing laws.
- Allow an electric provider to recover costs of administering bill credits.
- Modify existing interconnection standards, fees, and processes as needed to facilitate the efficient and cost-effective interconnection of community solar facilities and allow an electric provider to recover reasonable interconnection costs for each community solar facility.
- Require that electric providers efficiently connect community solar facilities to the electrical distribution grid and not discriminate against community solar facilities.
- Ensure that prospective subscriber organizations received interconnection agreements, legal control of their sites, and all necessary nonministerial permits before applying for the program under this part.
- Otherwise implement this part.

Additionally, within one year after the bill's effective date, the MPSC also would have to establish applicable bill credit rates that resulted in access to subscriptions for all customer classes and were derived from the electric provider's total aggregate retail rate on a per-customer-class basis, excluding the MPSC-approved distribution cost components.

In establishing applicable bill credit rates, the MPSC could consider proposed rules and proposed fees and charges.

Finally, the bill specifies that a subscriber organization would not be considered to be an electric provider as a result of its ownership or operation of a community solar facility.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.