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BILL ANALYSIS

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Senate Bill 273 (as introduced 4-19-23)
Sponsor: Senator Sam Singh
Committee: Energy and Environment

Date Completed: 6-21-23

CONTENT

The bill would amend Subpart C (Energy Waste Reduction) of the Clean and Renewable Energy Waste Reduction Act to do the following:

-- **Require an electric provider's energy waste reduction plan to achieve an annual energy waste reduction standard of 2%.**
-- **Modify the percentage of annual energy incremental savings that an electric provider must meet to achieve financial incentives allowed under Subpart C.**
-- **Beginning 2025, require the Michigan Public Service Commission (MPSC) to review an electric or natural gas provider's energy waste reduction plan every three years.**

Energy Waste Reduction Plan

Subpart C required electric and natural gas providers in the State to submit energy optimization plans to the MPSC in 2009. It requires each provider to maintain the energy optimization plan as an energy waste reduction plan with the goal of helping the provider's customers reduce energy waste and future energy costs. The MPSC must review each provider's energy waste reduction plan every two years and approve or reject the plan after determining whether it meets the utility system resource cost test and is reasonable and prudent based on specified considerations.

Under the bill, the MPSC would have to review each provider's plan every two years until 2025 and every three years after 2025. The bill also would delete a provision specifying that the requirements above do not apply after December 31, 2021, to an electric provider whose rates are not regulated by the MPSC.

(Generally, the MPSC regulates electricity sales and services of private utilities and cooperative utilities. The MPSC does not regulate electricity sales and services of municipally owned electric utilities.)

Required Energy Waste Reduction Standard

Subpart C requires an electric provider's energy waste reduction program to achieve incremental energy savings each year through 2021 equivalent to 1% of total annual retail electricity sales in megawatt hours in the preceding year. (This is Subpart C's energy waste reduction standard.)

Under the bill, each year beginning 2026, a program would have to achieve an energy waste reduction standard of 2%.

Financial Incentive to Exceed Plan

Subpart C allows an MPSC-regulated provider's energy waste reduction plan to include a financial incentive for exceeding the energy waste reduction standard described above. If an electric provider achieves annual incremental savings of more than 1.5% of its total annual retail electricity sales in megawatt hours in the preceding year, the financial incentive may not exceed the lesser of the following:

- -- Thirty percent of the net present value of life-cycle cost reductions experienced by the provider's customers because of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.
- -- Twenty percent of the provider's actual energy waste reduction program expenditures for the year.

Instead, under the bill, an electric provider would have to achieve a savings of more than 2% of its total annual retail electricity sales in megawatt hours in the preceding year to access these financial incentives.

If an electric provider achieves annual incremental savings of more than 1.25% but not more than 1.5% of its total annual retail electricity sales in megawatt hours in the preceding year, the financial incentive may not exceed the lesser of the following:

- -- Twenty-seven and a half percent of the net present value life-cycle cost reductions experienced by the provider's customers because of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.
- -- Seventeen and a half percent of the provider's actual energy waste reduction program expenditures for the year.

Instead, under the bill, an electric provider would have to achieve a savings of more than 1.5% but not more than 2% of its total annual retail electricity sales in megawatt hours in the preceding year to access these financial incentives.

If an electric provider achieves annual incremental savings of more than 1% but not more than 1.25% of its total annual retail electricity sales in megawatt hours in the preceding year, the financial incentive may not exceed the lesser of the following:

- -- Twenty-five percent of the net present value life-cycle cost reductions experienced by the provider's customers because of implementation, during the year for which the financial incentive is paid, of the energy waste reduction plan.
- -- Fifteen percent of the provider's actual energy waste reduction program expenditures for the year.

Instead, under the bill, an electric provider would have to achieve a savings of at least 1% but not more than 1.5% of its total annual retail electricity sales in megawatt hours in the preceding year to access these financial incentives.

Required Plan Amendments

By January 1, 2022, and every two years after, an MPSC-regulated electric provider must file an energy waste reduction plan amendment with the MPSC. The amendment must detail the amount of energy waste reduction the electric provider proposes to achieve for the succeeding two-year period. If the electric provider proposes a level of energy waste reduction that is higher than the level specified in the provider's current energy waste reduction plan, the MPSC may approve the proposed higher level if the MPSC finds that it is the most reasonable and prudent. If the electric provider proposes a level of energy waste reduction that is lower than the level specified in the provider's current energy waste reduction plan, the MPSC may approve the proposed lower level if the MPSC finds that it is the most reasonable and prudent. If the MPSC finds that the proposed lower level of energy waste reduction is not the most reasonable and prudent, the level of energy waste reduction to be achieved by the electric provider for the succeeding two-year period under the energy waste reduction plan must be the same as the level specified in the provider's current energy waste reduction plan.

The bill would delete the provisions above.

MCL 460.1073 et al. Legislative Analyst: Tyler P. VanHuyse

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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