

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion,)	
to solicit comments regarding the 2004-2005)	Case No. U-14345
Michigan Renewable Energy Program Report.)	
_____)	

At the August 21, 2007 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Monica Martinez, Commissioner
Hon. Steven A. Transeth, Commissioner

OPINION AND ORDER

In 2002, the Commission directed the Commission Staff (Staff) to submit an annual report to the Commission regarding the progress of the Michigan Renewable Energy Program (MREP):

That report should include a review of the amount of power generated from renewable sources within Michigan, the percentage of power purchased by Michigan customers that is obtained from renewable energy sources, the number of customers producing power from their own renewable energy installations, use of the website authorized by this order, the number and aggregate capacity of renewable energy generators receiving third-party certification, the percentage and absolute change indicators of renewable penetration, and other factors that will permit the Commission to monitor the progress on the statutory mandate to educate consumers and promote the use of renewable energy. The annual report should also include a summary of legislative action and recommendations from the collaborative.¹

For the 2004-2005 report, the Commission directed:

- The collaborative should continue to coordinate its efforts with other non-profit groups, and state and federal agencies.

¹May 18, 2002 order in Case No. U-12915, p. 18.

- The Staff should emphasize education efforts regarding wind, solar, biomass, and hydroelectric energy, and the collaborative should work cooperatively with Michigan colleges and universities willing to add renewable energy to the core curriculum or undertake research in benefit cost analysis of renewable energy.
- The collaborative should continue to work cooperatively with the Michigan Wind Working Group and other interested states to develop a briefing paper on offshore wind energy development for the Great Lakes.
- The solar subcommittee should explore issues related to solar access rights or easements and how utility rates can be altered so that solar technologies can be appropriately rewarded when they provide system benefits.
- The Staff should keep the Commission apprised of progress on the MREP energy atlas project and on expansion of the MREP web site. MREP web site postings should be presented in a neutral format, which is accurate and reasonable for use by all Michigan ratepayers.
- The Staff should work with the Department of Management and Budget to encourage efficiency and renewable energy resource use, which could produce cost savings to the state in the long run.
- The Staff should establish a collaborative subcommittee to work with interested parties to prepare implementation proposals for appropriate approaches to creative financing for renewable energy.
- The collaborative should continue to encourage the Michigan Department of Environmental Quality to work cooperatively with the United States Environmental Protection Agency to amend emissions credit guidelines so that utilities can be rewarded for developing green power tariffs.
- Collaborative members should explore options for utility incentives and performance standards so that a consensus proposal can be developed.

On November 30, 2005, the 2004-2005 MREP report was submitted and placed on the Commission's website.² On December 20, 2005, the Commission opened this docket to receive public comments regarding the 2004-2005 MREP report. All comments relating to the 2004-2005 MREP report were to be filed by January 31, 2006.

²http://www.michigan.gov/documents/mrep_annual_2005_143719_7.pdf

The 2004-2005 MREP Report contains 43 recommendations in 8 areas including biomass, solar, and wind renewable resources, economic impacts of renewable energy, project financing, and ratemaking treatment for renewable energy programs. Comments were submitted by The Detroit Edison Company (Edison), Great Lakes Renewable Energy Association (GLREA), Michigan Electric Cooperative Association (MECA), Michigan Electric and Gas Association (MEGA), Scenic View Dairy, LLC (Scenic View), S.U.R. Energy Systems, LC (S.U.R.), and by Tom L. Lee, Ph.D.

Legal Framework

The Legislature established the MREP in Section 10r(6) of 2000 PA 141 (Act 141), MCL 460.10(r), which provides:

The commission shall establish the Michigan renewables energy program. The program shall be designed to inform customers in this state of the availability and value of using renewable energy generation and the potential of reduced pollution. The program shall also be designed to promote the use of existing renewable energy sources and encourage the development of new facilities.

MCL 460.10g(1)(f) defines a “Renewable energy source” as “energy generated by solar, wind, geothermal, biomass, including waste-to-energy and landfill gas, or hydroelectric.”

In an effort to comply with the Legislature’s directive to “promote the use of existing renewable energy sources and encourage the development of new facilities,” the Commission, in its May 18, 2004 order in Case No. U-13843, authorized Consumers Energy Company (Consumers) to implement a \$0.05 per meter per month charge to fund a renewable resource program fund.³ Subsequently, the Court of Appeals held that the Commission lacked specific statutory authority to authorize a \$0.05 per month financing mechanism for a renewable energy program in *Attorney*

³In authorizing the program, the Commission also relied on MCL 460.10b(1), which provides: “The commission shall establish rates, terms, and conditions of electric service that promote and enhance the development of new generation, transmission, and distribution technologies.

General v Public Service Comm, 269 Mich App 473, 482; 713 NW 2d 290; lv den 475 Mich 883 (2006).

Program Design and Implementation

The Staff stated that under the general plan for MREP activities in 2004-2005, participants were arranged into three technology oriented committees (Biomass, Solar, and Wind) and three policy committees (Economic Impacts, Financing, and Ratemaking and Net Metering.) The purpose of this structure was to organize the MREP process in a fashion that would best direct participant expertise on the specific tasks assigned by the Commission. In general, the technology committees were focused on researching Michigan renewable energy resource potentials, and identifying the practicality and cost-effectiveness of current and emerging renewables technologies for use in Michigan. The policy committees were formed with the intent of investigating barriers to more widespread adoption of renewable technology and attempting to form consensus on policy options that might be implemented to increase markets for the most promising renewable generation technologies.

The Staff recommended that in 2006-2007, the MREP collaborative should continue to work on the projects assigned by the Commission, it should continue to schedule open forums, and should take further advantage of the Commission's web and teleconference capabilities. The Staff also recommended that the MREP website should be expanded to include separate pages for each committee and that the net metering website should be completed so that interested customers can find the information they need to enter into a net metering relationship with a utility. The Staff and several commenters recommended that the MREP should explore possibilities for funding and staffing of the MREP. Finally, the Staff recommended that the MREP continue to work with the

Economic Development and Growth through Environmental Efficiency (EDGE2)⁴ task force and the Capacity Needs Forum (CNF).

Several parties commended the Staff for its work on this report and also acknowledged the many contributors who volunteered their time to the MREP collaborative dialogue process and assisted with preparation of the report. The Commission also extends its thanks to the MREP participants and the Staff who contributed to the completion of this report.

Detroit Edison commented that it supported continued development of the MREP website but cautioned that the MREP should remain cognizant of the sensitive nature of some of the information that may be presented to the committees in the course of their work. Detroit Edison recommended that a meaningful process be instituted to protect information that should not be shared with the public. The Commission agrees and directs the Staff to draft and implement a policy for assuring that confidential information that may be elicited in the MREP process is not publicly disseminated.

Regarding the implementation of the MREP, GLREA, MECA, and Scenic View supported the recommendation that the Commission increase staff ability and funding to work on renewable energy analysis for Michigan. However, MECA and MEGA both expressed concerns about the purpose and function of the MREP. MECA stated that a better function for the MREP is to investigate and analyze the various forms of renewable energy and provide information to the CNF and EDGE2 task force. MECA urged the Commission to clarify the purpose and activities of the MREP and suggested that the various committees of the MREP be directed, for now, to focus on the development of factual, cost-based, environmentally, and scientifically supported information regarding the various renewable energy options and refrain from advocacy positions that seem to

⁴EDGE2 is a multi-departmental project of Michigan state government formed to generate policy recommendations about energy efficiency and clean-technology manufacturing.

be creeping into the process. MEGA raised a concern that it believes there is considerable overlap among the various groups working on developing Michigan's energy policy. Finally, MEGA pointed out that some of the recommendations made by the workgroups are not consensus recommendations and "reflect a more divergent approach to energy policy relying on governmental mandates and involvement in the resource planning process."

The Commission observes that recent events have, to some extent, overtaken some of the reservations about the MREP expressed primarily by MEGA and MECA. Most notably, the United States Supreme Court recently decided in *Massachusetts, et al, v Environmental Protection Agency, et al*, 549 US ____; 127 SCt 1438; 167 L Ed 2d 248 (2007) that the Environmental Protection Agency (EPA) has the authority to regulate greenhouse gasses, namely carbon dioxide (CO₂), from automobiles. There is a similar challenge to the EPA's refusal to regulate CO₂ emissions from power plants in *Coke Oven Environmental Taskforce v Environmental Protection Agency*, Docket No. 06-1131 (US App DC, filed April 7, 2006), which was delayed pending the Supreme Court's decision in *Massachusetts v EPA*. However, because of the broad scope of the Supreme Court's interpretation of "air pollutant" under the Clean Air Act, it seems unlikely that arguments in *Coke Oven* for a narrow definition of "air pollutant" will prevail.

Clearly, as evidenced by *Massachusetts v EPA*, limitations on greenhouse gas emissions from both stationary and mobile sources are likely in the near future and the cost of fossil-based electricity is going to rise. As a result, many investments in energy efficiency and renewable energy

generation technologies that are not always viewed as economical today may become so in the near future.⁵

The Commission also agrees with the Staff's observation that the EDGE2 task force is more focused on the development of alternative energy technology manufacturing in Michigan and specific actions the state government can take to become more efficient and make greater use of renewable energy. The MREP, on the other hand, is focused exclusively on the marketing and dissemination of renewable energy technology. Moreover, the participants in the EDGE2 task force and the MREP are cognizant of the potential overlap in their work and are making efforts to assure that the work done by the two groups is complementary.

The Commission does not see that vigorous advocacy on the part of collaborative members is an impediment to the MREP process. Indeed, the Commission expects that the best approaches to integrating renewables into Michigan's energy generation portfolio will emerge from robust debate. Moreover, while the idea that every recommendation emerging from the MREP will be the result of agreement among all members is a laudable one, the Commission finds absolute consensus unlikely in light of the diversity of participants in the collaborative. The Commission does not see a need at this time for recommendations to be excised from MREP reports if they have not yet achieved full consensus, however, MREP reports should continue to clearly distinguish between recommendations based on consensus versus those that are held by only a subset of participants.

⁵The Commission further observes that the Michigan Department of Environmental Quality (DEQ) is proposing to require consideration of integrated gasification combined cycle (IGCC) as part of a best available control technology for air quality permit issuance. *See*, Notice of Air Pollution Comment Period on Consideration of Clean Coal Technology in Air Use Permitting, available at: <http://www.deq.state.mi.us/aps/downloads/permits/IGCC%20noh.pdf>. The additional cost of IGCC generation plants, over the cost of traditional coal plants, may likewise make renewable energy generation a more economical option for additional generation capacity.

The Commission agrees that the renewable energy website should be expanded to include separate pages for each workgroup or committee and that the MREP should continue to take advantage of the Commission's web and teleconferencing facilities. The Commission also agrees that the MREP should continue to work with Commission programs, such as the CNF, as well as other public and private organizations and programs concerned with renewable energy issues. Finally, the Commission agrees that the Staff should devote some time to developing a proposal for funding the MREP through grants from private foundations, the United States Department of Energy, or other potential funding sources. The Commission advises the MREP to assure that any such funding will permit the collaborative to continue to operate independently and continue to investigate and analyze all aspects of renewable energy development in Michigan.

Biomass Committee

The Biomass committee recommended that it continue its biomass resource assessment and provide appropriate data for the MREP Renewable Energy Atlas project. The Biomass committee also recommended that it review promising policy approaches for their potential application to biomass generation development in Michigan. The committee recommended that it work with the Economic Impacts committee to evaluate the economic and environmental effects of biomass self-service generation. If the overall effects appear favorable, the Biomass committee should involve the Financing and Ratemaking and Net Metering committees to find consensus on a proposal for utility rates or other incentives for biomass self service generation. Finally, the Biomass committee recommended that it identify more target markets most likely to benefit from the implementation of biomass technologies and prepare a plan for developing those markets.

Scenic View, MECA, and Detroit Edison supported the recommendation that the committee continue its biomass resource assessment work. Detroit Edison observed that Michigan's biomass

reserves “hold promise for economic development and job creation . . . and . . . may also provide a native renewable resource that can be utilized on existing and future conventional electric generating units as well as serve the transportation industry.” Scenic View recommended that the committee examine the economic feasibility of implementing decentralized versus centralized biomass generation systems. Scenic View also recommended that any assessment include an analysis of regulations administered by the DEQ, EPA, or Michigan Department of Natural Resources (DNR) that may impede the development of biomass generation.

Scenic View strongly supported the recommendation to develop a consensus proposal for utility rates and other financial incentives for biomass energy production. In contrast, MEGA objected to this recommendation, arguing that the case has not been made for financial incentives such as tax and rate benefits for renewable energy development.⁶ Detroit Edison commented that any proposal to add renewable energy sources to the State’s generation resources must acknowledge the limitations imposed by the Customer Choice and Electricity Reliability Act, MCL 460.10 *et seq.* (Act 141), which would limit the use of utility subsidies for biomass generation. Scenic View and GLREA indicated that they supported the recommendation that the MREP continue to identify target markets for biomass generation. Scenic View added that the committee should consider marketing to both producers and customers to develop both supply and demand. Detroit Edison added that it already has tariffs that accommodate on-site and distributed generation technologies and again noted the limitations imposed by Act 141 on the development of biomass generation. Detroit Edison commented that because the marketing of biomass involves a

⁶ The Commission observes that in light of the current economic and budget circumstances in Michigan, tax and other financial incentives for renewable energy development need to be viewed as part of a package for the state’s economic development and tax structure.

strategic plan for economic development, such a program might be better carried out by the Michigan Economic Development Council (MEDC).

The Commission agrees with the Biomass committee's recommendations and directs the committee to continue its proposed work with particular focus on biomass resource assessment and identification of target markets likely to benefit from the implementation of biomass technologies. The Commission disagrees that planning for marketing of biomass generation is necessarily better carried out by the MEDC. Nevertheless, the Commission finds that the valuable work that the MREP has done should be provided to the MEDC and the Michigan Renewable Fuels Commission. The Commission therefore directs that the MREP collaborate with these organizations in the future.

Solar Committee

The Solar committee recommended that it develop a solar energy Green Map that identifies solar installations in the state where visitors are invited to learn more about solar technologies.⁷ The committee also noted that it is completing reports and proposed legislation for solar access and solar property easements and for solar property tax treatment. The Solar committee recommended that it begin to explore and develop recommendations for financial incentives for solar energy and net metering that might be implemented in Michigan. The Solar committee added that it should develop specific recommendations regarding consumer education programs and activities to promote solar energy in Michigan.

⁷Green Map® System has been developed collaboratively since 1995 and is now active in 50 countries and 400 cities, including Michigan maps for Detroit, Mid-Michigan, Houghton, Northwest Michigan, and Washtenaw County and Ann Arbor. See <http://www.greenmap.org>; <http://www.detroitgreenmap.org/>; <http://www.ecoseeds.org/greenmap.php>; and http://www.ewashtenaw.org/government/departments/planning_environment/environmental_issues/greenmap.html.

Detroit Edison and MECA supported the continuation of the MREP work in examining and analyzing solar energy resources. S.U.R. and Detroit Edison indicated their support for the development of solar access and solar easements, and for the recommendation that the committee develop a proposal for tax treatment of solar installations. Detroit Edison recommended that the committee limit itself to identifying issues in solar access, rather than developing proposed legislation, but stated that it supported addressing the property tax inequities that impede solar development. Detroit Edison observed that in some areas, the annual property tax on capital intensive solar equipment can exceed the value of the annual energy generation. Both MEGA and MECA object to exploring financial incentives to solar energy development, arguing that as these technologies become less expensive and more efficient, market conditions will become more favorable to their development. Detroit Edison observed that without incentives, solar energy generation is unlikely to develop in Michigan. Nevertheless, Detroit Edison cautions that the Commission should assure, in light of Michigan's competitive energy market, that any subsidies or financial incentives are neutral.

The Commission agrees with the Solar committee's recommendations and directs the committee to continue its efforts in education on solar energy and in developing alternative proposals for tax treatment and incentives for solar energy development to be disseminated to policy makers. The Commission also agrees that the Solar committee should continue to identify impediments to solar energy development in Michigan and propose solutions to these obstacles.

Wind Committee

The Wind committee is organized as the Michigan Wind Working Group.⁸ The committee recommended that it complete wind energy system siting guidelines and recommended that it propose that the Legislature enact these guidelines as a “default” ordinance for siting wind generators. The committee also recommended that the Legislature adopt a renewable portfolio standard (RPS) of 10% renewable power generation by 2015.⁹ The committee recommended that the Staff evaluate and determine what capacity contributions would exist if 1000 megawatts (MW) of wind power were developed in Michigan. The committee also recommended that it identify priorities for wind energy research in Michigan, establish goals for onshore wind development, and investigate the development of offshore wind energy with the Department of Environmental Quality. Finally, the Wind committee recommended that the Energy Office establish an anemometer loan program for landowners to evaluate their property for potential wind power development.

Dr. Lee’s comments were directed towards offshore wind energy on the Great Lakes, and concerns regarding the mounting of wind turbines on the lakebed, near the shoreline. Dr. Lee notes that mounting wind turbines near the shoreline would be disadvantageous. Dr. Lee commented that wind velocities farther offshore are higher because the effect of the wind shadow caused by land is reduced or eliminated. Dr. Lee also commented that permanent mounting of wind turbines near the shoreline could damage the lakebed and adversely affect aquatic habitat. Dr. Lee stated that alternative technologies exist that permit the siting of wind turbines farther offshore.

⁸See <http://www.michigan.gov/eorenew>.

⁹As noted in the report, these were not consensus recommendations.

The Commission notes that it does not presently have any jurisdiction regarding matters involving the siting and specific engineering designs for offshore wind energy systems. As the Staff explained in the 2004-2005 MREP Report, the Commission directed the Staff in an earlier order to develop a briefing paper on offshore wind energy development for the Great Lakes.¹⁰ The report further explains that this briefing paper has been developed and is available on the Commission's website.¹¹ Recommendation 4.9 of the 2004-2005 MREP Report states:

While it is premature to make any specific judgment or recommendation related to offshore development of wind generators, MPSC staff should work with the Michigan Wind Working Group and the Department of Environmental Quality to evaluate the resource potential and investigate potential permitting requirements and jurisdictional issues.¹²

The Commission approves this recommendation and directs the Staff to continue this investigation and make available to all interested parties a status report, in conjunction with the 2006-2007 Annual MREP Report. Furthermore, the Commission adds that the MREP should consult with additional entities, such as the DNR, the United States Army Corps of Engineers, the United States Coast Guard, other states bordering the Great Lakes, and the province of Ontario, Canada regarding their research on the feasibility and development of offshore wind turbines.

Detroit Edison again notes that the MREP needs to be cognizant of the limitations imposed by Act 141 on the recommendation of an RPS for Michigan. Detroit Edison cautions that a government mandate could result in the overbuilding of costly and less efficient renewable energy generation resources at a time when the cost of renewable technologies is decreasing and the

¹⁰2004-2005 MREP Report, p. 5.

¹¹2004-2005 MREP Report, p. 13. The report, *Offshore Wind Energy Development in the Great Lakes: A Preliminary Briefing Paper for the Michigan Renewable Energy Program*, is available at http://www.dleg.state.mi.us/mpsc/electric/capacity/cnf/othergen/offshorewindrept_apr2005.pdf.

¹²2004-2005 MREP Report, p. 31.

efficiency is increasing. MEGA again argues that the case has not been made for the implementation of government incentives or mandates in renewable energy development. MEGA takes the position that the market will provide conditions favorable to the development of renewable energy when renewable energy becomes cost effective. MECA likewise opposes any recommendations for an RPS. In contrast, GLREA indicated its support of both an RPS and a specific goal of at least 800 MW of wind energy capacity developed by 2010.

In response to Detroit Edison, the Commission observes that while many deregulated states required an RPS as part of deregulation, several states added an RPS some years after deregulation went into effect.¹³ Thus, it is entirely possible to have an RPS in a competitive environment provided the RPS is properly crafted.

The Commission further notes that there has been some legislative interest regarding tax credits and exemptions for solar and wind energy installations¹⁴ and a proposed amendment to the Michigan Zoning Enabling Act that provides guidelines for siting wind energy systems.¹⁵ Thus, the Commission directs the MREP to continue to monitor and report on legislation affecting the development of wind energy.

Detroit Edison supported additional data gathering activities, and further recommended that the Wind committee consult with Michigan transmission companies regarding issues of congestion or the addition of useful electric capacity from wind and other renewable sources. The Commis-

¹³For example, Illinois, Maryland, Delaware, and Pennsylvania deregulated their electric industries in 2001-2002 and added an RPS in 2004-2005.

¹⁴*See, e.g.*, HB 4584, HB 4585, and HB 4247 available at [http://www.legislature.mi.gov/\(S\(aycsba553dircjfv51hntvfg\)\)/mileg.aspx?page=home](http://www.legislature.mi.gov/(S(aycsba553dircjfv51hntvfg))/mileg.aspx?page=home).

¹⁵*See*, HB 4254.

sion agrees that the MREP should expand the scope of its work to include a study of Michigan-specific transmission and grid interconnection issues for all potential renewable energy resources.

Conceptually, the Commission agrees that the Wind committee's recommendations are sound. Furthermore, while the Commission agrees that a modest 10% RPS by 2015 is quite achievable, the state's potential—as yet not fully ascertained—for biomass, wind, solar, and other renewables generation, may support a much more aggressive RPS. The Commission therefore encourages the committee to continue to gather additional data and refine its models with the objective of further refining its specific recommendations.

Economic Impacts Committee

The Economic Impacts committee's scope of work for this report was “to explore the business case for increasing renewable energy production and consumption in Michigan and then provide preliminary guidance and recommendations based on that assessment.” The Economic Impacts committee recommended that it continue its work in creating a reliable analysis of the benefits and costs of renewable energy, using a Michigan-specific economic model, and that this analysis should be integrated with the reports from the CNF. The committee also recommended that the Commission appoint at least one member of the MREP Economic Impacts committee to serve as a member of the CNF. Finally, the committee recommended that it collaborate with the CNF in determining a reasonable goal for expanding renewable energy production in Michigan over the next 5, 10, and 20 years.

MEGA disagreed with the proposal that goals for renewable energy production should be determined by working with the CNF, again arguing that the case for government intervention has not been made. Citing its concerns about confidentiality, Detroit Edison again recommended that economic impacts analyses for renewable energy would be more appropriately carried out by the

MEDC with input from the MREP. Detroit Edison also cautioned that any economic analysis should not only consider the costs and benefits of renewable energy but also the effects that might occur in recovering the costs of the state's conventional electric generation fleet.

As previously discussed, the Commission finds that the MREP should continue to collaborate with other government agencies and non-government entities engaged in similar work. In turn, these entities are free to consider the information provided by the MREP. The Commission also supports the use of Michigan-specific models and recommends that the committee continue its efforts to refine these models as additional information and inputs become available.

Financing Committee

The primary purpose of the Financing committee's work for 2004-2005 was to identify reasons why lower cost financing options for renewable energy development are not readily available and suggest possible remedies. The Financing committee is working on a separate report that will include reviews of existing financing programs in Michigan, which might be enhanced to encompass renewable energy financing, as well as new incentives and financing programs that could assist Michigan renewable energy development. The report will include additional sections on other sources of revenue for renewable energy development and on encouraging renewable energy use in taxpayer funded public facilities.

The Financing committee recommended that policy makers should first assure that cost effective energy efficiency and energy conservation programs are implemented throughout the state before implementing renewable energy technologies. The committee recommended that the Commission convene a renewable energy and energy efficiency summit to discuss how Michigan can implement energy conservation and renewable energy technologies and achieve consensus on legislative and regulatory prerequisites. The committee also recommended that it begin to explore

financing options to pay for expertise in analyzing financial barriers to renewable energy penetration in Michigan. Additionally, the committee recommended that the MREP designate representatives to cooperate with regional and national organizations working on renewable energy policy development.¹⁶ The Financing committee recommended that the Commission “can and should move forward on any programs within its direct purview to start to implement efficiency and renewable energy on a more systematic, statewide level.” The committee also recommended that the MREP should promote NextEnergy¹⁷ tax credits so that more companies are aware of the available incentives. The committee also recommended that it use information from the other committees and the CNF to analyze the extent to which various forms of financing may be used to advance the application of renewable technologies and that the Commission should develop a proposal for a public benefits trust to be used for renewable energy project financing. The Finance committee recommended that it complete a “cause and effect” map to model the effects of specific financing programs. Once appropriate renewable resource goals and models are established, the committee recommends that requests for results can be developed for specific tasks.

Detroit Edison agreed that an improvement in energy efficiency was also an important goal, but cautioned that the Commission and the utilities should proceed carefully in implementing renewable energy generation because the operating capabilities of these facilities are, according to Detroit Edison, “as yet unknown.” Detroit Edison also indicated that it supports the concept of a

¹⁶The Financing committee identified the Clean Energy States Alliance, the Midwest Combined Heat & Power Initiative, and the Midwest Energy Efficiency Alliance as the three most prominent organizations in which MREP should participate.

¹⁷NextEnergy is an independent non-profit organization authorized by 2002 PA 593, MCL 207.821 *et seq.* NextEnergy’s charge is to implement an economic development strategy for Michigan to accelerate research, development, and manufacturing of alternative energy technologies to advance the alternative energy technology industry in Michigan. *See*, www.nextenergy.org

renewable energy trust fund, provided it is established consistent with Michigan law and that the funds are used to support economic and sustainable renewable energy generation. Detroit Edison observed that any financing for renewable energy should be based in part on the project's contribution to Michigan economic development and that financial incentives should be targeted at equipment manufacturers.

Scenic View and Detroit Edison expressed their support for the promotion of NextEnergy tax credits. Scenic View suggested that the committee should recommend that NextEnergy tax credits be expanded to include all renewable energy production in the state. Detroit Edison suggested that the MREP work with the MEDC or one of the State's business schools in establishing a goal for renewable energy financing and creating a map to model the effects of specific financing programs. MEGA disagreed that a renewable energy trust fund was appropriate.

The Commission is favorably impressed with the work done by the Financing committee, but will withhold further discussion of its recommendations until the committee's separate report is available.

Ratemaking and Net Metering Committee

The primary focus of the Ratemaking and Net Metering committee for 2004-2005 was to achieve consensus on a statewide net metering program.¹⁸ This objective was accomplished with the submission of an agreement that provided a consensus definition of net metering, basic provisions for utility cost recovery, customer billing and credits for net excess generation, the total program size for each utility, the maximum size of eligible electric generators, eligible generator technologies, customer application fees and interconnection standards, the duration of the program, provisions for renewable energy certificates, utility reporting requirements, and program

¹⁸See, May 18, 2004 order in Case No. U-12915, p. 5, and <http://www.michigan.gov/netmetering>.

monitoring and evaluation. *See*, March 29, 2005 order in Case No. U-14346. Since the consensus agreement was filed, 14 utilities have adopted net metering tariffs and as of December 2006, approximately 10 customers were participating in the net metering program. Most utilities reported receiving numerous inquiries about the program and some reported expectations that program sign-ups will increase as the program becomes more widely known.

GLREA commented that customers should receive credit for renewable energy sales to the grid at the same per kilowatt-hour rate that the customer pays for electricity from the grid.

GLREA also commented that interconnection fees for renewable energy installation should be waived. GLREA noted that renewable energy systems require permits and inspections from local government, thus, interconnection fees for new systems are unnecessary.

The Commission notes that these are critical issues in net metering and that the committee and Net Metering Task Force¹⁹ are continuing to work to seek a consensus on a simplified approach to net metering for inverter based systems under 10 kW. The Commission further observes that Net Metering Task Force anticipates submitting a report on net metering and interconnection by September 30, 2007.

The Commission recommends that the Net Metering committee continue its work on exploring “de-averaged” system credits pilot programs and that it should evaluate the performance of the net metering program and make recommendations for improvement.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 *et seq.*; 1919 PA 419, as amended, MCL 460.51 *et seq.*; 1939 PA 3, as amended, MCL 460.1 *et seq.*; 1969 PA 306, as

¹⁹The Net Metering Task Force was established pursuant to the Commission’s February 27, 2007 order in Case No. U-15113. *See*, <http://www.michigan.gov/customergeneration>.

amended, MCL 24.201 *et seq.*; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 *et seq.*

b. The Staff's proposed 2004-2005 report on the MREP should be approved.

THEREFORE, IT IS ORDERED that the Commission Staff's Michigan Renewable Energy Program 2004-2005 report is approved and the Commission Staff is directed to submit its Michigan Renewable Energy Program 2006 report by September 30, 2007.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

(S E A L)

/s/ Monica Martinez

Commissioner

/s/ Steven A. Transeth

Commissioner

By its action of August 21, 2007.

/s/ Mary Jo Kunkle

Its Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

Commissioner

Commissioner

By its action of August 21, 2007.

Its Executive Secretary

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-14345

County of Ingham)

April M. Arman being duly sworn, deposes and says that on August 21, 2007 A.D. she served a copy of the attached Commission orders via E-Mail, first class mail, postage prepaid, or by inter-departmental mail to the persons as shown on the attached service list.

April M. Arman

Subscribed and sworn to before me
this 21st day of August 2007

Sharron A. Allen
Notary Public, Ingham County, MI
My Commission Expires August 16, 2011

**SUBSCRIPTION LIST
ALL ELECTRIC ORDERS**

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Michigan South Central Power Agency
The Ontonagon County Rea. Assoc.
No Name Available
Mark Burzych
City of Charlevoix
City of Chelsea
CMS Energy Resource Mgt Co
Tri-County Electric Co-Op
Tri-County Electric Co-Op
Tri-County Electric Co-Op
Tri-County Electric Co-Op
Aurora Gas Company
Citizens Gas Fuel Company
Consumers Energy Company
Consumers Energy Company
Edison Sault Electric Company
Edison Sault Electric Company
Exelon Energy Company
Exelon Energy Company
Indiana Michigan Power Company
SEMCO Energy Gas Company
Superior Energy Company
Upper Peninsula Power Company
Wisconsin Electric Power Company
Alger Delta Cooperative
Bayfield Electric Cooperative
Cherryland Electric Cooperative
Cloverland Electric Cooperative
Cloverland Electric Cooperative
Great Lakes Energy Cooperative
Midwest Energy Cooperative
Thumb Electric Cooperative
Wolverine Power Marketing Cooperative, Inc.
PowerOne Corp
Wisconsin Public Service Corp.
Peoples Energy Services Corporation
Michigan Electric Power Coord. Ctr
Niles Utilities Department
Stephson Utilities Department
Constellation NewEnergy-Gas Division
Presque Isle Electric & Gas Cooperative, INC
Presque Isle Electric & Gas Co-op
Commerce Energy
Cornerstone Energy
DTE Energy
Exelon Energy
MidAmerican Energy
My Choice Energy
Xcel Energy

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davidw@BPW.ZEELAND.MI.US

City of Crystal Falls
Lisa Felice
Universal Gas & Electric Corporation
UMG Utility Marketing Group
City of South Haven
Interstate Gas Supply Inc
Constellation NewEnergy Inc.
Dillon Energy Services Inc.
MxEnergy Inc.
Bay City Electric Light & Power
Grand Haven Board of Light & Power
Lansing Board of Water and Light
Marquette Board of Light & Power
CMS ERM Michigan LLC
Metro Energy LLC
Premier Energy Marketing LLC
Quest Energy LLC/ WPS Energy Services Inc
Strategic Energy LLC
City of Saint Louis
American PowerNet Management, L.P.
City of Marshall
Nordic Marketing of Michigan.com
Accent Energy Midwest
Mary Jo Kunkle - MPSC
SUEZ Energy Resources NA, Inc.
Constellation NewEnergy-Gas
Alpena Power
Lowell Light and Power
City of Eaton Rapids
Integritys Energy Service, Inc
BlueStar Energy Services
Direct Energy Services
Lakeshore Energy Services
Volunteer Energy Services
Wyandotte Municipal Services
Wyandotte Municipal Services
First Energy Solutions
Sempra Energy Solutions
Charlevoix Energy Trading
Mirant Energy Trading, LLC
Coldwater Board of Public Utilities
Hillsdale Board of Public Utilities
Michigan Gas Utilities
Holland Board of Public Works
Zeeland Board of Public Works

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* Total number of users subscribed to the list: 94

* Total number of local host users on the list: 0

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