

Renewable Energy 17: How has Michigan chosen to reflect the costs of renewables on customer bills, and how have other jurisdictions treated the billing of renewable energy?

Executive Summary

1. Under PA 295 of 2008, the only explicit charge for renewable energy on a customer's bill is the renewable energy surcharge. There are additional, direct costs associated with renewable energy to meet the 10% renewable portfolio standard (RPS) that flow through other line-item charges on the bill.
 2. Renewable energy surcharges or similar mechanisms are common among other states with an RPS for the billing of renewable energy.
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Under the renewable energy provisions in Michigan law, electricity providers are permitted to include a surcharge on their customer's bills in order to collect the incremental costs of RPS compliance. The statute limits the amount of the surcharge based on the type of customer (e.g., \$3.00 for residential customer).¹ It is charged per meter on a monthly basis. For investor-owned utilities and electric cooperatives under rate regulation by the Michigan Public Service Commission, the specific surcharge amount is approved by MPSC and based on the provider's projected costs and renewable energy plans.

A customer cannot see the full cost of complying with the RPS through their bill. Presently, the surcharge appears to represent the actual costs of renewable energy—when in fact it does not. This surcharge does not reflect the full cost of the renewable generation—only the incremental amount above what it would cost to build other new generation that is not renewable. The remaining cost for the renewable project (the majority) passes through to the customer through another charge on the utility bill, the power supply cost recovery (PSCR) factor. Further complicating this are other compliance costs, such as transmission, that pass through to the customer outside of the surcharge line-item. The amount and methodology for calculating the surcharge and the PSCR amount remain a source of ongoing disputes among parties in contested case hearings at the MPSC.

2. Renewable energy surcharges or similar mechanisms are common among other states with an RPS for the billing of renewable energy.

In addition to Michigan, many states have surcharges or rate riders for providers to bill for renewable energy. These include, but may not be limited to, California, Colorado, Illinois, Iowa, Massachusetts, Minnesota, New Mexico, North Carolina, Ohio, Utah, and Washington.

¹ See Renewable Energy Question 2 for additional detail on the surcharge limits by customer class, charges assessed by providers, and amounts collected through the surcharge.