

Michigan Renewable Energy Credits¹

- **Renewable Energy Standard Overview:** Michigan’s Renewable Energy Standard is part of 2008 PA 295², titled the Clean, Renewable and Efficient Act (Act). The Renewable Energy Standard requires Michigan electric providers to achieve a retail supply portfolio that includes at least ten percent renewable energy by 2015. The Act also includes annual interim compliance requirements starting in 2012. Electric providers demonstrate compliance with renewable energy requirements through the purchase and/or production of Renewable Energy Credits (RECs).

- **Renewable Energy Credit Definition:** A REC is created for every MWh of electricity generated by a renewable energy system.
 - A REC can be separated from the associated energy and traded, sold, or otherwise transferred. It may also be “bundled” with the energy and handled in the same manner.
 - A REC expires after it has been used to comply with any renewable energy credit standard or after a period of three years, whichever comes first. (However, the same REC may be used to comply with both a federal standard and the Michigan Renewable Energy Standard.)
 - A REC expires if used to comply with the Energy Optimization Standard.

- **Renewable Energy Resources:** RECs can come from, but are not limited to, facilities that are fueled by: biomass, solar and solar thermal energy, wind energy, kinetic energy of moving water,³ geothermal energy, municipal solid waste, and landfill gas.

- **Renewable Energy Credit Substitution:** An electric provider may substitute up to ten percent of its REC requirement using any combination of Advanced Cleaner Energy Credits (ACECs) or Energy Optimization Credits (EOCs). With the exception of ACECs from industrial cogeneration, MPSC approval through a contested case hearing is required for all substitutions. Both ACECs and EOCs will be certified and tracked through the Renewable Energy Credit Certification and Tracking Program.
 - **ACEC Facility Requirements**
 - ACECs generated by facilities in existence before January 1, 2008 cannot make up more than 70% of the electric provider’s 10% substitution limit.

¹ Data compiled by Michigan Public Service Commission Staff (revised May 21, 2009).

² <http://www.legislature.mi.gov/documents/2007-2008/publicact/pdf/2008-PA-0295.pdf>

³ This can include waves, tides, currents or water released through a dam. This does not include “a hydroelectric pumped storage facility or a hydroelectric facility that uses a dam constructed after the effective date Act 295 unless the dam is a repair or replacement of a dam in existence on the effective date of Act 295 or an upgrade of a dam in existence on the effective date of Act 295 that increases its energy efficiency.”

- ACECs are produced by a gasification facility,⁴ an industrial cogeneration facility,⁵ a coal fired electric generating facility that captures and sequesters 85% of the carbon dioxide, or an electric generating facility using technology not in operation on October 6, 2008.
 - **Substitution Rates**
 - One EOC may be substituted for one REC.
 - One ACEC generated from plasma arc gasification or industrial cogeneration may be substituted for one REC.
 - For all other types of ACEC facilities, 10 ACECs may be substituted for one REC.
- **“Bonus” Renewable Energy Credits:** The Act provides for a variety of incentive RECs that act as “bonus RECs” that are in addition to the base REC earned for every MWh of electricity produced from renewable energy resources.
 - Two additional RECs for solar generated electricity.
 - 1/5 REC for on-peak production.
 - 1/10 REC for systems constructed in Michigan.
 - 1/10 REC for systems constructed using Michigan labor.
- **Public Utility Regulatory Policies Act of 1978:** PURPA allowed small power producers using renewable energy facilities that generate electricity to enter into power purchase agreements with rate regulated electric providers as a way to promote renewable energy. If these PURPA contracts do not contain specific provisions for RECs; one REC remains with the small power producer and four RECs are transferred to the electric provider for every five RECs generated.
- **Renewable Energy Credit Certification and Tracking Program:** The Act requires that the Michigan Public Service Commission (MPSC) establish a program that will certify and track the transfer of RECs.
 - A Request for Proposal was released on April 29, 2009 requesting a vendor to operate and maintain a system to certify, track and manage REC transactions. The expected contract start date is June 15, 2009.

⁴ A gasification facility uses a thermochemical process that does not use direct combustion to produce synthesis gas from carbon-based fuel or a combined synthesis gas and with or without methane to generate electricity for commercial use

⁵ An industrial cogeneration facility is one that generates electricity using thermal energy or flue-gas that is the by-product of industrial or manufacturing processes which would have otherwise been wasted.