



MICHIGAN PUBLIC SERVICE COMMISSION

Avoided Cost Fact Sheet

3/6/2024

The Public Utility Regulatory Policies Act (PURPA) encourages competition, conservation, reliability, and efficiency in generating and delivering electricity. PURPA established a class of generating facilities known as qualifying facilities (QFs). Michigan utilities are required to buy power generated by a QF smaller than 20 MW (or 5 MW with FERC approval) and are bound to compensate QFs based on the host utility's avoided cost. An electric utility's avoided cost is the amount the utility would pay to a QF in the utility's service area that is equal to the amount the utility would have to pay to generate the power itself or purchase from another source. This gives the QF an opportunity to produce power and be compensated at the appropriate avoided cost rate.

Questions about the information in this fact sheet can be sent to Jesse Harlow: HarlowJ@Michigan.gov

Company	Case No.	Status	Avoided Energy (per kWh)	Avoided Capacity	Standard Offer Tariff	Max Capacity Standard Offer	
Consumers Energy	U-21090	6/23/2022 Order	QFs at or below 150 kW		Standard Offer Rate Schedule (C-74.00 -C-78.00, p 49) and Standard Offer Contract (p 2)	5 MW	
			Full avoided cost energy rate: 2.6¢ - 5.3¢/kWh				\$52,140/ZRC-Year
			QFs over 150 kW				
		With Capacity Need: Full avoided cost energy rate: 2.6¢ - 5.3¢/kWh		\$52,140/ZRC-Year			
		Without Capacity Need: i) Years 1 - 5 based on forecasted LMP energy rates 2.5¢ - 3.7¢/kWh, then variable rate based on actual LMP ii) Actual LMP		\$0			
DTE	U-18091	7/7/2022 Order	With Capacity Need: Years 1 - 5 based on forecasted energy rates 2.52¢ - 3.41¢/kWh, then variable rate based on actual energy cost of Bluewater Energy Center Without Capacity Need: contract rates option of i) Years 1 - 5 based on forecasted LMP energy rates 2.39¢ - 3.56¢/kWh, then variable rate based on actual LMP ii) Actual LMP	With Capacity Need: 1.4¢/kWh Without Capacity Need: MISO PRA	Standard Offer Rate Schedules (D78-83)	550 kW	
Alpena Power Company	U-18089	4/13/2023 Order	Historically 3.928¢ - 4.425¢/kWh (rolling average based on contract with Consumers Energy)	1.74¢ - 1.87¢/kWh	Standard Offer Rate Schedules (D35-41)	550 kW	
			*Rates are available through 2024				
Indiana Michigan Power Company	U-21189	8/30/2023 Order	Years 1 - 5 based on forecasted LMP energy rates 2.15¢ - 3.40¢/kWh, then variable rate based on actual LMP	2022/2023: \$5.48 kW/month 2023/2024: \$5.61 kW/month 2024/2025: \$5.74 kW/month	Standard Offer Rate Schedules (D68-74)	550 kW	
Northern States Power Company	U-21241	11/18/2022 Order	5-Year Fixed Rate Schedule Based on 10 Year on and off peak LMP Energy Rate Forecast. On-peak 5.942-6.52¢/kWh Off-peak 3.995-4.408¢/kWh The remaining years are a variable rate based on actual LMP.	2023- 2024:\$5.75 kW/month \$6.53 kW/month After 2024 \$0	Standard Offer Rate Schedules (D47.50-47.73)	550 kW	
Upper Peninsula Power Company	U-20350	2/6/2020 Order	i) Years 1 - 5 based on forecasted LMP energy rates 2.78¢ - 4.32¢/kWh, then variable rate based on actual LMP ii) Actual LMP	MISO PRA	Standard Offer Rate Schedules (D72.70-72.73)	550 kW	
Upper Michigan Energy Resources Corporation	U-21081	5/12/2022 Order	Years 1 - 5 based on forecasted LMP energy rates 6.4 ¢ - 7.1 ¢/kWh, then LMP rates reset annually on January 1 of each year based on the hourly average day ahead LMP of the most recently completed November 1 to October 31 period.	QFs at or below 150 kW: 0.022¢/kWh WPSC 0.028¢/kWh WEPCO QFs over 150 kW: \$0	Standard Offer Rate Schedules (D58-60.08 & 143-150)	150 kW	



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