

# Michigan On-bill Legislation

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Michigan Public Service Commission

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## Legislation

- Michigan Municipal Utility Residential Clean Energy Program Act (PA 408 of 2014) signed into law in December 2014
  - Enables municipalities that have municipal electric utilities to establish a “residential clean energy program”
  - Allows a municipality to enter into a contract with a residential property owner to finance or refinance one or more energy projects on the property and repay the loan on the utility bill
- Public Acts 341 and 342 of 2016 signed into law in December 2016
  - Regulated utilities may establish a “residential projects program”
  - Allows an owner of record of property in the provider’s service territory to finance or refinance an energy project and repay the loan on the utility bill



## Major Provisions of the Law

- Program administration
- Eligible improvements
- Financial product requirements
- Required program design elements



# Program Administration

	<b>Municipality</b>	<b>Regulated Utility</b>
Establishing program	Resolution, public hearing, detailed report	Commission approval of a proposed plan
Administration	Municipal utility or any nonprofit	Utility or any third party
Lending laws	Must comply with all state and federal lending laws	Must comply with all state and federal lending laws



# Eligible Improvements

	Municipality	Regulated Utility
Energy waste reduction	Yes	Yes
Renewable energy	Yes	Yes
Water efficiency or water use reduction	Yes	Yes
Improvements necessary to allow energy waste reduction improvements (e.g., asbestos removal, below-code wiring)	Broad interpretation of the law would allow	Broad interpretation of the law would allow
Fees and installation costs for implementing eligible improvements	Can be included in financing	Can be included in financing



# Financial Product

	<b>Municipality</b>	<b>Regulated Utility</b>
Origination and servicing	Municipal electric utility, nonprofit corporation, or commercial lenders	Commercial lender or other legal entity including subsidiary of provider
Capital	Bonds, owner-arranged financing, or funds available to the municipality through any other source	Commercial lender or other legal entity including subsidiary of provider
Interest rate	If nonprofit provides financing, maximum interest rate is prime plus 4 percent	If nonprofit provides financing, maximum interest rate is prime plus 4 percent
Term	Maximum term is 15 years or useful life of measures	Maximum term is 15 years or useful life of measures



## Financial Product (cont.)

	Municipality	Regulated Utility
Loan treatment	Part of the charges for electric service and paid monthly as a per-meter charge on utility bill	Part of the charges for electric or gas service and paid monthly as a per-meter charge on utility bill
Consequences for nonpayment	Same as electric service; service can be shut off for nonpayment	Same as electric or gas service; service can be shut off for nonpayment
Transferability	If notice of loan is recorded with register of deeds, payment obligation transfers to subsequent occupants at time of property transfer	If notice of loan is recorded with register of deeds, payment obligation transfers to subsequent occupants at time of property transfer



# Required Program Design Elements

	Municipality	Regulated Utility
Residential only	Yes	Yes
Audit	Required	Required
Quality assurance	Verification of proper installation and operation must be completed on every project	Verification of proper installation and operation must be completed on every project





# Program Design Options

	Municipality	Regulated Utility
Program administrator	Utility or other nonprofit	Utility or third party
Eligible improvements	Eligible improvements are listed but all are not required	Eligible improvements are listed but all are not required
Loan origination and servicing	Can be done by utility, nonprofit or commercial lender	Can be done by utility, third party or commercial lender
Capital source	Bonds, owner-arranged financing or other source available to municipality	Law is not prescriptive
Underwriting	Law is not prescriptive	Law is not prescriptive
Disconnection for nonpayment	Allowed but not required	Allowed but not required
Transferability	Allowed but not required	Allowed but not required



# Oversight

	Municipality	Regulated Utility
Overall program rules	PA 408	Commission must establish within one year
Develop and monitor plan	City resolution	Each regulated utility gets plan approved by commission; plan is reviewed every four years by the commission
Reporting	Established in city resolution	Commission must issue report to legislature every five years
Monitoring	Established in city resolution	Energy ombudsman



