



Senate Fiscal Agency
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Senate Bill 504 (as reported without amendment)
Sponsor: Senator Kristen McDonald Rivet
Committee: Energy and Environment

CONTENT

The bill would amend the public service commission Act to provide that a long-term industrial load rate (LTILR) would not be subject to any securitization charges approved by the Michigan Public Service Commission (MPSC) if the customer were taking service under an LTILR on the effective date of the finance order.

Among other things, the Act allows the MPSC to establish LTILRs for industrial customers. An electric utility may propose an LTILR in a general rate case filing or in a stand-alone proceeding. The MPSC must approve any contract for a term proposed by an electric utility under an LTILR if there is a net benefit to the electric utility's customers resulting from participation in the LTILR compared to the industrial customer not purchasing standard tariff service from the electric utility, among other requirements. Generally, under the Act, a utility may dedicate a specific power supply source, such as a power plant, to a customer, through an agreement which would last for a minimum of 15 years.

The Act also authorizes the use of securitization. Generally, a utility may apply to the MPSC for a financing order that allows it to replace existing debt and equity with lower-cost debt in the form of securitization bonds, which have lower interest rates. Ratepayers must pay a securitization charge; however, the savings that result from lower interest rates are returned to ratepayers in the form of a bill credit.

BRIEF RATIONALE

According to testimony, LTILRs incentivize the State's largest energy users to agree to long-term contracts with energy suppliers and remain on the State's grid. Reportedly, their unexpected departure from the grid would cause significant disruption and increase rates for other users. The State is also trying to incentivize clean energy jobs and solar capability in industrial sectors. Some have argued that applying securitization charges to LTILRs using clean energy defeats the original purpose of the LTILR.

MCL 460.10gg

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 3-18-24

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