



# Public Utility Regulatory Policies Act (PURPA) Michigan

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## Michigan's Updated Implementation of PURPA Opens a New Market for Solar Energy Facilities in the State

The Michigan Public Service Commission is completing its first update to how it implements the Public Utility Regulatory Policies Act (PURPA) since the 1980s. The Commission's final orders in a series of PURPA cases for Michigan's electric utilities will likely catalyze a new solar market in the state by setting the rate and contract terms by which these facilities can sell their electricity to Michigan's utilities.

### What did the Commission order?

- 1.) The Commission set new avoided cost rates payable to renewable energy and cogeneration facilities. The new rates are based on a proxy natural gas power plant, rather than a coal plant, and recognize the inherent value of solar energy's ability to produce power at peak times. The new rates should be sufficient to jump-start a significant amount of new solar development in the state.
- 2.) These new rates will be effective in early December for Consumers Energy and likely in early 2018 for other Michigan utilities.
- 3.) The Commission also established standard PURPA contracts for smaller facilities that will simplify the process and help with project financing.
- 4.) The Commission also clarified that facilities keep the Renewable Energy Certificates (RECs) that they generate.

### What are the details of the standard contracts?

The standard contracts provide transparent pricing and contract terms. They are available to facilities with a nameplate capacity of up to two megawatts and allow facilities to select a term of up to 20 years in length.

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## What is PURPA?



Congress enacted PURPA to reduce reliance on fossil fuels by promoting the development of small renewable energy facilities. PURPA incentivizes non-utility renewable energy generation and introduces competition into otherwise monopolized markets by requiring utilities to purchase from these small facilities at the utility's avoided cost. This competition creates downward pressure on power supply costs and may lower consumer rates.

## What does this mean for me as a ratepayer?



If implemented correctly, ratepayers will pay no more than they would otherwise pay because the rate is based on the costs the utility avoids paying. In fact, due to increased competition from PURPA qualifying facilities, future costs could go down. New renewable energy project development will also help reduce pollution and improve public health.

## What are the next steps?



In late November 2017, the Commission issued a final order in the Consumers Energy Co. case (see reverse). The Commission will release similar orders for DTE Energy and other Michigan utilities in the coming months. The Commission will revisit the PURPA methodology every two years, but future changes to the methodology will not affect existing PURPA contracts.

