



Senate Fiscal Agency

NOVEMBER 2012 BALLOT PROPOSAL 12-3

An Overview

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On November 6, 2012, Michigan voters will decide whether to adopt an amendment to the State Constitution to establish a renewable energy standard for electric utilities. The result of a petition drive, Proposal 12-3 will appear on the ballot as follows:

A PROPOSAL TO AMEND THE STATE CONSTITUTION TO ESTABLISH A STANDARD FOR RENEWABLE ENERGY

This proposal would:

- *Require electric utilities to provide at least 25% of their annual retail sales of electricity from renewable energy sources, which are wind, solar, biomass, and hydropower, by 2025.*
- *Limit to not more than 1% per year electric utility rate increases charged to consumers only to achieve compliance with the renewable energy standard.*
- *Allow annual extensions of the deadline to meet the 25% standard in order to prevent rate increases over the 1% limit.*
- *Require the legislature to enact additional laws to encourage the use of Michigan made equipment and employment of Michigan residents.*

Should this proposal be approved?

If a majority of the electors vote "yes", Proposal 12-3 will add Section 55 to Article IV of the State Constitution.

State Law

The Clean, Renewable, and Efficient Energy Act, enacted in 2008, establishes a renewable energy standard for electric utilities of 10% by 2015. The Act also limits the impact of compliance with the standard to a monthly cost of \$3 per residential customer meter, \$16.58 per commercial secondary customer meter, and \$187.50 per commercial primary or industrial customer meter.

If Proposal 12-3 were adopted, amendments to the Act would be needed to reflect the new standard and the other constitutional provisions, and to establish implementation measures. For example, Proposal 12-3 identifies only wind, solar, biomass, and hydropower as renewable energy sources. The Act, however, also includes geothermal energy as a renewable resource that utilities may use to meet the standard.

The Act allows electric providers to meet the current standard through a combination of renewable resource use, energy optimization programs, and advanced clean energy systems. (Energy optimization refers to measures to reduce energy consumption. Advanced clean energy systems generate electricity using fossil fuels, but capture the byproducts of the generation process, often converting them to useful forms of energy.) Proposal 12-3, however, would require the utilities to meet the 25% standard entirely through the generation or purchase of electricity from renewable sources, as defined in the constitutional amendment.

In another matter, the proposal does not specify how a utility's failure to comply with the standard should be addressed.

Discussion

According to some people, instituting a renewable energy standard of 25% by 2025 would have several environmental and economic benefits for Michigan. Presently, only 3.6% of the electricity produced in the State comes from renewables, according to the Michigan

Public Service Commission. The proposal's advocates claim that minimizing the use of fossil fuels to generate electricity would reduce pollution and greenhouse gas emissions, mitigating global climate change and leading to cleaner air and water and a healthier population.

Currently, the primary source of electric generation in the State is coal, which must be imported from other states at a cost of about \$1.7 billion per year. Supporters of the proposal point out that an increased reliance on renewable resources available in Michigan would keep that money in the State, and could attract billions of dollars in further investment. Michigan is well-positioned, they assert, to be a leader in renewable energy by leveraging its strong traditions of manufacturing and agriculture. According to a 2012 study by Michigan State University, *Projected Job and Investment Impacts of Policy Requiring 25% Renewable Energy by 2025 in Michigan*, from 2016 through 2030, nearly 75,000 job years related to the construction, operation, and maintenance of power-generating facilities could be created in the State's clean energy industry as a result of Proposal 12-3.

The report also predicts that the manufacturing sector could see some job creation with regard to the production of renewable energy system components, depending on the size of market share captured. The agricultural industry could benefit as well, as farmers can lease their land for the placement of wind turbines; and electric generation from green fuels, such as biomass, adds value to what would otherwise be waste, such as agricultural byproducts.

In addition, the proposal's supporters claim that electricity from renewables costs less than electricity from a traditional coal-fired power plant, particularly when taking into account pollution control equipment that could be required in the near future; thus, supporters conclude that a higher renewable energy standard would result in long-term savings for Michigan consumers. Furthermore, a more diverse energy portfolio would provide insulation from fluctuations in the price of fossil fuels.

Some critics are skeptical of the claim that electricity generated from renewable sources costs less than electricity from fossil fuels. They note that rising energy costs have a significant impact on the economy, and believe that the proposal actually could drive up costs, hindering economic development and job creation. They contend that market conditions, rather than government mandates, should drive decisions regarding energy options. Furthermore, some people believe that Proposal 12-3 would not create thousands of new jobs in Michigan, but merely would shift existing jobs from other sectors to the renewable energy field.

It has been pointed out that renewable energy facilities can be problematic for those who live near them. For example, the noise, light, and shadow flicker associated with wind turbines have proved to be a nuisance to some residents of rural communities. A number of Michigan communities have rejected the structures for this reason. Some people are concerned that citizens' voices could be disregarded if a renewable energy standard were constitutionally mandated, having a negative effect on quality of life.

Opponents also note that Michigan already has a renewable energy standard that was crafted carefully through the legislative process. State policy-makers considered input from a diverse group of stakeholders to determine the proper percentage and time frame, and decided that 10% by 2015 was a realistic, appropriate standard based on Michigan's available resources and technological capabilities. Now that several years have passed since the law's enactment, some believe that even this 10% standard has had an adverse impact on business in the State. According to the proposal's challengers, it would be unwise to increase the standard at this time, especially by establishing it in the State Constitution, which provides less flexibility than statute to respond to changing circumstances.