

**Combined Comments of Consumers Energy Company, DTE Electric Company and the electric members of the Michigan Electric and Gas Association
Regarding MPSC Staff's proposed Distributed Generation Program Concept Tariff**

Consumers Energy Company, DTE Electric Company, and the electric members of the Michigan Electric and Gas Association (“the Utilities”) appreciate the opportunity to comment on the Michigan Public Service Commission Staff’s (Staff) approach to develop a Distributed Generation (DG) tariff. The Utilities agree with Staff that the use of cost-based modeling is the appropriate approach for determining a tariff that recognizes the contribution of costs that DG customers may place on the grid for distribution and power supply capacity. While existing embedded cost of service methodologies are relied on to determine cost responsibility for full requirement customers, they may not be fully adequate for determining full cost responsibility for DG customers, particularly with respect to fixed distribution costs. The Utilities believes it is important to use a cost based approach and rate design that properly assigns fixed-cost responsibility to all customers who rely on the grid, thus avoiding the creation of subsidies and allowing for proper price signals to all customers.

The Utilities generally agree with Staff’s approach to use a rider (or provision) that is paired with the participating customer’s normal retail rate schedule, as the customer’s normal retail rate schedule is designed to collect the costs assigned to that rate class. However, volumetric rate designs may not properly collect fixed costs, particularly for distribution service. Staff’s statement that charges on a DG customer’s retail rate schedule may need to be adjusted to reflect the cost of service based on metered inflow implies that the metered inflow is the dependent variable upon which costs should be allocated. However, fixed costs do not rely on volumetric inflow, and therefore an adjustment to rate design may need to be made to adequately reflect the cost of facilities in place to serve the customer (e.g. one consideration might be demand based rates for DG customers). This will be particularly important if generation meters are not required to determine the customer’s full potential use of the grid. If generation meters are required, this issue could be addressed by charging DG customers with energy rates containing costs not dependent on energy use (i.e. a per kWh distribution charge) based on total site usage. Utilities should have the option to require that DG customers have generation meters to allow utilities to know actual customer loads for proper system planning.

Staff’s concept tariff envisions a substantial revision to the approach in Act 295 involving former net metering parameters including the retail rate credit and power supply component of the rate. 2016 PA 342 changed the overall title description from net metering to distributed generation and there is a need to clarify what statutory requirements apply and how the equitable tariff language added by 2016 PA 341 - MCL460.6a(14) – impacts the program language of Act 295

The Energy Law allows for the recovery of program costs associated with a DG program, which may include, but is not limited to updating information and billing systems, metering, and program administration. Staff’s tariff should explicitly address how these costs are recovered from DG participating customers.

Below are some comments on sections of Staff’s proposed distributed generation program concept tariff

A. The Distributed Generation Program is offered as authorized by 2008 PA 295, as amended, and the Commission in Case No. U-_____.

The Utilities emphasize that this case reference should refer to individual rate cases filed after June 1, 2018. The Utilities view the working group process as developing general guidance for distributed generation tariffs to be filed in contested rate cases after June 1, 2018, without limiting the potential terms and conditions of the tariffs filed for approval in those rate cases.

B. Distributed Generation Definitions

(5) and (6) The intervals at which metered inflow and outflow are measured at should be an issue that is further explored, or something that utilities are given the option to address in rate cases filed after June 1, 2018.

C. Distributed Generation Program Availability

It should be made clear that “the program size is equal to 1.0% of the Company's average in-state peak load for Full-Service customers during the previous 5 calendar years,” applies to both the current net metering program and the new distributed generation program. That is, that there is not two separate 1% caps for the programs.

E. Customer Billing on Inflow

Billing on metered inflow for DG customers will not adequately recover costs of the distribution system, if the customer is billed on a volumetric rate. Further, the Company will continue to plan for capacity for DG customers and rate design should reflect the proper cost of the capacity.

The Utilities support efforts to fully understand the DG customers’ energy use profile and in particular the reduction in the overall use of capacity during peak periods as a means to assist in future planning of capacity as DG grows and to help inform the level of capacity costs that may be avoided for rate design purposes. The approach used for DG rate design should be the same process used to establish rates for other customers in the same rate class – thus, the rate design can be used as the mechanism to collect a proper amount of capacity costs, and reflective of the amount of capacity planned for the customer.

As previously stated, the Utilities have reservations regarding the use of the embedded cost study to determine the appropriate level of costs (e.g. distribution costs) to serve intermittent loads, such as those that would be characteristic of participants in a DG program. Utilities invest in their electrical systems to properly service customers and provide standby service to DG customers, ready and able to supply power to DG customers when their on-site generation cannot meet all of their needs or isn’t operating properly. The rates for DG customers should reflect the standby service provided by utilities.

In addition, creating separate cost of service (COS) customer classes for every class with customers eligible for the distributed generation program would create many new COS classes that are very small, which would result in heightened complexity, and could result in a wide variance of results from case to case given the load impact of just a few customers.

F. Customer Billing – Outflow Credit

Staff’s use of avoided costs does not appear consistent with the provisions of 2008 PA 295, as amended by PA 342, which states:

460.1177(4)

“The credit shall appear on the bill for the following billing period and shall be limited to the total power supply charges on that bill. Any excess kilowatt hours not used to offset electric generation charges in the next billing period will be carried forward to subsequent billing periods. Notwithstanding any law or regulation, distributed generation customers shall not receive credits for electric utility transmission or distribution charges. The credit per kilowatt hour for kilowatt hours delivered into the utility’s distribution system shall be either of the following

- a) The monthly average real-time locational marginal price for energy at the commercial pricing node within the electric utility’s distribution service territory, or for distributed generation*

customers on a time-based rate schedule, the monthly average real-time locational marginal price for energy at the commercial pricing node within the electric utility's distribution service territory during the time-of-use pricing periods.

- b) *The electric utility's or alternative electric supplier's power supply component, excluding transmission charges, of the full retail rate during the billing period of time-of-use pricing period.*

460.1177(5) *A charge for net metering and distributed generation customers established pursuant to section 6a of 1939 PA 3, MCL 460.6a, shall not be reduced by any credit or other ratemaking mechanism for distributed generation under this section.*

The Utilities note that 460.1177(5) was added through PA 342, and states that a **charge** for DG customers pursuant to section 6a of PA 3 (which includes the provision from PA 341 creating a new DG tariff) cannot be reduced by any credit or other rulemaking mechanism. This provision must be interpreted consistent with all other statutory provisions and confirms that the proper interpretation of DG credits cannot include transmission and distribution credits, and is limited to the power supply charges of a customer's bill.

Additionally, setting an outflow credit to one value for all customers could potentially result in some customers receiving a credit for outflow that exceeds the retail rate the customer pays; the Utilities oppose any such result. The Utilities further note that, in regards to the appropriateness of using the PURPA avoided cost as the credit, that DG customers will presumably not have the same obligations as a PURPA qualifying facility. PURPA facilities, which receive avoided cost payments, are intended to support the grid power supply and many of the facilities provide dispatchable, rather than intermittent, output. DG customers are primarily interested in minimizing their use of grid power and avoiding as much cost as they can, while making no commitments to provide a particular level of grid support for planning purposes.

G. Application for Service

The DG application fee should not be refundable if a customer withdraws the application prior to commencing service, as the time and cost that a utility incurs to process the application will still have occurred. The Utilities also suggest that if a customer does not act or correspond on an application for over 6 months when some action is required by the customer, that the application can be considered void.

The Utilities disagree with Staff's language that customers "need not be the owner or operator of the eligible generation equipment." The DG program will be a tariff between the utility and its customer, thus the customer should have to own the eligible generation equipment. Language from 2008 PA 295, as amended by PA 342, also infers that customers must own the generation; for example, (emphasis added):

*460.1173 (2): Except as otherwise provided under this part, an **electric customer** of any class is **eligible to interconnect an eligible electric generator** with the customer's local electric utility **and operate the eligible electric generator** in parallel with the distribution system.*

*460.1177(1): Electric meters shall be used to determine the amount of the customer's energy use in each billing period, net of any excess energy the **customer's generator** delivers to the utility distribution system during that same billing period.*

460.1183(2): Subsection (1) does not apply to an increase in the generation capacity of the customer's eligible electric generator beyond the capacity on the effective date of this section

H. Generator Requirements

The sentence in Staff's concept tariff which reads "The aggregate capacity of Eligible Electric Generators shall be determined by the aggregate projected annual kWh output of the generator(s)", should read, "The allowed capacity of Eligible Electric Generators shall be determined by the name plate capacity of the generator(s)."

I. Generator Interconnection Requirements

The Utilities recommend the following language be included in any DG tariff, "The Company must approve in writing any subsequent changes in the interconnection configuration before such changes are allowed. Operating in parallel with the Company's system without the Company's written approval of the interconnection and written approval of any subsequent changes to the interconnection will subject the Customer's equipment to disconnection."

In addition, IEEE1547-2017 is an updated standard that was revised to specifically address issues seen in California, Hawaii and for New York. It addresses many failings of prior IEEE1547 versions and greatly improves compliance and control capabilities. Thus, IEEE1547-2017 should be adopted for all categories of DG.