

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission’s own motion,)	
to commence a collaborative to consider issues)	Case No. U-20898
related to implementation of effective new)	
technologies and business models.)	
_____)	

COMMENTS OF THE ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY

I. INTRODUCTION

On October 29, 2020, the Michigan Public Service Commission (“MPSC” or “Commission”), issued an Order in this docket launching the New Technologies and Business Models workgroup as part of Phase II of MI Power Grid. The Commission noted that “regulatory and business model barriers to the deployment and full utilization of clean, distributed energy resources [(“DER”)] in Michigan” require an adapted “regulatory framework to allow for different applications of DER and to define the appropriate roles of utilities and other entities in supporting a more decentralized energy system that is clean, affordable, reliable, and accessible.” The Commission directed the workgroup to focus on a number of issues and questions and directed that Staff file in this docket a report summarizing efforts to date, providing recommendations for the Commission’s consideration, and identifying potential next steps.

Staff circulated its Draft Report (“Report”) on September 15, 2021 and directed stakeholders to submit comments by close of business on October 4, 2021. Pursuant to Staff’s direction ABATE’s specific comments on the Report are included below, although generally it is imperative that efforts to better utilize new and emerging technologies and business models are cost-effective, that associated costs are properly allocated in accordance with cost causation and

customer utilization, and that the benefits provided by such technologies and resources are appropriately quantified and valued.¹

II. COMMENTS

A. **Incumbent utilities' inherent regulatory and market power may serve as a barrier to distributed energy resources.**

The Report discussed how “[h]istorically, projects consisting of behind the meter solar generation combined with battery storage have been funded by non-utility investment” and provided a contested case overview regarding how “[a]llowing utilities to own behind the meter solar raises concerns about the competitiveness of the energy market.” (Report at 7-8.) The concerns expressed in the Report (Section 2.1.6-3) regarding market competition require serious consideration.

In light of their existing regulatory and market positions incumbent utilities with near-monopoly power may indeed benefit from an unfair competitive advantage relative to third-party providers in the provision and ownership of on-site solar and other on-site distributed generation technologies. The Commission should strive to ensure a level playing field among providers of distributed generation services to ensure cost-effective opportunities exist beyond utility programs. (See Report at 8-9 (Section 2.1.6-4).)

Indeed, the Report considered how to support the development of alternative business and ownership models and stated that “[e]xperimentation may be needed, as there are many different model designs to promote DERs and no single program structure is best.” (Report at 110.) The Report further stated the following:

When modernizing utility business models, thought must be given to the utility function, current service model, and scalability. When thinking about reducing

¹ ABATE’s silence in these comments and recommendations with respect to any portion of the Report should not be interpreted as an endorsement of any position taken in the Report.

barrier[s] one must consider if the incentive structure encourages DER use and expansion, [in] what conditions is it appropriate for the utilities versus third parties to own DERs, and if utilities should be allowed to facilitate customers' applications of behind the meter solar and own the equipment as a rate-based asset. [(*Id.*)]

Utility ownership of distributed energy resources and equipment associated with behind the meter solar within the respective utilities' service territories would give the incumbent utilities an unfair competitive advantage relative to third-party providers by allowing the utilities to leverage their near monopoly status and regulated revenue streams to support their DER initiatives. If such ownership is allowed, however, the Commission should implement appropriate safeguards to ensure that the incumbent utilities do not have an unfair advantage over third-party providers. Utilization of new and emerging technologies and business models should not be unnecessarily curtailed by limiting availability and opportunity to existing utilities.

B. It is difficult to objectively determine the quantifiable value of certain externalities and ancillary benefits.

The Report stated that “[m]any of the examined technologies are limited by a lack of consideration of non-energy benefits” such as “carbon dioxide and greenhouse gas emissions reduction, flexibility, resiliency, and sustainability” which “are variables that are not currently quantified and considered in Michigan’s regulatory process.” (Report at 90.) The Report suggested that these “non-quantified benefits may have sustainability, resiliency, equity, and economic impacts that are not currently included when making regulatory decisions regarding utility cost approvals for energy projects and programs and may impact the safety, reliability, and accessibility of energy in the state of Michigan.” (*Id.*) Without objectively quantifying the demonstrable customer benefit and cost impact of these potential non-energy benefits they should not be used to justify subsidizing emerging power technologies through utility rates. The Report included certain specific recommendations and discussions regarding this issue in the contexts below.

1. Behind the meter solar.

In discussing behind the meter solar benefits the Report provided certain value categories including “societal impacts” such as “avoided cost of carbon” and “other avoided environmental costs.” (Report at 20-21.) The Report further acknowledged that “the overall value provided by solar depends on the costs and benefits that are included and monetized” as well as “how value categories are defined and quantified, perspective from which value is assessed (utility business perspective, ratepayer consumer perspective, grid operator technical perspective), and input assumptions.” (*Id.*) In addition to these acknowledgements, the Report should reflect the fact that societal and environmental benefits of solar and other distributed generation technologies can be difficult to quantify in an objective manner. The same is true of “system resilience” benefits referenced in the Report. Therefore, considering the subjective nature and difficulty of quantifying, valuing, and monetizing these factors the Commission should not rely on such benefits to justify programs that are not otherwise cost competitive. Actual, determinable customer costs should be the primary factor by which the customer value of these resources is determined. Societal, environmental, system resilience, and other benefits that are difficult to quantify can be used to further rank project opportunities that are otherwise found to be cost competitive. This value basis is reflected in the number of studies addressing these various value categories, as included in the Report. (*Id.*)

2. Joint behind the meter and community solar.

Indeed, in the additional context of joint behind the meter and community solar opportunities the Report noted that a barrier is that while “solar can provide an array of ancillary benefits . . . the values of these ancillary services are not clearly identified” and a solution would require developing a “methodology to consistently value ancillary services such as resiliency, workforce development, and community engagement.” (Report at 38.) As with the benefits

referenced above these listed ancillary service benefits are difficult to objectively quantify. Again, such asserted benefits should therefore be used as a second level project ranking and not be included in a cost-benefit analysis of community solar and other distributed generation programs.

3. Microgrids.

This issue also arose in the Report's discussion of microgrids, where the Report noted that the concept of resilience "is more subjective than reliability, which is an objective concept that can [be] defined by standards" while "[r]esilience is difficult to monetize." (Report at 75.) "Resilience" is, indeed, difficult to quantify and monetize in an objective fashion in both this and other contexts. Without adequate quantification Michigan should not, therefore, place significant weight on alleged resilience benefits to promote the deployment of microgrids, particularly if the efforts to promote microgrids involve ratepayer funded incentives. As further noted in the Report, microgrids do also provide quantifiable "financial benefits" including "peak shaving, energy price arbitrage, demand response, renewable energy credits, ancillary services like voltage regulation and capacity market payments, avoided distribution system upgrade costs, and many others." (*Id.*) These calculable measures provide the basis upon which decisions to invest in these resources should be made, as opposed to vague and unquantifiable conceptual factors.

4. Equity and environmental justice

Regarding equity and environmental justice, and to the extent that climate change and its associated impacts are addressed through public policy (see Report at 93-95), these goals should be accomplished more efficiently through objective, quantifiable tools that are implemented on a wide geographic scope and across industry sectors. Imposing additional costs on utility ratepayers through targeted subsidies for specific power technologies in an ancillary effort to mitigate climate change rather than addressing the issue through direct, quantifiable measures is unreasonable and less effective.

5. Quantification of environmental externalities

As noted above, environmental externalities are difficult to objectively quantify and to monetize. (Report at 98-100.) Without a measurable demonstration of customer benefit translated into cost impact such externalities should not be used to justify subsidizing emerging power technologies through utility rates. Emissions and climate change concerns are better addressed through objective, broad-based, quantifiable market mechanisms that cut across industry sectors rather than targeting electricity rates in a specific state to the exclusion of other jurisdictions. Accordingly, environmental externalities should not be included in cost-benefit analyses of emerging power technologies because such externalities are difficult to quantify and monetize.

C. Distributed generation deployment programs must be cost-effective.

The Report provided a number of potential measures to “help increase [low- to moderate-income (“LMI”)] rooftop solar PV adoption,” including incentives and other approaches. (Report at 22-23.) Whatever approaches and programs utilities pursue, the utilities must be required to provide a cost-benefit analysis to demonstrate that the benefits associated with specific programs that promote the deployment of distributed generation technologies exceed the cost of the incentives and other costs associated with the programs. Similarly, while the Report noted that the distributed generation program cap presents a barrier to greater distributed generation adoption, any increase or removal of the cap must be accompanied by a demonstration that the benefits to all customers of raising the cap exceed any associated costs.

D. Any standby charges must be equitably applied.

The Report noted that limiting distributed generation project size is a barrier to additional behind the meter solar adoption, and that if these limits are removed “[a] standby charge may be required for larger projects.” (Report at 27.) In the event the size limit is removed and a standby charge is instituted, any such charge(s) should be applied in a non-discriminatory manner to all

similarly situated projects. Further, any such charges must not be designed based on the assumption that outages of all on-site generation will occur simultaneously or at the time of the system peak. Instead, the most reasonable approach would be to apply a reservation demand charge that is designed based on the product of the forced outage rate of standby generators and the full class demand charge, combined with pro-rated daily demand charges that apply when standby generators actually take standby power in a given month

E. Community solar costs should not be involuntarily allocated to non-participating entities.

The Report noted that a barrier to community solar is that “[s]ubscription may cost more than the program credit, resulting in a net cost for participants,” and stated that a potential solution could include making the subscription credit “as high or higher than the full retail rate,” although the Report acknowledged that “this could result in non-participating customers subsidizing the program which is not allowed under Michigan law.” (Report at 37.) Beyond the reference to Michigan legal prohibitions, unless there is a quantifiable benefit to non-participating customers they should not be allocated costs associated with other customers’ participation in distributed generation programs.

This is consistent with cost-causation principles (i.e. utility costs should be allocated to the customers which cause them) as well as the currently-proposed Interconnection and Distributed Generation Standards administrative rules. (See Case No. U-20890, Filing No. U-20890-0001 (Mich Admin Code, R 460.964(8) (“An applicant shall pay the actual cost of the interconnection facilities and distribution upgrades”); 460.970; 460.1006(7) (“The customer shall pay all interconnection costs pursuant to part 2 of these rules, R 460.911 to R 460.992, which include all electric utility costs associated with the customer’s interconnection that are not a distributed generation program application fee, excluding meter costs as described in R 460.1012 and R

460.1014”)).) In terms of addressing funding barriers the low-income community solar pilot established through a settlement agreement in Case No. U-20713 provides for various funding sources that do not include involuntary allocations to non-participating customers.

F. The environmental and resilience benefits of combined heat and power should be quantified and recognized.

The Report noted that “[t]here is no current method to quantify and value the GHG reductions from CHP in Michigan,” and the “lack of methods to quantify the value of resiliency undercounts the benefits CHP provides in maintaining reliable systems, even in the event of extreme storms.” (Report at 44-47.) Michigan should indeed appropriately recognize the environmental benefits of CHP through reasonably developed, quantifiable, monetized, and comparable factors translated into cost impacts, and should prioritize the development of CHP for both industrial and commercial applications. In addition to CHP’s higher efficiency operation, as noted in the Report, CHP also provides a value source of power to the grid during system emergencies. As provided in the Report, “[n]atural gas CHP is one of the most reliable DERs during disaster events” and provides “value as baseload resources that can supplement utility owned generation, stabilize grid resources, and complement RE resources.” (*Id.*) Similarly, “CHP can be a stabilizing factor in the transitional electric grid” as it can be dispatched in a manner that provides valuable ramping capabilities to the power grid to support greater integration of renewable resources. (*Id.*) In short, the value and benefits of CHP resources for Michigan utilities’ electric grids should be properly quantified and recognized.

As part of that undertaking interconnection processes for these resources should be streamlined and made more conducive to CHP utilization. (See Report at 48.) Similarly, properly designed and cost-effective (meaning consistent with cost-of-service principles) incentives for the deployment of CHP in Michigan may be prudent in recognition of the environmental and

efficiency benefits that CHP provides, provided that those benefits are represented by quantifiable, monetized, and comparable factors which can be translated into cost impacts. (See Report at 49.) Review of utility standby rates should also continue to ensure that such rates are not excessive and do not create a barrier to the deployment of CHP in Michigan. (See Report at 50.)

G. Waste heat resources should also be utilized to a greater degree.

The Report provided a discussion of the various benefits of waste heat to power. (Report at 47-48.) Further initiatives to expand the deployment of waste heat to power in industrial applications which are properly designed and cost-effective (meaning consistent with cost-of-service principles) should be pursued to capture the significant environmental (and other) benefits of this technology, although these benefits must be appropriately quantified, monetized, comparable across alternative technologies, and capable of translation into cost impacts.

H. Electric vehicles present demand and cost challenges that must be appropriately anticipated and addressed.

1. Electric vehicle charging rates must incentivize off-peak charging.

The Report noted that “aggregated new load from high [electric vehicle (“EV”)] deployment can affect the bulk power system” and discussed how managing EV charging “can impact system costs and emissions associated with EVs.” (Report at 57-59.) The Report’s discussion of this issue makes clear that if not properly managed EV deployment can result in significant new generation additions due to increased power demand, which would lead to cost increases for all ratepayers. It is therefore vital that the rates for EV charging be structured as time of use rates that provide strong incentives for charging EV vehicles during off-peak periods, when power demand is relatively low. This will avoid inflations in peak demand and the costs of associated grid investments.

2. EV charging costs should not be recovered through general customer rates.

In addressing the cost of transportation electrification the Report noted that “[e]nergy affordability is a significant issue” and to add the cost “of the bulk transportation system” into electrical rates “would unduly burden electric ratepayers.” (Report at 59-61.) The Report suggested that EV “transportation system implementation can be kept out of electric rates and funded elsewhere: either from public funding such as the EGLE programs, demand charges on the station, or other avenues.” (*Id.*) Consistent with this recommendation, utility related transportation electrification costs should only be collected from customers and users which directly benefit from and utilize EV charging infrastructure. Furthermore, utilities should not be provided a competitive advantage in installing and owning EV charging stations. As numerous sources and interested parties exist to invest in and establish EV transportation system infrastructure (i.e. charging stations and related improvements), the approach taken to finance EV infrastructure investments should not give incumbent utilities an unfair competitive advantage in this burgeoning market. In this area in particular the competitive market is capable of providing these investments. As such, approaches to EV infrastructure investment and establishment should not hinder third-party efforts to cost-effectively provide these services.

I. Heat pump investments should be allocated to the customers which cause them and must be demonstrably cost-effective.

The Report stated that while “[h]eat pumps are expensive,” incentive programs “can help make them more affordable” and “can change the payback period substantially.” (Report at 68-72.) Consistent with cost causation principles, customer classes should not be required to subsidize the cost of incentives to install heat pumps for customers in alternative classes. These costs should instead be allocated to the customer classes which cause and utilize these investments.

Furthermore, incentives for heat pump deployment should only be provided if it can be demonstrated that the benefits exceed the costs.

The Report also stated that, in the context of heat pumps' emission reduction impact, "[t]o encourage decarbonization and energy efficiency in utility programs, decoupling and incentives need to be in place." (Report at 69.) Decoupling of utility sales and revenues constitutes a major change in the regulatory paradigm that is inappropriate because it reduces utility incentives to control cost increases and provides regulated utilities with an essentially guaranteed revenue stream. Such a dramatic change in the regulatory paradigm is not justified simply to encourage the deployment of heat pumps, nor is such a change justified to promote decarbonization or energy efficiency.

Finally, the Report noted "concerns that high heat pump use will cause winter electricity peaks in Michigan" and suggested that the "use of weatherization and demand response solutions will help mitigate winter peaking concerns." (Report at 70.) Winter peak demand concerns can also be mitigated by introducing rate design structures that reduce the incentive for customers to impose higher winter demands. This can be accomplished through the introduction of demand charges or through time of use energy charges.

J. Distributed generation resources should be adequately compensated for the services they provide to the overall grid.

In the context of microgrids the Report explained that "[r]ecognition of the value microgrids provide may support interconnection of such devices" as there "is value to a microgrid being able to island during an outage" and a "utility can also request that a microgrid system island during peak usage to alleviate system demands." (Report at 78.) Further, the Report noted Consumers Energy's program "that will pay customers to run generators during demand response events" as well as utilities' position at "the beginning stages of microgrids, storage, and using

renewables for resiliency” such that utilities may “take as many variables into account as possible when applying solutions to the grid.” (*Id.*) Indeed, beyond just microgrids the ability of customers with on-site generation to provide power to the grid during tight system conditions is a valuable mechanism to preserve reliability during system emergencies. The Commission should therefore promote the development of programs that appropriately compensate customers with on-site generation for the value that they provide to the system during emergencies, irrespective of whether such generation is a component of a microgrid. Of course, as noted above, a determination of that value (and associated compensation) will require appropriately quantifying the relevant benefits, services, and opportunities provided by these resources.

K. Microgrid programs and incentives must be cost-effective and allocated consistent with cost causation.

The Report noted that to encourage microgrids the Commission should, among other measures, “[s]upport pilots . . . [i]ncentivize early adopters,” and “[i]ncentivize flexibility through time-based tariffs, other regulatory incentives, and rebates.” (Report at 81.) Regarding these measures, any utility sponsored pilot programs for microgrids should be subject to Commission review in a contested case proceeding. Such pilots should not be approved unless the utility sponsoring the pilot can demonstrate that the benefits of the pilot program exceed the associated costs. Further, any financial incentives for the development of microgrids should not be financed through utility rates which allocate costs to customers which do not cause them. A superior approach would be to provide tax or other incentives for such technologies outside of utility rates, to the extent such incentives are deemed necessary. The potential of this technology should (and likely can) be realized and justified on its own merit without artificial cost subsidy across ratepayer classes. If incentives are provided through utility rates, the cost of such incentives should be

recovered only from the customer classes who participate in and directly benefit from such microgrid applications.

L. All incentive programs must be technology neutral.

The Report commented that “Michigan currently does not have a statewide policy position on storage technologies” and appeared to support “[a] more coordinated and guided effort across the state on deploying and investing in energy storage.” (Report at 84.) The Report stated that “[r]ules and regulations should be technology agnostic, based on benefits and hazards, and encourage innovation” while also stating that “[p]olicies like deployment targets and incentive programs help value and compensate storage flexibility.” (*Id.*) Regarding such measures, targets and incentive programs that are specifically focused on one specific technology (e.g. energy storage) are not “technology agnostic” and could lead to imposing higher costs on customers to subsidize the deployment of specifically selected, nascent, higher-cost technologies. As such incentives should be broadly available to ensure technologies which are not necessarily cost-effective are not artificially favored, thus resulting in unreasonably higher costs.

The Report appeared to effectively endorse this approach in recommending the adoption of technology and fuel agnostic incentives, stating:

In the transition to clean energy, understanding and quantifying the value and price paid for new technologies is necessary. To do this, foundational hardware and software is needed to provide the needed data. Efforts or frameworks to quantify the costs and benefits of distributed energy resources are necessary. Similarly, rate design and price signaling should reflect the quantified costs and benefits. This should be agnostic of technology or fuel so that regulators and utilities do not create winners and losers (Delaney et al., 2021a). By providing the correct signals, customers and the market can help arrive at the optimal solutions. It is necessary to have neutral market facilitation that is open, easy, and fair (Delaney et al., 2021a). [(Report at 113.)]

This approach is prudent as regulatory policy should be neutral regarding fuel and technology type. Failing to ensure this neutrality and instead favoring one type of power technology over another

would impose additional costs on ratepayers and inefficiently foreclose the potential of non-favored resources.

M. Any proposed changes to interconnection processes with respect to storage facilities should be evaluated and considered in light of ongoing changes to interconnection rules being implemented by the Federal Energy Regulatory Commission (“FERC”).

The Report stated that “[s]tate and federal policies have established diverse expectations for energy storage: resource adequacy, peak reduction, ancillary services, renewables integration, customer rate management, transmission/distribution system services, transmission/distribution investment deferral, resilience, and decarbonization,” and that “the ability of energy storage to provide these services is shaped by its point of interconnection and the needs of the owner.” (Report at 86.) The Report went on to state that “additional infrastructure or mechanisms may be necessary to facilitate a particular use” and that “[t]ariff and rate design can help value and compensate storage for flexibility, while interconnection processes can enable storage access to the grid and markets.” (*Id.*)

With respect to these recommendations, the need for any extensive new measures to promote the deployment of storage resources should be considered in light of ongoing developments at the wholesale level which are intended to integrate storage resources into the grid under FERC Order Nos. 841² and 2222.³ If these orders are properly implemented it is possible that there may not be a need for extensive new measures to promote the deployment of storage resources at the retail level.

² *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 841, 162 FERC ¶ 61,127 (2018).

³ *Participation of Distributed Energy Resource Aggregations in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 2222, 172 FERC ¶ 61,247 (2020).

N. Unregulated and regulated activities of storage assets should be segregated to prevent anti-competitive cross-subsidization.

The Report indicated that “[t]he unique characteristics and technical aspects of storage technologies can make it more beneficial for these technologies to be used in a multi-use business model rather than just a single service business model.” (Report at 86.) If storage is permitted to provide both competitive generation services and regulated services as a substitute for transmission or distribution it is important to carefully segregate the regulated and unregulated activities of storage assets. Such segregation will prevent any anti-competitive cross subsidization from taking place. This is imperative, as the opportunity for cost-effective competition in these areas of new and emerging technologies should be fostered while potential regulatory hinderances to such competition should be avoided.

O. Energy storage pilot programs that use ratepayer funds to subsidize the deployment of energy should be limited in scope and should require the benefits of such program to exceed the costs of the program.

The Report supported a “regulatory framework that encourages innovation, allows quick deployment, and is repeatable” for the purpose of “help[ing] facilitate the use and adoption of energy storage.” (Report at 87.) The Report stated that a “framework supporting utilities to quickly introduce a pilot program or system, start it quickly, gain lessons learned, and bring it to scale would be beneficial in Michigan.” (*Id.*) While flexible pilot deployment may provide benefits, any pilot programs that use ratepayer funds to subsidize the deployment of energy storage should be limited in scope as reasonably appropriate, subject to review in a regulatory proceeding, and require a demonstration by the utility that the benefits of the pilot program to the system as a whole will exceed the program costs. Again, while these technologies may offer cost-effective alternatives to traditional grid investment, that reality must be evident and adequately supported.

P. Targeted set-asides for storage deployment increase costs to ratepayers and require them to subsidize the deployment of high-cost technologies over lower-cost alternatives.

The Report suggested that one possible solution to storage not being “enabled to compete in all grid procurements” is to include “storage in renewable and clean energy standards.” (Report at 89.) Requiring such specific targeted set-asides for storage deployment as part of renewable portfolio standards or similar programs may likely increase costs to ratepayers by requiring them to subsidize the deployment of nascent, high-cost technologies over other lower-cost alternatives to meet system needs. Accordingly, such targeted set-asides should not be pursued. If storage measures present the most cost-effective approach they will justify themselves without arbitrarily determined quotas or mandates.

Q. Rates designed specifically for energy storage must be cost-based and reflect sound principles of cost-causation.

The Report suggested that energy storage should be treated “differently in rate design due to its unique characteristics.” (Report at 89.) With regard to this assertion, any rates designed specifically for energy storage must be cost-based and reflect sound principles of cost causation. As the focus of these technologies should be their cost-effectiveness, customers on the utility system should not be required to subsidize the cost of energy storage through electricity rates. Such subsidization will inequitably hinder the analytical and practical pursuit of new resources and business models’ ability to provide comparative cost savings and effective alternative grid solutions.

R. Retail level programs that compensate storage for flexibility are unnecessary and duplicative of wholesale level programs currently under development.

In order to address the purported issue of energy storage resources not presently being valued or compensated for flexibility, the Report suggested conducting “cost benefit studies to determine the value of storage,” and that tariff/rate design may need to be changed to “compensate

storage for provided flexibility.” (Report at 89.) The implementation of FERC Order Nos. 841 and 2222 at the wholesale level should result in appropriately valuing energy storage and the flexibility that it provides without the need for additional programs at the retail level to accomplish this goal. As such, the Report’s suggestion on this point is unnecessary.

S. Customer-specific power usage data should only be made available to third-parties on a confidential basis.

The Report recommended that the “Commission support data-driven decision making in the energy sector in Michigan” and “[e]stablish baselines to support development of future regulatory innovations and the quantification of their impacts . . . [e]nsure 3rd party access to utility data in a secure, timely, and ongoing manner . . . [r]ecognize the necessity of hardware, software, and communications investments necessary to support grid-edge innovations, visibility, and control,” and “[s]upport analyses to ensure new technologies are included in integrated resource plans and distribution plans.” (Report at 103-04.) With regard to these recommendations, any customer-specific power usage data should only be made available to third-parties on a confidential basis and subject to the consent of the individual customer.

T. Any pilot review process the Commission adopts should allow sufficient time for intervenors to meaningfully and substantively participate in the process.

The Report recommended that “the Commission adopt a process supporting expedited pilot review for select pilots only” and “request stakeholder comment be filed on the proposed process,” after which the Commission should “modify the proposed expedited pilot process accordingly and adopt the revised process.” (Report at 107-08.) Under this approach any pilot review process should allow sufficient time for intervenors to participate through discovery and the filing of testimony and/or comments, as appropriate. These are necessary safeguards to protect the interests of end-use customers who will ultimately pay the costs of implementing these pilot programs. Moreover, utilities should be required to justify each pilot program proposal through testimony

and a cost-benefit analysis. There should be no prior assumption that pilot program proposals are reasonable simply because their costs fall below a pre-specified cost cap.

U. There is no need to relieve emerging technologies from compliance with cost-of-service principles.

Consistent with a number of comments above, the Report recommended adhering to cost-of-service principles with regard to new technologies, although it suggested “transitional relief,” stating that “for new technologies and early stages of market development, regulators may elect to provide transitional relief from cost-of-service principles through the provision of short-term subsidies for specific use cases.” (Report at 113.) Such “transitional relief” is unreasonable and there is simply is no need to provide “relief from cost-of service-principles” for any emerging technologies. The cost of emerging technologies is declining significantly and such technologies already benefit from tax credits and other incentives. Allowing such relief from cost-of-service principles would unjustifiably burden utility ratepayers with excessive costs through their rates and contrivedly thwart an equitable analysis of the cost saving opportunities and benefits presented by these varying resources.

V. Cost-of-service rates must simply and ultimately reflect a utility’s cost of service.

The Report provided that “[o]utside of transitional relief for pilots, regulatory rates and incentives . . . [s]hould reflect cost-of-service . . . [s]hould incentivize efficient use of the grid and grid resources,” and “[m]ay reflect social or policy goals.” (Report at 114.) To the extent cost-of-service rates result in the ancillary achievement of social or policy goals, it is certainly a positive that they can achieve secondary benefits in addition to appropriately allocating utility costs to the customers which cause them. It is not, however, appropriate to use utility rates as a vehicle to achieve social or public policy goals in a manner that contravenes reasonable and appropriate cost allocation. Rather, such goals should be achieved through broader, quantifiable, market-based

mechanisms that cut across the various sectors of the economy and are applied on a broad geographic scope for equalized and maximum effect.

W. On-bill financing programs for emerging technologies should not be used as a vehicle to favor incumbent utilities over competitive third-party providers

The Report recommended that the Commission support “[p]ilots of tariffed on-bill programs for implementation of residential and commercial energy technologies and energy efficiency to determine the efficacy of on-bill tariff programs for varied applications in Michigan.” (Report at 116.) On-bill financing programs for emerging technologies should not be used as a vehicle to favor incumbent utilities in the market for on-site DER relative to competitive third-party providers. The cost-effectiveness and competitive potential of these resources is one of their greatest benefits. Interfering with such potential to the benefit of established incumbent utilities will unnecessarily and imprudently curtail cost-saving opportunities to the short and long-term detriment of customers.

X. Market-based incentives that apply across economic sectors are superior to targeted subsidies for specific power technologies through utility rates.

The Report supported “standardization and harmonization to enable holistic integration to accomplish public policy decarbonization goals” and stated that only “holistic action and vision can address the wide-ranging social, ecological, and technological opportunities and impacts of the energy sector.” (Report at 119.) The Report also recommended that the Commission “work alongside other government agencies, businesses, and stakeholders to realize the opportunities presented by new technologies and business models and to ensure a just and equitable energy transition.” (*Id.*) To this end, holistic approaches to the energy transition, particularly approaches that rely on market-based incentives that apply across economic sectors, are more appropriate than burdening utility ratepayers with higher costs to support targeted subsidies for specific power technologies through utility rates. A neutral regulatory and economic playing field is a necessity

in determining and harnessing the most cost-effective technologies to ensure their cost saving and other potential benefits are realized.

Y. The Commission should resist imposing centralized planning approaches rather than removing regulatory barriers to enable the deployment of new technologies.

The Report recognized that the implementation of [e]nergy technologies relies heavily on “the everyday decisions of Michigan residents, businesses, and communities.” (Report at 120.) This point is significant and warrants emphasis. Indeed, in a free market system it is appropriate to rely on the individual decisions of customers and businesses with respect to the deployment of emerging power technologies, particularly on-site distributed energy resources. The Commission should thus resist imposing centralized planning approaches to promote specific power technologies, and instead focus on removing regulatory barriers to the deployment of these technologies. Equitable competition and efficient deployment are the best approaches to fully realize the cost-effectiveness of these technologies and business models.

III. CONCLUSION

Pursuant to Staff’s solicitation of input and for the reasons set forth herein, ABATE recommends the comments and recommendations above be incorporated into the Report.

Respectfully submitted,

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