

May 1, 2020

VIA E-MAIL at baldwinj2@michigan.gov and evansn@michigan.gov

RE: Consumers Energy Company Comments on Second Strawman Proposal for Interconnection, Distributed Generation, and Legally Enforceable Obligation Standards

Dear Ms. Baldwin and Mr. Evans:

Consumers Energy Company ("Consumers Energy" or the "Company") appreciates the opportunity to provide comments on the second strawman proposal for Interconnection, Distributed Generation ("DG"), and Legally Enforceable Obligation ("LEO") standards published by the Michigan Public Service Commission ("MPSC" or "Commission") Staff ("Staff") on February 28, 2020.

The Company would like to thank you and the Staff for your significant efforts in developing this proposal. Because several sections of the second strawman proposal are new additions rather than modifications to the first strawman proposal, the Company has provided a full redline with suggested alternate language and comments on sections that are unclear or a cause of concern for Consumers Energy. In providing these comments, Consumers Energy reiterates and incorporates by reference its prior comments and feedback on earlier drafts of these standards, including the comments submitted by the Company on September 20, 2019. Consumers Energy requests consideration of those prior comments in addition to the additional points outlined below.

I. Interconnection

Consumers Energy's comments generally address concerns about complexity; flexibility; interconnection applications; the simplified track, non-export track, and fast track; construction agreements; transition points / communications; and easements and rights-of-way. These issues can be summarized as follows:

1. Complexity: Consumers Energy maintains an overall concern with the complexity of the process outlined by the draft interconnection standards, particularly given that the rules will be difficult to modify in the future once informed by experience, changing technology, and trends in the industry. Though not part of the rules, Consumers Energy recommends as essential a process flow map. This map would assure the flow is workable and efficient in terms of timing, dependencies, and off-ramps with no potential roadblocks or dead-ends. It would also provide a visual roadmap to the rules for easier understanding and interpretation by applicants, utilities, and Staff.

2. Flexibility: These rules will govern interconnection in Michigan for years to come, and, because they are formal rules, they will be difficult to change moving forward. In order to plan for changing technologies and effectively meet customer requests, utilities must be able to manage interconnection processes through flexible rules that do not restrict the ability of the utility to safely and reliably operate the electric system. A number of the proposed revisions and comments in the attached redline are designed to provide additional flexibility, something that is especially important given the complexity of these draft rules as discussed above.
3. Interconnection Applications: Utilities should assign the track to which the applicant's project will be processed at the time the application is reviewed to eliminate the implication that the applicant will self-select the appropriate track. Having the applicant select the track would add another decision cycle and would require time for this decision to be inserted into the process.
4. Simplified Track: The cost for a simplified track project is proposed to be \$25 less than the equivalent Category 1 project under the existing rules. This has not been previously discussed or justified and would result in increased interconnection costs being passed to other ratepayers.
5. Non-Export Track: Initial review screens were not designed for interconnections to sub-transmission type systems like Consumers Energy's high voltage distribution system. The non-export track needs to be limited to low voltage distribution interconnections, 25 kV and below, to meet the intended applicability of the initial review screens. Consumers Energy also recommends the size threshold for the non-export track be changed to less than 2 MW. Non-export relaying does not limit the impact to protection systems. Consumers Energy requires protection system studies be performed on the high voltage distribution systems for low voltage distribution interconnection projects greater than or equal to 2 MW.
6. Fast Track: Staff's first strawman proposal allowed for further study of proposed projects that may present safety or operational concerns not identified through standard screens. This version does not have that provision, which is a cause for concern by Consumers Energy. In addition, as technology and experience with distributed energy resources develop, it may be necessary for the utility to submit non-distinct screens or negate screens with technical rationale for approval by the Commission. The utility should not be bound to a limited set of initial and supplemental review screens such that it reduces the utilities' ability to perform additional screens. The Company's proposed revisions in this regard are a key example of the need for additional flexibility in the rules.
7. Construction Agreements: Including language in the agreement that total costs shall not exceed cost estimates is problematic. As written, there is no provision for costs to exceed

125% of the estimate, which could occur due to multiple unforeseen issues, including increased cost of material or labor, unexpected construction conditions (rock, wetland, habitats), cost of right of way or rerouting, or design changes. Consumers Energy suggests cost variability be addressed in utility procedures. If maintained in the rules, language such as that provided in the redline needs to be adopted to address higher than expected costs. The agreement should allow for mutually agreed upon mediation, if necessary, without an absolute statement dependent on the consent of only one party. These comments are another example of the need for additional flexibility.

8. Transition Points / Communications: Paths such as the Batch Study Process contain requirements for conference calls with every applicant. This creates an unnecessary administrative burden as the information has typically been communicated in writing. It could also significantly impact overall schedule. Study completion/result conferences should “be offered” or “upon request of the applicant” versus required, in the interest of increased flexibility, with deadlines to assure continued progress. The System Impact Study and Facilities Study sections do contain such flexibility and time boundaries.
9. Easements and Rights-of-Way: The present language stating the applicant is responsible for procurement of easements or right of way is problematic and is opposite from present practice. Consumers Energy needs to be responsible for procuring easements or right of way for utility lines it will own, while the applicant is responsible for the cost of providing or obtaining easements or right of way.

II. DG

Consumers Energy’s comments regarding Legacy Net Metering and Distributed Generation fall into two categories: separation of Distributed Generation and Interconnection Procedures and generator meter requirements.

1. Separation of Distributed Generation and Interconnection Procedures: In a few places in the document, Legacy Net Metering (“LNM”) and/or Distributed Generation procedures are to be specified in the Interconnection Procedures. LNM/DG-specific procedures should be documented separately as they are not tied to interconnection.
2. Generator Meter Requirements: Consumers Energy desires to make the generator meter an optional piece of equipment in the rules, leaving the requirement up to each utility and location on its system. When this meter can be omitted from a customer’s generator, the costs are less for both customer and utility. Consumers Energy sees little benefit to forcing this requirement on all Level 2 DG Program applications. Additionally, the meter is not used in any way to facilitate LNM/DG credits and/or billing and should not be tied to Program participation if required.

III. LEO

1. Consumers Energy reiterates and incorporates by reference its prior comments regarding establishment of a legally enforceable obligation ("LEO") under PURPA. While the Company appreciates Staff's clear efforts to develop a proposed standard that balances utility obligations with developer obligations, Consumers Energy remains concerned that the proposed standard does not fully ensure project viability, or that developers have made a true commitment to sell energy and capacity, prior to establishment of a LEO.
2. At a minimum, Consumers Energy recommends that the proposed LEO standard be revised to require (i) that site control be demonstrated through, at minimum, an enforceable option; (ii) that developers be required to provide proof of engineering, procurement, and construction agreements associated with each project; and (iii) that developers be required to provide proof of financing. These recommendations are based on the Company's actual experience to date, which includes encountering developers with competing "options" to lease the same parcel of land, and significant uncertainty regarding project financing.
3. Ultimately, Consumers Energy agrees with the Commission that formation of an LEO requires "a binding commitment by both sides to the agreement or obligation – the obligation by the utility to purchase the power and the obligation by the QF to provide energy and capacity upon which the utility and its customers can rely."¹ Without the additional requirements consistently recommended by Consumers Energy, the Company is concerned that an LEO could be formed under the current proposed standard without a true commitment by developers. Allowing an LEO to arise without additional evidence of that commitment will not "strike the right balance between access for QFs on the one hand and system reliability and certainty in utility planning and procurement to protect ratepayers on the other hand."²

While the Company believes the current draft represents a good step toward an improvement over the existing interconnection rules, we hope the Staff and Commission will seriously consider the proposed revisions described above and submitted in redline format with this letter. Again, one important goal of Consumers Energy's proposed revisions is to provide additional flexibility to adjust to changing conditions and to protect system reliability and ratepayers. That is especially important given the complexity of these new rules and the limited ability to adjust the rules in the future once they are finalized.

¹ See September 26, 2019 Order in MPSC Case No. U-20156, Page 53.

² See *id.* at Page 54.

Consumers Energy would like to thank the Staff for the opportunity to provide this feedback and requests careful consideration of these comments as Staff revises the second strawman prior to the formal rulemaking process.

Respectfully,

Consumers Energy Company