

February 15, 2019

To: Jesse Harlow
MPSC Staff

From: Tanya Paslawski
Michigan Electric and Gas Association

Re: Comments on Legacy Net Metering Rules and PURPA Legally Enforceable Obligation

The Michigan Electric and Gas Association appreciates the opportunity to provide comments on these two ongoing stakeholder initiatives of the legacy Michigan Net Metering Rules (R 460.640 – R 460.656) and establishment of a Legally Enforceable Obligation (LEO) for PURPA projects. These comments are subject to future modification as the processes continue and more information is gathered and evaluated.

Though surely on MPSC staff's radar, it is important to note that the development of the three ongoing rulemaking initiatives under Order No. U-20344 (net metering, PURPA Legally Enforceable Obligation, and interconnection) must be continually evaluated against one another to ensure they align. To the extent possible, the same fundamental definitions, customer categories, etc. should be utilized to avoid conflicts.

Net Metering

The expectation of potentially vast and rapid changes in technology throughout the industry requires careful consideration as to what is best captured in rules, that can be difficult and time-consuming to change, and what is best in individual utility tariffs to allow for maximum flexibility to adapt. As the stakeholder community and staff continue to define a road forward, an evaluation of where the concepts are more appropriately housed will be critical to their long-term success.

Fundamentally, MEGA members generally agree that the current rules are working effectively. However, there are some new matters, like how to incorporate storage appropriately with distributed generation resources, that will need to be addressed. Furthermore, minor changes, modifications and/or clarifications of some aspects of the program will be valuable. For instance:

- The trigger for the start of the 10-year grandfathering period needs to be clarified.
- The treatment of credits on a distributed generator (DG) customers' account when the account is closed or the customer leaves the system is not clear and should be addressed in this process.
- Though the current rules require the DG system to match the customer's demand, some customers have increased the system size after the initial installation and end up with output, and therefore credits, that well exceed their demand. Modifications to systems after installation should not be allowed without going through a process for the additional capacity to ensure the changes comply with the rules.
- Application fees should not be refunded if a customer decides to withdraw their project.
- Utility specific, avoided cost tariff-based rates and conditions should be considered for compensation of net metering and DG customers.

Legally Enforceable Obligation

Stakeholders were asked to provide comments on the Montana rules that establish a PURPA Legally Enforceable Obligation (LEO). In lieu of redlines to the Montana rule itself, MEGA proffers the following conceptual feedback:

There are two areas that raise concerns for MEGA. The first relates to Section 1(a) that addresses the power purchase agreement (PPA) between the utility and the Qualifying Facility (QF). The Montana rule requires the QF to submit a signed power purchase agreement (PPA) to the utility without acknowledgment that it must be acceptable to the utility, and should have the Commission's approval, either through a standard agreement or approval of a separately negotiated agreement.

The second general concern is that the Montana rules are not tied to when the facility will actually go in service. More substance is needed around the qualifications related directly to the in-service date to increase the assurance that the project is viable before a LEO is established.

MEGA looks forward to further evaluation and comment as these processes move forward.