

DTE Energy®



March, 17, 2017

Ms. Julie Baldwin
Electric Reliability Division
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

RE: DTE Electric Company Comments on the Standby Rate Working Group

DTE Electric Company (DTE or Company) applauds the efforts and work of the Standby Rate Working Group (SRWG) which began in early 2016 and concluded in February of 2017. The Michigan Public Commission (MPSC) Staff did a remarkable job in organizing the sessions and allowed all parties the opportunities to make presentations and provide comments throughout the meetings. The Company believes that discussions held during the working group sessions were open, honest, and have been very beneficial toward reaching common understanding of standby rate design concepts in general, the current rate structures of both DTE and Consumers Energy (CE) standby tariffs, as well as dispelling some common myths regarding standby service.

DTE is supportive of economic distributed generation resources and has appreciated the opportunity to further explain its current standby tariff, as well as participate in discussions of other proposals.

Standby Rate Basics

DTE's Standby service is a back-up electric service to meet the power requirements of load that is normally serviced by a customer's on site generator. There are approximately 45 customers taking rate on this tariff (Rider 3). Certain rates and technologies are exempt from taking standby service under the Company's tariff. These include Rider 13 – Dispersed Generation; Rider 16 – Net Metering categories 1 & 2; Rider DG (generator size limited to 100 kW); and regenerative dynamometers. Standby capacity charges recover DTE's costs of having generating resources available to serve load normally served by the customer's generator. In addition, DTE charges a distribution demand rate that recovers costs to maintain and operated the distribution system. Self-generation customers impose a cost to the grid regardless of whether or not they take energy deliveries from the utility because the utility must maintain the customer's access to the distribution system and have generation resources ready in anticipation of customer generator outage events.

Benchmarking Studies

The Company appreciates the efforts of the SRWG (especially 5 Lakes Energy and Brubaker and Associates) who attempted a benchmarking analysis of a few selected utilities standby services to better understand how utilities in other states may be viewing standby services. As we mentioned during our meetings, when attempting any benchmarking exercise related to comparison of tariffs, it's important to keep in mind several factors that could influence the results of a utilities cost of service and rate design. These factors include, but are not limited to, (1) does the state require cost based rates?; (2) were the standby tariffs negotiated?; (3) do the standby tariffs include any subsidies?; (4) are certain charges recovered as part of any supplemental rate instead of in the standby service?; and (5) are there interruptible components to the standby rate?

During the review of the final benchmarking studies conducted by 5 Lakes Energy and Brubaker and Associates at the February 15, 2017 meeting, it became clear that although "apples to apples" comparisons were attempted, factors such as those mentioned above, make a strict comparison very difficult. For example, Brubaker attempted a cost comparison of NIPSCO's Rider 776 to DTE Electric's Rider 3 and CE's GSG-2. However, NIPSCO's Rider 776 is an interruptible rate that was negotiated. In addition, the Company understands that distribution related charges for service under this Rider are billed under the customer's base rate product, referred to as a supplemental rate. Whereas DTE's standby rate Rider 3 is a firm, cost based service, with the distribution related charges included in the Rider 3 rates. The 5 Lakes Energy analysis of the several Minnesota utilities may have similar structural differences as all of them reflected zero cost for distribution related services.

Customer Participation

As mentioned above, while the Company welcomed participant comments and suggestions during the SRWG meetings, more input from direct customers of DTE would have enhanced the dialogue. It was concerning that no direct customers of DTE Electric attended any of the sessions after the March 14, 2016 meeting. We believe that this lack of direct customer input for most of the SRWG meetings resulted in DTE hearing mostly antidotal evidence that the Company's Standby rates may be restricting customers from developing on-site generation projects.

The Company recognizes that its Standby tariff can seem imposing at first glance, and acknowledges that the complicated nature of standby service can be confusing to both current and potential customers, however, the tariff merely reflects the complex issues involved. Customers considering these types of on-site generation projects are sophisticated energy users and thus most likely have not been "scared off" (as some SRWG participants have suggested), by DTE Electric's Standby tariff. Toward that end, we do encourage all customers who are considering on-site generation projects to contact their DTE Account Representative who will guide them through the process. DTE provides customer presentations to explain standby service, and also performs standby rate analysis for all customers free of charge which will help with any financial analysis that may be required pertaining to the Rider 3 rates. As a matter of fact, several customers recently have availed themselves of this service.

Future Actions Resulting from the SRWG and Recent Commission Orders

Although the Company's standby tariff is based on cost of service principals and its rate design is consistent with FERC's PURPA rules, to address concerns expressed in the SRWG with respect to complexity, the Company (in its next general rate case) will develop an "executive summary" as part of its Standby tariff. The purpose of the executive summary is to provide a better description of how the Standby tariff works to enable interested parties to understand the general concepts of Standby service so that further discussions can then be held with the Company's Account Representatives. In addition, DTE will undertake efforts to enhance its web site content to provide additional information needed for customers who are considering adding on-site generation. This additional web content could include, but not be limited to, sample calculations of Standby charges depending on types of technology.

Also, pursuant to the MPSC Order in Case No. U-18014, DTE Electric will perform a cost of service study to reflect Rider 3 as a separate cost of service class in its next general rate case.

Summary

As a result of the SRWG, there has been an increased common understanding of Standby service concepts and Standby rate design. This would not have been accomplished but for the efforts of the SRWG. The Company also learned through these meetings that it can improve upon the language contained in its Standby tariff, and more transparency may be needed with respect to Standby rate calculations. The Company is always open to suggestions from its customers and the MPSC Staff on how to enhance communication and enable our tariffs to be better understood, and thus will initiate efforts as listed above in both its tariff and on its website.

Any suggestions by parties to change DTE Electric's Standby cost of service or rate design should be considered in the context of cost based rate making so that a specific small group of customers do not receive preferential treatment or subsidies at the expense of the larger customer base (or general population).

Sincerely,

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