

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission’s own motion, to)
promulgate rules governing electric interconnection)
and distributed generation, and rescind)
legacy interconnection and net metering rules.)
_____)

Case No. U-20890

Introduction

The Michigan Energy Innovation Business Council (“Michigan EIBC”) appreciates the opportunity to provide comments on the filing from Indiana Michigan Power (“I&M”) regarding options for prospective customers seeking to interconnect level 1 distributed generation (“DG”) systems in I&M’s territory.

General Recommendations

As an initial matter, Michigan EIBC notes, as indicated by the Commission in its June 9, 2023 Order in Case No. U-20890, that all of the other utilities in Michigan who have met or exceeded the statutory participation levels for the DG program (e.g., DTE Electric, Consumers Energy, and UPPCO), have agreed to increase the cap above the statutory levels either voluntarily or pursuant to a settlement. As such, and given the arguments laid out in full below, Michigan EIBC believes there is no reason that I&M should not voluntarily agree to allow participation in the Level 1 DG program above the statutory cap. In addition, as noted by I&M in its filing in this docket, the Company plans to file a general electric rate case on or about August 29, 2023. Given that this issue will be ripe for discussion in that case, including both whether to continue participation in the DG program and/or develop an appropriate successor tariff, the Company should continue to voluntarily allow customers to participate in the Level 1 DG program at least until that rate case concludes.

Barring that, Michigan EIBC argues that the tariff proposed by I&M is inappropriate and unreasonable for Level 1 DG customers. Instead, as explained below, Michigan EIBC argues that

the Commission can require I&M to create a new tariff under the authority of the Public Utilities Regulatory Policy Act of 1978 (“PURPA”) to enable the interconnection of small, residential DG systems.

Concerns with I&M Proposal

I&M proposes that residential DG customers with systems less than 20 kW in nameplate capacity will now be able to interconnect to the I&M distribution system using the Cogeneration and/or Small Power Production Service (“COGEN/SPP”) tariff. On the whole, this tariff was not created or designed with residential customers in mind and many of the elements of this tariff are antithetical to the provision of electric service to small DG customers. As discussed in the MPSC Staff Standby Rate Working Group Report: “There is increasing interest in projects with intermittent generation such as solar. The current standby service tariff design may not be the most appropriate rate design for solar self-generation projects.”¹ As such, although the below sections provide detail related to these tariff elements, taken as a whole, the COGEN/SPP tariff is not well-suited to residential DG customers.

Customer Friendliness

In general, residential customers with DG systems less than 20 kW in nameplate capacity are not likely to be able to sign a long-term contract with the utility, understand a complicated COGEN/SPP tariff, or set up their system in a manner to comply with the required contract terms. Complicated tariff language can be a barrier to customers’ deployment of DG resources. As explained in the MPSC Staff Standby Rate Working Group Report: “A lack of understanding of standby tariffs can contribute to confusion during the planning phases of self-generation projects. This may be particularly true for customers interested in solar projects, because Michigan has very few large solar self-generation projects. In some cases, nonutility solar project planners have not had the opportunities to develop expertise in complex utility rates.”²

¹ MPSC Staff Standby Rate Working Group Report, Case No. U-17735, filed August 19, 2016, available at <https://rb.gy/d8gjk>, p. 19.

² *Id.*

Demand Charges

A cogeneration tariff, fundamentally, is designed for customers who have an on-site generator that they expect to meet their electricity needs nearly all of the time. A system designed under PURPA, in contrast, would likely sell all of its energy and capacity to the utility. I&M's COGEN/SPP tariff encompasses these options:

- (1) Option 1: The customer does not sell any energy or capacity to the Company and purchases from the Company its net load requirements, as determined by appropriate meters located at one delivery point.
- (2) Option 2: The customer sells to the Company the energy and average capacity produced by the customer's qualifying COGEN/SPP facilities in excess of the customer's total load and purchases from the Company its net load requirements, as determined by appropriate meters located at one delivery point.
- (3) Option 3: The customer sells to the Company the total energy and average capacity produced by the customer's qualifying COGEN/SPP facilities while simultaneously purchasing from the Company its total load requirements, as determined by appropriate meters located at one delivery point.

Most residential DG systems would not be set up to perfectly match load with generation, and as such, would likely fall under Option 2, although those systems with battery storage may fall under Option 1. Given this, according to the I&M COGEN/SPP tariff, these customers with systems greater than 10 kW in nameplate capacity would be subject to "demand-metered rate schedules." It is well-understood that demand charges are wholly inappropriate for residential solar customers. For example, in a recent DTE rate case (Case No. 20836), as described in a reply brief, Michigan EIBC/IEI witness Justin Barnes conclusively demonstrated:

that a majority of service level demand charge amounts would be set during hours that do not coincide with any measure of demand used to attribute cost causation in the Company's COSS (4CP, 12CP, Class NCP). If this is not a "compelling argument . . . as to why this rate structure could not be extended to residential customers," it is hard to imagine what would be.³

³ Reply Brief of Michigan EIBC/IEI, Case No. U-20836, p. 10.

Backup and Maintenance Service

According to the I&M COGEN/SPP tariff, customers taking service under Option 1 and Option 2 with systems greater than 10 kW in nameplate capacity will have to purchase backup service “to replace energy from COGEN/SPP facilities during maintenance and unscheduled outages of its COGEN/SPP facilities.” However, the I&M COGEN/SPP tariff also states: “Customers having cogeneration and/or small power production facilities that operate intermittently during all months (i.e. wind or solar) such that the customer’s monthly billing demands under the demand-metered rate schedule will be based upon the customer’s maximum monthly demand which will occur at a time when the cogeneration and/or small power production facility is not in operation will also not be considered as taking backup service.” It is not clear from this language whether a customer will be required to purchase backup service, and simply not be *considered* by I&M to be taking backup service, or whether the requirement to purchase backup service is waived for these customers. It is also not clear from the tariff whether this language applies to customers covered by Option 2 of the I&M COGEN/SPP tariff. Overall, the opaque, complicated nature of this tariff will be a significant barrier in and of itself to customers’ use of residential DG solar.

In any event, if it is required, a requirement to purchase backup service is unreasonable and unnecessary for residential solar customers. There are numerous cost savings provided by solar DG systems that must be considered to reasonably reflect cost-of-service in rate design. As stated in the MPSC Staff Standby Rate Working Group Report: “Factoring in line loss benefits based on the location of the solar project on the distribution system, generator diversity and the generation profile of solar, indicates a standby reservation fee may not be justified.”⁴

The I&M COGEN/SPP tariff was clearly not designed with solar DG customers in mind, both from a cost-of-service perspective and a customer accessibility perspective. These customers are fundamentally not commercial or industrial customers with the sophistication to match their electricity load to the production from their small rooftop solar systems and as such, it is not appropriate to make these customers purchase backup service. Instead, these customers are

⁴ MPSC Staff Standby Rate Working Group Report, Case No. U-17735, filed August 19, 2016, available at <https://rb.gy/d8gjk>, p. 26.

interconnected to the grid and, as a residential customer, expect to purchase electricity from the grid when it is needed. The utility already fully recovers its costs to provide that electricity to residential customers through the cost-of-service based residential rate. It makes no sense for those customers to purchase backup service and any such requirement would likely over recover costs from those customers.

Contracts

The I&M COGEN/SPP tariff requires customers to sign a 5, 10, 15, or 20 year contract. There are multiple issues with these requirements for residential DG customers. Most (if not all) customers will be hesitant to sign a contract with an investor-owned utility. The power dynamics in such a contract negotiation would be highly skewed in favor of the utility. In addition, most residential homeowners, while they may have a mortgage, do not necessarily plan to stay in their home for at least 5 years. In fact, the contract provided by I&M (Exhibit 4) indicates that a customer must provide written notice to discontinue the service at least one year prior to cancellation. Most homeowners do not decide to move a full year in advance of doing so. It is unclear from the tariff sheet what the penalty would be for violating the contract (e.g., by selling one's home) without provision of this notice, but it is likely that there would be a penalty.

Finally, the term sheet indicates that customers can be provided with energy and capacity credits if the Company has a capacity need, but only if the customer contracts to deliver a specified average capacity during the on-peak monthly billing period. Residential customers are not generally equipped to (1) understand what this means or (2) operate their solar system and usage patterns to ensure the provision of a certain amount of capacity on a monthly basis. This means, instead, that customers would be relegated to energy only rates – not because the Company does not need capacity, but simply because the customer would not be able to meet the terms provided by the utility. These assumptions appear to be born out by the sample contract provided by the Company (Exhibit 4) where energy-only credits are listed in Table 1.

Interconnection Fees

The recently approved Interconnection and Distributed Generation Standards (“MIXDG rules”) require fees as outlined in R 460.926:

(2) The fee amounts for the pre-application report, non-export track, and fast track for all levels of DERs are as follows:

(a) The pre-application report fee may not exceed \$300.

(b) The non-export track fee may not exceed \$100 + \$1/kWac for certified DERs and \$100 + \$2/kWac for non-certified DERs.

(c) The fast track initial review fee is \$100 + \$1/kWac for certified DERs and \$100 + \$2/kWac for non-certified DERs.

(d) Any applicable legacy net metering program application fee pursuant to R 460.1004(7) or distributed generation program application fee pursuant to R 460.1006(6), in combination with any applicable fast track initial review fee, fast track supplemental review fees and any study track fees, must not exceed a total of \$50.

It is clear that applications and any review fees for Level 1 DG systems applying to the DG program cannot exceed \$50. However, if I&M is not processing these applications through the DG program, it appears that the utility could charge \$100 plus \$1/kWac. Instead of a \$50 fee, this would result in a \$110 for a 10 kW nameplate capacity system. Michigan EIBC appreciates I&M clarifying in a filing in this docket that it will be maintaining the \$50 fee for residential DG customers consistent with the DG program fee. However, this clarification needs to also be provided in the actual tariff sheet.

Recommendations

Given the concerns outlined above, Michigan EIBC strongly recommends that the Commission reject I&M's proposal to interconnect residential DG customers with systems less than 20 kW in nameplate capacity using the COGEN/SPP tariff. This tariff was not designed for these customers and is completely unsuited to fairly recover costs from residential DG customers.

Instead, Michigan EIBC recommends that the Commission to encourage I&M to continue to allow customers to access the DG program at least through the end of the upcoming rate case. In that case, or in a separate docket, Michigan EIBC recommends that the Commission require I&M to propose a tariff-based (non-contract) option without demand charges or standby rates for residential DG customers. The Commission has the authority to direct the Company to develop such a successor tariff. In fact, in a recent DTE Electric general rate case (Case No. U-20836), the Commission found in its Order that:

a successor tariff to the DG program should be developed to address the scenario under which DTE Electric plans to continue its interconnection with DER systems once the DG cap is reached. The Commission draws the distinction that the successor tariff is not an extension of the DG program that was implemented pursuant to Public Act 342 of 2016 and finds that adopting the ALJ's recommendation does not flout the DG cap established in MCL 460.1173(3).⁵

This proposal could be made as an independent filing or in the Company's next rate case to be filing in August 2023, but should be subject to formal stakeholder review on the record.

⁵ Commission Order in Case No. U-20836, November 18, 2022, p. 451.