STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of DTE Electric Company for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for miscellaneous accounting authority _____/	Case No. **U-20162**

INITIAL BRIEF OF THE GREAT LAKES RENEWABLE ENERGY ASSOCIATION

I. INTRODUCTION

The Great Lakes Renewable Energy Association (GLREA) files this Initial Brief in accordance with the schedule set by the presiding Administrative Law Judge (ALJ). This case involves the application of DTE Electric Company (DTE) to increase its base electric rates, and includes major proposals by DTE to implement a Distributed Generation (DG) tariff, which poses major issues impacting DTE's residential and other customers.

II. SUMMARY OF GLREA TESTIMONY AND EXHIBITS

GLREA presented the direct testimony and exhibits of expert witnesses Geoffrey C. Crandall and Rob Rafson, and also additional evidence through cross-examination of certain DTE witnesses.

GLREA Witness Geoffrey Crandall has extensive experience in the utility and energy regulatory field as an expert witness, first as a member of the MPSC Staff and thereafter as a principal in MSB Energy. Witness Crandall has performed studies and presented expert testimony in many scores of cases nationally, as summarized in his Exhibit GLREA-3 (GCC-1).

GLREA Witness Geoffrey Crandall (T 3980-3982) summarized the purpose of his testimony and the shortcomings in DTE's DG proposals and tariffs:

Q. What is the purpose of your testimony in this case?

A. The purpose of my testimony is to review and assess the reasonableness of the U-20162 DTE Electric Company (DTE) request to raise rates and amend its rate schedules and rules governing the distribution and supply of electricity. The focus of my testimony is to address the changes to Rider 16 related to the existing net metering program and the newly proposed Distributed Generation tariff (Rider 18). GLREA Witness Rafson is providing testimony in this proceeding and together we demonstrate that DTE's proposed changes to Rider 16 and the proposed Distributed Generation Tariff (Rider 18):

- Would be an impediment to promoting increased reliance on renewable energy resources.
- The proposed modifications to the existing distributed generation tariff (Rider 16) modifications proposed by DTE should not be approved by the Commission. However, the changes to Rider 16 proposed by GLREA should be approved.
- The proposed distributed generation (DG) tariff (Rider 18) has many flaws and should not be approved by the Commission. The Commission should reject DTE's proposed distributed generation tariff (Rider 18) and direct DTE to revise it to reflect the concerns articulated by the parties and Commission Staff and resubmit revised Rider 16 and Rider 18 language in a subsequent proceeding. However if the Commission deems U-20162 to be the appropriate forum to design and adopt a distributed generation tariffs then the Rider 18 changes suggested by GLREA should be adopted.
- The terms of the proposed outflow component in the DG Tariff (Rider 18) would be confiscatory, unreasonable and problematic.
- The proposed System Access Charge is unreasonable, punitive, and should not be authorized.
- The filing and supporting materials fails to quantify and explain the financial impact of the proposed Distributed Generation tariff (Rider 18) on DTE's system as well as DTE's DG customers, which presents very significant problems in this case due to the absence of record evidence.
- The Commission needs to ensure a gradual and reasonable transition for DG customers who desire to transition from (Rider

16) net metering into a new distributed generation tariff program (Rider 18).

- Because neither the Commission, staff nor the company has identified the monthly or annual utility bill or the financial impact on DTE and DTE DG customers (who have invested private capital in good faith) it is necessary for the DG customers to understand the potential impact of customers enrolling in the Rider 18 DG program.
- The Commission should ensure consistency in DG tariffs and programs so distributed generation programs are not different throughout Michigan in order to minimize customer and trade alley confusion, mis-information, etc. The Commission should establish a uniform policy that applies throughout the state.
- DTE's proposed distributed generation tariff would not be in the public interest and the proposed DG tariff and program should not be authorized by the Commission.

GLREA Witness Robert Rafson has been a successful renewable energy developer and a brownfield project developer. Witness Rafson is an active member of GLREA and also the owner of a renewable energy developer, Chart House Energy. Witness Rafson's business and educational background is described in his testimony (T 3995-3996) and in his resume, Exhibit GLREA-1 (RR-1).

GLREA Witness Robert Rafson (T 3996-3997) testified as to the purpose of his testimony:

Q. What is the purpose of your direct testimony?

A. I will discuss DTE's proposed Distributed Generation (DG) Tariff and some of the potential impacts and pricing signals created by the proposed DG Tariff. Specifically, as it relates to the fair and reasonable rates and fair use of electric grid. To clearly demonstrate our position, we have included an edited DG Tariff (GLREA-2).

My testimony should be considered as still pertinent in the context of both "Distributed Generation" (DG) customers, which are progressively evolving toward a status of "Distributed Energy Resource" (DER) customers, when adding energy battery storage capacity and smart inverters to their "behind the utility meter" equipment.

GLREA will reference and quote other portions of the testimony and exhibits of GLREA's witnesses in the argument section of this brief.

III. ARGUMENT

A. DTE ELECTRIC'S PROPOSED DISTRIBUTIVE GENERATION PROPOSALS AND TARIFFS SHOULD BE REJECTED, AND REPLACED BY DG PROPOSALS AND TARIFF MODIFICATIONS PRESENTED BY GLREA AND OTHER PARTIES

GLREA asserts that DTE Electric's Distributive Generation (DG) proposals and tariffs should be rejected, and that the ALJ and Commission should instead adopt the DG proposals presented by GLREA and other parties.

GLREA supports diverse, cost-effective renewable energy strategies that are consistent with the purposes and objectives of Act 295, as well as Act 304, Acts 341 and 342, and PURPA, and also with the other enabling statutes which grant the Commission regulatory power and authority to set and maintain "just and reasonable" customer rates. The important goals established by Acts 295, as reconfirmed as part of Acts 341 and 342, are stated in Section 1001, MCL 460.1001, in relevant part as follows:

> (2) The purpose of this act is to promote the development and use of clean and renewable energy resources and the reduction of energy waste through programs that will cost-effectively do all of the following:
>
> (a) Diversify the resources used to reliably meet the energy needs of consumers in this state.
>
> (b) Provide greater energy security through the use of indigenous energy resources available within the state.
>
> (c) Encourage private investment in renewable energy and energy waste reduction.
>
> (d) Coordinate with federal regulations to provide improved air quality and other benefits to energy consumers and citizens of this state.
>
> (e) Remove unnecessary burdens on the appropriate use of solid waste as a clean energy source.

(3) As a goal, not less than 35% of this state's electric needs should be met through a combination of energy waste reduction and renewable energy by 2025, if the investments in energy waste reduction and renewable energy are the most reasonable means of meeting an electric utility's energy and capacity needs relative to other resource options….

The Public Utility Regulatory Policy Act (PURPA), 16 USC §2601, *et seq*, and implementation orders thereunder issued by the Federal Regulatory Energy Commission (FERC), along with appellate court decisions, also mandate policies and standards applicable to the regulatory treatment of independent power producers and cogeneration projects. These include generally that public utilities should accept capacity and energy at avoided capacity and energy costs pursuant to contracts with PURPA projects which are at or below the utility's next planned generation units or resources, and insofar as said contracts and purchases of capacity and energy do not impose upon the utility's customers subsidies and unjust and unreasonable costs.

GLREA asserts that DTE's DG proposals and tariffs fail to meet, and are counter-productive to, the above state and federal statutory goals and objectives.

1. DTE's DG Proposals and Tariffs are Self-serving, Unbalanced in Favor of the Utility, and Unjust and Unreasonable, and Contrary to State and Federal Statutory Goals and Objectives

GLREA asserts that DTE's DG proposals and tariffs are self-serving, unbalanced in favor of the utility, unjust and unreasonable, and are contrary to state and federal statutory goals and objectives.

GLREA Witness Robert Rafson (T 3997-3998) testified concerning several major shortcomings in DTE's DG Tariff proposals in these respects:

Q. What are your thoughts on the proposed DTE DG Tariff?

A. GLREA is concerned that the DTE DG Tariff attempts to thwart competition by proposing rates creating price signals that will destabilize the grid, increase costs for all customers and steal value from existing and

new DG customers for DTE's profit. My testimony will focus on three main points. The DTE DG Tariff:

1. Does not reflect fair and reasonable rates or DG support of the electric grid

2. Increases barriers to solar PV investment access

3. Provides an unfair enrichment to the utility

Rate design create price signals that can affect customers habits and investments. This means that electric rates need to be crafted with the resulting price signals to promote habits and investments that will produce a higher quality, more reliable and stable electric grid while keeping electric rates as low as reasonably possible both for the customer who are changing their habits and making investments without negatively impacting other customers.

"Evidence shows that well-designed rates can have significant impact, but also that poorly designed rates can have a negligible impact."[1] We hope that DTE adopts well designed time of use rates which will create sufficient price signals to attract voluntarily DG adoption.

Q. How does DTE's proposed tariff fail to reflect fair and reasonable rates?

1. DTE bases their justification for this DG tariff in the argument that DG customers benefit from having the electrical grid as the customer's battery, but in fact the benefits created by DG customers decrease operating cost of the utility. DTE's DG tariff proposal translates to more profit for DTE as opposed to decreasing operating costs and thus customer's rates. Ultimately DG customers subsidize the utility and all customers. DG creates grid support and allows the utilities to create a more stable grid with better power quality at the customer level but will not be properly compensated in this proposed tariff.

2. Several studies and the MPSC staff DG report show that DG customers through the proposed inflow/outflow mechanism overcharge DG customers, ultimately subsidizing other customers by decreasing the utilities operating costs.

3. DTE's proposed DG tariff is a much more extreme version of overcharging the DG customers.

4. DTE's proposal ignores the available potential of deploying smart inverters and dispatchable power throughout the grid to further improve grid stability, reliability and decrease costs.

5. The DTE proposed DG tariff includes additional costs to the DG customer that impacts their ability to receive a fair and reasonable rate of return on DG investment.

[1] https://www.utilitydive.com/news/rate-design-demand-charges-time-based-rates/419997/

GLREA Witness Rafson (T 3998-3999) also testified as to how DTE's DG Tariff proposals would increase barriers to solar PV investment:

Q. How does this proposed tariff increase barriers to solar PV investment access?

A. This proposed tariff increases barriers to DG Customers by:

1. Decreasing return on investment by purchasing Outflow at low LMP price
2. Adding an access charge
3. Overcharging through Inflow/Outflow mechanism over True Net Metering
4. Retaining caps on deployment
5. Misappropriating benefits by the company from DG customers
6. Lack of purchasing generated SRECs

GLREA Witness Rafson (T 4008-4010) also emphasized that DTE's DG proposals thwart competition and promote DTE's monopoly business model:

Q. How does the DTE proposal contribute to safeguarding a situation of monopoly on the generation of electric energy and traditional "top-down" unidirectional distribution of energy to customers?

A. DTE's justification for the proposed DG tariff attempts to convince the regulators and their customers that utilities (by themselves and without participation of customers) are best capable of developing and distributing cheaper clean energy generation and storage projects.

Their main argument is that utility-size investments are more cost-effective (per kWh distributed) and easier to manage than a multitude of similar smaller distributed projects sited at the customer level. The cost efficiency of large infrastructure projects is generally true but overall system flexibility, reliability and time-to-operation delays are also realities worth being taken into consideration since they also procure significant benefits.

DTE arguments are not new. They were used less than 50 years ago by IBM to slow down the emergence of networked distributed micro-

> computers perceived as a threat to IBM dominance. We all know how well this argument held credibility over time.
>
> We believe that utilities have a significant and critical role to play to speed up the transition toward a clean energy environment (solar as well as wind). However, power generation is not any more a natural monopoly, as successfully demonstrated in many countries world-wide and with the increasing recourse to commercially negotiated long-term "power purchase agreements" with independent power producers.
>
> Similarly, DG/DERs can be classified as small independent power producers benefiting from long-term contractual arrangements with their interconnected power distribution utility. Even if small in term of both capacity and energy, their surplus outflows of energy can be mobilized as highly flexible distributed locational complements to outputs from larger utility or independent power generators.
>
> By contrast, power distribution remains (up to this date) a natural monopoly for economical and operational reasons. In this regard, utilities have a critical role to play in developing, operating and maintaining efficient and reliable power distribution infrastructures and interconnections with DG/DERs.
>
> From a public service perspective, focusing primarily utilities' investments toward building reliable grid infrastructures and efficient overall system operation may be a wise strategy, since private customer participation can be mobilized to complement utilities in providing clean energy generation capacity.
>
> We believe that the current DTE DG tariff proposal, if approved by the regulator in its current form, would constitute an abusive grab of monopoly privilege by the utilities and will result in the perpetuation of a top-down unidirectional power distribution system. It would constitute a strong deterrent to the rapid deployment of anyone willing to install roof-top sited clean energy generation system. It would deny potential customer's contribution to speeding up the decarbonization of the energy ecosystem by complementing similar efforts undertaken by utilities. Under the DTE tariff model proposal, the system operation status-quo would be protected and the utilities would be the only entity able to take advantage of the economic and operational benefits from DG systems while denying them the same treatment.

GLREA Witness Crandall (T 3982-3985) also testified concerning the problems and adverse impacts of DTE's DG proposals on distribution generation and renewable resources in DTE's service territory:

Q. What concerns do you have regarding the impact of the proposed changes on distribution generation and renewable resources in DTE's service territory?

A. According to the Applicant, DTE is serving the varied needs of its customer base and believes it will be important to advance a distributed generation tariff utilizing current technology in an equitable manner to its customers. DTE also asserted that net metering approaches have been a reasonable but initial approach. However, with the Advanced Meter Infrastructure (AMI), DTE believes net metering is no longer reasonable in its service territory due to the new bi-directional metering capability. The AMI was implemented at the request of DTE and at the expense of its customers in an effort to reportedly minimize utility costs (on-site metering reading, service terminations at the physical meter, etc.). As a result of those beliefs and the newly implemented automated meter infrastructure, DTE is proposing a termination of (in addition to proposing an increase in the monthly flat rate fixed cost from $7.50 to $9.00 per residential customer) the net metering program and request authorization to implement a distributed generation tariff (Rider 18). Approval of such a tariff would have an adverse impact on many customer owned renewable energy systems.

DTE has proposed an arrangement whereby customers who own distributed generation will be subject to an inflow and an outflow charge/kWh as well as a newly invented "System Access Contribution" (SAC) based on the size of the renewable energy system. For the months that these customers are net generators (generating more kWh than they need for that month) DTE proposes to track the credits and make adjustments in a particular manner providing the customers maintain an available distributed generation capability. Should these customers leave the DG tariff (Rider 16 or 18 status), DTE proposes that the customers forfeit any and all the credit they may have accumulated which benefitted DTE and its customers. DTE is thus seeking authorization to refuse compensation for the commodity that distributed generation customers developed (who had invested their own private capital in allowing them to generate electricity which was subsequently handed over in good faith to DTE and its customers). DTE is now asking for authorization to not pay its customers who are complying with Rider 18 for electricity actually provided to DTE in good faith.

Q. What other concerns do you have regarding the Proposed changes to the existing Rider 16 and the proposed Rider 18?

A. DTE has identified Public Act (PA 341) of 2016 and 2008 PA 295, MCL 460.1001 to 460.1211 as two statutes that should be considered in assessing an appropriate course of action for DTE to take regarding distributed generation and renewable energy. According to DTE, the law requires that any rate case they file after June 1, 2018 requires that the Commission review, consider, and approve a tariff for inclusion in the

schedule of rates and rules for customers who chose to participate in either a net metering program or a distributed generation program related to the clean, renewable, and energy waste reduction act (2008 PA 295). DTE also asserts that "Section 177 (5), section 6a of 1939 PA 3, MCL 460.6a, states that a charge for net metering and distributed generation shall not be reduced by any credit or other ratemaking mechanism for distributed generation under this section". Witness Serna states that "Although I am not an attorney and don't propose to offer a legal opinion, it seems clear to me that the plain language of these statutory provisions precludes compensating distributed generation customers for anything other than the statutorily predetermined value of their generation. Witness Serna cites PA 341, Public Act 342, Section 177(4) …". The credit per kilowatt-hour for kilowatt-hours delivered into the utility's distribution system shall be either of the following:

> (a) The monthly average real-time locational marginal price for energy at the commercial pricing mode within the electric distribution service territory, or for distributed generation customers on a time-based rate schedule, the monthly average real-time locational marginal price for energy at the commercial pricing node within the electric distribution service territory during the time of use pricing period.
>
> (b) The electric utility's or alternative electric suppliers' power supply component, excluding transmission charges, of the full retail rate during the billing period or time of use pricing period.

Q. With respect to the legislative intent are you aware of laws that require the Commission to encourage renewable energy resources and Distributed Generation?

A. Yes. The Clean and Renewable Energy and Energy Waste Reduction Act, 2008 PA 295, Section 1001, MCL 460.1001, specifically encourages "private investment in renewable energy and energy waste reduction" and sets a goal of 35% of the state's electricity needs through energy waste reduction and renewable energy by 2025. Also, MCL 460.1001(3)(b) addresses the renewable energy component. The purpose of this act as set forth in Section 1001(2) is to promote the development and use of clean and renewable energy resources and the reduction of energy waste through programs that will cost-effectively do all of the following:

> (a) Diversify the resources used to reliably meet the energy needs of consumers in this state.
>
> (b) Provide greater energy security through the use of indigenous energy resources available within the state.
>
> (c) Encourage private investment in renewable energy and energy waste reduction.

2. DTE's Proposed Outflow/Inflow DG Pricing Proposals are Unjust and Unreasonable, and Are Not Based Upon Any Cost Studies

DTE's proposed outflow/inflow DG pricing proposals are unjust and unreasonable. While DTE acknowledges that customers on its proposed DG tariff will receive the full retail cost value of saved consumption (i.e., customer consumption saved), DTE proposes an overly low "wholesale" (or less) compensation rate for customer outflows under the DG tariff. DTE essentially proposes that outflow energy be compensated at the MISO LMP energy rate, without adequate recognition of the additional cost savings contributions that outflow contributions by DG customers would provide to mitigate grid costs, and a host of Act 304 type costs including at high-cost peak periods (such as transmission charges, congestion costs, fuel, purchased power, among others) and also capacity cost savings over time. In addition to these cost savings contributed by DG customers, DG customers also contribute toward accomplishing the several goals and objectives of Act 295, and re-enacted in 2016 PA 341 and 342, as stated in Section 1001, MCL 460.1001, quoted *supra*.

DTE's DG proposals degrades, and does not robustly enhance, DTE's ability to: (i) meet the statutory goal to meet 35% of the state's electricity needs through energy waste reduction and renewable energy by 2025; (ii) to promote the development and use of clean and renewable energy resources; (iii) to cost-effectively diversify the energy resources in this state; (iv) to provide greater energy security through the use of indigenous energy resources available within the state; and (v) to encourage private investment in renewable energy and energy waste reduction.

Clearly, a DG tariff which properly recognizes the contribution which net metering and distributive generation customers make (and can make) to energy resources in this state, and

which robustly encourage DG investment in DTE Electric's serviced territory, meets and promotes all of the goals and objectives of Act 295, and Act 341 and 342 as stated above. This is particularly valid because DG customers are investing their own funds to implement net metering and distributive energy, which investment is not being charged to other non-DG customers, and in the process net metering and DG customers are reducing short-term and longer-term capacity and energy costs of the utility, and are diversifying energy resources and promoting the development of the renewable energy industry in Michigan.

GLREA Witness Rafson (T 3999-4000) testified regarding the problems associated with DTE's DG Tariff outflow valuation:

Q. What problems are associated with the proposed outflow valuation of locational marginal pricing?

A. DTE proposes as part of the DG tariff, "Customers on non-time based rate schedules will be credited for each kWh of Outflow at the monthly average real-time Locational Marginal Price (LMP) for energy at the DTE Electric-appropriate load node." Using LMP, the wholesale and energy only pricing, as the value of outflow is problematic for the following reasons:

1. It is not free from "undue discrimination"2 and thereby imposes undue adverse impacts to creating a fair and reasonable price. The bulk of energy sold through the "market" is DTE and Consumers purchasing their own generated power at a rate that they set. The price that is described as "market rate" is effectively set by the investor owned utilities in the state.

2. Power from distributed generation sources is valued less in this proposed tariff. Utilities price capacity higher so the wholesale energy price is low, at $0.03/kWh average for 20173.[3] By excluding capacity value, DTE can use the capacity the renewable energy provides in the territory without having to pay for it as well as ignoring all of the other ways that DG lowers operating cost for DTE. DG actually lowers electric grid operational costs incurred by the utility and should be valued higher than the proposed LMP.

3. LMP and ex ante LMP do not reflect all the positive attributes of what solar PV provides for DTE in reducing their operations costs, capacity and other factors that would be considered in a Cost of Service Study.

4. Finally, DTE's proposal creates a great deterrent to anyone trying to install their own DG system. Under DTE's model, utilities would be the only entity able to take advantage of the economics and benefits from DG.

GLREA (and Chart House Energy) supports a tariff set by a MPSC cost of service study that considers all of the attributes created by renewable distributed energy resources or as recommended by NREL, a comprehensive integrated DGPV value study.[4] Only in this way can we achieve a fair and reasonable tariff.

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[2] FERC Order No. 888, April 24, 1996; see also https://www.publicpower.org/policy/wholesale-electricity-markets-and-regional-transmission-organizations

[3] https://www.misoenergy.org/markets-and-operations/real-time-displays/

[4] https://www.nrel.gov/docs/fy14osti/62447.pdf

GLREA Witness Rafson (T 4001-4004) also presented alternatives to DTE's proposal to overcharge DG customers:

Q. What would be a fair and reasonable alternative to overcharging the DG customer?

A. Outflow valuation: Chart House Energy proposes what we believe to be a fair and reasonable rate for DG in Michigan based on the MPSC cost of service study calculation as well as neighboring states with similar climates to Michigan. We believe the retail rate for outflow value must consider Energy, Capacity, Demand and Time of generation to determine appropriate outflow valuation. This will need to be done through a cost of service study. Below is a review of Michigan, Illinois and Minnesota methodologies to determine a fair and reasonable credit for DG customers.

MPSC

MPSC Staff DG report[8] using standard pricing the average residential customer (6.28 kW) would have the following annual cost:

$84 True Net Metering

$406 Inflow / Outflow

The Cost of Service Study analyzed only inflow pricing effects (thus a full study is still needed) and determined that the average residential DG customer would be over charged by $105.74/yr (we did not include distribution deficiency because the proposed tariff does not credit outflow distribution). If we take DTE's present residential rate and put it against the power production curve of solar then we would arrive at 2/3 summer rate ($0.06756/kWh and 1/3 winter rate ($0.04282/kWh) = $0.05940/kWh

weighted average price of power. MPSC staff calculated rate $0.0743/kWh – DTE weighted residential rate $0.0594/kW = $0.0149/kWh additional overcharge x 7,844/kWh/yr average residential = $116.88/yr + Staff determined overcharge $105.74/yr = $222.62/yr overcharge. We believe that Staff came to a reasonable conclusion after adjusting to DTE's actual rate. Calculating a credit using their $222.62/yr overcharge and an average 6.28 kW residential solar customer, the result would be a customer access credit of $2.95/KW/month using Inflow/Outflow with outflow at retail energy only. We believe once the cost of service study is done that a similar amount would be appropriate for commercial and industrial rates and as these values change the overcharge will be adjusted as well.

Illinois

IL SREC rate represents an alternative way to compensate DG customers for their grid support.[9] This rate produces a credit for residential customers of $0.07/kWh to $0.085/kWh above net metering. The SREC credit is $0.07/kWh to $0.085/kWh * 1,250 kWh/KW/yr (PVWatts indicated annual average performance for MI) = $87.50 to $106.25 KW/yr / 12 months/yr = $7.29/KW/month to $8.85/KW/month credit plus net metering benefit.

Minnesota

Minnesota utilizes a value of solar (VOS) to properly pay for the benefits created by solar DG. Minnesota VOS is ~$0.127/kWh[10] by considering several types of avoided costs: fuel, fixed &variable O&M, generating, reserve, transmission, and distribution capacity, and environmental. Under the Minnesota VOS methodology, solar customers would receive (less the weighted DTE residential rate $0.05940/kWh) $0.0656/kWh x 1,250kWh/KW/yr (estimated annual system production) = $6.84 KW/yr

To recap a fair and reasonable credit using the MPSC report and existing incentives from IL and MN:

$2.95 / KW	Credit based upon MPSC Staff report
$7.29 to $8.85 / KW	Credit based upon IL SREC incentive
$6.84 / KW	Credit based upon MN Value of Solar incentive

Our methodology above attempts to Michiganize solar valuation from states such as Illinois and Minnesota. The proposed Inflow/Outflow methodology charges $322 more than True Net metering as described in the Staff DG recommended Tariff. We believe that the MPSC should have the chance to understand both economic and social impacts of the proposed rate change. If the MPSC chooses to retain the DG Tariff Inflow/Outflow methodology, we believe a credit of $2.95/kW is a fair and reasonable alternative to overcharging the DG customer but believe the credit should be somewhere between IL and MN to be fair and reasonable. We support annual calculations and adjustments of the DG

> tariff to accurately reflect current data. These changes should be applied to customers entering the tariff during that year. However, customers previously entered into the tariff should not be affected.
>
> ***NEM credit***
>
> Alternatively, True Net Metering (Outflow at retail rate) could be the basis of power rates and then we would need to create a Service Access Contribution credit to reflect the amount of contribution that the DG customer provides to the grid over and above the retail rate of power used as the power value for Outflow.

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[8] Available at: https://www.michigan.gov/documents/mpsc/MPSC_Staff_DG_ Report with Appendices_614779_7.pdf page 23.

[9] https://www2.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/ ComplianceFiling Memorandum.pdf

[10] Minnesota Value of Solar: Methodology. (2014). Available at: http://mn.gov/commerce-stat/pdfs/vos-methodology.pdf.

Of particular importance, DTE's outflow/inflow DG tariff proposals, and its System Access Contribution (SAC) charge proposal, are <u>not</u> based upon any cost studies.

DTE Witness Serna, sponsored by DTE to discuss DTE's outflow/inflow proposal, admitted that he was not a cost of service witness and did not do a cost of service study (T 3757). Under cross-examination, witness Serna (T 3757-3788) acknowledges that net metering and DG customers under DTE's proposed outflow/inflow proposal would receive the full retail value of the consumption which the customer saves or does not use. DTE's outflow rate credit would thus apply to any net outflow (over and above the customer's consumption). The company's outflow credit would not include transmission or saved capacity costs, even though such cost savings would exist in reality. Net metering and DG customers also benefit DTE by reducing DTE's peak loads, which then reduce its MISO costs to some degree. The witness suggested that DTE is focusing upon a perceived "cost shift" to non-DG customers caused by DG customers, even in situations when DTE may be earning above its authorized common equity return levels. DTE did not consider that net metering and DG customers invest their own funds to install DG

generation. DTE also did not consider the impact of its DG Tariff proposals upon the "pay-back" economics of DG facilities to DG customers. The witness could not identify any additional capital investment costs, or O&M costs, caused by DG customers (or such costs not already included in its projected test year case).

Under cross-examination by GLREA counsel, DTE's cost-of-service witness Lacey (T 3260-3263) admitted that no cost-of-service study or analysis supported DTE's DG Tariff or System Access Contribution charges or proposals. Witness Lacey testified:

Q You are sponsored in this case as a cost of service 25 witness. Is that right?

A That is correct.

Q Is there any other cost of service witness other than you?

A I'm the primary one. I think there is some work on lighting done by what is now Witness Dow. I don't know if I would say it's cost of service, but just in case you're going in that direction, I might have to look closer at it.

Q But with respect to everything else, you are the cost of service witness –

A That is correct.

Q -- in this case. Now with respect to a few questions on behalf of GLREA, does your cost of service studies and your presentation here involve any costs relative to the distributed generation proposal or tariffs proposed by DTE in this case?

A I'm sorry, could you repeat the question?

Q Yes. Does your cost studies involve at all anything related to the distributed generation tariff proposal in this case?

A It does not.

Q Pardon?

A It does not.

Q How about any proposal for an access charge for solar customers or persons wanting to participate in net metering or distributed energy generation? Do any of your studies analyze the elements of the access charge and the basis for the costs assumed?

A Of the access charge used my cost to develop, it was developed using my costs. But I did not develop any specific costs related to it.

Q Well, so that's a little vague in a sense. The access charge that Edison, excuse me, DTE Electric proposes in this case, did you develop those access charges?

A I did not.

Q Did you analyze the elements of costs that would be utilized for the access charges?

A The access charge was based on costs that I developed.

Q Can you detail what kind of costs you're talking about?

A All the costs that I include in my cost of service study.

Q O.K. For a solar customer or someone on net metering or a distributed generation tariff, did you assume an increase in capital costs?

A I just took the capital costs that I got from Witness Uzenski. I'm not sure if there's anything related to that in the costs that I used.

Q How about O&M costs, did you deal with that?

A I'm sorry. What kind of costs?

Q Operation and maintenance costs?

A It would be the same answer, that I used the costs that I received from Witness Uzenski. I don't recall if there was any, what was in -- anything that you're talking about was included in those costs or not. I didn't see a separate line item for something like that related to it.

Q What about property taxes?

A Same answer.

Q So then did you present here any specific exhibit or analysis of the justification for an access charge for customers who are on net metering or a distributed generation tariff?

A I did not.

Q Did you analyze or present any testimony or exhibits as to the manner in which net metering or participation in a distributed generation tariff could reduce costs?

A I did not.

Q Did Witness Uzenski do anything on that, to your knowledge?

A Not that I'm aware of.

Q Did any part of your testimony, exhibits, or analysis deal with calculations of outflow costs or inflow costs with respect to customers who may be on net metering or a distributed generation tariff?

A I did not.

Under cross-examination by GLREA counsel of DTE Witness Uzenski (T 3371-3372), the witness admitted that nothing in her testimony or exhibits presented any cost support for DTE's proposed DG tariff or System Access Contribution (SAC) charge, as follows:

Q Let me ask you a couple questions on behalf of the GLREA.

Do you show in your testimony, exhibits, or analysis any of the specific costs that would be related to the distributed generation proposal or tariff presented in this case?

A No.

Q And how about the access charge that DTE proposes for customers who may choose a distributed generation tariff or perhaps a net metering tariff, do you present any specific testimony, exhibits, or analysis that would support the costs that underlie the proposed access charges?

A No, I don't.

Q Do you present in your testimony, exhibits, or analysis any discussion regarding how customers on a distributed generation tariff or net metering tariff can reduce DTE's costs?

A No.

Q Do you present anywhere in your testimony, exhibits, or analysis any discussion of costs that would relate to an outflow and inflow under the distributed generation tariff?

A No.

Under cross-examination by GLREA counsel of DTE Witness Uzenski (T 3371-3372), the witness admitted that nothing in her testimony or exhibits presented any cost support for DTE's proposed DG tariff or System Access Contribution (SAC) charge, as follows:

Q Let me ask you a couple questions on behalf of the GLREA.

Do you show in your testimony, exhibits, or analysis any of the specific costs that would be related to the distributed generation proposal or tariff presented in this case?

A No.

Q And how about the access charge that DTE proposes for customers who may choose a distributed generation tariff or perhaps a net metering tariff, do you present any specific testimony, exhibits, or analysis that would support the costs that underlie the proposed access charges?

A No, I don't.

Q Do you present in your testimony, exhibits, or analysis any discussion regarding how customers on a distributed generation tariff or net metering tariff can reduce DTE's costs?

A No.

Q Do you present anywhere in your testimony, exhibits, or analysis any discussion of costs that would relate to an outflow and inflow under the distributed generation tariff?

A No.

Under cross-examination of DTE tariff witness Dennis (T 3908-3910) by GLREA counsel, witness Dennis admitted that DTE performed no cost of service study to support DTE's proposed "system access contributions" (SAC) surcharge applicable to DG customers, as follows:

Q It's my understanding that DTE Witness Lacey was the cost of service witness in this case, right?

A That is correct.

Q And you are not a cost of service witness in this case?

A Correct.

Q You haven't done a cost of service study in this case?

A I have not.

Q You haven't done a cost of service study relative to any costs that underlie DTE's proposed system access contribution charge?

A I did not do a specific cost of service study. I took the distribution cost of service study that Mr. Lacey prepared in the development of that charge.

Q Did he, to your knowledge, did he segregate out and do a cost of service study that would relate specifically to the costs of the system access contribution charge?

A No, he did not.

Q Now with respect to any of the cost -- correction. With respect to any of the tariff provisions that you are sponsoring, have you -- you haven't done any cost of service study that would specifically relate to those, have you?

A When you say to those, what do you mean?

Q Your proposed tariff sheets that you're sponsoring, you have Rider 18 for example?

A No. So the way, the kind of flow of the rate design work which I'm sponsoring is, once the revenue requirement is developed, and there's a set of allocation determinants that go into a cost of service study along with revenue requirement, then Mr. Lacey produces both a power supply and a distribution cost of service study by cost of service class, which are used by the rate design witness, and me being one of them, to develop rates for specific rate schedules.

Q But as we just determined, Mr. Lacey didn't do a carve-out or a breakout study that would deal specifically with your proposed tariff rates or with respect to the SAC charge, correct?

A Once again I used an input from Mr. Lacey's development of that charge. But no, he did not do a specific analysis.

The inescapable conclusion must be that DTE has presented no cost evidence, let alone "competent, material and substantial" evidence to support its net outflow/inflow DG tariff or its System Access Contribution (SAC) surcharge.

3. DTE's Distributive Generation Proposals are Designed to Promote DTE's Monopoly Business Model and to Impede Competition

DTE's distributive generating tariff proposals are designed to promote DTE's monopoly business model and to impede competition. DTE's DG proposals do so by discouraging and impeding customer-funded DG facilities and energy resources, and customer efforts to promote renewable energy and waste reduction in a cost-effective manner in accordance with statutory goals and objectives. DTE's grossly understated "outflow" compensation to DG customers, coupled with its unsupported "system access contribution charge" (SAC), are aimed at greatly impeding incentives for DG customers to invest in their own renewable energy facilities. In this respect, DTE is also greatly detracting from the attainment of the statutory purposes and objectives cited earlier.

4. DTE's Proposed System Access Contribution Charge (SAC) is Unsupported by any Cost Analysis, and is Unjust and Unreasonable

DTE's proposed system access charge (SAC) is unsupported by the cost analysis, and is unjust and unreasonable on its face. The clear purpose of the SAC charge is to further impede the implementation by customers of distributive facilities and energy resources by making said facilities and energy resources decidedly uneconomic.

Notably, there also exists no cost-of-service witness or study sponsored by a qualified DTE witness to support its proposed SAC change, or the amount thereof. This is fully demonstrated in Argument Section III A2, *supra*.

In contrast to an SAC charge to be charged to DG customers, GLREA proposes that DG customers should receive an SAC credit. In other words, DTE should pay DG customers to compensate said customers for the contribution they make to grid costs, and to offset capacity and energy costs including at high-cost peak times.

GLREA Witness Rafson (T 4000-4001) also strongly criticized DTE's proposed System Access Contribution Charge (SAC) applicable to DGE customers:

> **Q. Should DTE charge customers a System Access Contribution (SAC) charge?**
>
> A. GLREA and Chart House Energy do not support the proposed System Access Contribution as proposed in the DG tariff: "Customers attached to this rider to residential secondary rate schedules, or to commercial secondary rate schedules that do not have delivery demand charges, shall be subject to the SAC charge."
>
> The December 2016 legislation, P.A. 341 and 342, did not include adding additional costs such as a system access charge or otherwise demand charges to DG customers. Additionally, it does not fall under the fair and reasonable rate function of ratemaking,[5] nor under the MPSC's number one goal to ensure customers receive fair and reasonable rates.[6] Implementing this proposed cost will certainly increase barriers to new and ultimately existing DG customers and if charge income is retained by

DTE for its' shareholders the result would be "unfair enrichment". New customers will be deterred by the economics of installing their own system in DTE territory. This will be especially disincentivizing to low income households who already spend 15-20%+ of their income on electricity.[7]

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[5] Tomain, J.P, Cudahy, J.R.D. 2011. Energy Law in a Nutshell I. Thomson Reuters. 2nd edition.; see also Phillips, C.F, and Brown, R.G. 1993. The regulation of public utilities: theory and practice. Arlington: Public utilities reports.

[6] www.michigan.gov/mpsc/

[7] Low-Income Energy Affordability Data (LEAD) tool. 2015 data. Available at https://catalog.data.gov/dataset/clean-energy-for-low-income-communities-accelerator-energy-data-profiles-2fffb/resource/835cb8a9-1fc5-4fc1-8ad2-85b632416d01?inner_span=True, updated 10/6/2017.

GLREA Witness Rafson (T 4010) recommended that the DG Tariff must be based upon cost of service studies to establish the power "outflow" rates:

Q. What would we recommend if the MPSC does not support our proposed DG tariff we have provided?

A. We believe the MPSC has done good work developing their proposed strawman DG Tariff and we believe their proposal of using a rate that is based on a cost of service study will achieve a rate based upon the reduced cost of service and not some "place holder" amount. Cost of service studies must be conducted regularly to determine the outflow rate and keep them relevant at least every 5 years, if not sooner.

GLREA Witness Crandall (T 3988-3989) also testified in opposition to DTE's System Access Contribution (SAC) charge:

Q. Could you explain your concerns regarding the proposed System Access Contribution, which is embedded in the proposed Distributed Generation Tariff (Rider 18)?

A. Yes. DTE proposed a new System Access Contribution (see Original Sheet No. D-114.00). DTE stated that the reason for this new charge is "A volumetric basis is insufficient but serviceable approach to recovering fixed utility system costs when loads are stable and predictable on a time horizon consistent with demand related distribution investments. When stability and predictability are no longer assured, the recovery of costs must more closely match their incurrence"…. While distributed generation customers maintain their full electric system optionality at every point in

time, they are not supporting the costs of the infrastructure required for their service."

Neither DTE Witness Serna nor Dennis has presented or identified a cost of service study or a comprehensive analysis that supports the basis for the System Access Contribution. To add on an additional unsubstantiated "contribution" to DTE based on the nameplate of the distribution generation equipment would represent a further impediment and barrier to existing and potential customers who have been or may be willing in the future to make private investments in distribution generation resources. GLREA does not support the proposed System Access Contribution.

5. The ALJ Should Recommend, and the Commission Should Adopt, the Tariff Modifications Recommended by GLREA

GLREA urges the ALJ to recommend, and that the Commission adopt, various DG tariff modifications recommended by GLREA. GLREA's specific recommendations include the following:

(a.) Expansion of or Elimination of DG Cap

GLREA Witness Rafson (T 4004) also testified that the cap on DG development should be eliminated or modified:

Q. Once a DG tariff is approved should there be a cap on deployment?

A. No. The MPSC conducted a cost of service study to determine a value of DG they deem fair and reasonable for DG customers. The DG tariff should then create a fair and reasonable compensation for the company for Energy, Capacity, and Distribution. Once this is accomplished, there should be no more need for the 1% cap because the company is being compensated and would allow access to all customer not just early adopters.

(b.) Elimination of Credit Forfeitures and Improper PSCR Cost Treatment

GLREA Witness Rafson (T 4004-4005) also testified that the company's proposals would misappropriate benefits that should belong to DG customers:

Q. How is the company misappropriating benefits that otherwise belong to the DG customer?

Forfeiture of credits

The proposed tariff states: "upon customer termination from the Distributed Generation program, any existing credit on the customer's account will be forfeited."

This is the same for a company termination of the Distributed Generation Program. We believe this constitutes illegal seizure as the credit is not theirs to keep. The credit is money created by the excess generation renewable energy and if for any reasons the customer chooses to terminate or is terminated by the company, the company should be obligated to reimburse the customer based on the predetermined DG program agreement rates.

Power Supply Cost Recovery

Full service customers: "The customer will be billed according to their retail rate schedule, plus surcharges, and Power Supply Cost Recovery (PSCR) Factor on metered Inflow for the billing period or time-based pricing period."

The December 2016 legislation now includes fuel charges for operating this program, meaning energy costs of the program shall be recovered through PSCR.[11] When a customer produces more power than used, the utilities are able to take the PSCR credit, multiply by the excess energy and ultimately come out with a positive PSCR. This means that the utility not only gets to keep the fuel savings but also gets paid for the fuel savings created by the outflow and get paid again because the double negative creates a cost to the solar customer. Based on the cost of service study and other studies that illustrate DG customers support the grid, the company should be crediting DG customers for the PSCR for all of that fuel saved.

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[11] P.A. 295, 460.1175

GLREA Witness Crandall (T 2992) also testified:

Q. Could you explain your concerns regarding the customer billing language regarding customer termination included in the proposed Distributed Generation Tariff (Rider 18)?

A. Yes, as I identified in Exhibit GLREA-5 (GCC-3) the following proposed language on Original Sheet No. D-118.00 in the tariff should be eliminated "Upon customer termination from the Distributed Generation Program, any existing credit on the customers account will be forfeited. Distributed generation Program credit is non-transferable." And also "Upon Company termination of the Distributed Generation Program, any

existing credit on the customers account will be forfeited. Distributed Generation Program credit is non-transferable." I oppose these provisions of the proposed tariff and recommend they be stricken in their entirety. These proposed tariff provisions would be confiscatory, inequitable, and unjustifiable and would represent a major barrier and impediment to DTE customers who would be enrolled in Rider 16 or Rider 18.

GLREA Witness Crandall (T 3990) also testified as to his concerns regarding DTE's DG Tariff provisions involving customer billing outflow language, and power supply credit for outflow energy:

Q. Could you explain your concerns regarding the proposed Customer Billing, Outflow language included in the Distributed Generation Tariff (Rider 18)?

A. Yes. On (GCC-4) Original Sheet No. D-113.00, DTE proposes the following language in the tariff: "The credit shall not offset delivery charges or other surcharges." DTE has not included a justification for this language and it is again another language provision that creates an impediment for customers to resist private investments in distributed generation resources.

Q. Could you explain your concerns regarding the proposed power supply credit for outflow Distributed Generation Tariff (Rider 18) language found on Original Sheet No. D-113.00 (1) Full Service Customers?

A. Yes. On Original Sheet No. D-113.00 (1), DTE proposes the following language in the tariff "Customers on non-time based rate schedules will be credited for each kWh of outflow at the monthly average real-time locational marginal price for energy at the DTE Electric-appropriate load nodes." In order for the customer on a distributed generation tariff (Rider 16 or 18) to be compensated in a reasonable manner consistent with 2016 PA 342,400.1177(4), the previous sentence should be replaced with this language: "Customers on non-time based rate schedules will be credited for each kWh of outflow at the monthly average real-time locational marginal price for energy at the DTE Electric-appropriate load nodes plus distribution costs". This revised language would eliminate impediments and barriers for customers who have purchased or may purchase renewable resources and distributed generation resources.

(c.) Adoption of Tariff Provisions to Create a Solar Renewable Energy Credit (SREC) Market

GLREA Witness Rafson (T 4005-4006) also testified that an SREC market should be implemented in Michigan:

Q. How does a lack of a SREC market in Michigan impact DG customers?

The lack of addressing purchases of the SRECs to meet the utilities' RPS (renewable Portfolio standard) is a barrier. Many other utilities or states have created both open markets and SREC programs to meet the RPS. The lack of such a program reflects DTE's desire to limit others from installing solar by not being willing to purchase the value of the SRECs.

SREC purchases are another way to pay customers who invest in solar for the environmental benefits created by solar and other cost benefits related with achieving the RPS. This would be another way to achieve positive cost signals for the adoption of solar.

Pursuant to cross-examination by GLREA counsels, DTE Witness Serna acknowledged the lack of DTE action to pursue such a market approach. DTE Witness Serna (T 3787-3788) testified that REC certificates would be owned by customers installing DG facilities, and not the company, and that the company does not have any proposal to buy said REC's from the customers. The witness admitted that if the company were at some point in the future to purchase said REC certificates from DG or net metering customers, that the amount of said REC's could be used to meet DTE's RPs requirement (under state law).

(d.) Tariff Changes to Interconnection Application Requirements

GLREA Witness Rafson (T 4006) also made recommendations concerning the interconnection application associated with DG customers:

Q. How do the changes in Interconnection application affect DG customers?

A. Chart House Energy believes the language of the Application for Service is confusing. Chart House Energy suggests the company might want to call this section of the DG Tariff "Interconnection Application" instead of "Application for Service". The application is not for Service but to interconnect parallel generating equipment.

We are pleased that the company has seen clear to reduce the hurtle to applying for Interconnection of a parallel generating system. This will help most the small system owners and low- and moderate-income customers. However, a decrease in application fee comes at the cost as the company can charge for interconnection costs (for example they can charge to replace aging infrastructure like transformers servicing the customer). Since the definition of those interconnection costs are not described, we are worried that the company will shift maintenance of the distribution equipment and aging infrastructure to the customers who choose to invest in solar systems.

GLREA Witness Crandall (T 3989) also criticized DTE's proposed "Application of Service" provision of DTE's DG Tariff proposal:

Q. Could you explain your concerns regarding the "Application of Service" component of the Distributed Generation Tariff (Rider 18) on Original Sheet No. D-114.00?

A. Yes. Under "Application of Service," DTE proposes that " If a customer does not act or correspond on an application for over 6 months, when some action is required by the customer, the application may be voided by the Company". Because these projects can be administratively burdensome and time consuming for residential customers, I suggest that the following tariff language: "If a customer does not act or correspond on an application for over 9 months, when some action is required by the customer, the application may be voided by the Company."

(e.) Adoption of Tariff Provisions to Promote Solar Generation and Energy Storage

GLREA Witness Rafson (T 4006-4008) also testified regarding other aspects of DTE's DF proposals that should be changed to promote solar and storage facilities, and to improve the grid and customer pricing:

Q. Do the price signals of the proposed DTE DG tariff affect the way a customer with solar and storage might operate their system and does this positively impact DTE, the grid and overall customer pricing?

A. The price signals in this DG tariff support installing storage with the renewable energy generating equipment to allow the excess energy produced during the day and offset power used at night. This is done to decrease Outflow and uses as much of the energy on site as possible thus offsetting the retail rate. Unfortunately, this will mean that the power generated by solar during the utilities' peak with be shifted to reduce night time usage. This will result in reduction of night time base load generation and thus increase the power rate for all customers because day time peak will only be decreased by the individual user's daytime peak and any excess is used during lower generation need times. If the tariff encouraged dispatching of power during peak periods the utility would decrease its most expensive peak power plants, allow intermediate generating assets to become more base load plant thus again decreasing operating costs and thus lowing cost to all customers.

DTE has an opportunity here to support tariffs that would make their operations more reliable, dependable, with better quality and decreased costs to all customers. The current DTE proposed tariff instead impedes further development and steals value form those already invested in renewable energy.

Renewable Energy Resources are being developed throughout the world and the benefits create a more resilient, dependable grid with higher quality power, and with dispatchable power that is offered by storage combined with solar with smart inverters. These inverters can provide reactive power to fix lagging power that precedes brownouts. The smart inverter can adjust voltage and frequency to counteract the lagging, lower voltage power. If there is enough DG capacity, this can correct the voltage and frequency enough to prevent brownouts, the most frequent source of power outages.

It is increasingly important to support deployment of dispatchable power. Unfortunately, the company has not addressed the grid support that smart inverters and storage can provide in any tariff. The DG tariff could be a good location to provide positive price signals to encourage those customers investing in solar to include storage and to allow the company to, when needed, control or at least incentivize reactive / dispatchable nature of renewable energy with storage. It is our hope that Utilities in the Midwest will create price signals to promote the installation of smart inverters and storage with solar and to use them to create a more stable, resilient, higher quality power at a lower life cycle cost.

DTE Witness Mueller (T 3843-3848), upon cross-examination by GLREA counsel, testified regarding solar generation by net metering or DG customers to offset peak loads, including air-conditioning loads, during summer months. The witness described solar generation as being most productive on summer days during the hours of 10 am to 4 pm, and that the company experiences peak loads during the evening hours. The witness did not clarify what portions of loads were, or could be, offset by net metering or DG solar customers during summer-day hours. The witness did testify that DTE had no identifiable efforts to advance battery and energy storage to address evening or other peak loads. DTE witness Mueller (T 3848) testified:

> Q. Well, is the Company developing a storage of energy so that it can save it to utilize during evening peaks?
>
> A. At this point I'm not aware of any project that would do time shifting capability with storage.
>
> Q. Are you aware of any program being planned or implemented by DTE Electric to assist solar customers with installing batteries or other storage devices to shift the peak load on to the evening hours or to save some of the generation from the afternoon into the evening hours.
>
> A. I am not aware of any such program.

(f.) Adoption of 25-Year Contract and Tariff Provisions

GLREA Witness Rafson (T 4008) also testified that contracts and tariffs applicable to PPA's should be established for a 25-year period:

> **Q. What length of time should customers rates and rate structures be fixed?**
>
> A. Solar equipment is warrantied for 25 years and rate structures should be stable for at least 25 years. Like the utilities that make investment in large power plants and renewable energy they want to recover their investment and make money on the same. Similarly, customers who want to invest in solar are making a 25-40 year investment and would like the surety of a stable rate structures.

GLREA Witness Crandall (T 3986-3988) also testified concerning the DTE proposed tariff provisions:

Q. Could you explain your concerns regarding the proposed revisions to Rider 16 that DTE is Proposing?

A. Act 295 of 2008 requires that the Commission encourage private investment in renewable energy and distributed generation as well as energy waste reduction. Based on practical, real-world experiences, it will be very important that DTE customers are afforded a reasonable duration for a contract term that matches the useful life of renewable energy resources and duration of a DG tariff. Customers expect fair and reasonable financial treatment and the ability to get reasonable and equitable cost recovery that assists DTE and its customers who are considering investment of their own private capital to acquire renewable energy resource or distributed generation. A long-term contract matching the useful life of the resources is needed, just as the Commission uses a "used and useful" test for DTE owned generation. The same should apply to renewable energy resources and distributed generation resources. At a minimum, a 25-40 year life term of contact for Rider 16 net metering or Rider 18, Distributed Generation Tariff would be reasonable and would be essential to encourage private investment in renewable energy resources and distributed generation resources.

Q. Could you explain your concerns regarding the eligibility date as proposed in the modified Distributed Generation Tariff (Rider 16)?

A. Yes. In Exhibit GLREA-4 (GCC-2), I am proposing a change on page D-101.00 that would modify the start date proposed to be April 2019 modified to begin on January 1, 2020. This would allow for a smoother and more reasonable transition process for customers electing to terminate enrollment in Rider 16 and initiate enrollment in Rider 18.

Q. Could you explain your concerns regarding the Contract term in the Distributed Generation Tariff (Rider 16)?

A. Yes. Act 295 of 2008 requires that the Commission encourage private investment in renewable resources (see Exhibit GLREA-4 (GCC-2), on Sheet No. D-106.00), I propose a modification to the contract term to the life of the renewable energy or distributed generation resource to match the expected useful life to the distributed generation resource. If this is not acceptable to the Commission, I would recommend a minimum contract term be 25 years based on the expected useful life of the renewable energy or distributed generation resources.

Q. Could you explain your concerns regarding the proposed May 2019 billing month start date as proposed in the Distributed Generation Tariff (Rider 18 Sheet No. D-111.00)?

A. Yes. In Exhibit GLREA-5 (GCC-3), I am proposing a change on page D-111.00 that would modify the eligibility effective date to be January 1, 2020 rather than the proposed date of April 2019. This would allow for synchronization with Rider 16 and Rider 18 tariffs resulting in a smoother and more reasonable transition process for customers electing to terminate enrollment in Rider 16 and initiating enrollment in Rider 18.

Q. Could you explain your concerns regarding the proposed renewable generation increase relative to the Distributed Generation Tariff (Rider 18)?

A. Yes, on Original Sheet No. D-111.00, DTE proposes "If an existing customer who participates on Rider 16 increases the aggregate generation following the effective date of this rider, then all generation on site will be subject to the terms and conditions of this tariff."

This proposed tariff provision is squarely and directly in conflict with PA 295 of 2008, and should not be approved by the Commission. The Commission has a duty and obligation to encourage private investment in renewable energy and distributed generation resources. This proposed provision would be a major impediment and would send the wrong signal to current owners of distributed generation resources and to those who are considering making private investments in distributed generation and renewable resources. This is the exact wrong message to send to those who enrolled in the Rider 16 program in good faith.

(g.) Adoption of Requirements to Provide Information to Customers Concerning the Cost and Rate Impact of DG Tariffs

GLREA Witness Crandall (T 3991-3992) also proposed that the DF Tariff should include requirements to ensure that customers are fully informed of DG cost and rate impacts:

Q. Could you explain your concerns regarding the customer billing language in the proposed Distributed Generation Tariff (Rider 18)?

A. Yes. In my review of the proposed distributed generation tariff proposal, I have not seen an assessment (in the materials provided by DTE) of the financial impact of the proposed DG tariff on DTE's customers who chose to enroll in the Rider 16 or Rider 18 DG tariff. One can assume that DTE has an understanding as to what the financial impact might be on their system, however no effort has been put forward and filed in this case that quantifies the rate, monthly bill, or financial viability assessment for DTE

customers who have already invested in distributed generation resources or those who may invest their private capital in distributed generation resources.

As I identified in Exhibit GLREA-5 (GCC-3) there needs to be an initial phase-in period and fact gathering process so the customer better understands the potential impact on their rates, monthly bills, and financial impact on the viability of the distributed generation resources they own or may acquire. I propose that, at the request of the customer wishing to enroll, DTE track the customer's metered inflow and outflow consumption for a period of 24 months. At the end of the 24-month phase-in period, the Company shall provide the results of the actual inflow and outflow kWh history presented to the customer. This assessment should include kWh unit impacts and the monetized impact so the customer will be able to assess the costs/savings that would have been resulted had they been enrolled in the Rider 18 distributed generation tariff during the 24-month phase-in period. Once the customer has the phase-in report they have 30 days to decide whether or not they want to enroll in the Rider 18 tariff, distributed generation program. This would allow existing or potential distributed generation customers to be well informed and able to assess the desirability of investing private capital in distributed generation resources. In stark contrast, Xcel Energy has identified clearly what the Distributed Generation rate would be for customers as part of their community solar gardens program in the Minnesota service territory. See Exhibit GLREA-6 (GCC-4).

IV. CONCLUSION AND RELIEF

Based upon its evidentiary presentation in this case, and this Initial Brief, GLREA requests the Administrative Law Judge (ALJ) to recommend, and the Commission to adopt, GLREA's positions and proposals in this case. GLREA requests such further and consistent relief that is lawful and reasonable.

Respectfully submitted,

Don L. Keskey

Don L. Keskey (P23003)
Brian W. Coyer (P40809)
Public Law Resource Center PLLC
University Office Place
333 Albert Avenue, Suite 425
East Lansing, MI 48823
Telephone: (517) 999-7572
E-mails: donkeskey@publiclawresourcecenter.com
bwcoyer@publiclawresourcecenter.com

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