

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,)
to conduct a study on rate designs and options that)
will account for the changing customer use of the grid)
due to the adoption of new energy technologies.)
_____)

Case No. U-20960

At the February 4, 2021 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Daniel C. Scripps, Chair
 Hon. Tremaine L. Phillips, Commissioner
 Hon. Katherine L. Peretick, Commissioner

ORDER

Background

On December 21, 2016, Public Act 342 of 2016 (Act 342) was signed into law. Act 342 amends Public Act 295 of 2008 (Act 295) by, among other things, adding Section 173, MCL 460.1173, which requires the Commission to establish a distributed generation (DG) program within 90 days of the effective date of Act 342. However, Section 173(3) of Act 342 states, in relevant part, that:

An electric utility or alternative electric supplier is not required to allow for a distributed generation program that is greater than 1% of its average in-state peak load for the preceding 5 calendar years. The electric utility or alternative electric supplier shall notify the commission if its distributed generation program reaches the 1% limit under this subsection.

Additionally, on December 21, 2016, Public Act 341 of 2016 (Act 341) was signed into law. Section 6a(14) of Act 341, MCL 460.6a(14), requires the Commission to “conduct a study on an appropriate tariff reflecting equitable cost of service [COS] for utility revenue requirements for customers who participate in a net metering program or distributed generation program” within one year of the effective date of Act 341 and to “approve such a tariff” for rate cases filed after June 1, 2018. In response to this mandate, the Commission Staff (Staff) convened a Distributed Generation Workgroup (DG Workgroup), which held eight meetings in 2017 with the purpose of conducting a DG study, drafting a report, and proposing a DG tariff for the Commission’s approval.

In the May 11, 2017 order in Case No. U-18383 (May 11 order), the Commission:

recognize[d] that the applicable sections of [Acts 341 and 342] may cause administrative inefficiencies and customer and supplier confusion if the Commission were to require a distributed generation program with updated tariff sheets to be established for each rate regulated electric company and alternative electric supplier within 90 days of the effective date of Act 342, and then require updated tariff sheets at the conclusion of rate cases filed after June 1, 2018.

May 11 order, p. 2. Therefore, after receiving feedback from participants in the DG Workgroup, the Commission found that the net metering programs implemented by electric providers pursuant to Act 295 and the Commission’s rules should continue as the DG program under Section 173(1) of Act 295 until the Commission approves a DG tariff under MCL 460.6a(14). *See*, July 12, 2017 order in Case No. U-18383, p. 6.

On February 21, 2018, in Case No. U-18383, the Staff filed a “Report on the MPSC [Michigan Public Service Commission] Staff Study to Develop a Cost of Service-Based Distributed Generation Program Tariff” and a proposed cost-based DG tariff, also known as the Inflow/Outflow billing mechanism. In the April 18, 2018 order in Case No. U-18383 (April 18

order), the Commission reviewed the Staff's report and approved the Staff's proposed DG tariff, as required under Section 6a(14) of Act 341. The Commission stated that:

Within the timeframe permitted by the statute, the Staff has conducted an extensive study and analysis, which resulted in the development of the Inflow/Outflow tariff. The Inflow/Outflow tariff is an adaptable billing mechanism that allows for equitable COS and is enabled by improved data collection. As the DG program evolves and more data becomes available, the Commission will better be able to assess the cost and benefit impacts and conduct rate design consistent with COS principles.

April 18 order, p. 17. As required by statute, the Commission directed all rate-regulated utilities to file the Inflow/Outflow tariff in their next post-June 1, 2018 rate case. However, the Commission permitted rate-regulated utilities to file an alternative DG tariff, if desired, to enable a thorough evaluation of all viable DG tariff options.

MI Power Grid

On October 17, 2019, in Case No. U-20645, the Commission established the MI Power Grid initiative in partnership with Governor Gretchen Whitmer (October 17 order). MI Power Grid is a focused, multi-year stakeholder initiative to maximize the benefits of the transition to clean, distributed energy resources (DERs) for Michigan residents and businesses. MI Power Grid seeks to engage utility customers and other stakeholders to help integrate new clean energy technologies and optimize grid investments for reliable, affordable electricity service, and includes outreach and education as well as changes to utility regulation designed to advance Michigan's clean energy future.

In the October 17 order, the Commission explained that MI Power Grid was established to better integrate ongoing and future discussions and decision making in three core areas of emphasis: Customer Engagement, Integrating Emerging Technologies, and Optimizing Grid Investments and Performance. The first core area of emphasis, Customer Engagement, set forth

several work areas, including innovative rate offerings, explaining that it will focus on “the development, review, and promotion of new pricing models to allow a broader range of options for customers; these offerings can include time-based rates, distributed generation, and voluntary green purchasing programs.” October 17 order, p. 6.

Michigan Senate Resolution 142

On September 29, 2020, the Michigan Senate adopted Senate Resolution 142 (SR 142) “to encourage the Michigan Public Service Commission to undertake a study into alternative and innovative rate design options for Michigan’s electric customers.” SR 142, p. 1. SR 142 noted that energy customers in Michigan are implementing new and evolving technologies, including customer-owned generation, energy storage, electric vehicles, and customer energy management capabilities. According to SR 142, the increased adoption of these technologies has changed the way energy customers utilize the grid, which may result in cost shifts relative to a customer’s energy use, and as a result, traditional COS ratemaking models do not fully account for this new use.

SR 142 stated that the traditional ratemaking process, which requires a contested case proceeding that must be concluded within 10 months from the date of filing, is not conducive to fully investigating these issues in a collaborative way. Therefore, SR 142 requested that the Commission conduct a study that focuses on rate designs and options, including fixed-system access and demand charges and rate design options that will account for the changing use of the grid due to implementation of new energy technologies. In addition, SR 142 stated that:

the study should evaluate options based on factors including, but not limited to, customer charges, fixed charges, demand charges, time of use rates, standby charges, system access charges, and other regulatory mechanisms to provide equitable recovery of utility revenue requirements from customers adopting new energy technologies and address concerns regarding cross-subsidy issues

Id., p. 2. SR 142 encouraged electric utilities and other stakeholders to participate in the study. In conclusion, SR 142 requested that the results of the study be available by October 31, 2021.

Consumers Energy Company's Distributed Generation Program

On November 20, 2020, Consumers Energy Company (Consumers) filed replies to exceptions in Case No. U-20697, stating that:

following review of the DG tariff approved in this proceeding, including the compensation for DG customers, the Company will consider agreeing to voluntarily raise its DG program limit from the 1% limit provided for in MCL 460.1173(3) to 2% of the average in-state peak load for the preceding five calendar years. This voluntary increase in the DG program limit is expected to be effective upon the effective date of the DG tariff. The Company will inform the Commission and customers of any voluntary change in the DG program limit. The Company reserves the right to maintain the statutory limit of 1% of the Company's average in-state peak load for the preceding five calendar years.

Consumers' replies to exceptions in Case No. U-20697, pp. 102-103. In the December 17, 2020 order in Case No. U-20697 (December 17 order), the Commission acknowledged that "Consumers may, at its discretion, voluntarily increase the level of participation in its DG program cap to 2%." December 17 order, p. 310.

On December 21, 2020, Consumers filed a letter in Case No. U-15787 stating that the company is:

voluntarily rais[ing] its Distributed Generation program limit from the 1% limit provided for in MCL 460.1173(3) to 2% of the average in-state peak load for the preceding 5 calendar years. This 2% limit will be allocated as follows: (i) no more than 1% for customers with an eligible electric generator capable of generating 20 kilowatts or less; (ii) no more than 0.5% for customers with an eligible electric generator capable of generating more than 20 kilowatts but not more than 150 kilowatts; and (iii) no more than 0.5% for customers with a methane digester capable of generating more than 150 kilowatts.

Case No. U-15787, filing #U-15787-0329, p. 1. Consumers stated that the voluntary increase would be effective upon the effective date of the company's DG tariff approved in Case No. U-20697, which was January 1, 2021.

Discussion

Distributed generation and DG tariffs have been central issues in cases filed with the Commission since 2018. *See*, Case Nos. U-20162, U-20276, and U-20359. Additionally, in light of the MI Power Grid initiative, SR 142, and the increase in Consumers' DG program limit, the Commission "recognizes the need to conduct a more comprehensive analysis of rate design options for evolving technologies including solar and other DERs." December 17 order, p. 324. In the December 17 order, the Commission opined that both costs and benefits of DERs should be examined, in the context of how customers with DERs use the grid now and into the future, and different approaches to cost allocation and rate design to align with such usage should also be examined.

Therefore, the purpose of this order is to officially launch the Distributed Energy Resources Rate Design workgroup. The Commission has enlisted the help of the Regulatory Assistance Project (RAP)¹ to facilitate the exploration of rate design options for evolving energy technologies, with opportunities for feedback from stakeholders, and to assist in the delivery of the study requested in SR 142.

SR 142 states that "[e]nergy customers are adopting new and evolving technologies including customer-owned generation, energy storage, electric vehicles, and customer energy management capabilities," which are changing the way customers use the grid. SR 142, p. 1. The Commission notes that the subject of electric vehicles (EV) and EV pilots is currently being addressed in the New Technologies and Business Models workgroup and utility electric general rate cases, which will inform the Commission's future work in this area. *See*, October 29, 2020 order in Case

¹ RAP "is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future."
<https://www.raponline.org/about/>.

No. U-20898. Regarding customer energy management capabilities, the Commission notes that there is an existing a framework for addressing demand response resources. *See*, September 15, 2017 order in Case No. U-18369. Therefore, the Commission finds that the focus of the DER Rate Design workgroup shall be, but is not limited to, determining how customer-owned generation and energy storage are changing the way energy customers use the grid, exploring cost allocation and possible customer charges, and proposing rate design options. The Commission finds that the work of the DER Rate Design workgroup shall take the place of the Distributed Generation Pricing stakeholder workgroup under the Innovative Rate Offerings subject area of the MI Power Grid initiative.

The kick-off meeting for the DER Rate Design workgroup shall be at 9:00 a.m. (Eastern time (ET)) on March 9, 2021. The Staff shall inform participating rate-regulated utilities and stakeholders of the dates, times, and locations of meetings of the DER Rate Design workgroup via the workgroup's listserv.² Meeting agendas and materials will be distributed via the listserv as well. The Commission notes that due to the COVID-19 pandemic, the Commission is conducting its workgroups virtually and will continue to do so until further notice.

In an effort to identify various points of view on rate design options for DERs, stakeholders who have an interest in making a presentation at the kick-off meeting should notify the Staff of their interest by 12:00 p.m. (ET) on February 19, 2021.³ Stakeholders are encouraged to coordinate proposed presentations with other entities that have similar perspectives. The Staff is

² Interested persons may sign up for email updates regarding the DER Rate Design workgroup on the Commission's website, available at https://www.michigan.gov/mpsc/0,9535,7-395-93307_93312_93593_95590_95594_95686-508657--,00.html.

³ Stakeholders may express an interest in presenting by emailing Staff lead Kevin Krause at krausek@michigan.gov.

directed to work with stakeholders who express an interest in making a presentation to combine presentations, to the extent practicable, to provide for the most effective use of meeting time.

Following the initial meetings of the DER Rate Design workgroup, RAP shall file, in this docket, a draft of the study requested in SR 142 by September 1, 2021. The Commission will conduct a follow-up comment period and host a stakeholder meeting to provide an opportunity for feedback on the draft study and comments. The final report shall be completed and filed in this docket by October 31, 2021.

THEREFORE, IT IS ORDERED that:

A. The Distributed Energy Resources Rate Design workgroup is established, as described in this order.

B. No later than September 1, 2021, the Regulatory Assistance Project shall file in this docket a draft report summarizing efforts of the workgroup to date, a thorough exploration of how customer-owned generation and energy storage are changing the way energy customers use the grid, cost allocation, and pros and cons of various rate design options, and may include recommendations for the Commission's consideration.

C. No later than October 31, 2021, the Regulatory Assistance Project shall file in this docket a final report summarizing efforts of the workgroup to date, a thorough exploration of how customer-owned generation and energy storage are changing the way energy customers use the grid, cost allocation, and pros and cons of various rate design options, and may include recommendations for the Commission's consideration.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Daniel C. Scripps, Chair

Tremaine L. Phillips, Commissioner

Katherine L. Peretick, Commissioner

By its action of February 4, 2021.

Lisa Felice, Executive Secretary

PROOF OF SERVICE

STATE OF MICHIGAN)

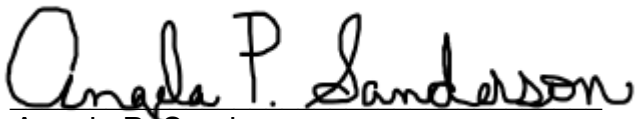
Case No. U-20960

County of Ingham)

Brianna Brown being duly sworn, deposes and says that on February 4, 2021 A.D. she electronically notified the attached list of this **Commission Order via e-mail transmission**, to the persons as shown on the attached service list (Listserv Distribution List).


Brianna Brown

Subscribed and sworn to before me
this 4th day of February 2021.



Angela P. Sanderson
Notary Public, Shiawassee County, Michigan
As acting in Eaton County
My Commission Expires: May 21, 2024

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