

Written Comments:

House Bill 4236

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Good afternoon Chairman Bellino, Vice Chair Markkanen, Vice Chair Manoogian and members of the House Energy Committee. My name is Camilo Serna, Vice President of Regulatory Affairs for DTE Energy. Thank you for providing the opportunity to share our perspective on House Bill 4236.

Over the past two years, DTE Energy has continued to demonstrate its commitment to addressing the impacts of climate change while also keeping energy affordable and reliable. In the fall of 2019, DTE Electric was one of the first utilities in the country to announce a goal of reaching net-zero carbon emissions by 2050.

To support this goal, DTE is on pace to nearly triple our renewable generation by 2030. The factors driving increased renewables for DTE go beyond our environmental goals – it is a sound business decision because utility-scale renewables are becoming more cost-competitive as compared with traditional generation technologies.

Furthermore, DTE is proud to have implemented MIGreenPower – one of the nation’s largest voluntary renewable energy programs - with over 20,000 customers enrolled and 750MWs of renewable energy commitments to date. We believe this program responds to our customers’ needs of finding easy and affordable ways to invest in renewable energy and reduce their own carbon footprint.

As a provider of natural gas service to the Upper Peninsula, DTE understands the region’s unique needs and is sympathetic to the concerns raised by Representative Markkanen on behalf of his constituents. However, the changes proposed by House Bill 4236 extend well beyond the Upper Peninsula and have broader implications for the balance of Michiganders.

Our concerns with the legislation are in two primary areas:

1. The removal of the one percent “cap” for the distributed generation program
2. The absence of a solution to address the continued shifting of costs from customers with rooftop solar systems to customers without it

Let me address each of these concerns separately.

First, the removal of the one percent “cap” is thought to help ensure that customers across the state can interconnect their solar systems with the utility’s grid. However, the “cap” is more akin to a threshold since there is nothing in the current statute that prohibits a utility from connecting a distributed generation system once the one percent threshold is reached. The 1% refers to the number of customers that may receive a subsidized rate for their generation system.

Second, we believe that the current distributed generation model ordered in 2019 by the Commission as the replacement to net metering was a step in the right direction to reducing cost shifting from customers that have rooftop solar systems to those that do not, but it did not eliminate this issue entirely and still allows cost shifting to continue. Let me explain why that is the case.

There is probably a commonly held view that private solar customers utilize the grid less than a typical residential customer. In fact, they rely on the grid more. Distributed generation

customers not only draw power from the grid, but they also export power to the grid. The constant fluctuation in their demand for power results in their utilization of the grid at a level 23 percent higher than the average residential customer.¹

Distributed generation customers also place a “call” on the grid, requiring the grid to be ready to meet their demands at any time of the day and always during the night.

Although distributed generation customers place both a “call” on the grid and use the grid more, the current rate design allows these customers to significantly reduce the amount they pay toward the distribution system. Those unrecovered costs are then shifted to non-distributed generation customers. If an individual chooses to install this technology, we feel it’s fair to ask them to pay for their use of the enabling infrastructure.

Consequently, we believe that a decision to remove the cap for the distributed generation program can’t and shouldn’t be contemplated without addressing the continued shifting of costs.

We also believe we have time to find a solution. Data provided by DTE to the MPSC highlighted that towards the end of 2020, DTE’s distributed generation program had a 54% subscription rate against the “cap” for residential customers. Consumers Energy is also only about 50% subscribed as well.

Furthermore, the Senate Energy and Technology Committee asked the MPSC to conduct a study on rate design which the Commission kicked off a few weeks ago. I believe the work of the MPSC could help identify rate design alternatives that address the cost shifts I have highlighted. These alternatives can help inform approaches to address the desire to increase the distributed generation program caps.

We understand the proponents of this legislation want to increase access to renewable energy and address affordability concerns. These are goals that DTE has as well. However, the proposed legislation has negative consequences to many other customers in our system. DTE is committed to engaging with the Commission, interested stakeholders and this Committee in finding a solution that meets all our collective goals.

Thank you again for the opportunity to testify. I’m happy to take questions.

¹ From DTE Rebuttal Testimony in MPSC Case No. U-20162