To: Chairman Bellino and House Energy Committee Members

From: Cathy Wilson, Executive Director, State Governmental Affairs

RE: Opposition to House Bill 4236

DATE: Feb. 17, 2021

At Consumers Energy, we are proud of our industry-leading Clean Energy Plan to protect the planet for future generations. We are committed to developing solar as a key component of our plan while maximizing value for our customers. Our plan includes the addition of 6,000 megawatts of competitively bid utility-scale solar energy throughout the 2020s to offset additional coal plant retirements and expiring power purchase contracts.

The net metering cap of 1% was established in the 2008 Energy Policy as a subsidy for technologies like rooftop solar and anaerobic digestion – both considered expensive at the time. The 2016 Energy Policy retained the 1% cap, but also provided a requirement for the Michigan Public Service Commission to move away from net metering and adopt a new distributed generation program.

Responding to the 2016 Energy Law, the Michigan Public Service Commission established an inflow/outflow billing mechanism. This mechanism separately measures and prices a customer's incoming and outgoing electricity flows. "Inflow rates" are the retail rates paid by the private rooftop solar customers (that are the same as a non-solar customer's rates). Private rooftop solar customes receive a credit for excess power sent back to the grid based on the power supply component of their retail rate, minus transmission charges.

While this approach is a positive step, the outflow credit provided to private rooftop solar customers does not eliminate the full subsidy. Because all customers are obligated to purchase any excess energy produced by a private rooftop solar customer, the purchase price reflected by the outflow credit should be similar to what we pay for other energy purchases. If, for example, we were to purchase energy from the Midcontinent Independent System Operator's wholesale energy markets, the purchase price would be approximately one-third the price of the current outflow credit.

More work is needed to establish a rate design that assures all of our customers with and without their own solar systems will pay their fair share of the grid and the compensation for rooftop solar participants for the energy they provide better reflects the market price.

In late 2020, Consumers Energy agreed to voluntarily double our distributed generation program's participation limit to 2 percent, in response to reaching the respective category caps of .5% and .25% of the total 1% cap, effective Jan. 1, 2021. Rooftop solar customers with approved applications last year fall under the net metering program whereas rooftop solar customers after Jan. 1, fall under the distributed generation Program.

While we doubled the eligibility of our distributed generation program, we continue to support an approach where all customers who rely on the electric grid pay their fair share of the costs to maintain a reliable, sustainable energy system.

We oppose House Bill 4236 for the following reasons:

- **Need:** Consumers Energy already voluntarily doubled our cap. It took 12 years to reach the first cap. Raising the cap to 2% provides significant opportunity for growth.

- **Equity:** The legislation raises the cap without assuring all customers pay their fair share of the costs to maintain a reliable, affordable and sustainable energy system.

- **Affordability:** Increasing the cap provides more of a cost shift to other customers which will impact those who are most vulnerable. Low-income families are less likely to afford solar panels and they end up taking on more of the cost burden.

Modifying the subsidy cap is premature in light of the outstandling requirements related to Senate Resolution 132 (2020). Specifically, the Michigan Public Service Commission has not completed its study on alternative rate design options to account for changing customer use of the grid. The Michigan Public Service has established a robust stakeholder process that will begin considering these issues in early March.