House Energy Committee

Testimony in Support of HB 5145
June 16, 2020

Thank you, Chair Bellino, Majority Vice Chair Wendzel, Minority Vice Chair Lasinski, and members of the Committee for the opportunity to testify in support of House Bill 5145 introduced by Representative Markkanen.

My name is Laura Sherman, and I'm the president of the Michigan Energy Innovation Business Council. We are a trade organization of approximately 120 companies in the advanced energy industry doing business in Michigan, including more than 15 commercial and residential solar installers.

I am glad that one of my members is also here to testify today. Ben Schimpf is a Project Manager with Peninsula Solar, which is based in Marquette. Ben has a unique perspective to share since the Upper Peninsula Power Company (UPPCO) is the only utility so far in Michigan that has hit the 0.75% solar cap. He can tell you in detail what happened to Peninsula Solar, their employees, and their customers when the solar cap was reached.

Michigan EIBC and our members are proud to support House Bill 5145 as well as House Bills 5143 and 5144 introduced by Representative Rabhi. These bipartisan, bicameral bills have been the subject of four hearings in the Senate Energy and Technology Committee. We are actively working with Chair Lauwers, Senator McBroom, and members of the Senate Energy and Technology Committee on the Senate companion to House Bill 5145.

This bill does not simply represent something that would "be nice" for the industry – Michigan's solar installers are facing serious, real, and imminent threats to their businesses, their jobs, and their livelihoods. These threats have intensified over the last few months due to the pandemic. This bill addresses those threats.

The bill is simple – it eliminates the cap on the distributed generation program and allows the Commission to limit the number of distributed generation participants in order to "protect public health and safety or the integrity of the distribution system." The bill simply removes an arbitrary legislative limit and requires decisions around system reliability to be made by the Commission.

PA 295 included soft caps for commercial and residential solar customers participating in the former net metering program. In 2016, despite ending the net metering program, the energy

laws failed to remove the corresponding caps. In part, that's because the caps still seemed far off.

As you'll see in the table at the back of my testimony, that **made Michigan the only state in the country that has a cap on a distributed generation program.** This is because there is absolutely no valid argument to place a limit on a cost-of-service based distributed generation program.

As Mike Byrne, COO of the Michigan Public Service Commission, testified to the Senate Energy and Technology Committee this year, there is no subsidy for rooftop solar customers under the current distributed generation program. This means there is no reason to limit the free market.

For residential solar systems, the current cap is 0.5% of a utility's average load, for commercial solar systems it's 0.25%, and for small methane digestors it's 0.25%. Although a utility can voluntarily raise their cap, in practice, that has not happened outside of a formal legal proceeding at the Commission and not before the cap has been hit, costing many jobs in the interim. As a result, these percentages serve as limits on the number of customers who can install solar systems in Michigan.

It's important to understand that because part of the caps are reserved for small methane digesters (which aren't being installed very often, if at all), **the cap for distributed solar is really 0.75% -- not 1%.**

It's also important to understand that because the current cap is based on the nameplate capacity of each system and a utility's annual peak demand, the **solar cap is really only 0.16% of electricity sales.**

I want to be clear that the lifting the cap **will not change the ability or requirement for the utility to assess the safety of each individual rooftop solar installation.**

Each time a generator of any size wants to interconnect with the grid, the utility conducts a careful assessment of the potential impact of that system, and either approves it or requires upgrades or changes. This process will not change if the cap is lifted on the distributed generation program – we are not opening ourselves up to an unregulated system without safety checks. Each utility will still continue to do safety assessments, as they have been doing, through the interconnection process and, if grid upgrades are needed, those upgrades will continue to be paid for by the individual applicant.

Prior to the pandemic, there were more than 126,000 advanced energy jobs in Michigan and 5,400 of those were solar jobs. Jobs in the solar industry have been growing rapidly in Michigan as more and more customers want the ability to generate their own low cost, on-site energy. Since 2008 when PA 295 was written and signed, solar panel prices have declined by 91%.

Unfortunately, in March and April of this year, more than 30,000 advanced energy jobs were lost in Michigan. As in other industries, small businesses, including solar installers, have taken the brunt of these job losses.

Four months ago our member companies were facing an existential threat – the closure of the rooftop solar market in Michigan as the distributed generation cap is reached. Now they're looking ahead toward that threat during an ongoing pandemic – and some of them may decide not to pick up the pieces, rehire workers, and move forward under such uncertain conditions in Michigan.

Four months ago this bill was a critical job protection bill. Now, it's more than that – it's a no-cost job re-creation bill and a small business protection bill.

In 2008, there were hardly any rooftop solar installations in Michigan. When the legislature wrote the 2008 energy laws, the caps that were set for the net metering program seemed reasonable. But today, with the growth in the industry, those same arbitrary caps are posing an existential threat.

UPPCO already reached their 0.75% solar cap and, during a recent rate case, agreed in settlement to increase the solar cap to 1.5% (increasing the total cap to 2%). In October 2019, after the cap had been raised, UPPCO communicated to us that the new residential program was already 85% full.

As Ben told you, Peninsula Solar believes they are just a few installations away from hitting the new cap. Our best understanding of what will actually happen when the solar cap is reached in the Lower Peninsula is gained by understanding what already happened in the Upper Peninsula.

Consumers Energy is also very close to reaching their 0.75% solar cap. As of April 14, 2020, the residential category was 69.9% full and the commercial category was 61.3% full. If you include applications the Company has received (for installations that are not yet complete), the residential category was 76.8% full and the commercial category was 76.4% full.

Our understanding is that Consumers predicts it will reach the residential and commercial caps for solar in Quarter 3 or Quarter 4 of this year. There may be a small delay due to the pandemic, but I know our members are back out in the field making up for lost time now, so if there is a delay, it won't be significant. This means that the installed capacity in Consumers' territory will nearly double this year. With that kind of adoption rate, DTE Energy is not far behind in hitting its cap either.

Once the cap is reached in a given utility territory, there is nothing in statute or in regulation that prevents the utility from interconnecting residential solar customers.

However, **there is also nothing in statute or in regulation that protects the rights of residential solar customers to interconnect after the solar cap is reached**. I have provided to the Committee a legal memo from Varnum LLP which details this point clearly and outlines the current confusing statutory and regulatory situation.

So, although I am pleased that both utilities committed before the Senate Energy and Technology Committee that they would continue to interconnect residential and commercial solar customers after the solar cap is reached, they are not obligated to do so. And if you are connected to the grid (which the vast majority of us must be), you can't install solar at your home, business, or farm – even if you plan to use all of it onsite – without approval from the utility.

This challenge is not theoretical. I've heard from all of my members who work in this space, and they're terribly worried. These folks work hard, but they've been hit hard by the pandemic. If the distributed generation program ends, they will need to make difficult decisions – including potentially laying off employees, not rehiring others, or leaving the state.

Rep. Markkanen's bill would eliminate this threat to solar jobs in Michigan by removing the arbitrary cap on the distributed generation program while still protecting the safety and integrity of the grid. No other state in the country has limits on a distributed generation program because there is no justification to do so, either from a rate payer perspective or from a grid reliability perspective.

Michigan EIBC is strongly supportive of this bill and we are happy to talk with members of the Committee and other stakeholders to achieve an outcome that allows Michigan's solar industry to continue to thrive.

STATE	Type of program	Aggregate Cap Definition (Detailed)
Michigan	DG program	0.75% of previous year's peak load (0.5% up to 20 kW; 0.25% from 20 kW - 150 kW)
STATE	**Type of program**	**Aggregate Cap Definition (Detailed)**
Nebraska	NEM	1% of average monthly peak demand
Indiana	NEM	1% of most-recent summer peak load
Kansas	NEM	1% of previous year's peak demand
Virginia	NEM	1% of utility's adjusted peak load forecast for previous year
Kentucky	NEM	1% single-hour peak load during previous year
Alaska	NEM	1.5% of average retail demand
West Virginia	NEM	3% of previous year peak demand, with 0.5% reserved for residential
Washington	NEM	4% of utility's 1996 peak demand
Delaware	NEM	5% of a utility's aggregated customer monthly demand during year
Missouri	NEM	5% of single-hour peak demand during previous year; 1% annual increase
Illinois	NEM	5% of total peak demand supplied in previous year
Utah	NEM	170 MW DC for residential; 70 MW DC for other customers (NEM 2.0)
Maryland	NEM	1,500 MW (statewide), ~10% peak demand
STATE	**Type of program**	**Aggregate Cap Definition (Detailed)**
Arizona	NEM	No Cap
Arkansas	NEM	No Cap
California	NEM	No Cap (NEM 2.0); 5% of sum of non-coincident demands (NEM 1.0)
Colorado	NEM	No Cap
Connecticut	NEM	No Cap
District of Columbia	NEM	No Cap
Florida	NEM	No Cap
Idaho	NEM	No Cap for ID Power Company and PacifiCorp; 0.1% of 1996 peak demand for Avista
Iowa	NEM	No Cap
Louisiana	NEM	No Cap (NEM 2.0)
Maine	NEM	No Cap; PUC review trigger set at 3% of utility peak demand
Massachusetts	NEM	No Cap (10/25 kW or less); 15% of highest historic peak load for others
Minnesota	NEM	No Cap (PUC may elect to limit if NEM reaches 4% of total retail sales)
Montana	NEM	No Cap
Nevada	NEM	No Cap (25 kW or less under NEM 2.0)
New Hampshire	NEM	No Cap (NEM 2.0); 100 MW statewide, roughly 4% (NEM 1.0)
New Jersey	NEM	No Cap (BPU authorized to cap at 5.8% of annual in-state retail sales).
New Mexico	NEM	No Cap
New York	NEM	No Cap; PSC to review by 2020 or at utility specific MW triggers
North Carolina	NEM	No Cap

North Dakota	NEM	No Cap
Ohio	NEM	No Cap
Oklahoma	NEM	No Cap
Oregon	NEM	No cap, but PUC may cap at 0.5% or more
Pennsylvania	NEM	No Cap
Rhode Island	NEM	No cap for National Grid; 3% for Pascoag & Block Island Utility Districts
South Carolina	NEM	No Cap
Vermont	NEM	No Cap
Wisconsin	NEM	No Cap
Wyoming	NEM	No Cap

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