



DTE Energy®

Comments in support of Senate Bill 438

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Good morning, Chairman Nofs, Vice Chair Proos, Vice Chair Hopgood, and the Senate Energy and Technology Committee. My name is Irene Dimitry and I am the Vice President of Business Planning and Development at DTE Energy. Thank you for taking the time this summer- and for all the time you have spent over the years – reviewing, analyzing, and leading on energy policy in Michigan. I commend your dedication to this continued dialogue on Michigan’s energy future, and I appreciate the opportunity today to discuss proposed updates to Michigan’s distributed generation laws.

I oversee DTE’s renewable energy and energy efficiency programs, as well as our long term generation planning. I am here today to testify in support of Senate Bill 438. I would like to provide context for Michigan’s energy generation transformation, the role of solar power, and the proposed updates to distributed generation regulations in Vice Chair Proos’ Senate Bill 438.

Michigan’s energy landscape is facing an unprecedented transformation. As a result of federal regulations and the age of Michigan’s coal plants, our state will retire 60 percent of its coal fired generation, or 30 percent of its total generation. When the Environmental Protection Agency’s Clean Power Plan rule, or 111(d), takes effect, it will accelerate plant closures, as Michigan’s utilities reduce carbon emissions by 32 percent by 2030.

This presents Michigan with the opportunity to adopt cleaner technologies to generate the power we need to support our families and businesses. As we transform our generating portfolio over the next 15 years, we will replace much of our current coal generating capacity with increased renewable energy, new natural gas generation, and continued energy waste reduction.

Since 2009, DTE Energy’s programs to reduce energy waste have saved over \$500 million in energy bills for approximately 750,000 electric and 450,000 gas residential and business customers. DTE Energy has exceeded targets set by the 2008 Energy Law. Moving forward, we will be continuing to reduce energy waste – both because our customers expect it, and because it is necessary to meet federal environmental regulations.

Solar power will also play an increasing role in Michigan’s energy future, along with other renewable sources like wind. DTE Energy is Michigan’s largest investor in solar power, and as the technologies improve and costs come down, solar power will become increasingly competitive with other generation sources.

We have invested \$50 million toward developing solar power and currently operate 22 large-scale solar farms, which generate close to 10 megawatts of power – or enough to power 1,600 homes. DTE operates the largest solar array in the state at Ford Motor Company’s world headquarters in Dearborn. In addition to this, we have several other projects under construction that will bring our total solar capacity to over 15 megawatts by early 2016. We are also currently seeking proposals from potential partners to develop the largest solar project in Michigan, with a generating capacity of between 5 and 50 megawatts.

We have found that large scale solar is the most cost-effective option for solar power in Michigan, costing less than half the cost of small scale, rooftop solar. Furthermore, large scale solar allows more customers to receive the benefits of clean, zero-emission solar power. Because of the huge price difference between large scale and rooftop solar, this also helps to keep bills low.

Distributed generation, in this case rooftop solar, is another option Michigan's families and businesses have had, and will continue to have, to access solar power. In 2008, the legislature adopted distributed generation legislation designed to help kick-start the use of rooftop solar, and it worked. In fact, DTE has the largest number of rooftop solar customers in Michigan. Customers, utilities, the solar power industry and state government have gained valuable knowledge in recent years on how solar power fits into the larger energy system.

However, as a piece of Michigan's energy future and in light of changing technologies and unprecedented industry changes, we support evaluating and updating the rules for net metering to make sure they are fair for everyone.

I would like to provide an overview of how a rooftop solar system works in coordination with the utility system. When a customer chooses to install a solar panel system on their roof, the customer works with the utility to ensure their system is connected to the grid safely for the homeowner, utility workers who may work on the system, and for overall system reliability.

Customers who install rooftop solar panels on their homes utilize the power generated from their system when the sun is shining.

However, solar panel customers still depend on the grid every day, mainly in two ways.

First, due to the intermittent nature of solar power, utilities deliver power to rooftop solar customer homes when the sun isn't shining, for example overnight or on cloudy days.

Second, when the sun is shining at peak hours and the rooftop system is generating power above the household's own demand, the customer sends that power back onto the grid, and the utility credits the customer for that excess generation at the full retail rate.

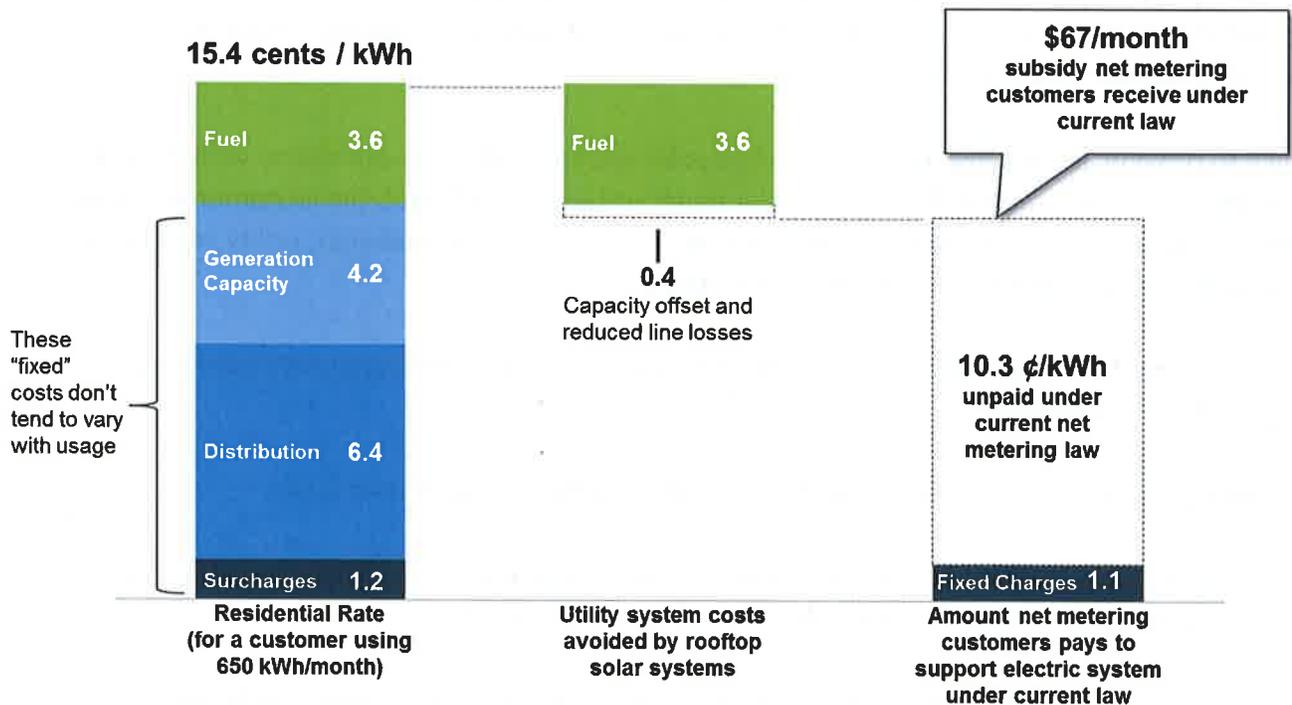
Even during these peak solar generating hours, there are often moments when the power flow reverses and the grid provides in-rush current to support the start and cycling of large appliances such as air conditioners and refrigerators. For example, on a hot summer day, a typical Michigan air conditioner turns on 3-6 times an hour, meaning that roof top solar customers use the grid up to a half-dozen times an hour, even during hours when the customer is receiving credit for being a net provider.

Whether buying, selling, or receiving reliability support for their appliances, roof top solar customers utilize the grid and utility backup generation. By crediting the solar generation at the full retail rate,

rooftop solar customers are avoiding paying their fair share for the use of the grid and the need for backup power. The credit for solar generation should be fairly priced to ensure distributed generation customers receive the right value for the energy they provide while also paying a fair price for the utility services they rely upon. When utility grid, backup, and reliability costs aren't covered by solar customers, their neighbors and other utility customers pay extra to cover those costs for them.

DTE Electric's rate for an average residential customer is 15.4 cents per kilowatt hour, and the average residential bill is \$100 per month. If an average net metering customer offsets total usage in a month, they receive a \$67 subsidy for fixed costs. The fixed costs of the utility system ensure they receive continuous electric supply.

Senate Bill 438 Eliminates a Significant Net Metering Subsidy



Source: DTE Electric Rate Schedule D1, effective July 1, 2015
MISO 2015/2016 zone 7 capacity auction result

Vice Chair Proos' proposal to update these regulations in Senate Bill 438 addresses that subsidy and ensures distributed generation customers who choose to generate their own power still have the freedom to do so. It also ensures they are both compensated at a fair rate for the power they produce and accountable for the cost of grid and reliability services they depend on every day.

As a Michigan based company with 150 years of history here in our home state, we are committed to our state's continued economic growth. DTE supports customers who choose to generate power on site

through the use of solar panels, and we look forward to this continued dialogue on how to best provide that support for new distributed generation customers going forward.

Thank you again for your time this morning, and I would be happy to take questions from the Committee at this time.

