



ENVIRONMENTAL LAW & POLICY CENTER

Protecting the Midwest's Environment and Natural Heritage

May 5, 2016

Re: Senate Bills 437 and 438

Chairman Nofs and Members of the Senate Energy and Technology Committee:

I submit this testimony on behalf of the Environmental Law and Policy Center ("ELPC") opposing proposed Senate Bills 437 and 438. ELPC is a not-for-profit public interest environmental organization with offices in Grand Rapids, Michigan and members who live throughout the state of Michigan. ELPC also has offices in seven other Midwestern states and the District of Columbia. ELPC's goals include promoting clean energy development and advocating for policies and practices that facilitate the use and development of clean energy such as solar and wind power. This work supports our belief that environmental progress and economic development can be achieved together.

Michigan needs strong energy legislation that encourages innovation, competition, and choice. Senate bills 437 and 438 will move Michigan in the wrong direction by repealing renewable energy and energy efficiency standards, establishing a weak goal of 30% combined renewable energy and energy efficiency that is insufficient to encourage growth in renewable energy, and creating significant barriers to a continuation of the 10% choice segment.

While ELPC strongly opposes these backward steps in Michigan's energy policy, ELPC here specifically addresses Senate Bill 438's changes to Michigan's net metering program. Not only are changes to net metering unnecessary in Michigan, they are disruptive and damaging to an industry that is poised for significant growth statewide. At least 187 companies in Michigan engage in the solar energy industry and clean energy provides nearly 87,000 jobs and \$5 billion in annual economic activity for our state. Michigan energy users currently have the freedom to generate and use some of their own energy in their own homes and businesses. In an unprecedented move, Senate Bill 438 takes that freedom away from Michiganders. Specifically, the bill requires home and business owners to pay their electric utility for electricity they generate at home, on their own private property. ELPC is not aware of any other state that forces its citizens to pay a utility for their own, self-generated, homegrown energy. Forcing Michigan's citizens to do so is an affront to personal freedom and an unjustified government intrusion into our homes.

There is no good reason to change Michigan's current net metering program. Currently, utility customers operating certain small facilities (less than 150 kW) are entitled to consume energy that they produce on-site and receive a credit for any energy they provide back to the grid. In contrast, Senate Bill 438 establishes what is referred to as a "buy all, sell all" scheme. Any power consumed by a customer, whether produced on-site or obtained from the grid, must

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be “purchased” from a utility at the full retail rate, even if the utility did not supply the power. All power generated by the consumer must be sold to the utility at a lower wholesale price, which the utility will turn around and sell to neighbors at a full retail rate, earning a profit. This scheme is unfair, unprecedented, and fails to take into account the full value that distributed generation (“DG”), and specifically solar, provides to the grid.

In addition to being unfair, the proposed reforms to net metering are unnecessary. While utilities often claim that net metering results in “cross-subsidies,” there is no evidence in Michigan that the current net metering program has had any impact on ratepayers in the form of lost revenue or cost shifting. To the contrary, available analysis indicates that the nascent solar DG industry that, according to the Michigan Public Service Commission, “still represents only 0.015% of Michigan’s total sales”¹ has no adverse impact on ratepayers. A September 2014 Lawrence Berkeley National Laboratory (LBNL) study examined the financial impacts on utilities and ratepayers of net-metered solar and found that utility rates for the average vertically integrated utility would be virtually unchanged at solar penetration levels of 2.5% - two orders of magnitude higher than current penetration in Michigan.² Furthermore, Michigan’s net metering program is limited to small customers (under 150 Kw) and includes statutory program caps. Rather than posing a problem, the current net metering program provides a solution for a state struggling to increase the diversity of its energy generation, strengthen its grid, and give citizens the freedom to make their own energy choices.

Any concerns that solar DG customers are being subsidized by other customers are misplaced for at least two reasons. First, DG customers typically do not offset their entire electricity usage with self-generation. Therefore, these customers continue to pay a monthly utility bill that contributes to the costs of the “wires, poles, meters, and vehicles” necessary to serve them. No utility in Michigan has conducted a cost-of-service study that accurately quantifies (1) how much it costs the utility to serve DG customers, and (2) how much DG customers currently contribute to their cost of service through rates.

Secondly, there are benefits of distributed generation that must be taken into account. Several recent studies show that the calculated benefits of distributed solar generation often exceed residential retail rates.³ As additional time passes, more value of solar studies are conducted with similar results demonstrating that the benefits of distributed solar outweigh costs

¹ Michigan Public Service Commission Net Metering & Solar Program Report For Calendar Year 2014, at 1 (August 2015) available at http://www.michigan.gov/documents/mpsc/netmetering_report_2014_final_496048_7.pdf.

² National Laboratory, “Financial Impacts of Net-Metered PV on Utilities and Ratepayers: A scoping Study of Two Prototypical U.S. Utilities” (2014) (hereinafter “Financial Impacts of Net-Metered PV”) available at [http://emp.lbl.gov/sites/all/files/LBNL%20PV%20Business%20Models%20Report_no%20report%20number%20\(Sept%2025%20revision\).pdf](http://emp.lbl.gov/sites/all/files/LBNL%20PV%20Business%20Models%20Report_no%20report%20number%20(Sept%2025%20revision).pdf).

³ See, e.g., Rocky Mountain Institute eLab, A Review of Solar PV Benefits and Costs Studies, at 22 (Sept. 2013) available at http://www.rmi.org/elab_emPower.

and residential retail rates. For example, the Mississippi Public Service Commission engaged Synapse Energy Economics, Inc. to conduct an independent study on the value of solar. The study accounted for energy, capacity, transmission and distribution, system losses, environmental compliance and avoided risk in concluding that solar provided \$0.17 per kWh of benefits.⁴ A recent review of 11 current net metering studies found that the value of solar energy was higher than the average local residential retail electricity rate in 8 of the 11 studies.⁵ The studies demonstrating that solar benefits outweigh residential retail rate costs imply that net metering provides “rough justice” for solar customers vis-à-vis the utility, and the resulting grid, social, and environmental values benefit solar and non-solar customers alike.⁶

Addressing net metering and rate design is a challenging issue with broad implications for Michigan’s energy future. The best way to avoid backlash, create fair rates, and build stakeholder agreement is through a transparent, data driven process that looks comprehensively at the costs and benefits of distributed energy resources and addresses the many complexities of rate design to achieve agreed upon policy goals. This can be accomplished through an independent study based on data and assumptions that are available to stakeholders for vetting and double-checking. No such process has been conducted in Michigan, and SB 438’s modifications to net metering do not reflect the variety of considerations that should be taken into account in modifying an important Michigan energy policy. This process will take time, but if we start the process by collecting the data, identifying key questions and decision points and preparing for an independent valuation study rather than pushing through legislation that favors utility interests, it is one that can be accomplished.

ELPC is a Midwestern organization with offices in most Midwestern states. To date, we have not seen any state adopt legislation on net metering as radical as that proposed by Senate Bill 438. In fact, other Midwestern states such as Iowa have explicitly found that it is unnecessary to make any changes to a net metering policy essentially identical to the one Michigan has in place right now.

Senate Bill 438 does not take into account any of the benefits of distributed generation solar, is an unnecessary departure from Michigan’s current net metering program, and is an unprecedented limitation on the freedom to generate one’s own energy. No other Midwestern state has taken such drastic measures to change a policy that is already working. Michigan does not need a knee-jerk response to net metering. Michigan needs a thoughtful, data-driven process

⁴ Mississippi PSC Study, Net Metering in Mississippi: Costs, Benefits, and Policy Considerations, at 37-38 (Sept. 19, 2014) available at <http://votesolar.org/wp-content/uploads/2014/10/Synpase-MS.pdf>.

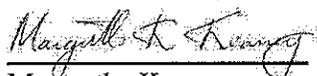
⁵ Environment America, Shining Rewards: The Value of Rooftop Solar Power for Consumers and Society (June 2015) available at <http://www.environmentamerica.org/reports/amc/shining-rewards>.

⁶ Interstate Renewable Energy Council, A Regulator’s Guidebook: Calculating the Benefits and Costs of Distributed Solar Generation, at 10 (October 2013) available at <http://www.irecusa.org/publications/>.

that fully evaluates both the costs and benefits of solar DG and creates policy that allows consumers to make the best choices for their energy use and for Michigan's energy future.

Thank you for your consideration of this testimony.

Respectfully submitted,



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