House Energy Policy Committee
House Bill 5145

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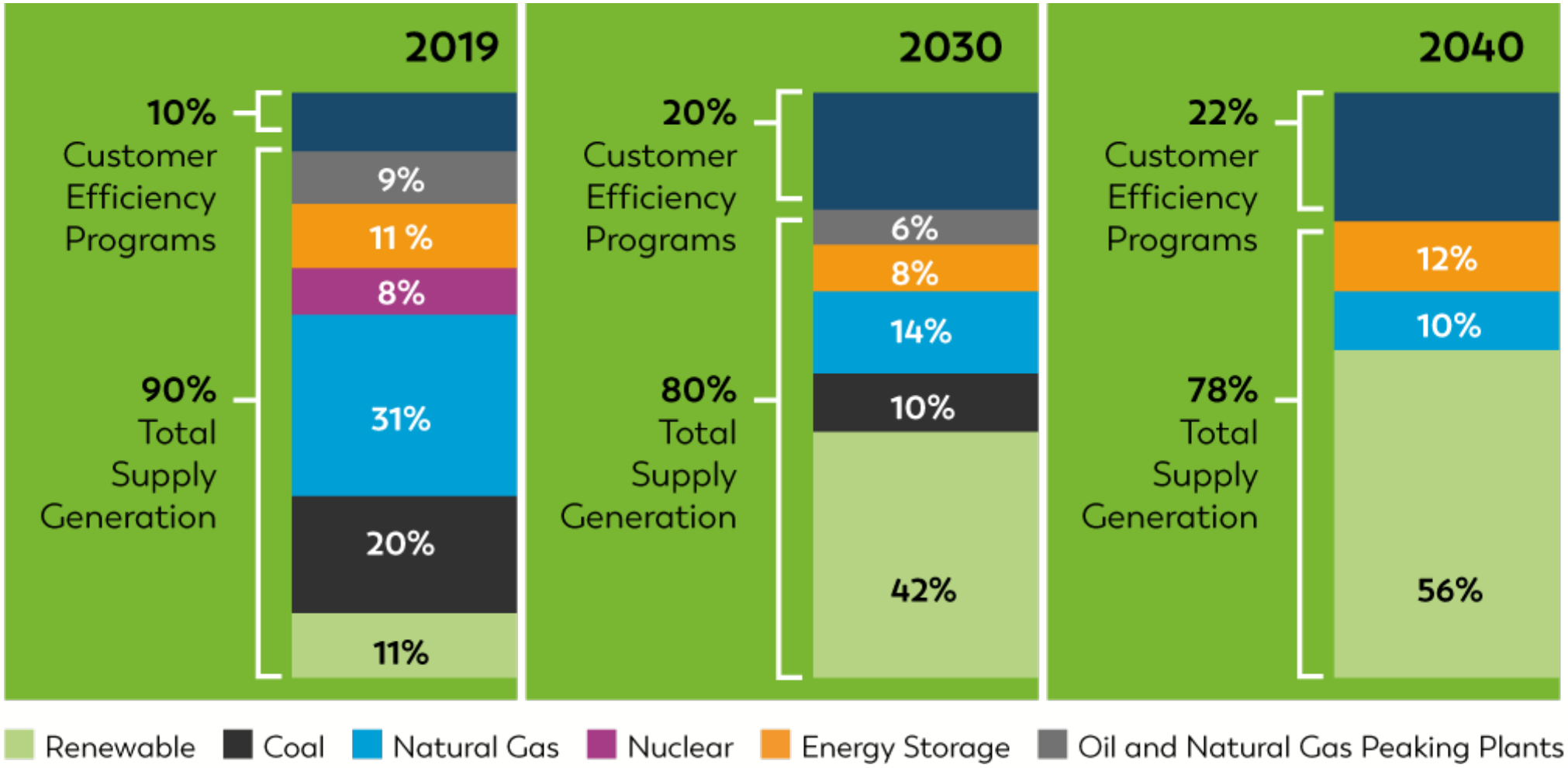
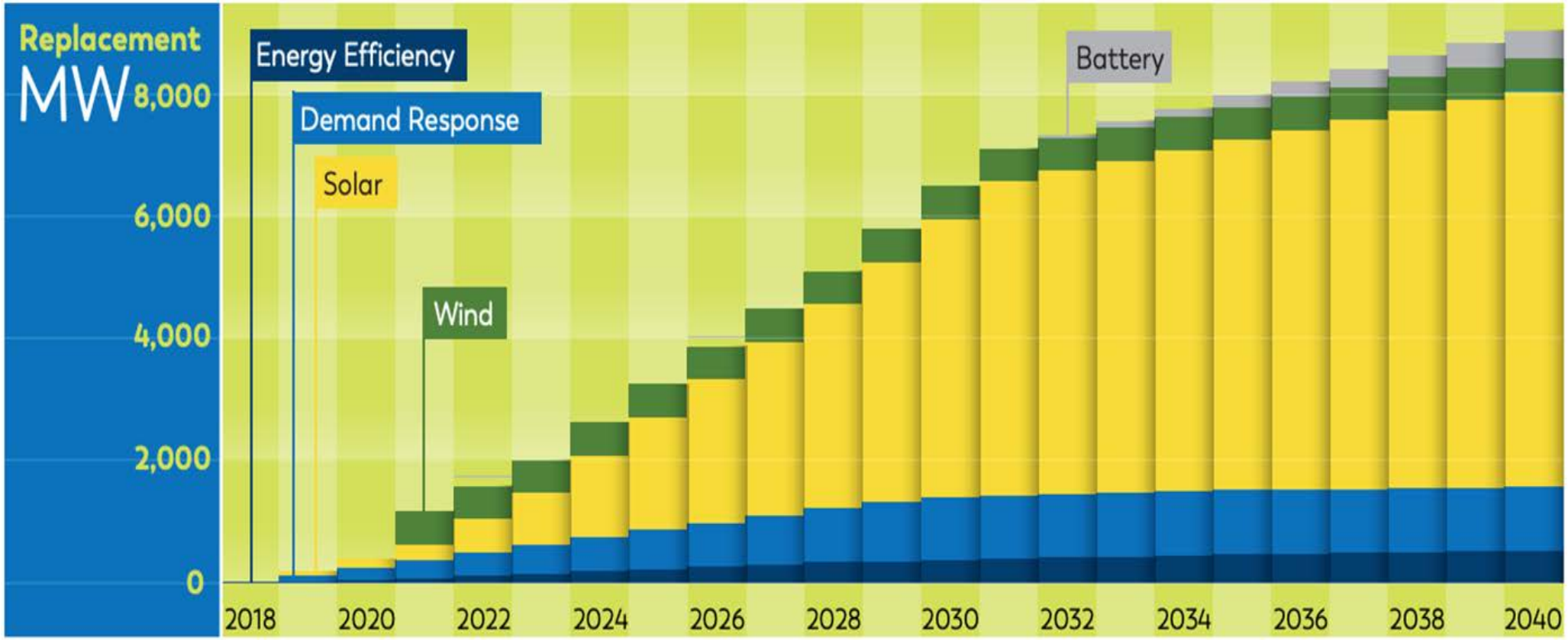
Consumers Energy
Count on Us®

Through our Clean Energy Plan, Consumers Energy will meet customers' electricity needs with 90% clean energy resources



We make clean energy affordable by reducing our peak demand and using competitively-bid solar to replace existing resources

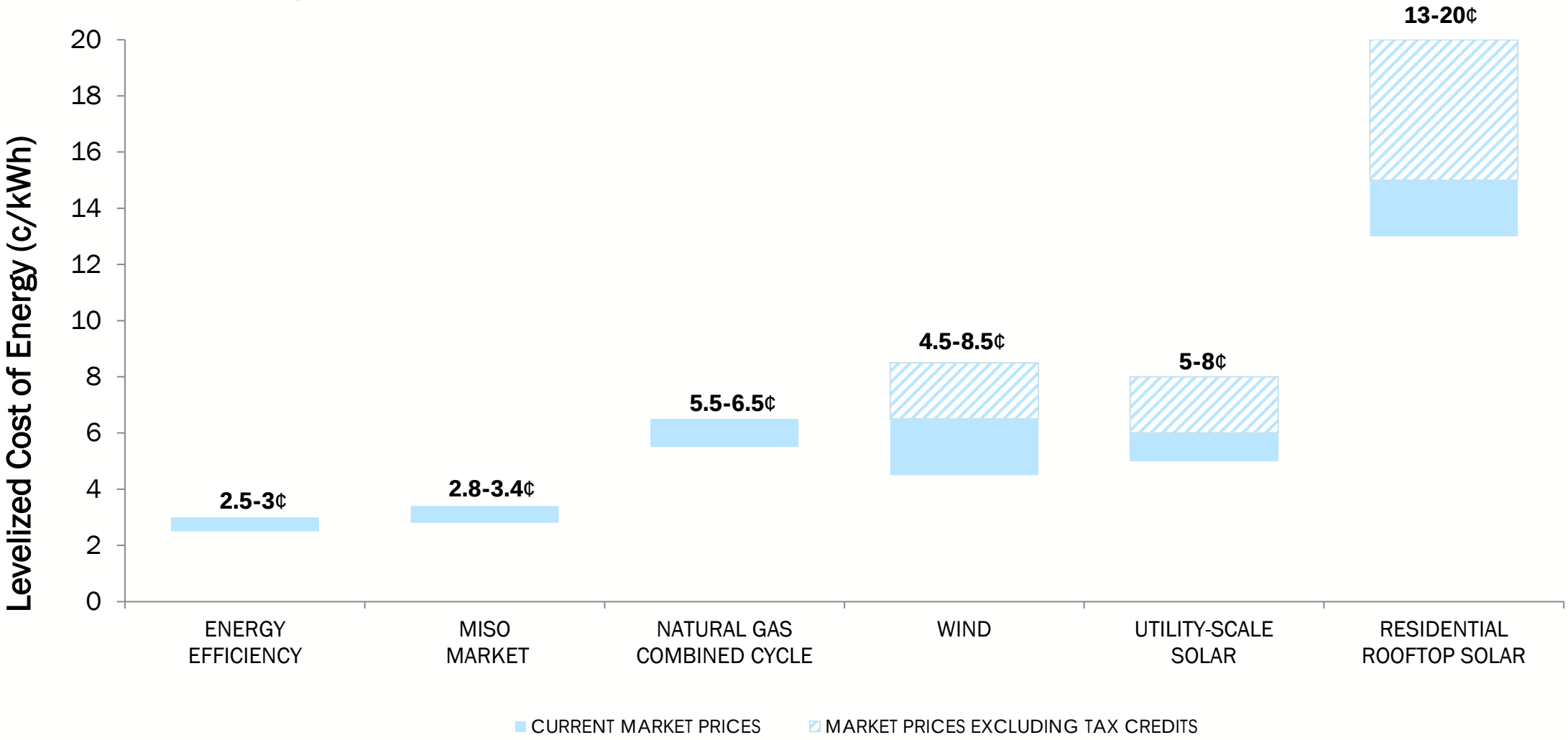


Michigan's Energy Policy Goals

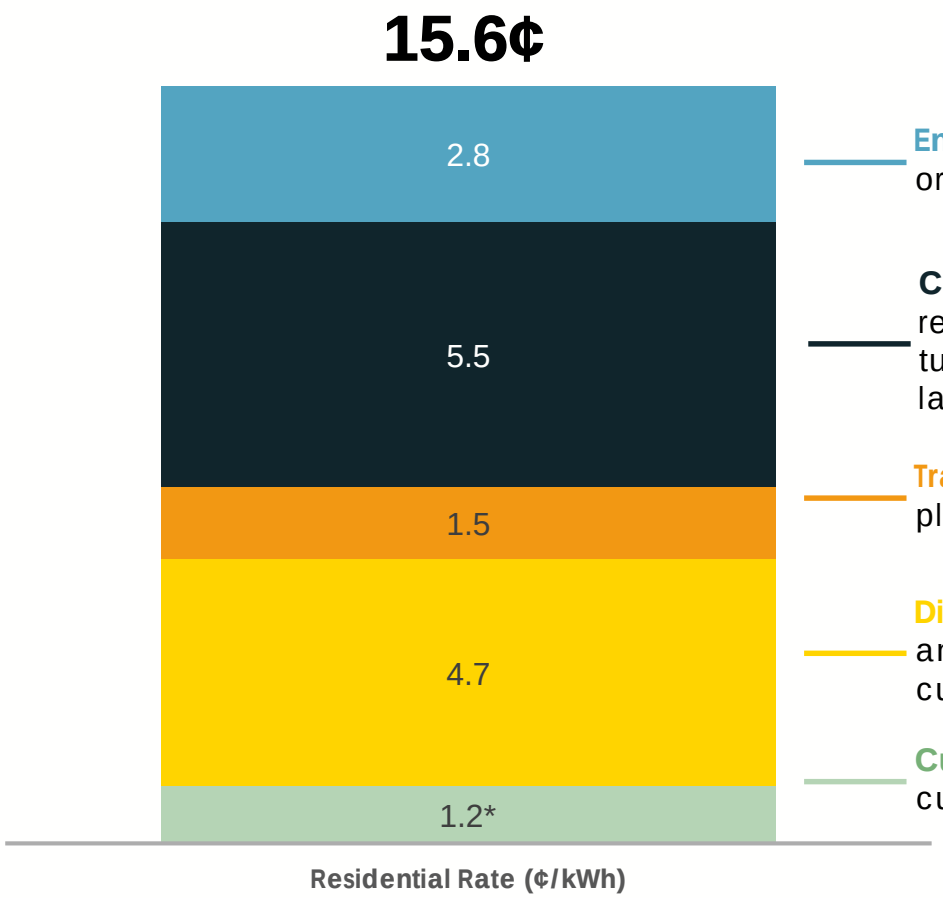
2016 Energy Law	
Clean	✓
Affordable	✓
Reliable	✓
Fair pricing	✓

House Bill 5145	
Clean	✓
Affordable	X
Reliable	?
Fair pricing	X

Scale matters: Utility-scale solar provides access to clean and affordable generation for all customers



Energy Production is just one component of retail electric service



Energy Production is the variable cost of running the generation or buying incremental power from the market to serve customers.

Capacity is the fixed cost of having generation built and ready to reliably serve the instantaneous demand of customers when they turn-on a light, decide to watch television, or dry a load of laundry.

Transmission is the fixed cost of having high voltage equipment in place for moving power across the MISO region.

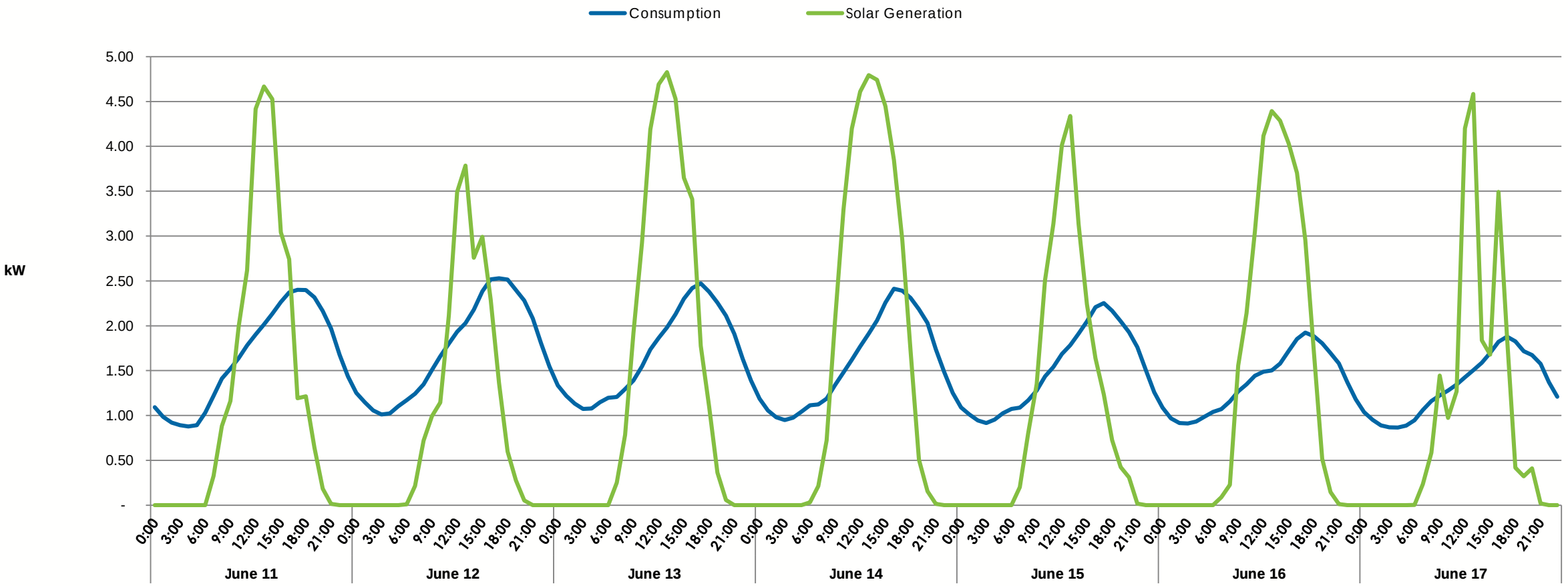
Distribution is the fixed cost of having lower voltage equipment and outage restoration services in place for delivering power to a customer's home or business.

Customer* is the fixed cost of providing metering, billing, and customer services.

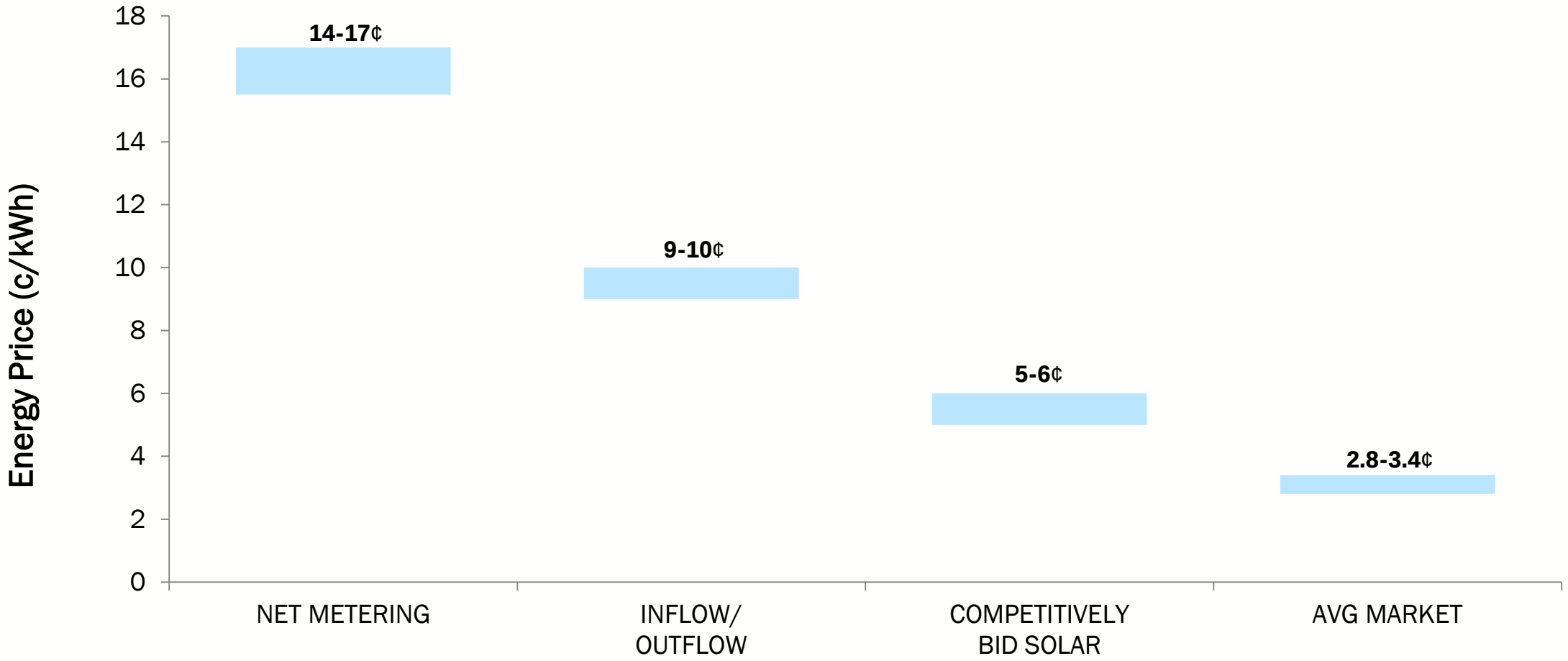
*Customer costs are the only costs recovered through a flat amount. All other costs are recovered on a volumetric basis, per kWh.

Distributed solar systems still rely on the power grid to meet their energy needs every hour of every day

Hourly Residential Distributed Generation
7 kW Solar PV – [June 11-17, 2018 CE data]



An uncapped inflow/outflow approach would still result in customers with rooftop solar not paying their fair share of the costs of the grid



Energy prices reflect price paid for excess generation beyond on-site usage

Removing the subsidy cap requires a fair rate structure to ensure everyone who uses the grid pays fairly for it

Energy

Competitive market prices per kwh consumed or sold back to the grid

Capacity

Peak demand charge – solar and/or batteries can lower peak usage rates

Wires and Technology

Fixed charge – connecting to the network grid

Lessons learned: Required and unfairly high solar prices can harm customers and the state's economic growth

The Public Utilities Regulatory Policies Act ("PURPA") is a federal law requiring utilities to purchase renewable energy at prices set by state regulators

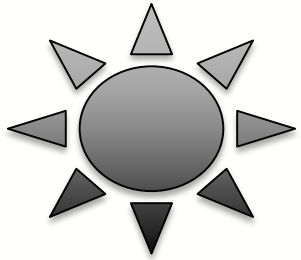
"PURPA" mandatory solar purchase rates were set artificially high…	…leading to excess purchase requests from out-of-state developers…	…customers could have been forced to pay big…	…but these risks were ultimately avoided through settlement
In 2018, the avoided energy + capacity price for large scale solar was set at **10¢/kWh**	**4,000 MW+** entered the company's interconnection queue **2,400 MW** were ready to sign contracts. Consumers Energy's 2019 peak demand was 7500 MW.	Customers could have been forced to pay **$5B above market** over **20 year contract terms** for these new PURPA contracts	Consumers Energy avoided a bad outcome for customers by settling with solar developers A fair competitive bidding process was established for the future projects

Appendix

Customers can install rooftop solar regardless of the subsidy cap

Customers can always:

- Install rooftop solar and connect to the power grid
- Sell excess supply



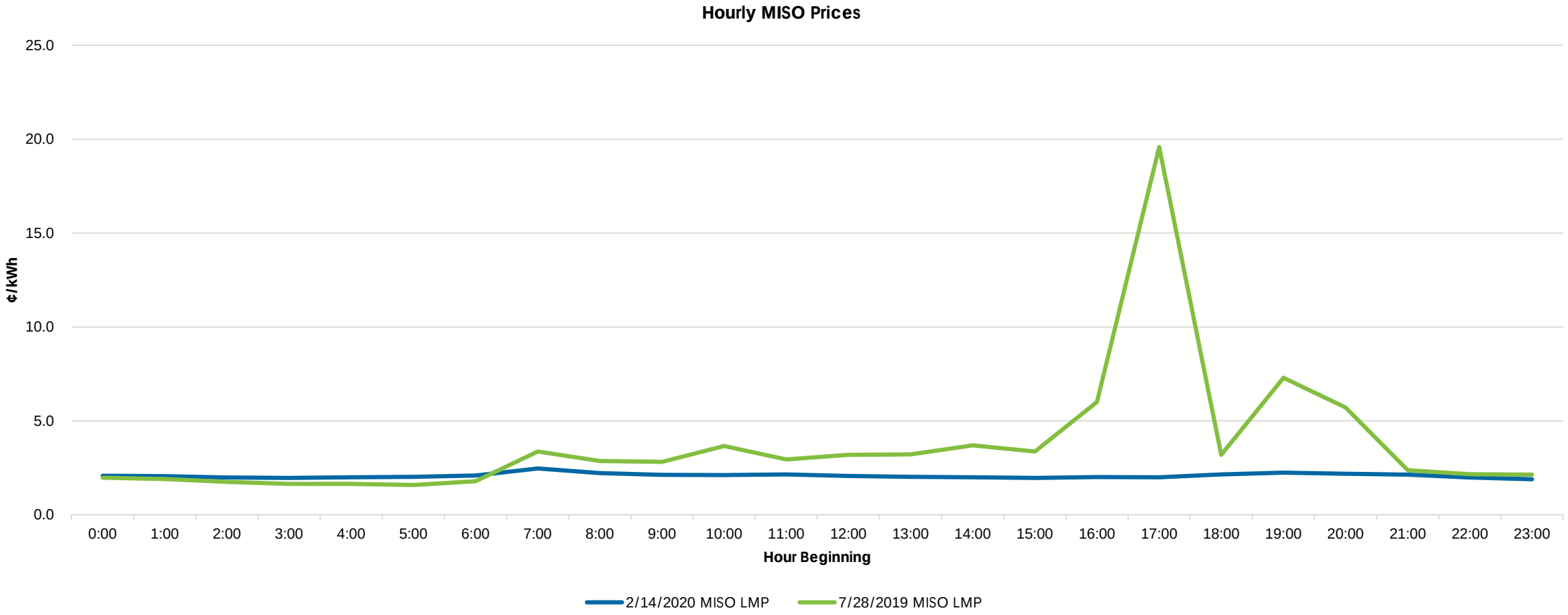
Customers can choose to be paid:

- The cost of competitively bid solar
- Real-time market prices

The statutory cap:

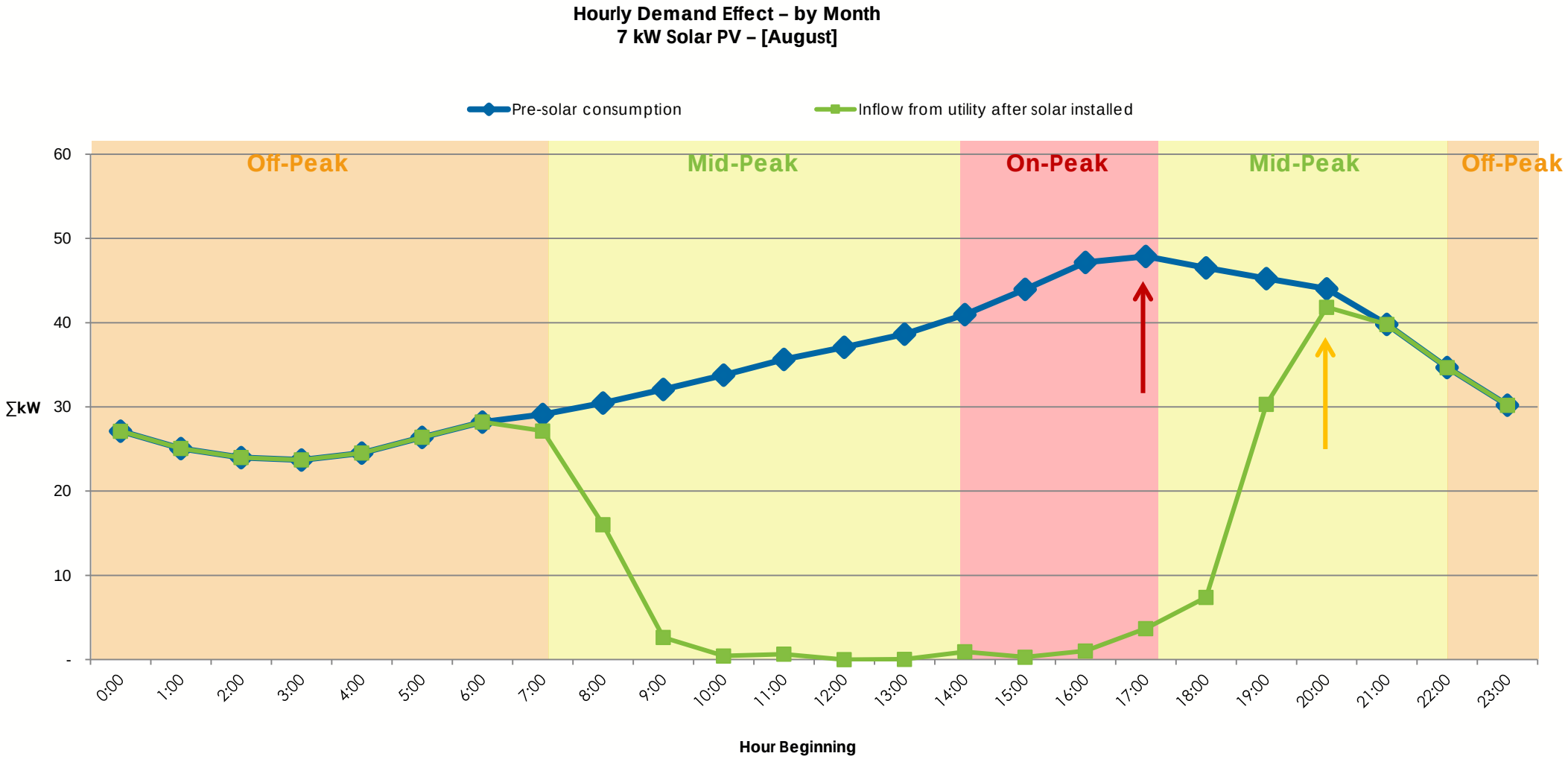
- Protects customers from paying 3x the price of solar
- Prevents distorted price signals

Wholesale energy market prices reflect the value of energy production when energy is in higher demand



2019 Average LMP: 2.8¢ kWh
2019 Average on-peak LMP: 3.4¢ kWh

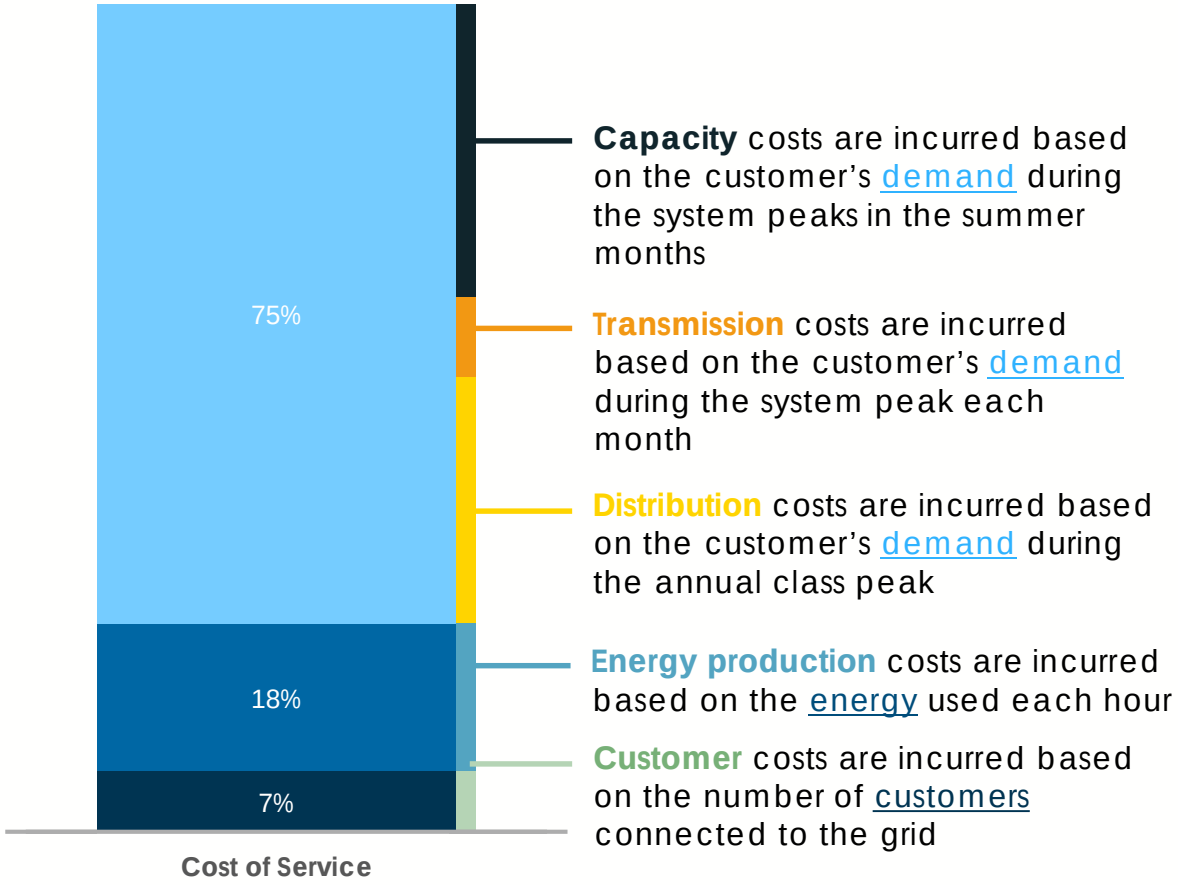
Distributed solar customers rely on the power grid to meet their energy needs during peak periods



The average customer's peak consumption with their own solar generation is 3 hours later and only 13% lower than their peak consumption without solar installed

The current rate design practices have not kept pace with changes in the industry.

For example, residential costs are primarily fixed and incurred based on demand…



…but are recovered through volumetric energy charges.