



MEMORANDUM

TO: Mayor Taylor and Members of the Council Policy Committee

FROM: Missy Stults, Sustainability and Innovations Manager

THRU: Tom Crawford, Acting City Administrator

DATE: August 28, 2020

RE: State-Level Policies or Legislation Affecting A²ZERO

The purpose of this memorandum is to highlight state-level policies, legislation, or upcoming bills that affect the City's ability to implement A²ZERO. This memorandum does not provide an all-inclusive list but does highlight current initiatives City staff are monitoring.

Energy-Related Policies or Legislation

The City is closely watching, and is prepared to testify on 10 pieces of legislation or rate cases:

- 1. Raising the distributed generation cap.** Currently the state has established a cap on the percentage of distributed renewable energy (aka, rooftop or ground mounted solar systems) that utilities are required to receive. The current cap is 1% of a utility's average peak load over five years. This cap is further broken down by size, with a 0.5% cap for the most-used "category 1" small residential installations. Because solar energy is a cost effective and viable energy alternative, we are slated to hit this 1% cap this year. Instead of merely raising the cap, we believe the cap should be eliminated. Distributed generation provides countless benefits to the individual, to the region, to the grid, to the utility, and to society. An arbitrary 1% cap serves no one but the utilities. Staff have already testified on this piece of legislation and will continue to monitor its movement.
- 2. Reverting to net metering.** Last year the state, through the Michigan Public Services Commission, moved away from net metering to an inflow-outflow rate to compensate individuals who have solar systems that produce energy used by the grid. This new rate is not a fair market rate and does not adequately compensate solar generators for the value they are providing to the utility, the grid, and the region. As such, we believe solar owners should get a fair price, one that integrates the full range of quantifiable benefits they are providing to power the grid. At a minimum, this should lead to a return of net metering (where you make the same amount per kW of electricity you produce as you would pay for each unit you use). Legislation to return net metering to Michigan is drafted but has not moved out of Committee. Staff will continue to monitor.
- 3. Expanding the size of installations eligible for net metering or inflow-outflow rates.** Right now, only projects with capacities of 150kW or lower are eligible for the inflow/outflow rates. While most projects fall within this range, it is a fairly arbitrary range and prohibits us from sizing installations to match load at all locations. In particular, large community consumers such as public schools, City Hall, and the Water and Wastewater Treatment Plants could all use installations larger than 150kW to match onsite demand. Since a grid study is conducted before any solar is placed on the grid, we do not believe a size cap of 150kW is warranted. To the best of staff's knowledge, legislation to remove this sizing cap has not been drafted.



4. **Community solar legislation.** Not all individuals can pursue onsite solar. For example, renters, low-income residents, those with poor solar potential, members of a CO-OP or HOA with limitations on solar, or condo owners may not be able to access onsite solar. In these cases, the City wants to make community solar an option. Community solar allows customers to subscribe to an offsite solar system and earn bill credits for the amount of solar energy represented by their subscription. Public institutions and lands could be sites for community solar. Unfortunately, community solar programs are not currently allowed under Michigan law. Legislation to allow for community solar is drafted but has not moved out of Committee. Staff will continue to monitor.
5. **Allowing for the upsizing of solar systems.** Right now, an individual must base the size of their solar system on the last year of energy bills. As we work on mass electrification and supporting a switch from internal combustion engines to electric vehicles, electricity demand will change. As such, utilities should not limit solar installations to a customer's previous energy load but should make accommodations for individuals actively working on activities that would increase their electricity profile. To the best of staff's knowledge, legislation to allow for upsizing solar systems has not been drafted.
6. **Solar access ordinances.** Currently, 27 states have legislation that protects the rights of homeowners with HOAs and condo associations to generate their own energy via solar. Michigan has no such laws, and individual homeowners' associations can deny any residents access to solar without cause. We believe this is overly restrictive and would like to see legislation passed that limits the ability of homeowners' associations to deny tenants access to renewable energy. Previous legislation on this topic was drafted but did not advance. Representative Rabhi has indicated interest in updating this legislation but, to staff's knowledge, this has not yet been done.
7. **Allow for microgrids.** Microgrids are individual buildings/infrastructure or a group of buildings/infrastructure that can separate or "island" off the main utility grid to continue providing service during times of widespread power outage. Micro-gridding should be available to anyone but is especially important for critical facilities such as fire stations, police stations, water and wastewater treatment facilities, and hospitals. Currently there is no enabling legislation to allow for buildings to microgrid. We believe this is a mistake as it disregards the value microgrids provide not just in generating their own power but by ensuring that public services and emergency responders are able to fully operate during disaster situations. Legislation to allow emergency services to microgrid is drafted but has not moved out of Committee. Staff will continue to monitor.
8. **Raising the retail choice cap.** Currently, Michigan allows 10% of the electricity market to be choice. What this means is that 90% of the market is required to procure electricity from their designated utility whereas 10% is allowed to purchase openly on the market. Unfortunately, the 10% choice is fully subscribed and has a long waitlist making it effectively non-existent. Because the cap is fully subscribed and has a long waitlist, we believe the retail choice cap should be raised or, better yet, completely removed. To the best of staff's knowledge, legislation to remove the retail choice cap has not been drafted.
9. **Community Choice Aggregation.** Per the previous point, most stakeholders do not have choice in who provides their energy. That leaves consumers with basically three options: 1) continue with current fuel mix from their utility provider; 2) pay a premium to participate in voluntary green programs from the utility, which come with an inflated price (see below); or 3) invest in an outside offset program such as Arcadia to provide an investment in new clean energy projects. If Ann Arbor is going to achieve its carbon neutrality goals, we need to find ways to rapidly and efficiently aggregate community-wide electricity demand so that we can procure a large amount of new renewable energy at a competitive price. This is aggregation. Right now, Michigan law does not allow for



Community Choice Aggregation (CCA) but there is interest amongst nearly a dozen municipalities and some State Senators to advance CCA legislation. Ann Arbor would like to be at the table helping to craft and support such legislation.

10. **Voluntary Green Pricing.** Very shortly DTE is expected to release their plan for administering an updated voluntary green pricing program (known as MI Green Power for most customers), that allows customers to voluntarily opt-in to a program that finances renewable energy projects. The City has long felt that this program inadequately values the contribution renewable energy provides to the grid and charges too high of a rate for investing in this resource. Moreover, the program, as previously administered, perpetuates energy injustices by only creating pathways for those with means to invest in a clean energy future. The City is waiting to review DTE's formal filing and will likely intervene in their rate case with the Michigan Public Services Commission.

State-Wide Commitment to Climate Action

Pre-COVID-19, Governor Whitmer was preparing to announce a major new state commitment to climate action. Insiders shared that this was likely to be a formal commitment to massive greenhouse gas reductions in Michigan. If true, this commitment could help further support the City's carbon neutrality efforts, may open new lines of funding, would certainly lay the foundation for policies that support our journey towards carbon neutrality, and would establish Michigan as one of the leaders in the climate crisis. Staff would like to see the Governor formally make this commitment before the end of 2020.