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First, I'd like to commend both NARUC and the Staff Subcommittee on Rate Design for its thoughtful and diligent efforts on the Proposed Manual on Distributed Energy Resources Compensation. As both a former policy maker in the state's executive and legislative branches, as well as a former regulator, I have personally utilized the past work and manuals produced by NARUC. Even in private practice, the NARUC materials are a steadfast go-to resource.

Second, and briefly, I will provide limited comments to a few items that I hope will be of value-add to the Manual preparers as it is finalized. These comments are brought principally from my educational background, regulatory perspective, experience with efforts to expand the use of generation resources into the grid, including the implementation of NEM, and deep knowledge in low income customer needs and barriers to access for other customers. These comments are summarized below:

<u>Costs (page 7 -8) and Long-term vs short-term costs (page 30-31) and concepts elsewhere</u>

While the discussion of whether or not costs are variable or fixed for the short or long term is consistent with economic theory, it should be noted that in this economic theory – the "time line" of each is typically undefined and therefore not consistent with what some may construe to be similar to short-term and long-term utility planning. Additionally, why the theory (noted in the proposed Manual) falls short is because it is mainly academic. This is true notably when some attempt to argue that utility costs in the long term are inherently variable. Economic theory primarily recognizes long run as variable only because of the option for production to seize and therefore costs would then be zero. This fundamental element of economic theory is principally why the variable costs scenario is not applicable to the utility who is a must serve utility. Additionally, the theory only applies to competitive or perfect competition, therefore, monopoly distribution/transmission utilities and vertical integrated utilities would <u>not</u> qualify.

Furthermore, for the purposes of rate setting and rate making, regulators are looking at specific points in time with often measurable and known costs. The vast majority of these costs are easily quantifiable into variable and fixed costs. Some costs may need to be further refined and attributable to both. Nonetheless the task of a comparison of the utility bill and how it compares to fixed and variable costs should be considered a worthwhile exercise while determining any new rate design. At the very least, it would certainly promote continued transparency and perhaps even the development of another rate design not yet contemplated. The stark reality that some utilities have indicated a 300-400% disparity in how fixed costs versus fixed rates are attributed is significant.

<u>Low Income Needs/Affordability (page 12) and concepts elsewhere</u>

The needs of low income customers appear to be mentioned throughout the Manual. In addition, it would be useful to mention and note terminology to include "limited-income qualified" to adequately reflect the growing number of simply limited income households, many of whom are seniors. The Manual may want to note that the eligibility for these programs, including LIHEAP, and many utility rate discounts do require confirmation of a qualified income for eligibility. In addition, another rate design being implemented is a medical care equipment rate for limited income customers who use qualifying electric based medical equipment. Such rate designs typically recognize that the need for such medical equipment will require a greater usage of electricity placing a further burden and hardship on a limited income household.

<u>Ownership and Control (Page 26-27)- Issue raised of Consumer Protections and Barriers</u>

On page 27, the second to last paragraph raises additional issues impacting consumers that should be considered when discussing DER. These two very distinct and separate issues should be separated into additional subheadings and ought to further be included as a specific item for general discussion, especially when discussing barriers.

Consumer Protections are an ongoing concern and issue for any utility commission as they are often one of the first calls made by consumers. Additionally, they along with the consumer advocate may be the only customer education point on issues affecting DER. Many consumers are still navigating their way with DER and resources need to be available to them in order to make educated decisions.

The discussion on predatory lending (or "red-lining" whereby consumers are denied services) and other consumers facing barriers to accessing DER is very real. This inequity further grows the energy affordability needs impacting the already increasing population of limited income customers. The issue of Barriers to Access of DER is so great that it should be given a proper heading and be also a specific item for general discussion.

<u>Grandfathering or Transitioning (page 36)</u>

It should be noted that grandfathering and transitioning have been unique to the DER and NEM debate. It is very infrequent if at all that a rate (not specifically required by statute) is held in a special abeyance. Take for example low income rates, where the need is demonstrably clearer, there has not been a movement to grandfather. There may be a grandfathering in terms of eligibility for the tariff, but there is typically not a grandfathering to the actual rate charged in the specific tariff from years ago. Granted, for political and reasons to negotiate, there is often a desire to grandfather or transition once moving from pre-existing DER and NEM rates. This movement necessitates a swifter call to action to modify DER rates so that there is not an overwhelming number of customers that would require grandfathering or transitioning. Furthermore, as experienced recently in Michigan's Upper Peninsula where NEM customers have reached the current limits of the program – that even in the most unexpected places (not to suggest it is not the warmest and sunniest place in the country to support solar DER) the demand for DER can arise. Therefore, the need for regulators to be proactive, especially when regulatory processes often demands months and perhaps years of time can never begin quite soon enough to examine the DER rates in existence.

Fixed Charges (page 54)

To add further color to the discussion on fixed charges it might be noted that fixed charges have often been implemented when it has been clear that utility cost causers have not been paying their fair share for connecting to the grid. A clear example was in Michigan's wine and resort country where vacation homes utilized infrequently throughout the year were not paying their fair share for simply being connected to the utility system for use when they so desired. The result was not to create a "separate class of vacation homes" but rather to create a fixed charge to ensure that there was in essence cost recovery for being connected. In my terms, the customer then incurred a "connectivity charge" not unlike what is incurred with other services.

Lastly, I'd like to once again commend NARUC and the Staff Subcommittee on Rate Design for their efforts and taking on the heavy lifting to address the very real and imminent need to examine DER compensation.

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