VIRGINIA ADVANCED ENERGY ECONOMY

ADVANCED ENERGY BUYERS GROUP

the policy voice of advanced energy purchasers

March 26, 2019

Virginia State Corporation Commission
1300 East Main Street
Richmond, VA 23219

RE: Case No. PUR-2018-00192

Comments of the Advanced Energy Buyers Group and Virginia Advanced Energy Economy

To the State Corporation Commission:

The Advanced Energy Buyers Group ("AEBG") and Virginia Advanced Energy Economy ("Virginia AEE"), on behalf of our collective member companies, are pleased to provide comment on Dominion Energy's ("Dominion") proposed Rate Schedule MBR, Large General Market Based Rate ("New MBR Rate Schedule"). Our organizations are supportive of the proposed adjustments that Dominion has made relative to the Existing MBR Rate Schedules approved in 2016 under Virginia Code § 56-234 B, which will improve the program significantly and make it more useful to customers. We recommend additional improvements to make the New MBR Rate Schedule even more flexible and available to customers; in particular, we urge a further expansion in customer eligibility parameters to enable customers with a monthly peak demand of 5,000 kW *aggregated across multiple locations* to participate in the program, and encourage lowering the monthly peak demand threshold to 1,000 kW. We also recommend reducing the penalty in the margin fee for customers with a load factor below 85%. These two changes will make the program more available to customers who are otherwise very similar in their energy needs and preferences to those that are eligible for the New MBR Rate Schedule as proposed.

I. About the Advanced Energy Buyers Group and Virginia Advanced Energy Economy

The **Advanced Energy Buyers Group** (AEBG) is a business-led coalition of large energy users engaging on policies to expand opportunities to procure energy that is secure, clean, and affordable.[1] Members of the AEBG are market leaders and major employers spanning different industry segments, including technology, retail, and manufacturing. Our companies are among the 71% of Fortune 100 companies and 43% of Fortune 500 companies that have established renewable and/or climate targets as part of our corporate sustainability commitments. We share a common interest in expanding our use of advanced energy, including renewable energy like wind, solar, geothermal, and hydropower; demand-side resources like energy efficiency, demand response, and energy storage; and onsite generation from solar, advanced natural gas turbines, and fuel cells. In 2017, members of the AEBG totaled over $1 trillion in revenue and collectively consumed over 18 terawatt hours (TWh) of electricity, including over 11 TWh of renewable electricity, equivalent to the electricity sales for the states of North Dakota and Delaware, respectively. AEBG members include companies with a significant footprint in Virginia, including in Dominion's service territory.

Virginia Advanced Energy Economy (Virginia AEE) is a coalition of businesses that seek to make the Commonwealth's energy more secure, clean, and affordable, bolstering Virginia's economy. Virginia AEE aims to drive the development of advanced energy by

[1] These comments represent the consensus view of the Advanced Energy Buyers Group (information and membership available at https://www.advancedenergybuyersgroup.org/). However, this document does not necessarily reflect the position of any specific member of the AE Buyers Group, and these comments should not be attributed to any individual company or companies participating in the AE Buyers Group.

identifying growth opportunities, removing policy barriers, encouraging market-based policies, establishing partnerships, and serving as the voice of innovative companies in the advanced energy sector.

Our organizations share an interest in expanding and improving opportunities for customer-driven advanced energy options in Virginia.

II. Comments of AEBG and Virginia AEE on the New MBR Rate Schedule

A. Renewable Energy Purchasing Options are Important to Businesses in Virginia and Across the Country

Across the country and across the world, businesses are pursing renewable energy and other advanced energy resources. As noted above, 71 of the Fortune 100 companies are now committed to reducing their energy-related impacts, and over 43% of the Fortune 500 have made similar commitments.[2] Companies are not only setting goals on paper, but are following through with them in reality. Since 2014, U.S. corporations have purchased over 15 gigawatts (GW) of renewable energy from offsite projects.[3] Research firm Wood Mackenzie Power & Renewables estimates that corporate contracts in the U.S. could top 10 GW in 2019.[4]

Virginia can and should position itself as a leader in meeting business demand for renewable energy. Virginia is a growing technology hub, and home to strong manufacturing, industrial, and retail sectors. As the companies powering Virginia's economy increasingly pursue renewable and other advanced energy resources to meet their electricity needs, introduction of

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[2] Advanced Energy Economy. "2016 Corporate Advanced Energy Commitments," December 2016. http://info.aee.net/growth-in-corporate-advanced-energy-demand-market-benefits-report.

[3] Business Renewables Center. "BRC Deal Tracker," Updated December 2018. http://businessrenewables.org/corporate-transactions/.

[4] Emma Foehringer Merchant, "Corporate Renewables Procurement Accounted for Nearly a Quarter of All Deals in 2018," *Greentech Media* (February 5, 2019), https://www.greentechmedia.com/articles/read/corporate-renewables-procurements-quarter-ppa-2018#gs.1tw2fl

solutions to satisfy this shifting corporate demand will not only meet the needs of businesses such as members of the AEBG, but also unleash investment among businesses such as members of Virginia AEE that will modernize Virginia's energy infrastructure. Virginia's utilities, and in particular Dominion, have already made some progress in this area, and the New MBR Rate Schedule provides an opportunity to expand renewable energy solutions to better meet the needs of more Virginia customers.

B. AEBG and Virginia AEE Support the Proposed Improvements Over the Existing MBR Rate Schedules

AEBG and Virginia AEE strongly support Dominon's effort to make the Existing MBR Rate Schedules more available and to introduce other improvements to better meet customer needs. The Existing MBR Rate Schedules, when introduced, were described by Rocky Mountain Institute as "unique and game changing" and a "breakthrough" because their development heralded a new category of utility renewable energy offering for commercial and industrial (C&I) customers. Fundamentally, as Dominion notes in the New MBR Rate Schedule application, the MBR Rate Schedules bring customers a similar offering to that otherwise available to certain "choice eligible" customers through competitive service providers.[5] The structure of the "market based rate" approach allows customers to align their electricity purchases with their renewable energy transactions in the wholesale market, and has since been adopted in modified forms by other utilities, including Omaha Public Power District in Nebraska, Blackhills Energy in Wyoming, and Consumers Energy in Michigan.[6]

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[5] "The New MBR Rate Schedule offers electric supply to many of the Choice-Eligible Customers on terms similar to, and competitive with, those offered by CSPs." Application at 9-10.

[6] World Resources Institute, "Emerging Green Tariffs in U.S. Regulated Electricity Markets" (Updated October 2018), *available at* https://www.wri.org/publication/emerging-green-tariffs-us-regulated-electricity-markets.

This "breakthrough" program is not perfect, however, and, as Virginia AEE and AEBG made clear in our joint policy brief published in June 2018, one key shortcoming of the program is its limited size and scope. Specifically, we listed as its primary drawback the fact that "eligibility restrictions and small program size limit availability to customers."[7] A utility C&I renewable energy option is only useful in meeting businesses' needs if it is actually available to them; the Existing MBR Rate Schedules were a positive development in that they met the needs of some businesses, but the program was unavailable or inaccessible to many more customers than it served. Our organizations therefore support Dominion's proposal to make the New MBR Rate Schedule a permanent program, to remove the 200 MW aggregate load cap for participants, to eliminate the minimum average load factor requirement for customer eligibility, to require only one monthly peak demand of 5 MW, and to make the program available to new customers by reducing the minimum time the customer must take service from Dominion prior to participating in the MBR Rate Schedules from 12 months to one month. All of these factors make the program more available to customers—although, as we explain below, the program is still limited and more customers would benefit if the program were further expanded.

Our organizations also support Dominion's proposal to bring the MBR Rate Schedules into closer alignment with the PJM market. Specifically, Dominion proposes to adjust the calculation used for the Generation Demand Charge to match PJM's methodology; Dominion also proposes to follow the FERC-approved methodology used to calculate transmission charges in PJM. Given that one of the primary benefits of the MBR Rate Schedules for customers seeking renewable energy is the ability to align renewable energy contracts within the PJM

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[7] Advanced Energy Economy and Virginia Advanced Energy Economy, *Customer Renewable Energy Options in Virginia* (June 2018), https://info.aee.net/renewables-options-for-virginia.

market with their utility-delivered electricity bill, these changes ensure that the New MBR Rate Schedules will better meet customer needs.

AEBG and Virginia AEE also support Dominion's proposal to reduce the Margin Charge. Because the Margin Charge is intended to cover "any differences between the Company's MBR rate as designed and its actual marginal PJM costs to serve individual customers, and to provide some contribution toward the Company's administrative and fixed costs," it should be set at a rate that accomplishes these goals without unnecessarily overcharging customers. As such, Dominion's proposed reduction to the Margin Charge, which is based on "changes in underlying costs and market conditions," and which Dominion has proposed with the benefit of hindsight now that the Existing MBR Rate Schedules have been in place for a few years, is appropriate and should be approved. Below, we provide additional recommendations regarding the Margin Charge for customers with a monthly load factor that is lower than 85%.

Finally, AEBG and Virginia AEE strongly support Dominion's proposal to allow customers currently receiving service under the Existing MBR Rate Schedules to switch to the New MBR Rate Schedule within ninety days of the effective date of the new offering.[8] Early participants should not be penalized for the role they have played in helping Dominion and other customers to identify the shortcomings of the original program, and allowing this flexibility will not harm Dominion or other customers.

C. AEBG and Virginia AEE Recommend Additional Improvements to Make the New MBR Rate Schedule More Accessible to Dominion Customers to Enable More Businesses to Meet their Renewable Energy Needs

While AEBG and Virginia AEE strongly support the improvements Dominion has proposed, we also recommend additional improvements to the New MBR Rate Schedules. These

[8] Direct Testimony of Company Witness Morgan, at 8.

improvements will better achieve the stated goals of Dominion's revisions; namely, to better align the MBR Rate Schedules with customer needs and to make the MBR Rate Schedules available to more customers who are interested but excluded from participation under the current eligibility requirements. First, we argue here that Dominion should allow customers with a maximum measured demand of 5 MW *aggregated across accounts within Dominion's service territory* should be eligible to participate, and should consider lowering the maximum measured demand threshold to 1 MW. Second, we argue that Dominion reduce the Margin Charge penalty for customers with a monthly load factor lower than 85%.

i. Customers should be allowed to aggregate accounts to meet the minimum demand threshold, and the Commission should consider lowering the measured demand requirement.

With respect to customer eligibility, Company Witness Morgan justifies the 5 MW measured demand requirement reflects the fact that the MBR Rate Schedules are of interest only to customers that fit this parameter. AEBG and Virginia AEE respectfully and adamantly disagree with this characterization. Company Witness Morgan explains:

> "As discussed in the filing for the Existing MBR Rate Schedules, because of the highly variable nature of the MBR, the Company, at this time, is not of the view that the MBR is or consistently will be a preferable way to design rates for the benefit of most of its customers. The Company's experience demonstrates that, in general, the Company's customers prefer stable rate structures as opposed to more volatile rates like an MBR. Accordingly, the Company is proposing to offer the New MBR Rate Schedule to a limited set of larger customers. Additionally, those customers will be required to sign an officer or authorized representative certification acknowledgement, which will certify to the Company that the customer understands the risks, requirements, and potential rate volatility associated with the MBR."[9]

Multiple AEBG member companies, as well as other businesses interested in pursuing renewable energy in Virginia, do not fall into the "limited set of larger customers" eligible for New MBR

[9] Id., at 18.

Rate Schedules—either because their maximum measured demand does not quite reach 5 MW or because their maximum measured demand only hits 5 MW when aggregated across multiple sites. Yet these companies have much more in common with the customers eligible for the New MBR Rate Schedule than they do with residential or small commercial customers who "prefer stable rate structures as opposed to more volatile rates like an MBR." Such customers certainly have the sophistication to understand the "risks, requirements, and potential rate volatility associated with the MBR." Indeed, many have signed complex virtual power purchase agreements in wholesale markets, and are well aware of the risks and volatility these markets entail; furthermore, these customers in many cases have experience with market-based rate structures offered by competitive service providers in other PJM states and across the country. In drawing a distinction between customer needs and preferences and levels of customer sophistication on the basis of measured peak demand at a single site within its service territory, Dominion has vastly oversimplified its categorization of customers.

Dominion has given no justification, other than customer preferences and unacceptable customer risk, for limiting the New MBR Rate Schedules to customers with 5 MW measured demand at a single site. With respect to customer preferences, as described above, Dominion is not correct in asserting that only those customers who would not be interested in the MBR Rate Schedules would be excluded from participating under the revised eligibility parameters. With respect to customer risk, Dominion has already provided an acceptable solution by requiring that all customers sign an acknowledgement certifying that the customer understands the risks of selecting the MBR Rate Schedule. Because the limitation to customers with a maximum measured demand of 5 MW at a single site is not necessary, and because expanding eligibility would better meet customer needs, our organizations strongly support adjusting the eligibility parameters further. At a minimum, Dominion should allow demand-metered customers to aggregate multiple sites to meet the 5 MW measured demand threshold; to keep the program manageable we recommend that the multiple sites should be under a common customer ownership/management structure to be eligible for the MBR Rate Schedule. We also recommend lowering the measured demand requirement to 1 MW to introduce additional flexibility for large customers, consistent with the threshold set through Dominion's Commission-approved Schedule Renewable Generation (Docket No. PUR-2017-00163), which is also intended to meet the needs of large, sophisticated customers who are seeking renewable energy options.

ii. The level of the Margin Charge penalty for customers with a monthly load factor lower than 85% has not been justified, and should likely be lowered.

Although the New MBR Rate Schedule removes the 85% minimum monthly load factor as an eligibility requirement, allowing customers that do not meet this threshold to participate in the program, Dominion proposes to include a higher Margin Charge for customers with a monthly load factor lower than 85%. While a higher Margin Fee for such customers may be justified, Dominion does not explain how it arrived specifically a fee of an additional $0.02/MWh for every percentage point drop in the customer's monthly load factor below 85%.

Based on member experience in other PJM states, we believe the Margin Charge for customers with lower load factors is unjustifiably high and should likely be lowered. At a minimum, Dominion should be required to justify how it arrived at the Margin Charge adder for customers with a monthly load factor lower than 85%. For example, a customer with a 50% load factor would pay a margin fee of $1.55/MWh, nearly double the Margin Charge for a customer with a monthly load factor of at least 85%.

AEBG and Virginia AEE strongly support Dominion's proposal to not include a minimum load factor requirement as an eligibility parameter under the New MBR Rate Schedule; we encourage closer examination of the Margin Charge for customers with a monthly load factor lower than 85% to ensure that the Margin Charge does not result in exclusion of such customers on the basis of additional costs if such costs are not clearly justified.

iii. Dominion has included a "minimum charge" without explanation or justification; such a charge is not necessary and should be eliminated.

AEBG and Virginia AEE are concerned that Dominion has included a "minimum charge" provision in the New MBR Rate Schedules without explanation or justification.[10] Dominion has already included a margin charge to cover its costs and there is no cost justification for an additional charge to customers on the MBR Rate Schedules. The New MBR Rate Schedules do not define the minimum charge or place any parameters on Dominion's discretion to calculate a minimum charge. This lack of transparency raises the risk that the minimum charge could be applied in an arbitrary and discriminatory fashion by Dominion and result in unjust and unreasonable rates. AEBG and Virginia AEE therefore urge Dominion to remove the minimum charge language.

III. Conclusion

The Advanced Energy Buyers Group and Virginia Advanced Energy Economy strongly support efforts to better meet customer demand for renewable energy in the Commonwealth. Dominion's proposed New MBR Rate Schedule is consistent with this aim, and we encourage its approval. At the same time, additional adjustments that would make the program available and useful to more customers should also be studied and adopted. We appreciate the Commission's

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[10] *See* Schedule 1 at 7.

consideration of our perspective in this case, and look forward to continued progress toward establishing Virginia as a leading state for meeting businesses' renewable energy needs.

Respectfully Submitted,

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