

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

July 19, 2019

**In the Matter of the Petition of Northern States Power  
Company, dba Xcel Energy, for Approval of Its  
Proposed Community Solar Garden Program**

**Docket No. E002/M-13-867**

**COMMENTS OF FRESH ENERGY**

Fresh Energy submits these comments in response to the Commission’s May 20, 2019 Notice of Comment Period and June 7, 2019 Notice of Extended Comment Period regarding Xcel Energy’s (Xcel) proposal for an alternative method for calculating the Value of Solar (VOS) avoided distribution cost for the Company’s Community Solar Garden program.

**I. Does Xcel’s proposal comply with Commission Order?**

The Commission’s March 22, 2019 Order asked the Department of Commerce (the Department) and Xcel to “solicit the opinions of the stakeholders regarding Xcel’s proposed alternative method for calculating the VOS’s avoided distribution cost, and Xcel shall file a more fully developed proposal no later than May 1, 2019.”<sup>1</sup>

Xcel provided stakeholders a summary of their proposed alternate methodology on April 9, 2019 and requested feedback by April 16, 2019. We appreciated this opportunity but would have welcomed a more robust and deliberate stakeholder engagement process that provided full details of the proposed calculation and how the company arrived at underlying assumptions and inputs. For example, the Company’s summary provided to stakeholders on April 9 did not mention the 50% deferral reduction factor or include any workpapers showing inputs or calculations. Stakeholders cannot provide effective input without such information.

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<sup>1</sup> Public Utilities Commission, March 22, 2019 Order in Docket 13-867, Order Point 2 ([link](#)).

## II. Is the proposal sufficiently developed for Commission consideration?

Fresh Energy appreciates the efforts by Xcel and the Department to develop an alternative methodology that produces less volatile results than the current avoided distribution capacity component of the VOS. We are open to moving from a “cost per unit growth” to a “cost per actual kW installed” approach, but believe this proposal could use more development, particularly to increase the transparency and objectivity of the method.

The Company’s proposal relies heavily on internal decisions on how to functionalize and classify past and planned distribution infrastructure projects. The Company proposes to obtain a five-year average cost per kW of capacity by first, totaling the cost of deferrable, capacity-related distribution costs for each of the five years, and then dividing this cost by the total capacity added by these projects. The Company then uses this cost per kW and the approved VOS input values to calculate the VOS component in dollars per kWh.

We have requested additional information from the Company on their methodology for classifying distribution project costs for this proposal through several Information Requests, which are attached for reference. The Company’s process for identifying VOS-eligible projects appears to have three steps: Functionalizing (determining which costs are distribution-related), Classifying (determining which are capacity-related versus those driven by other factors), and then determining if the project is deferrable. Our Information Requests to date have primarily dealt with classifying projects and determining which projects are deferrable.

The responses we have received raise concerns about the underlying justification and transparency of these decisions. Xcel stated in their response to Fresh Energy IR 10: “In the context of the VOS, the term capacity-related serves as a description to determine which project costs are deferrable by solar and this determination must be done on a project-by-project basis.”<sup>2</sup> In responses to Fresh Energy IRs 20 and 22, Xcel states that the project categories used in this VOS filing<sup>3</sup> and the methodology used to derive added capacity for each project are not used elsewhere.<sup>4</sup> We are skeptical of the methodology’s heavy reliance on discretionary project-by-project decisions and a classification process with no prior use-cases.

As we’ve been unable to get a full picture of how these distribution investment classifications would be done under Xcel’s proposal, we suggest that in reply Xcel provide responses and rationale as to: a) whether our understanding of the three-step process for including project costs, as described above, is accurate, and if not, what the process is, b) how the company is functionalizing projects as distribution versus transmission costs (if this part of the process),

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<sup>2</sup> Xcel Energy, *Response to Fresh Energy IR 10*, submitted October 12, 2017, at page 2.

<sup>3</sup> Xcel Energy, *Response to Fresh Energy IR 20*, submitted June 3, 2019, at page 2.

<sup>4</sup> Xcel Energy, *Response to Fresh Energy IR 22*, submitted July 15, 2019, at page 2.

and c) provide detailed definitions for the categories being used (Asset Health, Customer-driven, Transmission-driven, Major Capacity Project, and Capacity).

In addition to the concerns about how the Company is classifying underlying costs necessary for deriving cost per kW, we are uncomfortable with the 50% deferral reduction factor proposed here. This new component of the methodology would reduce the cost per kW by half. In Xcel's May 1, 2019 filing, the Company says: "because solar projects will not always be sited in optimal locations or sized sufficiently to create a material impact, the Company believes that the deferral reduction factor is an appropriate tool to share project deferral risk between Solar\*Rewards Community Subscribers and Fuel Clause paying customers."<sup>5</sup>

We do not believe this statement provides sufficient grounds to reduce the avoided distribution capacity value of solar, and it does not explain how the Company arrived at 50%. The Minnesota Value of Solar Methodology states that "PV is assumed to be installed in sufficient capacity to allow this investment stream to be deferred for one year."<sup>6</sup> If the Company has data from active solar projects or robust modeling that shows a reduction factor (whether at 50% or some other level) is warranted, that would be valuable information to have in evaluating this proposal.

Thank you for the opportunity to comment on this matter.

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<sup>5</sup> Xcel Energy, Compliance Filing, May 1, 2019 at page 11 ([link](#)).

<sup>6</sup> Department of Commerce, *Minnesota Value of Solar: Methodology*, April 1, 2014 at page 36 ([link](#)).