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**In the Matter of the Petition of Xcel Energy for the Approval of a Solar Portfolio to Meet Initial Solar Energy Standard Compliance**

**PUC Docket Number: E002/M-14-162**

**Date: 12/9/2014**

**COMMENTS OF THE MINNESOTA SOLAR ENERGY  
INDUSTRY ASSOCIATION**

**INTRODUCTION**

The Minnesota Solar Energy Industry Association (MnSEIA) respectfully submits these comments regarding Xcel Energy's petition for approval of a solar portfolio to comply with Minnesota statute § 216B.1691, subd. 2f (a) - (c)

**BACKGROUND**

On October 24, 2014, Xcel Energy filed a petition with the Commission for approval of up to 187 MW of solar energy generation. The Petition requested that the Commission determine whether one, or more, of the Marshall Solar, MN Solar I and North Star Solar PPAs are in the public interest. In regards to this petition the Commission has suggested that parties respond to the following questions:

1. Should the Commission determine that Xcel's proposal, in total or in part, to acquire solar resources is a reasonable and prudent approach to meeting a portion of its obligation under Minnesota's Solar Energy Standard?
2. Is Xcel's proposal, in total or in part, to acquire solar resources consistent with the public interest, including, but not limited to the prices of energy and the allocation of financial and operational risk?
3. If the petition is approved, should the Commission grant an exemption to the Certificate of Need if required for a selected project and, if so, under what statutory provision should this exemption be granted?
4. Should the Commission approve cost recovery through its Fuel Clause Rider, as requested?
5. Any other relevant issues the Commission should consider.

In this round of comments MnSEIA will focus on responses to questions one and two.

**COMMENTS:**

**Should the Commission determine that Xcel’s proposal, in total or in part, to acquire solar resources is a reasonable and prudent approach to meeting a portion of its obligation under Minnesota’s Solar Energy Standard?**

In response to the first question, MnSEIA urges the Commission to approve all three of the solar PPA’s approved by Xcel in this filing. , Xcel states that it is not urging that the Commission “merge” its decision on the Geronimo project by inclusion in one of its three project options here, but still wants the commission to take a “holistic view” of its proposed solar portfolio options that accounts for the Geronimo project. MnSEIA believes this holistic approach has merit and that the inclusion of all utility scale solar projects discussed in Xcel’s petition represents a reasonable and prudent approach to providing the Company with cost-effective energy as well as meeting a portion of Xcel’s SES obligations.

**Is Xcel’s proposal, in total or in part, to acquire solar resources consistent with the public interest, including, but not limited to the prices of energy and the allocation of financial and operational risk?**

As context for addressing the second question posed by the Commission, MnSEIA agrees with the notion that the Geronimo project, which is under consideration in Dockets E002/CN-12-1240, M-14-788, M-14-789, should remain separate from this docket. We nonetheless believe the Commission can approve all four projects in the event that the Aurora (Geronimo) project is supported in the cited separate dockets. Xcel contemplates this option when it states, “We appreciate that there may be a desire to add all four projects now since the Investment Tax Credit (ITC) is scheduled to decline at the end of 2016.” Xcel cautions against acting now based on this timing arguing that the continuing decline in the costs of solar may offset the 20% decline in the ITC in 2016.

MnSEIA agrees with Xcel’s view that the solar industry will continue to reduce costs for solar. The largest potential cost reductions are the so-called “soft-costs” such as permitting and interconnection fees (utility dependent), zoning, etc. These reductions depend on policy implementation and as such follow a less than predictable timeline. Solar technology innovations will continue to drive cost reductions in “hard-cost” areas such as inverters, racking and other balance-of-system components. Despite these sources of solar PV cost reductions, it is unclear if these cost reductions would come soon enough to offset the declining ITC for Xcel to meet its SES obligations with the same degree of project cost effectiveness using the current ITC.

Furthermore, Xcel’s modeling of the three solar projects in this docket shows that these contracts are not only low cost solar proposals, but cost effective energy resource in their own right. When considering environmental costs as required by Minnesota law, Xcel’s modeling shows that the three contracts combined are \$47 million less expensive than Xcel’s alternate scenario in which it does not implement the contracts. MnSEIA believes that this is indicative of the competitiveness of solar as an electric generating resource, and further indicates that the Commission should approve all three contracts.

**CONCLUSION**

MnSEIA believes the Commission should require Xcel to implement all three utility scale solar PPAs including Marshall Solar, MN Solar I and North Star Solar that accounts for the likely 2016 decline in the ITC. We believe it is in the public interest to use the current and known value of the ITC prior to its decline in 2016.

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