

SOUTHERN MINNESOTA
MUNICIPAL POWER AGENCY

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January 31, 2014

VIA E-Filing and US Mail

Dr. Burl W Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: Comments of Southern Minnesota Municipal Power Agency on the
Implementation of Solar Energy Standards Pursuant to 2013 Amendments to
Minnesota Statutes, Section 216B.1691 Docket No. E-999/CI-13-542

Dear Dr. Haar:

Enclosed for electronic filing are the comments of Southern Minnesota Municipal Power Agency regarding the above referenced docket.

If you have any questions, please contact me at 507.292.6440

Regards,

Larry W. Johnston
Director of Corp. Dev, Agency Relations and
Officer of Legislative & Regulatory Affairs

LWJ:nw:2k14005
Enclosure
cc: Service List



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**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
David C. Boyd
Nancy Lange
Betsy Wergin
Dan Lipschultz

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Implementation of Solar
Energy Standards Pursuant to 2013 Amendments
to Minnesota Statutes Section 216B.1691

Docket No. E9999/CI-13-542

**COMMENTS OF SOUTHERN
MINNESOTA MUNICIPAL POWER
AGENCY ON SES AMENDMENTS TO
MINNESOTA STATUTE 216B.1691**

Southern Minnesota Municipal Power Agency (SMMPA) offers the following brief comments in response to the above referenced docket. The comments address questions posed by Staff regarding: S-REC shelf life and tracking and compliance in the Commissions December 30, 2013 notice.

SMMPA is a not-for-profit, joint action agency serving 18 member municipal utility communities throughout Minnesota.

Comments

Commission Questions:

- ***Should the Commission issue any clarification of S-REC shelf life?***

SMMPA reply: Commission staff asks the question as to whether or not the Commission should clarify that that solar renewable energy certificates (S-REC) have no shelf-life for meeting the solar energy standard (SES). SMMPA interprets no shelf-life in the following manner:

1. Solar generation will be registered, and S-RECs created.
2. S-RECs will be tracked in a robust manner.
3. A S-REC created in 2014 could be retired in 2014, 2015, 2030, 2035, etc. A S-REC has no shelf life and does not expire until it is retired.

SMMPA believes that S-RECs should have no shelf-life consistent with the above description.

Commission staff also asks the question regarding whether or not S-RECs created outside the state of Minnesota should have a similar shelf-life. SMMPA believes that S-RECs created outside the state of Minnesota should have an identical shelf-life. Treating S-RECs identically should negate any potential Commerce Clause issues. MN may want to consider whether or not S-RECs from outside the state of Minnesota should be accepted in meeting SES requirements. SMMPA's perspective is that non-Minnesota S-RECs should be allowed assuming they are from a robust tracking system that ensures the S-RECs have been properly registered, tracked, are valid, and have not been previously utilized/retired for another voluntary or compliance purpose.

SMMPA concurs with the no shelf-life position as described above. A S-REC represents the environmental value of 1 megawatt hour of a non-emitting solar generation. When that 1 megawatt hour was generated, that negated 1 megawatt hour of fossil fuel emissions. That offset emissions benefit is never lost and can never be negated. It is totally irrelevant as to whether the benefit is retired in the year it was created in any subsequent year. S-REC creation will also as all RECs do, help create a viable REC market which helps promote the development of renewable resources and compliance flexibility.

The only thing that is important is that the S-REC be rigorously recorded and tracked. Minnesota has already researched, debated, and concluded that RECs are a viable tool for compliance and promoting renewable development. However, Minnesota also concluded that for RECs to serve that purpose they need to be robustly registered and tracked. As a result, Minnesota mandated RES resources be registered and tracked in the Midwest Renewable Energy Tracking System (M-RETS). SMMPA believes that S-RECs should also be tracked utilizing that system (See response in the "tracking compliance" bullet below).

SMMPA would also suggest that upon resolving the S-REC shelf-life question that the Commission reopen its docket on determining the shelf-life for RECs under the RES. The physics behind the no shelf-life perspective described above applies equally to RECs created under the same statute. Often shelf-life has been considered an additional tool to "force" a higher level of investment by covered entities than might otherwise be required by a portfolio standard. In reality, efforts to not recognize the actual environmental benefit, shortening shelf-life only serves to deter utilities from making early investments in renewables, or driving up the cost of compliance by lessening the value of leveraging economies of scale in larger projects. As Minnesota moves to encourage more renewable and sustainable utility investment, it seems prudent to reflect the actual value of that investment. Renewable targets are best set as part of portfolio development, not by reinterpreting the environmental value by shortening certificate shelf life.

- ***What information should be provided in utilities' annual reports on the SES?***

SMMPA Reply: Since the development of the RES, there have been significant efforts on the part of the Department of Energy Resources (DER) and the Commission to mitigate reporting redundancy and streamline reporting requirements. In the initial years of the Renewable Energy Objective (REO) and the RES, it was not uncommon to have the DER and/or Commission request utility compliance information for multiple dockets or information requests. Sometimes this information was identical or a slight variation from a former request. Those efforts required staff time not only of the utilities involved but of the DER and/or Commission staff as well, time which could be better spent.

Over the last several years, there have been consistent efforts by DER and Commission staff to both reduce the number of requests as well as streamline the reporting process. A large part of being able to make those improvements was due to the quality, consistency and ease of obtaining the relevant reporting data from M-RETS. Not only did the tracking system provide the assurance to Minnesota regulators, environmental advocates and utilities that the environmental value we all pay for was actual and verifiable; without concern of double counting; but it, by definition simplified the reporting process as well.

SMMPA is not covered by the SES and will register and track its solar investments as a part of the RES. We believe we have been well served by the improved and streamlined reporting process for the RES and would recommend that an identical process be utilized for SES reporting.

- ***Should the Commission authorize an additional tracking system to track compliance with the SES?***

SMMPA Reply: As suggested briefly above, SMMPA would counsel the Commission against authorizing a new tracking system for compliance with the SES. We believe that the Commission should establish M-RETS as the SES compliance mechanism.

In the early years of the REO/RES debate, Minnesota recognized the necessity and value of developing a robust tracking system. It was understood that RECs needed to be verifiable and as the phrase went at the time, "only counted once." That has not changed today and in fact is likely more important with the distributed generation expansion contemplated by the SES with exponentially more generators involved.

To Minnesota's credit, even in those early stages, they recognized several other important components of building a robust tracking system.

1. Developing their own tracking system meant a more costly compliance burden for ratepayers than if they could share that overhead with their neighbors. And,
2. A broader footprint would spur REC trading and help advance the development of a new renewable industry.

To that end, Minnesota became a proactive partner in M-RETS. In those early years M-RETS may have seemed like a fledgling experiment with several of our surrounding state's regulatory bodies. Today, as an incorporated independent not-for-profit, M-RETS has increased its footprint and reach and is arguably the premier renewable tracking system in the country. M-RETS coordinates and interfaces with other national renewable tracking systems and is in the process of finalizing import and export procedures with a number of those entities. M-RETS is unique in that it is the only tracking system with a board of directors comprised of state regulators, utility users, and advocates providing real-time input to the needs and operation of the system. As a result, you have the users of the system providing input that leads to the potential for the streamlining of processes as mentioned above. SMMPA believes it is fair to say that there is no other tracking system in the U.S. that is as responsive to its stakeholders (regulatory, utility, advocates, voluntary market) as M-RETS.

That system has not come without significant investment and countless hours of staff time; all of which Minnesota has contributed to. The investment in the necessary infrastructure has been made, there is no reason for duplicative investment which would only add costs to state regulation and utility administration. Once all Minnesota SES program determinants have been finalized, there may need to be tweaks in operating procedures and reporting fields, but the infrastructure is already there.

The infrastructure exists for compliance, but as solar development progresses, M-RETS holds the potential to help support a potentially increasing voluntary market for S-RECs. Registration of generation for tracking and a voluntary REC market is becoming increasingly important for M-RETS. Solar owner/developers may want the assurance of a robust tracking system if they opt to participate in the voluntary REC market. M-RETS, with its base infrastructure and reach/interface with other tracking systems has, potential to help spur solar development.

In closing, Minnesota regulators, utilities and advocates have invested heavily in M-RETS. The SES is an opportunity to help increase that return on investment. The Commission should not authorize the development of another tracking system for the SES.

SMMPA appreciates the opportunity to comment on the proposal and looks forward to commenting on alternative and final proposals.

Respectfully submitted,



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**STATE OF MINNESOTA
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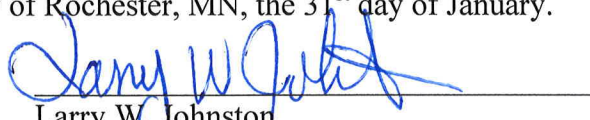
Docket No. E9999/CI-13-542

**COMMENTS OF SOUTHERN
MINNESOTA MUNICIPAL POWER
AGENCY ON SES AMENDMENTS TO
MINNESOTA STATUTE 216B.1691**

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) SS.
COUNTY OF OLMSTED)

I, Larry W. Johnston, being first duly sworn, depose and state that on the 31st day of January, 2014, I filed the attached the comments of Southern Minnesota Municipal Power Agency, in the above referenced docket, by electronic filing with the Minnesota Public Utilities Commission, 121 7th Place East, Suite 350, Saint Paul, MN 55101-2147. The non-electronic service list was served by United States first class mail at the City of Rochester, MN, the 31st day of January.

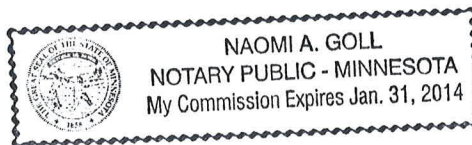


Larry W. Johnston

Subscribed and sworn to before me this
31st day of January, 2014

Naomi A. Goll

Naomi A. Goll
Notary Public



My Commission Expires: 1-31-2014

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