

December 7, 2023

**VIA ELECTRONIC FILING**

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101

**Re: Reply Comments regarding 2024 VOS Calculation**  
*In the Matter of Petition for Approval of Northern States Power Company, dba Xcel Energy, for Approval of its Community Solar Garden Program*  
Docket No. E-002/M-13-867

Dear Mr. Seuffert,

Please find attached comments from the Minnesota Solar Energy Industries Association, the Coalition for Community Solar Access, the Institute for Local Self-Reliance, Vote Solar and Clean Energy Economy Minnesota, collectively referred to as the Clean Energy Advocates. These comments reflect the views of our organizations and interested members related to the issue raised and the topics open for discussion in the Public Utilities Commission's Notice of Comment Period issued on September 22, 2023, in Docket 13-867.

Respectfully Submitted,

*The Clean Energy Advocates*

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Valerie Means	Commissioner
Matt Schuerger	Commissioner
Joseph K. Sullivan	Commissioner
John Tuma	Commissioner

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

**REPLY COMMENTS of the  
CLEAN ENERGY ADVOCATES**

**December 7, 2023**

**Docket No. E-002/M-13-867**

**INTRODUCTION**

The Minnesota Solar Energy Industries Association (“MnSEIA”) is a nonprofit trade association that represents Minnesota’s solar and storage industry, with over 150 members, ranging from rooftop installers to non-profit organizations and cooperative and investor-owned utilities that employ, in total, over 4,500 Minnesotans.

The Coalition for Community Solar Access (“CCSA”) is a nonprofit national trade organization specifically focused on the community solar industry, representing over 110 member companies with active operations in over 20 states as well as at the Federal level.

The Institute for Local Self-Reliance (“ILSR”) is a nonprofit research and advocacy organization committed to building local power and fighting corporate concentration in the U.S. economy since 1974.

Vote Solar is a non-profit policy advocacy organization with the mission of making solar more accessible and affordable across the United States. Vote Solar works at the state-level in more than 25 states, including Minnesota, to drive the transition to a just 100% clean energy future.

Clean Energy Economy Minnesota (“CEEM”) is an industry led, nonpartisan, non-profit organization representing the business voice of energy efficiency and clean energy in Minnesota. CEEM supports policies that empower consumers and provide efficient pathways that expand business opportunities for clean energy resources to benefit consumers.

Collectively, MnSEIA, CCSA, ILSR, Vote Solar and CEEM offer these comments as the Clean Energy Advocates (“CEA”).

The CEA provide the following Reply Comments in response to the Notice of Public Comment that the Minnesota Public Utilities Commission (“Commission”) issued on September 22, 2023.

### **BACKGROUND**

When the Minnesota Legislature amended Minn. Stat. § 216B.164 to include the Value of Solar (“VOS”), it stated that this “alternative tariff” would compensate “customers through a bill credit mechanism for the value to the utility, its customers, and society for operating distributed solar photovoltaic resources interconnected to the utility system and operated by customers primarily for meeting their own energy needs.”<sup>1</sup> The Minnesota Department of Commerce (“Commerce”) was directed to establish a methodology that, at a minimum, accounted for “the value of energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value.”<sup>2</sup> Subdivision 10(f) also states that Commerce “may, based on known and measurable evidence of the cost or benefit of solar operation to the utility, incorporate other values into the methodology, including credit for locally manufactured or assembled energy systems, systems installed at high-value locations on the distribution grid, or other factors.”<sup>3</sup> And, importantly, subdivision 10(h), requires the utility to annually recalculate the VOS.<sup>4</sup>

Commerce noted in the report establishing the VOS methodology:

While NEM effectively values PV-generated electricity at the customer retail rate, a VOS tariff seeks to quantify the value of distributed PV electricity. If the VOS is set correctly, it will account for the real value of the PV-generated electricity, and the utility and its ratepayers would be indifferent to whether the electricity is supplied from customer-owned PV or from comparable conventional means. Thus, a VOS tariff eliminates the NEM cross-subsidization concerns.<sup>5</sup>

In the order approving the VOS for CSGs, the Commission agreed with this position, stating, “Because the value-of-solar rate compensates subscribers for the value—and only the value—that their generation brings to Xcel’s system, it will address concerns that nonparticipating ratepayers are subsidizing the program.”<sup>6</sup>

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<sup>1</sup> Minn. Stat. § 216B.164, subd. 10(a).

<sup>2</sup> Minn. Stat. § 216B.164, subd. 10(f).

<sup>3</sup> *Id.*

<sup>4</sup> See Minn. Stat. § 216B.164, subd. 10(h) (“The utility shall recalculate the alternative tariff on an annual cycle, and shall file the recalculated alternative tariff with the commission for approval.”).

<sup>5</sup> Minnesota Department of Commerce, Division of Energy Resources, Minnesota Value of Solar: Methodology, p. 1 (April 1, 2014) (“VOS Methodology”).

<sup>6</sup> Public Utilities Commission, *In the Matter of Petition for Approval of Northern States Power Company, dba Xcel Energy, for Approval of its Community Solar Garden Program*, ORDER APPROVING VALUE-OF- SOLAR RATE

With regard to the environmental cost component of the methodology, the methodology stated:

Environmental costs are included as a required component and are based on existing Minnesota and federal externality costs. CO<sub>2</sub> and non-CO<sub>2</sub> natural gas emissions factors (lb per MM BTU of natural gas) are from the EPA and NaturalGas.org. Avoided environmental costs are based on the federal social cost of CO<sub>2</sub> emissions plus the Minnesota PUC-established externality costs for non-CO<sub>2</sub> emissions.<sup>7</sup>

In the order approving the VOS methodology, the Commission noted that Commerce “recommended approval of the methodology using EPA’s ‘Social Cost of Carbon’ values,” and “stated in its supplemental comments, and again at the Commission meeting, that the marginal nature of the Social Cost of Carbon values was ‘the key reason’ to recommend them over other suggested values.”<sup>8</sup> The Commission also noted that Commerce “supported its choice by arguing that the chosen values are more up-to-date.”<sup>9</sup> After considering the arguments of Commerce and others regarding the appropriate environmental costs, the Commission concluded “that the Social Cost of Carbon values are suitable for us in the Value of Solar Methodology.”<sup>10</sup>

With regard to environmental costs, Minnesota law directs the Commission to, “to the extent practicable, quantify and establish a range of environmental costs associated with each method of electricity generation.”<sup>11</sup> When the Minnesota Legislature adopted its 100 percent clean energy by 2040 law, it amended Minn. Stat. § 216B.2422, subd. 3, and directed the Commission to:

adopt and apply the draft cost of greenhouse gas emissions valuations presented in the United States Environmental Protection Agency's EPA External Review Draft of Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, released in September 2022, including the time horizon, global estimates of damages, and the full range of discount rates from 2.5 to 1.5 percent, with two percent as the central estimate.<sup>12</sup>

In recent comments filed by Commerce, Commerce had Dr. Chan, a professor at the University of Minnesota, calculate the 2024 VOS including the Social Cost of Greenhouse Gases, as

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FOR XCEL’S SOLAR-GARDEN PROGRAM, CLARIFYING PROGRAM PARAMETERS, AND REQUIRING FURTHER FILINGS, Docket No. E002/M-13-867, p. 14 (Sept. 6, 2016) (“Sept. 2016 PUC CSG Order”).

<sup>7</sup> VOS Methodology, p. 40 (citations omitted).

<sup>8</sup> Public Utilities Commission, *In the Matter of Establishing a Distributed Solar Value Methodology under Minn. Stat. § 216B.164, subd. 10 (e) and (f)*, ORDER APPROVING DISTRIBUTED SOLAR VALUE METHODOLOGY, Docket E-999/M-14-65, p. 12 (April 1, 2014) (“2014 VOS Order”).

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> Minn. Stat. § 216B.2422, subd. 3.

<sup>12</sup> H.F. 7.

required by Minnesota law. Dr. Chan noted that the 2024 VOS calculation filed by Xcel used “estimates of the social cost of carbon (SCC) from 2007 at a 3% discount rate,” while his Updated SCC case uses EPA’s 2022 estimate of the SCC at a 2% discount rate.”<sup>13</sup> With the more updated valuations, the 2024 VOS is calculated to be \$.1996 per kWh instead of \$.0990 per kWh.

On September 22, 2023, the Commission issued a Notice of Comment Period, which stated that the issue was, “Should the Commission approve Xcel Energy’s calculation of the Value of Solar (VOS) rate for 2024 and the Company’s proposed 2024 VOS vintage year bill credit tariff sheets,” and listed the following topics as open for comment:

- 1) Should the Commission approve the 2024 VOS?
- 2) Should the Commission discontinue the requirement for Xcel to file updated value-of-solar (VOS) calculations, as found in the Commission’s March 4, 2020 Order?
- 3) Are there other potential uses and applications for the VOS?
- 4) Are there any other issues or concerns related to this matter?<sup>14</sup>

Commerce filed Initial Comments on November 27, 2023. In its comments, Commerce noted that while Xcel’s calculations “mathematically correct and consistent with past practice,” they did not reflect current developments related to the social cost of carbon dioxide (a greenhouse gas).<sup>15</sup> Accordingly, it recommended “that the Commission require that Xcel, subject to a 30-day negative check-off, recalculate 2024 VOS rates to reflect avoided environmental costs consistent with Minn. Stat. § 216B.2422, subd. 3.”<sup>16</sup> Commerce also noted that while the 2023 legislation changed the bill credit rate that community solar gardens would receive under its new Public Interest CSG program, it did not amend Minn. Stat. § 216B.164, subd. 10, which requires Xcel to “recalculate the alternative tariff on an annual cycle.”<sup>17</sup> Accordingly, it recommended that the Commission “continue the requirement for Xcel to annually file updated VOS calculations.”

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<sup>13</sup> Department of Commerce, *In the Matter of Northern States Power Company, dba Xcel Energy, for Approval of Its Proposed Community Solar Garden Program*, INITIAL COMMENTS, Docket E002/CI-23-335, p. 22 (Sept. 28, 2023).

<sup>14</sup> Public Utilities Commission, *In the Matter of the Formal Complaint and Request for Relief by the Minnesota Solar Advocates against Northern States Power Company dba Xcel Energy*, Dkt. C-23-424, NOTICE OF COMMENT PERIOD, p. 1 (Sept. 22, 2023).

<sup>15</sup> Department of Commerce, *In the Matter of Petition for Approval of Northern States Power Company, dba Xcel Energy, for Approval of its Community Solar Garden Program*, INITIAL COMMENTS, Docket E002/M-13-867, p. 1-2 (Nov. 27, 2023) (“Commerce Initial Comments”).

<sup>16</sup> *Id.* at p. 3.

<sup>17</sup> *Id.* at p. 2.

## REPLY COMMENTS

The CEA provide the following comments in response to the topics open for comment.

### **1. Should the Commission approve the 2024 VOS?**

No. The CEA agree with Commerce that Xcel’s 2024 VOS calculation “does not reflect current developments related to the social cost of carbon dioxide (a greenhouse gas).”<sup>18</sup> When the Minnesota Legislature passed the 100 percent clean energy by 2040 law, it specifically directed the EPA’s Social Cost of Greenhouse Gases to be used in calculating environmental costs.<sup>19</sup> Xcel did not use that in its calculations. Accordingly, the CEA agree with Commerce that “the Commission require Xcel, subject to a 30-day negative check-off, recalculate 2024 VOS rates to reflect avoided environmental costs consistent with Minn. Stat. § 216B.2422, subd. 3.”<sup>20</sup>

### **2 Should the Commission discontinue the requirement for Xcel to file updated value-of-solar (VOS) calculations, as found in the Commission’s March 4, 2020 Order?**

No. The CEA agree with Commerce. First and foremost, Minn. Stat. § 216B.164, subd. 10(h), requires Xcel to “recalculate the alternative tariff on an annual cycle.” There is no provision in this law for allowing Xcel to cease this statutorily required annual calculation. Moreover, the VOS is a tariff provision that is available for projects other than CSGs. In light of the fact that the DG tariff has never been used, this could provide an alternative tariff option for projects that are not chosen to be a community solar garden under Commerce’s new Public Interest CSG program or selected through the competitive process that will be approved by the Commission.

### **3. Are there other potential uses and applications for the VOS?**

Yes, there are other potential uses and applications for the VOS. As noted above, this could provide an alternative tariff option for projects that are not chosen to be a community solar garden under Commerce’s new Public Interest CSG program or selected through the competitive DG selection process that will be approved by the Commission.

### **4. Are there any other issues or concerns related to this matter?**

The CEA agree with Commerce that the Commission should consider evolving the VOS “methodology moving forward to reflect our changing energy landscape.”<sup>21</sup>

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<sup>18</sup> See Commerce Initial Comments, p. 3.

<sup>19</sup> See Minn. Stat. § 216B.2422, subd. 3. This subdivision requires the Commission to “provisionally adopt and apply the draft cost of greenhouse gas emissions valuations” presented in the EPA’s draft report until “the final version of the external review draft report . . . becomes available.” The final report was published on December 2, 2023. See EPA’s Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances, available at: <https://www.epa.gov/environmental-economics/scghg> (Dec. 2, 2023); see also New York Times, Biden Administration Unleashes Powerful Regulatory Tool Aimed at Climate, available at: <https://www.nytimes.com/2023/12/02/climate/biden-social-cost-carbon-climate-change.html> (published Dec. 2, 2023).

<sup>20</sup> See *id.*

<sup>21</sup> See Commerce Initial Comments, p. 3

## CONCLUSION

The VOS is a vitally important tool that can be used to attain Minnesota's clean energy goals. To be an effective tool, however, the VOS must accurately reflect the social cost of carbon dioxide and avoided negative externalities. The Commission, by directing Xcel to recalculate the 2024 VOS, including the social cost of greenhouse gases, and requiring Xcel to annually recalculate the VOS consistent with Minnesota law, will make VOS an effective tool for a variety of potential uses and applications. With this affirmative Commission action, the VOS will finally send an accurate message into the marketplace and stimulate the type of projects that can help attain the clean energy requirements in Minnesota and boost economic development.

Accordingly, the CEA respectfully request that the Commission:

- Direct Xcel to recalculate the 2024 VOS including the Social Cost of Greenhouse Gases;
- File the recalculated 2024 VOS subject to a 30-day negative check-off; and,
- Require Xcel to continue to annually recalculate the VOS pursuant to Minn. Stat. § 216B.164, subd. 10.

Thank you for your time and consideration of this important issue.

Sincerely,

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