



February 20, 2014

VIA ELECTRONIC

SERVICE

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

Re: In the Matter of the Implementation of Value of Solar Tariff. PUC Docket No. E-999/M-14-65

Dear Dr. Haar,

In connection to the above referenced matter, please find enclosed comments filed on behalf of the Minnesota Renewable Energy Society. We appreciate the transparent and educational process that transpired to get us to this point. We hope the Value of Solar Tariff will be a valuable tool in supporting and growing solar in Minnesota. The nation is watching us as we travel this new path.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Laura Burrington".

Laura Burrington
Managing Director
Minnesota Renewable Energy Society
612-963-4757

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger	Chair
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Dan Lipschultz	Commissioner
Betsy Wergin	Commissioner

**In the Matter of the Implementation of
Value of Solar Tariff**

Docket number: E999/M-14-65
Date:

**REPLY COMMENTS OF THE MINNESOTA RENEWABLE
ENERGY SOCIETY**

The Minnesota Renewable Energy Society (MRES) submits these remarks following the invitation to comment on the Department of Commerce, Division of Energy Resources' (DER) Value of Solar (VOS) methodology. MRES appreciates this opportunity to reply to the comments submitted on the proposed VOS methodology on February 13, 2014.

Last week's round of comments demonstrated a strong public interest in the VOS and its inherent benefits to society. Among the other comments, MRES particularly agrees with the Environmental Law and Policy Center et al. (ELPC) and the Minnesota Solar Energy Industries Association (MnSEIA). Specifically, MRES supports the ELPC's recognition that the VOS, by statute, must "account for the value of energy and its delivery, generation capacity, transmission and distribution line losses, and environmental value."¹ MRES also joins the ELPC, MnSEIA, Xcel, and others in approving of the VOS methodology's 25-year levelized value for photovoltaic generators (PVG).

The DER has conducted its development of the VOS in a thorough and transparent manner. MRES supports the methodology to the extent that it aligns with MRES's past comments. MRES disagrees, however, with several points in the VOS methodology, some of

¹ MINN. STAT. 216B.164, subd. 10(f).

which are advocated in the comments by Xcel and other utilities. Of these points of disagreement, the absence of the *full* value of SRECs in the VOS is among the most concerning.

I. MRES’S SUPPORT FOR FEB. 13, 2014 COMMENTS FROM OTHER ENVIRONMENTAL GROUPS

A. MRES SUPPORTS THE PROPOSED METHODOLOGY’S CALCULATION OF ENVIRONMENTAL COSTS

MRES agrees with the ELPC on DER’s use of the EPA Social Cost of Carbon in quantifying the VOS’s environmental value. MRES and the ELPC expect the EPA to soon update these values to reflect the current scientific understanding of these costs and values. Minn. Stat. 216B.164, subd. 10(a) requires the VOS to compensate customers “for the value to the utility, its customers, and society. . .” for the solar power they produce.² Paying PVGs for avoided carbon emissions aligns with this goal in that it compensates PVGs for the value they generate to both utility ratepayers and the general public.³

B. THE VOS METHODOLOGY SHOULD COMPENSATE PVGS FOR THE MARKET VALUE OF THE AVOIDED COMPLIANCE COST WITH SREC REQUIREMENTS

MRES supports the ELPC and MnSEIA in advocating for the inclusion of the “Compliance Cost Value” of SRECs in the VOS.⁴ Without the SRECs generated by PVGs, utilities would face noncompliance penalties.⁵ These compliance costs, as determined by Minnesota’s Solar Energy Standard (SES) and Renewable Energy Standard (RES) couple with

² MINN. STAT. 216B, subd. 10(a).

³ Comments of ELPC et. al, Feb. 13, 2014, PUC Docket E999/M-14-65 *In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Stat. §216B.164, subd. 10* [hereinafter “ELPC Comments”].

⁴ Comments of MRES, Feb. 13, 2014, PUC Docket E999/M-14-65 *In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Stat. §216B.164, subd. 10*, 3–4 [hereinafter “MRES Comments”]. MRES referred to avoided compliance cost value as the “market value” of SRECs. *See* Comments of MnSEIA, Feb. 13, 2014, PUC Docket E999/M-14-65 *In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Sta. §216B.164, subd. 10*, 3 (“While MnSEIA supports DER’s proposed VOST environmental value methodology we continue to assert that the implementation of the methodology does not provide just compensation for the full value of an SREC.”).

⁵ ELPC Comments at 13.

the avoided environmental costs of solar energy to make up the value of an SREC.⁶ The VOC does not currently account for this value.⁷

MRES also sides with the ELPC and MnSEIA in urging the Commission to include in the VOS the avoided compliance cost of SRECs conferred to utilities under Minn. Stat. §216B.164, subd. 10(i).⁸ The Commission has authority to incorporate other values, such as the avoided compliance cost value, into the methodology based on the DER's evaluation of solar operation costs and benefits to utilities.⁹ MRES advocates for the VOS to compensate PVGs for the SRECs they produce. This will prevent windfalls for utilities who gain both the avoided compliance cost and the market value should they decide to sell the SRECs on the open market.¹⁰

C. MRES SUPPORTS ADDITIONAL CONSIDERATION OF AN ECONOMIC DEVELOPMENT VALUE IN THE VOS METHODOLOGY

An economic development value is a statutorily optional component of the VOS.¹¹ By specifically naming an economic development value as optional, the Legislature invites a debate about its inclusion, leaving the Commission with the final decision. MRES would like to encourage this discussion. MnSEIA's comments provide valuable insight to this debate.

MnSEIA, in its comment, argues for the inclusion of the economic development value by pointing to past Commission dockets as well as arguments advanced by Xcel.¹² MnSEIA argues that the question of whether or not an economic development benefit is valuable to the utility, its customers, and society is settled. The debate, therefore, should now be focused on how to value that benefit and then include it in the VOS. In recognition of the Legislature's decision to specifically include a credit for locally manufactured or assembled energy systems in its optional

⁶ MRES Comments at 3.

⁷ ELPC Comments at 13–14.

⁸ MRES Comments at 6; *See* Comments of MnSEIA, Feb. 13, 2014, PUC Docket E999/M-14-65 *In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Stat. §216B.164, subd. 10*, 3 [hereinafter "MnSEIA Comments"] ("SRECs represent the SES compliance value which is related to, but distinct from the environmental value. We urge the commission to require just compensation for the compliance value of SRECs").

⁹ MINN. STAT. 216B.1641, Subd. 10(f) (2013); H.F. 729, Ch. 85, Art. 9, § 20, ¶f, 88th Leg., Reg. Sess. (Minn. 2013).

¹⁰ ELPC Comments at 15.

¹¹ MINN. STAT. § 216B.164, subd. 10(f).

¹² *See* PUC Docket GR 12-961.

components, MRES would like to highlight the comments submitted by MnSEIA arguing for the inclusion of an economic benefit value to VOS. MRES salutes MnSEIA in adding to the discussion on including an economic benefit value. MRES would like to encourage further growth of that discussion.

D. THE VOS METHODOLOGY SHOULD PROVIDE AN OPTION FOR PVGS TO RETAIN THE SRECS THEY GENERATE

In addition to its support for the points raised by other groups, MRES continues to assert that PVGs must not only receive just compensation for the avoided compliance cost value to utilities but also have the option to buy-back their SRECs.¹³ A buy-back option conforms to the purpose of Minnesota’s renewable energy statutes by maximizing the Commission’s encouragement of cogeneration and small power production, implementation of renewable energy objectives “to maximize benefits to Minnesota citizens,” and consideration of “local ownership of or participation in energy production.”¹⁴ This option will encourage PVG participation in solar initiatives which will in turn facilitate compliance with SES.

SRECs have value independent of the environmental externalities they seek to capture. SRECs have a “market value” that exists only insofar as the owner can freely trade SRECs on the open market. By depriving PVGs of their right to dispose of the SRECs as they please, the Legislature takes a fundamental property right from PVGs. The Commission has the statutory authority to approve utility power purchase agreements, enabling it to modify the terms of the option provision based on the needs of the parties involved.¹⁵

II. MRES’S SUPPORT OF AND OPPOSITION TO THE PUBLIC UTILITIES’ COMMENTS

MRES and the local utilities agree that the VOS is a valuable addition to our current renewable energy landscape. MRES and Xcel further agree that the VOS should pay solar

¹³ MRES Comments at 6 (“This statutory language [Minn. Stat. 216B.164 subd. 10(a)] demonstrates the Legislature’s concern with ensuring distributed PVGs are fully compensated for the relinquishment of the SRECs they create.”).

¹⁴ *Id.* (citing Minn. Stat. 216B.164, subd. 9 (2013)).

¹⁵ MINN. STAT. § 216B.1645, subd. 1 (2013).

customers “a fair value for their contributions.”¹⁶ The Legislature echoes this fairness principle by requiring the tariff to “compensate[] customers . . . for the value to the utility, *its customers, and society.*”¹⁷ If this value is not fully reflected in the VOS, one or more parties will be harmed and the will of the Legislature will be undermined.

A. THE GUIDING PRINCIPLES SET FORTH BY XCEL REQUIRE THE INCLUSION OF THE FULL VALUE OF SRECS IN THE VOS

In order to meet the objectives of the VOS, the tariff must include, among other things, the full value of SRECs.¹⁸ For this reason and others, (see our February 13, 2014 comments to the Public Utilities Commission) the Legislature intended to include the SRECs’ full value.¹⁹ This inclusion, however, also fits within the “Guiding Principles”²⁰ of Xcel. For example, Xcel cautions against “paying [customers] in excess of the real value of solar.”²¹ Such a result, Xcel warns, would distort price signals and could indirectly subsidize less cost-efficient energy production at the expense of customers.²² Consequently, a true, objective VOS methodology will prevent this problem.

1. Maintaining a True Value of Solar

Xcel describes a true VOS as being “when the amount customers are paying for distributed solar equals the costs that are avoided, there is no impact on rates and no inequity between solar and non-solar customers.” Among the customers’ costs is the market value (as opposed to the environmental value) of SRECs. Unless and until this value is reflected in the VOS, solar producing customers are “charged” this amount every time the utilities take the customer-generated SRECs. In other words, the customers lose the amount they could have

¹⁶ Comments of Xcel Energy, Feb. 13, 2014. PUC Docket E999/M-14-65 *In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Stat. §216B.164, subd. 10*, 1 [hereinafter “Xcel Comments”].

¹⁷ MINN. STAT. § 216B.164, subd. 10(a) (2013) (emphasis added).

¹⁸ See MRES Comments Part I, Feb 13, 2014 (arguing for the inclusion of the “market value” of SRECs); See also, ELPC Comments (arguing the same, but with slightly different terminology).

¹⁹ *Id.*

²⁰ Xcel Comments at 4..

²¹ *Id.* at 2.

²² See *id.* at 6–7 (providing a hypothetical in which an inflated VOS causes increased—and costlier—solar production).

otherwise made had they been able to sell their SRECs. All things considered, the solar customer is in a worse position than his or her non-producing counterpart. Consequently, the inclusion of the full SREC value is in line with Xcel’s guidelines.

2. Known and Measurable

The full value of SRECs is known and measurable. Xcel, according to its Guiding Principles, suggests that all VOS components be “Known, Measurable, and Consistent with Past Precedent.”²³ Although no mention of SRECs appears in the Guiding Principles, it is undeniable that this value is known to exist. This value will become more easily measured once the Commission sets the rules for SRECs and, in response, a Minnesota-specific market develops. Due to the uniqueness of SRECs and a statewide VOS methodology, it is hard to pinpoint an exact precedent in support of their inclusion. The principles surrounding the need to compensate producers for the full value of their product (the energy along with the SRECs), however, are deeply entrenched in the law.

Of the applicable guidelines set out by Xcel, the inclusion of the full value of SRECs is acceptable and sensible. Additionally, the statute makes several references to full compensation to customers, both protecting their interests and incentivizing the use of solar.²⁴ Not including the value of SRECs in the VOS would directly counter all of these goals. Consequently, the inclusion of SRECs is consistent with Xcel’s Guiding Principles, the interests of the customers, society—via the numerous benefits of abundant solar energy—and the State.

B. THE 25 YEAR VOS TERM SHOULD BE LONGER

MRES also agrees with Xcel on the Department’s adoption of the 25-year VOS term, but recommends that 25 years be the *minimum* acceptable term of years. This guarantees income with a degree of certainty for a longer period of time, which in turn allows more people to become solar producers. In addition, the U.S. Department of Energy has determined that the average useful life of a PV unit is 30 years. Therefore, a VOS term of 30 years makes practical sense, as it would more accurately reflect the average lifespan of the PV unit.

²³ *Id.* at 5.

²⁴ *See* MINN. STAT. § 216B.164, subs. 1 & 10 (2013).

We appreciate this opportunity to submit our reply to some of the comments surrounding the Value of Solar Methodology. As with earlier comment periods on the Value of Solar docket, this process has been transparent and open. The Value of Solar Methodology will be a welcome addition to our renewable energy landscape, and MRES believes that it will be even better as a result of this open forum.