



LLS RESOURCES, LLC
RESOURCE DEVELOPMENT
RESOURCE UTILIZATION

To: Minnesota Public Utilities Commission

RE: COMMENTS

Solar Docket No. E-002/CI-13-315

Commission Order Dated May 13, 2013

July 1, 2013 **Draft** Progress Report

Based on Xcel's June 11 solar project stakeholder meeting, Xcel, DER and SRRG filed progress reports as prescribed by the Commission on July 1, 2013 and Xcel replied to DER and SRRG progress reports on July 15, 2013. SRRG replies as follows to both Xcel and DER regarding July 1 and July 15 filings in order to help facilitate discussion at future meetings. There is limited discussion herein for the reasons we take the positions, rather leave this for the meetings and subsequent detailed comments.

1. DER problems with Xcel's solar rate capacity credit filing – Use of Grace Period

On July 1, 2013, the DER noted in its progress report filing on page 4, a problem with Xcel's tariff filing to implement the \$5.15 per KW-mo. The DER stated that the credit should not be subject to a 964 hour standby grace period each year before becoming effective on customer bills. In its filing, the DER states the following:

On May 30, 2013 Xcel filed an Interim Rate of \$5.15 per kW per month as a modification to the Standby Service Rider. In response to an Information Request from the Solar Rate Reform Group (SRRG IR 1), Xcel stated that the interim solar capacity credit "occurs in billing months after grace period hours are exhausted." From the Department's review of Xcel's May 30, 2013 compliance tariff filing (see Attachment) it appears that Xcel is interpreting the tariff language to delay application of the credit for several months each year (the standby grace period is 964 hours per year).

However, the Department's recommendation was that "the capacity credit be set at \$5.15 per kW-month for every month." It appears that the Commission's Order adopted that approach by stating that "large photovoltaic on the Standby Service tariff should receive this credit beginning with bills issued on or after June 1, 2013."

The Department was unaware of Xcel's interpretation until reviewing Xcel's response to SRRG's information request noted above, subsequent to Xcel's May 30, 2013 compliance filing.

However, rather than recommend immediate action to revise the tariff, DER further states on page 4: “Department reserves this issue now, to be addressed in final solar rates, based on further development of this issue”

The SRRG agrees with DER regarding the deficiency in Xcel’s filing, but requests that the rate be revised now so that the effective date of the credit is not subject to the 964 hour grace period. Instead, during the grace period, the \$5.15 per KW-mo should be allowed as a credit on the solar customer’s bill to offset the applicable standby demand charge (which depends on the customer’s service voltage). Because of procedures and uncertainties under the new solar legislation, the interim credit may be effective longer than anticipated, which would unduly prolong the foregoing deficiency and penalties to solar standby customers.

2. Applicable solar capacity rating – Nameplate capacity in ESA or monthly peak output

According to Xcel’s response to SRRG’s Informal IR No. 2, the capacity that the credit applies should be the AC capacity rating in the electric service agreement, which includes standby service. According to one of SRRG’s participants, the credit on the customer’s initial bill after June 1, 2013 was applied instead to the 15-minute maximum solar output during the billing period. Xcel should clarify its billing practice to either be consistent with the electric service agreement or other acceptable AC rating. Xcel states on page 1 of its July 15 reply comments “The appropriateness of using a nameplate capacity rating in place of a measured peak capacity contribution is another issue for consideration”.

SRRG recommends that the same capacity rating used for measurement of standby service be used to apply the solar credit.

3. Anniversary date unfairness

SRRG also notes that application of the grace period causes solar customer unfairness because the grace period is tied to the anniversary of the solar facility in-service date. i.e., for a solar customer initially taking service during winter months, the grace period offsets otherwise applicable winter demand charges, while for a solar customer initially taking service during summer months, the grace period offsets much higher summer demand charges. Xcel should also correct this disparity by synchronizing all anniversary dates for grace period use to the beginning of the next summer period, regardless of when solar standby service initially begins.

4. Xcel July 15 reply comments – regarding appropriate establishment of appropriate value versus \$5.15

Regarding the capacity value of solar, Xcel states in its July 15 reply comments:

Because there is not consensus on the methodology to calculate the value of avoided capacity, we will continue to provide the value based on avoided embedded costs, as well as the current values established for our interruptible programs.

The SRRG strongly disagrees with Xcel’s approach to determining capacity values for the following reasons:

- a) Based on Mr. Steve Wishart’s report at the June 11 stakeholder meeting, Xcel’s ELCC study uses 100 MW of combustion turbines (CT’s) as a proxy for the capacity contribution of 100 MW of solar PV capacity. CT’s are therefore a proper form of reference.
- b) The value of solar is separate and distinct from interruptible credits which Xcel claims should be a point of reference. Solar resources are not interruptible.
- c) Because Xcel’s method for allocating fixed generation costs is based on the stratification method, the avoided generation capacity costs in Xcel’s demand rates account for approximately only 1/3 of total generation costs and includes a combination of nuclear, coal-fired, combined cycle and peaker capacity costs. This means that approximately 2/3 of true capacity costs are recovered as energy charges. (see Xcel response to informal IR No.10.) Therefore, the demand component in base rates is not representative of avoided capacity costs due to solar.
- d) Xcel has provided the 2013 avoided cost of a peaker as \$87.04 per KW-yr as shown in Xcel’s response to SRRG IR No. C13 on November 12, 2012 (the first series of IR’s issued by SRRG and adopted into Xcel’s general rate case). This is equivalent to \$7.25 per KW-mo, which is substantially in excess of Xcel’s claim of \$4.99 per KW-mo (see ELCC study report, Part V, page 12 for Xcel’s claim for generation capacity value embedded in rates). Xcel treats transmission as 100% buried in base rates with which SRRG agrees. Xcel uses the higher value for purposes of determining their own incentive payments set in the CIP proceedings, solar ratepayers should be able to use the same value... unless Xcel thinks it is too high, in which case Xcel should provide refunds to ratepayers.
- e) Except for the exclusion of external environmental value, avoided CT, transmission, and T&D losses are consistent with new state law, which defines the distributed solar value methodology under Article 3, Sec 10, Subd. 10 of the bill made law this legislative session. Under this provision, the value must consider delivery, generation capacity, transmission capacity, transmission and distribution losses, and environmental value (we exclude environmental value at this time because environmental value is external and not consistently quantified). The SRRG methodology is therefore conservative and is consistent with the new state law as well as with DER’s methodology.
- f) The solar avoided loss contribution should be increased to be consistent with peak period capacity losses at 9.2%, also to be consistent with Xcel’s response to SRRG informal IR No. 14.
- g) Recommendations to date regarding capacity value can be summarized as follows:

	<u>SRRG</u> \$ per KW-mo	<u>Xcel</u> \$ per KW-mo
Capacity	\$7.25	\$4.99
Transmission	\$2.52	\$2.52
Subtotal	\$9.77	\$7.51
Losses at (9.2%)	\$0 .90	-0-
Total	\$10.67	\$7.51

*SRRG recognizes that this capacity value would be multiplied by the solar output factor from the ELCC study.

Respectfully submitted,

/s/ _____
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