

STATE OF MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
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Docket No. E-002/M-13-867 In the Matter of the Petition for approval of Northern States Power Company, dba Xcel Energy, for approval of its Community Solar Garden Program. July 19, 2019

**Comments on Docket No. E002/M-13-867 – IPS Solar opposition to Xcel Energy’s proposal for an alternative method for calculating the Value of Solar (VOS) avoided distribution cost for the Company’s Community Solar Garden program.**

**A. Introduction**

IPS Solar appreciates the opportunity to comment on Xcel Energy’s proposal for an alternative method for calculating the Value of Solar (VOS) avoided distribution cost for the Company’s Community Solar Garden program. IPS Solar has developed a significant number of Community Solar Gardens (CSGs) throughout Minnesota in partnership with school districts, municipalities and businesses using the VOS as a key driver for this development. We understand that the intent of the VOS as stated in the 2013 enabling statute was to provide a rate that would benefit Xcel rate payers as well as society. Our comments today are aimed at insuring that the VOS avoided distribution cost component filed by Xcel in this docket May 1, 2019 is correctly calculated.

**B. Qualified Support for Xcel’s Proposed Alternative Formula for the VOS Avoided Distribution Capacity and Opposition to the Proposed 50% Discount Factor**

The March 22, 2019 commission order concluded with these two order points:

2. The Minnesota Department of Commerce and Xcel shall solicit the opinions of the stakeholders regarding Xcel’s proposed alternative method for calculating the VOS’s avoided distribution cost, and Xcel shall file a more fully developed proposal no later than May 1, 2019.

3. The Department shall continue its stakeholder process exploring the calculation of location specific avoided distribution costs and shall file a proposal or progress report by December 31, 2019.

In relation to Order Point #2, *“The Company proposes to measure this value by identifying capital costs for capacity-related distribution projects over 5 years, then dividing those capital costs by the quantity of distribution system capacity increases over 5 years. By focusing on current and future distribution project costs, the calculation is more representative of the current distribution project cost level and distribution system needs.”* On this aspect of Xcel’s proposal, we support this new formula to help reduce this VOS aspect’s volatility but urge accounting for distribution capacity increase for 10 years and inclusion of both asset health and capacity distribution upgrades.

We take issue however, with Xcel's proposed 50% deferral reduction factor. *"...since it is not clear if solar could be deployed in specific places on the distribution system or achieve the critical mass such that the distribution projects could be avoided or deferred by the actual solar installed, the Company proposes a 50% reduction factor to share this risk between solar providers and system customers.* On its face, this appears to be a reasonable "risk share" proposal, but is targeting beneficial distribution grid solar deployment and solar at the scale necessary to defer distribution investments currently a risk to Xcel? We suggest that Xcel, to its credit, has already moved to significantly reduce these two risks.

IPS Solar understands that the information necessary for the Commission to evaluate the path forward for accurate VOS calculation of the distribution capacity element is not restricted to this docket. In this regard, we are not trying to by-pass the process ordered in Order Point #3 but to include information from the Integrated Distribution Plan (IDP) (DOCKET NO. E002/CI-18-251) that shows Xcel's ability to map needed distribution upgrades and a comparative cost analysis of non-wires and traditional upgrades.

In framing the Xcel IDP, the PUC staff state, *"Xcel shall provide a detailed discussion of all distribution system projects in the filing year and the subsequent 5 years that are anticipated to have a total cost of greater than two million dollars. For any forthcoming project or project in the filing year, which cost two million dollars or more, provide an analysis on how non-wires alternatives compare in terms of viability, price, and long-term value.(p.84)* On the next page Xcel lists 39 distribution upgrades by location that meet this cost threshold. (It is likely that a lower cost threshold would enlarge the list of upgrade locations overall and increase the number of less complex upgrades) Whatever the final list size it is clear that Xcel is able to map the beneficial locations for CSGs on its distribution network.

Relative to Xcel's proposed 50% distribution capacity reduction factor for VOS, their next question is whether a CSG can achieve the critical mass such that the distribution projects could be avoided or deferred by the actual solar installed. Certainly, when located properly, the solar energy alone from a CSG can reduce the cost of distribution upgrades to avoid overloads from pockets of new peak loads. Looking at Xcel's IDP again Xcel discusses the emerging role of DERs (Distributed Energy Resources) where solar in combination with battery storage, and targeted energy efficiency and demand response can defer and even avoid distribution investments. No one is preventing Xcel from working with CSG developers, like IPS Solar, to create DER projects that optimize solar. Nor is anyone preventing Xcel from clustering 1MW non-collocated CSGs that defer feeder and possibly sub-station upgrades.

### **C. Conclusion**

In conclusion, IPS Solar gives qualified support for Xcel's new formula for the distribution capacity element in the VOS value stack but urges the Commission to reject Xcel's proposed 50% distribution capacity reduction factor. Based on Xcel's comments in this docket and the IDP, Xcel clearly controls both where and how CSGs are beneficially developed in their distribution network. Xcel rate payers therefore are receiving the full distributed capacity value – not 50% - and we urge the Commission to support the full value solar delivers to the distribution grid.

Thank you for your consideration,

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