



September 5, 2013

- Via Electronic Filing -

Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: Comments on Factual Errors Used in Scoring Project EP4-29  
Re-consideration of project based on accurate information and  
Request for funding in the Matter of Northern States Power  
Company's Cycle 4 Renewable Development Fund in regards to  
Project EP4-29, Dragonfly Solar – McNelius Wind Farm Project

Docket No. E002/M-12-1278

FROM: EP4-29 Stakeholders:  
Dragonfly Solar, LLC  
McNelius Industries  
Paulson Law Offices

Dear Dr. Haar:

This letter is intended to point out what we believe to be factual errors used in the evaluation of our proposed project EP4-29, and as a request to correct the ranking of the proposal after removal of stated key objections which were never a part of the proposal for our project at McNelius Wind Farm – Solar Addition, EP4-29 from Dragonfly Solar, LLC. We believe these mistakes were severe enough to have caused the project to be placed on the reserve list and after soliciting feedback from business and governmental advisors, we submit the following information.

Please contact me at [s.peters@dragonfly-solar.com](mailto:s.peters@dragonfly-solar.com) or 612-246-3139 if you have any questions regarding this filing.

As can be seen from the ranking in the following chart, the proposal was initially scored at 156.78 by the independent evaluators. This was the 11<sup>th</sup> highest score and earned it a ranking in Category 1 of the projects recommended for funding.

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***Dragonfly Solar***

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Table 1

4 <sup>th</sup> Cycle Proposals Selected for RDF Advisory Group Review				
Proposal	Applicant	Grant Request	Score	Category
<b>Energy Production Proposals</b>				
EP4-38	Minnesota Go Solar	\$ 7,439,000	187.45	1
EP4-20	Target Corporation	\$ 583,513	182.85	1
EP4-48	Oak Leaf Energy Partners Ohio	\$ 2,000,000	180.17	1
EP4-33	PowerWorks Wind Turbines	\$ 1,998,416	173.75	1
EP4-43	Cornerstone Group	\$ 310,310	171.45	1
EP4-36	City of Austin	\$ 3,565,000	164.25	1
EP4-13	Metropolitan Airports Commission	\$ 2,022,507	163.25	1
EP4-6	Best Power, Int'l (St. John's)	\$ 172,213	162.15	1
EP4-39	Goodwill Solar	\$ 1,075,250	160.71	1
EP4-11	Innovative Power Systems, Inc.	\$ 1,850,000	158.32	1
EP4-29	Dragonfly Solar (Dodge Center)	\$ 1,650,000	156.78	1
EP4-42	Aurora St. Anthony Limited	\$ 398,000	155.92	1
EP4-18	Gustavus Adolphus College	\$ 480,000	155.92	1
EP4-46	Geronimo Energy	\$ 1,503,000	155.73	1
EP4-7	Anoka Ramsey Community College	\$ 828,900	151.80	1
EP4-2	City of Hopkins	\$ 708,204	151.32	1
EP4-5	Best Power, Int'l, (Sisters of Notre Dame)	\$ 900,000	149.02	1
EP4-45	City of Rogers	\$ 1,470,544	145.47	1
EP4-14	Murphy Warehouse Company	\$ 2,016,118	143.17	1
EP4-3	Minneapolis Public School	\$ 917,250	141.64	1
EP4-9	Mondovi Energy Systems	\$ 2,000,000	135.03	2
EP4-37	Natural Systems Utilities	\$ 2,000,000	133.30	2
EP4-24	Bergey Windpower Co.	\$ 1,106,600	129.57	2
EP4-4	SGE Partners LLC (Sanimax)	\$ 5,000,000	129.09	2
EP4-41	City of Hutchinson	\$ 958,369	126.50	2
EP4-22	Minneapolis Park and Recreation Board	\$ 969,741	122.95	2
EP4-34	City of St. Paul	\$ 555,750	117.97	3
EP4-12	Xcel Energy Services	\$ 10,800,000	109.63	3
EP4-21	Farmamerica	\$ 600,000	106.28	3
EP4-17	MN Department of Natural Resources	\$ 641,000	97.08	3
EP4-15	MN Renewable Energy Society	\$ 2,661,320	90.66	3
<b>Total Energy Production Proposals</b>		<b>\$59,181,005</b>		

(Table copied from the published results of Sargent and Lundy)

After discussion by the Company's Advisory Group, it was recommended that proposal EP4-29 be moved to a list of reserve projects (Tier 2). See attached chart:

(The projects shaded in yellow are the recommended Tier 2 Reserve Projects)

Table 5

ID Number	EP Proposals Applicant	Type	S&L Score	S&L Category
EP4-38	Minnesota Go Solar, LLC	Solar	187.45	1
EP4-20	Target Corporation	Solar	182.85	1
EP4-48	Oak Leaf Energy Partners Ohio, LLC	Solar	180.17	1
EP4-33	PowerWorks Wind Turbines	Wind	173.75	1
EP4-43	Cornerstone Group	Solar	171.45	1
EP4-36	City of Austin	Biomass	164.25	1
EP4-13	Metropolitan Airports Commission	Solar	163.25	1
EP4-6	Best Power, Int'l, LLC	Solar	162.15	1
EP4-29	Dragonfly Solar, LLC	Solar	160.71	1
EP4-11	Innovative Power Systems, Inc.	Solar	158.32	1
EP4-42	Aurora St. Anthony Limited, LLC	Solar	155.92	1
EP4-18	Gustavus Adolphus College	Solar	155.92	1
EP4-46	Geronimo Energy	Solar	155.73	1
EP4-7	Anoka Ramsey Community College	Solar	151.80	1
EP4-2	City of Hopkins	Solar	151.32	1
EP4-5	Best Power, Int'l, LLC	Solar	149.02	1

(From the published report of the Company's Advisory Group)

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The reasons listed in the report for moving this project to the reserve list were:

*Concern “...about the ability to negotiate the contract with the developer because of the significant number of proposed modifications to the standard grant contract that were requested as part of the proposal. These modifications include proposals to change the RDF’s standard legal notice language, concerns with long standing RDF reporting requirements, and use of information.”*

*(Copied language from the Advisory Group’s report)*

Dragonfly Solar, LLC: Solar Addition to Existing Dodge Center Wind Farm Project (EP4-29)

This 998 kW solar PV project would take advantage of an interconnection and infrastructure systems in place at the existing Garwin McNelius wind farm near Dodge Center, Minnesota. The project would use next generation solar modules that may be their first application in the U.S.

The advisory group identified significant contract issues with the proposal but believed the overall proposal was intriguing and should be recommended as a reserve project. The advisory group was also concerned about the ability to negotiate the contract with the developer because of the significant number of proposed modifications to the standard grant contract that were requested as part of the proposal. These modifications include proposals to change the RDF’s standard legal notice language, concerns with long standing RDF reporting requirements, and use of information. Based on this, the advisory group members believed that it would be difficult to reach a mutually agreeable contract with this developer within the cycle timeframe. Based on this, the advisory group identified other solar projects that requested fewer contract modifications while providing the same benefits as this proposal (for example EP4-5).

We were very surprised by these comments. Our proposal for a Solar Addition to the existing Dodge Center Wind Farm Project (EP4-29) was submitted with NO requests for changes in the standard grant contract.

A second RDF Grant proposal (**EP4-30**) was prepared and submitted by Dragonfly Solar, LLC in conjunction with Gelco Corporation (General Electric Subsidiary). The legal team from Gelco had numerous concerns and requested many changes to the standard grant contract that match up with the Advisory Group’s concerns listed in the comments on **EP4-29**. These changes related to reporting requirements, standard legal notices and use of information, the same concerns listed in the comments about **EP4-29**. We believe there were serious mistakes made which assigned all the negative contract issues to the wrong project. It is conceivable that 2 consecutively numbered proposals, both involving Dragonfly Solar LLC, could become mixed and represents the only plausible reason to explain the

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public announcements of the negative factors used in lowering our project off of the funded list. But we state again, there were/are no contract changes requested as part of proposal **EP4-29**.

Subsequently, in the report submitted to the PUC on July 29<sup>th</sup>, EP4-29 was listed among the Tier II Reserve projects.

**Table 4. Tier II Reserve Projects**  
(In Numerical Order by Category/Not By Rank)

ID Number	Applicant	Type	Amount Recommended	Total Project Cost
EP4-6	Best Power	Solar	\$172,213	\$414,033
EP4-21	Farmamerica	Solar/Wind	\$600,000	\$600,000
EP4-29	Dragonfly Solar, LLC	Solar	\$1,650,000	\$2,650,000
EP4-36	City of Austin	Solar	\$3,565,000	\$6,545,000
EP4-41	City of Hutchinson	Solar	\$958,369	\$1,742,489
EP4-48	Oak Leaf Energy Partners, LLC	Solar	\$2,000,000	\$2,864,810
RD4-4	Xcel Energy	Solar	\$390,000	\$505,000
RD4-5	U. of Florida	Biomass	\$1,109,538	\$1,109,538

In the comments section of this report, it is stated that the project is not in Xcel's service territory.

Dragonfly Solar, LLC: Solar Addition to Existing Dodge Center Wind Farm Project (EP4-29)

This 998 kW solar PV project will take advantage of an interconnection and infrastructure systems in place at the existing Garwin McNeilus wind farm near Dodge Center, Minnesota. The project will use next generation solar modules that may be their first application in the U.S. While an upgrade to existing interconnection facilities is not anticipated, a Midcontinent Independent Transmission System Operator study may be required to verify there are no constraints with adding this resource to the system. This project is not within Xcel Energy's service territory. The project received a score of 156.8 points from Sargent & Lundy, and was favored by the RDF advisory group due to its use of technology that will be a first in the U.S.

*(Copied from pg. 27 of July 29, 2013 RDF Fund Selection Report)*

As already stated, the proposed project *is* located in Xcel's territory. Xcel Energy serves the McNeilus Industries facility, which is located on the site. It is proposed that the project share an existing interconnection facility that is feeding Xcel's lines. It is located to the south of the town of Dodge Center, which is served by Xcel Energy. The whole interconnection decision and processes/costs are well known and minimal compared to any other project where no interconnection of grid tied electric production exists.

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The initial review which accompanies the higher ranking from the review team appears to be more accurate but still contained errors which once corrected, would likely increase the base score of the project placing it higher in the list to be funded. The project scored 156.8 with the assumption that the solar facility was outside Xcel's Service Territory. Although we cannot be sure how many points were deducted because of this mistake, we are sure there was weight given to this fact since no other project was considered for funding that was outside the Xcel Service Territory. For our project, this one small point alone could make the difference in receiving funding or not receiving funding; add in all the mistaken contract issues and it becomes a much different scene. Adding back just 10 points to the score would move the project into 6<sup>th</sup> place overall. Adding 15 points would put it in the top 5.

It is our concern, given the factual errors noted above which were the published reasons provided for our lowered scoring and removal from the top tiered projects, that our proposal was not given a fair representation in the recommendation process. Given that there has been an elaborate process instituted and followed (our project aside), in the RDF Grant funding process, we believe all parties understand the fiduciary responsibility undertaken by the PUC in deciding which projects receive funding, but it doesn't seem that the process would be honored without our project receiving a new ranking based on accurate information. The misinformation is of such a quantity and quality that we cannot see how EP4-29 does not get moved onto this cycle's funded list of projects once adjusted for the scoring errors.

There *is* proposed a sizable investment of \$1 MM from the host McNelius Industries. The site *is* in Xcel Territory. A PPA *is not an issue* as the host is known as Xcel already has one in place for the wind farm. And of course, the allowance for back end lump sum payment from Xcel mitigates potential project completion-performance issues greatly...all together; these differences represent a very clean and well defined project which has considerable upside with no real issues. Really, it appeared to the host and the developer that this project was a very good fit and had a good chance to receive funding based on the stated criteria used in scoring the projects.

The stated purpose of the RDF fund is to encourage the adoption of renewable resources for electrical generation, and EP4-29 ranks among the highest in a cost analysis.

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The following charts rank the recommended projects in terms of: 1) Total cost per watt of installed capacity 2) RDF contribution cost per watt of installed capacity.

### Projects Sorted by Total Cost per Watt of Installed Capacity

Proposal	Cost	Capacity W	cost/W	RDF contribution	cost/w of grant portion	cost sharing
Sisters of Notre Dame EP4-3	\$1,811,857	907,000	\$2.00	\$900,000	\$0.99	50%
Goodwill Solar EP4-39	\$1,525,250	700,000	\$2.18	\$1,075,250	\$1.54	30%
<b>Dragonfly Solar EP4-29</b>	<b>\$2,650,000</b>	<b>997,500</b>	<b>\$2.66</b>	<b>\$1,650,000</b>	<b>\$1.65</b>	38%
IPS EP4-11	\$2,698,200	967,000	\$2.79	\$1,850,000	\$1.91	31%
Target Corp. EP4-20	\$1,060,933	350,000	\$3.03	\$585,513	\$1.67	45%
M.A.C. EP4-13	\$4,189,000	1,180,000	\$3.55	\$2,022,507	\$1.71	52%
Aurora St. Anthony EP4-42	\$911,798	252,000	\$3.62	\$398,000	\$1.58	56%
Anoka Ramsey Com. College EP4-7	\$1,825,976	458,000	\$3.99	\$828,900	\$1.81	55%
Edison High School EP4-3	\$1,949,002	485,000	\$4.02	\$917,250	\$1.89	53%
Cornerstone Group EP4-43	\$705,250	152,000	\$4.64	\$310,310	\$2.04	56%
Mpls. Parks and Rec EP4-22	\$1,119,133	200,000	\$5.60	\$969,741	\$4.85	13%

### Projects Sorted by Cost of RDF Contribution per Watt of Installed Capacity

Proposal	Cost	Capacity W	cost/W	RDF contribution	cost/w of grant portion	% grant
Sisters of Notre Dame EP4-3	\$1,811,857	907,000	\$2.00	\$900,000	\$0.99	50%
Goodwill Solar EP4-39	\$1,525,250	700,000	\$2.18	\$1,075,250	\$1.54	70%
Aurora St. Anthony EP4-42	\$911,798	252,000	\$3.62	\$398,000	\$1.58	44%
<b>Dragonfly Solar EP4-29</b>	<b>\$2,650,000</b>	<b>997,500</b>	<b>\$2.66</b>	<b>\$1,650,000</b>	<b>\$1.65</b>	62%
Target Corp. EP4-20t	\$1,060,933	350,000	\$3.03	\$585,513	\$1.67	55%
M.A.C. EP4-13	\$4,189,000	1,180,000	\$3.55	\$2,022,507	\$1.71	48%
Anoka Ramsey Com. College EP4-7	\$1,825,976	458,000	\$3.99	\$828,900	\$1.81	45%
Edison High School EP4-3	\$1,949,002	485,000	\$4.02	\$917,250	\$1.89	47%
IPS EP4-11	\$2,698,200	967,000	\$2.79	\$1,850,000	\$1.91	69%
Cornerstone Group EP4-43	\$705,250	152,000	\$4.64	\$310,310	\$2.04	44%
Mpls. Parks and Rec EP4-22	\$1,119,133	200,000	\$5.60	\$969,741	\$4.85	87%

As you can see EP4-29 ranked #3 and #4 respectively against the recommended proposals. Viewed as a return on investment of RDF funds, our proposal certainly should be ranked higher than it is.

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Although installed cost is not the only factor in determining ROI, it can certainly be argued that in the arena of renewable generation it is the most important factor, both from a financial perspective and from a public perception perspective as well. It is hard to imagine an individual in our area who has not seen wind turbines or solar panels in their day-to-day life or on the numerous advertisements that proliferate our airways and print media. Everyone, from large global corporations such as BP to large manufacturers, and even homebuilders, are promoting their green credentials using images of wind turbines and solar panels. The most frequent meme in the public space about renewables, particularly solar PV, is that it is too expensive which it can be. The differences in pricing in just the lists above are over 100%...but it doesn't have to be. Changing this perspective will have the most significant impact on support for the wider adoption of renewable generation – a top objective of the RDF Grant.

Creative thinking in the area of finance and more judicious use of land can help change the perception of the cost of renewables. Our proposal makes use of land that is already “set aside” for wind farm use and expands the use of an existing interconnect. The frugality of this approach, while not as visible to drive-by consumers in the metropolitan area, can be easily promoted and is easily recognized even to those without inside knowledge of the workings of electrical generation. Infrastructure improvements like solar panels and turbines soon blend in to the background and become invisible to a frequent passerby as just another part of their urban landscape. Where as narratives about cost will remain pertinent as a reminder and lingering impression to everyone. Our other submission (EP4-30) is more novel, but this project is more replicable at lower costs, which eventually is likely to become a weightier component of the requirements if growth in renewables is an objective of this process.

We have been impressed by the transparency and overall efficiency of the RDF proposal process but in the interest of fairness to all the stakeholders involved, and to continue to convince the public that the well-conceived processes associated with the RDF Grant funding follow the processes, we are requesting that EP4-29 be re-ranked. It is difficult to imagine a scenario where these errors did not affect the scoring and final recommendations.

We understand that this will likely affect other project(s). This was publicly stated in one of the ranking adjustments shown on page #3 copied from an Advisory Team Report where it referenced project EP4-5 as one project that benefited from the erroneous information. The language strongly suggests that there were more than one project that moved ahead of ours.....

*“These modifications include proposals to change the RDF’s standard legal notice language, concerns with long standing RDF reporting requirements, and use of information. Based on this, the advisory group members believed that it would be difficult to reach a mutually agreeable contract with this developer within the cycle timeframe. Based on this, the advisory group identified other solar projects that requested fewer contract modifications while providing the same benefits as this proposal (for example EP4-5)”*

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This will be the real test as we would expect considerable push back from those who may have been granted a position that they would not have, had our project been accurately appraised. But to ignore such sizable mistakes will have immediate and long term affects to the integrity of the entire process. How could it not? All parties involved in this project believe very strongly that there should be a re-ranking of our project based on accurate information mentioned above and included in our original submittal.

We thank you for your consideration of this matter.

Respectfully Submitted,

Steven C Peters  
President

***Dragonfly Solar, LLC and on behalf of:  
McNelius Industries  
Paulson Law Offices***

ecc: Paul J. Lehman, Xcel Energy

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