



## Staff Briefing Papers

Meeting Date    October 6, 2022    Agenda Item \*\*2

Company    Minnesota Power

Docket No.    **E015/M-20-607**

### **In the Matter of the Petition for Approval to Modify the SolarSense Customer Solar Program**

Issues    **A.** What should be the SolarSense target incentive level?  
**B.** What should be the maximum rebate per SolarSense customer?  
**C.** What allocation process should be used?

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### **Relevant Documents**

### **Date**

Minnesota Power -- Annual Report	June 1, 2022
MNIPL, Solar United Neighbors, VS, & Sierra Club -- Comments	July 15, 2022
MN SEIA -- Comments	July 15, 2022
Fresh Energy -- Comments	July 15, 2022
Minnesota Power -- Reply Comments	August 15, 2022
MNIPL, VS, Solar United Neighbors, & Sierra Club -- Reply Comments	August 15, 2022
Department of Commerce - Reply Comments	August 15, 2022
Fresh Energy -- Reply Comments	August 25, 2022
Public Utilities Commission -- Batch Sierra Club Public Comments	September 12, 2022

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

## I. Statement of the Issues

Should the Commission accept the proposed changes to the SolarSense target incentive level and the maximum rebate per SolarSense customer? Should the Commission change the allocation process from first come, first serve to a lottery-based approach?

## II. Background

In its February 10, 2017, Order, the Minnesota Public Utilities Commission (“Commission”), in part, requested Minnesota Power submit an Annual Report for its SolarSense Program (SolarSense or the Program) regarding compliance with Minnesota's Solar Energy Standards.<sup>1</sup>

The Commission’s December 17, 2020, Order approved the request to extend the SolarSense program through 2024.<sup>2</sup>

On June 1, 2022, Minnesota Power submitted the 2021 SolarSense Program Annual Report with proposed modifications outlined below.

## III. The Issues

There are three main modifications proposed by Minnesota Power (“MP” or the “Company”):

1. Shifting the target incentive level from 20% of installed cost to 10% of installed cost
2. Reducing the maximum rebate per customer from \$10,000 to \$5,000
3. Transitioning from a first come, first serve rebate allocation to a lottery-based process

In 2021, Minnesota Power received 84 SolarSense applications with 54 customers being awarded funds. This resulted in 290 Solar Renewable Energy Credits (“SRECs”) and 290,928 kWh produced by systems installed in 2021.<sup>3</sup>

Table 3 in MP’s report shows that actual program spending was approximately 20% below the approved budget amount.<sup>4</sup> However, MP states that is due to a lack of low-income (LI) solar projects and coming in underbudget for their program development and delivery budget. Below is the Table.

Program Name	Approved 2021 Budget	Actual 2021 Spending
Customer Incentives	\$350,698	\$342,890
Low Income Solar Program	\$120,000	\$64,266

<sup>1</sup> Docket No. E015/M-16-485

<sup>2</sup> Docket No. E015/M-20-607

<sup>3</sup> MP Initial Report, Docket 20-607, pdf p. 8

<sup>4</sup> *Id.*, pdf p. 11

<b>Program Development and Delivery<sup>5</sup></b>	\$140,650	\$80,886
<b>Total</b>	\$611,348	\$488,042

The Department of Commerce (the “Department”) asked for the Company to include information regarding how the Inflation Reduction Act (IRA) may impact expected solar trends and incentives in their service territory as well as any modifications from the passage of the IRA the Company would like to pursue for the program in its next annual report.<sup>6</sup>

### **A. Reduced Incentive Level and Rebate**

All parties agree with MP’s proposed changes to have the incentive level reduced from 20% to 10% and the maximum rebate being reduced from \$10,000 to \$5,000. Fresh Energy noted they recommend these changes along with their offered modifications to the LI Program and lottery allocation process.<sup>7</sup> MNIPL and their alliance of Solar United Neighbors, Vote Solar, and the Sierra Club (“MNIPL” or “MNIPL and their alliance”) believe that cutting incentives in half as proposed would not act as a hinderance with uptake.<sup>8</sup> If budgets were staying the same, the monetary incentives could be spread out among more grantees; however, with the current budget reductions scheduled from \$175,349 in 2022 to \$87,675 annually in 2023 and 2024, MNIPL and their alliance note that will be unlikely to happen.<sup>9</sup>

### **B. First Come, First Serve to Lottery Allocation**

While all parties agreed regarding reducing the incentive level and rebate, there was disagreement between parties in the transition from a first come, first serve system to a lottery-based approach. Parties examined transparency, access, and other justice-related measures to make sure all grant applicants had a level playing field while increasing the number of LI grantees in the LI Program.

MP proposed a transition from a first-come, first-served rebate allocation process to a lottery-based allocation process to allow more time for solar installers and customers to submit applications given high demand. When the SolarSense budget was large enough to meet demand, the first-come, first-served rebate allocation process worked well. However, once demand rose beyond the capacity of the program to provide in rebates, it has become a race to submit applications creating unequal opportunity between those with fast internet and the ability to submit right away when the process opens vs others who may not have those

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<sup>5</sup> This line item includes labor, IT expenses, evaluation and planning, equipment and professional services.

<sup>6</sup> DOC Reply Comment, Docket 20-607, pdf p. 4

<sup>7</sup> Fresh Energy Initial Comment, Docket 20-607, pdf p. 5

<sup>8</sup> MNIPL Initial Comment, Docket 20-607, pdf p. 2

<sup>9</sup> *Ibid.*, pdf p. 3

luxuries. With MP's proposed transition to a lottery-based allocation process, there will be an application that is due by a certain date allowing applicants to submit on their own schedule and alleviating the impact slow internet may have on applicants. After an unspecified timeframe, the applicants will then be drawn at random for awarding the grants.

MNIPL and their alliance asked the Company to establish and post an announcement with a set start time and date for the SolarSense customer incentive applications. They also asked for the Company to establish a unique email address for the submission of said applications. Once an application has been submitted to the email address, MNIPL and their alliance asked for a return confirmation email to be sent out verifying that the Company has received the application. If a lottery system is to be adopted by the Commission, MNIPL and their alliance asked that the application period be limited to one business day so that subsequent lottery processes for selecting applications occur relatively soon after application submissions.<sup>10</sup> Currently the system has a turnaround of two to three weeks which MNIPL would like to maintain or improve upon when transitioning to the new lottery-based allocation process.

It was unclear to MNIPL and their alliance if converting to a lottery would be best without more detail of the operation and instead suggested the Company post an announcement with a set time on their website or via email that the program is open for applications.

MNSEIA recommended that the Commission deny the proposed transition to a lottery-based allocation process because it would not solve the fairness issues occurring due to higher demand for currently available rebates. MNSEIA continues to be concerned that the lottery system will suffer from grantee uncertainty that this transition seeks to address. MNSEIA felt that "adding randomness to lower rebates will only serve to discourage customers from applying."<sup>11</sup>

MNSEIA instead recommended that the Commission require the Company to craft a waiting list each year that would carry over to the next year. Instead of the lottery, MNSEIA believes a waiting list with the current first come, first serve allocation process would alleviate the issue of customers missing the window to receive the rebate. What would happen is a late applicant would be first in the queue before those of the applicants next year as their application was not received quickly enough before funds ran out due to slow internet or the supply-demand imbalance. MNSEIA believes a waiting list can be used to inform future decisions by the Company and Commission. MNSEIA sees a wait list as informing the program to help it grow and increase the percentage of participation.<sup>12</sup> However, many of the items wait list information would collect are already collected through yearly reporting (number of applications, number of selected projects, and rebate amounts).

Fresh Energy felt the lottery would be a helpful change if there was a specific time-period to allow for applications to be submitted, reviewed, selected, and the funds were released.<sup>13</sup>

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<sup>10</sup> MNIPL Initial Comment, Docket 20-607, pdf pp. 5-6

<sup>11</sup> MNSEIA Initial Comment, Docket 20-607, pdf p. 5

<sup>12</sup> *Ibid.*, pdf pp. 5-6

<sup>13</sup> Fresh Energy Initial Comment, Docket 20-607, pdf p. 2

The Department, in their reply, stated that they do not oppose moving to a lottery-based system.<sup>14</sup>

### C. Low Income Program

The goal of the LI Solar Grant Program is to create a viable, long-term solar market for LI customers. These customers can be hindered by a lack of upfront capital, home ownership status and condition, being denied access to banking products, and limited access to information. The Company provided funding for 4 projects in 2021, giving out approximately 54% of the allotted program funds.<sup>15</sup> The LI program seems to be suffering from the inverse of the supply-demand problem being seen in the customer incentive program. To help alleviate some of the hinderances to this program for LI clients, parties made suggestions to tackle transparency issues. With regards to the LI Program, MNIPL recommended establishing a public facing dashboard similar to what the Company is already providing for the main SolarSense program and also asked MP to develop and publicly post a weighted rubric of criteria used for application evaluation. MNIPL and their alliance also asked that those applying to the LI Program are provided with a score or report containing information about their application evaluation by the LI SolarSense Program Committee. MNIPL also recommended an appeal process for those who are denied and for the LI Program committee membership to be made public. MP voiced concern that an appeals process could delay awarding grants to others in the cycle as well as delay appellees' applications to future year's funding. Instead, MP suggested applicants use feedback provided by the Program Committee to improve their application for the next round of funding.<sup>16</sup>

In their reply, MP noted they did not object to the creation of a dashboard, a public scoring rubric, or direct feedback to applicants who are not awarded funds.<sup>17</sup> The Company is working to publish the names of those on the LI Program committee with member consent.

### D. Budget Modifications

In their reply, MP acknowledged the potential to increase the overall program budget but based their programmatic modifications on the past Commission order where budgets were decreased due to decreasing solar costs, noting that solar has continued to decrease in price.<sup>18</sup> When the Commission approved these changes in the December 17, 2020, order, which notably denied the Company's request to establish an education and outreach budget. However,

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<sup>14</sup> DOC Reply Comment, Docket 20-607, pdf p. 3

<sup>15</sup> MP Initial Report, Docket 20-607, pdf p. 11

<sup>16</sup> MP Reply Comment, Docket 20-607, pdf p. 9

<sup>17</sup> MP Reply Comment, Docket 20-607, pdf p. 8

<sup>18</sup> *Id.*

parties believed some of the challenges facing the SolarSense program could be alleviated by shifts in the programmatic budget. Currently, per the December 17, 2020, order, the budget was decreased from last year to this year by about half. It will decrease again by about half for next year while staying level for the 2024 budget year.

MNIPL and their alliance asked to set the budget back to \$175,349, while maintaining the Company's proposed incentive and rebate reductions. MNIPL felt this could be done by using already allocated but unutilized past, current, and future spending from the SolarSense development and delivery budget. As underutilization occurs, MNIPL's recommendation was to rollover that money to the other award categories and fund public marketing for the currently underutilized LI Program so as to maximize impact.<sup>19</sup>

MNSEIA also recommended the Commission increase funding for the Program as the Company funded only 58 projects out of a total 85 applications, leaving over 30% of applicants out of the program. MNSEIA felt this is a self-created supply and demand challenge crafted by the Company.<sup>20</sup>

To correct this supply and demand challenge, Fresh Energy recommended employing the general advertising budget to fund targeted outreach or employ unused funds from LI Program budget or the program development and delivery budget for targeted outreach efforts.<sup>21</sup> However, MP stated they expect the entirety of the LI program to be awarded through 2024 and noted unused funds from 2021 were already rolled into 2022.<sup>22</sup>

In their reply comments, MNIPL and their alliance highlighted that employing these underspent funds by rolling them over to the other categories could alleviate approximately 33% of the demand supply imbalance. MNIPL felt that even MNSEIA's note to increase budgets by 30% for the 30% of applicants were left out of the Program, fell short. Instead, they recommended increasing the rebate annual budget to 2021 levels, \$350,698, for the 2023 and 2024 programmatic years as well as transferring the unused development and delivery budget. In total, the increase cost to ratepayers would be approximately \$350,000.<sup>23</sup>

Fresh Energy supported MNIPL's recommendation to use unspent money from the program development and delivery budget from 2021 and subsequent years due to demonstrated high demand.<sup>24</sup>

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<sup>19</sup> MNIPL Initial Comment, Docket 20-607, pdf p. 3

<sup>20</sup> MNSEIA Initial Comment, Docket 20-607, pdf p. 4

<sup>21</sup> Fresh Energy Initial Comment, Docket 20-607, pdf p. 3

<sup>22</sup> MP Reply Comment, Docket 20-607, pdf p. 6

<sup>23</sup> MNIPL Reply Comment, Docket 20-607, pdf p. 2

<sup>24</sup> Fresh Energy Reply Comment, Docket 20-607, pdf p. 1

MP noted they already shifted unused monies for other expenses as approved in their previous filings though did not clarify to where those unused funds went.<sup>25</sup>

### **E. Public Comment**

Sierra Club also provided batch comments from 30 households in the Duluth area. In this form letter, these community members asked for increased clarity, transparency and fairness in this program, better communication through the establishment of the public facing dashboard, and a reconciliation between unmet customer demand and available funding.<sup>26</sup>

### **IV. Staff Analysis**

Staff would like to thank the parties for crafting robust and thoughtful comments that served to strengthen the modifications proposed by Minnesota Power. Staff find the proposed modifications to reduce the target incentive level, the maximum rebate level, and the shift to a lottery-based allocation process reasonable and helpful.

The December 17, 2020, Order decreased budget noting the falling cost of solar as a reason. Unsurprisingly, with the decreasing cost of solar lowering barriers to access for all, we have seen more demand for this program. As was brought up by parties, staff agrees that the proposed changes will not solve the supply and demand imbalance. If the Commission would like to work towards that goal, parties recommend growing or maintaining the budget instead of moving forward with the planned reductions in 2023 and 2024. Alternatively, other parties recommend shifting some of the budget allocations could alleviate some of the imbalance. Staff believes shifting the budget allocation and not increasing budget would maintain previous Commission Orders and Commission intent as the cost of solar continues to fall while supporting the efforts to alleviate the supply-demand imbalance.

Staff would also like to highlight the agreement crafted by the parties through this comment period to strengthen the move toward a lottery-based application process which will help individuals and parties in the short and long term. Parties agreed on transparency issues that will make the lottery process clearer, increased support LI solar grantees, and improved the LI Program so that it is better utilized. The parties completed this through items such as submittal confirmation, clearly published timeframes, and a unique submittal email address.

MNSEIA recommended that the Company develop specific solar standards to meet Minnesota's carbon reduction goals in Minnesota Statute Chapter 216H, Section 2, or the Next Generation Energy Act, which set benchmarks to reduce carbon emissions ultimately by 80% by 2050.<sup>27</sup> While MNSEIA argues those goals are not being fully met and can be supported by a specific solar standard, the Department noted that the Commission reviews a utility's progress in meeting these goals in IRP dockets and approves action plans in those planning documents.

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<sup>25</sup> MP Reply Comment, Docket 20-607, pdf p. 10

<sup>26</sup> Sierra Club Public Comment, Docket 20-607, pdf pp. 3-33

<sup>27</sup> MNSEIA Initial Comment, Docket 20-607, pdf p. 3



MP's IRP can be found in docket 21-33 and shows the Company meeting the state's 2035 goal based on Department analysis from July 29, 2022. Staff agree with the Department that these goals may be better suited for MP's IRP.

Staff suggests that if the Commission is interested in increasing the overall budget by increasing the Customer Incentive and Low-Income Solar Program budget categories that the Commission clarify which recommendations proposed by MNIPL and their alliance, Fresh Energy, and MNSEIA should be used. Staff also asks for clarity regarding the final applicant pulled from the lottery pool would receive a partial grant or if that money would instead be rolled over into next year's budget and lottery.

Finally, Staff notes parties did not address whether or not to accept Minnesota Power's 2021 SolarSense Report. Commission Staff found that the annual report met the requirements laid out in their February 10, 2017, Order in Docket 16-485 and their December 17, 2020, Order in Docket 20-607.

## V. Decision Options

### Should the Commission Accept the Report?

1. Accept Minnesota Power's 2021 SolarSense Report. (*MP*)

### Should the Target Incentive Level and Rebate Be Modified?

2. Reduce target incentive level from 20 percent of installed cost to 10 percent of installed cost. (*MP, Fresh Energy, MNIPL, MNSEIA*)
3. Reduce the maximum rebate per customer from \$10,000 to \$5,000. (*MP, Fresh Energy, MNIPL, MNSEIA*)

### Should the Allocation Process be Modified?

4. Transition from a first-come, first-serve rebate allocation process to a lottery-based allocation process. (*MP, MNIPL, Fresh Energy*)
5. Require the Company to maintain a waiting list with their current first come, first serve allocation process. (*MNSEIA*)
6. Direct Minnesota Power to take actions to improve the transparency and clarity of the application process for both Low Income and Customer Incentive programs, **including but not limited to:**
  - A. The establishment of a unique email address for the submission of SolarSense customer incentive applications. (*DOC, MNIPL*)
  - B. The transmittal of a confirmation email to all applicants, verifying that the applications have been received (*DOC, MNIPL*)
  - C. The implementation of reasonable deadlines for submitting, evaluating, and selecting applications. (*DOC, MNIPL*)



**Should the Low-Income Program Be Modified?**

7. Establish public facing dashboard for the Low-Income Program. *(MNIPL, Fresh Energy)*
8. Provide a score or report containing information regarding the application evaluation to each applicant applying to the Low-Income Program. *(MNIPL, Fresh Energy)*
9. Publicly identify Low Income Program committee members on MP website. *(MNIPL)*

**Should the Program Budget Be Modified?**

10. Increase budget to
  - A. \$175,349 utilizing unused past, current, and future spend from SolarSense development and delivery budget as well as new monies. *(MNIPL)*

**OR**

- B. In addition to utilizing unused funds, further increase the budget by \$350,698 for 2023 and 2024 program years via new monies. *(MNIPL)*

**OR**

11. While not increasing the overall programmatic budget, shift past, present, and future yearly unspent funds from other budget categories to the Customer Incentive and Low Income-Solar Grant program. *(MNIPL, Fresh Energy)*

**Should the Commission Adopt Other Requirements?**

12. Require Minnesota Power to develop solar standards to meet the State of Minnesota's carbon reduction goals. *(MNSEIA)*
13. In its next annual SolarSense report, require Minnesota Power to report on the following:
  - A. any incentives in the Inflation Reduction Act relevant to the SolarSense program *(DOC)*
  - B. expected trends in solar adoption in its service territory *(DOC)*
  - C. any resulting potential modifications it would like to pursue to the SolarSense program. MP may also include any additional insight related to the Inflation Reduction Act relevant to the SolarSense program or solar incentive programs in general. *(DOC)*
14. Require Minnesota Power to file its 2022 Solar Sense Report by *June 1, 2023. (Staff).*