

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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November 14, 2016

Mr. Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, MN 551012147

RE: In the Matter of a Petition by Minnesota Power for Approval of a Community Solar Garden Program, Eligibility of the Energy Docket No. E-015/M-15-825.

Dear Executive Secretary Daniel P. Wolf:

The Northland Community Solar Coalition greatly appreciates the Minnesota Public Utilities Commission and Minnesota Power pursuing Community Solar Garden program offerings that allows for non-utility projects in Minnesota Power's service territory. Members of the Northland Community Solar Coalition (NCSC) respectfully submit the following comments in response to the Commission's October 11, 2016 Notice of Comment Period regarding Minnesota Power's (henceforth the "Company") community solar garden ("CSG") compliance filings filed on October 3, 2016. The Company filed compliance items on two issues which we address below,

- (1) a draft Request for Proposals ("RFP") for non-utility CSG projects to participate in Minnesota Power's CSG program; and
- (2) the results of its inquiry into solar renewable energy credits ("SREC") pricing.

Our comments focus on highlighting the lack of clarity in what the Company aims to accomplish with their program offerings and the need for more guidance in the form of parameters, evaluation criteria and access to basic information to put together a proposal that will accomplish those aims. For instance, how will subscribers and services generated be compensated; and by what criteria will a proposal be evaluated? We understand community solar gardens are new for Minnesota Power' however, there are model RFPs for non-utility CSGs from other utilities, and it is insufficient to rely only on the yet-to-be-determined success and outcomes of the Company's pilot program to learn about setting up non-utility CSG program offerings. Minnesota Power's proposal seems to mistakenly equate openness in the type of proposals and ownership models that can apply as individual projects with a lack of clear guidance in the aims and structure of their pilot program.

1) Draft RFP for non-utility CSG projects to participate in the Company's pilot CSG program

The company is to be commended on several aspects of its proposed RFP, including the incorporation of comments from the stakeholder sessions into the draft RFP, its willingness to alleviate interconnection concerns through directly working with developers and by identifying value-added grid locations for solar development, and for keeping many options open in terms of CSG program design.

However, in creating many options for non-utility CSG, Minnesota Power has left out the basic parameters that would create a level of certainty for parties that wish to respond to such an RFP, thereby limiting the number of parties that will be able to respond. The point of bidding out non-utility CSG pilot projects is to allow developers to creatively respond to a base set of parameters that affords the public choice, not to create so much uncertainty that separate developers must individually negotiate different PPA's on a project basis. In effect, this draft engenders separate non-utility CSG pilot programs, not a single pilot with 3 projects. In our comments below, we address six areas of disagreement in how Minnesota Power's Community Solar Garden pilot program proposes to administer community solar gardens.

Unknown Energy Compensation

The Company asks the question of the type of bill credit a proposal would seek, without establishing a compensation structure for that energy. While the Company's utility CSG project currently allowed by the Commission provides for an energy credit for subscribers based on their monthly consumption, the NCSC suggests that this is an unrealistic methodology for determining energy compensation for non-utility CSG projects for the following reasons:

- The present 5-tier residential system creates uncertainty for developer and subscriber, as future subscriber energy compensation is dependent on future subscriber energy consumption, which is variable in nature. While this structure may work for a utility that has a history of client data and directly transfers energy bills, it does not allow community organizations or developers examining CSG potential the ability to accurately forecast benefit to the project and to residential subscribers.
- Additionally, this residential energy credit model creates a strong disincentive for energy efficiency by creating an effectively lower value for residential solar subscribers as consumption is lowered. The objective of the 5 tier rate system is to foster efficiency and conservation, not dis-incentivize it.
- Finally, the energy credit is problematic in not allowing the demand contribution of the solar resource to be factored into solar energy compensation. While commercial customers have demand charges that may consist of 20-50% of their electric billing, an energy credit does nothing to address potential solar contribution to demand management. While each commercial customer and potential subscriber has its own demand profile, solar energy is produced at a time when the grid as a system tends to peak, and thus provides overall demand relief for the system. Not recognizing this benefit and other avoided costs established in various studies, within CSG energy compensation devalues community solar for commercial customers that pay a lower portion of their bill in energy costs.

NCSC suggests that the use of a Value of Solar (VOS) tariff would be the way to alleviate the uncertainty of a potentially highly variable solar compensation structure, continue to incentivize efficiency and conservation, and fully recognize the cost benefit structure of solar to the grid.

If VOS is deemed not appropriate compensation structure for non-utility CSG, NCSC recommends that the net metering value of electricity could provide similar certainty to CSG compensation.

S-RECs

SRECs belong to developer, organization, or subscriber-owners, depending on the CSG structure, not the Company, and the SREC owners should be able to sell them to the utility at the PUC determined price or not, so that the market could self-correct any devaluation.

Unsubscribed energy and capacity should be directed by the developer, organization, or owners, as part of the CSG proposal, and should not automatically revert to the utility.

Interconnection

NCSC commends the Company's efforts to address interconnection concerns, but includes the following recommendations:

- The Company should share details of interconnection costs with the community organization as well as developer when appropriate, as in some instances these roles will overlap.
- Interconnection guarantees in terms of time of operation are not provided, and a range of time to interconnect should be provided in a schedule of steps.
- The RFP should provide a clause that allows 3rd party review of potential interconnection disagreements.
- NCSC also believes that a streamlined process of CSG interconnection similar to rooftop interconnection should be incentivized when a CSG is placed behind a consumption load of equal or greater value to the production of the proposed CSG and is smaller than 250 kW. This would recognize the decreased risk of this type of CSG to grid operation and acknowledge the increased distributed energy resource value of rooftop deployment for CSG.

Company Administrative Duties

The Company should administer virtual net metering of bill credits as a baseline of supporting community solar activities, with uniform methodology and technology for transferring meter data from CSG to utility to subscribers. Additionally, the Company's market resource creates an uncompetitive advantage over non-utility CSG in terms of the ability to use public money for utility-specific CSG marketing. The Company should provide a baseline of public information sharing about all non-utility CSG projects that win CSG bids

Limitation of the Company's Reservation of Rights

NCSC has from the start of this proposal in 2015 desired an open and transparent process that creates a level playing field for utility and non-utility bids, and one that is not subject to risk of change at the whim of the Company. As a consequence, NCSC opposes the large reservation of rights in this pilot by the Company, which in the current draft includes...

- Right to modify or reject proposals as it wishes,
- Right to not purchase power, capacity, and SRECs from a CSG project
- Right to require additional information beyond what is specifically included in the RFP
- Right to waive bidder noncompliance
- Right to terminate negotiations if a bid follows the transparent process
- Right to modify or supplement the RFP process at any time

NCSC asserts that a reservation of rights this sweeping does not create confidence in a pilot process that is clear, fair, and transparent throughout. As a consequence, NCSC recommends a reasonable reduction of the reservation of rights of the Company to protect integrity of the RFP process within the pilot, and instead proposes transparent evaluation criteria as discussed in more detail below.

Evaluation Criteria

NCSC asserts that how a bid is evaluated, both the metrics of evaluation as well as the process of applying the metrics, are also critical to a fair and transparent RFP process. The current evaluation criteria include positive ideas but are incomplete, thus hard to evaluate. Many of our concerns relate to points already raised, including:

- The reservation of Company rights to eliminate any and all proposals in the evaluation process. A transparent and fair public process precludes the ability of the Company to disregard applications that follow pilot process rules.

- The definitions of bid evaluation metrics are not established, and there are many potential issues and conflicts here, including the definitions of site attractiveness, site control, implementation plans, subscription interest, and so forth.
- The price of energy compensation and SREC's should be known ahead of time and not part of an evaluation process
- The cost of CSG proposals should be only one of many factors that determine of project worthiness, not a primary determinant. Non-utility CSGs utilize private money to provide generation to the public sphere, and as such should not incur the same cost scrutiny as a public power generation project. Additionally, the private subscriber market may value factors, such as site location, that could increase cost while at the same time increase the value of a CSG proposal to subscribers. Market demand should be a higher measure of project worthiness rather than installation cost.

The NCSC desires clear evaluation criteria with a transparent process and scoring system so that developers may be able to factor them into a project building process.

2) SRECs Pricing

Order point 3 of the Commission's July 27th order states "Minnesota Power shall discount subscription prices by current market pricing for S-RECs, as determined by a competitive bidding process for SRECs in northern Minnesota."

This order was in response to Minnesota Power's determination of a \$.002/kWh SREC value. Many stakeholders questioned its accuracy, believing it much lower than market value. In response, Minnesota Power issued an RFP to determine market pricing, received no responses to its RFP, and therefore concluded in its 10/3 compliance filing that its original proposal was correct.

Failure to receive an answer to an RFP is not an affirmation of this price but instead an indication that an RFP was not sufficient in determining the SREC value for Minnesota Power service territory.

Given delay in the interconnection of the Camp Ripley solar project, Minnesota Power is does not currently have a clear road map to meeting its mandated state solar targets. This type of demand for SRECs would typically place a higher premium on SRECs in Minnesota Power service territory, according to SREC market pricing rationale forwarded by the US Department of Energy (<http://apps3.eere.energy.gov/greenpower/markets/certificates.shtml?page=5>).

Recommendations

- Require Minnesota Power to file a SREC price that considers SES compliance and volunteer market benchmarks.
- Utilize Value of Solar to establish a value of CSG energy produced that includes SREC value within the VOS

Conclusion

Northland community members want community solar gardens to succeed in the Northland. To do this, the NCSC believes that the RFP should ensure a transparent, fair and flexible pathway to solar garden participation for non-utility community solar gardens, one that that allows for market innovation in addressing issues such as energy poverty among low income populations and bringing energy jobs and dollars directly into our communities. It is particularly important to this end to develop an RFP in which community-owned and community-benefiting solar garden (CSG) projects can be accepted without prejudice and evaluated on a level playing field during proposal review. Fair and informed SREC pricing, and clear, established parameters for

non-utility pilot CSGs are all important issues to be addressed to meet this end. We are grateful for the opportunity to participate in this process, and look forward to working with the Company to resolve these issues as we move this process forward.

Sincerely,

Arrowhead Regional Network, Minnesota Interfaith Power and Light

Conservation Minnesota

Peace United Church of Christ, FEET team (Food, Energy, and Environment)

Rural Renewable Energy Alliance (RREAL)

Sierra Club Duluth Clean Energy Team

W. J. McCabe Chapter, Izaak Walton League of America