414 Nicollet Mall
Minneapolis, MN 55401

March 4, 2015

—Via Electronic Filing—

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
COMMUNITY SOLAR GARDENS PROGRAM
DOCKET NO. E002/M-13-867

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits the attached Reply to Comments submitted by parties on February 24, 2015 and pursuant to the Commission's February 13, 2015 Notice.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact me at Aakash.chandarana@xcelenergy.com or 612-215-4663 if you have any questions regarding this filing.

Sincerely,

/s/

AAKASH H. CHANDARANA
REGIONAL VICE PRESIDENT
RATES AND REGULATORY AFFAIRS

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
John Tuma	Commissioner
Betsy Wergin	Commissioner

IN THE MATTER OF THE PETITION OF NORTHERN STATES POWER COMPANY FOR APPROVAL OF ITS PROPOSED COMMUNITY SOLAR GARDENS PROGRAM	DOCKET NO. E002/M-13-867
	REPLY COMMENTS

Northern States Power Company, doing business as Xcel Energy, submits these Reply Comments in response to the Notice Seeking Comments issued by the Commission on February 13, 2015. In its Notice, the Commission requested comments on the following topics:

- Issues raised by the Company in its February 10, 2015 letter regarding its Community Solar Garden (CSG) program, including operational considerations, legislative intent and rate pressure.
- Specific proposals on how best to address the issue raised by the Company regarding utility-scale CSG projects, including limiting potential harm to developers.
- The Company's interpretation of the Company's Section 10 Interconnection tariff, which states that interconnection requests may not exceed 10 MW, based on the aggregate of the total generation nameplate capacity; those interconnection requests that exceed 10 MW will be referred to MISO.
- The Company's obligation to assist CSG applicants whose projects are referred to MISO.

In these Reply Comments, we respond to the February 24, 2015 initial comments submitted by various parties.

OVERVIEW

The Company is committed to a successful CSG program. Based on the initial applications, we believe the Solar*Rewards Community (S*RC) program will be one of the largest and most robust solar garden programs in the nation. But as the comments show, differences have emerged – some of them profound – regarding how the program should be administered. We believe the program can be implemented, with certain clarifications, in accordance with the terms and intent of the authorizing legislation and the legislation's history.

In this Reply, we respectfully request the Commission confirm our interpretation of the CSG statute precludes utility scale solar gardens.[1] This will require a change in how we administer our program. We set forth those changes below. We agree with parties that the Commission should resolve this issue as soon as practicable.

In our February 10, 2015 Comments, we raised our concern that utility-scale projects do not belong in the CSG program. In our view, the CSG program was intended by the Legislature to be one of our small solar programs, along with the direct installation solar incentive offerings — Solar*Rewards and Made In Minnesota. Both of those programs are funded primarily through the Renewable Development Fund, so that incentives needed to make community solar viable are paid for without any additional increase in rates. The CSG program, in contrast, does not have an aggregate cap but the scale of the program was limited by the statutory requirement limiting garden size to 1 MW.

When it established the initial rates for payment of the energy generated by community solar gardens, the Commission recognized the challenges facing developers in financing gardens. The approved credit was priced at a level greater than a pure net-metered rate by using the average retail rate inclusive of demand and customer charges plus Renewable Energy Credit (REC) payment. The Commission also allowed for developers to co-locate solar garden projects.[2]

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[1] In their initial comments, several parties suggested our February 10, 2015 letter was akin to a motion to reopen. Pursuant to Minn. Stat. § 216B.25, the Commission "may at any time, on its own motion or upon motion of an interested party, and upon notice to the public utility and after opportunity to be heard, rescind, alter, or amend any order fixing rates, tolls, charges, or schedules, or any other order made by the commission, and may reopen any case following the issuance of an order therein, for the taking of further evidence or for any other reason."

[2] Docket No. E002/M-13-867, Order Approving Solar-Garden Plan with Modifications at 14-15 (September 17, 2014). In its September 17, 2014 Order, the Commission adopted SunEdison's proposal to revise the definition of "Community Solar Garden Site" to expressly provide "Multiple Community Solar Garden Sites may be situated in close proximity to one another in order to share in distribution infrastructure." *Id.*

The combination of the approved pricing structure, the lack of any program caps, and the ability for developers to co-locate[3] gardens is resulting in a situation where utility-scale projects are being pursued with our large commercial customers, as opposed to the small community gardens that would be consistent with the plain language and intent of the CSG statute. For example, over 60 of our large C&I customers have told us they have been contacted by a community solar garden developer. Additionally, one applicant has proposed 50 MW of co-located 1 MW gardens in Monticello. This developer is contending this project should be treated as one 50 MW development for purposes of an energy facility siting process, thus preempting any local zoning or permitting authority, while maintaining the project remains eligible for the CSG program as 50 contiguous gardens.[4]

We understood the intent of the Commission's September 17, 2014 Order was to accommodate multiple *smaller* gardens co-located for economic reasons. This also appears to be the Commission's understanding based on its February 13, 2015 Order Denying Request for Clarification and Setting Public Information Requirements, where the Commission stated:

> *fully offsetting energy use is not the primary purpose of a solar-garden program. If it were, the statute would not cap solar-garden size, set a minimum number of subscribers per garden, or limit a subscriber's share of garden output to 40 percent. These restrictions appear instead to serve the statutory purpose of ensuring that solar gardens are accessible to a broad cross-section of the community.*[5]

We believe there is a way to strike the right balance between moving forward with community solar garden projects while recognizing that approving utility scale projects at CSG rates is not in the best interest of all of our customers or sustainable over the long-term. We believe administering this program consistent with our interpretation of the 1 MW limit in the CSG statute and our tariff will achieve that right balance. Therefore, we would like to administer our program as follows:

- Process applications proposing solar gardens that are no more than 1 MW.

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[3] In these comments, when we refer to gardens as co-located, we mean gardens located in close proximity to one another.

[4] *See* Docket No. E002/M-13-867, City of Monticello Comments at 4 (March 2, 2015) ("Sunrise considers their proposal – for the purposes of the Community Solar Garden Program – a cluster of more than fifty independent 1 Megawatt Community Solar Gardens. By aggregating the clusters, and submitting the proposal as a single application, the City's understanding is that Sunrise may be able to avoid local land use regulations."). Even prior to filing comments in this docket, representatives of the City of Monticello testified before the Senate Tax committee raising the same concerns on February 10, 2015.

[5] Docket No. E002/M-13-867, Order Denying Request for Clarification and Setting Public Information Requirements at 4 (February 13, 2015).

- Consider a garden to be greater than 1 MW if it exhibits characteristics of being a single development consistent with Minnesota Statute section 272.0295.[6]
- Process co-located applications from a single developer provided that, in the aggregate, they do not exceed 1 MW.
- Process applications from multiple individual developers who propose co-located sites provided the gardens from any single developer do not exceed 1 MW in the aggregate.
- Applications from a single developer in excess of 1 MW who is simply dividing up a utility-scale project into multiple smaller gardens will not be considered.

We would apply this to current applications and new applications.

Until the Commission has an opportunity to address these concerns, we will work with developers to preserve their applications. We will request extensions to the timelines set forth in our tariffs from solar developers whose applications will be up for a decision before the Commission is able to consider the important issues raised during this comment period.[7] We will request that solar developers voluntarily agree to place their applications on hold to ensure the Commission is able to address the program implementation issues raised by the Company. To the extent developers do not agree to extend processing timelines, we will process their applications on the timeline set forth in our tariff, with the understanding that community solar garden applications are not approved until a Standard Contract for Solar*Rewards Community is executed.

As we have seen in the past with the advent of wind, the introduction of new generation technology to our system is typically coupled with growing pains. With that said, our prior experiences inform us that our customers and the State can be successful with the right guidance and partnerships. In fact, it is because of those great cooperative relationships that we are now the number one wind provider in the country.

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[6] Specifically, Minn. Stat. § 272.0295 lists the following criteria as indicative of a single development: ownership structure, an umbrella sale arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.

[7] Sheet No. 76 of Xcel Energy's Section 9 tariff provides that the company will "determine whether an application from the Community Solar Garden Operator is complete within thirty (30) days of its submission to the Company and approve or reject the application based on engineering review within sixty (60) days of finding it complete unless the Community Solar Garden Operator has agreed to an extension. The date an application shall be considered to be submitted to the Company is the date on which the Community Solar Garden Operator has uploaded to the CSG Application System all documents and information to allow the Company to begin engineering review."

We believe the path for solar can be one in the same. Based on the applications received to date, applying our statutory interpretation will result in up to 80 MW of community solar gardens once the initial set of gardens are operational.[8] This would mean Minnesota will have one of the largest solar gardens program in the country. We will continue to work diligently with stakeholders in the Implementation Workgroup to address issues in a practical way arising in connection with the administration of the CSG program. Also there is a place for utility scale solar on our system, especially when it is procured through a competitive process so that our customers receive the benefit of market based pricing.

The remainder of our Comments is aimed at further explaining our concerns and our view that the CSG program is not working as intended. We are open to exploring solutions that will work for interested stakeholders and all of our customers.

COMMENTS

A. Utility-Scale Projects

In their February 24, 2015 comments, several developers and Fresh Energy contend utility-scale solar projects should be eligible for the CSG program. We disagree. Based on the terms of the statute and legislative history, there is no place for utility-scale projects in the CSG program. Further, we believe it would be bad public policy to administer the CSG program to serve the desires of developers to build large generating facilities outside of the resource planning process.

1. The Legislative Intent

    a. *The Need and Desire to Create a Special Program for Community-Based Projects*

The purpose of the CSG program is not in dispute. The CSG program was intended to provide access to solar energy by "renters and property owners lacking sufficient capital to install their own solar systems or whose property may be shaded or otherwise unsuitable for a solar installation."[9] Before the House of Representatives on

[8] Based on our preliminary review of applications, the Company believes there are up to 80 proposed locations for solar gardens that meet the 1 MW standard which provides the potential for Minnesota to have one of the largest solar garden programs in the country. To the extent that the Commission believes that potentially worthy applications for utility-scale projects have been brought forward in the S*RC program, the Company is prepared to address that issue as part of its resource plan or in a separate docket.

[9] House Research, 2013 Solar Energy Legislation (August 2013) (available at http://www.house.leg.state.mn.us/hrd/pubs/ss/sssolarleg.pdf). On its website, the Department of Commerce describes the community solar garden program in similar terms: "The [community solar garden] program is designed for customers who cannot take advantage of other solar programs, because they rent, live in multifamily dwellings, their homes or businesses are not suitable for solar installations, or rooftop solar

May 7, 2013, the Chair of the House Energy Policy Committee described the legislation as providing the means whereby "if you want to participate in a solar project but you don't have the roof for it, people can come together – a church community, or a school, or a neighborhood – and work together to have a community solar resource."[10]

b. The Legislative Intent Does Not Support Use of the Community Solar Garden Program to Promote Utility-Scale Solar Projects

It is also clear the Legislature intended to exclude utility-scale solar from the community solar garden program. To do so, a statutory requirement was imposed that the size of a community solar garden must not exceed 1 MW. As it has done in other legislation, the Legislature considered utility-scale solar as projects in excess of 1 MW.

Solar garden facilities under the community solar program were originally proposed to have a 2 MW limit. At a hearing of the House Energy Policy Committee on March 11, 2013, a spokesperson for a municipal utility noted the 2 MW limit was of a size that was equal to or exceeded the total capacity of many municipal utility systems.[11] The capacity limit for community solar gardens was eventually lowered to 1 MW in the Senate companion bill, SF 901, during a May 7 meeting of the Senate Finance Committee. The 1 MW limit was then proposed in the May 13 Conference Committee Report and ultimately adopted in the CSG statute.[12]

Multiple solar incentive proposals were considered in the 2013 legislative session. Those programs that emerged were contained in the 2013 Omnibus Energy bill. This legislation included the provisions authorizing the community solar program.[13] In debating the solar provisions, advocates explained that strict capacity limits would be

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installations aren't right for them for other reasons. Participants can subscribe to as little as 200 watts of solar or enough to cover 120 percent of their annual electricity usage." *See* http://mn.gov/commerce/energy/media/Newsletters/Renewable-Energy/2014-Renewable-Energy-News/12_December_2014/xcel-energy-launches-community-solar-garden-program.jsp.

[10] *Omnibus Energy Bill: Floor Debate on HF 956 Before the H. of Rep.*, 2013 Leg., 88th Sess. (Minn. May 7, 2013) (available at Video Archive, House Floor Session – Part 3 at 3:30, http://www.house.leg.state.mn.us/htv/programa.asp?ls_year=88&session_year=2013&session_number=0&event_id=880359).

[11] *The Solar Cost Reduction Act of 2013: Hearing on HF 1146 Before the H. Comm. on Energy Policy*, 2013 Leg., 88th Sess. (Minn. Mar. 11, 2013) (available at "Audio File" at around 2:00:00, http://www.house.leg.state.mn.us/cmte/minutes/minutes.aspx?comm=88009&id=5085&ls_year=88).

[12] *See* Minn. Stat. § 216B.1641. It is worth noting that the same 1 MW limitation was adopted in the value of solar and the net metering provisions of the Cogeneration and Small Power Production statute, Minn. Stat. § 216B.164, subd. 3a(a), 10(c)(6).

[13] The Omnibus Energy bill, after being debated and passed on the floor of the House of Representatives, was eventually added to the Omnibus Jobs, Economic Development, Housing, Commerce, and Energy bill which was enacted in 2013 as Chapter 85.

imposed to avoid subsidizing utility-scale projects. For example, a key proponent of community solar gardens who was representing Fresh Energy testified that regulatory safeguards were necessary to ensure that a program intended to promote community solar did not provide "a back door for independent power producers." The representative explained: "if there's a large player from out-of-state or any state that wants to do a utility-scale project, that's fine, [but] certainly we would expect them to go through the PPA process, or the process that is intended for that scale."[14]

The same concern about the need to cap programs designed to promote solar was expressed by the Chair of the House Energy Policy Committee when discussing another incentive provision that established a fund to promote solar development. During hearings before the House Energy Policy Committee, the Chair explained that the purpose of the cap – then still set at 2 MW – was to ensure the program did not support "commercial ventures."[15]

Based on our review of the legislative history, we were unable to find a statement from a legislator or solar advocate claiming or suggesting that utility-scale projects should be eligible for the community solar garden program.[16]

c. The Significance of the 1 MW Garden Size Limitation in Distinguishing Community-Based Solar Gardens and Utility-Scale Solar Projects is Evident in Other Legislation

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[14] Throughout the 2013 session, Fresh Energy was called by both House and Senate members to discuss the key terms of the community solar garden legislation. The statements cited above were made before the Senate Energy and Environment Committee on March 14, 2013. *The Solar Cost Reduction Act of 2013: Hearing on SF 1054 Before the S. Comm. on Energy and Env't*, 2013 Leg., 88th Sess. (Minn. Mar. 14, 2013) (available at "Download Audio – Part 2," http://www.senate.leg.state.mn.us/schedule/unofficial_action.php?ls=88&bill_type=SF&bill_number=1054&ss_number=0&ss_year=2013).

[15] *Omnibus Energy Bill: Hearing on HF 956 Before the H. Comm. on Energy Policy*, 2013 Leg., 88th Sess. (Minn. Mar. 13, 2013) (available at "Listen Now" audio file at around 48:00, http://www.house.leg.state.mn.us/cmte/minutes/minutes.aspx?comm=88009&id=5079&ls_year=88).

[16] It is worth noting that at the time the 2013 Community Solar Garden legislation was being considered by the Legislature, the Slayton Solar project (a PPA) was the largest solar project in the state of Minnesota at 2 MW. *See* http://slaytonsolar.com/index.html. When utility scale solar was being discussed in 2014 during hearing of the solar production tax legislation, MnSEIA informed the Senate Committee on Tax that "we only have one [solar energy system] in the state currently over 1 MW AC, which is the Slayton Solar Farm." *Omnibus Tax Bill: Hearing on SF 2482 Before the S. Comm. on Tax*, 2014 Leg., 88th Sess. (May 7, 2014) (available at "Play Audio" file at around 22:00, http://www.senate.leg.state.mn.us/schedule/unofficial_action.php?ls=88&session=regular&bill_type=S.F.&bill_number=2482&ss_year=2014&ss_number=0). MnSEIA also explained that "a 1 MW system would be larger than what is on Ikea. So that gives you some idea of scale." *Id.* The only other large solar project in the state at the time was at the Ikea store located in Bloomington, MN, which has a total capacity of 1 MW DC. *See* http://www.startribune.com/business/167680535.html. This provides context for what the Legislature likely understood utility-scale solar projects to be.

The Legislature has also, in subsequent remedial legislation, confirmed that it sees 1 MW as the cut-off for utility-scale solar. In 2014, legislation set new policy on the treatment of solar projects for tax purposes. In enacting Minn. Stat. § 272.0295, the legislature defined "utility-scale" solar as those projects which have an aggregate capacity of greater than 1 MW.[17] Projects with a capacity of 1 MW or less are exempt from the production tax. Minn. Stat. § 272.0295 anticipated and addressed the prospect of solar developers creating a series of projects just under the 1 MW limit in an attempt to avoid the production tax. To address this issue, criteria were written into the tax code to determine whether different solar sites should be considered part of the same generating system:

> *Unless the systems are interconnected with different distribution systems, the nameplate capacity of a solar energy generating system shall be combined with the nameplate capacity of any other solar energy generating system that (1) is constructed within the same 12-month period as the solar energy generating system; and (2) exhibits characteristics of being a single development, including but not limited to ownership structure, an umbrella sale arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.*[18]

2. Application of Legislative Intent to Program Implementation

We find this legislative history to be very relevant to how we administer the CSG program. Given the terms and purposes of the CSG statute, we believe we should administer the CSG program to promote those projects that are consistent with our statutory interpretation. To be consistent with the statutory construct and sound public policy, utility-scale projects should be evaluated in the resource planning process and subject to a competitive request for proposal (RFP) process, where the Company is required to buy the output only after it has been found to be in the public interest to do so from a resource planning perspective.[19] To do otherwise would result in a CSG program that would no longer resemble what the Legislature

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[17] SF 2482, which was eventually passed in the 2014 Omnibus Tax bill was authored by Senator Koenen. He stated to the Senate Committee on Taxes that the bill would establish a "solar energy production tax for utility-scale solar energy systems" which have a "capacity greater than 1 MW," pointing out that the 1 MW limit "aligns with metering rules passed last year." *Omnibus Tax Bill: Hearing on SF 2482 Before the S. Comm. on Tax*, 2014 Leg., 88th Sess. (May 7, 2014) (available at "Play Audio" file at around 22:00, http://www.senate.leg.state.mn.us/schedule/unofficial_action.php?ls=88&session=regular&bill_type=S.F.&bill_number=2482&ss_year=2014&ss_number=0). Senator Koenen explained that under the bill "bigger projects out in the open, that would be ag[ricultural] land, would be subject to the production tax," but that the tax exemption for "[s]maller projects on the roof of a building . . . would remain what it is." *Id.*

[18] Minn. Stat. § 272.0295 (A solar energy generating system with a capacity of one megawatt alternating current or less is exempt from the tax imposed under this section); *see also* Minn. Stat. § 216E.021.

[19] *See* Xcel Energy 2015 Upper Midwest Resource Plan, Docket No. E002/RP-15-21, Appendix E: Renewable Energy (January 2, 2015) and Appendix J: Strategist Modeling and Outputs (January 2, 2015).

authorized. Indeed, the program would then be, at least in major part, something the Legislature intended to prevent: a program promoting utility-scale solar projects.

Some developers and customers have advocated we should adopt an anchor-tenant theory in the administration of the CSG program. We agree with the underlying principle that anchor tenants can provide valuable support in the development of some community solar gardens, especially by making the financing for some projects more viable. Our approach for moving forward does not disturb the ability for solar developers to engage a subscriber who wants to own a 40 percent share. However, we disagree with those advocates of the anchor tenant theory who envision 20 1-MW gardens in close proximity to one another, sharing distribution infrastructure that effectively moves 8 MW of the anchor tenant's load to the CSG program. This seems inconsistent with the legislative intent for a community solar program to help churches, residents, and small businesses where rooftop solar is not a viable option.

As the conversation regarding co-located gardens was taking place in the summer of 2014, we did not anticipate that applications would be submitted for utility-scale solar projects within the context of the CSG program.[20] In our attempt to support community solar development, we tried to be flexible and to work with developers to provide for reasonable operational efficiencies. While we intend to continue working with developers to accommodate opportunities to achieve efficiencies, such accommodation must be done in a way that does not support or encourage proposals for utility-scale projects and in a way that is consistent with the plain language and legislative intent of the community solar garden statute and our approved tariffs.

B. Potential Rate Impact

As detailed in our February 10, 2015 Comments, we conducted a preliminary analysis of the first-year impact of community solar on our customer's utility bills if the current 431 MW of community solar applications comes online. Several parties suggested that we should have included some of the values of solar that were identified in the Value of Solar (VOS) methodology process. Had the goal of the analysis been to evaluate the long-term value compared to the 25 year cost of community solar applications, it may have been appropriate to include other factors.

[20] In our June 19, 2014 Comments, we stated that in order to avoid unnecessary costs for garden development and burdens on local landowners and siting authorities, where feasible, we would coordinate with a developer so that multiple gardens situated in close proximity to one another could share the distribution infrastructure required to interconnect all of the developer's adjacent PV systems. Docket No. E002/M-13-867, Xcel Energy Reply Comments at 12 (June 19, 2014). While we intended to work with developers to accommodate co-located gardens, we never intended or anticipated utility-scale solar developments proceeding through the community solar garden program.

However, the goal of the analysis was to estimate actual first year impact to our customers.

To help foster a better understanding of our analysis, we offer a simplified version of the cost impact here. Last year, our average Minnesota fuel clause rate was less than $0.03/kWh. We estimated that through the S*RC bill credit rate, we will pay $0.12/kWh for community solar energy. The enhanced S*RC bill credit rate ranges between $0.11914/kWh - $0.15743/kWh depending on customer class and garden size.[21] If more residential customers subscribe to gardens than we assumed, we could raise the assumed S*RC bill credit assumption. With the purchase of community solar energy, the Company will avoid other on-peak energy purchases. Therefore, instead of using the actual *average* $0.03/kWh for the basis of the avoided energy cost, we used the average actual *on-peak* energy rate of $0.04582/kWh that was also recently filed as the on-peak energy payment rate under our Time of Day Purchase Service (Tariff Sheet 9-4).

To calculate the MWH production of 431 MW of community solar, we used an average capacity factor of 19 percent for large gardens. The Department has recommended using a projected solar fleet (which includes PV systems sized under 20 kW) capacity factor of 17 percent referenced from the Company's June 2014 Solar Energy Standard filing.[22] In the coming year, the long term avoided costs identified in the VOS methodology will not result in reductions to any bill components for our customers.

Table 1. First Year Fuel Rate Impact

	Average Cents/kWh	MWH Sales	Fuel Cost
MN System Fuel	$0.0288	30,769,436	$886,159,757
Plus Community Solar	$0.12	717,356	$86,082,720
Less On-Peak Purchases	$0.04582	717,356	$32,869,252
New MN System Fuel	$.03053	30,769,436	$939,373,225
Increase	6%		$53,213,468

Depending on the average non-fuel rate per customer class, a six percent increase in fuel rates results in a customer bill increase of approximately 1.5 – 1.8 percent.

In their comments, the Department points out that we could also compare our estimated community solar bill credit rate to the $0.0732/kWh rates we have

[21] *See* Docket No. E002/M-13-867, Xcel Energy ARR Calculation Compliance Filing, Attachment A, Tariff Sheet 9-64 (March 2, 2015).
[22] Docket No. E002/M-13-867, Department Comments at 2 (February 24, 2015) (citing Solar Energy Standard Annual Reports, Docket No. E999/M-14-321, Xcel Energy Reply Comments at 2 (July 11, 2014)).

experienced for utility-scale solar acquired through a power purchase agreement (PPA). At our estimated S*RC bill credit of $0.12/kWh, we would spend $0.0468/kWh more on community solar than competitively acquired utility-scale solar for every kWh purchased. Therefore, competitively-acquired utility-scale solar results in less of a financial impact to our customer's utility bills.

C. Subscriber Information

A number of parties have submitted comments regarding the important role of large customers in CSG development to serve as anchor subscribers and stating their view that the legislative intent of the CSG statute was not to exclude those large customers from participation. While we agree the CSG statute defines subscribers as any "retail customer," it is also clear that the legislature did not intend for the CSG program to fully offset energy use of Xcel Energy's largest customers.[23]

In its February 24, 2015 Comments, the Department recommended that Xcel Energy provide a breakdown by customer class of CSG program subscribers in reply comments, and to update the breakdown on a quarterly basis. As the Department indicated in its March 2, 2015 Comments, however, developers are not expected to submit subscriber account information to Xcel Energy until the CSGs near operation,[24] and this information is not currently available to the Company.

Although we do not currently have the data necessary to provide a breakdown of CSG subscribers by rate class, we will receive this information from garden operators as CSG projects are completed and begin generation. The Company has previously committed to provide an annual report, beginning 18 months after the first solar garden begins operating.[25] That report would include information relating to the types of subscriber groups participating in community solar gardens. The Company has also committed to filing monthly updates on the status of the initial applications.[26] The Company would also agree to the Department's recommendation and provide information on the breakdown of subscribers by rate class on a quarterly basis once this information is available. We would propose to include the subscriber information

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[23] The Commission similarly recognized that fully offsetting energy use was not the primary purpose of the CSG statute in this proceeding. *See* Docket No. E002/M-13-867, Order Denying Request for Clarification and Setting Public Information Requirements at 4 (February 13, 2015) ("fully offsetting energy use is not the primary purpose of a solar-garden program. If it were, the statute would not cap solar-garden size, set a minimum number of subscribers per garden, or limit a subscriber's share of garden output to 40 percent. These restrictions appear instead to serve the statutory purpose of ensuring that solar gardens are accessible to a broad cross-section of the community.").

[24] Docket No. E002/M-13-867, Department Reply Comments at 2 (March 2, 2015).

[25] *See* Docket No. E002/M-13-867, Order Rejecting Xcel's Solar-Garden Tariff Filing and Requiring the Company to File a Revised Solar-Garden Plan at 25 (April 7, 2014).

[26] Docket No. E002/M-13-867, Order Clarifying Solar-Garden Application Process at 7(February 13, 2015).

in a quarterly filing along with the monthly reports we have previously committed to file rather than as a separate compliance filing.

As discussed above, it is clear from the legislative history that the aim of the CSG statute was the development of small, community-based solar gardens, not utility-scale solar projects. Our primary concern is not whether large customers should be able to participate in the CSG program—we agree they should be allowed to participate within the parameters set forth in the statute. However, because the S*RC bill credits are priced higher than the avoided energy cost, it is possible that the program could allow relatively few large customers to achieve significant savings at the expense of imposing significantly higher costs on the rest of Xcel Energy's Minnesota ratepayers. Such significant cost subsidization is not in the public interest.

D. The Midcontinent Independent System Operator Process and Xcel Energy's Section 10 Interconnection Tariff

CSG projects will remain in the Xcel Energy Section 10 interconnection review process, even where an interconnection application may require additional review for transmission system impacts by MISO. We have contacted MISO regarding their procedures and requirements for interconnection in order to fully understand their jurisdiction and applicable policies to address situations where an interconnection may cause backflow onto the transmission system. Based on that conversation, we agree with the comments submitted by other parties that projects will remain in our Section 10 interconnection process, even if potential backflow concerns need to be addressed through MISO.

The Company will coordinate with MISO to conduct necessary review of transmission-level impacts that arise, in accordance with MISO's policies regarding distribution-level interconnections. We believe these issues can be addressed on an application-by-application basis and will continue to work with the Implementation Workgroup to address broader concerns or questions raised by developers regarding the interconnection process.

E. First Ready, First Served Application Process

In comments submitted on February 24, 2015, SunShare, LLC and others propose additional modifications to the current approved application process for the CSG program. Many of the proposed modifications are not reasonable or appropriate under the approved S*RC program and would contradict the Commission's decision that applications be processed on a "first-ready, first-served" basis.[27] In particular,

[27] Docket No. E002/M-13-867, Order Rejecting Xcel's Solar-Garden Tariff Filing and Requiring the Company to File a Revised Solar-Garden Plan at 7-8 (April 7, 2014).

some comments suggested that developers be allowed to change the site associated with a pending application if the developer encounters interconnection issues.

Under the current application process, developers are permitted to change the location of a CSG prior to their application being deemed complete. However, once the application is deemed complete and enters the interconnection queue, the developer cannot change the location of the garden site without abandoning their place in the queue. The proposal that CSG developers should be allowed to change the site associated with a pending application due to interconnection issues is contrary to the concept of a "first-ready, first-served" application process. The Commission has ordered "first-ready, first-served" processing of solar-garden applications in order to encourage well-thought-out proposals.[28] Under this approach, as implemented in our approved tariffs, solar-garden projects enter the interconnection queue once the Company determines an application is complete. Allowing developers to change the location of the proposed community solar garden without having to proceed to the end of the queue would undermine the entire purpose of the queue and the intent for establishing a first-ready, first-served process.

Additionally, allowing developers to change the location of an application after it has been submitted would open the door to potential abuse of the Commission's decision to allow developers to lock in the REC value in effect at the time a complete application is submitted.[29] As was discussed in the Implementation Workgroup, requiring a new application for a changed location prevents developers from creating "placeholder" applications in order to lock in a more favorable REC rate rather than accepting a new REC rate.[30]

F. Pre-Screen Process

SunShare also proposes that the Company be required to develop a "pre-screen" process under which developers could pay to obtain relevant engineering information. As SunShare discusses in its February 24 Comments, Xcel Energy does have a pre-screen process in Colorado where, for a fee, developers can obtain a ballpark estimate of interconnection costs at a proposed site. At this stage of implementation of the S*RC program, we believe the focus should be on processing the applications that

[28] Docket No. E002/M-13-867, Order Rejecting Xcel's Solar-Garden Tariff Filing and Requiring the Company to File a Revised Solar-Garden Plan at 8 (April 7, 2014) ("This 'first-ready, first-served' approach will result in higher-quality applications by focusing applicants on the statutory criteria, as well as practical requirements such as site control that ensure that the developer is serious about proceeding with the project. This approach will also put small projects on a more even footing with larger projects.").
[29] Docket No. E002/M-13-867, Order Approving Solar-Garden Plan with Modifications at 9 (September 17, 2014).
[30] Docket No. E002/M-13-867, Stakeholder Minutes Attachment I, December 17, 2014 Stakeholder Minutes at 5 (February 27, 2015).

have already been received as quickly as possible. While we would be willing to consider whether a pre-screen process should be implemented, we believe that discussion would need to occur within the broader context of our distributed generation interconnection tariff. For purposes of this docket, the focus should remain on continuing to process the applications that have been received in a timely manner, consistent with the language and intent of the CSG statute.

G. Refundable Solar Garden Deposits and Third Party Assignment

SunShare also proposes that the Commission clarify that the Company may allow a developer to assign the return of the project deposit directly to the deposit lender in order to reduce lender risk. This proposal is directly contrary to the Commission's prior decision with respect to solar garden deposits and would contravene the intended purpose of deposits to protect subscribers from developers who lack a serious commitment in the project proposal. Additionally, there is no justification to impose the additional administrative burden on Xcel Energy to track where deposits are to be returned. If developers want to agree with their financers to return deposits to them, they can do so. However, there is no reason for the Commission to require the Company to serve as the intermediary in that process.

The primary purpose of the deposit requirement, as established in the record in this docket, is to protect subscribers from speculatively planned solar gardens, and to ensure that only gardens that are very likely to be built are moved through the application process. That purpose can only be served where the developer is required to undertake some risk of its own, and to demonstrate its ability to proceed with the proposed project. Requiring that the Company return deposits directly to the deposit lender in order to reduce lender risk undermines the intended purpose of the deposit. Additionally, pursuant to the Commission's April 7, 2014 Order, the Company is required to refund the deposit to the operator, not the party of the operator's choosing.[31]

There is no reason to modify the established deposit and refund process. The Company should not be in the position of having to eliminate all business risk and uncertainty for solar developers. Ensuring the developer is undertaking some of its own risk is important to protect subscribers by ensuring developers have the incentive to only submit serious project proposals. Therefore, the modification proposed by SunShare is not appropriate. To the extent the financers are taking a risk in these projects—that risk should be on the solar developer—not on Xcel Energy.

[31] Docket No. E002/M-13-867, Order Rejecting Xcel's Solar-Garden Tariff Filing and Requiring the Company to File a Revised Solar-Garden Plan at 10 (April 7, 2014).

H. Implementation Workgroup

The Company agrees with many comments submitted by other parties that the Implementation Workgroup serves as a valuable forum in the process of implementing the CSG program. We fully intend to continue the work that is being done within that Workgroup. Xcel Energy will continue to manage our program in order to advance projects consistent with the CSG statute, as discussed in these Comments. We will work with the Implementation Workgroup to address questions and concerns raised by developers regarding implementation in accordance with these Comments.

CONCLUSION

The CSG program is a landmark undertaking in Minnesota. As with any new program, there will be implementation challenges and potential unintended consequences. As the CSG program administrator, we are committed to ensuring program rules are developed and applied consistent with the terms and intent of the CSG statute and our approved tariffs. We respectfully request the Commission confirm our interpretation of the CSG statute is correct in that it precludes utility scale solar. We will continue to manage our program in order to advance projects consistent with the applicable legal requirements as set forth in this Reply.

Dated: March 4, 2015

Northern States Power Company

CERTIFICATE OF SERVICE

I, Tiffany Hughes, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

Docket No. E002/M-13-867

Dated this 4th day of March 2015

/s/

_____

Tiffany Hughes
Records Analyst

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