

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger, Chair  
David Boyd, Commissioner  
Nancy Lange, Commissioner  
Dan Lipschultz, Commissioner  
Betsy Wergin, Commissioner

**In the Matter of Xcel Energy's Proposed plan for a  
Community Solar Garden Program Docket No. E002/M-13-867  
Pursuant to Minn. Stat. §216B.1641**

**Date: September 30, 2014**

**COMMENTS OF THE MINNESOTA RENEWABLE ENERGY SOCIETY**

These comments are provided on behalf of the Minnesota Renewable Energy Society (MRES) and have been approved by the MRES board of directors. The Minnesota Renewable Energy Society (MRES) is a member-run, 501(c)(3) non-profit organization founded in Minneapolis in 1978 and incorporated in Minnesota in 1979 to promote the use of, and to engage in advocacy for, renewable energies in Minnesota through education and through the demonstration of practical applications. MRES is involved in education, awareness, and advocacy efforts for all forms of renewable energy, with a particular emphasis on solar technologies. Our mission is: *To advance a sustainable society and a renewable energy economy through education, leadership, and example.*

**INTRODUCTION**

Pursuant to Minnesota Statute § 216B.1641, on September 30, 2013, Xcel Energy (Xcel) filed a petition to the Minnesota Public Utilities Commission (PUC) for approval of its proposed Community Solar Gardens (CSGs) Program. Following several subsequent filings on the subject docket, on September 8, 2014, the PUC issued a call for comments about an "Appropriate adder to apply to a proposed value-of-solar rate to ensure compliance with statute."

On August 7, 2014, the Commission met to consider the issue of whether to approve Xcel Energy's Community Solar Garden (CSG) compliance filing. At that meeting, the Commission adopted the following draft motion: "Direct the parties to engage in further discussions and to file comments by October 1, 2014, regarding the appropriate adder, if any, to apply in conjunction with a proposed value-of-solar rate to ensure compliance with the community-solar-garden statute, including, but not limited to, a requirement that the community-solar-garden plan approved by the Commission reasonably allow for the creation, financing, and accessibility of community solar gardens (PUC Notice of Confirmation of the October 1, 2014 Comment Date, Issued: September 8, 2014).

We are replying to this call for comments, and we respectfully make the following comments and recommendations.

## Background

On September 17, 2014, the PUC issued an “Order Approving Solar-Garden Plan with Modifications.” In the narrative of this order, the following relevant findings were written:

However, the Commission found that the applicable retail rate—approximately \$0.12 per kilowatt hour (kWh) for residential and small commercial customers—was too low to reasonably allow for the creation and financing of community solar gardens as required by statute. Based on developers’ uncontroverted statements, the Commission determined that \$0.15 per kWh was the conservative minimum needed to secure financing and make solar gardens attractive to subscribers (PUC Order Approving Solar-Garden Plan with Modifications, September 17, 2014, p.4).

Therefore, to help ensure that the total payment for garden energy would be sufficient to allow for the creation and financing of solar gardens, the Commission required Xcel to offer to purchase from garden operators the renewable energy credits (RECs) associated with garden energy at a rate of \$0.02/kWh for large gardens and \$0.03/kWh for small gardens. The applicable retail rates and REC payment amounts were to be reviewed and adjusted annually and continue in effect until the Commission approved a value-of-solar rate for solar gardens (PUC Order Approving Solar-Garden Plan with Modifications, September 17, 2014 p.5).

The Commission finds that it is not in the public interest to approve a value-of-solar rate for solar gardens at this time and that Xcel should continue to use the applicable retail rate, with an optional REC sale, as set in the Commission’s April 7 order. To facilitate a possible future transition to a value-of-solar rate, the Commission will require the parties to engage in further discussions and to file comments addressing the appropriate adder, if any, to apply to a value-of-solar rate to ensure that the solar-garden program reasonably allows for the creation, financing, and accessibility of community solar gardens, as required by statute (PUC Order Approving Solar-Garden Plan with Modifications, September 17, 2014 p.6).

On September 17, 2014, the PUC Order stated: “The Commission approves Xcel’s proposal to recover community-solar-garden program costs, including customer bill credits, additional REC credits, and unsubscribed energy, through the Fuel Clause Adjustment (FCA) mechanism” (PUC Order Approving Solar-Garden Plan with Modifications, September 17, 2014 p.21).

## COMMENTS

### **MRES Argues for Sustainability of Community Solar Gardens**

As an advocate, educator, and leader for the advancement of a sustainable society and a renewable energy economy in Minnesota, MRES represents the interests of the general public in this way and believes that our comments are therefore in the public interest. To protect the public interest, once a Community Solar Garden (CSG) is financed, created, and made accessible to subscribers, it will be in the public interest for the CSG to remain solvent during the 25 year contract period.

MRES congratulates the PUC and agrees with the finding that “... \$0.15 per kWh was the conservative minimum needed to secure financing and make solar gardens attractive to subscribers.”

If the applicable retail rate were allowed to be less than enough to “...reasonably allow for the creation, financing, and accessibility of community solar gardens,” and if a CSG were created at a rate below the \$0.15kWh conservative minimum, then the CSGs would not be likely to remain solvent during the 25 year contract period, because of the continued operation costs and economic inflation, given that \$0.15 per kWh is a conservative minimum.

If a Community Solar Garden (CSG) becomes bankrupt during the 25 year contract period, and subscribers are left without the ability to benefit from their subscription costs, it would likely be financially harmful to the CSG Operator, investors, subscribers, and it would also likely be damaging to the reputation of Xcel Energy as well, because of their public association with, involvement in, and support of the CSG program. If Xcel Energy were to take over the operation of a failed CSG, and maintain an underfunded enterprise, then it would likely be at added costs passed on its ratepayers to keep the CSG solvent and protect its reputation. Therefore, not only is it in the public interest, and compliant with the law, to *reasonably allow for the creation, financing, and accessibility of community solar gardens*, it is also necessary to protect the public interest by having an applicable retail rate that is sufficient to allow CSG Developers to attract investors and market CSGs at a subscription price high enough for them to recover both CSG Developer’s development costs and CSG Operator’s cost of operations, while managing the business of remaining in business over the 25 year contract period, and include inflationary increases. Without the \$0.15 per kWh minimum, the subscribers would not receive enough value to benefit from the subscription prices paid, if the subscription prices are sufficient to *reasonably allow for the creation, financing, and accessibility of community solar gardens*.

Therefore, it follows that the *Value of Solar* (VOS) rate, as it applies to CSGs, should be at least as high as the *Applicable Retail Rate* determined by the PUC to no less than the ARR.

However, there has been controversy on how the VOS rate was calculated and the VOS rate was lastly calculated at a rate below the Applicable Retail Rate (ARR). Therefore, some adder or is needed to bridge the gap to get the VOS rate at least as high as the ARR. Otherwise, the VOS would not be compliant with the law to allow for financing, creation, and access, and as the PUC found - not in the public interest, if the VOS were lower than the ARR.

In its April 7, 2014 Order, the PUC ordered that no limit on the aggregate installed capacity of solar gardens would be allowed. Therefore a rate charge that should be used to finance the adder to bridge the gap between the ARR and VOS is needed.

On September 17, 2014, the PUC Ordered that Xcel Energy could recover Community Solar Garden program costs, including customer bill credits, additional REC credits, and unsubscribed energy, through the Fuel Clause Adjustment (FCA) mechanism. (PUC Order Approving Solar-Garden Plan with Modifications, p.21).

The FCA is a rate charged to the energy bill of Xcel customers and not a fixed pool of funding. A fixed pool of funding would place a limitation on CSGs, which is not allowed under the law and by ruling of the PUC.

Therefore, it would be reasonable to bridge the gap between the lower VOS rate and the ARR with an adder charged by Xcel Energy to Fuel Clause Adjustment (FCA) mechanism, and we recommend that the FCA mechanism be used to bridge any gap between the ARR and the VOS.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jan Hubbard". The signature is written in a cursive, flowing style.

Jan Hubbard, Chair of Advocacy Committee  
Minnesota Renewable Energy Society  
[www.mnRenewables.org](http://www.mnRenewables.org)