



414 Nicollet Mall
Minneapolis, MN 55401

April 2, 2015

—Via Electronic Filing—

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

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

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, submits these Comments to the Minnesota Public Utilities Commission in response to the Commission's March 13, 2015 Notice of Comment Period.

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 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
David Boyd	Commissioner
Nancy Lange	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

COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits these brief Comments to the Minnesota Public Utilities Commission in response to the Commission's March 13, 2015 Notice of Comment Period.

Specifically, we summarize our position with respect to the mismatch between the sizes of the community solar projects planned in Minnesota and the approved bill credit rates which will be shouldered by other customers. We make note of the cost impacts that customers will experience based on current market response, and we restate our position on financeable rates for gardens. We look forward to resolution of these issues when the Commission deliberates in late spring or early summer.

I. Garden Size and Price

In a series of communications with the Commission, we have detailed our concerns regarding the types of projects we are seeing in our Solar*Rewards Community application queue. We have shared with the Commission our understanding of the legislative intent which gave rise to the statutory provision limiting eligible garden sizes to one MW. We note the stark contrast between this provision in statute and the large project sites, some upwards of 50 MW, planned in our service territory and packaged as community solar.

We also provided comments to the Commission noting our expectation that solar developers are targeting our large customers to support their utility-scale projects. This scenario could result in some customers from our commercial and industrial

(C&I) customer class subscribing to garden capacity at a scale that matches or exceeds their energy consumption. It could also result in a series of unintended consequences for communities grappling with local impacts from the utility-scale solar arrays proposed within their planning areas.¹

We have observed that utility-scale solar resources can be obtained for roughly half of the current bill credit rate approved in this docket. We conclude that the program rules coupled with the high bill credit rate have created an environment where a few customers and developers reap substantial benefits, at the expense of all other customers, who pay far more than what they might otherwise for the same resource.

We have explained our understanding that this price-size mismatch scenario is far outside what the Legislature, the Commission, or the Company intended or anticipated in the early stages of program development. We have sought guidance from the Commission on these topics and we are currently working with solar developers and key stakeholders to find solutions to issues arising in the program through the Implementation Workgroup.

II. Cost Impacts

We have provided the Commission with a detailed rate impact analysis for customers, showing a nearly two percent bill increase for customers, if the original 431 MW of garden applications were to come online at current rates. As of the date of this filing, we have applications representing more than 500 MW of planned projects. Less than thirty percent of sites are for stand-alone gardens of one MW or less.

Concurrent with the discussion regarding the price-size mismatch in the program, we filed a Supplement to our 2016-2030 Upper Midwest Resource Plan.² In our Supplement, we revised our Preferred Plan to reflect the addition of modified modeling assumptions that included more community solar acquisitions. We did not include the full 500 MW currently in our community solar application queue because, as we have stated, we do not view most of the current projects to be compliant with statute. For the purposes of modeling a Preferred Plan option, we have smoothed the increase in community solar resource acquisitions sized one MW or less (consistent with our interpretation of statute) over the next few years.

¹ See City of Monticello, Letter dated March 2, 2015, and Town of Big Lake, Letter dated March 31, 2015.

² DOCKET NO. E002/RP-15-21, 2016-2030 UPPER MIDWEST RESOURCE PLAN – SUPPLEMENT, March 16, 2015.

As we have stated, the modeling assumptions in our Supplement are rough estimates, subject to significant uncertainty. We do not today know how many MW of community solar gardens we will eventually take on. We do know, however, that the bill impacts based on current market response are significant. We are not alone in our concern about price impacts for non-participating customers. As the Minnesota Chamber of Commerce recently noted, C&I customers are focused on potential impacts to their fuel costs as a result of this program. The Chamber joins the Company in urging the Commission and parties to address problems related to cross-subsidization and to acquire resources at competitive prices.³

III. Financeable Rates

In our recent Reply Comments, we noted the lack of an evidentiary record to support claims that either \$0.15/kWh or the current applicable retail rates (ARR) are needed for solar garden financing. We did note that our robust launch is a market signal that speaks forcefully to the conclusion that the current ARR is set higher than a “conservative minimum” pricing structure would be.

We again emphasize that we believe the Commission should require competitive bidding in its rate structure, including its REC incentive, and to find market-based solutions to the question of minimally financeable rates.

We continue to oppose any additional incentives be added to the ARR structure. The market has signaled that current rates are in excess of minimally financeable rates, and the Company believes further stimulation of the market is unnecessary and outside the public interest at this time.

IV. Claims Regarding Subscriber Costs

We have taken note of some of the claims solar developers and/or garden operators are making on their websites regarding the benefits of customer participation and anticipated costs and savings to subscribers based on the current bill credit rates and the prices the developers will charge subscribers. We provide a sample of these statements here.

“Subscribing acts as a hedge against rising utility costs.” <http://ips-solar.com/incentives-and-financing/>

³ See Minnesota Chamber of Commerce, Letter dated March 17, 2015.

“No upfront costs at all. Community Solar as [sic] an easy way to get solar power for a building (or campus) without the upfront capital expense. And you’ll end up being cost neutral – or most likely, you’ll generate a positive return. How? As a subscriber, Xcel pays you a rate set by the PUC for the solar energy you generate for their grid via SunShare, say 15¢/kWh. Separately, you pay SunShare a lower rate for their generation of that energy, say 13.5¢, and you come out ahead. Xcel will reconcile accounts once per year.”

<http://www.mortenson.com/solar/expertise/community-solar-faqs>

“What’s the catch?”

1. No catch. Xcel has to meet mandates for increasing their mix of renewable sources of energy, and they are outsourcing this part of the process to qualified partners.

2. Rate certainty for 25 years. Eliminate volatility of energy prices for your facilities. You subscribe and lock in your rate escalation at 2.75% for a 25 year period. That’s compared to an average of 4.6% annual rate increase based on the historical average.”

<http://www.mortenson.com/solar/expertise/community-solar-faqs>

“Financial Benefits – Minnesota Community Solar Garden programs offer a hedge against volatile energy costs with a predictable cost of energy into the future. Minnesota Community Solar Garden Subscriber Agreements (SA) – An SA provides customers the option to pay no upfront costs with a fixed rate per kWh that is below the current utility retail rate.”

<http://solarstonepartners.com/faq/>

“Solar Electricity costs less than purchasing power from public utility (approximately 10% savings). No upfront costs (Customer experience remains the same, with the exception of electricity costs are reduced each month).”

<http://solarstonepartners.com/faq/>

We also include as Attachment A a sample of marketing literature the Company has obtained from a solar developer. We believe if garden developers can offer garden subscriptions with no upfront costs and offer subscribers a net reduction in their energy bill, this may be evidence that current bill credit rates are too high.

V. Value of Solar

With respect to a migration from the ARR to the Value of Solar (VOS), the Company takes no position at this time as to when it might file an alternative tariff for use in Solar*Rewards Community. We do note that the use of the VOS is predicated on

generation sized one MW or less.⁴ The utility-scale project sites we have received in our application system do not appear to qualify for a VOS rate, based on this size limitation in statute.

The permissive language of the statute indicates that filing an alternative tariff is at the utility's discretion. The VOS statute, Minn. Stat. 216B.164 Subd. 10 (a), states

A public utility may apply for commission approval for an alternative tariff that compensates customers through a bill credit mechanism for the value to the utility, its customers, and society for operating distributed solar photovoltaic resources interconnected to the utility system and operated by customers primarily for meeting their own energy needs.

The Company has no imminent plans to file an alternative VOS tariff. For this reason, we do not believe the Commission needs to further explore the use of an incentive to be added to the VOS at this time.

CONCLUSION

Xcel Energy respectfully requests that the Commission considers these and our previously filed comments on community solar gardens' size and price when it deliberates on this matter. We look forward to reporting on the outcome of ongoing discussions in our Implementation Workgroup, to the eventual resolution of these important issues, and to bringing the first gardens through the process and eventually onto our system.

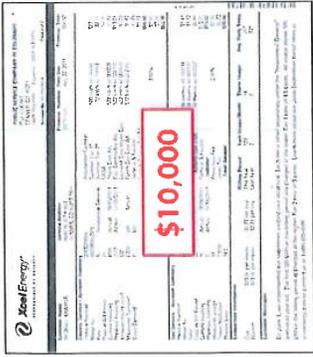
Dated: April 2, 2015

Northern States Power Company

⁴ Minn. Stat. 216B.164 Subd. 10 (c)(6).

Savings Model (sample only)

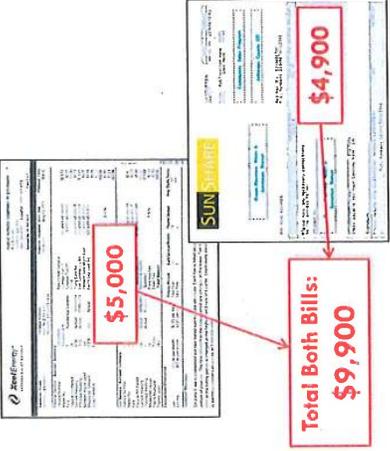
Conventional Utility Billing



\$10,000

1 Bill: Xcel Energy

SunShare Billing



\$5,000

Total Both Bills: \$9,900

\$4,900

1 Bill: Xcel Energy
+
1 Bill: SunShare

“Community Solar is very popular in Colorado Springs. As soon as there are more solar gardens built, I plan to lease six more panels for my home.”

Loy Jones — Good Shepherd United Methodist Church , Colorado Springs

SunShare

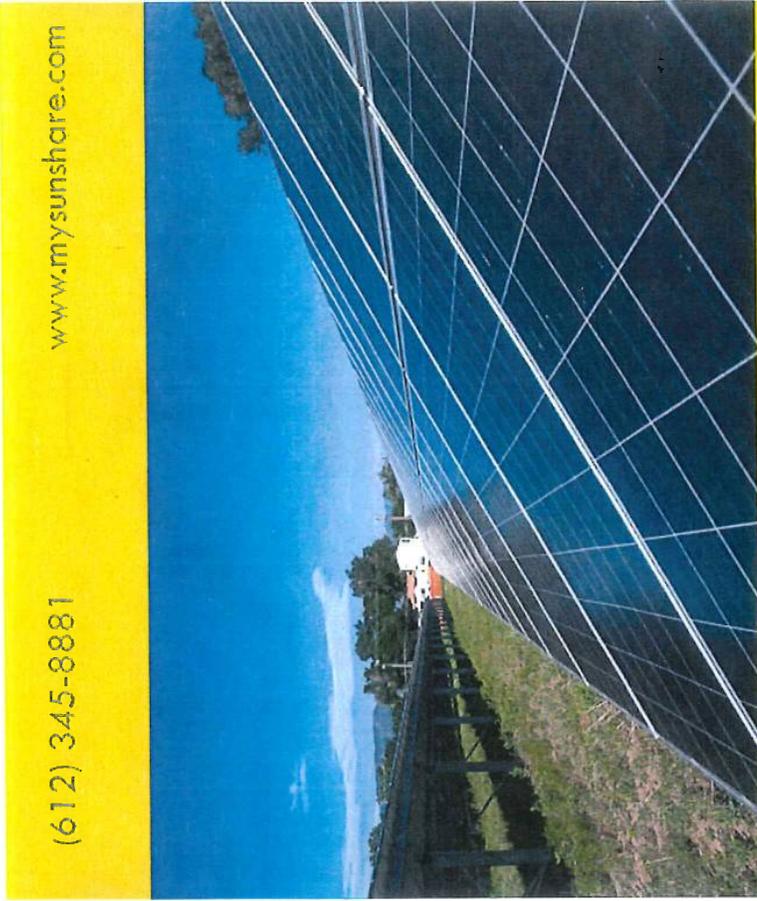
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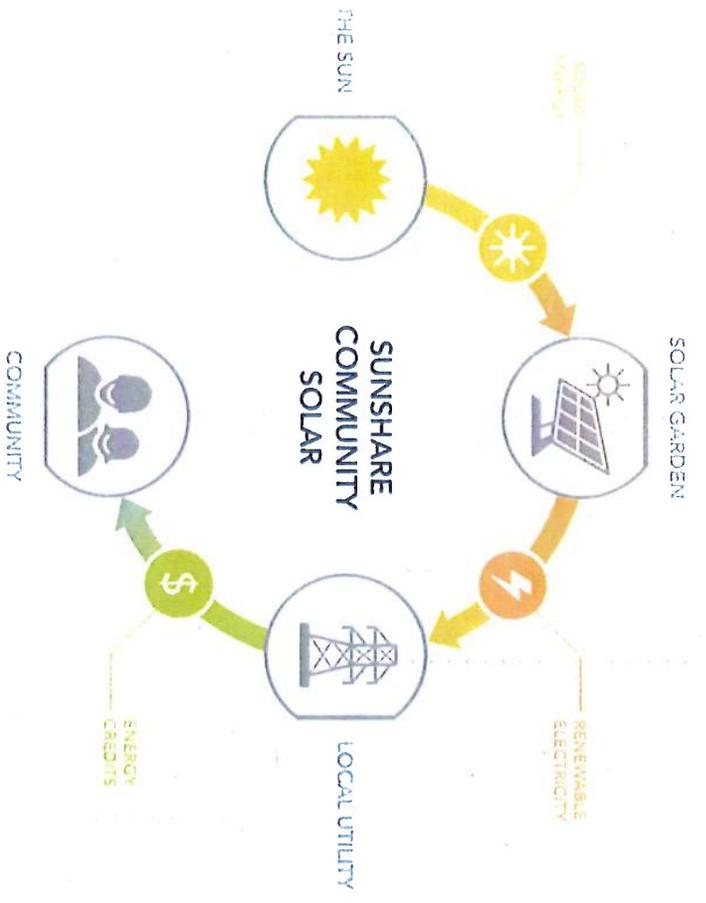
(612) 345-8331



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www.mysunshare.com

Choose SunShare Community Solar
For Your Business



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- Join other Minnesota businesses in choosing solar
- Save on your utility bill
- Protect against volatile fossil fuel rates
- Align your business with a proven leader in Community Solar
- Work with a flexible program, solar credits can be transferred to another property
- Meet your sustainability goals

No Money Down • Instant Savings • No Rooftop Required



Businesses can now
go solar in 3 easy steps!

- 1 Call SunShare at (612) 345-8881
- 2 Receive a proposal for solar energy
- 3 Review our proposal and sign up

www.mysunshare.com

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