



Minnesota Rural Electric Association

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September 26, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: In the Matter of the Petition of Northern States Power Company, dba Xcel Energy, for Approval of Its Proposed Community Solar Garden Program
PUC Docket Number: E-002/M-13-867
Comments on the appropriate adder to apply to a proposed value-of-solar rate to ensure compliance with statute

Dear Dr. Haar:

Enclosed please find comments from the Minnesota Rural Electric Association on the appropriate adder to apply to a proposed value-of-solar rate to ensure compliance with statute.

The document has been filed with the E-Docket system.

Sincerely,

Joel Johnson
Director of Government & Public Affairs
Minnesota Rural Electric Association

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

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

**In the Matter of the Petition of Northern States Power Company, dba Xcel Energy, for
Approval of Its Proposed Community Solar Garden Program
PUC Docket Number: E-002/M-13-867
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value-of-solar rate to ensure compliance with statute**

The Minnesota Rural Electric Association (MREA) submits these comments on the appropriate adder to apply to a proposed value-of-solar rate to ensure compliance with statute. These comments are submitted in response to the Minnesota Public Utilities Commission's request for comments included in the Commission's September 17, 2014 order approving Xcel's Community Solar Garden program.

The Minnesota Rural Electric Association represents the interests of the state's 44 electric distribution cooperatives and the six generation and transmission cooperatives that supply them with power. Our member cooperatives are not-for-profit electric utility businesses that are locally owned and governed by the member-consumers they serve.

Although electric cooperatives were specifically and intentionally exempted from the legislation which created the VOS process and the Community Solar program, MREA and our member cooperatives actively participated in the stakeholder process to establish a VOS and closely followed the Community Solar Garden process at the Commission. We did so because of our concerns over Minnesota's current net metering laws and our interest in developing Community Solar projects within our service territories.

There are currently six community solar projects operating at electric cooperatives around the state: 53KW and 41KW projects at Wright-Hennepin Cooperative Electric Cooperative in Rockford (a third project of similar size will go online shortly); a 39KW project at Lake Region Electric Cooperative in Pelican Rapids; two 32KW projects at Tri-County Electric Co-op in Rushford; and a 245KW project at Connexus Energy in Ramsey. There are also projects being

discussed in the local board rooms of nearly all of the remaining 40 distribution cooperatives around the state. Based on informal discussions with our members, we expect the number of community solar projects at Minnesota electric cooperatives to double or triple within the next two years.

For the most part, these cooperative projects have and will be structured quite differently than Xcel's proposal, with subscribers agreeing to purchase the output of the panels rather than purchasing the panels outright and thus avoiding the requirements of net metering under Minnesota statute 216.164.

Cooperatives have also been creative and flexible in how those purchases are arranged, with a variety of payment options, initial payments sizes and KWh payments designed to meet varying member needs and resources. Most of the projects are also structured in a way that allows the cooperative to recover the fixed costs required to serve the enrolled members and avoiding unnecessary and unfair cost-shifting to other members.

Because we are not rate-regulated and were exempted from the statute, electric cooperatives have that flexibility. The cooperative model we've chosen also fits with our business model as not-for-profit, member-owned electric utilities. These projects have also been developed as a result of input and interest from our members.

As this docket has progressed, we have become increasingly concerned with the response to the provision in Minn. Stat. § 216B.1641 that requires the plan to "reasonably allow for the creation, financing, and accessibility of community solar gardens."

It's been our experience that community solar projects can be designed, financed and built without the level of subsidy that some of the solar developers and advocates have been demanding in this docket. This is particularly true of our later projects, where the "all-in" cost of producing a KWh have been less than half of what's being proposed with the existing VOS and incentives.

In Docket No. E999/M-14-65, which established the Distributed Solar Value Methodology, we expressed our concerns that the adopted Value of Solar (VOS) methodology does not reflect the true value of solar to a utility, but rather an incentive rate designed to encourage the installation of more distributed solar generation. We continue to believe the outcome conflicts with the statutory language that created the VOS process, which specifies that the VOS rate must reflect value to utilities. We also worry that the adopted methodology will overly compensate those able to afford solar generation while shifting the costs to the rest of the utility's customers or members.

Our initial experience with the performance of our community solar projects also indicates that some of the methodology used in determining the VOS exaggerated the value of solar to utilities, particularly in the areas of avoided generation costs, avoided transmission capacity costs and avoided distribution capacity costs.

Conclusion

As we have mentioned previously, Minnesota's electric cooperatives are keenly interested in the outcome of this proceeding and appreciate the opportunity to participate. We see community solar as a fair and convenient way for our members to participate in distributed renewable generation without saddling the rest of our membership with excessive cost. We are concerned, however, that the level of subsidy being proposed through the VOS and an adder is unnecessary, over-compensates the owners and developers of community solar at the expense of other Xcel customers and will likely distort prices and expectations regarding community solar elsewhere in the state.

Sincerely,

Joel Johnson
Director of Government & Public Affairs
Minnesota Rural Electric Association