



414 Nicollet Mall
Minneapolis, MN 55401

August 23, 2019

—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 to the Minnesota Public Utilities Commission the enclosed Reply Comments in response to the Comments received from Parties on July 19, 2019, and the Commission's August 9, 2019 Notice of Extended Comment Period.

Pursuant to Minn. Stat. §216.17, subd. 3, 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 Amber Hedlund at (612) 337-2268 or amber.r.hedlund@xcelenergy.com or me at (612) 330-7681 or Lisa.R.Peterson@xcelenergy.com if you have any questions regarding this filing.

Sincerely,

/s/

LISA R. PETERSON
MANAGER, REGULATORY ANALYSIS

Enclosure
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matthew Schuerger	Commissioner
John A. Tuma	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

OVERVIEW

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission these Reply Comments in response to the Comments received from Parties on July 19, 2019, and the Commission's August 9, 2019 Notice of Extended Comment Period.

In these Reply Comments, we respond to the comments submitted by the Minnesota Department of Commerce (Department), Fresh Energy, Minnesota Solar Energy Industries Association (MNSEIA), and IPS Solar. We appreciate the consideration given to the Company's alternative proposal in this proceeding and the opportunity to submit this Reply.

As discussed with stakeholders at the Company's July 31, 2019 workgroup meeting, the Company recently made its preliminary calculation of the rates for the 2020 vintage of the Value of Solar (VOS).¹ Using the approved methodology, the 2020 calculation results in unreasonable rates. The calculation yields a levelized 2020 rate of approximately \$.2484 per kWh. The driver of the doubling over 2019 levels is the avoided distribution capacity cost input.

In view of the preliminary results from the 2020 calculation, we submitted a Petition to formally modify the avoided distribution cost component of the Department of Commerce's Value of Solar methodology in accordance with the Company's

¹ The Company will make a compliance filing detailing the results of the 2020 calculation by September 1, 2019.

alternative proposal.² We believe the record is sufficiently developed to enable an efficient review process and to facilitate resolution either through the current docket or the Company's Petition in the VOS methodology docket.

REPLY COMMENTS

I. DEPARTMENT OF COMMERCE

We appreciate the Department's support for our proposal to stabilize the VOS by developing the avoided distribution capacity cost input through two years of actual and three years of forecasted costs of capacity-related distribution projects. We also appreciate that the Department is not opposed to the application of a fifty percent deferral reduction factor. The Company can provide annual reporting on planned and actual distribution capacity spending and the location of community solar gardens projects as requested by the Department.

II. FRESH ENERGY

While much of Fresh Energy's description of the process the Company used to develop its alternative value for the avoided distribution capacity cost input was accurate we should note that their description of the first step is not. During this process we do not determine which costs are distribution related, but rather all distribution project spend is reviewed.

As to whether a project is driven by distribution versus transmission, this is not an issue in the Company's process. While we currently coordinate and are working to further integrate our planning processes, we have separate personnel and business areas dedicated to the distribution system and the transmission system. The business areas have independent budgets and project plans, and distribution projects only originate from the distribution business area.. The costs and projects at issue only arise through our distribution business area.

Fresh Energy asks the Company to define the categories used in the Company's current proposal.

Asset Health. Projects in this category are related to replacing infrastructure that is experiencing high failure rates and, as a result, negatively impacting the reliability of service and increasing O&M expenditures needed to repair this equipment. When

² See Petition, August 2, 2019. In the Matter of Establishing a Distributed Solar Value Methodology Under Minn. Stat. 216B.164, Subd. 10(e) and (f), Docket No. E999/M-14-65.

poor performing assets are identified, projects that will improve asset performance are included in the budget. Projects in this category include replacement of underground cable, wood poles, overhead lines, substation equipment, transformers, and switchgear that have reached the end of their life. This category also captures replacements due to storms and public damage. Additionally, this category covers projects to relocate utility infrastructure in public rights-of-way when mandated to do so to accommodate public projects such as road widening or realignment. These projects, often referred to as “mandates,” generally follow municipal and state funding availability. These mandate projects generally result in updated distribution infrastructure.³

Capacity. While our overall sales have remained rather flat, we do have several pockets of peak demand growth on our distribution system that require additional facilities to accommodate this load growth. Our capacity investments include all distribution system projects associated with upgrading or increasing capacity to handle load growth on the system and to serve load when other elements of the distribution system are out of service. This includes installing new or upgraded substation transformers and distribution feeders. Capacity projects generally span multiple years and are necessitated by increased load from either existing or new customers.⁴

Major Capacity Project. A capacity project that addresses many risks, generally more than 10, and that also addresses capacity over a large geographic area.

Customer Driven. This category includes capacity projects that are being completed due to a customer’s request or due to a large customer load.⁵ Capital projects required to provide service to new customers include the installation or expansion of feeders, primary and secondary extensions, and service laterals.

Transmission Driven. There are some transmission projects that impact the distribution system in such a way that we need to make changes to that portion of the distribution system. Examples would be having to rebuild the distribution underbuild due to a transmission line rebuild, and upgrading a high side device on a substation transformer.

III. MNSEIA

MnSEIA prefers to derive the input for distribution capacity costs from a longer time period than the Department’s proposed five years.⁶ MnSEIA’s comments suggest

³ See Docket No. E002/CI-18-251, INTEGRATED DISTRIBUTION PLAN, (November 1, 2018) P. 24-25.

⁴ See Docket No. E002/CI-18-251, INTEGRATED DISTRIBUTION PLAN, (November 1, 2018) P. 25.

⁵ See Docket No. E002/CI-18-251, INTEGRATED DISTRIBUTION PLAN, (November 1, 2018) P. 27.

⁶ See Docket No. E002/M-13-867, Department Reply Comments, (December 14, 2018) Page 6.

that, with a longer time period used as the basis of the distribution capacity cost component, the Company's proposed 50 percent deferral factor would be unnecessary. It is unclear from the Company's review of MnSEIA's comments how this could be so, given that as identified by the Company, there is no actual assurance that solar projects in fact result in a deferral of Company spend.

The Company agrees with the Department's proposal of using two historical and three forecasted years of capacity spending and capacity additions to estimate the capacity cost per kW. The Company's Distribution forecast data beyond three years is considered a high level estimate due to the iterative nature of the Distribution business, which is largely driven by the immediacy of reliability and other emergent circumstances that are the practical reality of the distribution business. The distribution system is the connection to our customers, and we must respond to these circumstances to meet our obligation to serve and ensure we provide adequate service. Given the dynamic nature of the forecast in the years beyond year three, we believe those projects are not suitable for the cost per kW metric. Also, historical data beyond the two years is not likely to be representative of current projects. A two-year historical approach is appropriate, as it provides a recent review of projects in the ever-evolving distribution landscape.

For the reasons provided above, we continue to support using the Department's proposed five-year inputs. We believe this approach provides the most accurate distribution capacity costs for the customers responsible for paying the VOS rate today.

IV. IPS SOLAR

IPS Solar suggests that the Company should include 10 years of data for the avoided distribution capacity cost and should include asset health and capacity distribution upgrades in its source data. It appears that both MnSEIA and IPS Solar misunderstand the cost per kW input of Table 15 of the VOS calculation. First, adding additional years of data will not necessarily increase the cost per kW, as the table uses an average cost per kW rate. In fact, adding more historical years to the calculation may decrease the cost per kW since project costs generally increase over time. Second, the Company believes its proposal, which uses two years of actuals and three years of budgeted data, best represents current distribution costs. It should also be noted that the cost per kW input, including the impact of the deferral reduction factor is an input to Table 15. Avoided Cost of Distribution Capacity. Table 15 then calculates the impact of deferring the cost per kW one year over a 25 year period.

CONCLUSION

We appreciate parties' review of the Company's proposal and the opportunity to provide this Reply.

Dated: August 23, 2019

Northern States Power Company

CERTIFICATE OF SERVICE

I, Jim Erickson, 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 23rd day of August 2019

/s/

Jim Erickson
Regulatory Administrator

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