STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

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July 7, 2016

In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Camp Ripley Solar Project for Recovery through Minnesota Power's Renewable Resources Rider under Minn. Stat. 216B.1645 and Related Tariff Modifications

Docket No. E015/M-15-773

COMMENTS IN RESPONSE TO THE COMMISSION'S JUNE 1, 2016 NOTICE BY FRESH ENERGY

In its February 24, 2016 *Order*, the Commission directed Minnesota Power (or the "Company") to submit a proposed alternative calculation of the Solar Energy Adjustment ("SEA") rider that includes, at a minimum 1) an on-peak energy offset or another method that would better reflect the actual avoided energy costs due to solar additions, and 2) an analysis of the applicability of the Value of Solar ("VOS") Methodology components.[1] On April 24, 2016, Minnesota Power submitted a compliance filing on this and other Commission order points.

Fresh Energy has analyzed the Company's compliance filing and concludes that the limited narrative analysis for each component does not provide sufficient information to demonstrate whether the each of the VOS components are applicable to the Camp Ripley project. Therefore, we recommend that the Commission find that the Company's compliance filing does not meet the Commission's requirement that the Company analyze the applicability of the VOS Methodology components for the Camp Ripley project and order that the Company re-submit its compliance filing.

In its April 24th compliance filing, Minnesota Power claims that there is no known and measurable valuation of solar's avoided costs (other than avoided fuel and capacity costs).[2] Further, the Company states that its system's winter peak means

[1] Order Point 7 at 8.
[2] The Company agrees that the Camp Ripley project provides Avoided Fixed O&M and Avoided Variable O&M benefits to the Company, but concludes that these components

solar does not avoid transmission and distribution costs. Rather than apply the Commission's approved methodology to test these assumptions and analyze their applications in the Camp Ripley project, the Company instead provides brief narratives that do little to inform stakeholders and the Commission on the applicability of the VOS components for distributed solar at the Camp Ripley site.

For this reason, we recommend that the Commission direct the Company to resubmit its compliance filing with an analysis consistent with the VOS methodology, including a quantitative analysis and meaningful discussion of each of the eight components' applicability to the Camp Ripley project. Further, as part of its compliance filing on this issue, we recommend that the Commission i) order the Company to provide a VOS calculation consistent with the Commission-approved methodology in docket number 14-65; and ii) for each VOS component that the Company does not propose to include in its SEA rider calculation, order the Company to show cause why a particular component is not applicable to its Camp Ripley project with a presumption that each should apply.[3] Establishing this presumption is more likely to result in a meaningful analysis by Minnesota Power. The Commission could also consider delaying further cost recovery decisions until the Company submits a meaningful analysis that complies with its *Order*.

Finally, we are concerned about the following statement in the Company's compliance filing:

> It is contrary to think that the policy enacted by the State to exempt certain customers from paying the costs to meet the SES, would result in these customers ultimately pay [sic] higher costs for energy than solar-paying customers.[4]

It appears that embedded in this statement is a fixed view that solar will always be a more costly resource than central station, fossil resources that currently comprise a majority of the Company's generation portfolio. While the range of installed solar costs when the state's Solar Energy Standard ("SES") was passed in 2013 may have been higher than the avoided cost benefits solar provides, recent resource acquisitions and resource plans at the Commission demonstrate that this assumption is no longer true in many cases. Indeed, in the Company's recent resource plan the Commission found that up to 100 MWs of solar energy by 2022 – an amount that exceeds the Company's SES compliance obligations – is likely an economical resource for MP's customers. The Company's view on solar costs and benefits calls into question its ability to evaluate solar's value for its customers and the accuracy of the Company's proposed methodology for crediting its non-exempt customers.

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should not be incorporated into the FPE adjustment and SEA rider. Minnesota Power *Compliance Filing,* April 25, 2016 at 11.

[3] The Commission recently ordered Minnesota Power to file a VOS calculation within six months of the Order in docket no. 15-825.

[4] Minnesota Power *Compliance Filing*, April 25, 2016 at 13.

In conclusion, we recommend that the Commission:

1) direct Minnesota Power to resubmit its compliance filing with quantitative analysis and evaluation of the eight VOS methodology components to the Camp Ripley project; and
2) as part of the compliance filing, direct that the Company must show cause as to why each of the eight components should not be included in the FPE adjustment for the SEA rider as applied to the Camp Ripley project.

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