



February 22, 2024

VIA E-FILING Will Seuffert Executive Secretary Minnesota Public Utilities Commission 121 7th Place East, Suite 350 St. Paul, MN 55101-2147

Re: In the Matter of the Implementation of the New Distributed Solar Energy Standard Pursuant to 2023 Amendments to the Minnesota Statutes, Section 216B.1691 Docket No. E002,E015,E017/CI-23-403 REPLY COMMENTS

Dear Mr. Seuffert:

Pursuant to the Minnesota Public Utilities Commission (or the "Commission") September 18, 2023 Notice of Comment Period in Docket No. E002,E015,E017/CI-23-403,¹ Minnesota Power (or the "Company") hereby electronically submits its Reply Comments to the Commission's request for information regarding the issue:

What clarifications must the Commission make to operationalize the state's distributed solar energy standard (DSES)?

Please contact me at (218) 355-3297 or <u>jkuklenski@mnpower.com</u> with any questions regarding this filing.

Respectfully,

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Jennifer Kuklenski Senior Public Policy Advisor

JK:th Attach.

¹ In the Matter of the Implementation of the New Distributed Solar Energy Standard Pursuant to 2023 Amendments to Minnesota Statutes, Section 216B.1691 (Docket No. E002,E015,E017/CI-23-403).



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STATE OF MINNESOTA BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

In the Matter of a the Implementation of the New Distributed Solar Energy Standard Pursuant to 2023 Amendments to Minnesota Statues, Section 216B.1691 Docket No. E002,E015,E017/CI-23-403 MINNESOTA POWER'S REPLY COMMENTS

I. INTRODUCTION

Minnesota Power ("Minnesota Power" or "the Company") hereby electronically submits its reply comments in response to the Minnesota Public Utilities Commission ("MPUC" or "the Commission") Notice of Comment Period issued on September 18, 2023, In the Matter of the Implementation of the New Distributed Solar Energy Standard Pursuant to 2023 Amendments to Minnesota Statutes, Section 216B.1691 in Docket No. E002, E015, E017/CI-23-403. The Commission requested utility responses from Minnesota Power, Otter Tail Power, and Xcel Energy by October 13, 2023, before accepting public comments related to the following issue:

What clarifications must the Commission make to operationalize the state's distributed solar energy standard (DSES)?

On October 10, 2023, pursuant to Minnesota Rule 7829.1275, Minnesota Power filed an extension request of 30 days to submit utility responses. Xcel Energy and Otter Tail Power supported this request. Representatives from the three utilities have been in discussions to evaluate the topics open for comment and develop recommendations. Given the importance and complexity of the new DSES, the additional time allowed the utilities to continue working together and with interested parties to develop thoughtful proposals that meet the spirit of the legislation and help the Commission operationalize the DSES. On October 11, 2023, the Commission extended the deadline for filing utility responses until November 13, 2023. The deadline for filing initial comments was extended until February 22, 2024.

On November 13, 2023, Minnesota Power, Xcel Energy, and Otter Tail Power (collectively, "the Utilities") filed their utility responses ("utility response" or "utility responses") to questions identified by the Commission. In those utility responses, the utilities confirmed they are subject to Minn. Stat. §216B.1691, Subd.2h.(b) and provided proposals for how the Commission should approve the competitive bid process as well as for how utilities will verify the prevailing wage and apprenticeship requirements outlined in Minn. Stat. §216B.1691, Subd.2h.(b). Utility proposals differed, reflecting their unique service territories and the need for flexible policies that allow individual utilities to work with their customers and communities to identify opportunities to locate distributed solar projects to meet their local renewable goals, along with meeting the DSES. Additionally, the Utilities were aligned in their recommendations that any new reporting requirements established by the Commission to measure progress toward the DSES be streamlined with the annual and biennial reporting requirements for the Renewable Energy Standard ("RES") and the Solar Energy Standard ("SES").^{1,2}

On February 8, 2024, Minnesota Power filed its Initial Comments along with those filed by Xcel Energy, Otter Tail Power Company, the Department of Commerce ("the Department"), LIUNA Minnesota and North Dakota ("LIUNA"), the Operating Engineers Local 49 and North Central States Regional Council of Carpenters, the Minnesota Solar Energy Industries Association ("MnSEIA"), and Nokomis Energy.

II. BACKGROUND

In 2001, the Minnesota Legislature first enacted the Minnesota Renewable Energy Objective ("REO") contained in Minnesota Statute §216B.1691. As originally enacted, the REO Statute required electric utilities to "make a good faith effort" to obtain 10 percent of

¹ In the Matter of Utilities' Annual Reports on Progress in Achieving the Solar Energy Standard and In the Matter of the Implementation of Solar Energy Standards Pursuant to 2013 Amendments to Minnesota Statutes, Section 216B.1691, Docket No(s). E-999/M-13-542 and E-999/M-20-464.

² In the Matter of Commission Consideration and Determination of Compliance with Renewable Energy Standards (RES) Biennial Reporting, Docket No. E-999/M-22-85.

their Minnesota retail energy sales from eligible energy sources by 2015, and to obtain 0.5 percent of their renewable energy from biomass technologies.

During the 2007 Legislative session, Minnesota Statute §216B.1691 was amended to:

- 1. Establish a Renewable Energy Standard ("RES") with specified mandated renewable energy goals beginning in 2010;
- 2. Amend the definition of an eligible energy technology;
- 3. Require the Minnesota Public Utilities Commission (Commission) to establish a trading system for renewable credits; and
- 4. Establish criteria under which the Commission may waive or extend the deadline for meeting the RES targets.

Notably, the RES Statute added Minnesota Statute §216B.1691, subd. 2(a), which requires an electric utility that does not own a nuclear generating facility to generate 25 percent of the electric utility's total retail electric sales to retail customers in Minnesota by eligible energy technologies³ by the end of 2025.

In 2013, the Minnesota Legislature adopted Minnesota Statute §216B.1691, subd. 2(f), establishing a Solar Energy Standard ("SES") requiring public utilities to obtain at least 1.5 percent of their total Minnesota retail sales from solar energy by the end of 2020, with a goal of obtaining 10 percent of Minnesota retail sales from solar energy by 2030. The SES also contained a small solar carve-out that requires at least 10 percent of the 1.5 percent SES come from small solar facilities. Under the small solar carve-out, public utilities with between 50,000 and 200,000 retail electric customers may apply individual

³ Minnesota Statute §216B.1691, subdivision 1, as amended in 2023, defines an eligible energy technology as one that: Generates electricity from the following renewable energy sources: (1) solar; (2) wind; (3) hydroelectric with a capacity of less than 100 megawatts or 100 megawatts or more if the facility is in operation as of February 8, 2023; (4) hydrogen generated from the resources listed in this clause; or (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester system; the predominantly organic components of wastewater effluent, sludge, or related by-products from publicly owned treatment works, but not including incineration of wastewater sludge to produce electricity; and, except as provided in subdivision 1(a) of the statute, an energy recovery facility used to capture the heat value of mixed municipal solid waste or refuse derived fuel from mixed municipal solid waste as a primary fuel. This definition of an eligible energy technology reflects a number of changes made by the Legislature since eligible technologies were originally defined under the Renewable Energy Objective Statute.

customer subscriptions of 40 kW or less to a commission approved community solar garden program toward the 10 percent Small Solar Carve-out goal.

Three companies are subject to the SES: Minnesota Power, Otter Tail Power Company, and Xcel Energy. In addition to excluding cooperative and municipal utilities from the SES requirements, the SES statute excludes retail sales to customers that are iron mining extraction and processing facilities, or paper mills, wood products manufacturers, sawmills, or oriented strand board manufacturers from the calculation of 1.5 percent of retail sales.

On May 24, 2023, Governor Walz signed into law House File 2310 ("H.F. No.2310"), which included amendments to Minnesota's Renewable Energy Objectives (Minn. Stat. §216B.1691).⁴ Specifically, H.F. No.2310 added a distributed solar energy standard ("DSES"). The DSES is intended to function alongside the other standard objectives under Minn. Stat. §216B.1691, including the renewable energy standard ("RES"), the solar energy standard ("SES"), and the carbon-free standard ("CFS"). The DSES requires public utilities to have a proportion of their total retail electric sales in Minnesota (either 3 percent or 1 percent depending on the number of customers served by the utility) be generated by solar energy generating systems by 2030. To count toward DSES compliance, the solar generating facilities must:

- 1. Have a capacity of 10 MW or less;
- 2. Be connected to the public utility's distribution system;
- 3. Be located in the Minnesota service territory of the public utility; and
- 4. Be constructed or procured after August 1, 2023.

In addition to these requirements, the DSES: specifies that solar energy generating systems with a capacity of 100 kW or more will not count toward DSES compliance unless certain wage and apprenticeship requirements are met; requires utilities to select projects to satisfy DSES compliance through a competitive bidding process approved by the

⁴ See H.F. No. 2310, Sec. 16. https://www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/60/

Commission; and exempts retail electric sales to industrial customers for utilities with fewer than 200,000 retail electric customers from the utility's total retail electric sales for the purpose of calculating total retail electric sales in Minnesota.

III. REPLY COMMENTS

Minnesota Power submits its reply comments below for topics 1 through 6 open for comment, and notes that the Utilities have been actively participating in discussions to evaluate the topics open for comment to seek alignment where practical and develop consistent recommendations for Commission consideration.

1. Should customer-sited distributed solar and third-party community solar gardens operating under a utility tariff count towards utility DSES compliance? How should they be considered in light of the requirement to acquire distributed solar through a competitive bid process?

Minnesota Power agrees with the Department that all projects selected to meet DSES compliance must meet the competitive bidding requirements of Minn. Stat. § 216B.1691, Subd. 2h.(e). However, Minnesota Power has not identified anything in the statute that precludes customer-sited distributed solar or third-party community solar gardens operating under a utility tariff from meeting the statute, provided the competitive bidding criteria for all projects and the prevailing wage and apprenticeship criteria for projects at or above 100 kW are met. The Company continues to believe that third-party community solar gardens ("CSGs") and customer-sited distributed solar projects should be eligible for the DSES if they meet all eligibility criteria, including the competitive bidding processes approved by the Commission for each utility.

2. Have the utilities provided reasonable estimates for their DSES obligations?

Minnesota Power appreciates the Department's recommendation that utilities have provided reasonable estimates for the DSES obligations. In response to the Department's request that the Company provide further clarification, Minnesota Power provides the following explanation for the discrepancy in retail sales reported in the Company's Utility Response filing compared to those reported in the 2022 SES-Exempt Customer Annual Report filed on June 1, 2023.⁵

In Minnesota Power's Utility Response filing, the Company reported total retail electric sales in 2022 as reported in the Company's RES 2022 annual reporting template.⁶ The electric retail sales reported in the Company's RES annual reporting template included retail electric sales to municipal customers, while the SES-Exempt Customer Annual Report does not include sales to municipal customers. When Minnesota Power reported the total electric sales minus SES exempt sales in 2022 (2,936,132,000 KWhs) in its Utility Response filing, that amount did not include electric retail sales to municipal customers. Updated estimates for the Company's DSES obligations, including electric retail sales to municipal customers, are provided below. The values that have been updated are noted in parentheses.

b. Total retail electric sales in kWh for 2022 with and without exclusions.

- Total electric sales in 2022: 8,866,928,412 KWhs
- Total electric sales minus SES exempt sales in 2022: 3,469,324,619 KWhs (Updated Value)

c. Calculate 3% or 1% (based on requirements under Subd. 2h.(b)) of retail electric sales for 2022 with and without exclusions.

Minn. Stat. §216B.1691, Subd.2h.(b) requires public utilities with at least 100,000 but fewer than 200,000 retail electric customers in Minnesota to generate 3 percent of their total retail electric sales in Minnesota, minus exclusions, by solar energy generating systems by 2030.

• 3% of total retail electric sales in 2022: 266,007,852 KWhs

⁵ In the Matter of Minnesota Power's SES-Exempt Customer Annual Report (Docket No. EO15/M-15-773). ⁶ In the Matter of Commission Consideration and Determination of Compliance with Renewable Energy Standard and Solar Energy Standard for Year 2022 (Docket No. E-999/PR-23-12).

 3% of retail electric sales minus SES exempt sales in 2022: 104,079,709 KWhs (Updated Value)

d. Estimate 3% or 1% (based on requirements under Subd. 2h.(b)) of retail electric sales for 2030 with and without exclusions.

- 3% of estimated retail electric sales for 2030: 260,676,162 KWhs (Updated Value)
- 3% of estimated retail electric sales minus SES exempt sales in 2030: 111,848,704
 KWhs (Updated value, which results in updated 65-85 MW nameplate capacity value)

Responding to MnSEIA's comment that Minnesota Power did not explain the basis for the Company's estimated nameplate capacity projected to be needed to meet the DSES in 2030, the Company provides the following explanation.⁷ The estimated nameplate capacity value is based on 3,728,290 MWhs of SES total retail electric sales in 2030. By taking 3 percent of estimated retail electric sales for 2030, Minnesota Power calculated a need of 111,849 MWhs from qualified distributed solar resources to meet the DSES. Assuming a 15 to 20 percent capacity factor for distributed solar,⁸ Minnesota Power estimated 65-85 MW of distributed solar is needed to meet the DSES.

3. Have the utilities provided reasonable proposals for how the Commission should approve utilities' competitive bid process?

In their initial comments, the Department noted that the matter before the Commission during this comment period is regarding how the Commission will approve utilities' competitive bid process. Minnesota Power acknowledges MnSEIA's point that Minnesota Power has not put forth a proposal for the competitive bidding process to be used for the

⁷ Note with the update to the "estimate of retail electric sales" to include sales to municipal customers, the estimated distributed solar capacity needed to meet the DSES changes to 65-85 MW.

⁸ The 15% to 20% capacity factor is a high-level estimate for distributed solar energy facilities located in northern Minnesota. Minnesota Power will continue to review the MW need based on projects selected to meet the DSES and experience with our own distributed solar energy facilities.

⁹ The formula to calculate the distributed solar capacity need are:

Low Range: 111,849/8760/.20 = 65 MW

High Range: 111,849/8760/.15 = 85 MW

number of project types that could be developed for compliance with the DSES; however, the Company has put forward a proposal for how the Commission should approve the competitive bidding process used by utilities. As stated in the Company's Utility Response filing, Minnesota Power recommends utilities submit a compliance filing detailing the competitive bid process at least 30 days prior to the Company soliciting bids for a given project.¹⁰ If parties object to the proposed competitive bidding process, concerns can be addressed through a public comment period. If no objections to the proposed process are filed, the Commission could use a negative check-off procedure to efficiently approve the Utility's proposed competitive bidding process before the Company solicits bids for a project. Minnesota Power believes this approval process that is appropriate considering project size and type, customer mix, and communities served while still allowing interested parties to review and provide feedback for the competitive bidding processes used for the resource additions developed to comply with the DSES.

Minnesota Power appreciates the Department's request that the Company consider adopting Xcel's proposed process to meet the competitive bidding requirements of the DSES statute. While the Company respects Xcel's desire to use the Commission-Approved Alternative Resource Acquisition Processes approved in their 2020–2034 Upper Midwest Integrated Resource Plan ("IRP") to meet the competitive bidding requirements for projects developed to comply with the DSES,¹¹ Minnesota Power identifies this as being appropriate for Xcel based on requirements specific to their IRP, but not appropriate for Minnesota Power because the Company had no opportunity to provide feedback and it was designed specifically for Xcel. Minnesota Power's most recent IRP Order established its own bidding process for its future resource additions

¹⁰ See Minnesota Power's utility response to the Commission's request for information filed in Docket No. E002,E015,E017/CI-23-403, page 4.

¹¹ Reference APPENDIX A: Commission-Approved Alternative Resource Acquisition Processes for Northern States Power Company d/b/a Xcel Energy (Xcel) in the Order Approving Plan with Modifications and Establishing Requirements for Future Filings in the Matter of the 2020–2034 Upper Midwest Integrated Resource Plan of Northern States Power Company d/b/a Xcel Energy (Docket No. E-002/RP-19-368).

approved by the Commission specifically in the 2021 IRP.¹² However, this process is designed for utility-scale resource acquisitions and not necessarily applicable for distributed solar resource acquisitions without modifications. Indeed, as noted by MnSEIA in their initial comments, DG Scale Projects require a competitive bidding process that considers the unique circumstances and characteristics of distributed solar project development rather than assuming a utility scale approach will work.

The Company is currently working internally to determine the most appropriate competitive bidding process(es) given the resource additions it is considering for DSES compliance. Minnesota Power acknowledges that interested parties are eager to know the details of the competitive bidding process, but also recognizes that determining the appropriate resources to meet the 2030 DSES compliance requirement will be an iterative process. The Company appreciates that the DSES statute provides the Utilities time to work collaboratively with stakeholders to develop a competitive bidding process that works for customers and communities while also considering system needs.

4. Have the utilities provided a reasonable proposal for how they will verify that the construction trade workers who constructed the solar energy generating system were all paid no less than the prevailing wage rate, as defined in section 177.42, and whose employer participated in an apprenticeship program that is registered under chapter 178 or Code of Federal Regulations, title 29, part 29?

Minnesota Power appreciates the supportive comments from the Department, LIUNA, and the Operating Engineers Local 49 and North Central States Regional Council of Carpenters regarding the Company's proposal for verifying prevailing wage and apprenticeship requirements for projects above 100 kW selected to help meet its DSES requirements. Minnesota Power continues to recommend that verification of these requirements be submitted to the Commission when the Company seeks approval and/or cost recovery for DSES projects.

¹² Reference Order Point 4 in the Commission's Order Approving Plan and Setting Additional Requirements in the Matter of Minnesota Power's 2021- 2035 Integrated Resource Plan (Docket No. E-015/RP-21-33).

5. Should utilities report annually on their progress toward meeting the DSES in this docket? If so:

a. Can utilities' SES compliance progress reports serve as a model for monitoring DSES compliance progress?^{13,14}

b. What information should be included in these annual progress reports?

c. When should the first reports be due?

Minnesota Power supports the Department's recommendation that SES compliance reports serve as a model for monitoring DSES compliance progress. The Company notes that utilities are required to report biennially on *progress* toward meeting the SES and continues to believe that biennial reporting would provide the most streamlined reporting structure and further ease the administrative burdens of compliance. Accordingly, Minnesota Power recommends that utilities be required to report biennially on *progress* toward meeting the DSES, beginning in 2025 through 2029. Beginning in 2030, utilities could report annually on their compliance with the DSES.

Minnesota Power appreciates the Department providing a list of criteria for consideration in compliance progress reports and although more administratively burdensome than what is required for the SES, the Company agrees with the criteria outlined in the Department's comments with exception of the final bullet point under section E.1. of their initial comments:

• Documentation related to the prevailing wage and apprenticeship program requirements for all projects of 100 kW or more.

Minnesota Power recommends that the information put forth in the Department's final bullet point, listed above, be reviewed by the Commission when utilities seek approval

¹³ See the Commission's April 25, 2014 Order in Docket No. 13-542. https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7b 62D03883-7065-4180-80EE-5150C330AC33%7d&documentTitle=20144-98715-01

¹⁴ 2 See Utilities final SES annual compliance progress reports in Docket No. 20-464.

and/or cost recovery for the DSES projects. In section D.2. of their initial comments, the Department concurred with Minnesota Power's proposal that "documentation related to the prevailing wage and apprenticeship program requirements under Minn. Stat. § 216B.1691, Subd. 2h.(d) be supplied to the Commission for verification when utilities seek approval and/or cost recovery for the solar generating system projects constructed to meet the DSES"¹⁵ and recommended the Commission require this of all utilities for verification of these requirements. The final bullet point regarding documentation of prevailing wage and apprenticeship program requirements for projects of 100 kW from section E.1. of the Department's comments suggests the Department is recommending utilities report this information more than once. Minnesota Power does not see a need for this duplicative reporting and agrees with the Department's recommendation that such reporting occur when utilities seek approval and/or cost recovery for the DSES projects. Minnesota Power would also like to note that if required to provide a summary of feeder lines in which the solar generation is located or anticipated to be located, the anticipated location may not be the final location for project siting and the Company does not wish to be held to anticipated locations.

6. Should RECs retired for the DSES count toward any of the other standard obligations under Minn. Stat. §216B.1691?

The Company has identified conflicting interpretations of Minn. Stat. § 216B.1691, Subd. 2h.(3)(b) among commenters. The Department's interpretation is that the statutory requirements of the DSES are in addition to other statutory requirements outlined in Minn. Stat. § 216B.1691. In their initial comments, the Utilities noted that there is no indication in the legislation that the fulfillment of the three percent DSES would be additive to other renewable or carbon-free standards or mandates. This is of course with the exceptions that the DSES projects must (1) be constructed or procured after August 1, 2023, (2) meet the competitive bidding requirements discussed above, and (3) if at or above 100 kW, meet the specific prevailing wage and apprenticeship requirements, to count toward the

¹⁵ See Minnesota Power's utility response to the Commission's request for information filed in Docket No. E002,E015,E017/CI-23-403, page 6.

DSES. Accordingly, renewable energy credits (RECs) retired for the DSES should also be used to satisfy the CSF obligation under Minn. Stat. § 216B.1691, Subd. 2g, the RES obligation under Subd. 2(a), and the SES obligation under Subd. 2f if the credit meets the requirements of each subdivision.

In the case of Subd. 2 (f). Solar energy standard, the statute clearly states, "In addition to the requirements of subdivisions 2a and 2g..." and in the case of Subd. 2g. Carbon-free standard, the statute clearly states "In addition to the requirements under subdivisions 2a and 2f..." In neither case do Subd. 2f or Subd. 2g state their respective requirements are in addition to Subd. 2h. Distributed solar energy standard. When interpreting a statute, it is well settled that "[s]pecific provisions in a statute control general provisions."¹⁶ In this case, subdivisions 2f and 2g specifically identify the other provisions of the statute containing standards that are collectively additive. That list does not include subdivision 2h. As a result, the more specific provisions in 2f and 2g should control over the more general language in 2h. Furthermore, the lack of specific cross references to other provisions in newly enacted subdivision 2h suggests that the legislature did not intend for the standards to be additive. When the legislature intended for new standards to be additive in the past, the affected provisions were expressly identified in the new provision. Had the legislature intended for subdivision 2h to be additive, it would have listed subdivisions 2a, 2f, and 2g in the new provision and amended the existing provisions to include 2h in their lists of additive standards.

That stated, Minnesota Power acknowledges that the use of the phrase "this section" in Subd. 3(b) in Minn. Stat. § 216B.1691 does mean that the DSES requirements also need to be met and do not cancel the requirements outlined in other subdivisions. However, this language does not suggest that RECs retired to comply with the DSES cannot be retired to comply with other requirements listed in the statute, such as those required for the RES, SES, or CFS. This approach is also good policy to lessen rate impacts for

¹⁶ Connexus Energy v. Comm'r of Revenue, 868 N.W.2d 234, 242 (Minn. 2015); see also Minn. Stat. § 645.26, subd. 1.

customers, which the Commission must consider as part of the reports filed by utilities under subdivisions 2e and 3.

Finally, in the broader context of Minnesota's CFS requirement of being 100 percent carbon free by 2040, utilities are already on a path to transition to a carbon free electric system. Considering the DSES as being in addition to the CFS, rather than a component of the CFS, seems unduly burdensome.

IV. CONCLUSION

Minnesota Power appreciates the opportunity to respond to parties' initial comments regarding the operationalization of the State's new DSES and looks forward to hearing from other stakeholders during the reply comment period.

Please contact me at (218) 355-3297 or <u>jkuklenski@mnpower.com</u> with any questions related to this matter.

Dated: February 22, 2024

Respectfully,

Jennifer Keeklenski

Jennifer Kuklenski Senior Public Policy Advisor Minnesota Power 30 W Superior Street Duluth, MN 55802

AFFIDAVIT OF SERVICE VIA ELECTRONIC FILING

Tiana Heger of the City of Duluth, County of St. Louis, State of Minnesota, says that on the 22nd day of February, 2024, she served Minnesota Power's Reply Comments in **Docket No. E002,E015,E017/CI-23-403** on the Minnesota Public Utilities Commission and the Energy Resources Division of the Minnesota Department of Commerce via electronic filing. The persons on E-Docket's Official Service List for this Docket were served as requested.

Tiana Heger