



Minnesota Rural Electric Association

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May 1, 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 Establishing a Distributed Solar Value Methodology Under Minn. Stat.
§216B.164, subd. 10 (e) and (f)
Docket No. E-999/M-14-65

Dear Dr. Haar:

Enclosed please find comments from the Minnesota Rural Electric Association on Xcel Energy's Motion for Reconsideration in the above-referenced Docket. 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 Establishing Docket No. E999/M-14-65
Distributed Solar Value
Methodology under
Minn. Stat. §216B.164, subd. 10 (e) and (f) XCEL ENERGY'S
MOTION FOR RECONSIDERATION**

The Minnesota Rural Electric Association (MREA) submits these comments in support of Xcel Energy's Motion for reconsideration of the Minnesota Public Utilities Commission's April 1, 2014 Order approval of a Distributed Solar Value Methodology.

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 (HF 729 - Chapter 85 of 2013 Session Laws), MREA and our member cooperatives have actively participated in the stakeholder process to establish a VOS because of our concerns over Minnesota's current net metering laws. We have expressed a willingness to explore the idea of a VOS tariff that allows a utility to recover the fixed and variable cost of its existing plant, while at the same time paying the owner of the distributed generation a fair price for the energy they produce.

However, like Xcel, we are concerned that the recently 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 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.

Because the current projection of the VOS rate is so high – Xcel indicated in its filing that it is nearly double what they proposed and nearly triple their current qualified facility rate for other distributed generation – it is unlikely that any electric cooperative would adopt a VOS tariff based on the approved methodology.

We also agree with Xcel's arguments in the four specific methodological areas.

1. Avoided Generation Capacity Costs

We believe Xcel is correct in questioning the presumption that solar will avoid more generation capacity than the amount legislatively mandated and that the calculation currently pays for more avoided generation capacity than the long run expected value.

In addition, we also believe there should be a mechanism in the VOS methodology to delay generation capacity savings if a utility does not need generation. This is an issue of particular concern for electric cooperatives, many of which are currently long on generation. That was one of the primary reasons electric cooperatives were excluded from the state's solar mandate and why we believe solar would be less valuable to our systems.

2. Avoided Environmental Cost-Carbon Value

We agree with Xcel that the Social Cost of Carbon is not an appropriate measure for valuing avoided carbon costs in the VOS. As Xcel stated in its filing, all of the costs in the original statute were focused on costs faced as utility customers or members. The Social Cost of Carbon was designed for a different task – to determine potential benefits in federal rulemaking - and not to create a precise value for avoided carbon emissions.

3. Avoided Transmission Capacity Cost

In addition to Xcel's points, we also believe that because the Transmission Savings Credit is applied in all years based on a utility's MISO transmission payments, the approved VOS calculation unnecessarily increases the transmission credit and does not reflect actual value in the market and at different times of the year.

4. Avoided Distribution Capacity Cost- Load Match Analysis

Xcel cited concerns over the Load Match Analysis methodology used in determining the avoided distribution capacity cost. This is also of particular concern for electric cooperatives since we serve mainly residential and farm loads, which have much narrower peaks that typically occur later in the day.

Conclusion

As mentioned above, Minnesota's electric cooperatives are keenly interested in the outcome of this process and appreciate the opportunity to participate. We continue to believe that a VOS methodology that accurately reflects the value of distributed solar generation to a particular utility would address the unfair cost-shifting that occurs under the state's current net metering laws. We also continue to hope that there will be a time when electric co-ops, at the direction of their local Boards, might use a VOS for compensating our members for energy produced by distributed solar. Unfortunately, we believe the current methodology over-compensates the owners of distributed solar at the expense of other customers or members and we urge the Commission to accept Xcel's Motion for Reconsideration.

Sincerely,

Joel Johnson
Director of Government Affairs
Minnesota Rural Electric Association