

December 21, 2017

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Renewable Development Fund-Cycle 4  
Revised grant contract for an Energy Production project (EP4-15)  
Docket No. E002/M-12-1278

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of the Petition of Northern States Power Company, doing business as Xcel Energy, Regarding a Change in Scope of a Renewable Development Fund Grant Contract.

The Petition was filed on September 22, 2017 by:

Bria E. Shea  
Director, Regulatory & Strategic Analysis  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, MN 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve a modified version** of Xcel Energy's Petition and is available to answer any questions the Commission may have.

Sincerely,

/s/ SAMIR OUANES  
Rates Analyst

SO/ja  
Attachment

## Before the Minnesota Public Utilities Commission

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### Comments of the Minnesota Department of Commerce Division of Energy Resources

*Docket No. E002/M-12-1278*

#### **I. SUMMARY OF XCEL'S PETITION**

On September 22, 2017, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition (Petition) with the Minnesota Public Utilities Commission (Commission) for Approval of a Change in Scope in the Renewable Development Fund (RDF) grant contract, EP4-15, with the Minnesota Renewable Energy Society (MRES).

#### **II. BACKGROUND**

Xcel's Renewable Development Fund program was established in 1994 to satisfy its obligations under Minnesota Statutes section 116C.779. The statute directs the owner(s) of the Prairie Island and Monticello nuclear power plants—Xcel—to fund a renewable development account in connection with the dry-cask storage of spent nuclear fuel at those facilities.

The first grant funding cycle began in 2001. As of December 31, 2016, the RDF program has disbursed about \$74 million for RDF grant projects across four grant cycles and about \$181 million for specific legislative mandates.<sup>1</sup>

On November 29, 2012, the Company filed a notice of its intent to proceed with the fourth funding cycle of its Renewable Development Fund (RDF) program and a petition for approval of standard grant contracts for certain RDF projects.<sup>2</sup>

On February 6, 2013, the Commission issued an order (2013 Order) approving Xcel's request for proposals (RFP) and standard grant contracts as modified.<sup>3</sup> The 2013 Order set several requirements for the RFP process, required the Company to submit its final project selections to the Commission for approval, and identified the processes for grant contracts, as described further below.

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<sup>1</sup> Source: Attachment 14 of Xcel's September 29, 2017 petition for approval of the 2018 RDF rider factor in E002/M-17-712. Note that Xcel's ratepayers are the source of the funding for RDF projects and are billed for actual expenditures only when projects meet designated milestones.

<sup>2</sup> Docket No. E002/M-12-1278.

<sup>3</sup> Docket No. E002/M-12-1278.

Xcel issued its RFP on February 15, 2013, and accepted proposals through April 1, 2013. The RFP included the following language regarding the length of the grant contract term and the required applicants' submission of energy pricing:

**Grant Disbursements**

...

Grants in this funding cycle can be disbursed over a term of up to five years with funding to be disbursed in increments to be established in the grant contract for each selected proposal. As described in Section X – Proposal Format, bidders should submit a schedule and budget for the entire length of the proposed project, which may be shorter than, or up to, the maximum five-year grant contract term.<sup>4</sup>

...

**4.3.1 Energy Pricing** - All Energy Production projects that propose to sell energy to Xcel Energy must provide an annual price schedule in \$/kWh or \$/MWh. Pricing proposals should include an explanation as to why that price was proposed, and the impact of the request grant amount on energy pricing. Xcel Energy prefers that project sponsors request grant amounts sufficient to offer pricing at or below the Company's avoided cost of energy. **Proposed pricing will be binding on any selected project.**<sup>5</sup>

On July 29, 2013, Xcel filed its RDF Cycle 4 selection report, recommending selection of 20 projects with a total price tag of \$30 million. The Company received 67 qualifying proposals with a combined funding request of about \$133.5 million, more than four times the available funding.<sup>6</sup> Xcel requested that the Commission approve its recommended grant awards and list of reserve projects.

On March 11, 2014, the Commission issued an order (2014 Order) approving Xcel's recommended grant awards for energy production (EP) projects, research and development (RD) projects, higher-education block grants, and reserve-project list, as set forth in the Company's December 12, 2013 reply comments.

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<sup>4</sup> Source: Xcel's February 13, 2013 Request for Proposals and Standard Grant Contract compliance filing at page 52 of 116 in Docket No. E002/M-12-1278.

<sup>5</sup> Source: Xcel's February 13, 2013 Request for Proposals and Standard Grant Contract compliance filing at page 66 of 116 in Docket No. E002/M-12-1278.

<sup>6</sup> Source: Xcel's July 29, 2013 RDF Cycle 4 Project Selection Report at pages 6-7 of 128 in Docket No. E002/M-12-1278.

The 2014 Order required the Company to allocate the remaining additional funding proposed in Xcel's January 20, 2014 letter to fund the projects numbered 1-9 on Xcel's reserve list. As a result, a grant award of \$2,661,320 was approved for EP4-15, project numbered 3 on the reserve list (Project).<sup>7</sup>

On December 4, 2015, Xcel filed a letter requesting approval to cancel four Cycle 4 RDF projects that were at an impasse (EP4-4, EP4-9, EP4-21 and RD4-4) and move forward with the next three projects on the Commission-approved Reserve List (EP4-36, EP4-44 and RD4- 8). The Commission's December 21, 2015 Notice approved Xcel's request.

On April 6, 2016, Xcel Energy filed a letter requesting approval to cancel two Cycle 4 RDF projects that were at an impasse (EP4-36 and EP4-39) and move forward with the three remaining projects on the Commission-approved Reserve List (RD4-1, RD4-5 and RD4-7). The Commission's April 29, 2016 Notice approved Xcel's request.

On February 19, 2015, Xcel filed the EP4-15 grant contract with MRES to comply with the 2013 Order.<sup>8</sup>

The 2013 Order requires Xcel to file all grant contracts with the Commission. If a grant contract executed with a winning bidder contains no changes from the standard form contract for EP or RD projects, Xcel is to file the grant contract with the Commission (and in the docket) for informational purposes only. However, if a final grant contract deviates from the standard form contract, the Commission requires the grant contract to be filed with the Department for compliance review. The Department has agreed either to file a compliance letter in the proceeding if there are no issues or to bring any identified issues that cannot be resolved to the Commission for review.

The 2013 Order also requires Xcel to provide a red-lined version of any grant contract that differs from the standard form contract at the time the contract is filed for compliance review.

The Company filed the proposed EP4-15 grant contract for informational purposes only since the grant contract did not contain changes to the standard form contract for EP projects. The Commission-approved grant contract provided the following summary of the Project:

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<sup>7</sup> Source: Attachment C of the 2014 Order.

<sup>8</sup> Docket No. E002/M-12-1278.

### **Executive Summary**

The Minnesota Renewable Energy Society (“MRES”) will install not more than 1,000 kilowatts of direct-current (kW<sub>DC</sub>) solar capacity with the development of Community Solar Gardens located within Xcel Energy’s Minnesota service area. At a minimum, one facility will be installed within a rural setting and one facility will be installed within an urban setting.

A Solar Garden is a form of solar facility tenure in which a specified piece of the solar array is individually owned. Power produced by designated panels is associated with the individual ownership whereby the facility is controlled by the association of owners that jointly represent ownership of the whole. A Community Solar Garden provides the opportunity for those who do not have appropriate space for a solar array on their home or business to actively participate in a renewable energy initiative. Participants will receive an on-bill credit reflecting the kWh energy produced from their portion of the facility. MRES intends to sell all energy generated to Xcel Energy through a Power Purchase Agreement.

The project’s total cost is \$3,966,420. RDF grant funds will be applied to the capital costs of the project and result in a long-term energy production facility.

### **Goals**

The goal of the Solar Project is to install 1,000 kW<sub>DC</sub> PV [photovoltaic] capacity and demonstrate the concept of collective ownership as a way to increase the penetration of solar renewable electric production in Minnesota.

In compliance with the Commission’s June 5, 2005 Order in Docket No. E002/M-05-109, the Company filed three amendments to the Commission-approved RDF contract on May 5, 2016, August 2, 2016 and May 4, 2017 to document the three successive Project Manager replacements of the Project Manager as of December 1, 2015, April 2, 2016 and January 30, 2017.

Xcel's most recent Quarterly Status and Progress Reports included the following summary and progress report for the Project:<sup>9</sup>

**Start Date:** February 17, 2015

**End Date:** May 17, 2017

**Grant Amount:** \$2,661,320

**Funds Invoiced:** \$0

**Project Summary:** The goal of this project is to install 1,000 kW<sub>DC</sub> solar PV capacity and demonstrate the concept of collective Solar Garden ownership as a way to increase the penetration of solar renewable electric production in Minnesota.

**Second Quarter Activity:** During this quarter initial site evaluations were done using LIDAR [surveying technology] to begin drafting preliminary designs. A 386 kW<sub>DC</sub> urban array will be a roof-mount photovoltaic system with a ballasted racking system at a 10% tilt directly facing south. A 614 kW<sub>DC</sub> rural array will be a fixed-position, ground-mount system and use helical. A cost-benefit analysis was done regarding a fixed vs. seasonal tilt racking system for the rural array. With newer, higher output panel choices the decision was made that the fixed system is the best choice since it will eliminate any possibility of malfunction with the seasonal tilt mechanics. MRES has requested from several vendors a request for quotes for installation and technical equipment to determine installation options. Applications for interconnection studies were submitted during April for both the urban and rural arrays. Final solar site evaluations will be completed after all documentation are signed and the interconnection studies are complete. MRES expects 90% of the capacity will go to low-income subscribers. Low-income model research is being conducted as to the most effective strategy to engage and motivate participants.

**Third Quarter Activity:** During this quarter, review of the interconnection applications proceeded. Other project activity was primarily administrative in nature pertaining to negotiations regarding contract modifications. An amendment to the project has been

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<sup>9</sup> Xcel's July 27, 2017 (2<sup>nd</sup> quarter) and October 26, 2017 (3<sup>rd</sup> quarter) Quarterly Status and Progress Reports in Docket No. E002/M-12-1278.

negotiated which would allow third party ownership to allow MRES to access tax credit financing and would also allow MRES to use the Community Solar Garden (CSG) pricing tariff. Energy pricing for the CSG is higher than the PPA energy prices that were initially proposed. To account for the higher energy price the amendment would reduce the grant amount to around \$1.3 million. MRES has asked that the grant savings be used to construct an additional facility with participation by the City of Minneapolis. The amended contract was submitted to the Commission for approval on September 22, 2017.

### **III. DEPARTMENT ANALYSIS**

The Company summarized its proposed changes to the Commission-approved EP4-15 RDF grant contract as well as the basis for the proposed changes as follows:<sup>10</sup>

In summary, MRES' original RDF proposal to create two community solar gardens (CSG) to serve low income customers required some modifications due to changes that have occurred since their initial submission in 2013. We have successfully worked through the necessary changes (which include using the CSG tariff and allowing a third party to own the PV equipment) with MRES and now have an amended grant contract for the Commission's review and approval. As a result of the project changes and the efficiencies gained over time, the RDF funding necessary to support the project has been reduced by approximately \$1.4 million. Accordingly, in this petition, we also seek to redirect a portion of that \$1.4 million for additional fulfillment of MRES' original stated purpose by allowing MRES to partner with the City of Minneapolis to build a third CSG for low income customers. This unique opportunity to expand the project scope is within the public interest as it will allow greater CSG access for low-income customers while still aligning with the initial funds allocated and approved by the Commission for this project.

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<sup>10</sup> Source: Xcel's September 22, 2017 EP4-15 revised grant contract filing at pages 2-3 of 146 in Docket No. E002/M-12-1278.

By [way] of background, MRES' proposal, which was submitted in 2013, prior to the creation of the Minnesota Community Solar Gardens (CSG) statute, proposed to create two 500 kilowatt direct-current (kW<sub>DC</sub>) photovoltaic (PV) CSGs that would serve low income customers. In its proposal, MRES contemplated creating a system for tracking subscriptions in cooperation with the Company, and included a set rate for the energy it would produce. MRES executed a standard Energy Production RDF grant contract for the project on February 17, 2015.

As MRES and the Company were working through the details of creating MRES' solar garden program (which would have required negotiating a power purchase agreement (PPA), developing a new tariff specifically for MRES' solar garden program, and changes to our billing system), the parties determined that it would be less confusing to subscribers and less administratively burdensome to allow MRES to participate in the existing CSG program. The use of the CSG program reduces the grant award from approximately \$2.7 million to \$1.3 million to offset the increase in energy payments contemplated under the CSG program, as compared to MRES' offered PPA price in its approved proposal.

In addition, the amended grant contract allows the solar PV equipment to be owned by a third-party to take advantage of the tax equity benefits, as we have done for other Cycle 4 projects.

The Company has discussed the aforementioned contract changes with the RDF advisory group, and the advisory group did not have any concerns about the proposal.

As discussed further below, the Department may not have concerns regarding Xcel's proposed change of ownership of the PV equipment or the overall goals of the proposed modifications. However, as noted above, many proposers competed for the funds available in the fourth round of the RDF Cycle, and it is important to ensure fair treatment. The Department has concerns regarding the following two proposed additional changes by Xcel: (1) reduction of the Project's RDF grant amount with an increase in the \$/MWh price to be paid by Xcel's ratepayers for power produced by the revised project, and (2) expansion of the Project to include a third CSG with an increase in the \$/MWh price to be paid by Xcel's ratepayers. Both of these options are inconsistent with the RFP and the conditions under which the Project was selected.



The Department added a third option (Option 1) that attempts to preserve the integrity of the RFP and, as a result, analyzed the following three options for the Commission's consideration:

**Option 1** – The original EP4-15 RDF grant contract is modified to: (1) allow the solar PV equipment to be owned by a third-party to take advantage of the tax equity benefits, and (2) account for the reduced total Project cost from \$3,966,420 to \$1,819,452 (a \$2.1 million reduction) as provided in the instant filing by Xcel with a corresponding reduction in the grant award from \$2,661,320 to \$514,352.

**Option 2** – The revised EP4-15 RDF grant contract, which allows the solar PV equipment to be owned by a third-party and increases the \$/MWh price to be paid by Xcel's ratepayers, is amended to expand the Project to include a third CSG as discussed above.<sup>11</sup>

**Option 3** – The revised EP4-15 RDF grant contract which allows the solar PV equipment to be owned by a third-party, reduces the Project's RDF grant amount from \$2,661,320 to \$1,283,097 and increases the \$/MWh price to be paid by Xcel's ratepayers.

*A. OPTION 1 (NOT PROPOSED BY XCEL)*

Under Option 1, the original EP4-15 RDF grant contract would be modified to: (1) allow the solar PV equipment to be owned by a third-party, and (2) account for the reduced total Project cost from \$3,966,420 to \$1,819,452 (a \$2.1 million reduction).

The Department notes that Option 1 is the only option in the current record that would be consistent with the RFP process used by Xcel to select the Project as its pricing would still reflect MRES's bid price, i.e. proposed pricing of the Project in response to the RFP.<sup>12</sup> Both options proposed by Xcel, Options 2 and 3, would increase by at least 75 percent the price paid by Xcel's ratepayers when compared to the bid price.<sup>13</sup>

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<sup>11</sup> Under Option 2, Xcel did not identify a proposed grant amount but requested adding up to \$1.4 million to its Option 3 proposed grant amount (pages 8–9 of 146). However, its proposed budget (including total project costs and grant amount) under Option 2 (page 137 of 146) is identical to its proposed budget under Option 3 (page 41 of 146).

<sup>12</sup> Source: MRES's April 1, 2013 4<sup>th</sup> cycle RDF pricing proposal attached to Xcel's September 22, 2017 EP4-15 revised grant contract filing at page 82 of 146 in Docket No. E002/M-12-1278.

<sup>13</sup> Source: Department's calculation based on the pricing data provided by Xcel in Attachment D (page 142 of 146) of Xcel's September 22, 2017 filing in Docket No. E002/M-12-1278.

The Department agrees with Xcel that the Commission has previously approved changes to the standard grant contract to allow a third party to own the solar PV equipment.<sup>14</sup> The Commission's approval came after Xcel identified and discussed the agreements that the Contractor will be providing to help protect Xcel's ratepayers from the risk of project failure after the Contractor receives the RDF grant.<sup>15</sup> The Department notes in particular that Xcel has not identified and discussed in the current record whether MRES executed or will execute an Operations and Maintenance Agreement with the third party financier, Greenway, to operate the system for ten years following the completion and commissioning of the Project.<sup>16</sup>

Therefore, the Department would not object to allowing Greenway to own the solar PV equipment if Xcel provides in reply comments a similar discussion of any agreement that MRES will be providing to help protect Xcel's ratepayers from the risk of project failure after MRES receives the RDF grant. If Xcel does so, Option 1 is the only option in the current record that would be supportable as being consistent with the RFP process.

The Department notes that MRES requested a grant amount of \$2,661,320 to limit its own contribution to \$1,375,100 to "result in a successful program with the \$0.07 energy rate:"<sup>17</sup>

The grant requested by MRES is used to directly lower the cost of the solar panels to result in a successful program with the \$0.07 energy rate. These dollars offset the expenses associated with the project allowing this project to offer Xcel this discounted rate for the power.

The original EP4-15 RDF grant contract provided for a slightly lower MRES contribution, \$1,305,100, including MRES's assertion that "[i]t has all internal financing and co-funding resources available for the Project as required to complete the Project to be funded under this Grant Contract."<sup>18</sup>

Given MRES's assertion above as well as the added benefits of the third party ownership, the Department notes that the grant amount should be consistent with the \$2.1 million reduction in the total Project cost since the grant was designed "to result in a successful program with the \$0.07 energy rate."

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<sup>14</sup> Source: Commission's December 1, 2015 Notice of Contract Approval in Docket No. E002/M-12-1278.

<sup>15</sup> Source: Xcel's October 5, 2015 reply comments in Docket No. E002/M-12-1278.

<sup>16</sup> Id. at 4-5.

<sup>17</sup> Source: MRES's April 1, 2013 4<sup>th</sup> cycle RDF pricing proposal attached to Xcel's September 22, 2017 EP4-15 revised grant contract filing at page 82 of 146 in Docket No. E002/M-12-1278.

<sup>18</sup> Source: Xcel's February 19, 2015 filing at page 13 of 74 in Docket No. E002/M-12-1278.

Whether Xcel and MRES (Parties) are willing to entertain Option 1 or another related option, the Department recommends that Xcel provide in reply comments a discussion explaining the Parties' position regarding Option 1 or any similar alternative option. Even if Xcel does not support this approach, the Department still recommends that Xcel justify why the grant amount should not be limited to \$514,352 under Option 1 with an unchanged MRES contribution of \$1,305,100.<sup>19</sup>

*B. OPTION 2 (PROPOSED BY XCEL)*

Under Option 2, the revised EP4-15 RDF grant contract, which allows the solar PV equipment to be owned by a third-party and increases the \$/MWh price to be paid by Xcel's ratepayers, would be amended to expand the Project to include a third CSG as discussed above.

While Option 2 would expand the Project, it would do so at a higher cost to Xcel's ratepayers when compared to MRES's bid price as explained in the previous section. The Department notes that RDF bidders were made aware that "the lower their price, the greater benefit to their overall evaluated score."<sup>20</sup> To preserve the integrity of the RFP process, the RDF bidders were also made aware that "the proposed pricing will be binding on any selected project."<sup>21</sup>

Therefore, the Department recommends that the Commission reject Option 2 since its proposed pricing of the Project is substantially higher than MRES's bid price.

*C. OPTION 3 (PROPOSED BY XCEL)*

Under Option 3, the revised EP4-15 RDF grant contract, which allows the solar PV equipment to be owned by a third-party, would reduce the Project's RDF grant amount and increase the \$/MWh price to be paid by Xcel's ratepayers under the CSG program.

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<sup>19</sup> The revised total cost of the Project (\$1,819,452) minus MRES' proposed contribution in the original grant contract (\$1,305,100) equals \$514,352.

<sup>20</sup> Source: Xcel's February 13, 2013 Request for Proposals and Standard Grant Contract compliance filing at page 53 of 116 in Docket No. E002/M-12-1278.

<sup>21</sup> Source: Xcel's February 13, 2013 Request for Proposals and Standard Grant Contract compliance filing at page 66 of 116 in Docket No. E002/M-12-1278.

Xcel provided the following justification for Option 3:<sup>22</sup>

MRES and the Company also concluded that the parties should work toward finding a way to have MRES use the existing CSG program as opposed to creating a project specific CSG program. Creating another community solar garden would have required developing an additional tariffed offering for MRES' 1,000 kW<sub>DC</sub> of solar capacity and related changes to the Company's billing system. The Company and MRES also thought that another CSG offering that only applied to a specific 1,000 kW<sub>DC</sub> of capacity could create unnecessary confusion among prospective subscribers to MRES' solar gardens and other solar gardens in the CSG program.

On February 17, 2017, the Company informed the RDF advisory group that MRES would like to amend the contract to have a third-party own the solar PV equipment and had been unable to develop a viable bill credit mechanism and would like the grant contract to be modified to allow them to use the CSG tariff rather than a PPA. The RDF advisory group was supportive of the strategy to use the existing CSG tariff and have MRES' grant award reduced to reflect the fact that the bill credits in the solar garden program are higher than the PPA MRES initially proposed.

The Department notes that Xcel's ratepayers are not made whole for this proposed change even with its proposed reduction of the grant award (\$2,661,320-\$1,283,097 or \$1,378,223) to reflect the increase in the net present value of the energy sold under the CSG program (\$1,378,281, about \$1.4 million) compared to the use of the proposed bid PPA price.<sup>23</sup> The Company's ratepayers will not be made whole under Option 3 for the following two reasons.

First, Xcel's calculation of its proposed revised grant award of \$1,283,097 assumes that the total cost of the Project did not change. However, the total cost of the Project did change as shown in Table 1 below, decreasing from an estimated \$3,966,420 to \$1,819,452, or a \$2.1 million reduction. As a result, even under the original grant contract, Xcel's ratepayers' contribution to the Project would have been at most the revised total cost of the Project \$1,819,452, not the Commission-approved grant award of \$2,661,320. Taking into account this \$2.1 million cost reduction with the \$1.4 million increase in Xcel's ratepayers' payments under the CSG program, Xcel's proposed reduction of the grant award from \$2,661,320 to \$1,283,097 should be reduced further to \$0.

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<sup>22</sup> Source: Xcel's September 22, 2017 filing at page 7 of 146 in Docket No. E002/M-12-1278.

<sup>23</sup> Source: Xcel's September 22, 2017 filing at page 142 of 146 (Exhibit D) in Docket No. E002/M-12-1278.

**Table 1**

	RDF grant amount	Cost Sharing	Total Project Cost	Start Date	End Date
1. Grant Application (GA)	\$ 2,661,320	\$ 1,375,100	\$ 4,036,420		
2. Grant Contract (GC)	\$ 2,661,320	\$ 1,305,100	\$ 3,966,420	17-Feb-15	17-May-17
3. Revised GC (Option 3)	\$ 1,283,097	\$ 536,355	\$ 1,819,452	17-Feb-15	?
4. Option 1	\$ 514,352	\$ 1,305,100	\$ 1,819,452	17-Feb-15	?
5. Options 2 and 3	\$ -	\$ 1,819,452	\$ 1,819,452	17-Feb-15	
1. Source: Xcel's February 19, 2015 EP4-15 standard grant contract filing at 42 of 74 in 12-1278.					
2. Source: Xcel's February 19, 2015 EP4-15 standard grant contract filing at 30 of 74 in 12-1278.					
3. Source: Xcel's September 22, 2017 EP4-15 revised grant contract filing at 41 of 146 in 12-1278.					
4. RDF grant amount is the difference between the total cost of the Project and MRES initial cost sharing					

Second, even if the total cost of the Project did not change and remained at \$3,966,420, Option 3 would still penalize Xcel's ratepayers twice. Once for the \$1.4 million increase in payments through the CSG program (compared to the bid price) and a second time because Xcel's obligations under the RDF would not decrease by that same amount.

As a result, the Department recommends that the Commission reject Options 2 and 3 and approve Option 1 above, modifying the original EP4-15 RDF grant contract to: (1) allow the solar PV equipment to be owned by a third-party, and (2) account for the reduced total Project cost from \$3,966,420 to \$1,819,452 (a \$2.1 million reduction), and subject to Xcel discussing in reply comments any agreement that MRES has or will be providing to help protect Xcel's ratepayers from the risk of project failure after MRES receives the RDF grant.

For clarity of the record, the Department also recommends that Xcel identify the End Dates of each Option in the record and explain the apparent discrepancy between the "Total Project Budget Amount" of \$1,871,560 and the "Total Costs" of the Project of \$1,819,452.<sup>24</sup>

#### **IV. DEPARTMENT RECOMMENDATIONS**

The Department recommends that the Commission reject Options 2 and 3 and approve Option 1 above, modifying the original EP4-15 RDF grant contract to: (1) allow the solar PV equipment to be owned by a third-party, and (2) account for the reduced total Project cost from \$3,966,420 to \$1,819,452 (a \$2.1 million reduction), and subject to Xcel discussing in reply comments any agreement that MRES has or will be providing to help protect Xcel's ratepayers from the risk of project failure after MRES receives the RDF grant.

<sup>24</sup> Source: Xcel's September 22, 2017 filing at page 120 of 146 (Exhibit C) in Docket No. E002/M-12-1278.

Whether Xcel and MRES are willing to entertain Option 1 or another related option, the Department recommends that Xcel provide in reply comments a discussion explaining the Parties position regarding Option 1 or any similar alternative option. Even if Xcel does not support this approach, the Department still recommends that Xcel justify why the grant amount should not be limited to \$514,352 under Option 1 with an unchanged MRES contribution of \$1,305,100.

For clarity of the record, the Department also recommends that Xcel identify the End Dates of each Option in the record and explain the apparent discrepancy between the "Total Project Budget Amount" of \$1,871,560 and the "Total Costs" of the Project of \$1,819,452.

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**CERTIFICATE OF SERVICE**

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**MINNESOTA DEPARTMENT OF COMMERCE – COMMENTS**

Docket Nos. **E002/M-12-1278**

Dated this **21st** day of **December, 2017**.

/s/Linda Chavez

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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Mara	Ascheman	mara.k.ascheman@xcelenergy.com	Xcel Energy	414 Nicollet Mall Fl 5  Minneapolis, MN 55401	Electronic Service	No	OFF_SL_12-1278_Official
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1800  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_12-1278_Official
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7  Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_12-1278_Official
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_12-1278_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_12-1278_Official
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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