

August 16, 2017

**VIA ELECTRONIC FILING**

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

**Re: Initial Comments**

**In the Matter of the Petition of Northern States  
Power Company, dba Xcel Energy, for Approval  
of a Customer Access Joint Pilot Program**

**Docket No. E-002/M-17-547**

Dear Mr. Wolf,

On behalf of the Joint Commenters, I respectfully submit the attached *Joint Initial Comments* in response to the Commission's July 10, 2017 Notice of Comment Period filed in the above-mentioned docket.

Please do not hesitate to contact me if you have any questions.

Sincerely,

s/ Ross Abbey

Ross Abbey  
Minnesota Solar Connection

*On behalf of Joint Commenters*

STATE OF MINNESOTA  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

Nancy Lange  
Dan Lipschultz  
Matthew Schuerger  
Katie Sieben  
John Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Petition of Northern  
States Power Company, dba Xcel Energy, for  
Approval of a Customer Access Joint Pilot  
Program

DOCKET NO. E-002/M-17-527

**JOINT INITIAL COMMENTS**

Cooperative Energy Futures, Minnesota Solar Connection, and Novel Energy Solutions/ Minnesota Community Solar (MNCS) (collectively herein “Joint Commenters”) submit these reply comments in response to the Public Utility Commission’s March 10, 2017 Notice.

**I. Procedural Background**

On September 6, 2016, the Commission ordered Xcel Energy to develop a community solar garden (CSG) proposal for low-income customers, and invited any other proposals for improving low-income subscriber accessibility within the broader Solar\*Rewards Community program.

On March 1, 2017, both Xcel and the Institute for Local Self-Reliance (ILSR) filed responses. (ILSR’s comments were endorsed by a number of “Allied Signers”, including Community Power, Vote Solar, Clean Up the River Environment, Rural Renewable Energy Alliance, and Cooperative Energy Futures.)

On July 10, 2017 the Commission issued a notice for Initial and Reply Comments regarding both those proposals. Joint Commenters respectfully submit these Initial Comments in response.

**II. Summary of Recommendations**

We respectfully request that the Commission:

- (1) Establish by Order a program-level goal for low-income residential subscriber participation; more specifically a five-percent goal, relative to the total number of active residential subscribers in the Solar\*Rewards Community program portal.

- (2) Direct the Company to track and report aggregate low-income-subscriber participation at the Solar\*Rewards Community program level (as it already does for aggregate residential-subscriber participation).
- (3) Direct the Company to work with the S\*RC Workgroup (over a three-to-four-month period) to develop and file proposed tariff sheets to establish:
  - a broad, program-level definition of “low-income subscriber”; and
  - a simple, streamlined process for non-utility CSG developers and owners/operators to identify and pre-qualify eligible low-income subscribers, including households or rental properties already certified as “low income” by a duly authorized state or federal government agency.
- (4) Direct the Company to file tariff sheets that establish a 1.5 cent/kWh bill-credit adder for qualified low-income subscribers.<sup>1</sup>

### III. Detailed Comments

#### Topic 1) Is Xcel’s proposal for a low-income pilot in the public interest?

Yes. There is a clear public interest in expanding CSG accessibility to low-income subscribers. And we believe that Xcel’s proposed project will serve that public interest. It appears to be a workable project that will deliver improved accessibility for low-income subscribers living in the Railroad Island neighborhood of St. Paul.

But it’s also clear that Xcel’s project, while perhaps necessary, is not sufficient to satisfy the public interest of increasing low-income accessibility across the CSG market writ large.

For example, Xcel’s project proposal appears to overcome the higher financing costs and subscriber credit risk of non-payment (“**subscriber risk**”) that is generally associated with low-income subscribers by automatically collecting subscriber’s payments through the customer’s pre-existing utility bill.<sup>2</sup> But this mechanism doesn’t help reduce or offset this higher subscriber risk for non-utility CSGs.

Likewise, Xcel’s proposal appears to provide a streamlined approach for identifying and

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<sup>1</sup> This 1.5-cent value assumes that low-income subscribers would also be eligible for the proposed residential adder of 2.5 cents/kWh. If the residential adder is approved at a lower rate, we request that the low-income adder be adjusted upwards to offset that decrease.

<sup>2</sup> June 30, 2017 Xcel Energy Petition (Docket No. E002/M-13-867) (“Xcel Petition”), at 13 (“The customer-subscriber enrolling in the Company’s pilot program is not required to have a minimum credit score.”)

qualifying eligible low-income subscribers, and for reporting on low-income participation – but only for subscribers of Xcel’s 500-kW pilot project.

For these reasons, we have identified four program-level proposals from ILSR’s March 1, 2017 comments that should also be adopted to address these gaps in Xcel’s proposal and level the playing field for non-utility CSGs wishing to compete against Xcel’s CSG for low-income subscribers. These proposals as summarized in Section II (above) and discussed in more detail under Topic 6 (below).

**Topic 2) Is the proposal consistent with Minn. Stat. § 216B.1641, the Commission’s September 6, 2016 Order (in Docket No. E-002/M-13-867), and other relevant law?**

No comment at this time.

**Topic 3) Does Xcel’s proposal to work with non-Xcel project partners (Energy CENTS Coalition, Dayton’s Bluff Neighborhood Housing Association, Center for Energy and Environment and THOR Construction) raise any issues for Commission consideration?**

No comment at this time.

**Topic 4) Are there certain issues of discrimination concerning non-utility developers/operators that the Commission should consider?**

In the spirit of allowing Xcel’s 500-kW pilot project to move forward, we understand that there are some elements of Xcel’s proposal that will only be available to Xcel, as Xcel will be the owner of this particular CSG.

But we are concerned with two requirements of Xcel’s proposal, the second of which (below) we oppose as unnecessarily different, anti-competitive, and not having a clear overwhelming benefit.

**1. On-bill repayment to overcome low-income subscriber risk**

We understand that Xcel proposing to invoice and collect subscriber payments for this project using Xcel’s pre-existing utility bill. We can see how this approach may enable a win-win for Xcel and its future low-income subscribers.

On-bill subscriber repayment will greatly reduce Xcel’s risk of subscriber default or non-payment (aka “subscriber risk”), by allowing Xcel’s CSG to access the rock bottom customer-default rates generally associated with utility bills. This subscriber-payment mechanism will

eliminate the need for Xcel to screen subscribers based on their credit rating or FICO Score.<sup>3</sup>

On-bill repayment also avoids the cost of Xcel (as the CSG owner) having to send a separate customer bill for the CSG subscription, and avoids the inconvenience and banking challenges of low-income subscribers would face in having to pay a separate bill.

Because there appears to be significant upside for low-income accessibility, we are not opposed to Xcel using on-bill repayment for this 500 kW pilot project – despite the obvious fact that non-utility community solar garden facilities aren’t able to collect their subscriber payments on the utility bill.<sup>4</sup>

Unfortunately, while this solution for low-income subscriber risk will allow Xcel’s CSG to serve low-income subscribers, it does nothing to help non-utility CSGs overcome low-income subscriber risk.

This difference highlights the need for new program-wide mechanisms (in addition to approving Xcel’s 500-kW project) that will enable non-utility CSGs to serve low-income subscribers on a level playing field – as we suggest in Section II (above) and Topic 6 (below).<sup>5</sup>

## **2. Presentation of S\*RC bill credit on the Xcel utility bill**

In addition to the on-bill repayment mechanism, Xcel is also requesting permission to present the S\*RC bill credits generated by its CSG facility differently (on the utility bill) than Xcel does for bill credits generated by non-utility CSGs.

Specifically, Xcel is proposing to combine presentment of the monthly subscriber fee and S\*RC bill credits on the utility bill via a single line item titled “Net Bill Credit”.<sup>6</sup>

We oppose this part of Xcel’s proposal. This design would obscure (on the utility bill) both (1) how much the subscriber is paying to subscribe, and (2) how much the subscriber is earning in S\*RC bill credits. Both of which would also serve to insulate Xcel’s CSG from market competition, including by making it harder for Xcel subscribers to comparison shop on

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<sup>3</sup> Xcel Petition, at 5 (“The Company’s pilot will offer access to solar garden benefits without requiring a minimum credit score.”)

<sup>4</sup> We also note that other different program requirements for Xcel’s proposed CSG project might be problematic in the future, if Xcel proposes to deploy them at larger scale.

<sup>5</sup> Given the potential of on-bill repayment to significantly improve access for low-income subscribers, Community Energy Futures suggests that this mechanism should if possible become available to low-income subscribers of qualifying non-utility CSGs in the future.

<sup>6</sup> Xcel Petition, at 11 (“Customers will see a single line on their bill, representing the bill credit less the cost of participation. . . .”)

subscription price and bill-credit value.<sup>7</sup> This design feature also runs afoul of the broad non-discrimination command in Minn. Stat. 216B.1641(e):

Any [CSG program] plan approved by the commission must . . . not apply different requirements to utility and nonutility community solar garden facilities . . . .

Thus, absent evidence that this element offers an overwhelming offsetting benefit, the Commission should reject Xcel's request to require a different tariff sheet specifying a different presentment of the S\*RC bill credit, as compared to the presentment of S\*RC bill credits for subscribers to non-utility CSG facilities.

**Topic 5) To implement the pilot program, Xcel is seeking approval of new tariff sheets (included as Attachment C to the Petition). Please comment on the proposed tariff sheets.**

We have addressed this topic throughout these comments (under different topical headers), but reserve our right to provide more-specific comments as to Xcel's proposed new tariff sheets in our Reply Comments.

**Topic 6) Please comment on ILSR's March 1, 2017 filing re guiding principles, best practices, and recommendations for increasing low-income subscriber accessibility.**

We applaud the Institute for Local Self Reliance ("ILSR") for its March 1, 2017 proposal "to expand [low-income] access to the Xcel-run community solar program."<sup>8</sup> ILSR's proposal preserves and carries forward many ideas that have been developed and discussed in this docket over the past few years. Like ILSR and its Allied Signers, we believe it's important to improve low-income accessibility to community solar broadly, at the program level.

But a key challenge is workability. Not all good ideas are easy to implement, or equally likely to be effective. The Commission may also want to consider how proposed new program elements will work together, to create a self-supporting market that works to continually expand low-income accessibility over the coming years.

We have thus identified a short list of four key elements of ILSR's March 1, 2017 proposal.

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<sup>7</sup> Xcel attempts to side step this and other differentiated tariff elements issue by proposing three so-called "key principles" of non-discrimination, which would serve to limit the general non-discrimination command in Minn. Stat. 216B.1641 to just three areas of program design. See Xcel Petition, at 17-18.

<sup>8</sup> March 1, 2017 Institute for Local Self Reliance Comments (Docket No. E002/M-13-867) ("ILSR Comments"), at 1.

We believe that all four of these elements must be present to meaningfully expand low-income accessibility across the Solar\*Rewards Community program. Each of these four elements are simple, straightforward, mutually supportive, and workable given the existing S\*RC program rules and structure.

We thus respectfully request that the Commission do each of the following:

**1. Establish a program-level goal for low-income subscriber participation**

We support and endorse ILSR’s statement that “goals for proportional or maximum low-income participation are important and do result in low-income participation.”<sup>9</sup>

For this reason, we respectfully suggest that the Commission establish a numeric, program-level goal (or target) for low-income residential subscriber participation.

Various commenters have spoken to achieving low-income participation levels of five or even ten percent. We believe that either level, relative to the overall number of residential subscribers, would be an appropriate target.<sup>10</sup> But in the interest of avoiding vagueness, we formally request that the Commission adopt a five percent low-income goal, relative to the overall number of residential subscribers.

In earlier Joint Reply Comments, we and others respectfully requested that the Commission adopt a 50-percent program capacity target for residential customers.<sup>11</sup> Here, because low-income customers are a subset of residential customers (and would receive any residential adder), it makes sense to set the low-income target as a percentage of all residential subscribers – rather than establish the low-income goal as a standalone capacity target.

**2. Direct Xcel to regularly report the level of low-income subscriber participation in the S\*RC program**

As we have all heard, what gets measured is what gets done. So, if the Commission agrees that there is a public interest in enabling low-income participation, it only makes sense to require Xcel (the S\*RC program administrator) to track and regularly report on the program’s level of low-income subscribership – as proposed in ILSR’s March 1, 2017 comments.<sup>12</sup>

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<sup>9</sup> ILSR Comments, at 6.

<sup>10</sup> We do not, however, endorse a blunt, mandatory carve-out approach.

<sup>11</sup> May 11, 2017 Joint Reply Comments (Docket No. E002/M-13-867), at 4, 7 We hope that the Commission will order the establishment of such a residential target prior to, or at the same time as addressing these comments on low-income subscriber accessibly.

<sup>12</sup> See ILSR Comments, at 2 (“Principals of Universal Access to Community Solar; Tracking and Review: participation by low-income subscribers . . . should be tracked on a per-project basis and reported in the aggregate to the Department of Commerce and Commission[.]”)

This reporting requirement would enable the Commission and others to track progress towards the low-income-participation goal (requested directly above). Indeed, it is difficult to see how the Commission could track towards the S\*RC program goal *without* this sort of reporting.

As a practical matter, Xcel could meet this new requirement by (1) working with the S\*RC Workgroup to develop a streamlined qualification process to enable and track low-income qualification, as requested below; and (2) adding one or two sentences to its current program reports.

**3. Direct Xcel to develop a simple, streamlined process for non-utility CSG developers and owners/operators to identify and pre-qualify eligible low-income subscribers**

In order to enable the low-income goal and reporting recommendations above, it would be helpful to clearly define and establish a process for qualifying eligible low-income subscribers.

In its March 1, 2017 Comments, ILSR discussed several “principals and best practices for program design,” including the need for a strong definition of low-income:

We support Fresh Energy’s definition of a low-income subscriber, cited in its 4/1/16 comments, as a household earning less than 80% of the area median income, or one that already participates in an existing means-based program, such as the Energy Assistance Program.<sup>13</sup>

Joint Commenters support this proposed definition. We would also expand the list of “existing means-based program(s)” to allow low-income eligibility for any household or rental property that has already been certified as “low income” (*e.g.*, earning less than 80% of the area median income) by a duly authorized state or federal government agency.

This would allow for easy pre-qualification for any household or rental property that is currently designated “low income” (earning less than 80% of median) under HUD Section 8, Minnesota Housing Finance Agency, or another qualified government agency.

In its project proposal, Xcel does set forth a low-income subscriber qualification process for its 500-kW pilot project.<sup>14</sup> But the Company’s proposed qualification process is limited to households “residing in the Railroad Island community” and is narrowly tailored to pair with energy efficiency services under an arrangement that is not broadly available to non-utility CSG

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<sup>13</sup> ILSR Comments, at 1.

<sup>14</sup> Xcel Petition, at 7-8 (“low income residents will qualify based on the same information they provide to determine eligibility criteria under LIHEAP. . . . For multi-family buildings that participate in Low Income Multi-Family Energy Savings program, all tenants will be considered eligible to subscribe to the garden when they pay their own energy bill.”)



developers.<sup>15</sup>

For this reason, we respectfully request that the Commission direct the Company to work with the S\*RC Workgroup (over a three-to-four-month period) to develop and file proposed tariff sheets to establish:

- (1) a broad, program-level definition of “low-income subscriber”; and
- (2) a simple, streamlined process for non-utility CSG developers and owners/operators to identify and pre-qualify eligible low-income subscribers, including households or rental properties already certified as “low income” by a duly authorized state or federal government agency.

By developing this sort of pre-qualification approach for the Solar\*Rewards Community program, we can ensure that the low-income qualification process does not *itself* become a costly or burdensome barrier to increased participation by low-income subscribers.<sup>16</sup>

Finally, because households economic conditions may improve, these pre-qualified households and rental properties could be re-evaluated for qualification on a five-year cycle – similar to the five-year low-income qualification term proposed by Xcel for its 500-kW project.<sup>17</sup>

**4. Direct the creation of a low-income bill-credit adder for qualifying low-income subscribers, similar to the Department of Commerce’s proposed residential bill-credit adder**

Finally, we support ILSR’s proposal to create a low-income bill-credit adder for qualifying low-income residents.<sup>18</sup>

Specifically, we support the creation of a 1.5-cent/kWh (or greater) bill-credit adder for qualified low-income subscribers. This proposed adder would, when combined with the residential adder (currently proposed at 2.5-cent/kWh) total 4 cents/kWh for qualified low-

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<sup>15</sup> Xcel Petition, at Exhibit C, Proposed Original Sheet No. 100.

<sup>16</sup> Contrast this with the current qualification process for Minnesota’s Energy Assistance Program, which requires applicants to review and complete an 8-page form declaring all sources of income for all members of the household under threat of civil or criminal liability for providing false information. See 2016-2017 Minnesota Energy Programs Application, available online at <https://mn.gov/commerce-stat/pdfs/application-english.pdf>.

<sup>17</sup> See Xcel Petition, at 8 (explaining that, after 5-year subscription term, “the customer (if still LIHEAP eligible, or if still resides in a multi-unity building where at least two-thirds (2/3) of households are LIHEAP eligible) may re-submit their community solar subscription request[.]”)

<sup>18</sup> ILSR Comments, at 9 (“An adder for low-income subscribers could offset higher costs for acquiring and serving low-income customers.”)

income residential subscribers.<sup>19</sup> Once the program achieves its low-income subscriber participation goal (or earlier, upon a party's successful petition to the Commission), this low-income adder could phase out.

This proposed low-income adder would help offset the higher cost of serving low-income subscribers, as well as help spur market competition and innovation around serving this underserved demographic.

For context, the CSG market does view low-income subscribers as more costly to serve than other residential subscribers (on a cost-per-watt basis), for at least three reasons:

First, low-income residents tend to use relatively less electricity, leading to smaller subscriber contracts (given the 120-percent rule) that carry relatively higher costs. (For example, a low-income customer might only use 70 percent as much electricity as the average single-family homeowner. In that case, the low-income subscriber would be expected to cost the CSG owner 42 percent more to serve on cost-per-watt basis.<sup>20</sup>)

Second, low-income subscribers are more likely to have limited access to banking services. This can cause multiple issues, including higher subscriber-payment-processing costs (owing, *e.g.*, to less access to low-cost auto-pay options through the inter-bank ACH system).

Third and most importantly, CSG that intend to serve low-income subscribers face significantly higher project-finance costs – if they can secure capital financing at all. This is because low-income subscribers often have a low or no credit score (*e.g.*, FICO score). As multiple commenters have noted, this creates a significant barrier to accessibility, because CSG developers can only offer pay-as-you-go subscriptions if the long-term CSG owner is comfortable accepting the risk of subscriber default and non-payment (aka “subscriber risk”). This higher risk translates into higher project finance costs.

As noted above under Topic 1, Xcel is proposing to overcome this subscriber-risk problem (as to its own 500-kW project) by using on-bill repayment, which should significantly decrease its rate of subscriber non-payment and default. But without access to that same mechanism, non-utility CSG developers and owner/operators will continue to face higher financing costs to serve low-income subscribers.

Over time, the competitive CSG market may develop market-based solutions to overcoming these barrier. But critically, the pace of this innovation will depend on the level of activity and competition working specifically to serve low-income subscribers. And unfortunately

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<sup>19</sup> This 1.5-cent/kWh adder for low-income subscribers would be similar in practice to the existing bill-credit adder for small CSGs under the ARR. *See* May 17, 2017 Joint Commenters' Reply Comments, at 3 (“the Commission has clear authority to require a bill credit adder, as it has previously required”).

<sup>20</sup> The percent ratio of 1 / 70% equals 142 percent, or 42 percent higher than the cost to serve average homeowner.

there is relatively little activity around serving low-income subscribers today, because the bill-credit rate for low-income subscribers offer no additional value to attract that activity.

We thus respectfully request that the Commission adopt this 1.5-cent/kWh low-income adder in addition to the Department-proposed 2.5-cent/kWh residential adder. (The effective adder for a qualifying low-income residential customer would thus be 4 cents/kWh.) As with the residential adder, we request that the low-income adder “vest at the time that the CSG application is deemed complete, just like the underlying VOS bill-credit rate[.]”<sup>21</sup>

**Topic 7) Xcel proposed annual reporting for the pilot. Should any other information, in addition to that proposed, be included in the Company’s annual report to the Commission?**

Yes, as discussed above, we respectfully request that the Commission require Xcel to report on the total number of low-income subscribers in the S\*RC program, relative to the total number of residential subscribers.

This reporting metric should align with a Commission-determined target low-income participation level – so the Commission and others can track progress towards the target over the coming years.

**Topic 8) Should the Commission take up the issue of cost recovery separately at a later time?**

No comment at this time.

**Topic 9) What other parts of Xcel’s proposal require additional information?**

No comment at this time.

#### **IV. Conclusion**

For all these reasons, we respectfully request that the Commission adopt the Joint Commenters’ recommendations, summarized for your convenience in Section II. Summary of Recommendations, above.

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<sup>21</sup> See April 18, 2017 Joint Commenters’ Initial Comments, at 5.

Sincerely,

Duane Hébert

For: Novel Energy Solutions / NUCS

Printed Name: Duane Hébert

Its: Director of Casavaults Solar

Sincerely,

Timothy DeHerder-Thomas

For: Cooperative Energy Futures

Printed Name: Timothy DeHerder-Thomas

Its: General Manager

Sincerely,



A handwritten signature in blue ink, appearing to read 'Troy', is written over a horizontal line.

For: Minnesota Solar Connection, LLC.

Printed Name: Terrence Troy

Its: CEO