

February 4, 2019

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

RE: Docket 18-714 Xcel Energy's Tariff Revisions Updating Interconnection Standards for Distributed Generation Facilities Established under Minn. Stat. §216B.1611

Dear Mr. Wolf:

The City of Minneapolis appreciates the stakeholder process the Commission has undertaken to update interconnection processes statewide. We also appreciate the opportunity for public input on Xcel's proposal for tariff revisions to implement the outcomes from the process.

The City notes that a significant barrier to distributed energy resource adoption can be the cost to upgrade utility infrastructure when the utility identifies a constraint related to hosting capacity. In Xcel's Integrated Distribution Plan (IDP), the utility identifies barriers to distributed resource integration on page 228:

*3. Potential Barriers to DER Integration*

*Minnesota has a cost-causation regulatory construct for DER, which requires the "cost causer" to pay the costs – shielding other customers from the costs. As such, individuals or developers proposing to interconnect DER to the system may incur costs for necessary system changes to accommodate the DER. Based on our regulatory requirements in our Section 10 tariff, the customer or developer who causes this system pays for the cost of the upgrade or modification for DER integration. In some cases the developer or customer chooses not to pursue the modification and the project does not move forward...*

The City agrees that this is a barrier to DER integration. While the updated interconnection process and standards may reduce the need for distribution system upgrades, we see an opportunity with this docket to further address the cost issue. The City recommends that in cases where the utility requires a customer to invest in upgrades to the distribution system as a condition of interconnection, the customer only be financially responsible for the net cost *after depreciation*.

In this way, the utility captures the financial benefits associated with depreciating the asset during its time in service, and the interconnecting party's contribution may be greatly reduced depending on the age of the equipment being replaced, resulting in more distributed energy projects at a lower, but fair, cost to the customer or developer. Small modifications to the proposed tariff may be adequate to address this. For example, in Section 9, 25<sup>th</sup> Revised Sheet No. 2, *Terms and Conditions of Service*, a clarification could be made as follows:

3. Interconnection charges will be assessed by the Company on an individual basis for all costs associated with addition to or modification of Company facilities to accommodate the QF less depreciation. The net interconnection charge is the responsibility of the QF.

Similar changes could be included in Section 9, 1<sup>st</sup> Revised Sheet nos. 3.1, 4.1, and 4.3. The Interconnection Agreement or Section 10<sup>1</sup> may also be appropriate places to clarify that the cost to the customer/developer should reflect the net cost after depreciation.

This modification will unify all parties' understanding of what costs the customer or developer are responsible for paying in a manner that is clear.

Thank you again for your commitment to this stakeholder and public input process. The City appreciates your consideration.

Respectfully submitted,

A handwritten signature in cursive script that reads "K. W. Havey".

Mr. Kim W. Havey, LEED AP, AICP  
Manager  
Division of Sustainability

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<sup>1</sup> Such as in Section 10, 2<sup>nd</sup> Revised Sheet No. 78. Terms and Conditions: 4. Customer is responsible for any applicable study fees and interconnection costs. The customer must pay all such costs as specified in the Interconnection Agreement.