CLEAN GRID
ALLIANCE

October 4, 2019

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

Re: **In the Matter of Department of Commerce Working Group on Decommissioning of Wind and Solar Facilities**
Docket No. E-999/M-17-123

Dear Mr. Wolf:

Clean Grid Alliance (CGA) appreciates the opportunity to comment on the Working Group Report and the Department of Commerce report and recommendations.

CGA is a nonprofit organization headquartered and working in Minnesota plus eight additional states in the Midwest. CGA's membership consists of wind and solar developers, manufacturers, and nonprofit clean energy advocacy organizations.

Decommissioning rules and standards vary from state to state. CGA and its members have worked closely with state legislatures and state commissions throughout the upper Midwest in developing decommissioning standards for wind and solar facilities. As you are considering these standards, it is important for the policies to strike a balance so that states and counties have the assurance that end-of-life facilities will be properly decommissioned, while also providing reasonable financial requirements, regulatory certainty, and clear expectations for project owners.

Decommissioning Funding Mechanisms

Independent Power Producers (IPPs) have varying business models and varying access to capital. Consistent with the Working Group recommendations, a variety of funding mechanisms should be available to the facility owners. The report identifies a selection of financial assurances including escrow accounts, letters of credit, bonds, parent/corporate guarantees and sinking funds. While these options are most frequently used, the Public Utilities Commission (Commission) and Department of Commerce (Department) should consider other acceptable forms of financial assurances to cover the anticipated costs of decommissioning. Financial flexibility is of key importance to CGA members.

Consideration of Salvage Value

As the report identifies, recent Commission-approved facilities have incorporated salvage value as part of the decommissioning plan. While estimating salvage value can vary greatly based on a variety of factors including commodity prices and age of the facility components, the Department and Commission should give further consideration to these values and allow them to count toward the decommissioning costs. Incorporating these values will provide a more accurate cost obligation on the project owner. In order to fairly and accurately calculate the salvage value, an agreed upon third party evaluator could be obtained to decide the actual value. Further, these valuations can be revisited every five years, which would provide up-to-date value estimates. Incorporating salvage values into the cost of decommissioning is an important consideration for CGA's members. Not doing so would artificially inflate the project owners decommissioning costs.

Timeframes and Milestones for Decommissioning Plans

IPP's recognize the importance of providing a detailed decommissioning plan as part of the permit process. The question is when should financial assurance be required? CGA generally agrees with the report and recommendations that decommissioning plans should be reviewed every five years. CGA also agrees with the Department that any change in ownership or permit amendment requests should generate a review of the decommissioning plan.

There is common agreement among IPPs that financial surety should not be required in the first 10 years because the estimated value of the facility will be more than the cost to decommission the facility. However, if the Department and Commission incorporated the salvage value of the facility as illustrated above, those cost estimates would be a major determining factor as to when surety is required. If estimating salvage value were not to be heavily weighted, requiring surety at approximately year 10 would be recommended with review every five years thereafter.

Assignment of Beneficiary

The Working Group recommended that county and state government, rather than individual landowners, should be the designated beneficiary of any financial surety. CGA supports this position and also believes that it would be easier to administer and monitor.

State law provides that Large Wind Energy Conversion Facilities (LWECS) in excess of five megawatts are under the jurisdiction of the Commission. However, state law does provide that counties may assume the responsibility for permitting LWECS that are less than 25 megawatts in size. To our knowledge, the counties that have opted for local permitting include Jackson, Lincoln, Lyons, Meeker, Murray, Pipestone and Sterns. State law provides that solar energy generating systems in excess of 50 megawatts are under the jurisdiction of the Commission. Those under 50 megawatts are permitted at the county. While not discussed in report, the Commission should clarify that decommissioning requirements and any financial surety requirements are retained with the government unit that has issued permits for the project. This does not seem to be an issue

at this time, but it is important to CGA's members that this jurisdictional practice and regulatory clarity is retained.

Considerations of County Permitted Projects

Many of the early wind projects built in Minnesota were small, community wind projects. Some of these were designed and built as Community Based Energy Development (C-BED) projects. C-BED projects provided a new mechanism to support community ownership by allowing local investors to partner with a corporation to take advantage of federal tax credits. One of the key aspects of C-BED is that the contracts are front loaded with higher payments in the first 10 years of a 20-year contract. As these projects begin to age, operation and maintenance costs increase rendering higher expenses and less revenue in the remaining 10 years of the contract. There is some concern that some community wind projects may not have the financial means to cover end-of-life decommissioning.

The report cites a survey of county and planning zoning officials where only half of the respondents indicated that their ordinances allowed the county to require surety for wind and solar projects. However, only 30 percent of total respondents indicated that they require surety for decommissioning. Conversations that CGA has had with a few counties indicate that most do not require surety. In fact, county officials said most of the decommissioning documents are vague and have not been updated or revisited since they were filed with the county.

Fortunately, some of these projects have been repowered or purchased by other entities rendering them financially viable for the foreseeable future. However, some of these projects may not have long-term financial viability for a variety of reasons including, age, size, operation and maintenance costs and the inability to financially compete effectively against newer projects.

While a majority of these smaller projects are not under the jurisdiction of the Commission, CGA believes this is an important issue that needs further consideration. Minnesota has made great strides in the advancement of clean energy. Decisions made by this body around decommissioning of all wind and solar projects will be critical for ensuring continued public support for renewable energy and protecting individual landowners.

Thank you for your consideration in this this important matter. CGA looks forward to working closely with the Department and Commission as this process moves forward.

Sincerely,

Peder Mewis
Regional Policy Manger – West