

February 13, 2014

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission 121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101-2147

**In the Matter of Establishing a Distributed Solar Value Methodology under Minn. Stat. §216B.164, subd.10**

**Docket No. E999/M-14-65**

Dear Dr. Haar:

**Comments of the Minnesota Solar Energy  
Industries Association**

We provide these comments on behalf of the Minnesota Solar Energy Industries Association (MnSEIA). As a membership association comprised of 58 organizations involved in photovoltaic and solar thermal energy production, MnSEIA promotes the development and use of solar energy to create a sustainable future for the state.

MnSEIA supports the Value of Solar Tariff (VOST) methodology proposed by the Division of Energy Resources (DER) pursuant to Minn. Stat. §216B.164, subd.10. All of the proposed elements have been discussed from several angles thru the stakeholder process and the proposed VOST captures much of the multiple layers of stakeholder input. MnSEIA, however, remains concerned about the exclusion of Economic Development metrics from the proposed VOST and the treatment of SRECs

**Adding an Economic Development Benefit Value to VOST**

MnSEIA has in every round of written or public comments urged inclusion of an Economic Development Value in the VOST as a value expressing the increased tax revenues, reduced unemployment, and an increase in general confidence conducive to business development that VOST would provide.<sup>1</sup>

The cited statute states that “(f) *The department may, based on known and measurable evidence of the cost or benefit of solar operation to the utility, incorporate other values into the methodology, including credit for locally manufactured or assembled energy systems..*”. We will

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<sup>1</sup> Perez, Norris, and Hoff, *The Value of Distributed Solar Electric Generation to New Jersey and Pennsylvania*, p. 45, Prepared for: Mid-Atlantic Solar Energy Industries Association and Pennsylvania Solar Energy Industries Association, prepared by Clean Power Research.

now discuss how an economic development benefit should be included into the VOST based on already established rate making.

An Economic Development Benefit is valuable to both society and the utility. It has a direct benefit to society because it aides the local economy via increased business and tax revenue.<sup>2</sup> But it also has value to the utility because benefiting a local economy is the same thing as benefiting the utility's rate payers. The groups are one and the same.

MnSEIA believes the exclusion of the economic development benefit in the VOST calculation is essentially denying what Xcel and the Commissioners have already vetted and approved thru docket GR-12-961 as an important rate element.

The Commission has already approved several Xcel Energy (Xcel) rate programs to incentivize new business and retain or expand businesses that are beneficial to all rate payers. In the utility industry these rates are widely used and categorized as Economic Development Rates (EDRs) and Load Retention Rates (LRRs). These include Xcel's Area Development Rider, the Business Incentive and Sustainability Rider and the Competitive Response Rider In analyzing *these new riders in the GR 12-961 docket the ALJ (OAH 68-2500-30266) noted Xcel's comments "... that the allocation of these costs should reflect the fact that adding and retaining load will allow the Company to spread overhead costs more broadly, which benefits all customers by lowering their average cost of service."*

The issue before the Commission or the Department is not whether Economic Development benefits utilities, such as Xcel, but how to quantify that benefit and in terms of solar development. Certainly Xcel should be able to provide that data. As noted in previous comments, MnSEIA believes CPR has provided an applicable formula to quantify this economic development value. In their MSEIA Report CPR lays out an equation for determining an economic development value that incorporates only tax revenue benefits.<sup>3</sup>

CPR's equation provides transparent and scientifically sound cents per kWh value that could account for utility specific benefit utilities receive from business development related to solar. Based on the scientifically rigorous approach CPR has already developed in this category, we are confident that they can alter their own economic value equation to fit Minnesota's statutory requirements as they have in formulating the VOST parameters.

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<sup>2</sup> *Id.*

<sup>3</sup> *MSEIA Report at 45, supra note 4.*

Another method for calculating an Economic Development Benefit is easily available from using the National Renewable Energy Labs PV Jobs and Economic Development Impact (JEDI) modeling program. According to NREL's JEDI model, each 1MW is expected to benefit the state \$1.8 Million dollars and created 18 job years (actual model results ranged from \$1.8 – 2.4 Million dollars).<sup>4</sup>

These “job years” include all jobs that were created in the development and construction of the project including construction, installation, manufacturing, supply, trade, finance, insurance, professional services and development services. According to our models, if a 1MW solar array produced 29,444,000 KWh over 25 years, and benefited the state \$2.4 Million dollars, that per KWh benefit would be about \$0.06/KWh.

### **SREC Compensation**

MnSEIA believes comments concerning SREC compensation are relevant to the foregoing discussion of the proposed methodology for the VOST under Minnesota Statute § 216B.164 Subd 10: *“(i) Renewable energy credits for solar energy credited under this subdivision belong to the electric utility providing the credit.”*

As noted above, the VOST statute requires that the Solar Renewable Energy Credits (“SRECs”) are transferred to the utility. The assumption is that the VOST environmental value is just compensation for SREC values.<sup>5</sup> While MnSEIA supports DER's proposed VOST environmental value methodology we continue to assert that the implementation of the methodology does not provide just compensation for the full value of an SREC.

SRECs represent the SES compliance value which is related to, but distinct from the environmental value. We urge the Commission to require just compensation for the compliance value of SRECs.

MnSEIA is aware that the Commission may want to delay setting a SREC value, but believe a low range proxy value that helps build the solar market is appropriate now. Based on other state's comparable policy with a compliance target, but no stipulated compliance penalty payment we believe \$0.06 /kWh is a defensible initial market value.

MNSEIA believes the E999/CI-13-542 Docket pertaining to SRECs is another venue to discuss the Minnesota SREC market value with M-RETS and other stakeholders.

### **Conclusion**

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<sup>4</sup> Jobs and Economic Development Impact Model – <http://www.nrel.gov/analysis/jedi/> (release number PVS 12.13.12)

<sup>5</sup> Minn. Stat. § 216B.164, subd. (k) – (l).

MnSeia concurs with the VOST methodology proposed by the Division of Energy Resources in consultation with CPR. We believe the methodology is rigorous, well-constructed and defensible. However, as in earlier VOST comments, MnSEIA strongly supports inclusion of an Economic Development Value in the VOST methodology to the Commission. Our comments provide evidence of direct utility benefit from economic development using EDRs and LRRs from Xcel's approved rate structure and two robust formulas for calculating the kWh value. Finally, MnSEIA asserts that based on the new SES that SRECs have a compliance value and we suggest an initial value for just compensation for SRECs transferred if an IOU decides to implement VOST

MnSEIA appreciates the collaborative process used to develop the VOST to this point and will continue our efforts to make the solar industry a key part of Minnesota's growth economy.

Sincerely,

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