



AN ALLETE COMPANY

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November 28, 2016

**VIA ELECTRONIC FILING**

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

Re: In the Matter of a Petition by Minnesota Power for Approval of a Community  
Solar Garden Program  
**Docket No. E-015/M-15-825**

Dear Mr. Wolf:

Minnesota Power hereby electronically submits its Reply Comments in the above referenced Docket. In these Reply Comments, the Company is providing its response to Initial Comments and a recommendation for moving forward. While Minnesota Power appreciates the continued and thoughtful stakeholder input in this docket, it would like to reiterate the importance of executing its approved Pilot Program in a timely manner in order to deliver community solar energy to its customers. Minnesota Power recommends the Commission approve, or delegate to the Executive Secretary the authority to approve, the previously submitted marketing materials, customer contract and tariff sheets so that the approved Pilot Program can move forward. Please contact me with any questions regarding this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Jennifer J. Peterson", with a long horizontal flourish extending to the right.

Jennifer J. Peterson

JJP:sr  
Attach.

**STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION**

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In the Matter of the Petition by Minnesota Power for  
Approval of a Community Solar Garden Pilot Program

Docket No. E015/M-15-825

**MINNESOTA POWER  
REPLY COMMENTS**

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**I. INTRODUCTION**

On June 27, 2016, the Minnesota Public Utilities Commission (“Commission”) issued its *Order Approving Pilot Program with Modifications* (“Order”) in which it approved Minnesota Power’s (or the “Company”) Community Solar Garden (“CSG”) Pilot Program. The Order required the Company, among other things, to draft a Request for Proposals (“RFP”) in consultation with stakeholders for three non-utility CSGs, each up to 1 MW, and submit that draft RFP by October 1, 2016. In addition, the Commission also required the Company to conduct a competitive bidding process to determine the current market pricing of Solar Renewable Energy Credits (“SREC”) in northern Minnesota. On October 3, 2016, the Company submitted a compliance filing with results of an SREC RFP, as well as a draft RFP for non-utility CSGs developed in consultation with stakeholders.

In these Reply Comments, the Company is providing its response to Initial Comments and a recommendation for moving forward. Minnesota Power would like to reiterate the importance of executing its approved CSG Pilot Program in a timely manner in order to deliver community solar energy to customers. It is critical to be timely in the rollout of this approved Pilot Program to gauge customer preferences, utility processes, program design elements and to gather information which will be valuable in refining the draft RFP and evaluation criteria that may be used for non-utility CSGs in the future. Minnesota Power recommends the Commission approve or delegate to the Executive Secretary the authority to approve the previously submitted marketing materials, customer contract and tariff sheets, so that the approved CSG Pilot Program can move forward.

## II. RESPONSE TO DEPARTMENT RECOMMENDATIONS

In its Initial Comments filed on November 14, 2016, the Department of Commerce (“Department”) recommended that:

1. The Company provide additional detail on and a proposed weighting for its evaluation criteria in its RFP for non-utility CSGs; and,
2. The Company reissue its RFP on SREC pricing to include the list of REC brokers found on the US Department of Energy’s website.

Minnesota Power appreciates the Department’s continued thorough review of the approved CSG Pilot Program and acknowledges that evaluation criteria for non-utility CSGs has yet to be developed. The Company recommends evaluation criteria be developed at the time an RFP is issued, directed by established goals of the RFP. Given that the SREC RFP was issued to the public and was thus available to all potential bidders, including REC brokers, the Company also respectfully disagrees with the Department’s recommendation to reissue the RFP for SREC. However, the Company will agree to contact REC brokers directly in any future SREC RFP.

### Evaluation Criteria

The Company acknowledges that, from the time the Order was issued on July 27 to the time the draft RFP for non-utility CSGs was due on October 1, Minnesota Power did not gain stakeholder consensus to fully develop evaluation criteria. The stakeholder process instead focused on the requirement of Order Point 8, to draft an RFP for three non-utility community solar gardens, each up to 1 MW in size. While evaluation criteria is important in considering future projects and was discussed at the stakeholder meetings, it is the Company’s view that evaluation criteria can be best developed after the goal of the RFP has been established. Further, lessons learned from implementation of the CSG Pilot Program can aid in criteria development. For example, if the Company learns through its experience that recruiting subscribers is a difficult implementation task, the evaluation criteria may place more weight on projects that have customers subscribed or anchor tenants. Additionally, if the Company needs additional small scale solar for Solar Energy Standard (“SES”) compliance, it may place more weight on projects sized 20 kW or less. Evaluation criteria should fit the needs of customers and the Company at the time an RFP is issued and therefore could change from initially developed criteria.

It is also not standard practice to make evaluation criteria public at the time an RFP is issued. This is to ensure bids are innovative and competitive, as was the expressed intent of the RFP for non-utility gardens, and to prevent bidders from inaccurately tailoring their proposals to the evaluation criteria. Finally, the Company notes that, while there were potential categories of evaluation criteria identified during the stakeholder meetings, there was no consensus on the complete list of considerations, on how different categories would be weighed, or on how the evaluation criteria would be administered.

#### Competitive Bidding Process for SRECs

The Company has conducted two competitive bidding processes for SRECs in northern Minnesota, with the most recent RFP generating no responses. The Company believes this is indicative of the current lack of market and therefore low market value for SRECs at this point in time. Minnesota Power requests the CSG Pilot Program move forward with the initially proposed market rate of \$0.002/kWh. The RFP for SRECs was public, with information posted on the Company's website and advertisements in solar industry publications. The Company also sent the RFP directly to all participants who had registered for the 1 MW PPA RFP interest list in 2015. Finally, the Company contacted Karbonne and Platts, firms that specialize in spot and forward SREC contracts, and did not receive a response.

Minnesota Power has complied with Order Point 3 from the Commission's July 27 Order which states, "Minnesota Power shall discount subscription prices by current market pricing for SRECs, as determined by a competitive bidding process for SRECs in northern Minnesota." Another RFP for SRECs is not likely to generate new pricing information and may have a negative effect on brokers or developers choosing to participate in RFPs in the future. Finally, an SREC compensation value is needed for final subscription rates to be approved. Therefore, conducting a third RFP for SREC values will only serve to delay the implementation of the program further.

### III. RESPONSE TO OTHER STAKEHOLDERS

In addition to the Department, Fresh Energy and the Northland Community Solar Coalition (“NCSC”) submitted comments on the Company’s compliance filing. Feedback from stakeholders is important to the Company, and Minnesota Power has attempted to take an inclusive and collaborative approach to developing its CSG Pilot Program and complying with the Commission’s Order. A discussion of issues raised by stakeholders follows.

#### Fresh Energy’s Comments

Fresh Energy recommended “that the Commission order that the Company’s current SREC pricing should not be considered to reflect SREC market pricing and should be updated as soon as reasonable, supported SREC pricing is in the record.” Fresh Energy also noted that, “Under the circumstances and unless additional SREC pricing information is provided in the record, we do not oppose the Company using this SREC pricing for the initial phase of its pilot.” Minnesota Power agrees to use the proposed \$0.002 per kWh SREC compensation price for the initial Pilot Program only, and that it will update SREC market pricing for any future projects, as applicable.

While not a participant in the stakeholder meetings that informed the draft RFP, Fresh Energy provided suggested edits to the document. Some suggested edits removed questions in the RFP related to how prospective projects would integrate with Minnesota Power’s billing system, as well as questions related to project economics. The Company believes this is important data to gather in order to determine the billing requirements for integrating non-utility gardens and evaluate multiple projects, and therefore recommends those questions not be removed from the draft. Finally, the Company cautions any edits to the draft RFP by individuals or organizations that did not participate in the stakeholder process. The RFP was developed based on the diverse input of meeting participants throughout the Company’s service territory and is supported by a report from an independent meeting facilitator.

#### NCSC’s Comments

The Company would like to note that while NCSC filed comments on the October 3 compliance filing, they were not the only group to attend the stakeholder meetings held across

the Company's service territory. Forty-nine individuals attended the stakeholder meetings, representing developers, government organizations, large power customers, and low-income customers, as well as NCSC members. A diverse set of viewpoints was captured through the stakeholder meetings.

Minnesota Power stands by its process to comply with Order Point 8 of the Commission's July 27 Order, which states that, "By October 1, 2016, and in consultation with interested stakeholders, Minnesota Power shall draft an RFP for three non-utility community solar gardens, each up to 1 MW, and file the draft RFP with the Commission." In little more than a two month timeframe, the Company convened a selection committee comprised of five community members to select an independent facilitator. The Company contracted with the independent facilitator to host six meetings in three different locations across Minnesota Power's service territory to gather stakeholder input. These meetings were open to the public, with the meeting information posted on the Company's website. All stakeholders who participated in this docket were personally invited as well via email or phone call. Finally, stakeholders were able to contact the independent facilitator directly, email comments if unable to attend meetings in person, and had an opportunity to review the facilitator's final report for accuracy. The draft RFP was developed based upon the information gathered through that robust stakeholder process. Minnesota Power is proud of the collaborative, thorough and transparent process it undertook to gather stakeholder input on the development of a draft RFP for non-utility CSGs. While the Company acknowledges that the timeline was short, best efforts were made to work within the timeline afforded by the Order. Quality input and diverse perspectives were gathered using a transparent and open process which was used to develop a draft RFP in compliance with the Commission's Order.

#### **IV. MINNESOTA POWER'S RECOMMENDATION**

When submitting compliance filings addressing order points from the Commission's July 27 Order, the Company intentionally submitted two separate filings: the first addressing Order Point 3 regarding the SREC RFP and the second addressing Order Points 8 and 10 regarding an RFP for non-utility CSGs and stakeholder input on public pricing. However, the October 11 Commission Notice combined both these filings as topics open for the comment period.

The Company respectfully requests that, if a decision cannot be made in all aspects of this docket at an upcoming hearing, the Commission consider the compliance requirement for an RFP to determine current market pricing for SRECs separately from the draft RFP for non-utility CSGs and related issues. While the Commission's July 27 Order approved the CSG Pilot Program with modifications, no actions have been taken on approving the Company's marketing materials, tariff sheets or customer contract as filed on August 29, 2016.

While issues surrounding non-utility CSG development in Minnesota Power's territory are important, the Company requests approval to move forward with its voluntary CSG Pilot Program with approval of the tariff sheets (referencing previously recommended SREC compensation prices), customer contract and marketing materials. Minnesota Power does not wish to delay the start of its voluntary CSG Pilot Program, which has already been approved by the Commission.

## V. CONCLUSION

Minnesota Power appreciates the continued thoughtful and thorough review provided by the Department and various stakeholders for its approved CSG Pilot Program and has endeavored to work with stakeholders throughout this docket. The Company is proud of the thoughtful, transparent and collaborative processes undertaken to comply with Commission Order Points 3, 8 and 10, and feels it has met its compliance obligations. Minnesota Power is excited to implement its approved CSG Pilot Program, which was voluntarily developed based upon other successful, operating CSG models in the state, in a timely manner. The Company believes pilot projects are critical tools to gauge customer preferences and for utilities to offer new products and services that their customers desire. Therefore, while the Company is open to constructive input for determining the right next steps for future projects, it requests approval of marketing materials, customer contract and final tariff sheets so it has the ability to implement and test this pilot now, gather real data and deliver solar energy at a competitive price to its customers.

Dated: November 28, 2016

Respectfully,



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STATE OF MINNESOTA     )  
  ) ss  
COUNTY OF ST. LOUIS     )

AFFIDAVIT OF SERVICE VIA  
E-FILING AND  
FIRST CLASS MAIL

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Susan Romans, of the City of Duluth, County of St. Louis, State of Minnesota, says that on the **28<sup>th</sup>** day of **November, 2016**, she e-filed Minnesota Power's Reply Comments in Docket No. E-015/M-15-825 on the Minnesota Public Utilities Commission and the Minnesota Department of Commerce via electronic filing. The persons on the Official MPUC Service List were served as requested.



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Susan Romans

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