

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Dan Lipschultz	Commissioner
Valerie Means	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

August 28, 2019

In the Matter of the Petition of Northern States Power Company, dba Xcel Energy, for Approval of Its Proposed Community Solar Garden Program

Docket No. E002/M-13-867

In the Matter of Establishing a Distributed Solar Value Methodology under Minn. Stat. § 216B.164, subd. 10 (e) and (f)

Docket No. E999/M-14-65

SUPPLEMENTAL COMMENTS OF FRESH ENERGY

Fresh Energy submits these supplemental comments in response to the Commission's August 9, 2019 Notice of Extended Comment Period regarding Xcel Energy's (Xcel or the Company) proposal for an alternative method for calculating the Value of Solar (VOS) avoided distribution cost for the Company's Community Solar Garden (CSG) program. We respectfully request the Commission's permission to submit these late-filed comments for consideration in the record.

In Fresh Energy's initial comments submitted July 19, 2019, we requested additional information from Xcel in reply comments, on the process by which project costs were included or excluded from the VOS calculation and for definitions of the capacity-related project types the Company is using.¹ We are submitting supplemental comments after receiving the Company's responses.

Xcel's Response

Fresh Energy appreciates the Company providing answers to our questions in their Reply Comments. We now understand that Xcel is using internal budgets and project plans from its

¹ Fresh Energy, *Comments*, July 19, 2019 in Docket E002/M-13-867, at page 2.

distribution business area to identify capacity-related distribution projects and associated costs. We found the Company’s more detailed definitions of the categories of capacity-related distribution projects helpful. Because the set of distribution project categories used here is not used elsewhere, and is somewhat different than the set of categories provided in the Company’s November 1, 2018 Integrated Distribution Plan, the additional explanation of categories is a useful addition to the record.

Xcel has previously noted that this system of project categorization is not used elsewhere and relies on a case-by-case determination.² Fresh Energy notes that some of these categorization decisions are subjective, including when a capacity project becomes a “major capacity project” and it is conceivable that some projects could reasonably be put in more than one category.

Given the opaque nature of this process and the presence of some degree of subjectivity, Fresh Energy recommends that Xcel develop a clear categorization framework, such as a decision tree, that codifies the process Xcel’s distribution team has been using and clarifies where *specific* project types fall. By “specific project types,” Fresh Energy does not mean Asset Health, Capacity, Major Capacity Project, Customer Driven, and Transmission Driven, but items such as: installing new or upgrading substations, installing new or upgrading transformers, installing new, upgrading, or extending feeders, installing or reconfiguring ties, replacing regulators, reinforcing substation equipment, etc. This would provide stakeholders with a better understanding of the specific project types (and project drivers) that the Company sees as deferrable and would provide assurance that a systematic approach is being used.

Merits of Xcel’s Proposal

Fresh Energy is generally content with the proposed shift from cost per unit of peak load growth to cost per actual kW installed, aside from the proposed deferral reduction factor. The proposed methodology reduces volatility and produces a value for avoided distribution capacity costs that appears reasonable given the historical range. Table 1 below, from Xcel’s August 2, 2019 Petition in Docket 14-65, shows the levelized value for this component over time.³

Table 1: Avoided Distribution Capacity Component

VOS Vintage	Current VOS Methodology					
	2015	2016	2017	2018	2019	2020*
Distribution Capacity Component per kWh	2.28	0.00	0.00	0.82	0.00	13.73

* 2020 value is calculated per the VOS methodology but not approved

² Xcel, *Compliance Filing*, May 1, 2019 in Docket 13-867 at page 10. Also: Xcel, *Response to Fresh Energy Information Request 22*, July 15, 2019 in Docket 13-867 at page 1.

³ Xcel, *Petition*, August 2, 2019 in Docket 14-65 at page 7.

The Company's proposed methodology would result in a levelized value for avoided distribution capacity costs of \$0.0041/kWh. Without the 50% deferral reduction factor, the component's value would be \$.0082/kWh, the same value as in the 2018 VOS vintage. As we and other commenters have previously noted, the Company has not provided any data or empirical basis for the deferral reduction factor. Fresh Energy does not support including an arbitrary deferral factor in the methodology and recommends the Commission not approve this component of the Company's proposal.

As stated in our August 23, 2019 Comments in Docket 14-65 on revising the Department of Commerce VOS Methodology on this point, we recommend at minimum "removing the level (e.g. 50%) of deferral factor but enabling one to be set at Commission discretion."⁴ In initial comments, the Department requested that Xcel provide annual reporting on "planned and actual distribution spending along with the placement of CSGs as means of evaluating the reasonableness of Xcel's avoided distribution cost methodology."⁵ Fresh Energy agrees that more data on this point is warranted, and recommends this data is reviewed before establishing a deferral factor. If the Company believes this new element of the formula is critical, the Commission may require Xcel to provide evidence for its inclusion in the next annual VOS filing. Such evidence should include an evaluation of solar project locations (both CSGs and other distributed solar projects as possible) compared to the locations of deferrable distribution investments made over the past five years and planned within the next three to five years.

Recommendations

Fresh Energy recommends that the Commission approve Xcel's proposed avoided distribution capacity component methodology for use 2020 and future VOS vintage years, with the following modifications:

1. Eliminate the deferral reduction factor.
 - a. Should Xcel wish to propose a deferral reduction factor for the 2021 vintage, it will provide supporting evidence in its September 1, 2020 Value of Solar annual compliance filing.
2. Xcel shall file a categorization framework, or decision tree, showing how specific types of distribution projects will be categorized for the purposes of future calculations of the value of solar avoided distribution capacity component.

⁴ Fresh Energy, *Comments*, August 23, 2019 in Docket 14-65 at page 3.

⁵ Department of Commerce, *Comments*, July 19, 2019 in Docket 13-867 at page 4.

Thank you for the opportunity to participate in this process and for your consideration of these supplemental comments.

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