

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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

August 23, 2019

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

Docket No. E-999/M-14-65

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

COMMENTS OF FRESH ENERGY

Fresh Energy submits these comments in response to the Commission's August 9, 2019 Notice of Comment Period in Docket 14-65 regarding Xcel Energy's (Xcel or the Company) petition to modify one component of the Value of Solar (VOS) Methodology, to be applied beginning with the 2020 VOS bill credit rate in Xcel's Community Solar Garden (CSG) program.

Below we address the following topics: 1a) Modifying the VOS methodology generally, 1b) Modifying the avoided distribution capacity component for the 2020 VOS rate, 2) Xcel's proposed alternative method for avoided distribution capacity component, and 3) Xcel's proposed changes to the VOS methodology.

1a. Modifying the Value of Solar Methodology

Fresh Energy does not recommend that the full Value of Solar methodology be opened for modification at this time. Aside from the avoided distribution capacity cost component, we do not have significant concerns with the methodology's effectiveness. The VOS rate has only been used to compensate CSG subscribers since 2017, and we expect that additional years of experience in the CSG program under the VOS methodology as it currently stands could be helpful to determine whether changes are in the public interest and what those changes should be, if any.

Additionally, we note that any changes to the Department of Commerce's (the Department) VOS methodology will impact other future applications of the VOS tariff. While it is currently only used for Xcel's CSG program, all of Minnesota's public utilities can seek to use a VOS tariff to compensate rooftop solar or other distributed solar customers. Significant changes to the methodology should be made cautiously. Lastly, we agree with Xcel that a comprehensive methodology update would require a large investment of public resources.¹ We do not believe this is warranted at this time.

1b. Modifying the avoided distribution capacity component, and implementing this change for the 2020 VOS rate

Fresh Energy agrees with Xcel that a \$0.1373 avoided distribution capacity cost, and the resulting \$0.2484 levelized rate, calculated for the 2020 VOS vintage is an unexpected and extreme result.² Given this result and previous concerns raised by many parties around the avoided distribution capacity cost component's volatility, Fresh Energy would support narrow modifications to the methodology for this component and would support putting the modification into effect for the 2020 rate.

Fresh Energy believes these modifications to the Department of Commerce's methodology can and should be somewhat more limited than those proposed by Xcel, as described in more detail below. However, the content of any alternative method should reflect the outcome of the parallel discussion about this component currently underway in Docket 13-867.

2. Xcel's proposed alternative methodology for avoided distribution capacity component

As stated in our July 19, 2019 Comments, "Fresh Energy appreciates the efforts by Xcel and the Department to develop an alternative methodology that produces less volatile results than the current avoided distribution capacity component of the VOS. We are open to moving from a "cost per unit growth" to a "cost per actual kW installed" approach, but believe this proposal could use more development, particularly to increase the transparency and objectivity of the method."³

Fresh Energy will reserve further comment on the merits of the proposal until after the Company submits Reply Comments in Docket 13-867. In our initial comments, we requested additional information from Xcel 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

¹ Xcel, *Petition*, August 2, 2109 in Docket E999/M-14-65, at page 2.

² Xcel, *Petition*, August 2, 2109 in Docket E999/M-14-65, at page 7.

³ Fresh Energy, *Comments*, July 19, 2019 in Docket E002/M-13-867, at page 2.

Company is using.⁴ We plan to submit Supplemental Comments shortly after receiving Xcel's response. We recognize this is a slight divergence from standard process and hope it does not inconvenience any other parties.

3. Xcel's proposed changes to the VOS Methodology

Attachment C to Xcel's Petition includes a red line version of Xcel's proposed changes to the Department's Value of Solar Methodology Report.⁵ We submit the following modifications to Xcel's edits for consideration by the Commission and the Department:

Deferral Factor:

Fresh Energy recommends removing the reference to the deferral factor from the proposed VOS methodology changes. We are not convinced that the reduction in value is warranted and would like to see an evaluation of solar project locations (both for CSGs and other distributed solar projects) vis-à-vis recent and forthcoming distribution investments in order to better evaluate the merits of this proposal. The Company's concerns about solar project placement appear limited to observations about their CSG fleet, while changing the VOS methodology could also impact rooftop and other distributed solar customers in the future.

At a minimum, we recommend removing the level (e.g. 50%) of deferral factor but enabling one to be set at Commission discretion. This would prevent an arbitrary deferral factor from becoming an inherent part of the methodology. For example, the following shows Xcel's proposed red line and our (secondary) proposed alternative in blue:

Xcel: The distribution capacity cost per kW should be calculated by dividing the capacity-related distribution project costs by the associated capacity additions and then multiplying the total by the deferral factor. For example, if the distribution capacity project costs totaled \$40 million and those projects make 100 MWs of capacity available then the distribution cost per kW is calculated as follows: \$40,000,000 divided by 100,000 kW and then multiplied by 50% or \$200 per kW.

Fresh Energy: The distribution capacity cost per kW should be calculated by [summary of methodology as determined by Commission and Department].

At the Commission's discretion, a deferral factor may be established to reflect an assessment that only a portion of solar projects are located such that distribution investments may be avoided or deferred. The Commission may determine whether a deferral factor shall apply to all projects or a certain subset, for example, Community Solar Gardens only. If a deferral factor is established, the total cost per kW reached via the above calculation should be multiplied by the deferral factor.

⁴ Fresh Energy, *Comments*, July 19, 2019 in Docket E002/M-13-867, at page 2.

⁵ Xcel, *Petition*, August 2, 2019 in Docket 14-65, at Attachment C page 40.

Preserving Flexibility

There is no reason that modifications to the VOS methodology must eliminate the current cost per unit growth method altogether. For multiple components of the VOS, the Department provides more than one acceptable method, including: avoided fuel cost, hourly PV fleet production, and avoided distribution capacity. In the interest of flexibility for future VOS applications, the Commission may want to consider preserving the current system-wide and location-specific methods as options for calculating avoided distribution capacity cost.

4. Conclusion

Fresh Energy understands the Company's desire to update the avoided distribution capacity component of the VOS methodology and supports a narrow modification to the Department's VOS methodology for this component, going into effect for the 2020 VOS vintage. We recommend that any changes to the VOS methodology be supported empirically and be made with the understanding that they would impact all future applications of the VOS. We remain unconvinced of the need for a deferral reduction factor and recommend that the Commission not adopt this factor within the methodology itself, or at the least preserve the ability to adjust the factor based on evidence of its appropriateness for various program types.

Thank you for the opportunity to comment on this matter.

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