



January 4, 2024

RE: COMMENTS FROM ST. CLOUD, MN ON DOCKET E002/M-13-867 REGARDING XCEL PROPOSAL TO MOVE ARR-ERA CSG TO VALUE OF SOLAR RATES  
In the Matter of Petition for Approval of Northern States Power Company, dba Xcel Energy, for Approval of its Community Solar Garden Program (Docket E002/M-13-867)

Please accept these comments in objection to Xcel Energy's proposal to change ARR Community Solar Garden subscriptions to Value of Solar rates for consideration.

Xcel Energy's proposed change has significant financial implications for the City of St. Cloud and other public institutions that were early subscribers to community-based solar garden subscriptions. The City chose to subscribe significant portions of its energy use to community solar gardens in an effort to combine a fiscal benefit to the City and its residents and ratepayers with the environmental benefit of helping to facilitate local solar production. At any city-owned property where onsite solar arrays were not possible due to space constraints, roof condition, or other limitations, the City subscribed to community solar gardens. St. Cloud has a cumulative total of over 20 million subscribed kWh held in 25-year agreements between dozens of solar gardens. As an early subscriber, we were often an 'anchor' customer for these gardens, enabling them to be financed and constructed and begin generating renewable energy – an identified priority in the State of Minnesota. Participating in these gardens was a priority of St. Cloud's in order to combine financial and sustainability benefits, while also being at the forefront of the transformation of the solar landscape in Minnesota.

We entered into these agreements and agreed to CSG developer fees in reliance upon the ARR credit rate structure as it existed at the time. Savings and benefits were projected using those same numbers. The savings helped form the basis of short- and long-term City energy utility budgets. The savings from these gardens have helped keep user fees and area utility rates stable and fund energy projects that have had a community-wide impact. The City did its due diligence in reviewing contracts and creating energy-saving projects. There was no expectation that the energy production, developer fees, or credit rate structure would be changing to such a significant degree – outside of the expected annual ARR rate fluctuations and contracts that included set escalating rates. Many of the City's contracts are set up with flat cost rates, or rates with very small escalators. This flat rate cost per kWh owed to developers combined with significantly decreased credits from Xcel Energy's program would result in our projected savings from these gardens dropping by approximately 70% over the remaining lifetime of these contracts. This equates to a loss of over \$20 million over the next 2 decades.

The fact that such a significant change can be introduced to these contracts is a worrying sign for their long-term viability and creates concerns that similar changes could occur at any time during their lifespan. The significant changes proposed to the credit rates will decrease CSG savings for St. Cloud by 90% in the first year of implementation, which equates to hundreds of thousands of dollars of savings lost in the upcoming year. This creates significant, unplanned changes to City budgets and energy costs. Equally significant, it erodes trust in future energy-saving projects or innovations offered by Xcel Energy or other entities at a time when many public and private entities are striving toward reducing our carbon



footprint and generally making policy and financial decisions that account for environmental impacts.

We do not believe that as a local government institution, we are being excessively overcompensated for our subscriptions to community solar gardens. We do see savings from these subscriptions and these savings were part of the reason we signed onto these agreements. We also signed on to community solar gardens to increase the amount of local, renewable energy being produced in MN. CSG savings are not being set aside as any kind of profit for St. Cloud as an entity – rather they are being actively used by St. Cloud to keep taxes in check and fees and rates affordable while facilitating other green energy projects across our City. The savings the City has realized from participating in local solar efforts have been reinvested to create a compounding effect in our sustainability work. These funds have been invested in projects like onsite renewable energy and energy efficiency – creating long-term energy and money-saving opportunities within St. Cloud.

The success of these solar garden contracts and the reliable, long-term savings have also been a cornerstone of proving a history of successful renewable energy projects with our citizens and stakeholders. We have concerns that decreased savings and the potential for future unilateral changes to long-term contracts will make it very difficult to earn approval and trust for future sustainability projects – which hold financial, climate and health benefits for our area and our residents. Loss of trust in the contract process and projected savings or paybacks will have a significant negative impact on local energy work. This impacts not just St. Cloud, but energy work that requires resident commitment across the state, for those impacted by these decisions. St. Cloud likely would not have entered these agreements if these changes were expected.

St. Cloud does see financial benefit from these agreements that were offered and agreed to by the developers, the energy utility, the Public Utilities Commission, and the City. Part of this benefit comes from being innovative early adapters and finding a benefit for our community in the early adoption of local renewable energy generation. There was an equal opportunity across the state to sign onto these agreements, and the financial benefit to communities who signed onto the agreements is accompanied by City budgets freed for other responsibilities, stabilized user rates, increased local energy generation, and the climate and health benefits of renewable energy use in the grid.

We are a community that understands and deeply values fiscal responsibility on behalf of our residents. We do not, however, feel that the proposed change is in the best interest of solar subscribers like ourselves who signed long-term agreements and are now seeing significant changes to government budget projections, savings, and energy-saving funds. We do not feel it serves the public interest to reduce these savings, alter budgets, decrease planned funds for energy projects, and erode public trust in environmental work. On behalf of the City, I appreciate your consideration of this objection.

Sincerely,

Dave Kleis  
St. Cloud Mayor