

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

In the Matter of Xcel Energy’s Plan for a
Community Solar Garden Program Pursuant to
MINN. STAT. §216B.1641

PUC Docket No. E-002/M-13-867

REPLY COMMENT

An ad hoc community of solar businesses, including Geronimo Energy, LLC; SoCore Energy, LLC; SunEdison, LLC; Sunrise Energy Ventures, LLC; tenK Solar, Inc.; and TruNorth Solar, LLC (collectively, the “Solar Garden Community” or “SGC”), all with invested interests in the success of the community solar garden program in Minnesota (“CSG Program”), files this short reply comment in response to the comments filed based on Minnesota Public Utilities Commission’s (“Commission”) February 13, 2015, notice (the “Notice”).

I. INTRODUCTION

At the outset we would like to thank the Commission again for soliciting quick feedback from the various interested parties in this docket. In particular, we appreciate and support the comments made by Fresh Energy and Interstate Renewable Energy Council, Inc. (“IREC”). Both provided thoughtful, thorough comments aimed at both practical implementation of the CSG Program and forward-looking, constructive guidance on modernizing our systems and procedures for bringing substantial amounts of distributed generation online. Since our February 24 Comment, members of the SGC also met with staff of the Department of Commerce - Division of Energy Resources (“Department”) in an effort to discuss the concerns raised by the Department in its comment. The SGC intends for this Reply Comment to be responsive to the Department’s operational considerations. And lastly, the SGC continues to encourage the Commission to avoid disturbing the program prematurely, but is very supportive of gathering data from the program and exploring longer-term ways to improve the program or related processes and procedures over time.

II. ADDITIONAL DETAIL ON THE INTERCONNECTION PROCESS AND RATES

The SGC understands that the Department is working to balance many interests in its comments - not the least of which are any ratepayer or reliability concerns. With respect to the interconnection and operational issues, we understand that the Department may have mistakenly understood Xcel to be processing co-located projects in the aggregate, or as one single system, as opposed to serially as designed and directed under the program.¹ To the contrary, however, each distinct 1 MW CSG must file its own separate interconnect application, pay the associated fees, be reviewed and studied independently, and ultimately have its own interconnection agreement. Xcel has made very clear its intent to review co-located CSGs serially: that is, adding each garden one-by-one to the model for its feeder to determine precisely the upgrades required by each individual garden. Despite inquiries as to whether co-located projects could apply or be studied together to save on time and costs, Xcel has maintained its desire to study each CSG independently, assign upgrade costs according to specific CSGs, and enter into interconnection agreements with the individual CSGs.² Thus there are no 2, 6 or 26 MW CSG projects in Xcel's associated queue. There are only CSGs sized 1 MW or less.

Additionally, Xcel continues to raise concerns about rate impacts in this and other filings related to the S*RC program. Understanding the rate impacts of distributed solar - be they positive or negative - is a complex and important task that requires careful consideration. Legislators in Minnesota addressed this issue by requiring the development of a Value of Solar ("VOS") methodology and then identifying a VOS rate as the eventual compensation mechanism for Xcel's CSG Program.³ The Department carefully designed the VOS methodology to account for the costs and benefits of distributed solar with a goal of setting a rate that would have a neutral effect on the ratepayer. Despite participating in this process and filing its own VOS calculations, Xcel once again elects to raise rate impact concerns by comparing apples to oranges - distributed solar transactions to wholesale energy transactions. In order to get a more fair

¹ *In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of its Proposed Community Solar Garden Program*, Docket No. E002/M-13-867, COMMENTS OF THE MINNESOTA DEPARTMENT OF COMMERCE DIVISION OF ENERGY RESOURCES at pg. 4 (Feb. 24, 2015) ("For engineering review, the Department understands that Xcel engineers review co-located solar gardens as one system to evaluate the total projects' impacts on the distribution system.").

² We note that applicants can identify closely co-located projects in their applications and request a group study in addition, but the underlying requirement to study co-located projects serially does not change.

³ MINN. STAT. § 216B.1641 subd. (d)

calculation of what rate impact can be expected using the interim ARR, a cost comparison against Xcel's VOS rate would be more appropriate and accurate. Instead, Xcel continues to erroneously compare perceived costs against a wholesale transaction, which does not accurately account for the additive costs and benefits distribution level solar systems deliver to the utility, its customers, and society. Furthermore, absent a firm understanding of how many CSGs will be approved, it is premature to even attempt calculating a rate impact.

III. ARBITRARY CAPS ARE UNNECESSARY AND POTENTIALLY COUNTERPRODUCTIVE

As mentioned in our February 24 Comment, the Section 10 process is well designed to handle the CSGs in the queue and is largely self-correcting. If during the engineering review, the model shows that a particular garden exceeds the feeder capacity or otherwise impacts the substation or transmission system, Xcel will require that the garden fund appropriate upgrades to prevent or correct the identified issues. The applicant at that point would have to decide whether the project economics could withstand substantial upgrade costs and decide on that basis whether to proceed forward or not. Either decision should guard against any reliability concerns. Further, significant upgrades may be necessary on some feeders at a much smaller increment than 10 MW and maybe even smaller than 1 MW in isolated circumstances. In other cases, where local load is more substantial and the capacity of the feeder more robust, it is possible that significantly more than 10 MW could be added relatively efficiently. Thus, analyzing each CSG serially or incrementally as is currently contemplated under the rules, should be the most efficient way to identify the appropriate pairing of generation to local capacity and load in each instance- whether it be 2 MW in some places or 26 MW in others. The existing program design comports very well with a statute that sets forth a single garden size limitation of 1 MW but requires the program to remain uncapped in the aggregate.

By contrast, inserting a one-size-fits-all cap on co-location, for example, could have the effect of being both over- and under-restrictive because local load and substation capacity vary widely. Further and in light of the uncapped nature of the program, the SGC finds it hard to imagine what interests other than optics may be served by instituting arbitrary additional caps. Depending on how such a restriction would work, it may do little more than facilitate partial transfers between developers or force less efficient use of land - simply in the name of following program rules. In an uncapped program, 1 MW CSG units are likely to be pursued until the costs

of upgrades make additional CSGs uneconomic. In other words, even if no projects were co-located, there would still be the issue of how much distributed generation is added at each feeder or in the aggregate based on the statutory design. It is not clear how the Commission would create a restriction on co-location that would comport with the statute and past decisions but still drive a meaningfully different end-result or otherwise additionally serve the public interest.

IV. ADDRESSING SIGNIFICANT ADDITIONS OF DG TO XCEL'S SYSTEM

While the CSG Program is a distribution level program and should not involve transmission system interconnections that are the jurisdiction of MISO, the SGC appreciates the thoughtful commentary on the interaction with MISO in IREC's comments. Similarly the SGC does not take lightly potential impacts to the transmission system. If Xcel determines a CSG or group of CSGs after a certain point may impact the transmission system, there may be a role for MISO to play as Xcel continues its interconnection review under Section 10. This is not to say, however, that groups of projects should be arbitrarily removed from Section 10 and "referred" to MISO when no CSG is seeking anything other than distribution level interconnections. Instead the SGC agrees thoughtful consideration should be given to the interplay between Xcel's distribution system and the transmission system particularly as sizeable amounts of new generation are being contemplated for the distribution system and in an increasingly short timeframe.

The SGC appreciates that IREC helps forward this conversation not only by affirming the procedures already in place under Section 10 and within MISO for coordination, but also by advancing the conversation in a forward-looking direction by raising examples elsewhere in the U.S. where technical solutions were implemented to maximize the distributed generation potential of a feeder or substation. These are the conversations we should be having in Minnesota. Instead of throwing up arbitrary obstacles when faced with a potential substantial increase in distributed generation, we should be looking at the best practices for reliably folding the new generation into the current system. Perhaps elements of these best practices could be initially addressed in Xcel's Integrated Resource Planning process in the context of reaching Xcel's various renewable and climate goals, or perhaps as part of a second phase of the e21 process that is aimed at transitioning to a new regulatory framework that better handles significant shifts to distributed generation among other things. Alternatively it may be that the

most efficient way to address updating the interconnection procedures in consideration of significant increases of distributed generation is through a separate docket or proceeding focused on that alone. Either way, the SGC would encourage such thoughtful and forward-looking deliberation, but urges the Commission to do so in a way that does not hinder the current CSG Program in light of all that has been invested in it to date and the quickly-closing opportunity to capture federal tax benefits for solar projects.

V. CONCLUSION

The SGC appreciates the thoughtful comments solicited by the Commission and in response to Xcel's Letter as well as the opportunity to reply and clarify a few concepts. Most importantly we continue to stress the need to help encourage the CSG Program to proceed forward as designed. That process will yield valuable data on the overall program costs and benefits, the quantity of CSGs actually pursued, the initial rate impact whether it be positive or negative, the type of project being pursued under the current rate structure, and the subscribers benefitting from the program. These will be immensely helpful data points to continue to adjust the program prospectively to better meet the legislative intent and other state goals or priorities. Conversely using anecdotes to draw premature conclusions could easily drive unintended and unfortunate consequences before the program has even had a chance to succeed. There has been a lot of time and effort put into the program's design to date and we continue to respectfully request the Commission to reaffirm its prior Orders in this docket to provide market certainty.

Dated: March 4, 2015

Respectfully submitted,

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