



414 Nicollet Mall  
Minneapolis, MN 55401

June 3, 2022

—Via Electronic Filing—

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101

RE: IN THE MATTER OF A FORMAL COMPLAINT AND PETITION FOR RELIEF BY  
NOKOMIS ENERGY LLC AND UNION GARDEN LLC AGAINST NORTHERN  
STATES POWER COMPANY D/B/A XCEL ENERGY  
DOCKET NO. E002/C-22-212

Dear Mr. Seuffert:

Northern States Power Company, doing business as Xcel Energy, submits these Comments pursuant to the Commission's May 6, 2022 Notice of Comment Period regarding the above Nokomis Energy LLC and Union Garden LLC (collectively, Nokomis) Formal Complaint and Petition for Relief.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list. Please contact Jessica Peterson at [Jessica.K.Peterson@xcelenergy.com](mailto:Jessica.K.Peterson@xcelenergy.com) or (612)330-6850 if you have any questions regarding this filing.

Sincerely,

/s/

JAMES DENNISTON  
ASSISTANT GENERAL COUNSEL

Enclosures  
c: Service List

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben  
Joseph Sullivan  
Valerie Means  
Matthew Schuerger  
John A. Tuma

Chair  
Vice-Chair  
Commissioner  
Commissioner  
Commissioner

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ENERGY

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**COMMENTS**

**INTRODUCTION**

Northern States Power Company, doing business as Xcel Energy, submits these Comments pursuant to the Commission's May 6, 2022 NOTICE OF COMMENT PERIOD regarding the above Nokomis Energy LLC and Union Garden LLC (collectively, Nokomis) Formal Complaint and Petition for Relief.

The Notice specified four topics for comment:

- Does the Commission have jurisdiction over the subject matter of the Complaint?
- Are there reasonable grounds for the Commission to investigate these allegations?
- Is it in the public interest for the Commission to investigate these allegations upon its own motion?
- If the Commission chooses to investigate the Complaint, what procedures should be used to do so?

The Company agrees that the Commission does have jurisdiction over the subject matter of the Complaint. We do not believe, however, that there are any reasonable grounds to further consider the Complaint nor is it in the public interest for the Commission to further investigate the issues as specifically raised in the Complaint.

## COMMENTS

For the Nokomis Union Garden project, the actual billed costs for interconnection were \$665,820. This was about \$200,000 (or 45%) higher than the indicative cost estimate of \$457,796 in the Interconnection Agreement (IA) for this pre-MN DIP project.<sup>1</sup> The Nokomis Complaint requests relief from the obligation to pay this cost difference, however, the Complaint does not properly allege the violation of any tariff, statute or Commission rule. Both the pre-MN DIP and MN DIP interconnection processes are based on the principle that the Interconnection Customer must pay the actual cost of interconnection and the tariffed IA signed by Nokomis requires payment of the actual costs.

Nokomis states that it should have received a Detailed Design cost estimate<sup>2</sup> before it built the Union Garden project. Nevertheless, before seeing the Detailed Design cost estimate, Nokomis completed building the project, which achieved Mechanical Completion on October 7, 2020.<sup>3</sup> As late as December 2020, Nokomis requested changes to the project's interconnection design, asking to place as much of the power line as possible on-site or near the site be undergrounded. After this design change request from Nokomis, the Company determined the Detailed Design cost estimate of \$605,862 in January 2021. Nokomis states that if it had known the amount of the Detailed Design cost estimate prior to building the Union Garden project, it would not have built this project.

Nokomis and Xcel Energy have regular bi-weekly calls to discuss the many projects Nokomis has underway, and Nokomis had plenty of opportunity to make sure it obtained the Detailed Design cost estimate before it began construction of the Union Garden project. During these bi-weekly calls, when Nokomis would ask for the status of any outstanding Detailed Design, we would direct them to reach out directly to their assigned Designer. Nokomis should have waited until it obtained the Detailed Design estimate prior to making its decision on whether or not to build its project.

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<sup>1</sup> The pre-MN DIP process applies to interconnection applications submitted prior to June 17, 2019, and "deemed complete" by August 16, 2019. See, tariff sheet 10-73. MN DIP refers to the "State of Minnesota Distributed Energy Resources Interconnection Process."

<sup>2</sup> Nokomis uses the confusing term SDDRC which it made up to refer to the Detailed Design cost estimate. To avoid confusion, in our comments we do not use the Nokomis coined term but instead stick with the term that developers in the industry know and use.

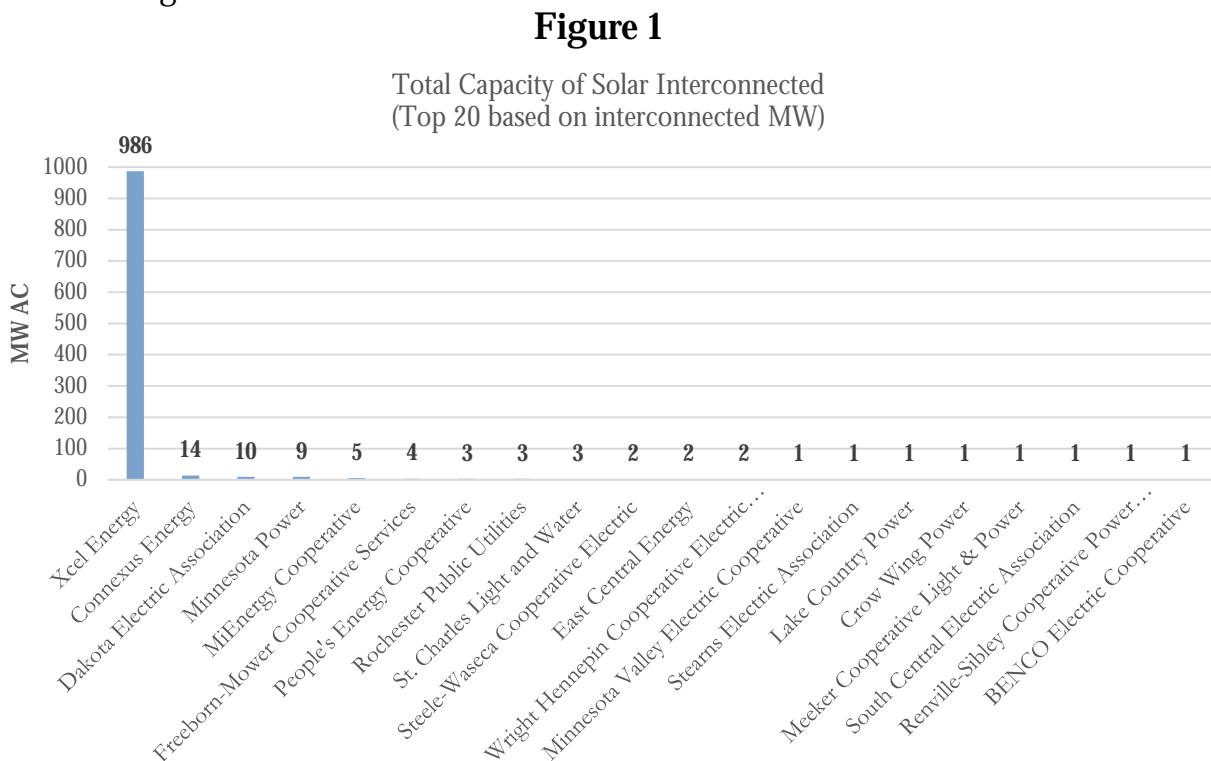
<sup>3</sup> The online interconnection portal for this application shows that this project achieved Mechanical Completion on October 7, 2020. The term "Mechanical Completion" is defined at tariff sheet 9-68, and refers to the applicant completing all parts of Step 8 identified at tariff sheet 10-98 including installing of the generation system and successful completion of the state electrical inspection.

The intentional decision by Nokomis to build the project without knowing the Detailed Design cost estimate does not excuse its obligation to pay actual interconnection costs. The Complaint has no merit and should be dismissed.

## I. RAPID EXPANSION OF DISTRIBUTED GENERATION RESOURCES (DER)

Xcel Energy fully supports the development of Distributed Energy Resources (DER) and has about 1 GW of DER on our Minnesota system. As we transition away from coal and toward a low-carbon system that includes significant additional renewable resources, we need to consider all available opportunities to add clean energy. That includes both DER and significant amounts of utility-scale solar and other forms of clean renewable energy.

Xcel Energy has been the clear leader in interconnecting DER in Minnesota. Based on data made available by Staff<sup>4</sup>, we have prepared Figure 1 below, which shows the total MW of solar interconnections for 20 utilities as of December 31, 2020 with similar scaling for each.



<sup>4</sup> See, <https://mn.gov/puc/activities/utility-reporting/annual-der-reports/>

However, there are problems with the current structure of the state's Community Solar Garden (CSG) program, which we believe overcompensates developers and incentivizes them to focus on interconnecting to a very small number of feeders. This leads to an environment where developers may bring issues to the Commission when they cannot make even the highly compensated solar rates pencil out such as the current Nokomis Complaint.

**A. The High Bill Credits for CSG Subscribers Are a Root Cause of the Complaints Being Brought to the Commission**

While solar energy is an important part of the Company's clean energy strategy, energy from CSGs comes at a high cost for our customers compared to other solar resources. All Xcel Energy customers in Minnesota bear the cost for the expensive solar energy from CSGs. Moreover, residential and low-income customers disproportionately subsidize commercial and industrial customers, who are the primary subscribers to most of the CSGs and currently receive over 80 percent of the Bill Credits from CSGs.

The Company is required to purchase all energy CSGs produce at the pre-determined Bill Credit rate, which is more than double the cost for solar energy that is competitively bid at a market rate.<sup>5</sup> The lucrative Bill Credit rate has attracted a high volume of applications and our CSG program remains one of the largest CSG programs in the nation. According to the Wood Mackenzie/SEIA US Solar Market Insight Q4 2021 report and associated data, Minnesota hosts 26 percent of the nation's installed community solar, outpacing most other states. Today, we have over of interconnected CSGs, with over 400 MW in queue awaiting interconnection.

By the end of 2021, the Company paid out nearly half a billion dollars in Bill Credits to CSG subscribers in Minnesota. Over the next twenty to twenty-five years, the overall cost of this program in Bill Credits is expected to grow far above \$2 billion. All of these costs flow through the fuel clause, and the vast majority are paid for by Minnesota retail customers as an additional cost included in their retail electric bills. Minnesota customers bear the cost of the program, in that all Bill Credit costs above MISO's LMP market are recovered from Minnesota customers. Other fuel costs are assigned to each jurisdiction based on the ratio of that jurisdiction's sales levels. For CSG Bill Credits, the costs at LMP market value are assigned to each jurisdiction based on sales ratios, and all Bill Credit costs above that are recovered from

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<sup>5</sup> Comparison based on Xcel Energy's June 25, 2021 Reply Comments (at Appendix A p.26) in Docket No. E002/RP-19-368.

Minnesota customers. In 2020, Minnesota customers paid \$146 million for the CSG program, including \$130 million in costs above the MISO LMP market price. In 2021, the energy produced by CSGs accounted for about 3.5 percent of all energy produced for Xcel Energy in Minnesota, but the CSG Bill Credits accounted for about 20 percent of the overall cost of the fuel clause to our customers.

As a general matter, the Company uses competitive solicitations for additions of generation resources to create cost efficiencies that help keep customer bills low. Historically, the only exception to this related to certain small qualifying facilities, which have the right, under the Public Utility Regulatory Policies Act of 1978 (PURPA) to have a utility purchase the power they produce at the utility's "avoided cost," or other rate such as our A50 rate code for projects under 40 kW, or the cost the utility would have incurred to produce the power itself or contract from another source. Unlike these traditional approaches, which are designed to keep utility generation costs low, CSGs are expensive resources that would not have been selected through any competitive process and are pushing customer bills up in Minnesota. The CSG "Value of Solar" or "VOS" rates are in the range of about 2 to 2.5 times solar PPA rates, and the CSG "Applicable Retail Rate" or "ARR" Bill Credit Rate is even higher than this.<sup>6</sup> Because these rates are well above the market rate, developers from across the country have flocked to Minnesota to build and operate CSGs. With a half billion dollars in bill credits paid to this point, guardrails are needed to protect our customers from further financial burden that will persist and compound for at least 25 years if left unaddressed. These cumulative costs have the potential to harm all customers and increase their energy burden, while also impacting our ability to be competitive and attract new business and load to our service territory.

The growth for the Company's DER solar generation is largely driven by CSGs, which account for roughly 80 percent of DER solar generation on the Company's system. CSG installations have been rapidly increasing since 2015, when our Solar\*Rewards Community program was launched. The size of the CSG program is far larger than we expected when the program was first proposed in legislation in 2013. At that time, there were only two distributed solar projects in Minnesota that were 1 MW or larger, and each project was considered significant enough to make news headlines. Today, we continue to receive new applications to the CSG program, fostering additional growth and increasing Bill Credit payouts. Currently, there is no limit in law or regulation on the size of the Company's CSG program.

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<sup>6</sup> Comparison based on Xcel Energy's June 25, 2021 Reply Comments (at Appendix A p.26) in Docket No. E002/RP-19-368.

CSG developers, including Nokomis, are significant beneficiaries of the bill credits offered to subscribers. Specifically, Nokomis website notes that large industrial customers can save \$564,000 on their energy costs by having a CSG subscription with them.<sup>7</sup> This is paid for with Bill Credits net of any costs charged by Nokomis. This compares to the \$200,000 at issue in this Complaint. Also, Nokomis has disclosed that since 2017, it has developed 250 acres of CSGs in Minnesota.<sup>8</sup> If we assume that there are about 7 acres per 1 MW CSG, then this indicates that Nokomis has already developed about 35 MW of CSGs in Minnesota. Nokomis has experience in building DER in Minnesota.

## **II. NOKOMIS COMPLAINT**

The following sections discuss pertinent aspects of the pre-MN DIP interconnection process, other CSG projects where the actual costs of interconnection have well exceeded the indicative cost estimate in the IA, reasons why the actual costs for the Union Garden project were greater than the indicative cost estimate, Commission jurisdiction, and why the Commission should not grant any of the requests for relief set forth in the Complaint.

### **A. Pertinent Aspects of the pre-MN DIP Interconnection Process**

We describe here the relevant aspects of the pre-MN DIP interconnection study process as well as requirements for Xcel Energy's distribution system upgrades. After a DER interconnection application is submitted under the pre-MN DIP process, the Company provides study analysis on interconnection based on the site location, generation size and other project data specified in the application. The purpose of the study analysis is to identify and detail the distribution system impacts that would result if the proposed DER were interconnected without project modifications or distribution system modifications. The study analysis also specifies what distribution system upgrades are necessary so that the project can interconnect without significant system impacts. This study analysis is based on a "desk-top" review that does not verify actual field conditions. Costs for anticipated system upgrades are included in an indicative cost estimate, which is included in the IA.

After a project executes and funds an IA, and after the Interconnection Customer has finalized changes to its site related to the interconnection, the project moves into

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<sup>7</sup> See, <https://nokomisenergy.com/subscribe/> , accessed May 12, 2022.

<sup>8</sup> See, <https://nokomisenergy.com/2021/10/27/wisconsin-ashland-area-development-corporation-goes-solar/> , accessed May 12, 2022.

Detailed Design, which includes “walking the line” for field verification and obtaining information for a better-informed cost estimate for system upgrades.

The costs for the Nokomis Union Garden increased approximately \$200,000 from the initial indicative cost estimate to the final invoice of actual costs. Nokomis in pars. 7 and 34 of its Complaint cites or refers to the Company’s tariff sheets 10-116 and 10-117 which are part of the pre-MN DIP IA. The provisions on these tariff sheets state in part as follows:

IV.C. Xcel Energy shall carry out the construction of Dedicated Facilities<sup>[9]</sup> in a good and workmanlike manner, and in accordance with standard design and engineering practice. ...

V. A. The Interconnection Customer is responsible for the actual costs to interconnect the Generation System with Xcel Energy, including, but not limited to any Dedicated Facilities attributable to the addition of the Generation System, Xcel Energy labor for installation coordination, installation testing and engineering review of the Generation System and interconnection design. Estimates of these costs are outlined in Exhibit B. While estimates, for budgeting purposes, have been provided in Exhibit B, the actual costs are still the responsibility of the Interconnection Customer, even if they exceed the estimated amount(s). All costs, for which the Interconnection Customer is responsible for, must be reasonable under the circumstances of the design and construction. ...

V.A.1.a. During the term of this Agreement, Xcel Energy shall design, construct and install the Dedicated Facilities outlined in Exhibit B. The Interconnection Customer shall be responsible for paying the actual costs of the Dedicated Facilities attributable to the addition of the Generation System. ...

V.A.2 ) Payments

- a) The Interconnection Customer shall provide reasonable adequate assurances of credit, including a letter of credit or personal guaranty of payment and performance from a creditworthy entity acceptable under Xcel Energy credit policy and procedures for the unpaid balance of the estimated amount shown in Exhibit B.
- b) The payment for the costs outlined in Exhibit B, shall be as follows:
  - i. 1/3 of estimated costs, outlined in Exhibit B, shall be due upon execution of this agreement.
  - ii. 1/3 of estimated costs, outlined in Exhibit B, shall be due prior to initial energization of the Generation System, with Xcel Energy.

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<sup>9</sup> The term “Dedicated Facilities” as used here refers to the equipment installed to accommodate the Nokomis Union project, and is defined on tariff sheet 10-114 as: “the equipment that is installed due to the interconnection of the Generation System and not required to serve other Xcel Energy customers.”



- iii. Remainder of actual costs, incurred by Xcel Energy, shall be due within 30 days from the date the bill is mailed by Xcel Energy after project completion.

The tariff clearly states that the Interconnection Customer (Nokomis) is responsible for paying the actual interconnection costs.

Nokomis argues that having actual costs exceed the indicative estimate by \$200,000 is not “reasonable under the circumstances.” We initially note that Nokomis is stating the legal standard incorrectly, and therefore no actionable allegations have been submitted. Under the tariff language, Nokomis is responsible for paying the actual costs of interconnection even if these costs exceed the indicative cost estimate in the IA. Further, the tariff in fact states that the Interconnection Customer is responsible for all actual costs, which “must be reasonable under the circumstances of the design and construction.” Therefore, the correct legal standard is whether the upgrades (and their costs) were reasonable requirements for interconnection design and construction. And Nokomis has not claimed that any of the required upgrades were unreasonable under this standard.

We build to our standards, and our standards provide the appropriate way for us to comply with our statutory obligations to provide safe, reliable service at an appropriate quality of service for our customers. This is consistent with the description on how Xcel Energy is to carry out the design and construction referenced on IA sheet 10-116 in Section IV.C as set forth above. (*“Xcel Energy shall carry out the construction of Dedicated Facilities in a good and workmanlike manner, and in accordance with standard design and engineering practice.”*) The Complaint has not alleged that we built beyond or above our standards, so the Complaint lacks merit as a matter of law. Further, our tariff has a catch-all provision on Sheet 10-79 for the recovery of costs not provided for in the IA, which states: *“The DG customer shall be responsible for any additional expense not covered by the terms and conditions of the Interconnection Agreement, which may be incurred by the Company on behalf of the customer or as a result of the customer’s DG facility.”*

## **B. Prior Examples of Actual Costs Exceeding Indicative Cost Estimate**

Nokomis appears to argue that Xcel Energy should be bound by the indicative cost estimate stated in the IA. However, other parties have raised this same issue previously under the pre-MN DIP process and the Commission has declined to

accept this argument. In its November 2016 Order,<sup>10</sup> the Commission reviewed and approved several aspects of the Company's interconnection process for pre-MN DIP solar garden applications, including the engineering scoping study process, the initial nature of the indicative cost estimate, and the distinction between engineering scoping study and Detailed Design. Regarding the indicative cost estimate, the Order stated as follows (at pages 8-10):

As mentioned earlier, Xcel's Section 9 tariff provides a process for solar-garden developers to obtain an interconnection agreement on an expedited basis. Once a developer has shown that its garden project is "expedited ready," Xcel has 50 business days to study the project and to provide an interconnection agreement.

In addition to shortening the deadline for Xcel to deliver an interconnection agreement, Section 9 makes several changes to the Section 10 engineering-study process. Instead of completing a detailed engineering study, Xcel undertakes a more abbreviated "engineering scoping study" that results in an "indicative cost estimate."

The developer must pay one-third of the indicative cost estimate and provide a letter of credit for the remaining portion before Xcel will countersign the interconnection agreement. Detailed engineering studies are not done until after the parties sign the interconnection agreement.

...

The Commission finds that Xcel's cost-estimate process, which provides an indicative cost estimate prior to execution of the interconnection agreement and a refined estimate later, is consistent with the Section 9 process outlined earlier. The Commission therefore declines to adopt the independent engineer's recommendation to require Xcel to undertake infrastructure due diligence before calculating an indicative cost estimate or to hold the Company to a +/-20% accuracy range for the estimate.

SunShare argues that widely varying estimates make gardens difficult to finance. Yet Xcel reports that hundreds of megawatts of solar gardens are currently in the detailed design and construction phase of development, a fact which the Company suggests undercuts SunShare's claim that the process is hindering garden financing. Without knowing the level of cost variance experienced by developers other than SunShare, however, it is difficult to evaluate either party's argument.

To gain a better understanding of cost-estimate variance across Xcel's solar-garden program, the Commission will require the Company to report variances between the

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<sup>10</sup> ORDER RESOLVING INDEPENDENT-ENGINEER APPEALS AND ESTABLISHING PROCEDURES FOR FUTURE DISPUTES, November 1, 2016, *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) and *In the Matter of a Formal Complaint and Petition by SunShare, LLC for Relief Under Minn. Stat. § 216B.1641 and Sections 9 and 10 of Xcel Energy's Tariff Book* (Docket No. E002/M-15-786)

indicative cost estimate and actual project costs—both the total cost and the substation and distribution components.

We have provided the required cost variance information in our monthly Solar\*Rewards Community reports, and the reporting requirement was subsequently changed to an annual reporting requirement by the Commission's December 5, 2019 ORDER AMENDING REPORTING REQUIREMENTS in Docket No. E002/M-13-867. Applicable cost information for the Nokomis Union Project is listed in Table 1 below.

**Table 1 – Nokomis Union Project**

<b>Indicative Cost Estimate</b>	<b>Actual Cost</b>	<b>Variance %</b>	<b>Cost Difference</b>
\$457,796	\$665,819	45%	\$208,023

Since we started to report cost variance information required by the November 2016 Order, several other projects have also experienced a 45% or greater cost variance. We list projects in Table 2 below where all have paid the actual interconnection costs. To help place this in context, there are over 800 MWs of installed CSGs on our system, and the list below is a small fraction of all projects that have been interconnected. But, this listing shows that Nokomis is seeking special treatment, and effectively asking the Commission to issue an order that would discriminate in favor of Nokomis compared to other developers who have paid the actual costs of interconnection.

**Table 2 – Indicative to Actual Cost Comparison 45%+ Increase**

<b>Indicative Cost Estimate</b>	<b>Actual Cost</b>	<b>Variance %</b>	<b>Cost Difference</b>	<b>Source of Data</b>
\$153,600	\$265,301	73%	\$111,701	2021 Annual Report, Att. F, Row 5
\$104,381	\$214,192	105%	\$109,811	2021 Annual Report, Att. F, Row 46
\$356,600	\$518,439	45%	\$161,839	2021 Annual Report, Att. F, Row 77
\$359,921	\$558,800	55%	\$198,879	2021 Annual Report, Att. F, Row 83
\$179,986	\$331,369	84%	\$151,383	2021 Annual Report, Att. F, Row 87
\$164,918	\$329,636	100%	\$164,718	2021 Annual Report, Att. F, Row 89
\$196,892	\$480,298	144%	\$283,406	2020 Annual Report, Att. F, Row 65
\$74,600	\$164,115	120%	\$89,515	2020 Annual Report, Att. F, Row 67
\$396,900	\$583,714	47%	\$186,814	2019 Annual Report, Att. F, Row 9
\$109,000	\$212,057	95%	\$103,057	2019 Annual Report, Att. F, Row 22
\$134,277	\$338,198	152%	\$203,921	2019 Annual Report, Att. F, Row 34
\$75,578	\$191,097	153%	\$115,519	2019 Annual Report, Att. F, Row 47
\$1,650	\$14,852	800%	\$13,202	2019 Annual Report, Att. F, Row 54
\$72,569	\$132,226	82%	\$59,657	2019 Annual Report, Att. F, Row 76

Indicative Cost Estimate	Actual Cost	Variance %	Cost Difference	Source of Data
\$400,400	\$743,316	86%	\$342,916	2019 Annual Report, Att. F, Row 89
\$41,500	\$65,225	57%	\$23,725	2018 December Report, Row 8
\$257,500	\$599,015	133%	\$341,515	2018 November Report, Row 7
\$115,600	\$192,801	67%	\$77,201	2018 October Report, Row 1
\$487,200	\$801,326	64%	\$314,126	2018 July Report, Row 14
\$401,500	\$769,441	92%	\$367,941	2018 May Report, Row 3
\$234,100	\$458,755	96%	\$224,655	2018 January Report, Row 5
\$67,500	\$129,966	93%	\$62,466	2017 November Report, Row 1
\$690,329	\$1,206,462	75%	\$516,133	2017 October Report, Row 4
\$192,750	\$657,511	241%	\$464,761	2017 October Report, Row 5
\$485,000	\$952,815	96%	\$467,815	2017 October Report, Row 6
\$617,500	\$1,193,460	93%	\$575,960	2017 July Report, Row 1
\$7,000	\$32,302	361%	\$25,302	2017 June Report, Row 1
\$5,220	\$9,757	87%	\$4,537	2017 June Report, Row 6

At the August 12, 2021 hearing in Docket No. E002/C-21-126 regarding SunShare's Formal Complaint on its CleodSun project,<sup>11</sup> there was discussion at about 4:01:22 through 4:04:30 that for a pre-MN DIP application indicative cost estimate is made based on a desk-top review, and that any arguments should be brought during the detailed design phase that follows the signing and funding of the IA.

The Commission has also previously recognized the trade-offs involved in the time to develop cost estimates and the accuracy of those estimates. The discussion at the August 12, 2021 Commission hearing regarding SunShare's Formal Complaint on its OsterSun project also helps to inform this issue.<sup>12</sup> At that hearing (beginning at about 2:35:50), there was discussion that the pre-MN DIP projects that went into commercial operation in 2020 had actual costs that were from *minus* 85 percent to *positive* 144 percent of the indicative cost estimate in the pre-MN DIP Interconnection Agreement. Then there was discussion about how under MN DIP there was a trade-off between time to develop the cost estimate and the accuracy of the estimate, and that under MN DIP there is a longer timeline to develop the cost estimate for each project, which can include a Facilities Study. The intent was to achieve greater accuracy in the MN DIP cost estimates compared to the pre-MN DIP estimates. The fact that it takes longer to develop the cost estimates under MN DIP compared to the

<sup>11</sup> *In the Matter of a Formal Complaint and Request for Expedited Relief by Sunshare, LLC against Northern States Power Company d/b/a Xcel Energy Regarding CleodSun Project.*

<sup>12</sup> Docket No. E999/C-21-125, *In the Matter of the Formal Complaint and Request for Expedited Relief by SunShare, LLC Against Northern States Power Company dba Xcel Energy regarding OsterSun Project.*

pre-MN DIP process is clear, well-known, and was a deliberate part of the discussion in developing the MN DIP.

The indicative cost estimate in the IA that the developer signs is based on a desk-top analysis only. What Nokomis has been requesting throughout this dispute goes well outside of the proper process as it wants to hold the Company to the indicative cost estimate. If Nokomis was concerned about possible differences between the indicative cost estimate and Detailed Design estimate, it should have waited on its decision to construct until after it had obtained the Detailed Design estimate. If the estimate was a level higher than would make the garden financially viable, it should have then cancelled the project and before construction costs under the IA were incurred. Other developers have followed the proper process, and Nokomis should be similarly required to also follow this process.

The Company and Nokomis have bi-weekly calls available to review the status of any Nokomis projects. Also, as year 2020 progressed, anticipated in-service dates for many projects were being pushed out due to a variety of reasons, including impact from Covid-19 on construction workers and lineworkers, mutual aid obligations to provide assistance in other states, and winter weather.<sup>13</sup> The Complaint, in par. 19, refers to an email exchange between Nokomis and an Xcel Energy engineer, where Nokomis asked when the Detailed Design from Xcel Energy would be completed. The Xcel Energy engineer responded that the Detailed Design would be completed “possibly 5 weeks out.” This was on November 12, 2020 – about a month after Nokomis completed construction of its project.

### **C. Reasons Why the Indicative Estimated Cost and Final Actual Costs Are Different**

There are a number of reasons why the actual cost in the final invoice was approximately \$200,000 higher than the original indicative cost estimate provided in the IA. At a high level, there is a fundamentally different methodology in determining the indicative estimated cost in the pre-MN DIP interconnection agreement and the detailed design cost later developed by the Company (and actual costs), accordingly there can be no direct line-item comparison.

In the matter at hand, the indicative cost estimate in the IA was based on a desk-top review. At a high level, the indicative cost estimate underestimated labor costs

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<sup>13</sup> See, for example, the blanket 6-month extension we provided to all CSGs to obtain Mechanical Completion. We provided notice of this to all developers on July 15, 2020. This is referenced at pages 10-11 of our July 22, 2020 Quarterly Compliance Filing in the CSG docket, Docket No. 13-867.

compared to the subsequent Detailed Design estimate and Actual Cost. Further, the cost increases for the Union Garden consist of the following additional items:

1. Rebuild variances and winter construction;
2. Requirement by the City of Northfield for an alternative route; and
3. Design changes requested by Nokomis.

We provide further details into these factors below.

#### 1. Rebuild Variances

At the time of the IA, it was estimated that the overhead rebuild required would be for 4,277 feet while the Detailed Design determined that 4,850 feet was actually required. The IA estimation of the labor costs associated with the rebuild was significantly lower than the actual costs incurred due to variances to the rebuild length, actual work conditions and the addition of winter construction. Winter construction by itself typically increases the overall final costs by approximately 10-30 percent. The Detailed Design process also identified the need to extend the primary line.

Also timing and inflation impacted the final rebuild costs. The IA was provided in May 2019 while the construction took place about two years later in spring 2021.

#### 2. Requirement by the City of Northfield

A portion of the cost increase was due to the City of Northfield requiring an alternative route, which increased the amount of reconductoring needed. The City of Northfield is particular about utility construction in their city and the Company was upfront on the complexities with permitting for this project. Nokomis was made aware that there would be a different design that would affect costs, due to the City of Northfield's requirement for an alternative path.

#### 3. Design Changes Requested by Nokomis

Another contributor to the higher final cost was the design changes requested by Nokomis. In Q4 2020, Nokomis and Xcel Energy were involved in multiple discussions regarding changes to the Union Garden project as requested by Nokomis. In December 2020, Nokomis had requested that the Company move poles closer to the right of way (ROW) while also running additional underground cable to the Union Garden site, to accommodate what Nokomis stated as "the landowner's strong preference of going underground for as much of the run as possible." This change

altered the way that the site was originally studied, where it had originally assumed overhead all the way to the padmount transformer. The Company provided this information to Nokomis along with explaining that overhead is our standard, is the most cost effective, has higher reliability, and generally has better accessibility. However, Nokomis insisted that the above noted changes be made and also stated that “the additional cost of construction is for Nokomis to bear.” On December 21, 2020 the Company agreed to allow the additional underground request, which resulted in 60 feet of overhead and 420 feet of underground, compared to the original estimate of 230 feet overhead and 250 feet underground, and also to move the proposed poles closer to the ROW. Nokomis was fully aware that the costs were going to be higher than the original estimate provided in the IA, due to the scope of work being changed as described above.

We note that for pre-MN DIP applications, the costs should be viewed as a total cost, without using the break-downs to labor, transportation, and material.

Nokomis alleges that it had requested a Detailed Design cost estimate during the months leading up to the project’s construction. Nokomis completed its construction on October 7, 2020. The Company, however, has no record or recollection of Nokomis ever requesting the detail design cost estimate until November 11, 2020 – well after it had completed its project. As a standard business practice, if a detailed design cost is requested by a developer, the Company will provide those costs once they have been finalized. Our records show that Nokomis later requested the detailed design costs on August 17, 2021, and the Company provided this to Nokomis on September 15, 2021.

Further, as described above, Nokomis in December 2020 requested that the Company move poles closer to the ROW while also running additional underground cable to the Union Garden, LLC site, in order to accommodate “the landowner’s strong preference of going underground for as much of the run as possible” The Company’s detailed design cost estimate should not be expected until after the design for our work has been finalized, and the design was still a moving target up to December 2020 due to design changes being requested by Nokomis that we accommodated. By that time, Nokomis had already completed its own work on this project. Detailed design cost estimates for the work to be done by Xcel Energy were finalized in January 2021.

We address the specific issues noticed for comment by the Commission below.

## **D. Commission Jurisdiction**

The Commission has jurisdiction over the subject matter of the Complaint, consistent with Minn. Stat. § 216B.09 (allowing the Commission to consider complaints with respect to services provided by utilities). The general nature of the complaint relates to the application submitted pursuant to our Section 10 Interconnection tariff applicable to pre-MN DIP applications. These applications are subject to the Company's tariffs that the Commission has approved. Our tariffs, and the pre-MN DIP interconnection process are regulated by the Commission.

## **E. Analysis on “Reasonable Grounds” and “Public Interest”**

The May 6, 2022 Notice requests comments on reasonable grounds to investigate the allegations raised in the Complaint as well as on public interest to investigate the allegations upon the Commission's own motion. The “reasonable grounds” standard applies to Formal Complaints under Minn. R. 7829.1800, Sub. 1, while the “public interest” standard applies to Investigations under Minn. Stat. 216B.17, Subd. 1, which allows the Commission to begin an investigation also on its own motion.

Our understanding is that the Notice includes both standards for the following situation. If the Commission were to determine that there are no reasonable grounds to investigate a Formal Complaint under Minn. R. 7829.1800, Sub. 1, depending on the facts, the Commission could find that there is public interest for an investigation. For example, in a hypothetical situation different from the facts here, the Commission could believe that the factual allegations suggest a violation of law, but because the issues involve policy or impact a large number of stakeholders or a whole program, the Commission may conclude that there are no “reasonable grounds” to allow the Complaint to proceed, but instead the Commission could still investigate the allegations on its own motion if it determines this is in the public interest under Minn. Stat. 216B.17, Subd. 1.

For the purposes of this proceeding, we do not think there are significant material differences between the “reasonable grounds” standard and the “public interest” standard. We believe there are neither reasonable grounds nor public interest for the Commission to investigate the Nokomis allegations. Accordingly, the remainder of these Comments use the terms “public interest” and “reasonable grounds” interchangeably.

There are very few pre-MN DIP applications that are pending that have not yet been interconnected. Therefore, there is a low likelihood that any Commission action on this Complaint would be pertinent to other pre-MN DIP applications. This



diminishes the public interest in having the Commission take action on the Complaint. Regardless of this, there are no reasonable grounds for the Commission to take action on the Complaint as none of the items of requested relief in the Complaint are appropriate.

1. The requested relief number 1 in the Complaint for a finding “that Xcel was required to provide advanced notice of the increased costs” is not appropriate.

Nokomis completed its construction of the Nokomis Union project on October 7, 2020. As late as December 2020, it was still providing requests to Xcel Energy on how to change the interconnection. It would not be reasonable to expect Xcel Energy to finalize its Detailed Design cost estimate until after Nokomis has provided all of its changes to Xcel Energy. Xcel Energy then completed its Detailed Design estimate in January 2021. There is no way that Xcel Energy could have provided this estimate to Nokomis any earlier than when it was prepared. The crux of the matter is that Nokomis intentionally chose to go ahead and build its project without knowing what the later-developed Detailed Design cost estimate would be. It is incumbent on the developer to engage Xcel Energy in discussions when it believes it is missing important information from Xcel Energy, for example, through the bi-weekly calls. We note that the Complaint has a copy of the Detailed Design cost estimate that is dated August 19, 2021. As we have explained to Nokomis many times, that date is when the estimate was last accessed – not when it was prepared. It was prepared in January 2021.

2. The requested relief number 2 in the Complaint “directing Xcel to delineate the causes of the cost increase from \$457,796.00 to \$665,819.28” is not appropriate.

We explained above the factors that contributed to the cost increase. The primary reason is the difference in methodology, as the desk-top indicative cost estimate underestimated the labor costs. Further, there is no legal basis for Nokomis to not pay the actual costs just because they are higher than the indicative cost estimate. The tariffed IA and other tariff provisions clearly require that Nokomis pay the actual costs of for the interconnection as cited above at pages 7-9. Whether or not any additional information is provided would not change the actual costs of interconnection and the obligation to pay. The legal standards require payment of actual costs and there is no basis for the relief requested here, nor should this be used to delay payment of the due amounts.

3. The requested relief number 3 in the Complaint “relieving Nokomis of the obligation to pay those costs for which Nokomis did not receive advance notice” is not appropriate.

Nokomis does not cite to any provision in the tariff that would excuse payment of the actual costs. Nokomis instead relies on a phrase within a sentence, but not the whole sentence, to argue that it should not be required to pay the actual costs. Nokomis cites the following from our tariff sheet 10-116: “All costs, for which the Interconnection Customer is responsible for, must be reasonable under the circumstances of the design and construction.” Nokomis emphasizes “reasonable under the circumstances” but ignores the modifying phrase “of the design and construction.” This is consistent with the description on how Xcel Energy is to carry out the design and construction referenced on IA sheet 10-116 in Section IV.C as set forth above. Nokomis has not challenged the reasonableness of the design and construction. We have built Union Garden interconnection to our standards and did not go beyond or above the standards or overbuild. Therefore, there is no legal basis cited by Nokomis to avoid paying the actual costs as required by our tariff. Also, our tariff has an additional catch-all provision on Sheet 10-79 for the recovery of costs not provided for in the IA, which states: “The DG customer shall be responsible for any additional expense not covered by the terms and conditions of the Interconnection Agreement, which may be incurred by the Company on behalf of the customer or as a result of the customer’s DG facility.”

Further, there are other factors to consider that warrant denial of this request for relief. Most importantly, this request would violate several statutes and go beyond the authority of the Commission. For example, it would result in a non-standard interconnection process, in violation of Minn. Stat. 216B.1611, Subd. 2. Additionally, the requested relief would discriminate against other Interconnection Customers who have paid actual interconnection costs that have been greater than 45% above the indicative cost estimate, and this would violate the following:

- **Minn. Stat. 216B.03:** Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers.

- **Minn. Stat. 216B.06:** No public utility shall directly or indirectly, by any device whatsoever, or in any manner, charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered by the utility than that prescribed in the schedules of rates of the public utility applicable thereto when filed in the manner provided in Laws 1974, chapter 429, nor shall any person knowingly receive or accept any service from a public utility for a compensation greater or less than that prescribed in the schedules, provided that all

rates being charged and collected by a public utility upon January 1, 1975, may be continued until schedules are filed.

- **Minn. Stat. 216B.07:** No public utility shall, as to rates or service, make or grant any unreasonable preference or advantage to any person or subject any person to any unreasonable prejudice or disadvantage.

- **Minn. Stat. 216B.23:** Whenever upon an investigation made under the provisions of Laws 1974, chapter 429, the commission shall find rates, tolls, charges, schedules or joint rates to be unjust, unreasonable, insufficient, or unjustly discriminatory or preferential or otherwise unreasonable or unlawful, the commission shall determine and by order fix reasonable rates, tolls, charges, schedules, or joint rates to be imposed, observed, and followed in the future in lieu of those found to be unreasonable or unlawful.

Finally, in essence, Nokomis is asking for compensatory damages to offset the amount of actual interconnection cost that would otherwise be due. As we describe in detail below, the Commission lacks authority to award compensatory damages.

*a. The Commission Has No Authority to Award Compensatory Damages*

The Minnesota Supreme Court has consistently determined that the Commission lacks authority to award compensatory damages. The Commission's authority is limited to that expressly given it by the legislature or that which can be fairly drawn and fairly evident from the agency objectives and powers expressly given by the legislature. *In the Matter of Qwest's Wholesale Service Quality Standards*, 702 N.W.2d 246, 259 (Minn. S.Ct. 2005). And while "[t]he MPUC enjoys broad power to ascertain and fix just and reasonable policies for all public utilities..., the power to award monetary damages to a complaining party is not one that the MPUC enjoys." *Siewert v. N. States Power Co.*, 793 N.W.2d 272, 277–78 (Minn. S.Ct. 2011) (citing *Peoples Natural Gas Co. v. Minn. Pub. Utils. Comm'n*, 369 N.W.2d 530, 534 (Minn. 1985)). *Siewert* specifically cited to Minn. Stat. § 216A.05 as showing that the Commission has "no power to award damages...." *Siewert v. N. States Power Co.*, 793 N.W.2d 272, at 285.

Consistent with this analysis in *Siewert*, in the analogous case of interconnections of wholesale customers in the telecom arena, the Minnesota Supreme Court held in *Qwest* that the Commission does not have authority to order or establish payments for failure of the utility to comply with interconnection standards, called wholesale service quality standards in that proceeding. Although related to the Commission's authority over telecom rather than electric utilities, the reasoning underlying the decision applies equally to both industries. The basis for the court's decision in *Qwest* is that the Commission has limited authority, only having the authority given to it by statute. While the state statutes give the Commission a broad general grant of authority, such

as Minn. Stat. § 216A.05, nowhere does the statutory scheme expressly give to the Commission the power to provide remedies for failures to meet the interconnection standards. Since the power to impose payments for violation of interconnection standards was not expressly given by the legislature, the Commission has no such power. *Qwest*, 702 NW2d at 259-261. Similarly, here, the legislature has not granted the Commission the authority to award damages for alleged violations of the interconnection tariff, and therefore the Commission may not award such damages. This is particularly the case for electrical interconnection issues because the state statute that addresses electrical interconnection and specifically authorizes the Commission to develop incentives to the utility based on the utility's performance in encouraging residential and small business customers to participate in on-site generation (Minn. Stat. § 216B.1611, subd. 2(b)), but has no provision authorizing the Commission to order remedies where the interconnection standards have not been met.

*b. Awarding Damages Would Be Inconsistent with the Filed-Rate Doctrine*

In addition to the Commission's general lack of authority to award damages, awarding damages here would violate the filed-rate doctrine, which precludes a litigated claim for monetary damages for violation of a tariff such as alleged here. As recognized in *Siewert*, the filed-rate doctrine is a judicially created doctrine that prevents courts from adjudicating private claims that would effectively vary or enlarge rates changed under a published tariff. This bars both direct and indirect challenges to rates in a tariff (such as the Nokomis claim to compensation for alleged violations of the interconnection tariff in this case where the tariff does not provide for compensation), and prohibits a court from expanding, or adding terms, to what is provided in a tariff. *Siewert*, 793 N.W.2d 272, 285. "...[T]he filed-rate doctrine bars claims for money damages to remedy breach of a provision in an agency-approved tariff." *Hoffman v. Northern States Power Company*, 764 N.W.2d 34, 46 (Mn S.Ct. 2009), citing several cases.

The filed-rate doctrine is consistent with the state statutory scheme that prohibits having any different compensation than set forth in tariff, and prohibits granting any unreasonable preference or advantage to any person as cited above. The filed-rate doctrine avoids retroactive relief that would lead to discrimination in rates that would put a victorious plaintiff in a better position than other customers and avoids undermining the legislative scheme of uniform rate regulation. *Schermer v State Farm*, 702 N.W.2d 898, 906 (Minn. Ct.App. 2005), *aff'd*, 721 N.W.2d 307 (Minn. S.Ct. 2006). Were there any monetary consequence for violation of a tariff, the tariff would first need to be revised to allow for this, and the changed tariff would only have prospective effect. Otherwise, this would violate the bar against retroactive ratemaking. As stated by the Minnesota Supreme Court, "Ratemaking is a quasi-

legislative function [(citation omitted)], and legislation operates prospectively. Indeed, the Public Utility Act expressly prohibits retroactive ratemaking. Minn.Stat. §216B.23, subd 1 (1984) provides: ‘[T]he commission shall \*\*\* by order fix reasonable rates \*\*\* *to be imposed, observed and followed in the future.*’ (Emphasis added.)” *Peoples Natural Gas v. Minnesota Public Utilities Commission*, 369 N.W.2d 530, 533 (Minn. 1985).

This doctrine also is consistent with the court’s reasoning in the *Siewert* case that the Commission must consider the right of a utility and its investors to a reasonable return while at the same time establishing a rate for consumers which reflects the cost of service rendered plus a reasonable profit to the utility. *Siewert v. N. States Power Co.*, 793 N.W.2d 272, 277–78. In other words, a utility’s tariffs are structured to offer it the prospect of earning its authorized return. And where those tariffs do not include provisions authorizing an award of compensatory damages, then – even if the Commission had authority from the legislature to assess such damages – it would not be proper to do so because it would deprive the utility of its opportunity to earn its authorized return. Related to this, the Minnesota Court of Appeals has explained that limiting the liability of utilities serves the public interest of low utility rates, and that “[a] limitation of liability is an essential and valid part of the rate[.]” *Computer Tool & Engineers v. Northern States Power*, 453 N.W.2d 569, 572 (Minn. App. 1990).

Finally, the filed-rate doctrine’s prohibition on awarding damages not set forth in tariff is consistent with the discussion at the April 22, 2021 Commission hearing on the Solar\*Rewards Community program. In short, the discussion contemplated that only if a tariff provides for some monetary consequences could such a penalty or award be proper. But, under the filed-rate doctrine, the Commission cannot award monetary relief unless that is first set forth in the tariff.<sup>14</sup>

Therefore, because the Commission lacks authority to award damages, and because the Company’s tariffs do not include any provision for the compensation that Nokomis requests, its claim for monetary relief should be denied.

### **III. NEXT PROCEDURAL STEPS IF THE COMMISSION DETERMINES THAT IT IS IN THE PUBLIC INTEREST TO FURTHER EXAMINE THE ISSUES**

As previously communicated to Nokomis, and as detailed in one of the attachments to the Complaint, the amount owed to Xcel Energy is the amount in the final invoice (\$665,819.28) less previously paid amounts. The previously paid amounts equal the

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<sup>14</sup> See generally, April 22, 201 hearing in Docket No. 13-867, beginning at about 5:01:00.

indicative cost estimate in the IA (\$457,796). This brings the amount owed for the Union Garden project to a total of **\$208,023**. If the Complaint is not dismissed, the Company proposes that the Commission may want to broker a settlement<sup>15</sup> based on the following payment structure, which is possible because Nokomis has several pending applications:

1. Nokomis to pay within 20 Business Days a total 120 percent of the indicative cost estimate for the Union Garden project less previous amounts paid. This would be a payment for **\$91,559**. Nokomis to-date has paid the indicative cost estimate (\$457,796) for the Union Garden project.
2. The remaining amount owed to Xcel Energy (\$208,023 - \$91,559 = **\$116,464**) would be applied to Nokomis projects that do not yet have a final bill. For these projects, the Company would take the difference between 120 percent of the indicative cost estimate in each applicable IA and the final costs for these projects and apply the difference as a settlement adjustment to these other Nokomis projects (until the full amount owed to Xcel Energy has been recovered). The maximum amount that would be charged to any one project would not exceed 120 percent of the indicative cost estimate noted in the applicable IA. For example, as shown in Table 3 below, for the future/existing project no. 1 and 2, the Company would subtract 120 percent cap of the indicative cost estimate in IA from the final costs (column C – column D) and apply the difference as a settlement adjustment (column E) until the remaining amount owed to the Company (\$116,464) has been fully recovered. We may have some flexibility to allow Nokomis to choose the projects subject to this settlement adjustment, but we would not want to see this drawn out.

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<sup>15</sup> The proposal here falls outside of the tariff, and therefore under the Filed Rate Doctrine can not be forced on any party. This is why the concept of brokering a settlement is used here.

**Table 3: Cost Recovery Example**

A.	B.	C.	D.	E.
Project	Indicative Cost Estimate in IA	120% Cap of Indicative Cost Estimate in IA <sup>16</sup>	Final Costs	Settlement Adjustment
Future/Existing Project No. 1 (Proxy)	\$400,000	\$480,000	\$420,000	\$60,000 <sup>17</sup>
Future/Existing Project No. 2 (Proxy)	\$400,000	\$480,000	\$380,000	\$56,464 <sup>3</sup>
<b>Cost Recovery to Xcel Energy (with the addition of the above \$91,559)</b>				<b>\$208,023</b>

We would use a separate tracker to ensure accurate processing and use email to inform Nokomis which projects are subject to the settlement adjustment, including a separate line item in the total project cost for the settlement adjustment

<sup>16</sup> Calculated by taking the Indicative Cost Estimate in IA (column B) and multiplying by 1.20

<sup>17</sup> Settlement Adder for this project is calculated by subtracting 120% Cap of Indicative Cost Estimate in IA (column C) from Final Costs (column D). This difference is then offset against the remaining amount owed to Xcel Energy.

## CONCLUSION

The Company has complied with the requirements established under our pre-MN DIP tariff for processing this interconnection application. The Complaint has not properly alleged any violation of tariff, statute, or Commission rule. The Commission should not grant any of the three requests for relief set forth in the Complaint. By the tariff IA Nokomis is responsible for paying actual interconnection costs that are reasonable for design and construction, and another tariff “catch-all” provision requires Nokomis to pay to the Company any additional expenses for the work here that are not covered by the IA. Nokomis intentionally completed building the Union Garden project in October 2020 without knowing the Detailed Design cost estimate that was finalized by Xcel Energy in January 2021. The Commission should dismiss the Complaint and take no further action.

Dated: June 3, 2022

Northern States Power Company



CERTIFICATE OF SERVICE

I, Christine Schwartz, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota; or

xx by electronic filing.

Docket No.: E002/C-22-212

Dated this 3rd day of June 2022.

/s/

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Christine Schwartz  
Regulatory Administrator

[illegible]

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