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July 21, 2022

In the Matter of Northern States Power Company dba
Xcel Energy-Electric's Revised Tariff – filing establishes
standards and operation of Distribution Interconnection
Process (DIP) and Distribution Agreement (MN DIA)

Docket No. E002/M-18-714

COMMENTS OF FRESH ENERGY

Fresh Energy submits these comments in response to the Commission's June 17, 2022, *Notice of Extended Comment Period* regarding Xcel Energy's Cost Sharing Implementation Plan and Tariff Interconnection Standards for Distributed Generation. The Commission's *Notice* described the issue to be addressed as follows:

Issue: Should the Commission approve Xcel Energy's cost sharing implementation plan and associated tariff language outlined in the Company's May 27, 2022 compliance filing?

Topics Open for Comment:

- Is Xcel Energy's cost sharing implementation plan and associated tariff (proposal) consistent with the Commission's March 31, 2022 Order in Docket No. E999/CI-16-521; specifically ordering paragraphs 10 and 12?
- Are there other issues or concerns related to this matter?

Introduction

Over the past few years, the demand for and adoption of distributed energy resources (DERs), most commonly solar systems, have increased exponentially across Xcel Energy's service territory. The influx of solar systems has resulted in many ongoing challenges related to interconnection- including expensive grid upgrades that previously were the individual applicant's responsibility to fund. These upgrade charges have prevented many customers from installing solar and have delayed timelines for projects in Xcel's interconnection queue as applicants study the impact of

their proposed projects and decide if they want to move forward with the necessary grid upgrades.

To address the issue of upgrade costs being borne by the individual customer, many interested stakeholders have provided comments and recommendations throughout this proceeding- including Xcel Energy, solar developers, Xcel customers, local municipalities, and environmental organizations. Fresh Energy, in collaboration with All Energy Solar and TruNorth Solar, submitted an Interconnection Cost Sharing Proposal to fund small behind-the-meter projects in our August 25, 2021 comments in Docket No. E999/CI-16-521.¹

In our proposal, we proposed that future customers applying for interconnection onto Xcel's system would pay a flat fee that would go into a new DER cost share account created by Xcel that would be drawn from to pay for individual upgrades. We proposed systems up to 40kW would be eligible to use this fund to cover necessary upgrades and recommended the flat fee would be calculated based on the number of applications, the number of projects requiring upgrades, and the costs of these necessary upgrades.

The Commission adopted our cost share proposal earlier this year, with a target date of implementation by the end of August 31, 2022. Xcel convened two meetings with Fresh Energy and All Energy Solar this spring to discuss the cost share proposal and work through the logistics of the plan. This included how to setup and administer the new fund, calculating the flat fee amount based on 2021 Solar*Rewards data, and potential challenges that may arise once the plan is implemented.

We found these meetings to be productive and necessary to get on the same page, and we appreciate Xcel's continued engagement throughout the planning process of the proposal. However, as Xcel mentions in its Cost Sharing Implementation Plan, there are still a few points of disagreement between Fresh Energy and Xcel, including the administration of the fund and how to sufficiently fund the account at the beginning of implementation.² We will discuss these two issues and other topics in our comments below.

We provide the following comments on Xcel's Cost Sharing Implementation Plan, guided by the Commission's topics open for comment on this issue.

Is Xcel Energy's cost sharing implementation plan and associated tariff (proposal) consistent with the Commission's March 31, 2022 Order in Docket No. E999/CI-16-521; specifically ordering paragraphs 10 and 12?

Xcel's Cost Sharing Implementation Plan is consistent with the Commission's March 31, 2022 Order Point 10, which reads:

¹ Fresh Energy, All Energy Solar, and TruNorth Solar, [Interconnection Cost Sharing Proposal](#), August 25, 2021, Docket No. E999/CI-16-521 (hereinafter "Interconnection Cost Sharing Proposal")

² Xcel Energy, [Cost Sharing Implementation Plan and Tariff Interconnection Standards for Distributed Generation](#), May 27, 2022, Docket No. E002/M-18-714, p. 6 (hereinafter "Cost Sharing Implementation Plan")

“The Commission approves the cost-sharing proposal for Xcel Energy customers with less than 40kW DER created by Fresh Energy, IREC, and TruNorth with a plan by Xcel Energy to implement by the end of August 31, 2022, within 60 days of this Order, capping individual upgrades at \$15,000.”

Xcel has adhered to the language laid out in Order Point 10, limiting eligible projects to 40kW and under, capping individual upgrades at \$15,000, and creating a plan to implement the cost share proposal by the end of August 31, 2022.

Moving onto Order Point 12 from the Commission’s Order, we believe Xcel’s cost share plan is not consistent with this order point. Order Point 12 reads:

“Provide a detailed report of the costs incurred and technical rationale for each upgrade should Xcel Energy seek cost recovery for Distribution Upgrades.”

Xcel discusses in its plan that it does not think this order point is applicable to Xcel, as it was originally intended to coincide with the Company’s previous version of the cost share proposal with the utility covering the costs of upgrades.³ While Xcel is no longer seeking cost recovery for its distribution upgrades through the updated cost share plan, we think it is still important for the Company to report on the costs and technical rationale for the distribution upgrades that are funded through the new cost share fund.

With the demand for Solar*Rewards increasing each year and the expected number of distribution upgrades likely to rise with the new cost share plan, we believe Xcel should be as transparent as practicable in the process of administering the cost share fund. As the cost share plan goes through the first year of implementation, it is important for Xcel to consistently track and report on both the costs and technical rationale for distribution upgrades using the cost share funds. We anticipate these reports to be a useful tool for solar developers, customers, and other interested stakeholders who want to better understand what distribution upgrades have been funded and the rationale behind them as the cost share plan goes through its initial phase of implementation.

Additionally, we believe Order Point 12 is applicable to Xcel because of language we included in our original Interconnection Cost Sharing Proposal, which reads:

“Greater transparency into distribution upgrade costs would be required for this process to work. Before implementation, and in the annual reports for this program, Xcel would need to demonstrate that the distribution upgrade costs it is charging customers are reasonable. At minimum, we believe it would be reasonable for Xcel to:

- o Develop (or provide publicly if already existing) a Cost Guide that documents standard cost estimates for Distribution Upgrades that projects up to 40kW routinely or occasionally require, in advance of the program’s implementation. We would expect Xcel to file this with the Commission

³ Id., p. 9

and file any updates to the guide over time as well.

- o Record information about Distribution Upgrades that are completed for Eligible Applications each year, including: the equipment installed, equipment replaced, labor time, transportation, etc.
- o Record initial and final cost estimates prepared for each customer in Salesforce for ease of reporting.
- o Make it clear to Applications that fail screens what project size (and inverter settings) would allow the project to connect without construction of distribution facilities.”⁴

We included the above points in our original cost share proposal to ensure that Xcel was being transparent in justifying the costs of distribution upgrades it charged its customers. We believe the original reporting metrics we included are relevant for Xcel to follow and report on, as they are consistent with Order Point 10 of the Commission’s approval of our cost share proposal. We recommend the Commission direct Xcel to follow our original requested metrics stated above, including the development of a Cost Guide and reporting on the types and costs of distribution upgrades.

Are there other issues or concerns related to this matter?

We discuss three issues with Xcel’s cost share plan below, including the initial funding to the account, fund balance, and reporting requirements.

A. Initial Funding to the Cost Share Fund

A concern raised by Xcel in its implementation plan is the initial funding to the new cost share account upon implementation by the end of August 31, 2022. Xcel discusses its concern that there will not be a sufficient volume of applications to build a reserve of funds upon which to draw for projects requiring significant upgrades during at least the first six to nine months of the Cost Sharing Fund, citing the depletion of 2022 Solar*Rewards incentives by the end of May 2022.⁵

We agree with Xcel that the initial funding of the cost share account is a concern, and if the plan is implemented in the original timeline proposed by the Commission, the first eligible projects using this fund would not receive the full benefits. For the cost share plan to function as intended, it requires a relatively consistent number of applications to sufficiently contribute to the fund that is then used to pay for the upgrades from customer projects.

The Commission’s original timeline for implementation of the cost share plan by the end of August 31, 2022 creates the challenge of sufficiently funding the account in its initial phase. We discussed different options to alleviate this concern, including the possibility of seeding the account through external sources at the beginning of implementation to ensure it had enough funds to pay for initial distribution upgrades.

⁴ [Interconnection Cost Sharing Proposal](#), p. 5

⁵ [Cost Sharing Implementation Plan](#), p. 7

The establishment of a seed fund from external sources may be a temporary solution to get the fund started at the beginning of implementation. However, we are concerned that this option would require much more time and administration from Xcel, including the identification of where the funding will come from, if the funders will directly benefit from seeding the fund, and how Xcel would pay back the money to the funder(s) once the account could sufficiently function on its own.

Instead of establishing a seed fund, we believe an easier solution would be to delay the implementation of the cost share plan until the beginning of 2023. This timing would directly coincide with the new cycle of Xcel's Solar*Rewards incentives in January 2023, with a high number of expected applications that would all be contributing to the cost share fund right away. The tradeoff of delayed implementation is that projects requiring upgrades for the remainder of 2022 would not be able to use the cost share funds for the costs of those upgrades. However, we think this is the more efficient route in the long term, eliminating the need for seed funding for the initial phase of implementation.

Thus, we recommend the Commission set the implementation of the Cost Share Implementation Plan at January 1, 2023 to allow for a sufficient reserve of funds in the new Cost Share Fund.

B. Fund Balance

Another issue within the Cost Share Fund is the potential for the fund to reach a balance of \$0, with projects requiring upgrades still in queue and awaiting upgrade funds. Because we cannot predict both the number of applications and necessary distribution upgrades for the coming year, it is challenging to determine how to alleviate the issue of the fund reaching a balance of \$0. Xcel believes that the fund cannot have a negative balance, so the account would essentially be put on hold until it regained enough reserves to fund the necessary upgrades.

To alleviate this, we suggest creating a waitlist for projects that require distribution upgrades but would be unable to receive funding from the Cost Share Fund if it had a balance of \$0. We believe customers should have the option to either go onto the waitlist, move forward with their project and pay for the upgrades themselves, or withdraw their application altogether. Until the Cost Share Plan is implemented and put into practice, it is challenging to know if and how often the issue of having the fund reach a balance of \$0 will occur. We believe the waitlist option could offer a possible solution should that scenario arise, if logistically feasible in the parameters of the Cost Share Plan and interconnection standards more broadly.

C. Reporting Requirements

Lastly, it is important for Xcel to consistently track and report on metrics within the new Cost Share Plan as it begins implementation. Xcel proposes to report on the following metrics, beginning in 2023:

- Total amount of funds available at start of reporting period (at one point in time).
- Total dollar amount of fees received from the number of applications during reporting period (between two points in time).
- Total dollar amount of funds allocated to the number of applications during reporting period.
- Listing of each project (anonymized) showing dollar amount credited toward overall interconnection costs.
- Total number of projects ineligible for the Fund and reason why.
- Total amount of funds available at end of reporting period (point in time).⁶

We agree with Xcel that it is important to provide additional information to best serve the record as the Cost Share Plan goes into effect. We recommend Xcel report on the above metrics it proposed in its implementation plan, along with our proposed reporting metrics from our original cost share proposal:

- Record information about Distribution Upgrades that are completed for Eligible Applications each year, including: the equipment installed, equipment replaced, labor time, transportation, etc.
- Record initial and final cost estimates prepared for each customer in Salesforce for ease of reporting.

We believe it is important for Xcel to report on our proposed metrics above because it provides greater detail into what types of upgrades, equipment, and labor costs associated with these upgrades that allow for greater transparency within the Cost Share Plan.

Because the Cost Share Plan is new and the Company has not administered a similar initiative before, it is important for Xcel to provide more frequent reports on the above metrics. We recommend Xcel report on a quarterly basis starting in 2023 to ensure the Commission and stakeholders can understand how the plan is working and can review and propose modifications to the structure as needed.

We recommend Xcel report on the Cost Share Plan metrics quarterly for all of 2023 and re-visit the plan at the end of 2023 to determine if continued quarterly compliance filings are necessary, or if switching to an annual or other periodic basis is sufficient for the next program year.

Conclusion and Recommendations

We appreciate Xcel's continued efforts in implementing the Cost Share Plan. We offer the following recommendations to alleviate some of the remaining issues within the plan.

⁶ Id., p. 10

Order Point 12

- We recommend the Commission require Xcel to comply with Order Point 12 and report the costs incurred and technical rationale for each upgrade it funds through the Cost Share Plan.

Initial Funding to the Cost Share Fund

- We recommend the Commission set the implementation of the Cost Share Plan at January 1, 2023 to allow for a sufficient reserve of funds in the new Cost Share Fund.

Fund Balance

- We recommend Xcel offer customers with projects requiring upgrades the option to go on a waitlist if the Cost Share Fund reaches a balance of \$0. Alternatively, the customer can pay for the upgrade themselves or withdraw their application.

Reporting Requirements

- We recommend Xcel file quarterly compliance reports on the Cost Share Plan, and include the following metrics in each report:
 - Total amount of funds available at start of reporting period (at one point in time).
 - Total dollar amount of fees received from the number of applications during reporting period (between two points in time).
 - Total dollar amount of funds allocated to the number of applications during reporting period.
 - Listing of each project (anonymized) showing dollar amount credited toward overall interconnection costs.
 - Total number of projects ineligible for the Fund and reason why.
 - Total amount of funds available at end of reporting period (point in time).
 - Record information about Distribution Upgrades that are completed for Eligible Applications each year, including: the equipment installed, equipment replaced, labor time, transportation, etc.
 - Record initial and final cost estimates prepared for each customer in Salesforce for ease of reporting

We thank the Commission for the opportunity to provide comments on the Cost Share Plan and look forward to discussion with other stakeholders to resolve the remaining issues within the plan.

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