

MINNESOTA PUBLIC UTILITY COMMISSION

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**Regarding the Commission's notice of
comment period in the matter of Xcel
Energy's Cost Sharing
Implementation Plan and Tariff on
Interconnection Standards for
Distributed Generation**

**COMMENTS of SOLAR UNITED
NEIGHBORS, VOTE SOLAR, THE
INSTITUTE FOR LOCAL SELF-RELIANCE,
and THE CITY OF MINNEAPOLIS**

PUC Docket Number: E002/M-18-714

June 21, 2022

Solar United Neighbors (SUN), Vote Solar (VS), The Institute for Local Self-Reliance (ILSR), and the City of Minneapolis appreciate the opportunity to provide these comments regarding Xcel Energy's cost sharing implementation plan and associated tariff (proposal), in response to the notice of comment period issued on June 3, 2022 in docket E002/M-18-714.

Solar United Neighbors is a non-profit organization dedicated to creating a clean, equitable, resilient energy system that benefits everyone. Nationally, we have helped more than 6,800 homes and businesses add more than 57 MW of solar combined. In Minnesota, we have run 17 solar co-ops to help people learn about solar and go solar together at a group price. We have educated thousands of Minnesotans about solar and storage, and have helped homes and small businesses install 1.5 MW of solar combined.

Vote Solar is an independent 501(c)3 nonprofit working to repower the U.S. with clean energy by making solar power more accessible and affordable through effective policy advocacy. VS seeks to promote the development of solar at every scale, from distributed rooftop solar to large utility-scale plants. VS has over 90,000 members

nationally, including over 2,500 members in Minnesota. VS is not a trade organization, nor does it have corporate members. Vote Solar works on solar issues in many of the states in which we work and can provide insight and experience from other states.

The Institute for Local Self-Reliance is a national research and advocacy organization that partners with allies across the country to build an American economy driven by local priorities and accountable to people and the planet. ILSR has a vision of thriving, diverse, equitable communities. To reach this vision, we build local power to fight corporate control.

As part of its proposed pathway to achieving 100% renewable electricity community-wide by 2030, the City of Minneapolis has set a goal of 30% local renewable electricity generation by 2030. The city has identified local renewable energy generation as “the best opportunity to increase community wealth, reduce energy cost burden, increase workforce opportunities, and increase energy democracy.” The city has also acknowledged that the cooperation of Xcel will be critical to achieving this goal.¹

SUN, VS, ILSR, and the City of Minneapolis share the following principles and concerns regarding the need for action and Xcel’s proposed cost sharing implementation plan:

I. The need for action is urgent and imperative for the continued growth of distributed solar energy in Minnesota.

Distributed energy resources (DERs) including small-scale solar and battery storage have the potential to help reduce peak electricity demand, lower electric grid maintenance and upgrade costs, improve grid reliability, increase community resilience, and reduce the environmental impacts and economic costs of our energy system. DERs are key to building an economic, reliable and

¹ City of Minneapolis, *Just Transition: A Path To Achieving 100% Renewable Electricity Community-Wide By 2030* (Draft). August 13, 2021. Accessed June 21, 2022, web: https://www2.minneapolismn.gov/media/content-assets/www2-documents/residents/Minnneapolis_100RE_Blueprint_FULL_WEBDRAFT-8.26.21.pdf

resilient 21st century electricity system. Minnesotans are also increasingly interested in adding DERs to their homes and businesses to lower their power bills, provide them with backup electricity during outages, and help power the state with clean energy. For these reasons, Xcel and other electric utilities in the state should be doing their part to support the increased adoption of small-scale solar and other DERs in Minnesota.

Despite the multiple benefits of and interest in growing DERs in Minnesota, Xcel's current interconnection queue and cost allocation methods are posing significant obstacles to DER adoption. Ratepayers who are interested in investing in solar for their homes and businesses are being prevented from doing so due to unpredictable and exorbitant grid upgrade costs and long waits. Rick Gauger is a member of one of our solar group buying programs in the New London area whose home falls within Xcel's territory. After waiting for nearly a year in an interconnection queue, he has still been unable to move forward with a solar installation on his home because he may have to pay tens of thousands of dollars for grid studies and upgrades in order to go solar, depending on the outcome of Xcel's review. Those potential costs would be prohibitive for him and many other customers like him. It is worth noting that Rick was the only member of this effort who encountered significant interconnection problems, and also the only member of the co-op within Xcel's territory.

Local installers are also suffering losses. Many invest significant time and resources working with homeowners who want to go solar, only to see a substantial share of their projects derailed in later stages due to interconnection issues. One company we spoke with estimates that they are losing 15 percent of their business to interconnection delays and expenses.

These obstacles amount to a true crisis for Minnesota's solar industry and Xcel's customers, and urgent action is needed to address them if we want to see distributed solar continue to grow.

II. Maintaining the grid for solar access should be considered a core function of Xcel.

It is the principled position of SUN, VS, ILSR, and the City of Minneapolis that the Commission's long-term goal should be that any costs associated with additional DER participation are borne by the monopoly utility as part of its duty to maintain the grid. Costs of grid maintenance and upgrades that benefit all ratepayers should be borne by Xcel through regular rate recovery, not via discriminatory fees against a specific class of ratepayers. As a regulated monopoly utility, Xcel is assured a profit through approved electric rates in exchange for maintaining the grid. Charging the utility's solar customers an additional \$200 fee on top of existing application fees and their electric bill for the express purpose of grid maintenance undermines that principle, asking solar customers to pay twice for basic utility service.

There should also be some analysis on the age and reliability of the Xcel equipment in need of upgrades in order to allow for additional DERs. Solar installations that take advantage of SolarRewards are capped at 120% of an individual premises's load and often are non-exporting when paired with battery storage. The utility should be upgrading and building its grid with these parameters in mind as a baseline, and therefore should be able to accommodate increased DER participation without substantial improvements.

In addition, analysis should be done on where distribution grid constraints are highest, and who is disadvantaged by these constraints. Unlike developers of larger solar farms, home- and business-owners who wish to install rooftop solar are not able to choose their project location based on the capacity of the distribution grid. These assessments and their findings must be transparent in order to foster a more permanent, equitable, and fair proposal for grid upgrade fee structures.

III. Grid improvements benefit all ratepayers and should not be the sole responsibility of customers who have chosen to invest in solar.

The current cost sharing plan specifically penalizes ratepayers who have installed solar systems. Given that the benefits that distributed solar provides are shared with the utility, all grid users, and society at large, producers of distributed solar power should not be disproportionately responsible for the costs of any necessary grid improvements related to DER interconnection and participation.

Grid benefits of DERs such as rooftop solar include reducing the need for centralized power production at times of peak demand, reducing the need for investment in additional production capacity, and improved grid reliability and resilience. The current cost-causer methodology does not factor in the benefits that other grid users experience due to upgrades, even when those upgrades are made in order to accommodate a specific project. When an upgrade is completed, whether due to a local solar installation or for another purpose, both grid-connected individuals nearby and, in many cases, the grid as a whole reap the benefits of increased reliability and resiliency. DERs can also help electric utilities avoid costs associated with transmission and distribution investments as well as other grid support services.

In addition, DERs provide valuable benefits to society at large, including local job creation, local wealth generation, improved energy security and independence, improved public health and reduced pollution. Solar producers cannot be expected to bear costs alone when the benefits they provide are shared.

IV. The cost-sharing implementation plan and associated tariff proposed by Xcel could be an acceptable short-term solution, but needs improvement in order to reasonably address immediate needs.

For the reasons described above, the cost-sharing plan and associated tariff developed in 2021 is far from a perfect solution. However, given the severity and urgency of the interconnection crisis at hand, it could be an acceptable short-term solution. To be an effective means of addressing immediate needs, Xcel's proposed implementation plan needs to be improved as follows:

Deficit spending should be enabled and expected.

Given the immediacy of the need for grid improvements in order to allow for the continued expansion of distributed solar in Minnesota, it will be critical for the Cost Sharing Fund to take effect right away. Under Xcel's current proposal, no funds would be available for use until the pool has grown sufficiently to cover any interconnection expenses up-front, stating that "[Xcel] would be unable to pay for Upgrade costs through the Cost Sharing Fund if no funds are available." This framework is unacceptable, as ratepayers and installers may have to wait for a year or more before the Cost Sharing Fund would grow to a useful size before any benefits could be realized. Under this framework, the availability of funds would also be vulnerable to sizable fluctuations so that ratepayers and installers would need to time project applications to fall within windows of high availability in order to maximize their chances of success.

Instead, Xcel should begin operating the Cost Sharing Fund immediately, spending at a deficit initially and when necessary in order to keep proposed projects moving through the interconnection queue in a timely manner. This change would ensure that the benefits of the Cost Sharing Fund are felt immediately and consistently. Xcel should be capable of and expected to manage a temporary deficit, which it will be able to make up over time as ratepayers contribute to the Fund, as additional DERs deliver shared benefits to the grid, as grid modernization needs are met and taper over time, and as Xcel's ratepayers continue to finance grid maintenance through regular electric rates long-term.

Low-income ratepayers should be exempt from the \$200 fee.

In addition, an exception to the \$200 fee for the interconnection of distributed energy resources (DERs) of 40 kilowatts (kW) or less should be made for low income applicants, who should not pay into the Cost Sharing Fund but should still have access to its resources. Specifically, homeowners qualifying for energy assistance and those who are receiving Xcel income-qualified Solar Rewards should not pay into the Cost Sharing Fund, given the outsized burden

that an additional \$200 fee would place on these ratepayers who are most in need of affordable access to solar power.

This framework should be a time-limited, short-term solution only.

While the Cost Sharing Fund, if amended as previously recommended, would allow for an acceptable means of addressing the interconnection crisis in Xcel's territory in the immediate term, it is not a reasonable permanent solution. Long-term, Xcel should be required to accept grid upgrade and maintenance costs as one of its core responsibilities as a monopoly utility.

Therefore, Xcel's cost sharing implementation plan should only be approved with a clear expiration date. After that initial period, the Commission could reasonably require that Xcel pick up the tab in full for future grid studies and upgrades associated with additional DER participation. Alternatively, the Commission might set a date after which the current framework must be re-evaluated and amended in order to gradually transition financial responsibility for grid maintenance back to Xcel.

Additional transparency is needed.

Finally, additional transparency and oversight and oversight by the Commission of this Cost Sharing Fund will be necessary for the protection of ratepayers. One area of concern that SUN, VS, ILSR, and the City of Minneapolis have already identified is how Xcel plans to account for grid investments paid for by the Cost Sharing Fund and therefore by ratepayers separately from any investments paid for by Xcel. Separate accounting will be necessary in order to ensure that Xcel is not earning a profit (i.e. return on investment, or ROI) on any expenses covered by the Fund, since it should only earn an ROI off of improvements to the grid that are paid for by the utility. Additional information on this subject from Xcel is needed. There may be additional areas of concern to ratepayers such as this one that arise over time, and transparency and consumer protection should be priorities as the Commission reviews Xcel's proposed implementation plan.

Solar United Neighbors, Vote Solar, The Institute for Local Self-Reliance, and the City of Minneapolis appreciate the Commission's consideration of these concerns, and we look forward to a final Cost Sharing Plan that addresses the immediate need for grid improvements in order to enable continued growth of distributed solar in Minnesota.

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