

## Staff Briefing Papers

Meeting Date November 3, 2022

Agenda Item 3\*\*

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Company Xcel Energy (Xcel or the Company)

Docket No. **E-002/M-18-714**

**In the Matter of Northern State Power d/b/a Xcel Energy's Cost Sharing Implementation Plan and Tariff on Interconnection Standards for Distributed Generation**

Issues 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?

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### Relevant Documents

### Date

Fresh Energy - Comments--Att 2 - Fresh Energy, All Energy, TruNorth Cost Share Proposal from Docket No. 16-521	August 25, 2022
Xcel – Compliance Filing – Cost Sharing Implementation Plan and Tariff	May 27, 2022
PUC – Notice of Comment Period	June 3, 2022
Solar United Neighbors – Initial Comments	June 21, 2022
R. Gauger – Public Comment	June 22, 2022
Fresh Energy – Initial Comments	July 21, 2022
MnSEIA – Initial Comments	July 21, 2022

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



**Relevant Documents**

**Date**

**The Department of Commerce – Initial Comments**

July 21, 2022

**All Energy Solar – Initial Comments**

July 21, 2022

**Fresh Energy – Reply Comments**

August 1, 2022

**The Department of Commerce – Reply Comments**

August 1, 2022

**Xcel Energy – Reply Comments**

August 1, 2022

## BACKGROUND

The Commission's March 31, 2022 Order approved the cost-sharing proposal for Xcel Energy (Xcel) customers with less than 40 kW distributed energy resources (DER) created by Fresh Energy, Interstate Renewable Energy Council (IREC), and TruNorth Solar and required Xcel to file a plan to implement the proposal within 60 days of the Order.<sup>1</sup> Additionally, the Commission requires Xcel Energy to provide a detailed report of the costs incurred and technical rationale for each upgrade should Xcel Energy seek cost recovery for distribution upgrades."<sup>2</sup>

On May 27, 2022, Xcel filed a compliance filing that included the implementation plan for the cost-share proposal including proposed tariff language.

On June 3, 2022, the PUC filed a Notice of Comment Period.

On June 21, 2022, Solar United Neighborhoods, the City of Minneapolis, Institute for Local Self Reliance (ILSR), and Vote Solar (the Joint Commenters) filed initial Comment.

On June 22, 2022, R. Gauger filed a public comment.

On July 21, 2022, the Department of Commerce (Department), Fresh Energy, All Energy Solar, and Minnesota Solar Energy Industry Association (MnSEIA) all filed initial comments.

On August 1, 2022, Xcel, the Department, and Fresh Energy all filed reply comments.

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<sup>1</sup> ORDER MODIFYING PRACTICES AND SETTING REPORTING REQUIREMENTS (March 31, 2022), Docket No. E999/CI-16-521, at Order Point 10.

<sup>2</sup> Id. at Order Point 12

## DISCUSSION

### Petition

In the March 31, 2022 Commission Order, the Commission ordered Xcel to implement the cost-share proposal for small DER (under 40kW) as created by Fresh Energy, IREC, and TruNorth with a plan for implementation filed within 60 days of the Order.

The sentiment for some kind of cost-sharing program for these projects had broad appeal and support among nearly all of the participating parties. The general intent of the cost-sharing plan is for small DER customers trying to interconnect to not be burdened with paying the full cost of a needed distribution upgrade that may be upwards of \$15,000. Instead, these customers can use a Cost Sharing Fund to pay for those upgrades. The Cost Sharing Fund would be funded by a fee that all customers applying to interconnect small DERs would pay.

Xcel worked with Fresh Energy and TruNorth on the implementation plan and filed tariff modifications found in Attachment A of the Company's initial filing as well as this briefing paper.<sup>3</sup> A condensed form of the proposed program specifics are as follows:

<b>Applicability</b>	For applications 40kW AC or less that have been Deemed Complete
<b>Fee</b>	Mandatory and nonrefundable \$200 fee as a prerequisite to be Deemed Complete
<b>Eligible Expenses for cost sharing funds</b>	<ul style="list-style-type: none"><li>• Supplemental Review Fees</li><li>• Network Upgrade and Distribution Upgrade Costs</li><li>• Area EPS Operator's (i.e. Xcel) Interconnection Facilities costs (excluding metering costs)</li></ul>
<b>Ineligible Expenses</b>	<ul style="list-style-type: none"><li>• System Impact Study costs</li><li>• Facilities Study Costs</li><li>• Phase II and MISO review costs</li></ul>
<b>Project Fund Cap</b>	\$15,000 per project
<b>Project Fund Order</b>	Eligible projects are given funds on a first come, first serve basis
<b>Cost Share Fund Details</b>	<ul style="list-style-type: none"><li>• Zero seed money from Xcel or third party – to be funded solely from the Cost Sharing Fee</li><li>• Fund is to never be negative (no deficit spending)</li><li>• In case of inadequate funds, project may be withdrawn or customer may pay for the required upgrades</li></ul>

While there was broad support for this general framework there were a few areas of disagreement. There were four general areas of contention including: 1) the Cost Sharing Fee

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<sup>3</sup> P. 5, Xcel Compliance Filing, 5/27/2022

itself, 2) initial funding, 3) eligible costs, and 4) the transparency and reporting requirements for the program. There were also several requests for clarifications and generalized disputes.<sup>4</sup>

### **The Cost Sharing Fee**

Xcel used a formula based on their 2021 interconnection data to calculate what the Cost Sharing Fee should be, at least for the first year of the program. In 2021, Xcel had just under 2,000 under 40kW projects apply for interconnection. Of those, roughly 350 projects needed supplemental review and/or upgrades. Using those numbers, Xcel was able to calculate the dollar fee per application that would be required to fund all of those projects using this formula and data:<sup>5</sup>

**Formula 1:** (Upgrade Costs Assessed + Supplemental Fees)/Number of Applications

**Table 1: 2021 Data and Fee Analysis (Projects < 40kW AC)**

	# of Applications	Upgrade Costs Assessed	Average Project Cost
<b>Deemed Complete</b>	1,960	N/A	N/A
<b>Supplemental Review</b>	272	\$54,400	\$200
<b>Distribution Upgrades</b>	63	\$249,543	\$3,960

Using these data and this formula, Xcel found a fee of \$155 per application Deemed Complete would be adequate to pay for the upgrades and supplemental reviews necessary. However, Xcel suggests that rounding up the fee to \$200 in the first year may be appropriate to account for inflationary pressures and supply chain issues felt in 2022 as well as to account for a potential increase in demand as projects that were confronted with a large upgrade cost before the fund was in place may want to reapply to take advantage of the cost sharing program.<sup>6</sup> Xcel suggests that the fee amount be reviewed periodically or annually.

None of the parties disagreed with Xcel's formula or the proposed initial fee of \$200. All Energy Solar (AES) did recommend the "redline tariff should not include the cost share dollar amount as it is likely to change annually and until approved could cause interconnection queue delays" and to instead have Xcel propose a new fee in the annual reporting with a 30-day negative check-off period (Decision Option 16).<sup>7</sup> Xcel responded to this recommendation saying that it thought it best to include the fee number in the tariff as the practice aligned with several statutes, including Minn. Stat. §216B.05. Xcel states that if "there is a need to change ... the

<sup>4</sup> P. 2, Xcel, Reply, 8/01/2022

<sup>5</sup> P. 7, Xcel Compliance Filing, 5/27/2022

<sup>6</sup> P. 7, Xcel Compliance Filing, 5/27/2022

<sup>7</sup> P. 2, All Energy Solar, Initial, 7/21/2022

tariffed Cost Sharing Fee, our proposal here is to use the 30-day negative check-off procedure” (Decision Option 1.c)<sup>8</sup>

#### *Cost Sharing Fee Exemption for Low-Income*

The Joint Commenters recommend that the Commission not require “homeowners qualifying for energy assistance and those who are receiving Xcel income-qualified Solar Rewards [to] pay into the Cost Sharing Fund” while still being eligible to receive funding for any necessary upgrades (Decision Option 2).<sup>9</sup> The Joint Commenters state that these ratepayers are the “most in need of affordable access to solar power” and that this fee would be an outsized burden.

The Department also supports this exemption stating that “to the extent that low-income homeowners pursue solar projects, the Department finds value in limiting the financial burden placed on those customers provided that these customers do not represent a significant percentage of total projects under 40 kW entering the interconnection queue and contributing to the fund.”<sup>10</sup> The Department further recommends that the Commission require Xcel to report the number customers under this exemption in its program compliance filings (Decision Option 11.e).

In response, Xcel restates that the Company believes that “those benefiting from the Cost Sharing Fee should pay into the fund itself” and warns that this exemption may, overtime, lead to a higher cost sharing fee.<sup>11</sup> However, if the Commission does allow this exemption, the Company says that it may need extra time to implement the program in order to align IT resources and identify eligible customers.

#### *Cost Sharing Fee Refund*

MnSEIA, AES, and Fresh Energy support the Cost Sharing Fee being refundable for incomplete applications (Decision Option 3).<sup>12</sup> MnSEIA and AES state that the proposed non-refundability is inconsistent with Xcel’s refund policy on interconnection application fees and that currently, Xcel customers may receive a refund up until the application is Deemed Complete. MnSEIA stresses that applicants will be paying into a fund with “no guarantee that funds will offset costs”, especially at the onset of the program when the fund may not be large enough yet.<sup>13</sup>

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<sup>8</sup> P. 12, Xcel, Reply, 8/01/2022

<sup>9</sup> P. 5, SUN, VS, ILSR, the City, Initial, 6/21/21

<sup>10</sup> P. 4, The Department of Commerce, Reply, 8/01/22

<sup>11</sup> P. 4, Xcel, Reply, 8/01/2022

<sup>12</sup> P. 1, All Energy Solar, Initial, 7/21/2022; P. 4, MnSEIA, Initial, 7/21/22; P. 2, Fresh Energy, Reply, 8/01/2022

<sup>13</sup> P. 4, MnSEIA, Initial, 7/21/22

Fresh Energy posits that there are tradeoffs to having the ability to obtain a refund and that it would add an administrative burden and added complexity to Xcel due the fluctuating nature of the fund. Fresh Energy supports the option for a refund up until a project is Deemed Complete but would understand if the Commission decides against it and would support the Commission's ruling.<sup>14</sup> The Department also cautions that allowing for refunds could further limit the fund's ability to grow at a "level necessary to provide the intended value to solar customers facing significant interconnection costs."<sup>15</sup>

Xcel maintains that the fee should remain non-refundable. The Company posits that a refundable fee risks the Fund going negative which "would cause the Company to incur undue increased costs and increased administrative expense" and states that during the January 20<sup>th</sup> 2022 Agenda Meeting, the Commission said that Company funds would not be at risk under this proposal.<sup>16,17</sup> Additionally, Xcel counters MnSEIA and AES's claim by stating that their refund provision is what is inconsistent with Xcel's tariff, citing sheet 10-213 which notes that the \$100 for a simplified application fee is non-refundable and thus the Cost Sharing Fee should be as well. Xcel adds that holding fees in limbo would create unnecessary administrative complexity and expense and that "customers should not submit interconnection applications that are uncertain and not thoroughly vetted."<sup>18</sup>

### **Initial Funding and Waitlists**

Staff notes that the idea of initial funding source for this cost sharing proposal was not addressed in the Commission's March 31, 2022 Order; whereas, the Commission did deny Xcel's proposal to use Solar\*Rewards funding to offset customer's distribution upgrades. The lack of initial funding concerned some parties as some potential interconnection customers would be paying into the fund and would otherwise be eligible for the fund to pay for needed upgrades but would not receive those funds as the Cost Sharing Fund itself may not have sufficient funds available in the first few months of operation. Parties considered three different solutions to this concern: initial seed funding, deficit spending, and a delayed launch date.

### ***Seed Funding***

The question of seed funding for the Cost Sharing Fund was one of the greater sources of disagreement. As proposed, Xcel's plan starts with the Cost Sharing Fund at \$0, never run a

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<sup>14</sup> P. 3, Fresh Energy, Reply, 8/01/2022

<sup>15</sup> P. 3, The Department of Commerce, Reply, 8/01/22

<sup>16</sup> P. 2, Xcel, Reply, 8/01/2022

<sup>17</sup> Staff notes that Commissioners did not say this specifically but did confirm via questioning that this program would be funded by interconnection customers specifically as opposed to ratepayers generally.

<sup>18</sup> P. 3, Xcel, Reply, 8/01/2022

deficit, and only accumulates funds as the Cost Sharing Fees come in.<sup>19</sup> Funding would be awarded on a first-come, first-serve basis as long as there is sufficient funding available. Additionally, Xcel would not create a “waiting list” for eligible projects to wait until the Cost Sharing Fund accumulates enough funds for their project.

Fresh Energy notes that they did not contemplate seed funding in their proposal and the Department points out that the Commission also did not discuss seed funding.<sup>20</sup> Fresh Energy worries that getting an external source to seed the funding would be costly for Xcel in time and administration in trying to figure out how Xcel would pay that source back.

The Department is also reluctant to have Xcel seed the funding as it runs the risk of imposing a cost to non-participating ratepayers while not providing them with any benefits. The Department states that the current proposal protects non-participating ratepayers by having the fund be solely funded by small DER customers and cost-causing projects.<sup>21</sup> Additionally, the Department notes that by setting the Cost Sharing Fee at \$200 the fund should see an excess of funds relative to the amount of funding that eligible projects would require. Xcel agrees with the Department and Fresh Energy and oppose any proposed seed funding for the program.<sup>22</sup>

### *Deficit Spending*

All Energy Solar, MnSEIA, and the Joint Commenters propose an alternative solution to the seed funding issue – deficit spending (Decision Option 4).<sup>23</sup> MnSEIA submits that the Commission require Xcel to provide the initial funding for early projects prior to adequate funds being available in the Cost Sharing Fund in order to expedite the queue management process. MnSEIA adds that Xcel directly benefits from the upgrades, increasing solar capacity is a priority, and that not doing so would lead to Xcel sharing none of the costs while retaining customers’ money.<sup>24</sup>

The Joint Commenters’ suggest that the current proposal may lead to projects waiting over a year before funds become available.<sup>25</sup> Additionally, the fluctuation and availability of funds would lead to ratepayers and installers needing to time when they apply for interconnection. The Joint Commenters’ posit that if Xcel ran a deficit then the benefits of the Cost Sharing Fund would be felt immediately, and that Xcel would be able to make up the deficit over time. All Energy Solar echoes the point that Xcel can make this deficit up over time and temporarily

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<sup>19</sup> P. 9, Xcel Compliance Filing, 5/27/2022

<sup>20</sup> P. 2, The Department of Commerce, Initial, 7/21/22; P. 5, Fresh Energy, 7/21/22

<sup>21</sup> P. 2, The Department of Commerce, Initial, 7/21/22

<sup>22</sup> P. 5, Xcel, Reply, 8/01/2022

<sup>23</sup> P. 3, MnSEIA, Initial, 7/21/22; P. 2, All Energy Solar, Initial, 7/21/2022; P. 5, SUN, VS, ILSR, the City, Initial, 6/21/22

<sup>24</sup> P. 3, MnSEIA, Initial, 7/21/22

<sup>25</sup> P. 5, SUN, VS, ILSR, the City, Initial, 6/21/22



cover costs like the Company proposes doing in Docket 22-170 (the Resiliency Service Program).<sup>26</sup> Staff notes that in the proposed resiliency service program, like many programs where the utility covers costs upfront that the customer pays back, the utility would earn a rate of return or similar cost of capital on the upfront investment.

Xcel rejects these calls for deficit spending stating that this option is just another seed-funding alternative. Xcel adds that they had originally offered to cover this with their cost-share plan but were rejected “due to concern that all Xcel Energy customers would have been contributing to fund small DER interconnection upgrades”<sup>27</sup> [Staff notes that Xcel’s original proposal would have Xcel fund these upgrades using Solar\*Rewards funds]. The Department also disagrees with the idea of deficit spending, echoing their previous concern of not wanting non-participating ratepayers to potential fund participating ratepayer.<sup>28</sup>

#### *Program Launch Date*

Fresh Energy proposes an alternative solution to seed funding and deficit spending – delaying the launch date of the cost sharing program to January 2023 (Decision Option 5).<sup>29</sup> Fresh Energy posits that starting the program in January coincides with a “new cycle of Xcel’s Solar\*Rewards incentives in January 2023”, which would allow for a “high number of expected applications that would all be contributing to the cost share fund right away.”<sup>30</sup> Fresh Energy notes that the tradeoff here is that projects for the remainder of 2022 would not be able to use the cost share funds but that they think this is ultimately a more efficient route and eliminates the need for seed funding. The Department and MnSEIA also support this proposal.<sup>31</sup>

Xcel also supports a January 2<sup>nd</sup> launch date for the program if the Cost Sharing structure is closely aligned with their original proposal.<sup>32</sup> However, if the proposal changes significantly Xcel says an alternative timeline would be necessary.

#### *Waitlist*

In the case where the Cost Sharing Fund reaches a value that is insufficient to fund a distribution upgrade and there is no deficit spending, several parties support the creation of a waitlist for projects to be allowed to wait for funding in order to pay for a required distribution upgrade (Decision Option 6). MnSEIA states that currently, there is no guarantee that an

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<sup>26</sup> P. 2, All Energy Solar, Initial, 7/21/2022

<sup>27</sup> P. 5, Xcel, Reply, 8/01/2022

<sup>28</sup> P. 3, The Department of Commerce, Reply, 8/01/22

<sup>29</sup> P. 5, Fresh Energy, 7/21/22

<sup>30</sup> P. 5, Fresh Energy, 7/21/22

<sup>31</sup> P. 3, The Department of Commerce, Reply, 8/01/22; P. 4, MnSEIA, Initial, 7/21/22

<sup>32</sup> P. 10, Xcel, Reply, 8/01/2022

applicant that pays the cost sharing fee will be able to access the fund that the fee is contributing toward. With a waitlist in place, the “applicants at the front of the queue could maintain their priority while waiting for funds to be dispersed.”<sup>33</sup> All Energy Solar, the Department, and Fresh Energy all support the formation of a waitlist.<sup>34</sup>

Xcel does not support a waitlist and states that it “believes this proposal goes against the Commission’s clear guidance to remove on hold practices” and that “allowing projects to be put on a waitlist within MN DIP would essentially create an on-hold process that could potentially cause prolonged delays for other projects behind in queue.”<sup>35</sup> Xcel notes that while it has a waitlist for Solar\*Rewards (S\*R), the “waitlist is utilized as part of the process to allocate a set amount of incentive funding available annually for the program.” Additionally, the S\*R waitlist is cancelled every December 31<sup>st</sup> and is only there in the case of projects dropping out earlier in the year. Further, the applications on the S\*R waitlist have not been moved into the MN DIP whereas projects that would be eligible for funding from the Cost Sharing Fund “have advanced well into the MN DIP process” already. The fact that these projects are already well into the interconnection process is what Xcel states will cause delays in other projects and the overall interconnection queue.

### **Eligible Costs**

#### *Miscellaneous Costs*

Under the proposal, Xcel includes costs such as “tree trimming, traffic control, restoration, winter construction, etc.”<sup>36</sup> MnSEIA disagrees with the “overly-inclusive and broad uses for the fund listed by the Company” which includes the aforementioned items.<sup>37</sup> MnSEIA states that those costs are out of the scope of the intent of the fund and are instead general costs that are a part of a utility’s requisite grid management and safety costs. MnSEIA requests the Commission limit these program costs stating that the purpose of the “new fund is to support interconnecting solar projects, not a slush fund to aid the company in services it should already be provided to its customers” (Decision Option 7).

Xcel responds saying that these costs and activities are associated with the interconnection of DER and that they are defined as “Interconnection Costs” according to Minn. R. 7835.0100,

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<sup>33</sup> P. 4, MnSEIA, Initial, 7/21/22

<sup>34</sup> P. 5, Fresh Energy, Initial 7/21/22; P. 4, MnSEIA, Initial, 7/21/22; P. 3, The Department of Commerce, Reply, 8/01/22; P. 2, All Energy Solar, Initial, 7/21/2022

<sup>35</sup> P. 4, Xcel, Reply, 8/01/2022. Staff notes that the Commission’s March 31, 2022 Order required Xcel to phase out the on hold practice for non-capacity constrained areas, but in areas where capacity constraints, and possibly higher associated upgrade costs, projects are anticipated to continue to experience delays.

<sup>36</sup> P. 8, Xcel Compliance Filing, 5/27/2022

<sup>37</sup> P. 5, MnSEIA, Initial, 7/21/22

Subp. 12.<sup>38</sup> Xcel adds that these costs and activities would not be conducted if not for these interconnection projects and would ultimately lead to the interconnection customers paying more out of pocket if the Cost Sharing Fund would not pay for these costs.

The Department says it generally has concerns about including these types of costs as they are typically included as actions included in base rates. However, in this case, the Department sees these as incremental costs originating from this cost sharing program. Thus, the Department recommends that the Commission require Xcel to include in its annual compliance filings all costs related to tree trimming, traffic control, restoration, winter construction and any other work done as general upgrade costs (Decision Option 11.f).<sup>39</sup>

AES also posits that the interconnecting customer or applicant should have the right to request when the construction of facilities takes place such as waiting until the winter season is over to avoid additional costs.<sup>40</sup> Xcel responds that customers already have the right to choose when construction commences.<sup>41</sup>

#### *Supplemental Review Fee and Facilities Study Costs*

All Energy Solar requests that Supplemental Review fee not be charged to the customer if they have already paid the Cost Sharing Fee should the cost-share account balance not have sufficient funding to cover this cost (Decision Option 8).<sup>42</sup> Xcel reemphasizes that it will not practice deficit spending and that it would be an “administrative nightmare to try to track each individual Cost Sharing Fee paid and not accrue that fee to be deposited in the Cost Sharing Fund until we know for each project that there will be no supplemental review fee, as that would be the only way of making sure that there would be sufficient funds available for the supplemental review fee.”<sup>43</sup>

All Energy Solar understands Facilities Study costs are not included in this program because Xcel doesn’t charge behind-the-meter interconnection customers any fee to complete the Facilities Study.<sup>44</sup> AES requests “Xcel to provide details on scenarios in which they would charge a fee to complete the Facilities Study” and to have Xcel “provide notification to the Commission in this docket prior to implementation of this fee in any scenario and give reasoning as to why.”<sup>45</sup>

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<sup>38</sup> P. 9, Xcel, Reply, 8/01/2022

<sup>39</sup> P. 4, The Department of Commerce, Reply, 8/01/22

<sup>40</sup> P. 2, All Energy Solar, Initial, 7/21/2022

<sup>41</sup> P. 12, Xcel, Reply, 8/01/2022

<sup>42</sup> P. 2, All Energy Solar, Initial, 7/21/2022

<sup>43</sup> P. 6, Xcel, Reply, 8/01/2022

<sup>44</sup> Staff note: MN DIP 2.2.3 and 3.2 address Facilities Studies which allows Simplified/Small DER projects to forego a Facilities Study; however, behind-the-meter interconnection applications may require, and be charged for, a Facilities Study if it is necessary to interconnect the project.

<sup>45</sup> P. 2, All Energy Solar, Initial, 7/21/2022

Xcel says they can't provide all possible scenarios but describes that if a Phase II study is performed to replace a substation transformer or to put in a new feeder then the project would be charged a Facilities Study fee. The Company notes that this scenario is possible but rare.<sup>46</sup>

### **Cost Transparency and Reporting**

Xcel states that there was initial understanding with Fresh Energy and other stakeholders that Order Point No. 12 of the March 31, 2022 Order is not applicable.<sup>47</sup> Order Point No. 12:

Xcel Energy must provide a detailed report of the costs incurred and technical rationale for each upgrade should Xcel Energy seek cost recovery for distribution upgrades.

Xcel claims this because the Commission denied the Company's proposal to pay for upgrade costs for Solar\*Rewards projects and instead took up the cost sharing proposal. The Company states that they will not be seeking cost recovery under the cost sharing proposal therefore this Order Point is not applicable.

However, Xcel states it sees benefit in providing additional detail and offers to report the following information in its quarterly reporting on the MN DIP process:<sup>48</sup> (Decision Option 10).

- 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).

### ***Order Point 12 and Additional Reporting Requirements***

Several parties disagreed with Xcel's reading of Order Point 12. Fresh Energy posits that while Xcel is no longer seeking cost recovery, they "think it is still important for the Company to report on the costs and technical rationale for the distribution upgrades that are funded

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<sup>46</sup> P. 12, Xcel, Reply, 8/01/2022

<sup>47</sup> P. 9, Xcel Compliance Filing, 5/27/2022

<sup>48</sup> P. 10, Xcel Compliance Filing, 5/27/2022

through the new cost share fund.”<sup>49</sup> Fresh Energy adds that Solar\*Rewards continues to grow in demand each year which will lead to more required distribution upgrades so it is important for Xcel to be as transparent as practicable, especially in the first year. Fresh Energy states that this type of transparency and reporting is likely useful for developers, customers, and other stakeholders in understanding.

Fresh Energy also points out that in their original proposal, which the Commission ordered Xcel to replicate, included the following transparency/reporting provisions:<sup>50</sup>

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

Fresh Energy agrees with Xcel’s proposed reporting requirements and recommends the Commission direct Xcel to follow their original requested metrics bulleted above and file on a quarterly basis for year 2023 (Decision Options 11.h and 14-16).<sup>51</sup> Fresh Energy states that these requirements will provide greater detail and transparency into what types of upgrades, equipment, and labor costs are associated with these upgrades.

All Energy Solar also believes that Order Point 12 should be followed believing that the Commission meant for it to be included for either cost sharing proposal and that it is important for customers and stakeholders to see money being properly allocated.<sup>52</sup>

AES proposes that “any tree trimming, traffic control, restoration, winter construction, etc. that may be necessary as part of the upgrades should be presented in an itemized breakdown of the facility upgrade costs.”<sup>53</sup> In addition to Xcel’s proposed reporting requirements, AES recommends the following be included as well: (Decision Options 11.a-d and 11.g)<sup>54</sup>

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<sup>49</sup> P. 3, Fresh Energy, 7/21/22

<sup>50</sup> P. 3-4, Fresh Energy, 7/21/22

<sup>51</sup> P. 6, Fresh Energy, 7/21/22

<sup>52</sup> P. 2, All Energy Solar, Initial, 7/21/2022

<sup>53</sup> P. 2, All Energy Solar, Initial, 7/21/2022

<sup>54</sup> P. 2, All Energy Solar, Initial, 7/21/2022

- Type of upgrade(s) required
- Proposed fee change and why, including accounting
- Program performance
- Impact of the cost-share program on timely completion of process steps
- An itemized breakdown of the facility upgrade costs including any tree trimming, traffic control, restoration, winter construction, etc. that may be necessary as part of the upgrades

Fresh Energy also supports AES's proposal.<sup>55</sup> The Department supports the Commission requiring Xcel to include in its annual compliance filings all costs related to tree trimming, traffic control, restoration, winter construction and any other work done as general upgrade costs.<sup>56</sup>

The Department recommends that Xcel provide the following information for the first year of operation of the cost sharing fund: (Decision Options 10 and 11)<sup>57</sup>

- The number of interconnection applications less than 40 kW deemed complete;
- The total amount of fees received;
- The number of projects with interconnection costs paid by the fund, and the interconnection costs from those projects;
- The number of projects for which funds were not available, either in whole or in part, the amount of the fund shortfall, and whether the customer chose to withdraw the project or pay the shortfall amount;
- The number of projects reaching the cost cap of \$15,000; and,
- An evaluation of whether an adjustment to the \$200 cost sharing fund fee is warranted.
- Total number of low-income customers exempted from the fund fee (if adopted);
- Total costs associated with tree trimming, traffic control, restoration, winter construction, and any other work done as general upgrade costs; and,

Xcel and Fresh Energy support all but the last two bullets of Department's reporting requirements.<sup>58</sup> Staff notes the last two bullets were added in reply comments so were not addressed.

MnSEIA also believes Xcel should follow Order Point 12 and provides general support for transparency measures and reporting.<sup>59</sup> MnSEIA stresses that transparency is crucial for the

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<sup>55</sup> P. 1, Fresh Energy, Reply, 8/01/2022

<sup>56</sup> P. 4, The Department of Commerce, Reply, 8/01/22

<sup>57</sup> P. 5, The Department of Commerce, Reply, 8/01/22

<sup>58</sup> P. 1, Fresh Energy, Reply, 8/01/2022; P. 11, Xcel, Reply, 8/01/2022

<sup>59</sup> P. 5, MnSEIA, Initial, 7/21/22

industry and will help developers and customers better understand their work and investments. MnSEIA also states that this reporting will provide oversight and may prevent Xcel from artificially inflating the price of distribution upgrades.

The Joint Commenters posit that “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” (Decision Option 15).<sup>60</sup> The Department agrees that “none of the costs covered by the Cost Sharing Fund should be included in Xcel’s rates or revenue requirements, which is consistent with the Department’s standard practices when tracking and reviewing utility accounting in rate case proceedings.”<sup>61</sup>

### *Xcel’s Response*

Xcel maintains that Order Point 12 was meant to be attached to their own cost sharing proposal, which was denied, and not attached to the current cost sharing proposal.<sup>62</sup> Regarding Fresh Energy’s statement that cost itemization and the procurement of cost guides being in their original cost sharing proposal, Xcel points out that the Commission did not accept those corresponding decision options (29 and 39).

29. Require Xcel to have the Facilities Study include itemized costs for distribution and network upgrades and interconnection facilities, as well as an indication if a smaller system size would avoid major upgrades. To be implemented within 60 days of the order. (Fresh Energy AES, IREC, Department, NES, Nokomis, MnSEIA, the City, ILSR)

39. Require all rate-regulated utilities to develop and publish on their websites a cost guide for typical DER upgrades within 30 days of this Order, update it as needed, and notify the Commission in this docket whenever the guide has been updated. (Fresh Energy, IREC, MnSEIA, the City, Nokomis, NES, AES, ILSR)

Regarding the detailed itemization requested by AES and Fresh Energy, Xcel claims that this would violate their contractual obligations and pricing between hired vendors which is non-public data and would ultimately harm the Company’s ability to maintain prices they have today.<sup>63</sup> Xcel also claims that their system and tools do not track itemization as many of the invoices they receive from vendors lump various activities together. Additionally, Xcel claims they already provide several details to interconnection customers, including technical rationale

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<sup>60</sup> P. 7, SUN, VS, ILSR, the City, Initial, 6/21/21

<sup>61</sup> P. 5, The Department of Commerce, Reply, 8/01/22

<sup>62</sup> P. 6-7, Xcel, Reply, 8/01/2022

<sup>63</sup> P. 7, Xcel, Reply, 8/01/2022

and costs for applications that require a supplemental review as well as a Scope of Work for small DER interconnections. Lastly, Xcel states that this unit-level detail is not in the public interest, would be administratively burdensome and likely lead to more disputes, siphoning resources that would be better spent elsewhere.<sup>64</sup>

Xcel says that Fresh Energy's request for cost guides have been addressed in Docket 16-521 before and that the cost guides would only be able to provide a generalized "range of costs that might be applicable to many types of projects and are likely to vary from actual estimates prepared."<sup>65</sup> In reference to Colorado's use of cost guides, Xcel responds that in the Colorado interconnection process indicative cost estimates are not provided in a System Impact Study (SIS) whereas in Minnesota the MN DIP requires more much specific indicative cost details. Lastly, Xcel claims that cost guides would likely lead to more disputes due to the inevitable differences between a generalized estimate vs actual study indicative cost estimates.

Xcel supports the Department's recommended additional reporting requirements and is willing to provide "additional qualitative details regarding the type of upgrades paid for by the Company as well as additional learnings and challenges presented by the Cost Sharing Fund itself."<sup>66</sup> Xcel also warns that any more additional reporting on upgrade costs outside of their current commitment could be an administrative burden. The Company adds that most of the eligible projects for Cost Sharing will also be receiving Solar\*Rewards and in the S\*R program, and that additional administrative costs could reduce funds available for the S\*R program.

### **Other Topics**

#### *Grid Maintenance and Upgrade Costs should be Xcel's Responsibility*

The Joint Commenters gave a position "that the Commission's long-term goal should be [establishing] that any costs associated with additional DER participation [be] borne by the monopoly utility as part of its duty to maintain the grid."<sup>67</sup> The Joint Commenters state that these upgrades "benefit all ratepayers [and] should be borne by Xcel through regular rate recovery, not via discriminatory fees against a specific class of ratepayers" and further that charging solar customers an additional fee for the express purpose of grid maintenance undermines their belief that Xcel has a duty to maintain its own grid.

The Joint Commenters proffer that an "analysis should be done on where distribution grid constraints are highest, and who is disadvantaged by these constraints" as business and homeowners cannot choose their project location based on the capacity of the distribution

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<sup>64</sup> P. 8, Xcel, Reply, 8/01/2022

<sup>65</sup> P. 9, Xcel, Reply, 8/01/2022

<sup>66</sup> P. 11, Xcel, Reply, 8/01/2022

<sup>67</sup> P. 4, SUN, VS, ILSR, the City, Initial, 6/21/21



grid. They continue, that these assessments and findings must be transparent in order to foster “a more permanent, equitable, and fair proposal for grid upgrade fee structures.”<sup>68</sup>

The Joint Commenters state that the current cost-causer methodology doesn’t account for the shared DER benefits such as reducing the need for centralized power, reducing the need to invest in capacity generation, improved grid reliability and resilience, as well as benefits to society at large such as local job creation and wealth generation, improved energy security and independence, and reduced pollution.<sup>69</sup>

To this point, the Joint Commenters find the Cost Sharing Fund program acceptable in the short term but do not believe it is a reasonable permanent solution. Instead, Joint Commenters claim Xcel should be required to accept grid upgrade and maintenance costs as one of its core responsibilities as a monopoly utility.<sup>70</sup> The Joint Commenters request the Commission adopt the cost sharing approach with a clear expiration date (Decision Option 1a). Alternatively, the Commission can set a date after which the current framework must be re-evaluated and amended to gradually transition financial responsibility for grid maintenance back to Xcel (Decision Option 1b).

Xcel responds to the Joint Commenters stating that this topic is “out of scope for the current round of comments and also violates the cost causer rules that are core to how DER projects are interconnected.”<sup>71</sup>

### *Long Term Solution*

While Xcel believes that the Cost Sharing Fund program can be a solution to continue the growth of small solar, it may not constitute a long-term solution in capacity constrained areas.<sup>72</sup> Xcel points to a comment made by R. Gauger about frustration with interconnecting onto a capacity constrained area.<sup>73</sup> Xcel states that despite the project only being 7.8kW in size, it is unlikely to pass the initial review screen and that the solution may be upgrading a substation or feeder that may cost millions of dollars.

Xcel continues that there have been over 20 Phase II System Impact Study notices to small DER interconnection applications that have anticipated upgrades costs greater than the \$15,000 cap of the Cost Sharing Fund. Xcel suggests that until there is a rule in place to reserve capacity for retail rooftop customers, like the proposal the Commission rejected at the January 20, 2022 Agenda Meeting, then this will continue to be an issue.

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<sup>68</sup> P. 4, SUN, VS, ILSR, the City, Initial, 6/21/21

<sup>69</sup> P. 5, SUN, VS, ILSR, the City, Initial, 6/21/21

<sup>70</sup> P. 6, SUN, VS, ILSR, the City, Initial, 6/21/21

<sup>71</sup> P. 13, Xcel, Reply, 8/01/2022

<sup>72</sup> P. 11, Xcel, Reply, 8/01/2022

<sup>73</sup> P. 1, Gauger, R, Initial, 6/22/22

### Staff Analysis

Staff would like to reiterate that this cost sharing proposal had broad support among parties during the January 20<sup>th</sup>, 2022 Agenda Meeting. It maintains that broad support in this docket. This item attempts to work through the various specifics and details of the proposal.

#### Cost Sharing Fee

There was no disagreement among parties regarding the formula used to calculate the Cost Sharing Fee nor the initial fee of \$200. Staff also supports the proposed formula. Xcel based the fee amount on the prior year's data, similar to the original cost sharing proposal. Additionally, Staff also supports rounding the first year's Fee to \$200 to account for any inflationary pressures as well as any initial demand surges from projects that previously withdrew due to hitting an upgrade requirement. There are concerns about the initial funding of the Cost Sharing Fund and rounding up the fee may help the fund achieve a more sustainable equilibrium sooner. Staff also agrees with Xcel that the Company should include the amount of the fee in the tariff (**Decision Option 16**).

The Department, All Energy Solar and Xcel recommend using a 30-day negative check off approval process for updating the fee amount annually based on the proposed formula. This is a common practice the Commission has used for minor or standard (formula-based) modifications to utility tariffs (**Decision Option 1.c**). Staff supports this decision option and approach over time; however, cautions that as a new program with several contested issues the Commission is likely to see objections or want to review the initial implementation more closely in the early years. Staff also recommends amending the tariff to acknowledge the fee is subject to change annually and clarify when the fee is set (**Decision Option 1.d.1**).

The Joint Commenters and the Department requested an exemption to the Cost Sharing Fee for homeowners that qualify for energy assistance and those that are receiving Xcel income-qualified Solar\*Rewards. Staff agrees with this recommendation noting the Department's point that there is value to reducing the cost burden for these customers and that it is unlikely these customers would represent a significant number of the under 40kW interconnection projects (**Decision Option 2**).

Staff agrees with Xcel that the Cost Sharing Fee should not be refundable (**Decision Option 3**). A refund adds risk that the fund may hit a negative value and also increases administrative complexity and expense. Staff understands the concerns for the situation where applicants pay the fee but are then confronted with insufficient funds in the Cost Sharing Fund, but Staff posits that the Cost Sharing Fee is just one of the costs of doing business and agrees with the Company that this uncertainty can be reduced with further vetting.<sup>74</sup> Staff also believes this

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<sup>74</sup> P. 3, Xcel, Reply, 8/01/2022

situation will be rare once the fund achieves equilibrium. In the case where there are insufficient funds, the applicant can choose to proceed at their own expense or withdraw and reapply when there are sufficient funds.

Staff also wonders if clarification is needed about how and when the fee is applied to an interconnection application (**Decision Option 1.d.2**). In 6.2 of the tariff redline, it states that the Cost Sharing Fee is a “prerequisite to an application being Deemed Complete” while 6.1 states the fee applies to an application “that has been Deemed Complete.” If the language in 6.1 is chosen, where the fee is applied once the application is Deemed Complete, then the refundability issues presented are potentially resolved.

#### Initial Funds and Waitlist

Staff notes that no parties ultimately supported initial seed funding from Xcel or a third party. However, All Energy Solar, MnSEIA, and the Joint Commenters did propose that Xcel practice deficit spending with the Cost Sharing Fund until the fund achieved equilibrium (**Decision Option 4**). They argue that doing so would mean the benefits of the program would be felt immediately and would negate the fluctuations and uncertainty of the availability of funds which helps customers and developers. However, Staff agrees with Xcel here in that this is just another method of seed funding, puts all ratepayers at risk of subsidizing this subset of customers, and that deficit spending should not be exercised. The Department also does not support the use of deficit spending, echoing these concerns. Staff notes that this is likely to be a short-term issue and that evaluating the fee on a periodic or annual basis is a long-term solution to the problem.

Fresh Energy proposed that the program launch in conjunction with the new cycle of the 2023 Solar\*Rewards program as a way to boost initial funding. The nature of the S\*R program leads to a frontloading of small DER interconnection applications at the beginning of the year and this solution poses to take advantage of that influx of applications and jump starting the Cost Sharing Fund. Staff, MnSEIA, the Department, and Xcel all agree to this recommendation (**Decision Option 5**).<sup>75</sup>

MnSEIA, Fresh Energy, All Energy Solar, and the Department support a waitlist to be in place for projects that are eligible for the Cost Sharing Fund but there are insufficient funds at that time (**Decision Option 6**). Xcel disagrees with this recommendation stating that it would essentially create another “on-hold” situation which goes against the Commission’s guidance to remove the practice. Xcel also notes that while Xcel does have a waitlist for Solar\*Rewards, the two situations are not comparable. Customers on the Solar\*Rewards waitlist have not yet even begun their interconnection application, whereas the customers that would be placed on this

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<sup>75</sup> Staff notes that Fresh Energy and the Department specifically recommended January 1<sup>st</sup>, 2023, however that is a Sunday so Staff assumes they also support January 2<sup>nd</sup>.

proposed waitlist would be well into the MN DIP process already and would lead to increased delays in other projects. Staff notes that the supportive parties did not indicate how the waitlist would work in practice or discuss and of the interconnection implications it may have.

Staff agrees with the Company here. The issue is that these applications would be quite far into the interconnection process and likely impact other projects if put on a waitlist. Staff also believes that this will likely be a short-term risk until the fund reaches equilibrium and that in the short term these customers can withdraw their applications and reapply when the Cost Sharing Fund is sufficiently funded.

### Eligible Costs

MnSEIA questioned Xcel's inclusion of costs like tree-trimming, traffic control, winter restoration, winter construction, etc. in the eligible costs of the proposal believing this out of scope (**Decision Option 7**). They argue that these are activities that Xcel should already be paying for via grid management. The Department says it is normally wary of these types of inclusions but views them as incremental costs derived from the program. Xcel also believes that these are activities that would not be done if not for these projects. The Company also posits that these costs are "Interconnection Costs" as defined by Minn. R. 7835.0100, Subp. 12.<sup>76</sup>

Subp. 12. Interconnection costs. "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions, and administrative costs incurred by the utility that are directly related to installing and maintaining the physical facilities necessary to permit interconnected operations with a qualifying facility. Costs are considered interconnection costs only to the extent that they exceed the corresponding costs which the utility would have incurred if it had not engaged in interconnected operations, but instead generated from its own facilities or purchased from other sources an equivalent amount of electric energy or capacity. Costs are considered interconnection costs only to the extent that they exceed the costs the utility would incur in selling electricity to the qualifying facility as a nongenerating customer.

Staff sides with the Department in this case. While these costs would normally be a part of normal grid management, the Department believes that these are activities borne from the interconnection request and would not otherwise be done. Staff supports the Department's recommendation of adding specific reporting to these types of costs (**Decision Option 11.f**). Staff points out that Xcel should not be getting a rate of return on these costs when they are delineated as resulting from projects paid for by interconnection customers or the Cost Sharing

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<sup>76</sup> P. 9, Xcel, Reply, 8/01/2022; <https://www.revisor.mn.gov/rules/7835.0100/#rule.7835.0100.12>

Program and so the Company does not appear to be making this distinction for financial gain. The Commission may wish to confirm this with the Company.

Staff further notes that the Commission has not spoken to the question of whether the aforementioned tree trimming and etc. costs are considered “interconnection costs” specifically. Xcel states that these are costs the interconnection customer is required to pay for according to MN DIP 5.6.

MN DIP 5.6.1 states:

The Interconnection Customer shall pay for the actual cost of the Interconnection Facilities and Distribution Upgrades as described and itemized pursuant to the Interconnection Agreement and its attachments. ... As indicated in the Interconnection Agreement, the Area EPS Operator shall provide a good faith cost estimate, including overheads, for the purchase and construction of the Interconnection Facilities, Distribution Upgrades, and Network Upgrades, and provide a detailed itemization of such costs.

All Energy Solar also recommended that applicants be able to choose when construction starts if they want to avoid winter construction costs. Xcel responded that they already provide this option. Staff notes that MN DIP 5.6.2 addresses this issue regarding the utility and customer agreeing upon milestones for design, construction, etc.

#### *Supplemental Review Fee*

All Energy Solar argues that if the Cost Sharing Fund has insufficient funding, projects that pay the Cost Sharing Fee should not be charged with the supplemental review fee (**Decision Option 8**). Xcel states that it would be an administrative nightmare to keep these cost sharing fees in limbo until the Company knows which projects will not require a supplemental review fee as that would be the only way for the Company to have sufficient funds available for the supplemental review fee. Staff agrees with the Company and cautions that MN DIP 3.4.3 requires payment for supplemental review costs. Staff notes that this point brings about a need for clarification – can projects be partially funded, or must the Cost Sharing Fund have adequate funding for all of the eligible costs related to the project? For example, if the Cost Sharing Fund has enough to cover the supplemental review fee but not the required upgrade, does that project receive funding for the supplemental review fee or no funding at all? Staff recommends Xcel clarify what the process will be (**Decision Option 1.d.3**).

#### Order Point 12

Xcel disagrees with Fresh Energy, All Energy Solar, and MnSEIA on whether Order Point 12 from the March 31<sup>st</sup>, 2022 Commission Order applies to this cost sharing program. Order Point 12 states:

Xcel Energy must provide a detailed report of the costs incurred and technical rationale for each upgrade should Xcel Energy seek cost recovery for distribution upgrades.

Xcel argues that since they are not “[seeking] cost recovery for distribution upgrades”, as this is cost *sharing* program, then Order Point 12 is not applicable. Staff agrees that the Order Point is not clear and recommends the Commission clarify whether or not the provision applies in this situation (**staff proposed Decision Option 9**). Staff thinks that the original sentiment of the Order was for these types of transparency measures to apply to either of the two cost sharing proposals presented, not just Xcel’s proposal of using Solar\*Rewards funding. Staff’s understanding is the intent of this order point is to provide transparency on what Xcel recovers from the cost sharing fund for eligible costs – whether this is a copy of the invoice or the itemization in an interconnection agreement for funds used, reporting by budget categories, or something else should be clarified by the Commission.

#### Cost Transparency and Reporting

There were many opinions regarding the level of detail and granularity that the reporting requirements should entail. For ease of understanding, Staff has split the reporting requirements into two decision options: 10 and 11, ranging from generalized program-level data to more granular project-level data. Note the decision options assume quarterly rather than annual reporting which staff sees as important at least in the initial years of implementation to inform program success.

Decision Option 10 includes requirements Xcel volunteered to report. These recommendations were supported by the Department, Fresh Energy, AES, MnSEIA. The Department also added some requirements in initial comments that Xcel agreed to. Staff supports these reporting requirements as well and offers them as the agreed upon reporting options (**Decision Option 10**). Staff is unsure if some of the requirements are meant to be program-level or project-level such as the Department’s recommendation of “the number of projects with interconnection costs paid by the fund, and the interconnection costs from those projects.” Staff recommends the Commission ask the parties for clarification.

Decision Option 11 a-f has requirements recommended by the Department, Fresh Energy, and AES that request Xcel to provide reporting on more program-level information, program and potential fee change evaluation, and data derived from proposed recommendations within this item such as Xcel accounting for costs associated with tree trimming, traffic control, restoration, winter construction, and any other work done as general upgrade costs. Staff finds

that these reporting requirements would be useful and believes that they would not pose a significant administrative burden on the Company (**Decision Option 11 a-f**).

Decision Option 11 g-h includes more granular data requirements as proposed by Fresh Energy and AES related to itemized breakdowns by equipment, types of labor; as well as, initial and final cost estimates. Staff is again unclear if this reporting is meant to be per project (application) or summarized by a more granular, itemized category (e.g. specific sizes of transformers or transformers compared to “equipment”).

Xcel responded to Decision Option 11 g-h recommendations stating that publicizing itemized costs would violate their contractual obligations with their hired vendors. Xcel also states that they do not currently track itemized costs since many of the invoices they receive only include groups of activities and that unit-level detail would likely lead to more disputes. Staff notes that Commission was presented with a decision option that required Xcel to report itemized costs for distribution and network upgrades and interconnection facilities in the January 20<sup>th</sup>, 2022 Agenda Meeting and the Commission did not accept this Decision Option. Staff remains supportive of the Commission’s prior decision.

In the Company’s reply comments they mention that additional administrative costs for reporting requirements could be used from the Solar\*Rewards program. Staff is unclear whether Xcel plans to bill administrative time for the cost sharing fund to S\*R and notes that the Department reviews and approves Xcel's S\*R program and associated costs.

Overall, with the reporting recommendations, it would be helpful for Xcel and the parties to discuss what has been proposed and agree on how to interpret what would be reported with the various proposals offered in decision options 10 and 11 to assist the Commission in determining the most useful, streamlined reporting.

## **Other Topics**

Fresh Energy requests that Xcel provide cost guides for projects under 40kW as well a recommendation that Xcel let applicants know what project size would allow for project interconnection without construction of distribution facilities should the original application fails screens (**Decision Options 12 and 13**). Staff notes that the Commission did not accept these recommendations in the January 20<sup>th</sup>, 2022 Agenda Meeting and staff remains supportive of the Commission prior decision.

Fresh Energy also requested that Xcel record initial and final cost estimates prepared for each customer in Salesforce for ease of reporting (**Decision Option 14**). Xcel did not respond to this request. Staff recommends the Commission ask if this is something the Company can do.

AES and the Department requested that the Commission ensure that Xcel not include any of the costs covered by the Cost Sharing Fund in its rates or revenue requirement. Staff agrees (**Decision Option 15**).

The Joint Commenters view the Cost Sharing Program as a short term solution that they can accept. However, the position of the Joint Commenters is that these types of upgrades fall under Xcel's general grid maintenance duties and that it should not be upon this subset of customers to pay for these distribution upgrades since DERs provide unaccounted for benefits that the utility enjoys. The Joint Commenters recommend the Commission apply a sunset date to the program or a date at which an evaluation for when the program will gradually transition financial responsibility for to Xcel (**Decision Options 1.a and 1.b**).

Staff agrees with Xcel that the issues brought up by the Joint Commenters are out of scope of this docket. However, Xcel also brings up that there are a few areas where small DER projects are confronted with Phase II System Impact Studies where the Cost Sharing Program would not be able to pay for the required upgrades.

Staff wonders if Xcel can be more proactive in other dockets by more prominently accounting for and forecasting DERs in their grid modification plans as they have with electric vehicles. Xcel's Integrated Distributed Plan could be another place to address and account for these capacity constrained areas. Doing so could help overcome the capacity constrained hurdles. Staff also questions if Xcel's implementation of the Technical Planning Limit, which parameterized distribution capacity to 80% of the equipment capacity plus daytime minimum load, has caused an increase of small DER (under 40kW) projects triggering a need for Phase II System Impact Studies.



## DECISION OPTIONS

### Approval of Program Proposal

1. Approve Xcel's Cost Sharing Fund program and the request to amend tariff sheet 10-204.01 as listed in Attachment A to staff briefing papers [as modified below]. (*Xcel, the Department, Fresh Energy, AES, MnSEIA, the Joint Commenters, Staff*)

[AND]

- a) Authorize the Executive Secretary to set a date for the expiration of the Cost Sharing Program. (*The Joint Commenters*)

[OR]

- b) Authorize the Executive Secretary to set a date after which the current framework must be re-evaluated and amended to gradually transition financial responsibility for grid maintenance back to Xcel. (*The Joint Commenters*)

- c) Allow for annual updates to the Cost Sharing Fund fee amount using the Commission's standard 30-day negative check off process. If an objection is filed, the fee will not change until a Commission decision has been made. (*Xcel, the Department, Staff*)

- d) Modify the tariff to address the following: (*Staff recommendation*)

- 1) Add language at 6.2 Fee Applicable to Applications to clarify that the fee is subject to change annually and when the cost sharing fee is set.
- 2) Address the discrepancy between the fee being "a prerequisite to an application being Deemed Complete" in 6.2; whereas, the fee applies to an application "that has been Deemed Complete" in 6.1.
- 3) Clarify if the Cost Sharing Fund will allow for partial funding of projects (i.e., if fund is low, will it pay for a supplemental review fee but not the upgrade).
- 4) The Cost Sharing Program is not a MN DIP section.

### Cost Sharing Fee Logistics

2. Require Xcel to exempt homeowners qualifying for energy assistance and those who are receiving Xcel income-qualified Solar Rewards from having to pay the Cost Sharing Fee. (*Joint Commenters, the Department, Staff*)
3. Require Xcel to allow for the customer to receive a refund if they cancel or withdraw their application before the project is Deemed Complete. (*Fresh Energy, All Energy Solar, MnSEIA*)

### **Cost Sharing Fund Logistics**

4. Require Xcel to sufficiently fund the Cost Sharing Fund until the fund is self-sustaining. (*All Energy Solar, MnSEIA, the Joint Commenter*)
5. Require Xcel to begin the Cost Sharing Program on January 2nd, 2023. (*Xcel, Fresh Energy, the Department, MnSEIA, Xcel, Staff*)
6. Require Xcel to create a waitlist for projects that require a distribution upgrade but the Cost Sharing Fund has insufficient funding. (*Fresh Energy, All Energy Solar, the Department, MnSEIA*)

### **Eligible Costs**

7. Require Xcel to remove costs such as “tree trimming, traffic control, restoration, winter construction, etc.” from being eligible for the funding from the Cost Sharing Fund. (*MnSEIA*)
8. Require Xcel to modify the tariff to include language that if an applicant pays the Cost Sharing Fee then that applicant does not have to pay the Supplemental Review Fee. (*All Energy Solar*)

### **Increased Required Reporting**

9. Require Xcel to provide a detailed report of the costs incurred and technical rationale for each upgrade made under the proposed Cost Sharing Program. (*Staff proposed Decision Option*)
10. Require Xcel to report the following on a quarterly basis in the Company’s MN DIP progress reports (Docket No. 16-521) starting in 1<sup>st</sup> quarter 2023. Where applicable, Xcel Energy shall include data in spreadsheet (.xlsx) format. The Commission delegates authority to the Executive Secretary to establish final reporting format and to clean up any inconsistencies between various existing reporting requirements in individual dockets:  
(*Staff*)
  - a) Total amount of funds available at start of reporting period (at one point in time). (*Xcel*)
  - b) Total dollar amount of fees received from the number of applications during reporting period (between two points in time). (*Xcel*)
  - c) Total dollar amount of funds allocated to the number of applications during reporting period. (*Xcel*)
  - d) Listing of each project (anonymized) showing dollar amount credited toward overall interconnection costs. (*Xcel*)

- e) Total number of projects ineligible for the Fund and reason why. (*Xcel*)
  - f) Total amount of funds available at end of reporting period (point in time). (*Xcel*)
  - g) The number of interconnection applications less than 40 kW deemed complete; (*The Department*)
  - h) The total amount of cost sharing fees received; (*The Department*)
  - i) The number of projects with interconnection costs paid by the fund, and the interconnection costs from those projects; (*The Department*)
  - j) The number of projects for which funds were not available, either in whole or in part, the amount of the fund shortfall, and whether the customer chose to withdraw the project or pay the shortfall amount; (*The Department*)
  - k) The number of projects reaching the cost cap of \$15,000; (*The Department*)
  - l) An evaluation of whether an adjustment to the \$200 interconnection fee is warranted. (*The Department*)
11. Require Xcel to report the following additional information on a quarterly basis in the Company's MN DIP progress reports (Docket No. 16-521) starting in the 1<sup>st</sup> quarter of 2023: (*Staff supports a-f*)
- a) Type of upgrade(s) required; (*AES*)
  - b) Proposed fee change and why, including accounting; (*AES*)
  - c) Program performance; (*AES*)
  - d) Impact of the cost-share program on timely completion of process steps; (*AES*)
  - e) The total number of low-income customers exempted from the fund fee; (*The Department, only if DO 2 is adopted*)
  - f) The total costs associated with tree trimming, traffic control, restoration, winter construction, and any other work done as general upgrade costs; (*The Department*)
  - g) An itemized breakdown of eligible costs including any tree trimming, traffic control, restoration, winter construction, etc. that may be necessary as part of an interconnection application that uses cost sharing funds; (*AES*)
  - h) Information about Distribution Upgrades that are completed for Eligible Applications each year, including: the equipment installed, equipment replaced, labor time, transportation, etc. (*Fresh Energy*)

## Other Topics

12. Require Xcel to 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. (*Fresh Energy*)
- a) Require Xcel to file this with the Commission and file any updates to the guide over time. (*Fresh Energy*)

13. Require Xcel to 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.  
*(Fresh Energy)*
14. Direct Xcel to record initial and final cost estimates prepared for each customer in Salesforce for ease of reporting. *(Fresh Energy)*
15. Xcel shall not be allowed to include any of the costs covered by the Cost Sharing Fund in its rates or revenue requirement. Require Xcel to separately account for costs recovered from the Cost Sharing Fund consistent with treatment of other customer-recovered expenses.  
*(Staff interpretation of Joint Commenters, Department, Staff)*
16. Require Xcel to exclude the Cost Sharing Fee number from the tariff.
17. Require Xcel to file a compliance filing with updated tariff consistent with this order within 10 days of the effective date of the order.

Attachment A

Northern States Power Company, a Minnesota corporation  
Minneapolis, Minnesota 55401

**MINNESOTA ELECTRIC RATE BOOK - MPUC NO. 2**

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**MINNESOTA DISTRIBUTED ENERGY RESOURCES  
INTERCONNECTION PROCESS (MN DIP)  
(Continued)**

Section No. 10  
Original Sheet No. 204.01

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**Section 6. Cost Sharing Provisions, Terms, and Conditions**

**6.1 Applicability**

These Cost Sharing provisions, terms and conditions apply to every MN DIP application with 40 kW AC or less that has been Deemed Complete under MN DIP 1.5.2 on or after August 31, 2022.

**6.2 Fee applicable to applications**

A mandatory cost sharing fee of \$200 is applicable to every application subject to these Cost Sharing provisions. Payment of this fee is a prerequisite to the application being Deemed Complete under MN DIP 1.5.2. This fee is non-refundable and in addition to the applicable MN DIP processing fee associated with each application.

**6.3 Costs Shared**

Subject to having funds available that have been collected by the cost sharing fee, and subject to a cap of \$15,000 per project, the following costs are to be paid from the funds collected:

6.3.1 Supplemental Review fees

6.3.2 Network Upgrade and Distribution Upgrade costs

6.3.3 Area EPS Operator's Interconnection Facilities costs (but, not including metering costs)

The following costs are not to be paid from the funds collected under MN DIP 6.2: System Impact Study costs, Facilities Study costs, Phase II Study costs, and costs associated with MISO review. Notwithstanding this, where the project is of a size/type and situation where the Area EPS Operator conducts a Facilities Study but ordinarily does not charge the Interconnection Customer for the Facilities Study, then this process of not charging for the Facilities Study shall apply to similarly situated projects that are subject to this section.

**6.4 First Come, First Served**

Where funds are collected under MN DIP 6.2, these funds are available on a first come, first served basis. If on a given date there are insufficient funds available to pay for costs detailed in MN DIP 6.3, then the Interconnection Customer is responsible for these costs even if it has paid the cost sharing fee.

The costs associated with MN DIP 6.3.1 through 6.3.3 shall require no contributions from the Area EPS Operator nor its ratepayers and are to be funded by the funds collected from the Interconnection Customers. To the extent that there are insufficient collected funds available to pay these costs, then the Interconnection Customer is responsible for paying these costs.

**6.5 Authorization to Proceed with Supplemental Review**

Where the collected funds are sufficient to cover the costs of Supplemental Review, then no further payment or confirmation from the Interconnection Customer is required for the Interconnection Application to proceed to Supplemental Review. This is so notwithstanding MN DIP 3.4.1 et seq. In this situation, the 30 Business Day timeline for completing the Supplemental Review under MN DIP 3.4.4 shall commence when the Initial Review results are shared with the Interconnection Customer showing a need for Supplemental Review.