

*Agenda Meeting
March 12, 2014
Docket No. E-999/M-14-65*

Revised Decision Options

A. Department VOS Methodology

1. Approve the Methodology proposed by the Department, as modified in its February 20, 2014 comments. The three DOC modifications include:
 - a. Fuel Price Escalation Factor: 30-day averages are used for the NYMEX Natural Gas Futures contract prices for years 1 through 12; for years beyond year 12, the general escalation rate is used as the guaranteed fuel price escalation.
 - b. Avoided Distribution Capacity Cost: set the distribution peak load growth rate based on the utility's estimated future growth over the next 15 years. If the result is zero or negative (before adding solar PV), set the avoided distribution capacity cost to zero.
 - c. Allow utilities to select the set of Commission-established non-CO2 externality values most appropriate to their service territory.
2. Modify, with the consent of the Department pursuant to Minn. Stat. §216B.164, subd. 10(e), the Department's Methodology

(Staff note: the Department has not indicated any modifications it would consent to, beyond the three included in its February 20, 2014 reply comments.)

Party proposed potential modifications:

- a. incorporate an economic development benefit adder as a value component
- b. incorporate a market price reduction adder as a value component
- c. incorporate a capacity adder value component for PV system installations with tracking systems or non-standardized system orientation to compensate for demonstrated capacity maximization
- d. incorporate the avoided costs of water consumption and land use ecosystem impacts as a value component
- e. incorporate an SREC compensation value of \$0.06 /kWh per SREC as a separate value component ~~or as part of the environmental costs value component~~
- f. incorporate a compliance value SREC compensation component based on a calculation that would net out the SREC environmental cost value from a standard and/or market proxy price resulting in SREC compliance value¹
- g. incorporate an SREC **compensation value as a placeholder**
- h. require that PV solar owners on the VOS tariff be given the right to buy-back any SRECs associated with their generation

¹ Staff believes this proposal by the Environmental Organizations may need to be further explained before it can be adopted. See EO reply comments, p. 10.

- i. calculate the avoided fuel cost using the locational marginal price of fuel for each utility
- j. calculate the avoided generation capacity cost using the capital cost for combustion turbines only, in place of the weighted capital cost of combustion turbines and combined cycle gas turbines
- k. exclude avoided reserve capacity costs as a value component
- l. calculate the avoided transmission capacity cost based on current investments plans, reflecting only the cost of future transmission investments that can be avoided
- m. calculate the avoided environmental costs using the Commission-established externality values for CO₂ rather than the EPA's Social Cost of Carbon (SCC)
- n. exclude the Commission-established non-CO₂ pollutant values from the calculation of avoided environmental costs
- o. reduce the proposed contract term from 25 to 20 years

Staff proposed potential modification:

- p. To reflect incremental rather than embedded avoided transmission capacity costs, modify the DOC's proposal by calculating avoided transmission capacity costs based on the 5-year average of the utility's year-to-year change in MISO OATT Schedule 9 charge.

Other proposed potential modification:

- q. Require that all customers with solar installations taking service under a VOS tariff must have the installed technology required to enable complete isolation of the PV system from the rest of the grid. The cost of the required technology shall be borne by the customer.

3. Reject the Department's Methodology.

B. Clarifications on Commission Action

1. Clarify that the Commission's adoption of the Department's methodology or the values contained is not intended to have any precedential effect.
2. Clarify that updated Commission-established externality values and federal EPA SCC values will be incorporated into the Methodology as they are updated or revised.
3. Take no action.

C. VOS Methodology Spreadsheets and application for tariff

1. As part of an application for a VOS tariff, require utilities to file at a minimum the two transparency tables (i.e. VOS Data Table and VOS Calculation Table).
2. Clarify that utilities shall calculate their VOS rates using the Methodology calculations, spreadsheets and tables provided by the Department; OR
3. Require utilities to apply the Methodology as filed (and revised) and to work with the Department to clarify questions regarding the construction and use of spreadsheets and tables.
4. Take no action.

D. Utility Filing Requirements in a Value of Solar Tariff

1. Direct any utility filing a Value of Solar tariff to include a reporting and evaluation process **on the effectiveness of the Methodology** to occur prior to the end of the third year of its Value of Solar tariff taking effect.
2. Direct any utility filing a Value of Solar tariff to explain what disclosures it will use to ensure the generator understands it will not own the Renewable Energy Credits, and how these disclosures are consistent with other situations in which the utility owns the RECs.
3. **Any utility implementing a VOS tariff must, in its next rate case, file a complete review of all costs associated with solar integration under the VOS tariff, including but not limited to costs incurred for distribution and transmission.**
4. Take no action at this time.

E. Compliance filings

1. Ask the DOC to provide more detail and clarification on its proposal for future placeholders—including how and when these will be developed and applied—and the procedure it plans to use for updating the methodologies for calculations within the Methodology within 60 days of the Order in this matter.
2. **Ask the Department to file a review, update, and application of current best practices, including potential corrections for its Methodology—within two years of Commission approval of the Methodology.**
3. Require all investor-owned utilities subject to Minn. Stat. §216B.164, subd. 10, to file for informational purposes, a Value of Solar rate calculated under the Commission-approved Value of Solar Methodology within 30 days of the Order in this matter.

F. Further Actions

1. Direct staff to solicit comments on issues raised by parties that were outside the scope of the notice, such as effect on existing net metered customers, conformity with PURPA, REC ownership disclosure, and any other issues the Commission identifies.
2. Take no action.