

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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| David Boyd | Commissioner |
| Nancy Lange | Commissioner |
| Dan Lipschultz | Commissioner |
| Betsy Wergin | Commissioner |

**In the Matter of Establishing a Distributed Solar
Value Methodology Proposal under Minn. Stat.
Section 216B.164, Subd. 10 (e) and (f)**

Docket No. E999/CI-14-65

**ANSWER TO XCEL ENERGY’S MOTION FOR RECONSIDERATION BY
FRESH ENERGY, ENVIRONMENTAL LAW & POLICY CENTER,
INSTITUTE FOR LOCAL SELF-RELIANCE, AND
IZAAK WALTON LEAGUE OF AMERICA**

Fresh Energy, Environmental Law & Policy Center, Institute for Local Self-Reliance, and Izaak Walton League of America Midwest Office (“Solar Intervenors”) respectfully submit this Answer to Xcel Energy’s (“Xcel”) Motion for Reconsideration of the Public Utilities Commission’s (“Commission”) Order Approving Distributed Solar Value Methodology (“Order”). Solar Intervenors oppose Xcel’s motion because the Commission properly approved the Value of Solar Methodology according to Minnesota law and because Xcel does not raise any valid challenges to the Commission’s decision.

I. STANDARD FOR RECONSIDERATION

Minn. Stat. § 216B.27 subd. 2 (2012) states that “the application for a rehearing shall set forth specifically the grounds on which the applicant contends the decision is unlawful or unreasonable.” The Commission determines whether this statutory standard is met by considering whether the motion raises new issues, points to new or relevant evidence, exposes errors or ambiguities in the order, or otherwise persuades the Commission that it should rethink

the decisions set forth in the order.¹ The Commission will deny a motion for reconsideration when it concludes that the decisions in the order are consistent with the facts, the law, and the public interest. In general, a motion that merely restates original arguments is not sufficient grounds for reconsideration.²

The Commission should reject Xcel's motion for two reasons. First, the Department of Commerce, Division of Energy Resources' ("Department") Value of Solar ("VOS") methodology meets all statutory requirements and was properly approved by the Commission. Second, the Commission has already considered and rejected each of Xcel's arguments on the merits. Accordingly, Xcel has not presented any ground on which the Commission's Order is unlawful and unreasonable and the Order is consistent with the facts, the law, and the public interest.

II. THE COMMISSION'S ORDER MEETS ALL STATUTORY REQUIREMENTS

A. VOS Statutory Framework.

The 2013 VOS statute³ requires the Department to "establish a distributed solar value methodology . . . [and] submit the methodology to the commission for approval. The Commission must approve, modify with the consent of the department, or disapprove the methodology within 60 days of its submission."⁴

The statute explicitly requires that the methodology include value components beyond those that accrue directly to the utility. The methodology must result in a tariff "that

¹ See, e.g., Public Utilities Commission Order dated August 5, 2013 denying reconsideration in Docket No. CN-12-1240.

² See, e.g., *In the Matter of a Petition by the City of Rochester, Minnesota, for an Order Establishing Petitioner's Right to Provide Electric Service to Certain Street Lights Constructed and Owned by Petitioner and Located in the City of Rochester Adjacent to Highway 63 North, in the Service Territory of People's Cooperative Power Association*, Docket No. E-132, 299/SA-90-1077, Order dated April 19, 1991.

³ Minn. Stat. §216B.164, subd. 10 (Supp. 2013).

⁴ *Id.*, subd. 10 (e),

compensates customers . . . *for the value to the utility, its customers, and society* for operating distributed solar photovoltaic resources interconnected to the utility system and operated by customers primarily for meeting their own energy needs.”⁵ The statute enumerates certain value components that the methodology must include and allows the Department to consider other optional value components.⁶ The statute also requires the Department to develop the methodology by consulting with “stakeholders with experience and expertise in power systems, solar energy, and electric utility ratemaking regarding the proposed methodology, underlying assumptions, and preliminary data.”⁷

B. The Department And The Commission Complied With All Statutory Requirements.

The Commission should reject Xcel’s motion because the Commission properly found that the Department’s methodology fully complied with these requirements, concluding “that the Department’s proposal satisfies the statutory mandate with analytical rigor and clarity.”⁸ As described in the Commission’s Order, the methodology includes all statutorily-required value components, and provides the rationale for the required value components, underlying assumptions and preliminary data. The methodology also fully meets the statutory stakeholder participation requirements as it was developed through an extensive stakeholder process with a wide-range of participants as described in the Commission’s Order.⁹ Moreover, rather than being overly inclusive of various value components as Xcel has argued, the methodology is a conservative valuation of distributed solar benefits. It excludes the economic development value, which the statute included as an ‘optional’ component, as well as consideration of the cost of complying with the solar renewable energy standard that utilities will avoid through the

⁵ *Id.*, subd. 10(a) (emphasis added).

⁶ *Id.*, subd. 10(f).

⁷ *Id.*, subd. 10(e).

automatic transfer of renewable energy credits, and other natural resources externality costs (such as impacts to land or water) that solar generation avoids for the utility.¹⁰

Xcel's concern "that the VOS does not accurately capture our true avoided cost"¹¹ is based on a flawed understanding of the VOS statute. The VOS methodology is not a utility avoided-cost calculation. Again, the VOS statute explicitly states that the VOS measures and compensates distributed solar generator customers the net value of distributed solar "to the utility, its customers and society." Therefore the statute requires that the methodology measure benefits beyond those based on Xcel's avoided costs. Distributed solar has many benefits beyond traditional utility avoided cost factors and the VOS is intended to provide analytical rigor in valuing and compensating customer-generators for this premium resource.

Xcel's comparison of the VOS to its rates for natural gas resources similarly misconstrues the VOS statute and is not germane to the VOS methodology. Xcel argues that because its anticipated VOS compensation might be greater than combined-cycle natural gas, this suggests the methodology is flawed.¹² However, the purpose of the VOS is to account for the unique values from distributed solar. It is not a cost-based comparison to other resources. Therefore, a comparison to natural gas rates has no bearing on the methodology's validity and the Commission's approval.

Finally, the Commission properly acted within the narrow confines of its statutory authority. The VOS statute tasked the Department with developing the methodology and gave the Commission limited authority to either approve, deny, or modify the methodology with the

⁸ Public Utilities Commission Order dated April 1, 2014 (hereinafter "Order") at 15.

⁹ Order at 2-3.

¹⁰ These additional value components were suggested to the Department and Commission by the undersigned organizations and other stakeholders, but were not ultimately included in the methodology.

¹¹ Xcel Motion for Reconsideration dated April 21, 2014 (hereinafter "Xcel Motion") at 2.

¹² Xcel Motion at 2.

Department's consent. Indeed, Xcel recognizes the Commission's limited role: "the Commission is required to give deference to the Department's methodology so long as it is reasonable."¹³ Under this approval framework the Commission properly found that "the modified methodology satisfies the requirements of Minn. Stat. § 216B.164, subd. 10(e) and (f), and that the Department has reasonably supported the methodology it has approved."¹⁴ Xcel has not presented any argument that the Commission's Order approving the VOS methodology was unlawful, unreasonable, or in any way contrary to the VOS statute.

III. THE COMMISSION HAS ALREADY CONSIDERED THE ARGUMENTS RAISED BY XCEL IN ITS MOTION

Xcel's motion does not raise new issues, introduce new or relevant evidence, or expose errors or ambiguities in the Order. Instead, Xcel argues that the Commission should reconsider its decision because "the methodology results in a rate that may go too far in terms of valuing distributed solar benefits from an actual and avoided cost basis."¹⁵ In other words, Xcel believes its eventual VOS bill credit might be 'too high.' Xcel's preference for a lower bill credit amount is not a valid reason for the Commission to reconsider its decision. Xcel's motion raises issues with four of the methodology's value components. Because these issues have already been raised in the Department's stakeholder process and the Commission's approval process, we will not re-state our previous comments, but just briefly address each component.

A. Avoided Environmental Cost-Carbon Value.

Xcel argues that the Commission should have used the midpoint of the estimated cost of future carbon dioxide regulations¹⁶ rather than the Social Cost of Carbon metric. Xcel refers to the estimated future cost of carbon dioxide regulations as a "carbon proxy value" and argues that

¹³ *Id.* at 1.

¹⁴ Order at 8.

¹⁵ Xcel Motion at 2.

¹⁶ Minn. Stat. § 216H.06 (2012).

it “is an approximation of the potential real costs [Xcel] might expect to pay under a future carbon regulation framework.”¹⁷ Xcel previously raised this argument in its comments to the Commission in this docket and during the Department’s stakeholder process.¹⁸

As discussed before the Commission, this argument fails to meet the statutory mandate that required value components, including the environmental value, be evaluated according to the cost to the utility, customers and society. Specifically, the Social Cost of Carbon metric has been thoroughly addressed in the Department’s stakeholder process and the Commission’s approval process, and deemed appropriate by the Commission. Therefore, there is no reason for the Commission to reconsider this component, especially absent new information and arguments in Xcel’s motion. Just like the VOS overall, the environmental value component is not limited to Xcel’s avoided costs. Xcel’s narrow focus on its avoided cost is not a valid reason for reconsideration of the environmental value component.

B. Avoided Generation Capacity Costs.

Xcel argues that the methodology’s avoided generation capacity costs component “presumes solar will avoid more capacity than the amount legislatively mandated.”¹⁹ Presumably Xcel is referring to the Solar Energy Standard (“SES”), which requires Xcel to generate 1.5% of its retail electricity from solar by 2020.²⁰ Xcel previously raised this argument in its comments to the Commission in this docket and during the Department’s stakeholder process.²¹

¹⁷ Xcel Motion at 3.

¹⁸ Xcel February 13, 2014 PUC comments at 10-11; December 10, 2013 Department comments at 2-5.

¹⁹ Xcel Motion at 2.

²⁰ Minn. Stat. § 216B.1691, subd. 2f (2012).

²¹ Xcel February 13, 2014 PUC comments at 9-10; December 10, 2013 Department comments at 6-7.

The fleet capacity model in the methodology is correctly not limited to the SES for two reasons. First, the VOS is not bound by the SES. Customer-generated solar interconnected through a VOS tariff will count towards SES compliance, but the amount of VOS interconnections is in no way limited by the SES. The VOS statute specifies that it is an “alternative tariff” to net metering, and net metering policy is not bound by the state’s renewable energy standard or the solar energy standard. The VOS statute does not limit number or capacity of VOS interconnections. Second, in addition to the 1.5% by 2020 requirement the legislature also set a goal of 10% solar by 2030.²² Making progress towards that goal clearly requires going beyond 1.5% between 2020 and 2030.

C. Avoided Transmission Capacity Cost.

Xcel argues that the methodology should not use MISO’s network service rate to account for avoided transmission capacity, but should instead use the costs associated with planned natural gas units.²³ Xcel previously raised this argument in its comments to the Commission in this docket and during the Department’s stakeholder process.²⁴

The methodology’s MISO metric is more appropriate than a metric based on planned units. A focus on planned units is too short-sighted for the VOS, which values a solar system’s value stream over 25 years. The Commission recognized this reasoning in its Order: “Because the statute requires Value of Solar tariffs to contemplate contracts of 20 years or more, it is appropriate for the methodology to anticipate the likely mix of avoided generation costs over the relevant period . . . and not just a utility’s “next” anticipated facility at the time a tariff is filed.”²⁵

²² Minn. Stat. § 216B.1691, Subd. 2f(c).

²³ Xcel Motion at 3.

²⁴ Xcel February 13, 2014 PUC comments at 12-13; December 10, 2013 Department comments at 8.

²⁵ Order at 14.

D. Avoided Distribution Capacity Cost – Load Match Analysis.

Xcel argues that the methodology's load match analysis Peak Load Reduction calculation should use an average peak load reduction based on Xcel's customer mix. Xcel previously raised this argument in its comments to the Commission in this docket and during the Department's stakeholder process.²⁶ The Department specifically addressed this argument in its February 20, 2014 Reply Comments to the Commission.²⁷ The Commission adopted the Department's rationale behind the peak load reduction measure in its Order.²⁸ With no new information for this argument, there is no reason for the Commission to reconsider this component.

IV. CONCLUSION

For the foregoing reasons we respectfully urge the Commission to deny Xcel's Motion for Reconsideration. Moreover, we respectfully urge the Commission to act on this motion quickly, as unnecessary uncertainty regarding VOS implementation could chill solar market growth.

Very truly yours,

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²⁶ Xcel February 13, 2014 PUC comments at 19; December 10, 2013 Department comments at 8.

²⁷ Department Reply Comments dated February 20, 2014 at 8.

²⁸ Order at 10.

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