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June 9th, 2015

Mr. Daniel P. Wolf
Executive Secretary
Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

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MINNESOTA PUBLIC
UTILITIES COMMISSION

RE: Solar Garden Proposal, Monticello, MN

Dear Mr. Wolf,

The City of Monticello, Minnesota, submits the following comments in regard to community solar garden programs, specifically the Solar* Rewards Community program, and the issues raised by the manner applicants under this program are seeking permits to construct facilities.

The City of Monticello presents the following analysis and comment as a response to the proposed development of a large-scale solar garden within the City of Monticello's Orderly Annexation Area by Sunrise Energy Ventures. It is the City's understanding that Sunrise Energy Ventures has submitted their application for this solar project under the Solar* Rewards Community program.

The goal of the following analysis and comment is to detail how such a development would significantly impact the City of Monticello's carefully developed short and long-term land use planning efforts.

Planning and Land Use Policy

The City of Monticello is a community of nearly 14,000 residents in Wright County, northwest of the Twin Cities. The community has grown rapidly over the last 20 years, and has developed as an important growing residential, commercial and industrial center in the Interstate 94 corridor between the Twin Cities and St. Cloud. The population of the Monticello market area is estimated at 90,000.

The community is home to one of Xcel Energy's nuclear power generation facilities, which has required large corridors of electrical transmission lines, including those providing a connection point to the electric grid serving the nuclear plant and Xcel Energy customers. Since the early 1970s, when the Xcel Energy Nuclear Generating Plant was first constructed, the City has worked closely with the surrounding Monticello Township board to plan the area's growth and development. In 2004, the City and Township entered into the current Monticello Orderly Annexation Area (MOAA) agreement, identifying the boundaries of municipal growth and the process for annexation of territories within the boundary for urban development.

The MOAA agreement specifies that the City will plan for urbanization of the growth area, and provides that the Township, in concert with the City, will discourage annexation and urban growth until it meets a series of specific criteria. The intention is that development will occur within the municipal boundaries, and that new development in the annexation area will not occur in such a way as to interfere with rational, efficient growth which expands those boundaries.

This planning agreement has provided both the community and area landowners a great deal of predictability as to the long-term land use patterns for the region. Likewise, it has allowed the City to carefully plan the growth of its infrastructure to ensure that its investments in streets, utilities, and related public services can be expanded as efficiently as possible. The components of this planning relate to quantity, location, and timing of that growth.

However, with the recent proposed expansion of solar energy production, the City finds that its decades-long work at planning its growth area is at risk. Sunrise Energy Ventures' proposed project consists of 400-600 acres of solar panel arrays on the City's immediate western boundary. This project would be located fully within the territory designated for future urban growth in the MOAA, and within the heart of "Northwest Monticello", an area that was evaluated distinctly within the City's Comprehensive Plan as prime focus area for future urban growth.

As it further relates to the Northwest Monticello area, the Comprehensive Plan noted that "Future development will be influenced by the capacity of the street system, including plans for the construction of a highway interchange." Additionally, "The Plan seeks to prevent development from limiting the location of the interchange (or block it) and to preserve the area around the interchange for future commercial, industrial and residential development."

Community Growth & Economic Development

Much of Monticello's commercial and industrial growth has occurred over a ten year period, between 1996 and 2006, before it came to a sudden close with the "Great Recession". If the pace of development during that 10 year period is regained, over the next 30 years, the City could need upwards of 1,000 acres to serve that commercial/industrial growth. At present, the City currently has less than 100 acres of available land guided for industrial uses. The Northwest Area, particularly when accessible through the planned interchange, will provide needed land area for industrial growth and is identified as such in the Comprehensive Plan.

Additionally, based on the City's analysis of available residential lot inventory and the expected average number of permits per year, the City estimates available single family land/lot inventory of less than 5 years. Again, the City's long-range land use plan guides residential uses to the Northwest Area, specifically due to the high natural amenities and proximity to the Bertram Chain of Lakes Regional Park.

Related to the City's growth planning is not merely the raw quantity of growth, but also the pace. Infrastructure planning does not proceed on a lot-by-lot basis. Rather, it expands in great mass at a time. Lift stations and trunk utility lines are installed to serve hundreds of acres, wells and water towers are constructed to serve thousands of users, and of course, major roads and interchanges go in all at once. It is necessary to open large swaths of land area to provide access to these improvements, and to justify the assessments and other financing vehicles that support them. The City has to plan for large areas of growth, rather than a long series of consistent, small developments.

Further, the City believes that the majority of growth – both commercial/industrial and residential, needs to be focused in the Northwest Area to accomplish two important and related objectives: (1) Avoid overwhelming the Highway 25/I-94 interchange, and (2) Create a "critical mass" of development to support feasible infrastructure development in that area.

Finally, these base economics of growth are not the only factor in a city's growth planning. There is also a "multiplier effect" present in the urban growth. Local businesses rely on growth in the community's population to justify new retail and restaurant options, and for a source of labor supply. Without a growing population, new businesses will seek other locations outside of the area, and existing businesses may see their business activity stall.

Property Tax Impact

Another important factor in evaluating the Sunrise Energy Ventures proposal is the comparison of property tax revenues.

A solar array pays a comparatively insignificant amount of property and energy production taxes. In an analysis of the property and solar energy production taxes identified by Sunrise in correspondence with the City, it was determined that revenue generation from a solar array pays only about 5 to 12 percent of the property taxes paid annually by urban development.

Land use	Development Example Used:	Taxes Paid per acre/annual
Solar Energy Array	Sunrise (estimated)	\$240
Townhouses	Timber Ridge	\$2,475
Single Family Residential	Carlisle Village	\$2,000
Retail	Walmart	\$4,300
Warehousing	Dahlheimer	\$3,500
Manufacturing	UMC	\$3,150

Using the above examples, it is estimated that over the comparable amount of acreage as proposed for the Sunrise project area, the City would expect to collect anywhere from \$700,000 to \$1.6 million in property taxes annually. Using the same examples from the tax generation table above, the following table shows how a 400-acre solar array compares to other urban land uses in other important economic categories:

Land Use	Example	Dwelling units (du)	Jobs/acre	Housing or Jobs over 400 acres
Solar Energy	Sunrise Energy	0	0	0/0
Townhouses	Timber Ridge	5.9 du/ac.	-	2,360 du
Single Family Res.	Carlisle Village	2.4 du/ac.	-	960 du
Retail	Walmart	-	15	6,000 jobs
Warehousing	Dahlheimer	-	10	4,000 jobs
Manufacturing	UMC	-	12	4,800 jobs

Infrastructure and Development Funding

Trunk Utility Extension

As noted, the area in which the Sunrise project is proposed to be located is a key area for the City's continued growth and financial stability. Included within the City's planning for urban growth is the efficient extension of municipal utilities and transportation infrastructure.

As part of planning for the logical extension of municipal utilities, the City of Monticello has adopted a trunk utility program. This program develops a long-term plan for the extension of municipal utilities and services, including the development of funds to pay for the construction of the utility lines, corridors, and supporting infrastructure. Portions of the utility improvements need to be large enough to serve extensive areas outside of the immediate development. These utilities are called trunk improvements and are paid for through "trunk area fees". Trunk improvements benefit the entire system. Trunk utility expenditures include water towers, waste water treatment improvements, lift stations, wells, and oversizing of service lines.

The City's consulting engineer, WSB & Associates, has prepared a supplementary memo detailing the planned extension of transportation and utility corridors in the Northwest Monticello area, including trunk transportation corridors and utility improvements. The memo details the costs associated with these improvements. The memo further explains how the Sunrise Energy Ventures proposal would impact the orderly expansion of those services.

Moreover, some of those costs have already been incurred, including sanitary sewer infrastructure that is poised to serve development in the northwest portion of the MOAA. Without the ability to continue the City's planning for a northwest interchange, past investments will be wasted, and existing transportation issues will continue to increase in severity.

Finally, because the Sunrise proposal lies within the heart of the Northwest growth area, the City does not have the option to "just go around it". The MOAA boundary lies just west of the Sunrise property, and the City does not have unilateral authority to extend that boundary to recoup the land lost to the Sunrise solar project.

Even if the City were able to do so, extending adequate streets and utilities past unproductive land to reach more remote development is prohibitively expensive. The sprawl induced by this has real costs that need to be spread to other development. The reality is that those costs make development unsustainable.

Interchange Planning & Financing

Supporting the designation of Northwest Monticello as an area for future urban development, the City has long identified the area within its Northwest Interchange Study Area. The identification of this area as a location for a future interchange is intended to address two interconnected issues.

First, large-scale development in other portions of the City is impractical. The City's closest interchange with I-94, at Trunk Highway 25, is significantly overwhelmed with traffic. This is due in large part to the fact that TH 25 is the only Mississippi River crossing between Highway 101 at Elk River and Trunk Highway 24 at Clearwater – a distance along I-94 of 30 miles.

As Monticello grows, adding traffic to the TH 25 interchange will only exacerbate the existing problem. To address this issue, the City has been planning for another interchange in the northwest portion of the Monticello area. This interchange would draw existing and new traffic away from the Highway 25 location, facilitating MnDOT's interest in its trunk highway operations.

The northwest interchange is dependent upon a concentration of growth. To make the new interchange a reality, the City needs to be able to address the costs of interchange planning and construction. This raises the second issue. The only way to reasonably pay for such a project is to ensure that it serves an extensive area of development, with a pattern of development density that provides revenue adequate to support the infrastructure planning. A large solar array, such as that proposed by Sunrise, directly impacts the City's ability to accommodate adequate levels of development in its MOAA. That planning area consists of approximately 1,000 acres. Sunrise's proposal potentially consumes more than 40% of that area.

The development of a solar array consuming that amount of developable acreage could therefore be a major financial barrier to the proposed interchange, with devastating impacts on the City's land use patterns and financial stability.

Discussions with Sunrise Energy Ventures

Since January of 2015, the City has been in communications with Sunrise Energy Ventures regarding their proposal. City representatives have met with Sunrise Energy Ventures representatives in an effort to convey these impacts and develop solutions for mitigation. While the discussions have been cooperative in nature, at this time, Sunrise Energy Ventures has not committed to a program which adequately addresses the mitigation of impacts. Through the efforts of City staff, consultants and elected leaders, the City of Monticello made a strong effort to work with the developer in fully understanding and addressing the issues created by the prospect of a huge solar farm in the long planned growth corridor. To date, in addition to staff time, over \$25,000 has been invested in this effort in understanding the threat and potential benefit to the community issue as well as to devise options for the solar developer to consider.

Summary & Statement of Position

Monticello believes that the responsible state agencies should review the community solar energy applications and proposals within a planning and land use framework. Given its noted impacts, the City of Monticello has taken the position that utility-scale solar energy systems such as that proposed by Sunrise Energy Ventures should be required to meet the standards required for any other development project. In order to properly spread the cost of roads and utilities to the members of the entire urban community, a solar facility built within a recognized growth corridor should therefore provide its pro-rata share of development expenses.

Unfortunately, after considerable discussion, there has not yet been a resolution between the City and Sunrise Energy Ventures regarding the premise that large solar facilities are in fact development and therefore should occur within the context of municipal planning efforts and associated road and utility extension planning and financing.

Solar energy facilities at larger scales, such as that proposed with the Sunrise Energy Ventures community solar garden, may be able to fit within an urban pattern, but given the impacts noted, only

when the local government has the ability to be an active participant in site selection and integrate such facilities into urban services planning.

The state's establishment of local land use planning authority states clearly that this authority is necessary to ensure responsible and fiscally sound public investments. Minnesota Statutes 462.351 reads:

*The legislature finds that municipalities are faced with mounting problems in providing means of guiding future development of land so as to insure a safer, more pleasant and more economical environment for residential, commercial, industrial and public activities, to preserve agricultural and other open lands, and to promote the public health, safety, and general welfare. **Municipalities can prepare for anticipated changes and by such preparations bring about significant savings in both private and public expenditures. Municipal planning, by providing public guides to future municipal action, enables other public and private agencies to plan their activities in harmony with the municipality's plans. Municipal planning will assist in developing lands more wisely to serve citizens more effectively, will make the provision of public services less costly, and will achieve a more secure tax base.***

In addition to the potential conflict with the City of Monticello's current land use planning, large solar arrays in urban areas have the potential to create sprawl that adds to the costs borne by other taxpayers. Roadways, travel and fuel costs, and related municipal service costs all rise when sprawling development spreads out beyond its more compact pattern. Industrial solar power, at a scale envisioned by Sunrise and many of the companies seeking development in and around Monticello, is a use more appropriate for rural areas outside the 30 year growth corridor of municipalities and appropriate for urban locations only when the chosen location adequately addresses urban growth needs through both land supply and reliable revenue sources.

While the City of Monticello understands the impetus for the establishment of renewable energy resources, it is critical to understand the resulting impact of such development on the sustainability of an individual community's land use planning.

Thank you for the opportunity to provide comment related to the proposed Sunrise Energy Ventures Monticello community solar garden project.

Sincerely,



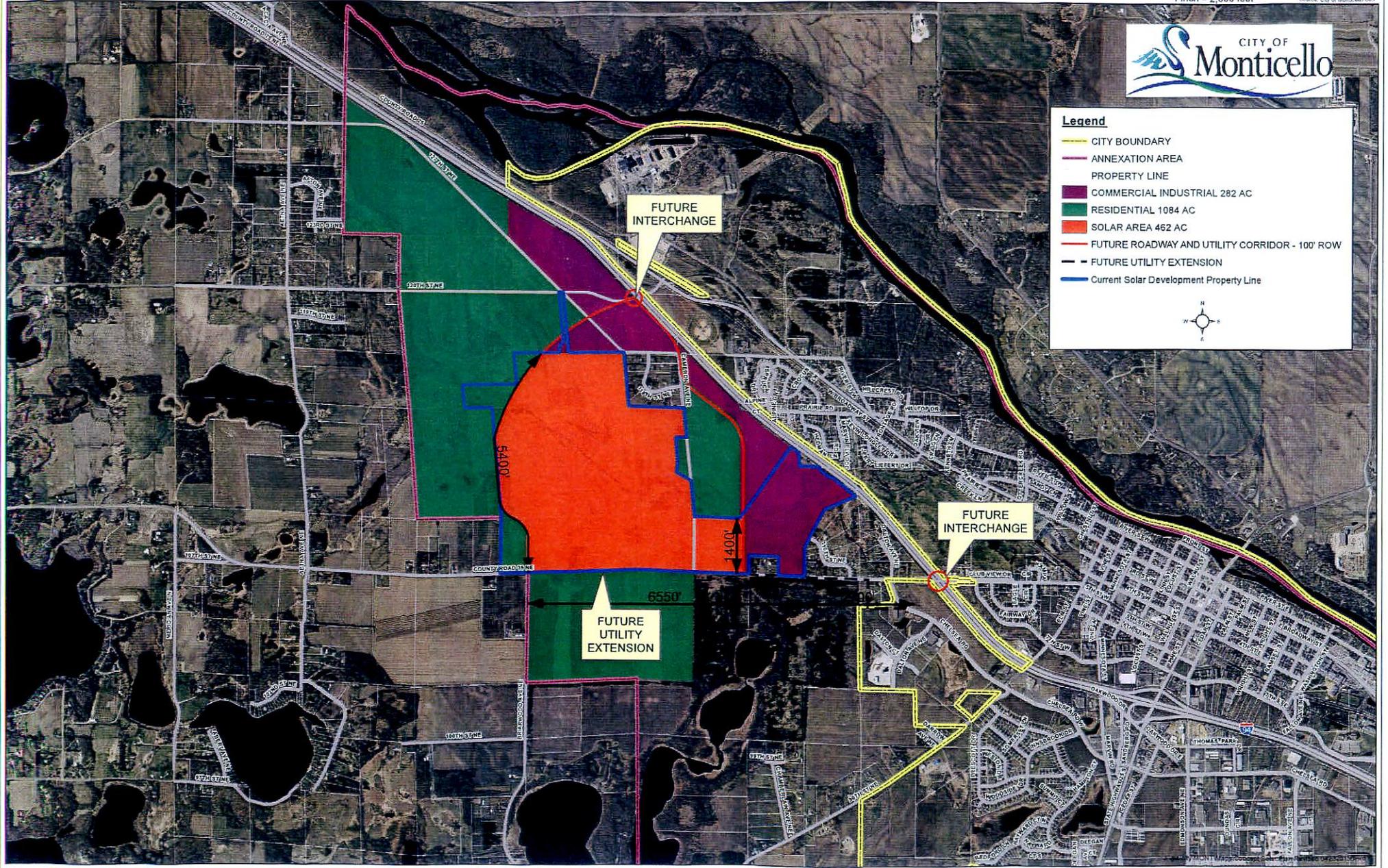
Mayor Brian Stumpf
on behalf of the City of Monticello

c: Minnesota Department of Commerce



Legend

- CITY BOUNDARY
- ANNEXATION AREA
- PROPERTY LINE
- COMMERCIAL INDUSTRIAL 282 AC
- RESIDENTIAL 1084 AC
- SOLAR AREA 462 AC
- FUTURE ROADWAY AND UTILITY CORRIDOR - 100' ROW
- FUTURE UTILITY EXTENSION
- Current Solar Development Property Line





Memorandum

To: *Jeff O'Neill, City Administrator
City of Monticello*

From: *Bret Weiss and Shibani Bisson
WSB & Associates, Inc.*

Date: *April 23, 2015*

Re: *City Infrastructure Cost Analysis
Solar Array Project Proposal, Sunrise Energy Ventures, LLC
City of Monticello*

The City of Monticello is evaluating the impacts associated with an approximate 460 acre solar array located along CR 39 and south of I-94 at the former Silver Springs golf course and adjacent property. This area was previously proposed for a significant residential and commercial development. In preparation for that previous development, Monticello developed road and utility systems, including significant trunk utility facilities. This investment was predicated assuming that development would occur in this area. In addition, the City Council recently authorized an interchange study to site a new interchange in this area. The solar array has been identified as consuming a large amount of this development area, which creates challenges associated with determining how to providing service to the surrounding undeveloped property in the area. Should the City not consider collecting these costs from the developer or securing the ability to collect the funds in the future, the possibilities for development of the southwest area of Monticello would be compromised. The developer has agreed to participate in the development charges and this memo is intended to start the conversation on equitably spreading those upcoming charges. We have reviewed the impact of the above-referenced solar array proposal on planned infrastructure in the southwest growth area of the City and offer the following comments:

County Road (CR) 39 Sewer and Water Utility Extension

The existing utilities are located approximately 2,700 feet northeast of the development site. It will be difficult to extend utilities to the undeveloped property surrounding the solar array without considering the solar array as developed property. While there is some development property on the south side of CR 39, none of the property can be assessed at this time. It is expected that this portion of the utility extension be spread to the solar development area on a percentage of the anticipated developable area in the southwest area. The Bertram park property on the south side of CR 39 will contribute to the lateral costs adjacent to the property, but because of the lack of development in the park, will not contribute to the share of costs for the 2,700 foot segment.

The developer costs associated with extending sanitary sewer and watermain trunk utilities to the proposed solar developer property and along the property on CR 39 are described below. Since these utilities are not extended to the solar property, it is proposed that the developer pay a percentage of this cost to allow for connection to these utilities for their non-solar developable property and to address developable property that must “leap frog” around the solar development. See enclosed map that depicts the utility extensions.

Sanitary Sewer: Total \$1,500,000

- The solar developer property represents approximately 50% of the developable service area in the southwest area. Therefore, a 50% cost share would apply to extend approximately 2,700 feet of 24-inch sanitary sewer from the Otter Creek lift station to the easterly edge of the proposal solar developer property, just west of 110th Street. This 50% cost share totals **\$650,000**.
- The lateral cost to serve the developer property along CR 39 includes approximately 6,550 feet of 10-inch sewer main between the easterly and westerly edge (Briarwood Avenue) of the proposed solar developer property. The developer share of the cost for their half would be **\$850,000**. The City would pay for \$400,000 in pipe oversizing from a 24-inch to 10-inch sewer main since development adjacent to the solar arrays will need a 10-inch sewer main to serve the area.

Watermain: Total \$490,000

- The solar developer property represents approximately 50% of the developable service area in the southwest area. Therefore, a 50% cost share based on solar developer portion of developable service area to extend approximately 2,700 feet of 16-inch watermain from the Monticello industrial park to the easterly edge of the proposal solar developer property, just west of 110th Street. This 50% cost share totals **\$160,000**.
- The lateral cost to serve the developer property along CR 39 includes approximately 6,550 feet of 12-inch watermain between the easterly and westerly edge (Briarwood Avenue) of the proposal solar developer property. The developer share of the cost for their half would be **\$330,000**. There are no oversizing credits with this as a 12-inch main is the minimum for the development area.

These utilities would be constructed at the time of development of the solar property through an assessment agreement or cash up front.

Trunk Fees

The City of Monticello collects trunk fees from all developments at the time of development. These costs are an important part of the utility funding program. The fees are collected at the time of development approval and are paid on a gross acre basis for sanitary sewer and watermain and on a net acre basis for storm sewer. It is anticipated that this development would pay the fees at the time of development in accordance with City policy. While the site will not immediately use the utilities, the City will be required to extend the development district beyond the proposed solar array. The applicable trunk fees are summarized below for the solar development based on 2015 non-residential rates:

Sanitary Sewer Trunk Fee: 462 acres @ \$3,188 = \$1,472,856

Watermain Trunk Fee: 462 acres @ \$2,358 = \$1,089,396

Storm Sewer Base Trunk Fee: 360 acres @ \$3,407 = \$1,226,520

Total = \$3,788,722

Collector Roads – Chelsea Road and Briarwood Avenue Proposed Road and Utility Corridors

The solar array is located in the middle of a development area that has proposed roadways on both sides of the array. Since there is no plan for when development will propose the need to extend street and utilities to development areas adjacent to the array, a developer's agreement and assessment agreement for the road/utilities will be necessary. This agreement will also include a construction cost index and method to address how to assess the project costs upon development. The developer shall provide for the entire right of way width to accommodate the future roadways.

Briarwood Avenue (west collector) Construction: Total \$1,700,000

- The solar development property is proposed to front one side of the future west collector road, therefore 50% of the cost for road and utility construction would apply based on the lateral benefit.
- The developer's share of the lateral cost to construct approximately 5,400 feet of the west collector road improvement is **\$1,100,000**.
- The developer's share of the lateral cost to construct approximately 5,400 feet of west collector sanitary sewer and watermain utility improvements is **\$600,000**.

Chelsea Road (east collector) Construction: Total \$930,000

- The non-solar development property fronts a portion of the future east collector road on both sides.

- The developer's share for the future non-solar development consists of the full cost for construction of approximately 1,400 feet of east collector road improvements is **\$600,000.**
- The developer's share for the future non-solar development consists of the full cost for construction of approximately 1,400 feet of east collector sanitary sewer and watermain utility improvements is **\$330,000.**

Interchange

The City has long planned for an interchange in the west end of the City and has recently authorized a siting study in conjunction with MnDOT and FHWA. That study is currently being completed. This interchange is necessary to provide for quality development in the west area of Monticello. Interchanges are expensive and are seldom funded by outside funding sources due to the local nature of the improvement. Accordingly, in order to construct an interchange in this area, the city will need to levy special assessments to benefitting properties. The City has not determined when the interchange will be constructed, but it is evident that the property controlled by the developer will need to be a part of the funding plan. It is proposed that the developer agree to an assessment based on the property controlled by the developer that will be paid upon construction of the interchange. The study is not yet complete and there has been little effort to determine the potential cost or method to share the costs. While we are suggesting some estimated costs for use in the developer's agreement, additional study may be necessary. The developer would be allowed to reduce their costs if the City is able to obtain outside funding. The following assumptions are available at this time:

- The interchange located at CR 39 is estimated to cost \$13,000,000 in 2015.
- The benefitted area is estimated at 1000 acres. 538 acres of this area could have a higher benefit and 462 acres are for the solar array.
- The costs for the interchange are estimated at \$0.35/sf for the higher benefit area and \$0.20/sf for the solar array area.
- Applying the \$0.20/sf rate for the 462 acres of solar array property results in a cost of approximately \$4,000,000.
- Applying the \$0.35/sf rate for the 57 acres of non-solar developable acreage currently under control by the developer, results in a fee of approximately \$870,000.
- The developer will agree to an assessment agreement for the solar array area as well as the land that is available for development. These agreements will include a construction cost index for when the interchange is actually constructed as well as a method to reduce the cost should outside funding be obtained.
- The developer will be given the option to assess the charge when the construction is completed.

Additional detail related to the fees identified in this memo and an associated map is enclosed.