Reply Comments

April 10, 2020

Via Electronic Filing

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission 121 7th Place E., Suite 350
St. Paul, MN 55101

RE: Xcel Energy's Integrated Distribution Plan and Advanced Grid Intelligence and Security Certification Request (Docket No. E002/M-19-666)

Dear Mr. Seuffert:

The Institute for Local Self-Reliance (ILSR) respectfully submits the following reply comments on Xcel Energy's Integrated Distribution Plan.

Short Shrift Given to the Non-Wires Analysis

As noted by several commenters, non-wires projects provide significant opportunities to reduce infrastructure and system costs (as well as return on equity for Xcel shareholders). However, we support several commenters in illustrating necessary improvements to the analysis proposed by Xcel:

- Comments by ELPC / Vote Solar (henceforth "ELPC") and the City of Minneapolis highlight the importance of calculating all value streams for non-wires projects, not just the avoided wires costs. The ELPC comments note that for the first listed project, Kasson solar plus storage, Xcel's analysis would ignore the significant value of the produced solar electricity. A non-wires analysis

is incomplete if it doesn't adequately capture all meaningful costs and benefits, especially those that may supplement the avoided wires costs.

- Multiple commenters also highlighted that Xcel may overstate the cost of non-wires projects, both based on its submitted figures and because these values haven't been market-tested. To capture the maximum value for customers, non-wires projects should use a request for proposal from third parties to find the least cost (and greatest benefit) options.
- Several parties also noted that Xcel's proposed scope of non-wires analysis is too narrow for several reasons. The City of Minneapolis rightly notes that asset health projects may still benefit from non-wires options. ELPC illustrates that even for projects with N-1 risk, hybrid wires and non-wires projects may still provide lower cost options. The Commission should ask Xcel to broaden its scope of consideration for non-wires projects.
- The Interstate Renewable Energy Council (IREC) also noted an important improvement necessary to support non-wires project development, Xcel's hosting capacity analysis. ILSR agrees that the Commission should set a goal of replacing generic interconnection screens with a robust hosting capacity analysis that meets criteria set out by IREC.

In general, in failing to test its costs assumptions, artificially limiting the opportunity for non-wires projects, and undervaluing the potential revenue for non-wires projects, Xcel Energy's non-wires analysis falls short of capturing the true opportunity to reduce system costs.

Room to Improve the Cost-Benefit Analysis

Fresh Energy illustrates several potential shortcomings in Xcel's cost-benefit analysis, including: lack of clarity in a sharply increased budget for projects for System Expansion or Upgrades, potentially overstated benefits in the utility's Fault Location, Isolation, and Service Restoration analysis, and a lack of commitment to a minimum benefit for

customers from the Integrated Volt-Var Optimization. All of these holes should be filled in before the Commission approves this plan.

Minimum Standards for Customer Benefit: Data Access

ILSR supports several commenters (Fresh Energy, the City of Minneapolis, and Citizens Utility Board) in backing minimum standards for customer and third party data access. Citizens Utility Board, in particular, notes that the utility's own cost-benefit ratio for certain components is less than one. The utility *needs* customers to help prove the value of its distribution system improvements.

More importantly, however, Xcel Energy is a *public utility*, with a right to captive customers only insofar as it serves the public interest. If advanced metering infrastructure creates market opportunities for customers to cut their energy costs, then the Commission should require Xcel to maximize the customer opportunity to do so. ILSR strongly supports the requirements laid out by Citizens Utility Board, especially the requirements and deadlines for customer data access.

Project Certification

The City of Minneapolis, Fresh Energy, Citizens Utility Board, and Xcel Large Industrials all raised objections to certification of at least one component of the Integrated Distribution Plan. Most commenters found that the Commission lacked clear criteria for certification, and Xcel Large Industrials explicitly notes that the Commission lacks clear statutory authority to certify projects outside of a multi-year rate case.

It seems like a minimum requirement would be for the Commission to respond to the question of statutory authority before even considering the utility's specific request. Should the Commission find that it has the authority to consider certification, the

Institute for Local Self-Reliance would add three additional concerns in its opposition to certification for all projects:

- Xcel Energy's Smart Grid City project in Boulder, Colorado, remains the poster child for expensive smart grid programs. A full $16 million of cost recovery was denied to Xcel's Energy's Colorado subsidiary in 2013 due to costs eventually tripling the utility's initial estimate.[1] The doubling of costs associated with the Monticello nuclear plant retrofit in recent years suggests that the company's Minnesota subsidiary is not immune from the challenge of accurate cost estimates. Allowing rider cost recovery may not sufficiently protect customers.
- The concept of "priority" for certification implies a significant increase in distributed energy resources that was not reflected in the utility's initial integrated resource plan filing late in 2019. It either implied a near-stop to community solar development or an under-estimate in distributed solar production, or both. Since these projects could form the basis of non-wires alternatives as well as customer-sited resiliency solutions, this seems unlikely. To be clear, we believe Xcel Energy's forecasts to be in error, but the inconsistency in the Company's expectations for distributed energy resources in this plan and its integrated resource plan should be noted.
- Finally, the level of distribution system investment may seem novel compared to the historical focus on utility-scale and transmission-level resources, but it likely represents a new normal for grid operations. The Commission should not set a precedent that deploying significant resources to the distribution system merits special treatment for cost recovery.

Given the poor history of cost forecasting, the uncertain cost-benefit analysis, the coincidence of postponing the multi-year rate plan, and the uncertain statutory authority, ILSR strongly recommends that the commission deny certification of the Advanced Grid

[1] Helms, Marissa. The lessons of smart grid test in Boulder. (Finance & Commerce, 4/24/13). https://finance-commerce.com/2013/04/the-lessons-of-smart-grid-test-in-boulder/

Intelligence and Security Initiative and push cost recovery into the utility's next rate case.

Thank you for the opportunity to comment; we appreciate that there has not been any legislative preemption of this regulatory process.

Sincerely,
/s/
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