

April 29, 2021

Via Electronic Filing

Will Seuffert

Executive Secretary

Minnesota Public Utilities Commission 121 7th Place E., Suite 350

St. Paul, MN 55101

RE: Docket 20-891 / In the Matter of the Petition of Xcel Energy for Approval of the Acquisition of Solar Generation at Xcel Energy's Sherburne County Site

Dear Mr. Seuffert:

The Institute for Local Self-Reliance (ILSR) respectfully submits the following comments on the proposed Sherco solar project. In general, ILSR supports the replacement of coal-powered generation with utility-scale solar in a way that reuses existing transmission resources, uses union labor, and supports the tax base of the communities surrounding the Sherco coal plant. However, we flag a few issues that the Commission should consider in evaluating the proposed project, including the project cost, ownership, and the inane comparison to the costs and benefits of distributed generation.

The Costs Seem High

The project's costs are redacted from the public version of the filing, but the comparison project costs provided by Xcel (around \$1,300 per kilowatt DC) seem high. In *Utility-Scale Solar Data Update: 2020 Edition* by Lawrence Berkeley Labs, the median utility-scale solar project cost was approximately \$1,200 per kilowatt (DC) for projects of

all sizes, and \$1,100 per kilowatt (DC) for projects 100-200 megawatts in size (costs for projects with tracking were approximately \$100 per kilowatt more expensive).¹ The Solar Energy Industries Association reported even lower modeled costs for 2020 utility-scale projects, with Q2 and Q3 projects costs of \$950 and \$940 per kilowatt for projects with tracking, respectively.² With a trend in falling costs, it's disturbing to see Xcel Energy using costs that would have been high by 2019 standards as a benchmark for the cost-effectiveness of the Sherco solar project.³

Xcel claims that this project cost is reasonable, but notably the bid process did not allow for it to determine whether it is the least cost option. It would be helpful to know if the determination of the utility's bid being the best option relies on its projected benefits of retaining transmission rights, which was a significant financial value.

Ownership

Although the bidding process and transmission rights make it hard to determine if a company-owned solar project is in fact the least cost, ILSR supports the general concept of allowing Xcel to replace the ratebase of its Sherco coal plant with a similar solar plant, as long as this "set aside" is taken into consideration in future procurement. In general, ILSR supports competitive processes that consider all resources, utility-scale or distributed, supply or demand side, that can meet the grid needs and offer quality jobs.

The Disingenuous Comparison to Community Solar

In its filing, Xcel Energy compares the price of the proposed Sherco Solar project to community solar. This (routine) comparison has no merit, for several reasons:

¹ https://emp.lbl.gov/sites/default/files/2020_utility-scale_solar_data_update.pdf

² <https://www.seia.org/research-resources/solar-market-insight-report-2020-q4>

³ *Note: ILSR is not familiar with the cost of bifacial panels compared to standard panels, which may explain some of the cost differential.*

1. Community solar projects are capped at 1 megawatt, as Xcel Energy intended in its position regarding project co-location. It would be unreasonable to expect small projects to compete with large ones on price alone.
2. Sherco Solar will not deliver power directly to the distribution system, so its capital and levelized costs are not inclusive of delivery costs to customers recovered separately under customer rates.
3. Related, and as shown in the state's value of solar methodology, community solar projects avoid costs (transmission congestion and losses, etc) that Sherco Solar will not. Community solar does not receive a ratebase subsidy in delivery costs because it avoids such costs.
4. Community solar of similar scope would deliver direct financial benefits to thousands of Minnesota residents and businesses and likely result in significantly higher employment and economic impact. Xcel does not detail any of these substantive differences in its offhand comparison.

One could compare Xcel to its municipal or cooperative peers and note that Xcel consistently has a higher cost of capital. Such a comparison would be unfair, given the tax structure and access to subsidized federal financing available to these utilities, but it would have as much merit as the Company's comparison of Sherco Solar to community solar, and as much relevance to this proceeding.

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

Sincerely,

/s/

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