STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Daniel Lipschultz	Commissioner
Matt Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

In the Matter of the Petition for approval of Northern States Power Company, dba Xcel Energy, for approval of its Community Solar Garden Program	**MINNESOTA SOLAR ENERGY INDUSTRIES ASSOCIATION'S COMMENTS ON XCEL ENERGY'S COMMUNITY SOLAR GARDEN PROGRAM**
January 24, 2018	**Docket No. E-002/M-13-867**

COMMENTS OF THE MINNESOTA SOLAR ENERGY INDUSTRIES ASSOCIATION

I. BACKGROUND

On October 2, 2017, Xcel Energy (Xcel) filed their 2018 Value of Solar (VOS) Calculation and several attachments justifying their calculations.[1] These documents were filed as compliance filings. This filing included, for the first time ever, a locational value reducing number.[2]

On October 11, 2017, the Minnesota Solar Energy Industries Association (MnSEIA) and Xcel held their October joint Solar Rewards Community Working Group Meeting.[3] At the

---

1 *See* COMPLAINCE FILING – VOS CALC, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201710-136017-01 (Oct. 2, 2017).

2 *Id.* at 2.

3 *See* COMPLIANCE FILING – STAKEHOLDER MEETING MINUTES, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201710-136586-01 (Oct. 18, 2017) (where these minutes were approved).

meeting, Xcel staff presented their justification of the 2018 VOS methodology and the location value reducing number.

On October 31, 2017, MnSEIA filed a note requesting a comment period on the 2018 VOS calculation.[4] Due to the ambiguous nature of protesting a compliance filing approval, this note was filed with the Minnesota Public Utilities Commission (PUC or the "Commission") and sent to the Department of Commerce (DOC).

On November 3, 2017, the DOC filed a note requesting the Commission approve a comment period pursuant to MnSEIA's request. The DOC also stated it was continuing its review of Xcel's program.[5]

On November 17, 2017, the Commission posted a notice of comment period for the 2018 VOS Methodology.[6]

On December 8, 2017, Xcel filed some initial commentary and posted a new attachment A, which included an updated VOS model.[7] This commentary also included Information Request responses to Fresh Energy posted as Attachment B.[8]

This same day, Xcel sent an email out to SRCMN, the Solar Reward Community bulk listserv. The email contained a provision that stated the following:

Value-of-Solar 2018 Rates

Xcel Energy's Solar*Rewards Community tariff specifies that the VOS Bill Credit Rate table to be applied for a given application is based on

---

4 *See* LETTER – REQUESTING COMMENT PERIOD ON 2018 VOS CALCULATION, MNSEIA, Docket No. E002/M-13-867, Doc. Id. 201710-136974-01 (Oct. 31, 2017).

5 *See* LETTER, DOC, Docket No. E002/M-13-867, Doc. Id. 201711-137156-01 at 1 (Nov. 3, 2017).

6 *See* NOTICE OF COMMENT PERIOD, MPUC, Docket No. E002/M-13-867, Doc. Id.201711-137491-01 (Nov. 17, 2017).

7 *See* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201712-138061-01 (Dec. 8, 2017); *See also* COMMENTS – ATTACHMENT A – UPDATED VOS MODEL LIVE, Docket No. E002/M-13-867, Doc. Id. 201712-138061-02 (Dec. 8, 2017).

8 COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201712-138061-01 at Attachment B (Dec. 8, 2017).

> the calendar year that the application is "Deemed Complete." Therefore, in order to be eligible for the 2017 VOS Bill Credit Rate table, the Solar*Rewards Community application **must** be Deemed Complete in 2017.
>
> Currently, there is no approved tariff sheet with the 2018 VOS Bill Credit Rate table that would apply to applications Deemed Complete in 2018. Developers can still continue to submit program applications and the Company will still process these applications and have these applications Deemed Complete consistent with program rules. Once the tariff sheet setting forth the 2018 VOS Bill Credit Rate table is approved and in place, this rate table will apply to applications Deemed Complete in 2018.[9]

On January 4, 2018, Xcel filed a letter with a revision to the NOx numbers, which raised the 2018 VOS rate.[10]

II. COMMENTS

MNSEIA CONTENDS THAT XCEL ENERGY'S 2018 VOS AND ITS APPLICATION THEREOF HAVE CAUSED THREE SEPARATE AND DISTINCT ISSUES FOR THE COMMISSION, AND EACH ISSUE REQUIRES ITS OWN TREATMENT TIMELINE

There are three distinct items that we ask the Commission to address. In approaching solutions we, as the solar industry of Minnesota, like any industry, want to stress our goal of having a stable and predictable environment. Our members seek to develop, construct and operate solar projects, but they need certainty to do so. We believe the intent of the Community Solar Program (CSG) as regulated by the PUC is to ensure that developers have a predictable VOS and are properly compensated for the benefits they add to our electricity system. In considering solutions to the issues at hand, we ask that the Commission consider both the real-time impacts of an improperly calculated VOS and the precedent these decisions set for future years of this program plus other rate making exercises.

The three items we ask the Commission to address are 1) establishment of an interim rate until the 2018 value is settled; 2) establishment of a 2018 system wide VOS value; 3) clarification of how to apply the VOS methodology for compliance filings and how to deal with proposed changes to applying the methodology, such as location values or other input changes.

---

9 *See* Attachment 1 (filed separately).

10 *See* LETTER – LETTER VOS WITH NOX UPDATE, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 20181-138644-01 (Jan. 4, 2018).

Of these three items, most important is Xcel's inability to apply a rate to applications deemed complete in 2018.[11] Currently, applications that are deemed complete are not given a rate. This is forcing developers to either not submit applications or to do so at their own risk. This choice between two bad options impacts the ability for any developer to move projects forward, specifically because it introduces uncertainty into the economic value of each project. Further, the inability to know the rate a garden will receive prevents developers from being able to communicate the bill credit value to a customer, fully stopping any subscription contracting from occurring. To this same end, financing is impossible to secure when a project cannot be valued. These delays add costs to projects currently in process and reduce the likelihood a developer will submit new projects during this period.

The next issue of import is whether Xcel appropriately calculated the 2018 VOS generally. The disparity between the 2017 and 2018 numbers is surprising.[12] There are apparently two fundamental issues that are driving the decrease in the rate values, namely environmental numbers and a change in the heat rate methodology.[13] This issue requires reasonable Commission scrutiny and should be afforded ample time for the Commission to get the matter correct. Of note here is that the application of the methodology -- and not just the next year's data -- used in 2017 is being modified for 2018.

The last issue is the introduction of new elements of the methodology, such as the locational subtractor value, with no clear process for stakeholder engagement. Any change to the way the VOS methodology is applied deserves significant scrutiny and a rigorous stakeholder process for evaluation.

With the aforementioned in mind, MnSEIA recommends that the Commission trifurcate the issues as follows: 1) immediately address Xcel's inability to give deemed complete applications a rate, either through an expedited proceeding, a required contract amendment, a letter [like the March 10, 2015 PUC note filed in this docket], or some other timely approach; 2) reasonably address Xcel's general 2018 VOS calculation through a traditional PUC docket

---

11 This point was stated and outlined in the January 17, 2018 SRC Working Group meeting wherein MnSEIA and developers requested information on why Xcel was not assigning rates to the deemed complete projects. The Minutes have yet to be approved, but will likely reflect this reality before this issue's hearing date.

12 Quoting Xcel "The calculation represents a per kWh decrease of 0.27 cents in year 1 and decrease of 0.67 cents in year 25 from the 2017 VOS Vintage calculation of 10.33 cents per kWh in the first year and 17.91 cents per kWh in the final year;" *See* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201712-138061-01 at 2 (Dec. 8, 2017).

13 *See* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201712-138061-01 at 1-2 (Dec. 8, 2017).

process; and 3) clarify that only the inputs, updated to the current year, can be modified for the annual VOS compliance filing, and that any proposed changes to the mechanism, including what date ranges to use to determine inputs, be considered a change to the methodology and require a DOC lead stakeholder process.

A. The Most Pertinent Issue To Address Is That Xcel Is Currently Not Providing Rates To Applications Deemed Complete In 2018.

MnSEIA requests some form of expedited treatment regarding what rate that applications deemed complete should receive. Applications are currently stuck in a state of limbo, while the 2018 VOS is being investigated. This has effectively paused the program, because developers have no certainty surrounding the rate itself or when the rate will be approved. With a two-year clock on all project applications before they can be removed from the queue, having a protracted period without a rate can result in significant harm to a project's viability.

Importantly, this issue was caused entirely by the lack of clarity regarding what is permitted to be submitted as part of a VOS compliance filing. Xcel's initial flawed filing and their subsequent attempts to make changes to the methodology through additional compliance filings and comments has directly led to this situation.[14] Xcel now claims that it cannot provide a rate for applications deemed complete during this time period, because its own tariff never contemplated a time when a rate would not be in place. The current situation was foreseeable and thus should have been accounted for. The situation only arose because of both an improper use of a compliance filing and an improper calculation of Xcel's VOS.

Further, the developers did not cause the improper calculation of the VOS and yet are the ones impacted by the uncertainty that this misfiling has produced. This situation could have been mitigated ahead of time if Xcel had chosen to utilize the SRC working group, the Department, and other stakeholders to review their changes.

At this point it does not appear that Xcel has any incentive to solve this issue in an expeditious period, and so they are not.[15] Developers are being hurt by Xcel's lack of foresight in drafting its tariff and its incorrect VOS methodology. They are the ones that are unable to apply for CSGs or to advance their applications forward. This issue needs to be mitigated immediately. Each day is harming applications currently deemed complete as they march closer to the two-year application maximum and other application hurdles, which require more time and money.

---

14 *See Id*. at Attachment B.

15 This request was made of Xcel in the January 17, 2018 SRC Working group by MnSEIA and other developer stakeholders. To our knowledge and to date, Xcel has offered no solution to remedy the issue.

MnSEIA believes this is an incredibly important issue to address, not only because it is currently impacting applications, but because a situation like this is capable of repetition in the future. The DOC should be afforded ample opportunity to review and reject proposed tariffs without having it harm third parties. Xcel's tariff needs to be changed to ensure that there is never again a period with no rate. The development community and the DOC should have the ability to challenge a compliance filing without fear that if they do so, it might jeopardize or delay the next year's application period.

MnSEIA agrees that it is important for the 2018 VOS rate to be approved promptly. The VOS is a scientifically rigorous methodology that ensures the utility, rate payers and society are getting adequate compensation for the value that solar provides.[16] When the VOS is applied properly, a window of time to review and consider the changes can be short, and the current process set up (providing two months) is ample time. But when the methodology is improperly applied, the parties and Commission staff should be afforded the opportunity to serve IRs upon Xcel and others regarding this issue, parties should be permitted to request extensions without fear that their extension will delay deemed complete applications, and the Commission should feel free to hold multiple hearings on the 2018 VOS methodology without slowing down the deemed complete applications.

The nice thing about this current situation is, however, that it is easily solvable. MnSEIA believes there are several available options that the Commission could clarify or adopt as an interim rate for applications deemed complete before the 2018 VOS methodology is approved. Whatever solution the Commission adopts should be tariffed immediately or upon approval of the 2018 VOS.

The first option the Commission could adopt for applications deemed complete before the 2018 VOS's approval is the 2017 VOS rate escalated out to year two.[17] Each VOS year comes with a 25-year rate schedule. The Commission could adopt the 2017 VOS rate and start the 25-year schedule from the 2018 value as stated in the 2017 VOS and escalate it from there. In this case the starting year's rate would be $0.1057/kWh and would be escalated accordingly.[18] This would give the most accurate estimate for what solar in 2018 should be valued at. This would be our preferred approach.

---

16 Minn. Stat. § 216B.164, subd. 10.

17 COMPLIANCE FILING – VALUE OF SOLAR UPDATE, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 20169-125321-02 at Attachment A – Fig. ES-2.

18 *Id.*

Another option is using the 2017 VOS rate again. The Commission could simply carry forward the 2017 VOS *as is*, and apply it to applications deemed complete before the 2018 VOS is approved. This option would be quite easy to implement and logical based on evaluating Minn. Stat. § 216B.1641.

A third choice the Commission could make is using the Applicable Retail Rate (ARR) in lieu of a VOS rate.[19] The ARR is a viable alternative under Minn. Stat. § 216B.1641(d), which states in pertinent part:

> (d) The public utility must purchase from the community solar garden all energy generated by the solar garden. The purchase shall be at the rate calculated under section 216B.164, subd. 10, or, until that *rate* for the public utility has been approved by the commission, the applicable retail rate.

This portion of the statute suggests that if a rate (not the value of solar tariff) is *not* approved at any point, then the default rate is the ARR. Additionally, Xcel's Section 9 tariff already allows Xcel to grant an ARR rate to projects deemed complete during gap periods through contract amendments.[20] Any of the above options could be implemented immediately through an expedited proceeding, a required contract amendment, a Commission letter confirming the law, or some other timely approach

MnSEIA is *not* supportive of applying the 2018 VOS as proposed or with the system-wide locational values in lieu of the location specific values, because the 2018 VOS itself is not yet approved and the rate will likely not be approved for some time. Tying the deemed complete applications to the approval of the 2018 VOS will cause the programmatic pause to continue unnecessarily when other options are available today. As will be addressed further below, adopting the 2017 rate in some form would allow the Commission to scrutinize the locational reductor in an extended proceeding, ensure the 2018 rate is approved in a timely but rigorous fashion, and set forward precedent to ensure development certainty in future years.

B. The Next Most Important Issue To Address Is The 2018 VOS Methodology, And It Should Be Handled Using A Traditional PUC Process.

The 2018 VOS is supposed to be approved this year and should be. The challenges with Xcel's implementation of the VOS are 1) they plan to alter their heat rate calculations for a

---

19 *See* OTHER – PETITION FOR EXPEDITED RESOLUTION, UNITED STATES SOLAR CORPORATION, Docket No. E-002/M-13-867, Doc. Id. 20181-139236-01 at 6 (Jan. 23, 2018).

20 Xcel Energy Section 9 Tariff, at Sheet No. 64.

second time; and 2) they used the wrong environmental values initially and changed others.[21] These two items seem easy enough to grapple with, but they are a moving target.

In Xcel's October 2, 2017 filing the VOS Rate was a levelized $0.1239 and in their December 8th filing the VOS Rate dropped to $0.1198, despite increasing the value for their NOx component.[22] Their alteration of their heat rate more than negated the NOx increase, reducing the overall rate by $.065/kWh.

Fresh Energy's Information Request No. 9, requested information on why the 2018 VOS "Solar weighted Heat Rate" was 403 BTU per kwh lower than the 2017 number.[23] In response, Xcel articulated that the difference is attributable to changes in the Solar weighted Heat Rate's inputs and also because the "2018 VOS methodology incorporated the 2018 forecasted solar weighted heat rate and the 2017 VOS incorporated a solar weighted heat rate based on a 2016-2021 six-year average forecast."[24] So some of the 403 BTU per kWh is attributable to Xcel changing its methodology for computing solar weighted heat rate, which Xcel did twice without informing the Commission or stakeholders. At the very least, stakeholders should have the ability to weigh in on changes to how Xcel determines the inputs to the methodology.

Xcel later replies in Fresh Energy IR 11 that "[w]e do not currently have access to six years of forecast data, but incorporating average solar heat rate of 9,086 for the five-year forecast period of 2018-2022 in the 2018 VOS in lieu of the 8,755 solar heat rate for 2018 included in the Company's compliance filing would result in a year one value of $0.1019 per KWh, which is an increase of $0.0013 per KWh or 1.3 percent."[25] But instead of using this increased number, Xcel goes on to articulate that they are not going to use that method to calculate the heat rate anymore, instead, they are going to a "CC/CT blend approach," which would actually further lower the

---

21 *See* LETTER – LETTER VOS WITH NOX UPDATE, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 20181-138644-01 at Attachment A – Fig. ES-2 (Jan. 4, 2018); *See also* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 201712-138061-02 at Attachment A – Fig. ES-2 (Dec. 8, 2018).

22 *See* COMPLAINCE FILING – VOS CALC, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201710-136017-01 (Oct. 2, 2017).

23 *See also* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 201712-138061-02 at Attachment B (Dec. 8, 2018).

24 *Id.*

25 *Id.*

heat rate from what they initially stated. Apparently, this CC/CT blend approach was approved by the DOC in 2014 and is thus a renewed approach Xcel wants to take.[26]

MnSEIA contends that Xcel should stick with the way it has been recently doing the VOS methodology, instead of reverting to 2014 approaches or inventing new ones. Perhaps it is true, that the DOC approved Xcel's 2014 heat rate calculations under the CC/CT blend approach, but the DOC also approved the 2016 and 2017 heat rate calculations, which apparently did not use a CC/CT blend approach.

No project applied for or used the 2014 VOS rate, because the Applicable Retail Rate (ARR) was in place. Conversely, the 2017 rate had 58 applications filed under it throughout the year.[27] The 2017 rate likely received more scrutiny by the DOC and others than the 2014 rate, because the 2017 rate was the first time that anyone would apply for and use the VOS. More importantly, developers, organizations and the Commission, utilized recent VOS prices in determining whether a transition from the ARR to the VOS was warranted. Commenters and the Commission relied on Xcel's 2015-2017 VOS numbers to make comments and issue orders. Altering the methodology at this point -- and without Commission approval -- is an affront to the comment process and the Commission's prior orders even if the CC/CT blend approach is the correct measure to evaluate heat rate.

Changing the VOS on the fly also has real world consequences. Rate fluctuations, like what has occurred between the 2017 VOS and the 2018 VOS, create a challenging CSG market, because developers do not have any idea what will happen from one year to the next. We contend that any change to the date used, including how the heat rate calculation is performed, is a change to the methodology accepted in the previous year. If this conduct is permitted now, what is to stop the utility from altering its inputs for each value within the VOS methodology? Xcel should continue calculating the VOS as it has, unless it receives Commission permission to change the inputs or the methodology itself.

The reductions outlined in the 2018 VOS are potentially program ending and need to be considered with extreme caution. Minn. Stat. § 216B.1641 requires that this program create CSGs and make them financially viable, and this should be the final arbiter on this rate question. If unclear how to proceed on this issue or what standard should be applied for determining what heat rate methodology should be applied, the Commission should lean in the direction of the

---

26 *Id.*

27 COMPLIANCE FILING – JANUARY 2018 MONTHLY COMPLIANCE REPORT, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 20181-138984-01 at Table 2 (Jan. 16, 2018).

developers, because while the 2017 VOS rate apparently can work for some developers, the 2018 VOS can result in significant harm to solar developers.

> The burdens on the developers have only increased overtime. This program started out with unlimited co-location; then it was reduced to 5 MW; next it was reduced to 1 MW; then the program shifted from the multi-rate class ARR (that allowed residential subscribers) to the single rate VOS (which makes residential subscribers more difficult without an adder) with a heat rate calculated using a six-year average forecast; and now Xcel is trying to move to a CC/CT blend approach for calculating heat rate in the 2018 VOS. This last change amounts to a loss of $.05/kwh and does not include the harm caused by the locational redactor, but it is getting dangerously close to being the final screw in this program's coffin. This is especially true with other more lucrative CSG programs popping up around the country. There is ample anecdotal evidence to illustrate the slow decline of this program, including monthly applications slowing with each programmatic change, and a decrease in developers participating in the process.

On the issue of environmental benefits, the VOS methodology does not incorporate many of the new externality values. Only NOx is added; particulate matter and SOx are not counted in the VOS. We accept that Xcel has now sufficiently encapsulated NOx, and request that this number be added to the 2018 VOS calculation.[28] Since the NOx values were approved prior to the compliance filing date, it would be appropriate to use in the 2018 number as it fits with our request that changes to the methodology receive approval before they can be applied in a compliance filing.

However, Xcel also decided to unilaterally move to a "Metro Fringe" value for environmental values instead of using their previously applied "urban" values.[29] Again, Xcel altered their VOS inputs without stakeholder feedback. MnSEIA objects to any negative value for location, but this transition to Metro Fringe values is particularly egregious, because Xcel is double counting locational value reductions.

---

28 *See* LETTER – LETTER VOS WITH NOX UPDATE, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 20181-138644-01 at 1 (Jan. 4, 2018); *See also* COMMENTS, XCEL ENERGY, Docket No. E002/M-13-867 Doc. Id. 201712-138061-02 at 1-2 (Dec. 8, 2018).

29 *See* COMPLAINCE FILING – VOS CALC, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201710-136017-01 at Attachment L (Oct. 2, 2017) (stating "Note: Environmental costs are based on 'Metro Fringe' values instead of 'Urban' values which have been used in previous VOS calculations.")

Presumably, Xcel's justification for this transition is the emphasis on locational values, and Xcel would contend that the transition to "Metro Fringe" better aligns with where CSGs are currently located. But creating a locational reductor value, as Xcel has done, is supposed to accurately encapsulate the difference in benefits based on location. No further reductions for solar array locations should be required. Xcel is effectively double-dipping on locational value reductions by adding a general locational value reductor and then further reducing the VOS by shifting their environmental values to Metro Fringe. Xcel should not be permitted to apply the Metro Fringe value and should be required to retain the Urban values, or at the very least there should be a stakeholder process in place prior to the implementation of this change in a compliance filing.

C. VOS Methodology Changes Should Be Evaluated In A Longer Term Process.

MnSEIA acknowledges that the locational component of Xcel's 2018 VOS methodology was Commission-ordered, but it has not yet been Commission-approved, and its application requires additional scrutiny. The subtractor should be given additional review through a stakeholder group led by the Department. Similarly, any proposed change to the heat rate or the externalities location, whether it is Metro or Urban, is not the sole purview of Xcel and must be considered through a stakeholder process. Further, it seems illogical that while rates generally are going up in Xcel service territory, VOS rates are going down.

On October 2, 2017, Xcel, for the first time ever, attempted to apply the VOS's methodology for locational benefits.[30] The most confusing component of Xcel's application is that they computed a system-wide number and individual area values, but the individual area values did not average out to be the same as the system-wide number would suggest. Instead, the area values were all lower than the system-wide number. In defense of this outcome, Xcel stated that "there are several potential drivers of the […] lower distribution capacity values for the 9 planning areas," the primary contention seems to be that "the system-wide calculation uses the a historical 10- year time period and the planning areas use seven years of historical data and 3 years of forecast data based on the Company's understanding of the Department's VOS methodology."[31] Xcel's position on this point conveys that the VOS methodology is confusing and difficult to accurately apply, if they are not even certain that a seven year historical data and three years of forecast data is necessary.

---

30 *See* COMPLAINCE FILING – VOS CALC, XCEL ENERGY, Docket No. E002/M-13-867, Doc. Id. 201710-136017-01 Attachment B (Oct. 2, 2017).

31 DOC Information Request No. 31, DOC, Docket No. E002/M-13-867 at 1 (Oct. 20, 2017).

Further, all of the area values were less than the VOS itself, suggesting that there is no place in Xcel's service territory where a system can be ideally placed. This is fundamentally contrary to the purpose of the VOS, because it implies that the best place to site solar on Xcel's grid is nowhere at all. It insinuates that solar is only worth the full VOS in the abstract.

Additionally, even the notion of a subtractor instead of an adder runs contrary to the VOS methodology. As part of the VOS components the methodology states:

> Credit for systems installed at high value locations (identified in the legislation as an option) is included as an option for the utility. It is not a separate VOS component but rather is implemented using a location-specific distribution capacity value (the component most affected by location). This is addressed in the Distribution Capacity Cost section.[32]

Granted, the above is about Distribution Capacity Costs, but this above segment does not say "reductions for systems installed at low value locations," instead it expressly states a general financial encouragement for well-sited systems. Thus it is peculiar that Xcel's methodology results in net losses for siting projects throughout its service territory.

It is not surprising, however, that a first attempt at calculating locational benefits is unclear. On this topic, the VOS methodology is vague, ambiguous and subject to interpretation. The methodology for calculating location-specific avoided costs is only this:

> Location-specific Avoided Costs
>
> As an alternative to system-wide costs for distribution, location-specific costs may be used. When calculating location-specific costs, the calculation should follow the same method of the system-wide avoided cost method, but use local technical and cost data. The calculation should satisfy the following requirements:
>
> - The distribution cost VOS should be calculated for each distribution planning area, defined as the minimum area in which capacity needs cannot be met by transferring loads internally from one circuit to another.
> - Distribution loads (the sum of all relevant feeders), peak load growth rates and capital costs should be based on the distribution planning area.
> - Local Fleet Production Shapes may be used, if desired.

---

[32] COMMENTS – MINNESOTA VALUE OF SOLAR – METHODOLOGY, DOC, Docket No. E-999/M-14-65 at 3 (Jan. 31, 2014).

Alternatively, the system-level Fleet Production Shape may be used.

- Anticipated capital costs should be evaluated based on capacity related investments only (as above) using budgetary engineering cost estimates. All anticipated capital investments in the planning area should be included. Planned capital investments should be assumed to meet capacity requirements for the number of years defined by the amount of new capacity added (in MW) divided by the local growth rate (MW per year). Beyond this time period, which is beyond the planning horizon, new capacity investments should be assumed each year using the systemwide method.
- Planning areas for which engineering cost estimates are not available may be combined, and the VOS calculated using the system-wide method.[33]

These directions allow for multiple interpretations. However, the above suggests that the resulting value should *not* be a reduction. If it is true that a "distribution planning area" is "defined as the minimum area in which capacity needs cannot be met by transferring loads internally from one circuit to another," then it would follow that the planning area would only be one that requires additional capacity in that area. Any area that does not require additional capacity is not a "planning area" even if added capacity would be a general net negative for the area. So, if Xcel does not need any additional capacity anywhere in their service territory, there would be no planning areas and thus no mechanism to deduct system location from the VOS amount.

This issue is even more confusing when reviewing Xcel's answer to DOC IR 29, which requested information on how the planning areas were determined. Xcel responded that their planning areas have been around for over twenty years, even though the VOS definition of a planning area was approved in 2014. As proof of this concept, Xcel cites its June 21, 2017 comments in Docket No. E999/CI-15-556, even though the document never states the words "planning area."[34] It seems Xcel may have one internal definition for planning areas, while the VOS methodology contemplates another definition altogether. MnSEIA contends that the VOS locational component was meant to be a carrot as opposed to a stick, but also acknowledges that this VOS component is ambiguous.

---

33 *Id.* at 35-36.

34 DOC Information Request No. 29, DOC, Docket No. E002/M-13-867 at 1 (Oct. 20, 2017).

While we focus our comments on the locational component due to its dramatic impact on rates and confusing methodology, we ask that the Commission make clear the precedents as follows: (1) compliance filings may only contain the previous year's VOS methodology and any changes approved by the Commission since that time; (2) that in the event the Commission does not approve the VOS, the previous year's VOS carries forward; and (3) that the Commission provide guidance on how a stakeholder process can be used to address changes that are desired by stakeholders.

III. CONCLUSION

MnSEIA humbly requests the Commission separate the three primary issues surrounding the implementation of the 2018 VOS. Specifically, we request the Commission immediately establish an interim rate for applications deemed complete in 2018 before the 2018 VOS has been approved. We also request that the 2018 VOS be approved only with pre-existing, 2017 methods for calculating heat rate and externalities values, except Xcel's updated NOx value should be applied as it was previously Commission approved. Lastly, MnSEIA requests that the locational subtractor component of the 2018 VOS, or further modifications to the inputs of the VOS - like changes to how the heat rate or externalities values work - should be further reviewed with a long-term stakeholder process.

--

David Shaffer, Esq.
MnSEIA
Policy & Development Director
Phone: 612-849-0231
Email: dshaffer@mnseia.org