



November 18, 2013

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

Re: IN THE MATTER OF A RATE FOR LARGE SOLAR PHOTOVOLTAIC
INSTALLATIONS

Dear Dr. Haar:

We provide these comments on behalf of the Minnesota Solar Energy Industry Association (“MnSEIA”) on whether the Public Utilities Commission (the “Commission”) should modify the interim capacity credit to reflect Xcel’s updated Effective Load Carrying Capacity (“ELCC”) and other record evidence without waiting for results of the Department of Commerce (“DOC”) Value of Solar Tariff (“VOST” or VOS”) methodology, and to provide a response to several reply comments and recommendations filed on, or before, November 12, 2013.

MnSEIA is a membership association comprised of 58 organizations involved in both the installation and manufacture of photovoltaic and solar thermal energy. MnSEIA promotes the use of solar energy, because solar energy serves the public interest of the state, and helps create a sustainable future for Minnesota.

Introduction

Previously we submitted comments to this docket endorsing the \$5.15 per kW-month ELCC capacity credit even though we acknowledged that “we believe the value the Solar Rate Reform Group and the Department of Commerce originally calculated for the ELCC is the correct ELCC value.”¹ After reading the submitted comments, we alter

¹ Nov. 11, 2013. In The Matter of XCEL’S PROPOSAL TO CONTINUE THE

our position – we now support the correct value. The Commission should adopt the Solar Rate Reform Group’s (“SRRG”) and the DOC’s original \$8.35 per kW-month median value as both the interim ELCC capacity credit and as the final ELCC capacity credit.

Several parties have submitted convincing comments. We hope our collective comments will compel the Commission to act in the manner we will state in our “comments” section below.

Additionally, we seek to add a defensible escalation rate to any ELCC value the Commission adopts. Since our initial filing, we have had discussions with other groups about other dockets. A commonality amongst those discussions has been the use of escalation rates for various credits and values. Upon re-review of this docket we now realize that no mention has been made about an escalation rate for the ELCC value, and we now seek to change that.

But our urgency remains the same. We still seek a final capacity credit value immediately to prevent undue delay of this docket or any other solar energy dockets.

Comments

I. The PUC Should Adopt SRRG’s and DOC’s Intermediate ELCC Value of \$8.35 per kW-month as Both the Intermediate and Final ELCC Value, Because the Value Should Be Determined Scientifically and the \$8.35 Value is Scientifically Sound.

With the VOST on the horizon, our chief concern coming into this process was to prevent undue delay of this docket, and any other associated solar energy dockets. We submitted our previous comments in order to prevent delay for our installers this year. We believed endorsing the \$5.15 per kW-month value was the best way to prevent delay, and the loss of the 2014 building season.

We now believe that the capacity credit should reflect a scientifically formulated ELCC value instead of a value created by splitting the result of two different scientific methodologies in half.

While the ELCC impacts the VOST, the ELCC value also stands on its own. The ELCC docket began before the VOST’s legislative provision was passed. As Sundial Solar has hinted at in their comments, some solar installers are not interested in the result of the VOST because they install systems greater than 1 MW. Nonetheless, those parties have waited three years for a final ELCC value.² Those patient parties deserve better than

INTERIM SOLAR STANDBY SERVICE CAPACITY CREDIT. MnSEIA, Docket No. E-002/M-13-315 at 1.

² Oct. 28. 2013. IN THE MATTER OF A RATE FOR SOLAR PHOTOVOLTAIC INSTALLATIONS OVER 60KWH. Sundial Solar, Docket No. E-002/M-13-315 at 1.

an unscientific interim rate, and further delay. They deserve a final ELCC rate today, and a final ELCC rate that is not delayed by the VOST proceedings.

Having a scientifically sound ELCC value is even more important for the final ELCC value. We borrow some reasoning from Xcel's reply comments, "the capacity credit was a mid-point value between parties' position and not the direct result of a specific methodology or cost basis, or ELCC Study result [...] we do not believe it is an adequate basis for a final rate."³ This reasoning is compelling. The final ELCC value must be based on something other than a "mid-point value."

If a mid-point value is an inadequate basis for a final rate, then the question becomes what ELCC value is adequate for a final rate? The only other values available today are the four listed in Xcel's reply comments.

Xcel posited two ELCC value ranges. One was for "Generation Only" and one was for "Generation and Transmission." Those number ranges were \$2.14-\$2.61 per kW-month and \$3.22-\$3.93 per kW-month respectively. SRRG published a range of \$7.13-\$8.14 per kW-month, and the DOC's published range was \$7.44-\$9.57 per kW-month.

Because we've established that only a rate grounded in a scientific approach is sufficient, we must analyze the methodologies used in formulating the values. Whichever value range was formulated in the most scientifically sound fashion is the rate we should adopt today as the final ELCC value.

On October 31st, 2013 Xcel filed an updated ELCC study.⁴ This new study "has modified the ELCC modeling assumptions based on input from interested parties."⁵ The "input" Xcel mentions is highlighted in the SRRG's comments submitted on May 10, 2013. In those comments SRRG emphasized three major deficiencies in how Xcel calculated its \$2.14-\$2.61 per kW-month ELCC value range.⁶

Xcel's willingness to recently incorporate the missing model inputs into its ELCC study is evidence that Xcel is aware its initial ELCC value range was inadequate. Moreover, SRRG's value range and DER's range are similar; they corroborate each other. From a scientific perspective the appropriate value to adopt today is more in the \$7.13-\$9.57 per kW-month range, with a median of \$8.35 per kW-month.

³ Nov. 12. 2013, REPLY COMMENTS SOLAR EFFECTIVE LOAD CARRYING CAPACITY (ELCC) STUDY, Xcel Energy, Docket No. E002/CI-13-315, at 2.

⁴ Oct. 31. 2013, UPDATED SOLAR LOAD CARRYING CAPABILITY (ELCC) STUDY, Xcel Energy, Docket No. E002/CI-13-315, at Cover Page.

⁵ *Id.*

⁶ May 10. 2013. COMMENTS OF THE SOLAR RATE REFORM GROUP, Solar Rate Reform Group, Docket No. E002/GR-10-971 and refiled in E002/CI-13-315, at 2.

The \$8.35 per kW-month value is a scientifically defensible number that we have available for immediate adoption. This ELCC determination process has gone on for three years, and should not be further slowed because of Xcel's initially flawed ELCC study. Once all of the proper inputs are in order, Xcel's own work will very probably corroborate the \$8.35 per kW-month ELCC value. The PUC should adopt \$8.35 per kW-month as both the interim and final Capacity Credit value.

II. The PUC Should Apply a Reasonable Escalation Rate to Any ELCC Value it Adopts.

Escalation rates are ways to account for the natural discount rate of the current value.⁷ They are a common principle of economics, and as such, we assumed it would be included into the ELCC value. Not until after we submitted our earlier comments, and had general discussions about escalation rates with other organizations, did we think to see if the ELCC value included an escalation rate. No mention has been made of an escalation rate in this docket, or any other docket, associated with the ELCC.

Without an escalation rate when the PUC adopts an ELCC value, whatever that value may be, the value will effectively depreciate over the course of the term. To prevent this, the PUC should apply a reasonable escalation rate to whatever final value it determines.

We believe a reasonable escalation rate to adopt is 2.36%. As expediency is of the utmost importance to us, the escalation rate should be a preexisting rate applied elsewhere and rigorously tested. The escalator rate that Xcel uses is 2.36%.⁸ That rate is reasonable, and would be our choice of an escalation rate adopted here today.

Conclusion

Thank you for the opportunity to provide comments on the ELCC rate. The rate is important to our members, and other solar installers throughout Minnesota. In our representative capacity, we now ask the Commission to adopt both an interim and final \$8.35 per kW-month ELCC value with a reasonable escalation rate immediately.

⁷ U.S. Department of Housing and Urban Development, Key Utility Terms, (last viewed: Nov. 14, 2013)
http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/phecc/definitions.

⁸ Jul. 23. 2012. DIVISION OF ENERGY RESOURCES INFORMATION REQUEST NO. 1, Docket No. E,G002/CIP-12-447, at 2.