STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

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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 REPLY COMMENTS ON XCEL ENERGY'S COMMUNITY SOLAR GARDEN PROGRAM**
February 15, 2018	**Docket No. E-002/M-13-867**

REPLY COMMENTS OF THE MINNESOTA SOLAR ENERGY INDUSTRIES ASSOCIATION

A. CLERICAL CORRECTION TO OUR INITIAL COMMENTARY

MnSEIA would like to rectify a statement made in our initial comments. On page 10 of our January 24, 2018 initial comments we stated "[t]his 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." The correct value we intended to write is actually $.005/kwh. We would like to clarify this point for the record as it was a nontrivial mistake.

B. REPLY TO THE DEPARTMENT OF COMMERCE

On page 5 of their January 24th, 2018 comments, the Minnesota Department of Commerce (DOC) recommended using the 2018 VOS Rate upon approval. DOC's argument is "Because 2018 VOS Rates apply to CSG projects with applications deemed complete in 2018, and the time from receiving 'deemed complete' status to final project completion can be six months or more, the Department does not foresee problems with implementing the 2018 rates." MnSEIA respectfully rejects this notion.

As numerous commentators have stated, the current lack of an approved 2018 VOS rate (or, according to Xcel of any available CSG rate, period) is causing direct, concrete harm to developers whose project applications have already been "deemed complete". We understand that the 2018 VOS rate will apply to new applications once the tariff sheet for that rate is approved. In the meantime, to allow for CSG rate vesting prior to the approval of the 2018 VOS rate, we advocate for either the 2017 rate as it currently is, or the Applicable Retail Rate as requested in US Solar's Petition for Expedited Resolution of CSG Rate Dispute, because these solutions are quick and easy.[1]

The DOC never stated exactly why it feels that using the 2018 VOS is necessary or appropriate. Instead it argued that the Commission could adopt the 2018 VOS and apply it without a problem because there is a 6 month window for applications.[2]

In the case of US Solar, however, its CSG applications were deemed complete in January and it is already February. In the meantime, developers will have to continue to march their applications through the interconnection and SRC Program process without knowing what bill-credit rate their project subscribers will receive. Developers will be put in the difficult position of having to either invest significant money to continue advancing their SRC projects in the face of this uncertainty, or suffer termination of their projects for failure to progress though Xcel's process.

In order to meet their project milestones and fund project development, Developers need to sell subscriptions and secure financing, but they cannot do either of these things without a known subscriber-bill-credit rate. Without subscribers or financing, their applications are effectively paused, but Xcel still requires them to move their projects forward in the queue. They are forced to pay unnecessary carrying costs and it eats away limited window to achieve interconnection under the S*RC program.

For these reasons, and without a workable interim rate, the Commission may be tempted to rush to approve the 2018 VOS rate as soon as possible. But the actual timeline for approving a 2018 VOS tariff sheet is truly only knowable once all the Commissioners sit down together to discuss the points at issue, and the Commission determines together whether all the challenges with the 2018 VOS are fixable during the hearing. MnSEIA believes the Commission should have ample opportunity to make its determination.

There are several issues with the 2018 VOS that need addressing before it will be a suitable rate for CSG applications. Prior to the initial round of commentary on the 2018 VOS, the rate has issues regarding 1) which of Xcel's three heat rates are the correct one; 2) whether Xcel

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1 *See* PETITION FOR EXPEDITED RESOLUTION, UNITED STATES SOLAR CORPORATION, Docket No. E-002/M-13-867, Doc. Id. 20181-13236-01 (Jan. 23, 2018).

2 *See* COMMENTS, DEPARTMENT OF COMMERCE, Docket No. E-002/M-13-867, Doc. Id. 20181-139294-01 (Jan. 24, 2018).

used the correct externality values; 3) whether Xcel's transition from Urban to Metro environmental values is warranted; 4) whether Xcel should have a locational value subtractor, and if so, whether it should be location specific or system-wide; and 5) how future VOS's should be processed to avoid similar situations.

But after the initial comment period, Xcel has highlighted what it believes are additional issues with the 2018 VOS. These include 1) recommending the VOS methodology shift from historical costs to future budgeted costs; and 2) recommending the VOS avoided distribution cost methodology be modified away from the use of the "cost per unit growth" construct in favor of the "cost per actual kW installed" methodology.[3] There are effectively *seven* different issues for the Commission to address on the 2018 VOS methodology. The PUC should provide itself with adequate time to address these issues by ensuring the record is full on these points, that it has had enough time to serve Information Requests upon the utility, to consider the impacts of the various changes to the methodology, and to set multiple hearings on this issue if more information is needed.

The harm to currently deemed complete applications is why we requested an initial expedited process for establishing an interim rate while the seven issues with the 2018 VOS are worked out in a well vetted fashion. It is also why we take issue with DOC's statements. Perhaps the Department does not foresee problems with implementing the 2018 rates, but the currently deemed complete applications are already facing negative impacts. Those problems can be alleviated by either (1) approving an extension of the applicability of the 2017 VOS rate; or (2) directing Xcel to provide the Applicable Retail Rate for applications deemed complete before the 2018 VOS rate is approved.

C. REPLY TO XCEL ENERGY

a. Using The 2017 Rate Escalated Out To 2018 Is More Consistent With The Intent Of The Community Solar Program And The Value Of Solar Than Using A Flawed 2018 Rate.

Xcel contends that the 2018 VOS is the only appropriate rate. Their primary reason is "To apply 2017 vintage rates to 2018 projects would be inconsistent with the understood methodology and annual update process."[4] MnSEIA agrees it would in theory be best to use a 2018 VOS rate, but the 2018 VOS rate has not yet been approved and is currently untenable for the seven reasons listed above. In this case, using the 2018 VOS is even more inconsistent with the understood methodology and annual update process than using the ARR or 2017 VOS for 2018 projects.

It would have been wonderful if Xcel's 2018 VOS rate was correct on its initial filing, or

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3 COMMENTS, XCEL ENERGY, Docket No. E-002/M-13-867, Doc. Id. 20181-139322-01 at 2 (January 24, 2018).

4 *Id.* at 4.

if the company had announced its plans to modify their inputs earlier, to allow this debate to transpire in 2017 instead of 2018. But Xcel's 2018 VOS is mired in issues and the parties involved are forced to grapple with the rate's challenges well into 2018. For this reason, the Commission would be well justified in providing for an interim rate, either the Applicable Retail Rate or the 2017 VOS rate for SRC projects that are deemed complete prior to the 2018 VOS rate becoming approved.

Having a workable rate remain in place is very important to several of our developers, and all of the parties advocating for the transition to 2018 VOS rate (namely Xcel and DOC) seem somewhat ambivalent to which interim rate is used. So it seems like in this particular instance balancing the interests of the parties with their relative needs results in a finding that either the 2017 VOS rate or the Applicable Retail Rate are the best options for the program at this time.

b. Xcel's New Questions About The Appropriateness Of The Methodology Should Be Tabled Until A Stakeholder Discussion Can Be Had On This Specific Set Of Issues.

Xcel in their comments highlights a challenge with "other aspects of the methodology." Specifically, they are concerned about the use of historical costs and the use of "cost per unit growth" in the determination of avoided distribution costs.[5] MnSEIA is currently not in the best place to address whether these issues are worthy of concern – in fact, we do not fully understand the issue at this time. But we would like to. Having the opportunity to file IRs to get a better understanding of Xcel's challenges and solutions would be useful, as evaluating these new concerns during a reply period is challenging. Getting an opportunity to discuss these concerns in the SRC Working Group would be useful as well, so we could really understand Xcel's concerns more in depth. It would also be nice to have an opportunity to bring on an expert to address issues that are as technical as this.

We do not, however, want to extend the current reply comment period or seek a "reply to reply" period. Elongating this process will put the currently deemed complete applications in serious jeopardy. Instead, we hope the Commission will either deny Xcel's request at this moment in time or set a time in the future that is dedicated to addressing Xcel's methodology or input concerns.

D. SUPPORT OF INSTITUTE FOR LOCAL SELF RELIANCE'S POSITION

MnSEIA generally agrees with the points outlined in the Institute for Local Self Reliance's commentary (ISLR), but specifically seeks to highlight their chart on page 4. The chart illustrates historical average annual distribution costs and is contrasted with their forecasted costs. What is surprising about this chart is that in nearly all of Xcel's locational components, Xcel's forecasts are approximately half that of their historical costs. Unless Xcel is planning to

[5] *Id.* at 2.

significantly reduce its distribution costs, this disparity illustrates that there is likely an error in Xcel's projections.

The chart in ISLR's commentary provides further evidence that the location specific components of Xcel's 2018 VOS calculation require further scrutiny, and should be subject to a stakeholder review process after a rate is approved for gardens that have already been deemed complete this year.

E. SUPPORT OF FRESH ENERGY POSITION

MnSEIA agrees with Fresh Energy's Recommendation 5. This recommendation states "The Commission should change the annual VOS update from October 1st to an earlier date." The reason that the transition to the 2018 VOS is causing such a big challenge for the development community is that it is impacting applications deemed complete in 2018. Some of those applications were filed shortly after the 2018 VOS was published in October, and they were filed with the intention that the application would be deemed complete in 2017. This did not happen and it has caused a significant amount of anxiety for developers that submitted applications.

The process should be designed to allow for the next year's VOS to be filed, for a reasonable opportunity for stakeholder review and DOC approval, as well as sufficient time for an application to be submitted and deemed complete before the next calendar year starts. The primary reason that this issue has been elevated with such fervor is that there are applications currently sitting in the queue without a rate, and those applications are in this position because of mistaken Xcel VOS filings. This situation is easily remedied in the future by moving the next year's VOS filing date and pushing it earlier into the year.

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