

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Daniel Lipschultz	Commissioner
Matt Schuerger	Commissioner
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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

April 6, 2018

Docket No. E-002/M-13-867

**COMMENTS OF THE MINNESOTA SOLAR ENERGY
INDUSTRIES ASSOCIATION**

BACKGROUND

On September 6, 2016 the Minnesota Public Utilities Commission (PUC or the “Commission”) requested that the Minnesota Department of Commerce (DOC or the “Department”) determine whether a “Residential Adder” – or any other adder or subtractor – should be applied to Xcel Energy’s (Xcel) Community Solar Garden (CSG) Program.¹

On March 1, 2017, the Department recommended that the Commission adopt and adder of “\$0.025 per kWh for residential subscribers to CSGs for 2017 with the rate decreasing to \$0.015 in 2019 and \$0.005 in 2020 and thereafter or until further modified by the Commission.”²

¹ See ORDER – APPROVING VALUE-OF-SOLAR RATE FOR XCELS SOLAR GARDEN PROGRAM, CLARIFYING PROGRAM PARAMETERS, AND REQUIRING FURTHER FILINGS, PUC, Docket No. E-002/M-13-867, Doc. Id. 20169-124627-01 at 24 (Sept. 6, 2016).

² COMMENTS, DOC, Docket No. E-002/M-13-867, Doc. Id. 20179-129559-01 at 12 (Mar. 1, 2017).

On October 24, 2017, the Commission held a hearing to discuss the residential adder but ultimately determined more information was required before it could decide on whether to adopt a residential adder. Specifically, the Commission requested Xcel to provide additional information on the marginal cost of implementing the DOC's recommendation, and how Xcel would propose to implement a residential requirement or "carve-out."³

On February 1, 2018, Xcel filed its initial VOS Adder Analyses.⁴

On February 14, 2018, the Commission issued its Notice of Comment period, requesting information on Xcel's approach to calculating the incentive ratepayer cost and information on its formulation for a residential carve-out.⁵

On February 23, 2018, Xcel filed a corrected VOS Adder analysis.⁶

COMMENTS

I. A CARVE-OUT WITH NO BENEFITS MAY ELIMINATE THE PROGRAM

MnSEIA does not support a mandatory residential carve-out solution for the full CSG program. The initial challenge is that this would be an additional burden on the developer community: a community which is already substantially reduced in size in Minnesota. A carve-out on its own (i.e. without a residential adder) would make financing projects exceedingly difficult and would increase subscriber acquisition costs.

We fear that pivoting to a carve-out requirement without any form of compensation may effectively end the program. Minnesota, which was once a leader in community solar thinking, is increasingly becoming a difficult state in which to develop gardens. MnSEIA recommends adoption of a \$.025/kWh residential adder without the unworkable carve out as Xcel proposed.

³ See ORDER REQUIRING FURTHER ANALYSIS OF RESIDENTIAL ADDERS AND CARVE-OUTS, PUC, Docket No. E-002/M-13-867, Doc. Id.201712-138185-01 at 5-6 (Dec. 14, 2017).

⁴ COMMENTS – VOS ADDERS ANALYSES, XCEL ENERGY, Docket No. E-002/M-13-867, Doc. Id. 20182-139688-01 (Feb. 1, 2018).

⁵ NOTICE OF COMMENT PERIOD, PUC, Docket No. E-002/M-13-867, Doc. Id. 20182-140097-01 (Feb. 14, 2018).

⁶ OTHER – CORRECTED VOS ADDERS ANALYSIS, XCEL ENERGY, Docket No. E-002/M-13-867, Doc. Id. 20182-140436-01 (Feb. 23, 2018).

II. A DISCUSSION OF XCEL'S FILING

A. Challenges Posed By Xcel's Approach

Unfortunately, Xcel Energy's proposed approach to implementing a residential carve-out would frustrate the intention of Minn. Stat. § 216B.1641.⁷ The Company would implement the five percent carve-out as follows:

- Garden Operators enter subscriber and subscription information into the Company's subscription management system throughout the interconnection process;
- Our subscription management system verifies customer class as subscribers are validated, tracks compliance, and alerts Garden Operators when there is risk of non-compliance;
- The Company reviews carve-out compliance prior to garden completion or granting permission to operate;
- Compliance monitoring is conducted through the subscription management system and enforcement actions are taken as necessary; and
- In cases of non-compliance, Garden Operators would receive notice and be required to come into compliance within 30 days or be subject to the remedies for breach of the Standard Contract for Solar*Reward Community as defined in our electric rate book at Section 9, beginning on Original Sheet No. 81, which includes possible disconnection until the breach is cured.”⁸

MnSEIA takes no issue with the first two prongs of Xcel's implementation. They are effectively in place already, and they are common sense measures for a program such as this.

However, the final three bullets are inconsistent with state law. They would run afoul of Minn. Stat. § 216B.1641's requirement to reasonably allow for the creation, financing and accessibility of community solar gardens.⁹ If Xcel were able to preclude a developer from operating, that would make financing nearly impossible, because the garden operator would have little certainty around when the garden would actually begin operation. It would necessitate that developers far exceed the carve-out minimum threshold in order to ensure that the operator has more than a sufficient amount of redundancy in their subscribers that they can still “turn on” at a

⁷ See Minn. Stat. § 216B.1641.

⁸ Xcel Energy, VALUE OF SOLAR ADDERS ANALYSIS – CORRECTED (Feb. 23, 2018), at 6-7.

⁹ Minn. Stat. 216B.1641.

specified date. This adds additional and unconsidered administrative complexity to an already difficult to finance process, and would likely fail to facilitate the creation of future gardens.

This unwise approach would also allow Xcel to take “enforcement actions . . . as necessary” that include, but are not limited to, denying and revoking a solar garden’s permission to generate. This utility ability would also make financing challenging, as a developer may lose revenue if some of the residential subscribers in the garden decide to move states. Furthermore, Xcel itself acknowledges that this would “result in harm to subscribers” which is tantamount to making CSGs inaccessible.¹⁰

Additionally, requiring that a developer “come into compliance” within 30 days for an issue like subscriber acquisition is bad for the accessibility of gardens. This short compliance window requires the recruitment of a new subscriber, and subscribers are to some extent outside of the developer’s control. This requirement, if implemented, would encourage developers to rapidly sign-up customers in a manner that may not benefit either party. In many ways, the adoption of this approach would be a race to enlist as many residential subscribers as quickly as possible, regardless of the parameters around that enlistment. It would be unsound policy that would incentivize bad actors to participate in the program and would encourage them to act poorly.

Lastly, this requirement would come at the expense of the program. Xcel’s carveout would be an additional requirement - and a strict one at that - on a program that is already facing existential challenges. The volume of new garden applications has steadily dropped overtime and our market is starting to be dwarfed by markets in other states, like Illinois or Oregon. With the program how it currently is today, already it will not be long until Minnesota is no longer the leader in Community Solar. Adding requirements to the program may result in the end of our state’s Community Solar market altogether.

Thus, Xcel’s February 28, 2018 proposal fails on multiple grounds. It would hamper garden creation, make the financing of gardens less secure, and may ultimately lead to less accessibility.

B. Positive Aspects of Xcel’s Approach and Our Suggestions

MnSEIA does agree, however, with Xcel that “If the Commission chooses to include an adder as part of a capacity carve-out, we believe an established maximum incentive budget should be identified to achieve a participation goal while limiting the further exposure of non-participating customers to increases in their fuel cost.”¹¹ This concept makes programmatic sense and allows for developers to plan gardens accordingly.

¹⁰ Xcel Energy, VALUE OF SOLAR ADDERS ANALYSIS – CORRECTED (Feb. 23, 2018), at 7.

¹¹ *Id.*

With that in mind, MnSEIA would suggest that the Commission develop an approach whereby developers can opt into the “Residential Program,” which presumably would be a 5% carve-out plus an incentive funded by the unsubscribed-energy windfall that the program has already accrued to date. The incentive amount would be capped annually.

More importantly the cap could be predicated upon Xcel’s program-wide unsubscribed energy. To highlight this issue, each year CSG operators occasionally have periods where their gardens are not fully subscribed. Xcel only pays developers their avoided cost rate for that produced energy, so it is quite an incentive to fully subscribe a garden.¹² But inevitably there are shortfalls of the various gardens. Each year Xcel is effectively receiving energy that is well below the VOS. Unsubscribed energy is a windfall for Xcel and its ratepayers. It has not been reflected in Xcel’s estimates of the program’s ratepayer impact. This price delta between the Avoided Cost price and the VOS could offset the estimated marginal cost of putting a \$.025/kWh adder on top of the VOS rate for residential subscribers only.

At the end of each year, Xcel could aggregate the total unsubscribed energy and price a residential incentive using that excess energy as the sum total of program dollars for the next year’s adder amount. We would call this the Residential Opt-In program. This program would have a net-zero impact on ratepayers, while creating a viable incentive program for the Residential market.

For instance, since 2017 Xcel has purchased 12,887,182 kWh (AC) of unsubscribed energy from garden operators.¹³ The A51 unsubscribed energy rate is \$.02382/kWh in October – May and \$.02375/kWh in June – September. The 2017 VOS is \$.1033, which leads to a difference in production value (e.g. the VOS less the A51 rate) of approximately \$.0795/kWh of benefit. Multiplying this difference by the number of total kWh of unsubscribed energy illustrates that Xcel would have received approximately \$1,024,530 in energy savings since the program opened, as compared to the actual value that Xcel received from these energy purchases (using the 2017 VOS rate as a peg for value). Compare this \$1,024,530 savings over the program’s first three years to Xcel’s midrange estimate that the residential adder could cost \$2.1 million (in present value dollars) over 25 years.¹⁴ In annualized terms, the ratepayer savings from

¹² See Xcel Response to MnSEIA Information Request 4-8.

¹³ Xcel Response to MnSEIA Information Request 4 (it should be noted that this kWh value includes both “1) all production sent to Xcel Energy following permission to operate up to the first day of commercial operation; and 2) production from and after the first day of commercial operation that is not subscribed.” So these values may not be perfectly analogous to future unsubscribed energy estimates.).

¹⁴ Xcel Energy, VALUE OF SOLAR ADDERS ANALYSIS – CORRECTED (Feb. 23, 2018), at 3.

unsubscribed energy has averaged over \$340,000 per year to date, as compared to Xcel's estimate that each new MW eligible for a \$.025/kWh residential adder would cost \$1,865 per year in marginal costs.¹⁵

In actuality, the Applicable Retail Rate probably yielded a higher savings allotment for Xcel. This unsubscribed money could be repurposed for a Residential Adder, yet would impact ratepayers the same as if all of Xcel's gardens are fully subscribed. This would help meet one of the an objective of the program.¹⁶

MnSEIA does appreciate that the unsubscribed energy amounts would fluctuate on an annual basis. Xcel has already seen months of 0% unsubscribed energy as well as months of 12% unsubscribed energy.¹⁷ But, if the Commission capped the capacity of the projects that can secure the residential adder in a given year based on the utility's unsubscribed energy savings to date, that would help ensure no appreciable net impact on Xcel or its ratepayers. Even if Commission does not choose to develop a Residential Opt-In program *per se*, the Commission should at least consider the impacts of unsubscribed energy on Xcel's ratepayer analysis.

Another important consideration that can be gleaned from the unsubscribed energy conversation involves implementation of a carve-out for a Residential Opt-In Program garden. Instead of policing the gardens that are receiving the Residential Adder, Xcel could treat the residential gardens similar to how it treats unsubscribed energy. This would allow developers to still obtain financing for the gardens but would strongly encourage them to target their marketing and subscription efforts towards residential subscribers, despite the higher costs and risks of serving these customers. This approach would create gardens, make them financeable and encourage accessibility, while ensuring that the gardens receiving the Residential Adder are still in close compliance with the goals of the adder program.

III. CONCLUSION

MnSEIA appreciates the work that the Commission and Xcel have put forward on the Residential Adder discussion. With that in mind, we respectfully suggest that the Commission do the following:

1. Reject an industry-wide residential carve-out;

¹⁵ Xcel Energy, VALUE OF SOLAR ADDERS ANALYSIS – CORRECTED (Feb. 23, 2018), at 4 Table 1.

¹⁶ See Minn. Stat. § 216B.1641, subd. (e) (1) (requiring “accessibility of community solar gardens”).

¹⁷ See Xcel Response to MnSEIA Information Request 6 (it should be noted that this variability may be in part caused by program elements, but likely the amount of unsubscribed energy lands within that 0 – 12 % range.).

2. Create a Residential Opt-In program whereby developers can create a Residential Project that has a 5% carve-out requirement;
3. Fund the Residential Opt-In program with money Xcel has saved from purchasing garden energy at the unsubscribed rate; and
4. Instead of turning gardens off-line, Xcel should treat gardens in the Residential Opt-In program that do not meet that 5% carve-out requirements as if they have unsubscribed energy.

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