

**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**

May 11, 2018

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

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

REPLY COMMENTS

I. RESPONSE TO THE MINNESOTA DEPARTMENT OF COMMERCE

The Minnesota Solar Energy Industries Association (MnSEIA) is disappointed with the Minnesota Department of Commerce's (DOC or the "Department") recommendation that no additional action be taken at this time regarding its original incentive amounts. The Commission originally requested that DOC consider other adders for the Community Solar Garden (CSG) program.¹ DOC was never required to proffer a residential adder. Thereafter, DOC put forward a three-year Residential Adder recommendation on its own accord. DOC recognized that without

¹ *In the matter of the petition for approval of Northern States Power Company, dba Xcel Energy for approval of its Community Solar Garden program, ORDER-APPROVING VALUE-OF-SOLAR RATE FOR XCELS SOLAR GARDEN PROGRAM, CLARIFYING PROGRAM PARAMETERS, AND REQUIRING FURTHER FILINGS, Docket No. E002/M-13-867 Doc. ID 20169-124627-01, at 24 (September 6, 2016).*

an adder, residential customers would have no access to gardens developed under the Value of Solar (VOS) rate.²

Then, in the initial round of comments, DOC's position changed without any reasoning proffered. DOC no longer appears to be advocating for the very residential adder they recommended. In their original May 2017 Reply Comments, DOC states "Given the rate differential, and the added costs of administering smaller subscriptions with higher customer turnover, the Department recommended a residential adder stepped down over a three-year period."³ Nothing in Xcel's analysis changes this fact. DOC's Suggestion to Take No Action is unworkable and contrary to the CSG Statute

The Value of Solar Rate (VOS) is a single, flat rate that will necessarily encourage CSGs to minimize their subscribers. This issue will not be solved by waiting, as DOC seems to assert. The VOS, while scientifically rigorous, currently only benefits a specific class of corporate customers, because they are the only ones that allow for adequate garden financing. CSGs with more than a handful of residential subscribers are not financeable. DOC's suggestion to wait until yet another data set is presented by Xcel – specifically concerning a change from the Average Retail Rate (ARR) to the VOS – is akin to suggesting residential CSG developments be placed on permanent hold pending both Xcel's periodic reevaluation of the VOS and the Commission's approval. DOC's logic is patently untenable, places residential projects on hold indefinitely, and undercuts the intent of the program to foster residential access to solar energy.

If CSGs must truly be "accessible" as required by statute,⁴ then different market participants should have access to gardens on a go-forward basis. This in turn requires additional financing to make accessibility possible. Action needs to be taken immediately on an adder, unless the Commission is content to allow the residential CSG market to disappear.

II. RESPONSE TO THE ATTORNEY GENERAL'S OFFICE

The Attorney General's Office (OAG) provided no legal reasoning or empirical insight to justify its assertions in its commentary. Instead, the OAG's comments are simply a statement of policy and opinion from the agency charged with Minnesota's statutory and regulatory

² *In the matter of the petition for approval of Northern States Power Company, dba Xcel Energy for approval of its Community Solar Garden program*, COMMENTS, DOC DER, Docket No. E002/M-13-867 Doc. Id. 20173-129559-01 at 12 (Mar. 1, 2017).

³ *In the matter of the petition for approval of Northern States Power Company, dba Xcel Energy for approval of its Community Solar Garden program*, DOC DER REPLY COMMENTS, DOC ID 20175-131966-01, E002/M-13-867, May 17, 2017, at 3.

⁴ Minn. Stat. § 216B.164, Subd. (e)(1) provides that the CSG program approved by the Commission must "reasonably allow for the creation, financing, and accessibility of community solar gardens."

compliance. In essence, the very policy OAG promotes in its comments run afoul of the statutory mandate to “create” gardens and make them “accessible.”⁵

On the issue of whether an Adder or a carve-out is appropriate for the Program, the OAG essentially articulates that the Adder would increase costs for the Program, and that more costs are uncalled for. Instead, they advocate for a residential carve-out, because it has no costs. The OAG’s analysis, however, does not take into account that implementing a residential carve-out may destroy the Program outright.⁶ It could be the final program requirement that pushes garden developers to other emerging CSG markets, like Illinois or Michigan.

MnSEIA urges that the OAG’s recommendations be rejected, as they fail to comply with the State statute. If the Program must “create” gardens *and* make them “accessible” – as required – then an option that makes gardens inaccessible and potentially precludes their development is inherently contrary to law. A Program-wide residential carve-out without a bill credit adder would not be financially feasible. The ARR subscription capacity featured only 7% residential capacity and that bill credit structure had a (\$0.03) pricing differential for residential. Forcing developers to modify their business operations, marketing, project finance, and customer acquisition strategies, - which all require significant costs – and without the needed financial incentives for residences to subscribe will likely fail.

Moreover, the statute requires accessibility, as discussed above, but it does not speak to ratepayer impact as one finds in similar Distributed Generation (DG) statutes.⁷ It follows that an Adder is the only way to remain compliant with the statute, and it also follows that ratepayer impact is not a superseding concern to successful implementation of this CSG program.

If the Commission decides not to implement a Residential Adder, then MnSEIA requests the Commission take no action at this time, as opposed to adopting a carve-out. This is MnSEIA’s suggested action to avoid residential CSG developer attrition in Minnesota.

We do agree with one of OAGs points. If a carve-out is in fact implemented, Xcel should not be permitted to disconnect gardens that are not in compliance. Not only would it harm the other subscribers, as OAG articulates, but it would also be very hard to finance a project where a moment of non-compliance can cause a dramatic loss of revenue. This point, of course, is only

⁵ *See Id.*

⁶ There is general agreement among all parties, both pro- and anti-adder, that we all want increased residential opportunities to participate in community solar. Our members state that a modest \$.025/kWh adder is a reasonable way to achieve this, as it acknowledges the increased complexity, risk, and acquisition costs of service the residential community as compared to commercial customers. It accomplishes these aims without putting the program in potential jeopardy, like a carve-out would.

⁷ *See* Minn. Stat. § 216B.1611, Subd. 1; *See also* Minn. Stat. § 216B.164, Subd. 1.

material if the Commission opts for a carve-out *plus* a Residential Adder, because with a carve-out *alone* the program is essentially finished anyway.

III. RESPONSE TO OTHER PARTIES COMMENTING IN THIS DOCKET

MnSEIA agrees with the overwhelming support from the Just Solar Coalition, Minnesota Interfaith Power & Light, Cooperative Energy Futures, US Solar Corporation, Environmental Law and Policy Center, Fresh Energy, Coalition for Community Solar Access, Gabriel Chan, Institute for Local Self Reliance, and Kandiyo Consulting that something needs to be done for residential customers that benefits the program. We continue to advocate in the general spirit of the other commenters that a Residential Adder is necessary to encourage residential participation, and that a carve-out alone will harm residential participation because it will generally harm the program.

In consideration of our prior Comments and the feedback of other commenters in this Docket, MnSEIA ultimately advocates for the following:

1. *Direct the Program Administrator to implement a project-level, developer “opt-in” package of:*
 - a. *a 2.5 cent/kWh Residential Adder for VOS projects, to be implemented at the time a project application is deemed complete,*
 - b. *paired with a 5-percent residential capacity carve-out, enforced using the S*RC Program’s existing unsubscribed-energy penalty for VOS-rate projects;*
2. *MnSEIA takes no position at this time on what projects are eligible for the Residential Adder.⁸*
3. *Direct the Program Administrator to regularly report on the Program’s accrued unsubscribed-energy savings (equal to the volume of unsubscribed energy, multiplied by the difference between the value of solar and the actual the compensation paid for unsubscribed energy) and use this revenue to pay in whole or in part for the Residential Adder; and*
4. *If necessary, the Commission may also choose to limit the number of VOS-rate S*RC projects that may opt in to the Residential Adder during a given calendar year – e.g., through a MW-block allocation approach – to ensure that the estimated marginal cost of the Adder does not exceed the accrued unsubscribed-energy savings.*

⁸ MnSEIA’s position on this item is predicated upon whether the Commission implements a cap or other limits on the adder amount.

But if the Commission does not choose to utilize the above approach or provide a more beneficial adder program, then MnSEIA requests the Commission to take no action at this time. Specifically we request the Commission not implement a mandatory residential carve-out.

Respectfully submitted,

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