

February 10, 2017

Via Electronic Filing

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place E, Suite 350
St. Paul, MN 55101

Re: Comments of the Institute for Local Self-Reliance in the matter of Red Lake Falls Community Hybrid LLC v. Otter Tail Power Company / Docket No. CG-16-1021

Dear Mr. Wolf:

The Institute for Local Self-Reliance (ILSR) and allied signers (hereafter “Competitive Clean Energy Advocates”) respectfully submit these comments in response to the Commission’s Notice to provide input on how the Commission should address this complaint and whether it should require Otter Tail Power to obtain 200 MW of wind and 30 MW of solar via a bidding process.

This complaint deserves the Commission’s consideration because it spotlights larger issues around how to appropriately value distributed wholesale renewable energy projects, and it involves a project with significant benefits in a rural Minnesota community.

An Expedited Hearing

The Competitive Clean Energy Advocates support the use of expedited or informal hearings to resolve the complaint filed by Red Lake Falls Community Hybrid LLC. Without an abbreviated process, project financing could fall through and the community of Red Lake Falls would risk losing an opportunity to affordably diversify the local power mix, create jobs, and create an enduring source of local revenue. An expedited process is particularly important for smaller energy projects, which may lack the financial wherewithal and alternative project pipeline to indefinitely postpone development on a single site.

A Larger Issue

The Competitive Clean Energy Advocates believe this complaint highlights the importance of Commission implementation of Public Utility Regulatory Policies Act (PURPA) obligations within Minnesota more generally. With the rapidly falling cost of clean energy, there is an unprecedented opportunity for smaller qualifying facilities (QFs) to deliver cost-competitive power to Minnesota utilities and, ultimately, customers. These projects uniquely offer an

opportunity for greater economic benefits as their size complements the financial wherewithal of host communities.

However, this complaint illustrates a potentially significant barrier to many qualifying projects, particularly those small enough to interconnect near substations and avoid transmission costs, and near to rural load centers. The lengthy time period (nearly a year already), specialized knowledge, and legal expertise required by the Red Lake Falls Community Hybrid LLC in its negotiations with Ottertail Power, if representative of the process experienced by other qualifying facilities (QFs), will likely have a chilling effect on affordable distributed renewable energy development in the state of Minnesota.

Request for a Separate Docket on Distributed Qualifying Facilities

Projects like the one proposed by Red Lake Falls Community Hybrid LLC offer a unique combination of rural economic development, community financial benefit, and affordable energy.

We recommend that the Commission open a separate docket to address the issues raised in this particular complaint that would present barriers to qualifying facilities delivering cost-effective electricity to Minnesota utilities and their customers, including:

- Do existing utility calculations of avoided cost for QFs accurately reflect the full avoided cost of these projects? We request such an analysis include at least the following variables:
 - Avoided fuel cost
 - Fuel cost certainty
 - Generation and transmission capacity
 - Avoided operations and maintenance costs
 - Avoided line loss
 - Avoided pollution costs
- Is a contract length of less than 20 years reasonable in providing an adequate opportunity for QFs to secure financing and bring projects to market?
- Do utilities provide contract and price information in a timely and transparent manner, sufficient to allow QFs to bring projects to market?

Thank you for your consideration.

Sincerely,

/s/

John Farrell, Institute for Local Self-Reliance

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On behalf of:

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