

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Ellen Anderson
David C. Boyd
J. Dennis O'Brien
Phyllis A. Reha
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Xcel Energy For
Approval of Revisions to the Solar*Rewards
Program

ISSUE DATE: June 30, 2011

DOCKET NO. E-002/M-10-1278

ORDER APPROVING REVISIONS TO
THE SOLAR*REWARDS PROGRAM
AND REQUIRING COMPLIANCE
FILINGS

PROCEDURAL HISTORY

In Docket No. 09-1167, the Commission approved Xcel Energy's (Xcel or the Company) Solar*Rewards contract tariff in an Order issued on February 16, 2010. To help offset the cost of installed solar photovoltaic (PV) systems, the tariff allowed customers to receive a one-time payment not to exceed \$2.25 per watt to be paid as part of the CIP incentive payment.

On December 20, 2010, Xcel filed a petition in this docket, Docket No. 1278, requesting a change to the Solar*Rewards program and contract tariff. The Company requested that the new Minnesota Bonus rebate as provided by Minn. Stat. § 116C.7791 be distributed using funds from Xcel's Renewable Development Fund (RDF).

Following discussions with the Department of Commerce, the Company filed an amended petition on May 9, 2011 requesting a new formula for calculating the Minnesota Bonus rebate. On May 20, 2011, the Department, tenKsolar, and Energy Alternatives, Inc. filed comments on the petition. Xcel and the Department filed reply comments on May 25, 2011. Solarflow Energy filed comments on May 26, 2011.

This matter came before the Commission on June 23, 2011.

FINDINGS AND CONCLUSIONS

I. Background

In 2009, the Minnesota Legislature amended several provisions of the state's energy conservation statutes. Pursuant to Minn. Stat. § 216B.241, subd. 5a, certain qualifying solar energy projects became eligible for a performance incentive under Minn. Stat. § 216B.16, subd. 6c.¹ Performance incentives are based on competitiveness with other solar projects. In addition, Minn. Stat. § 216B.2411, subd. 1(b) was amended to allow an electric utility to exceed the five percent limit on the total amount that a utility may spend on qualifying solar energy project as part of its energy conservation improvement plan with the approval of the Department of Commerce.²

The Minnesota Bonus rebate program was established by legislation on May 15, 2010. The program provides rebates of up to \$5.00 per watt for Solar*Rewards projects using solar PV modules either manufactured or assembled in Minnesota. The Minnesota Bonus rebate program provides \$21 million over five years from the Company's RDF.

II. Xcel's Petition

In its December 20, 2011 petition, Xcel requested (1) an addendum to the existing Solar*Rewards contract tariff to allow distribution of the Minnesota Bonus rebate from the Company's RDF as provided by Minn. Stat. § 116C.7791; (2) an addendum allowing a customer to waive the installation of bi-directional metering if the customer does not intend to generate excess power for sale to the Company; and (3) a revision to the Solar*Rewards Program criteria to limit the installed capacity at any one location.

After internal review, the Department discovered that the Company's proposed formula for calculating the Minnesota Bonus did not consider the potential benefits a business customer may receive due to tax deductions associated with federal depreciation allowances. Under Xcel's proposed formula, some business customers' total incentives and benefits could exceed 100 percent of the installation cost of the PV system. The Department was concerned that an incentive that allowed recovery in excess of 100 percent of cost would violate Minn. Stat. § 116C.7791, subd. 4(b) requiring that the amount of all rebates or other forms of financial assistance awarded to an applicant not exceed 60 percent of the total installed cost.

The Company filed an Amended Petition on May 9, 2011, (1) proposing a change to the Company's calculation of the Minnesota Bonus Rebate; (2) requesting approval of a larger payment to 31 applicants who by the end of February 2011 had received Acknowledgment Letters that included an estimate of the Solar*Rewards and Minnesota Rebate Bonus payments; and (3) requesting a variance to Minn. R. 7829.1400, subp. 1 and 4 to vary the time allowed for comments.

¹ Incentive plans for energy conservation improvement were allowed by a 2009 amendment to the statute. 2009 Minnesota Session Laws, Chapter 110.

² Minn. Stat. § 216B.2411, subd. 1(b) was amended to allow utilities to exceed the five percent limit on qualifying solar energy conservation improvements with Department approval. 2009 Minnesota Session Law, Chapter 110.

III. The Department's Position

Xcel and the Department agreed upon the changes proposed by the Company in its December 20, 2010 and May 9, 2011 filings. The Department supported the Company's proposal to cap the 31 customers likely to receive a higher incentive at \$1,655,203, which would ensure that none of the customers would be compensated for more than 100 percent of the installed cost. The Department reviewed Xcel's new formula for calculating the Minnesota Bonus Rebate as proposed in the Company's May 9, 2011 filing and concluded that it was reasonable. The new formula results in a total incentive package no greater than 60 percent of the total installation cost, which is in compliance with Minn. Stat. § 116C.7791, subd. 4(b).

The Department recommended approval of the Company's proposed changes to the Solar*Rewards Program.

IV. Other Comments

In its comments, tenKsolar, Inc. was generally in support of the Company's proposed changes, however, tenKsolar commented that under Xcel's December 20, 2010 filing, government and nonprofit entities would be put at a severe disadvantage due to their inability to take advantage of federal tax depreciation benefits. tenKsolar proposed that government and nonprofits be allowed an election agreeing that neither it nor its financing partner will use net federal tax benefits, including depreciation, greater than the federal Energy Credit or federal 1603 Grant.

In addition, tenKsolar proposed more certainty for customers in the contract language in the event the program is changed by the Legislature or the Commission.

Energy Alternatives, Inc. commented that the original legislation and original 60% rebate cap were sufficient controls on the Minnesota Bonus rebate program and that the program should remain as it is without Xcel's proposed changes.

Solarflow Energy was not in favor of Xcel's new rebate cap and argued that the Commission should deny the Company's request.

V. Commission Action

The Commission concurs with the parties' agreement on the Company's requested changes to the Solar*Rewards program. The Commission will approve the requested changes in the Company's December 20, 2010 and May 9, 2011 filings.

The Commission recognizes the concerns related to nonprofits and other entities that cannot take advantage of tax benefits associated with depreciation and will order the Company to add a check-off statement to the customer application as agreed to by Xcel and the Department. The check-off statement clarifies that customer applicants agree not to use federal depreciation tax benefits that exceed the federal tax imposed on any rebates that may be awarded.

Rebate payments to projects pre-approved under the rebate formula contained in Xcel's December 20, 2010 filing will be allowed. In addition, language will be added to the tariff contract allowing Xcel to recalculate rebate payments if the legislature or Commission changes the program.

The Commission will require that the parties work together to mitigate possible adverse impacts of the Solar*Rewards Program on customer interest in electric vehicles or other large energy additions. The Company will also be required to file annual reports starting on September 1, 2012.

ORDER

1. The Commission approves the following changes to the Solar*Rewards program proposed by Xcel in its December 20 filing:
 - a. Addition of the RDF Minnesota Bonus Rebate program with up to \$21 million in funding coming from Xcel's RDF, along with the Addendum to the Solar*Rewards contract addressing the Minnesota Bonus Rebate;
 - b. Inclusion of the waiver of bi-directional metering, including the language contained in the Addendum to Solar*Rewards Contract Addressing Customer Waiver of Bi-Directional Metering; and
 - c. Addition of the PV system size limitation equal to 120 percent of the customer's previous year's electric usage at the customer's service address.
2. The Commission approves Xcel's May 9, 2011 amended petition (except as otherwise indicated in this Order), including the method of calculating the Minnesota Bonus Rebate as set forth in the May 9 amended petition and as described in Xcel's May 25, 2011 reply comments.
3. Xcel shall add the following check-off statement to the application that must be completed by customers:

Applicant agrees that it will not use, or by contract or other agreement permit another entity to use, federal depreciation tax benefits that exceed the federal tax imposed on rebates awarded under this application.
4. The Commission approves Xcel's request to make payments to the 31 projects that were initiated under the rebate formula outlined in Xcel's December 20, 2010 filing, provided that the projects otherwise qualify for payment, and provided that payments are capped at an amount where no customer receives government incentive payments, federal depreciation tax benefits, a Solar*Rewards incentive payment, or a Minnesota Bonus rebate resulting in an aggregate total of more than 100 percent of the installed cost.

5. The Commission approves the addition of tariff contract language proposed by Xcel in its May 9, 2011 amended petition allowing the Company to recalculate rebate payments if the Legislature or the Commission changes the program. The tariff contract language shall be amended to include the word “retroactively” as appropriate.
6. Xcel shall work with parties to mitigate possible adverse impacts of the Solar*Rewards program requirements on customer interest in electric vehicles or other large energy additions with potential to be served through the program.
7. Xcel shall submit information on the Company’s Solar*Rewards and Minnesota Bonus rebate program in a compliance filing once a year starting September 1, 2012, in Docket No. E-002/M-10-1278, as follows:
 - a. Provide the information listed below, both on a cumulative and prior state fiscal year basis, broken down by customer class (residential and business):
 - (1) total number of customers in the program;
 - (2) total installed capacity under the program;
 - (3) total energy created under the program;
 - (4) total energy delivered to Xcel under the program;
 - (5) total number of Renewable Energy Certificates (RECs) created and transferred to Xcel under the program;
 - (6) total program costs;
 - (7) total dollars awarded, including a separate breakout of the CIP incentive payments from the RDF Minnesota Bonus rebates
 - b. An estimate of any DSM financial incentive awards attributable to the program for the prior calendar year. The Commission understands that at this time Xcel does not have a Commission-approved plan for earning DSM financial incentive awards as a result of its solar programs.
 - c. A program update, including successes, failures, lessons learned, changes and revisions to the program (including all statutory and/or CIP program changes), and a discussion of the pattern of incentive payments and bonus rebates in the current year.
8. Xcel shall indicate, in its report due September 1, 2012, the size of solar installation needed to allow residential customers to utilize Solar*Rewards rebates not only for current end uses plus 20 percent but also for an electric vehicle or other large addition to energy use. Xcel should indicate whether such an expansion of the program would require changes in specifications and if so, what those changes would be.
9. Within 30 days of the date of this Order, Xcel shall make a compliance filing reflecting the decisions made by the Commission and providing updated tariff sheets if necessary.

10. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary



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