

September 30, 2021

*Via Electronic Filing*

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul, MN 55101

**RE: Docket Nos. E999/CI-16-521, E999/CI-01-1023 In the Matter of Updating Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities Under Minn. Stat. §216B.1611**

Dear Mr. Seuffert:

The Institute for Local Self-Reliance (ILSR) respectfully submits the following reply comments on proposed changes to Minnesota's standards for the interconnection and operation of distributed generation facilities.

As demonstrated by the various proposals by the Distributed Generation Working Group (DGWG), there is no one solution to perfect the interconnection process. Still, one fact is clear: the process is not working for customers or Xcel Energy. No one is satisfied and the demand for distributed solar in Minnesota is not being met, meaning the many benefits of satisfying that demand are not gained. ILSR appreciates the necessity for DG interconnection queues to move faster now, but many of the proposals by the Company and the DGWG are band-aid solutions. The larger problem, as ILSR wrote in our initial comments, is a conflict of interest and utility disincentive in allowing the interconnection and operation of distributed generation facilities. In these comments, ILSR supports interim solutions put forth by several other parties, but notes that the broader problem is continuing set distributed generation policy as though this resource is ancillary to, rather than central to, the future clean energy system.

- 1. The Commission should implement group system impact study and cost sharing for projects of a similar size as an acceptable solution to queue backlog in the short term.**

Current extended timelines for interconnection in Xcel Energy service territory, especially the unlimited "on-hold" status as implemented by the Company, are unacceptable. ILSR appreciates

that Xcel Energy is bolstering its DER engineering capacity<sup>1</sup>, as that seems to be the most immediate way to quicken the interconnection process.

Another solution, one considered by the DGWG, are group or cluster studies and cost sharing to ease bottlenecks at constrained feeders. ILSR supports group study and cost sharing for larger projects like community solar gardens that are close to one megawatt of generation capacity. As many commenters suggested, these projects are likely to trigger expensive upgrades and may benefit from sharing the upgrade costs with projects of a similar size. Since Xcel Energy is the only utility with known capacity constraints, cluster studies are only necessary in Xcel Energy territory.

There has been concern from IREC, Fresh Energy, and All Energy Solar about Xcel Energy's upgrade charges. Within cluster studies and sharing the cost of upgrades, detailed invoices, as proposed by All Energy Solar and Fresh Energy, are necessary so that customers know what they are paying for.

ILSR is wary of cost sharing or a standard fee, as proposed by IREC and Fresh Energy, for customer-sited DER up to 40 kilowatts. We elaborate on this concern in section three.

## **2. Feeder capacity reservations are not a worthwhile solution for the long term.**

We support the initial comments of All Energy Solar, the City of Minneapolis, the Department of Commerce, and IREC, parties that all expressed disinterest in reserving feeder capacity for customer-sited DER. ILSR agrees with Xcel Energy that "it is in the public interest to ensure that all sizes of DER have a fair chance of interconnecting to the distribution system into the future."<sup>2</sup> We also note that the public comment from Dorothea Hrossowyc is very concerning. Not only are customers losing out on the opportunity to go solar, this customer lost a significant sum of money because of delays and roadblocks.<sup>3</sup>

However, blindly reserving capacity for small systems at the expense of community solar subscribers and others is not the proper solution. It is a matter of intent versus outcome. The intent is that all residential customers should have the opportunity to go solar, but ILSR believes

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<sup>1</sup> Dkt. 01-1023, Xcel Energy Comments Updating Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities Established Under Minn. Stat. §216B.1611 (8/25/21)

<sup>2</sup> Ibid.

<sup>3</sup> Dkt. 16-521, Dorothea Hrossowyc Public Comment submission Issue B, Docket #'s 16-521 (8/3/21)

that the outcome, as IREC predicts<sup>4</sup>, would be to limit the overall growth of distributed solar. Additionally, the broad application of a 25% capacity reservation to all feeders does not seem useful. A full technical assessment of the capacity constrained feeders, as proposed by IREC, Fresh Energy, and the Department of Commerce,<sup>5</sup> would help the Commission and stakeholders to create a more targeted solution.

**3. The “On-hold” contention, congested feeders, and general dissatisfaction are all symptoms of a larger problem: the utility’s conflict of interest between managing grid access for third parties and earning a rate of return on new generation assets.**

Here, ILSR reiterates the issue raised in our initial comments – one that was seconded by MnSEIA. The many issues plaguing the interconnection process are to be expected when the distribution system operator has a financial interest in preserving its own market share.

Regarding the “on-hold” status: though we have no input on the proper legal interpretation of MnDIP, we support the many interveners articulating the “on-hold” phenomenon as a problem. Despite the rules being set by the Commission through MnDIP, as the owner and operator of the distribution grid, Xcel Energy is setting its own rules. As long as the utility has profit incentives misaligned with the public interest, the Commission and stakeholders will continue coming back to interconnection and distributed generation facilities issues repeatedly.

The systemic issue of public versus utility interest emerges in two proposed (and unfortunately common) financial approaches to distributed solar installations. The first is the “standard fee” for small solar gardens. We echo the comments of the City of Minneapolis and Novel Energy Solutions that these measures may help small gardens work through congested feeders and shorten timelines, but that **the principle is the problem. Why should customer-generators bear these costs in the first place?** ILSR is similarly concerned about Dakota Electric’s proposal for monthly fixed charges for energy exported to the grid, offered with the presumption that utilities are entitled to a certain amount of revenue per customer.<sup>6</sup>

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<sup>4</sup> Dkt. 01-1023 / 16-521, Comments of the Interstate Renewable Energy Council Inc. on Proposed Changes to the Minnesota Distributed Energy Resource Interconnection Process or Agreements Identified by Distributed Generation Workgroup Subgroups (8/25/21)

<sup>5</sup> Dkt. 01-1023 / 16-521, Comments of the Minnesota Department of Commerce, Division of Energy Resources (8/24/21)

<sup>6</sup> Dkt. 01-1023 / 16-521, Dakota Electric Association Comments (8/25/21)

The mistaken belief behind both issues, standard fees or fixed charges, is exposed in this quote from a December 2004 *Fortnightly Magazine* article (emphasis added):<sup>7</sup>

*“The reason we have regulated utilities is to create cross-subsidies. The first rural customer did not have to pay the full cost of stringing transmission cables to the home, and a customer in an ice storm is not expected to pay overtime fees to the linemen reconnecting the system the next day. In all cases, the costs of such services are subsidized by other ratepayers. Indeed, the cross-subsidization concept is found throughout utility rates: From discounted rates to low-income families to systems benefits charges, there are huge swathes of customers who pay less than their full cost of service, thus being subsidized by other customers who pay more to make up the difference. **We tolerate and encourage such rate setting out of the belief that the social benefits created by such subsidization outweigh the resulting economic inefficiency.**”*

Incentives at the federal level (tax credits), state (sales and property tax exemptions), and utility level (Solar\*Rewards) motivate customers to invest their money in clean power generation because of its substantial social benefits. Not only does solar provide pollution-free electricity, but it also replaces polluting sources, such as coal power plants, that cause adverse health effects — especially in marginalized communities and among racial minorities. Rooftop solar provides electricity at the point of consumption, avoiding the higher costs and energy losses associated with long-distance transmission. Rooftop solar also democratizes ownership of the grid, broadening access to wealth and reducing the power of monopoly energy corporations. Whether solar customers pay their “fair share” for the grid — because they receive bill credits for the electricity they generate from a solar array they’ve paid for — is a smoke screen for the utility to preserve a traditional way of recovering revenue.

The utilities would have us answer their question: “how do we recover missing revenue from people installing solar with their own money?” Instead, the Commission ought to be answering our question: “why should the Public Utilities Commission set grid cost recovery policies (fees and fixed charges) that deliberately undermine federal, state, and utility policies to accrue the social benefits of solar?”

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<sup>7</sup> Original article: “Cross-Subsidies: Getting the Signals Right”. Quote from here: <https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=d7a29870-5edd-4a32-93c1-30b3da9d64d8>

Helpfully, MnSEIA and others have proposals that help address the proper question: how can utilities use the integrated distribution planning process to address the need for additional hosting capacity and to build a grid that maximizes the social benefits of customers choosing solar? IREC's comment on the matter is particularly salient:

Utilizing a more proactive process that is not simply reacting to individual interconnection applications, is likely to result in more cost effective means of deploying DERs to help serve customer needs and respond to the urgency of the climate crisis.<sup>8</sup>

We are reaching a critical moment for the vitality of our electricity system. The tests posed by introducing DER technology to a century-old electricity model will only intensify, along with the challenges of adapting and reacting to climate change. The fix for interconnection problems is not to simplify, streamline, or standardize the practice of discouraging distributed solar. It is to reframe the question: "are we building a grid that captures the greatest social benefit of distributed solar, or not?"

Thank you for the opportunity to comment and for taking up this important conversation; we appreciate that there has not been any legislative preemption of this regulatory process.

Sincerely,

/s/

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<sup>8</sup> Dkt. 01-1023 / 16-521, Comments of the Interstate Renewable Energy Council Inc. on Proposed Changes to the Minnesota Distributed Energy Resource Interconnection Process or Agreements Identified by Distributed Generation Workgroup Subgroups (8/25/21)