

April 5, 2017

*Via Electronic Filing*

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

**Re: Letter from the Institute for Local Self-Reliance and allied signers 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 this letter in response to the staff briefing papers in preparation for the April 6 hearing.

## The Importance of Timely Resolution

Briefly, we would like to reiterate the importance of a timely complaint resolution process as noted in our comments filed February 10. Although there are many arguments to weigh in this case, the combination of a lengthy and unsuccessful negotiation with the utility *and* a lengthy dispute resolution process may, regardless of outcome, make it challenging for the Red Lake Falls (or subsequent) qualifying facilities to come to market. Long development timelines threaten the availability of project financing.

## The Need for Investigation

Regardless of the Commission decision in resolving this complaint, we strongly support decision option #8 for setting up a separate investigation (per the Commission’s authority under 216B.17).

The importance of this investigation is underscored by the numerous other proceedings examining the changing and increasingly decentralized nature of the electricity system. The value of solar methodology (Docket No. 14-65) provided an alternative to net metering that more robustly accounts for the value of this particular distributed energy resource, and is now in use for community solar projects. The report by ICF International (Docket No. 15-556) on grid modernization notes that the grid will see increasing use of distributed energy resources and that a key element in designing the grid to meet this shift is pricing that accurately reflects locational and other attributes. The interconnection standards proceeding (Docket No. CI-16-521) is updating rules for the grid in recognition that more decentralized energy production is forthcoming.

Across all these proceedings, the Commission and utilities are adapting grid rules to accommodate cost-effective alternatives to traditional methods of supplying energy and capacity to electric customers. Distributed energy projects like the one proposed for Red Lake Falls will be increasingly effective in supplying low-cost electricity, providing peak power capacity, and -- when interconnected near substations -- avoiding transmission costs incurred by larger, traditional power plants. But the rules have not kept pace with the opportunity to deploy cost-effective electricity supply to Minnesota utilities.

The concern of Otter Tail Power (expressed in their comments filed February 10) is that Juhl Energy's "proposed PPA rate exceeds Otter Tail's avoided costs." This sentiment mirrors concerns voiced by many Minnesota (and non-Minnesota) utilities about net metering and its relationship to the value of solar, which have been contested by solar energy producers. Minnesota has so far been a leader in addressing this issue head on, resolving the value dispute between producers, utilities, and customers by establishing a common methodology for calculating the value of solar.

In particular, the avoided cost methodology relies on a comparison to a "least cost renewable energy facility," a generic comparison that overlooks the distinctly different

operating characteristics and grid benefits of a wind/solar hybrid project like Red Lake Falls.

The Commission can address the larger question of fairness for utilities, producers, and customers by developing a common methodology for long-term estimates of utility avoided costs that accounts for the differing energy and capacity benefits of renewable energy technologies (or even their location-based avoided costs, such as transmission capacity). Like value of solar, such a methodology would provide consistency across different utility service territories, could reduce the need for individual dispute resolution processes, and facilitate more opportunities for utilities to integrate cost-effective renewable energy.

Thank you for your consideration.

Sincerely,

/s/

John Farrell, Institute for Local Self-Reliance

2720 E. 22nd St.

Minneapolis, MN 55406

[jfarrell@ilsr.org](mailto:jfarrell@ilsr.org) | 612-808-0888

**On behalf of:**

Marcus Mills, Community Power

George Crocker, North American Water Office

Matt Gladue, ISAIAH

Duane Ninneman, Clean Up the River Environment (CURE)

Minnesota Public Interest Research Group (MPIRG)

Gregg Mast, Clean Energy Economy Minnesota

Lisa Daniels, Windustry

Timothy DenHerder-Thomas, Cooperative Energy Futures