

RE: City of Minneapolis Comments regarding Xcel Energy's 2013-2015 Minnesota Electric and Natural Gas Conservation Improvement Program, Docket Number E, G002/CIP-12-447

The City of Minneapolis is submitting these public comments in response to Xcel Energy's recent triennial Conservation Improvement Program (CIP) plan draft that includes proposed changes to the Solar Rewards Program.

Minneapolis makes these comments because the City of Minneapolis is committed to expanding solar capacity in the city and has been a leader in promoting solar energy in the state. Expanding solar capacity over the long-run requires establishing a self-sustaining solar energy industry. To that end, in partnership with the City of Saint Paul, the City of Minneapolis received a United States Department of Energy Solar America Cities grant that has helped streamline solar energy permitting processes; reduced permitting fees; educated inspectors, installers and the public; and ultimately resulted in a five-fold increase in solar installations throughout the state in a three-year time period. The Solar Rewards program has been an instrumental component of these successful market transformation efforts, increasing both the number of solar installations and the size of the installations in Minneapolis in the past few years. In 2011, within the City of Minneapolis geographic area, there were 30 solar projects totaling 216 kW that received Solar Rewards rebates compared to only two solar installations in 2009, the year prior to the start of the Solar Rewards program. Eliminating the Solar Rewards program will hobble the city's market transformation efforts and threaten to undermine the successes of the recent past.

The City of Minneapolis is also submitting comments based on the City's experience with seven solar installations on City owned buildings that total approximately 800 kW of solar photovoltaic power (PV). The City Council has adopted a goal of producing a megawatt of solar PV on city – owned buildings by 2015. These public building installations are also critical to meeting our solar energy market transformation goals. We have used Solar Rewards on three of these projects and the continuation of the Solar Rewards program through 2015 is needed to make future solar projects viable.

The City encourages Xcel to continue its commitment to the Solar Rewards program at existing levels during the next triennial program as it also explores other options for improving solar capacity within its territory and moving the solar energy industry toward economic sustainability.

On page two of the filing's executive summary, Xcel notes that the cost of solar has fallen dramatically and therefore the incentive is no longer needed. We disagree; the Solar Rewards program is a critical component in developing Minnesota's solar resources, just as financial incentives are yet a necessary component for capturing our energy efficiency resources. According to a local solar installer, even with the Solar Rewards program and federal incentives, the time for Return on Investment for a homeowner is typically 10-15 years. If the Solar Rewards program is eliminated we predict that the number of installations will dramatically decrease and the recent successes in driving down costs will be undermined.

On page two of the filing, Xcel also states that customers interested in solar have other subsidies available, including the federal tax incentive and the Minnesota Bonus Rebate program for panels manufactured in Minnesota. Solar Rewards leverages the federal tax incentives and Minnesota Bonus Rebate program. The state mandated Minnesota Bonus Rebate program is important in establishing local solar related jobs in Minnesota. However, local manufacturing job creation is important but just one segment of the City's and federal government's goal of market transformation which refers to identifying and eliminating multiple barriers beyond traditional "cost" issues and includes policies, procedures, education, and effective financing mechanisms. Moreover, the Minnesota Bonus Rebate program exists for a limited time only, and is already fully subscribed for this year even when leveraged with the Solar Rewards program. If the Solar Rewards program is discontinued, the Minnesota Bonus Rebate program would be used up even faster in future years. This is likely to have the effect of limiting the total number of solar power installations.

Xcel also states on page two that with near flat growth in customer demand, the addition of new solar generation no longer makes economic sense at this time. This is a short sighted view, and largely inconsistent with the intent of the Solar Rewards program. The program was never intended as a response to load growth, but as a stepping stone to developing a self-sustaining market in clean energy generation. The Solar Rewards program is currently funded at \$5 million a year and at this level would be just over 5% of Xcel's \$89 million 2015 CIP program. Funding the Solar Rewards program in 2013-2015 at a reasonable level provides further opportunity for Xcel Energy to understand the benefits of solar power on their system, evaluate the market potential, reduce reliance on fossil fuels and move forward in providing cleaner fuel sources to their customers. Funding solar energy represents a small segment of their overall CIP expenditure and would not adversely impact the company or ratepayers over the next few years.

The executive summary also states that Xcel is collaborating with regulators and stakeholders on a comprehensive distributed generation strategy to establish an effective regulatory framework and provide value to customers. While we are hopeful that the Department of Commerce distributed generation stakeholder process will result in meaningful improvements for solar energy in the State, this is by no means assured and will take time to implement. Until an alternative means of enabling the capture of Minnesota's solar resources is in place, the Solar Rewards program will be needed. Continuing the Solar Rewards program until 2015 would make for a smoother transition into other possible solar incentives and policies.

On page 129 of the plan, it states that Xcel expects to have met their program goal of helping to develop the PV equipment and installer business community in Minnesota. While the Minnesota solar industry has seen rapid growth, and Solar Rewards has been an integral part of that growth, under no circumstances can the Minnesota solar industry be characterized as being as robust as, for instance, the solar industry in Xcel's Colorado service territory. Minnesota is starting to realize the potential of its solar resource. Hastily eliminating the Solar Rewards program will have a drastic negative impact on the regional solar industry – not just on solar energy installers but also on related supply chain components made or researched in Minnesota. The photovoltaic equipment and installation industry in Minnesota is still very much in its infancy and still needs further development in order to be viable and provide a real alternative to other forms of energy into the future.

The Solar Rewards program clearly meets the intent of Minnesota Statutes, Section 216B.241, whereby a utility can request to spend up to 10% of its minimum spending requirement to meet customer demand for solar energy and consider customer interest in qualifying solar power and its impact on other customers.

Customer interest is quite high. The program has been routinely oversubscribed. Customer interest and benefits for the Solar Rewards program include decreasing dependence on fossil fuels that serve the Xcel Energy's territory, diversifying Xcel's energy production portfolio, increasing understanding of distributed energy options thereby reducing future needs for large transmission lines, and reducing environmental impacts through the use of clean energy. All of this is also in the ratepayer's best interests.

While Xcel has been making improvements over the past five years, the carbon intensity (the amount for greenhouse gases produced per unit of energy consumed) for Xcel's NSP region increased 4.6% in 2011 compared to 2010. The Solar Rewards program is helping to encourage growth in the solar energy industry for the long term. Adding more solar generation to the grid will reduce the overall carbon intensity of electricity used in Minnesota – helping to providing a safer environment for our future generations.

The City is interested in engaging in discussions with Xcel Energy and others on other solar energy incentives and on policies that could effectively replace or improve upon the Solar Rewards program.