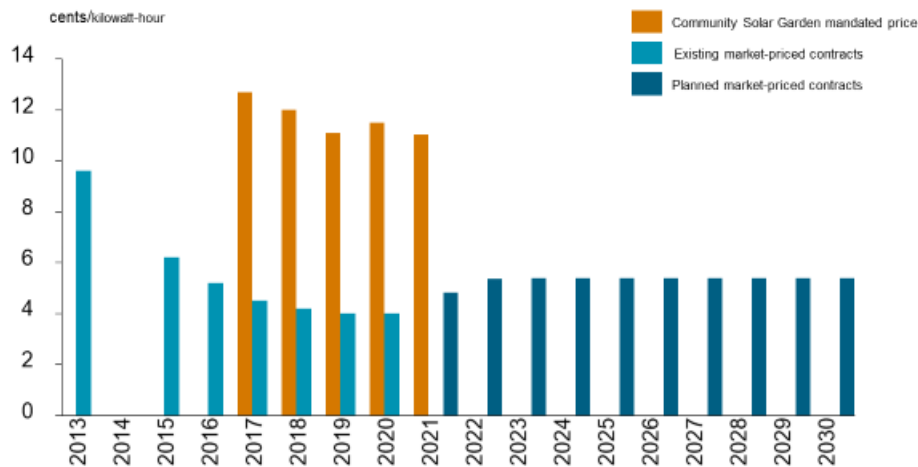


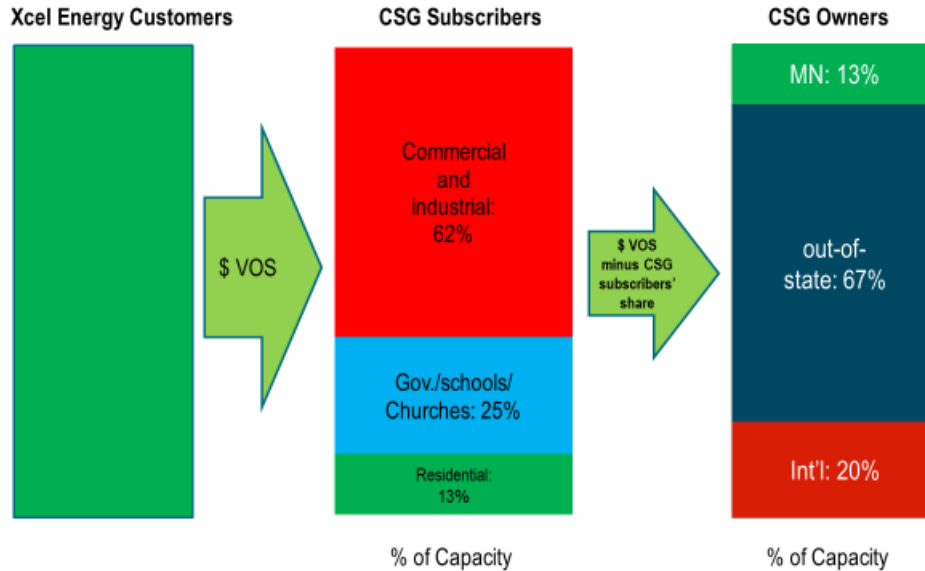
Xcel Energy Testimony on the Community Solar Gardens Program

- 1. Price of Community Solar Gardens Energy.** The Xcel Energy Community Solar Gardens (CSG) is the only program in the state, and possibly the only one in the nation, that fixes the price of energy through a formula required by statute. The so-called Value of Solar (VOS) rate is fixed by the Department of Commerce as provided in statute. It is a highly subjective measure, open to a great deal of debate. The price is currently set at slightly more than \$.1104/kWh. Larger, more efficient utility-scale solar currently costs around \$.04/kWh. The following chart shows that the cost of solar in 2013, when the CSG program was created, was nearly \$.10/kWh. Since then, the cost of solar has dropped significantly while the cost that all Xcel Energy customers pay for CSG energy remains very high. Advocates have argued that the VOS rate holds customers harmless for the cost of this energy. But customers are not held harmless when they are required to pay three times the actual cost of solar energy in the market. Because these costs are locked in for 25 years, the duration of a typical CSG contract, decisions made today have long-term consequences.



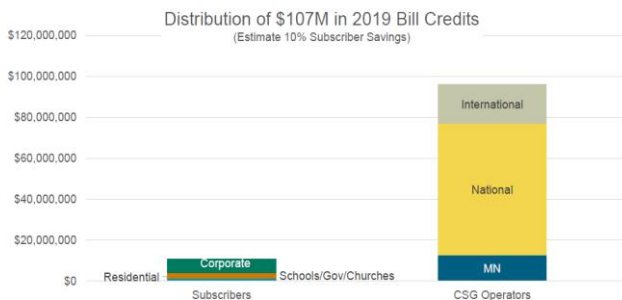
- 2. The benefits of CSG are inequitably distributed.** The high VOS price is collected by Xcel Energy from its customers through their bills. None of that money stays with Xcel Energy. It is all forwarded to the subscribers to CSG in the form of a bill credit on the subscribers' bills. Subscribers are a subset of Xcel Energy customers who have signed up for a share of the CSG. Solar developers do not accept everyone as a subscriber. Subscribers in many cases must meet the credit standards of the CSG owner. This is because the subscriber must pay most of the credit over to the CSG owner. The preferred subscriber, then, a larger institutional customer – corporations, cities, school districts, churches. In fact, as the following chart shows, only 13% of the CSG capacity is subscribed residential customers. The remaining subscribers are larger customers. Again, the subscribers are the subset of Xcel Energy customers who actually benefit from CSG – a benefit highly concentrated in the business community and other institutional customers.

Community Solar Gardens



As shown, the subscribers do not get to keep all the credit that they receive on their bill. They keep a share and pay the rest to the CSG owner. In fact, they must pay as much of 90% of the credit over to the owners. This payment compounds the inequity of the program. As the chart above shows, 87% of the money collected from all Xcel Energy customers goes to out-of-state and International companies. The owner of the most CSG in the state is Berkshire Hathaway, Warren Buffett’s company based in Nebraska. Another owner of a high percentage of CSG is NextEra – based in Florida -- one of the largest energy companies in the world. The next chart shows the relationship between what subscribers get to keep and what they must forward to the CSG owners, based on a review of available CSG contracts.

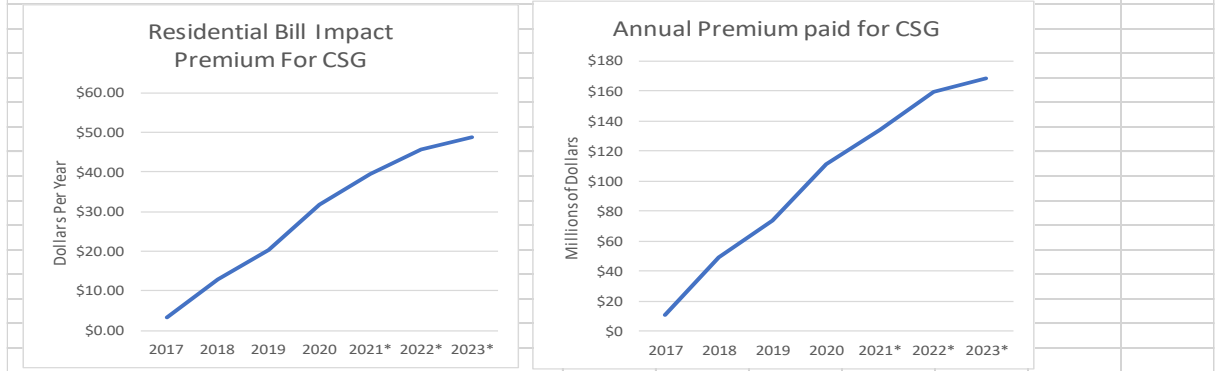
Community Solar Gardens



It is important to note that the CSG owners must pay for operation and maintenance, land leases, financing costs and other costs out of the proceeds they receive from the subscribers. These are, however, unregulated contracts and the rate of return on investment by these owners, unlike utility returns, are not reviewed by any regulatory authority and are not available as public information.

3. The high cost of CSG have a financial impact on Xcel Energy customers which will only get larger over time. As shown in the discussion above, CSG represents high-priced energy that is sold to all Xcel Energy customers through their bills. About 10% of the money collected from all customers is used to lower the energy bills of select customers, primarily businesses and institutional customers. The remaining 90% of the money collected from all customers goes to large businesses, primarily from outside Minnesota. How much of that 90% represents costs of CSG and how much is profit to, for example, Warren Buffett’s company, is unknown since that transaction is not subject to any regulatory oversight. The program is also not regulated as to its size. Xcel Energy must accept all CSG that is built regardless of need. This high cost of energy and the unrestrained growth in the program are having a measurable impact on Xcel Energy customers. The following chart shows the amount paid for CSG energy, the amount that the same kWh of utility-scale solar energy would cost and the difference between the two – labelled the “premium” paid by Xcel Energy customers for CSG energy as compared to utility-scale solar. The data is shown for all customers of Xcel Energy, and for the average residential customer. The annual premium for the average Xcel Energy residential customer is projected to be \$48.73 per year in 2023. As concerning as that number is, it is important to understand that the CSG obligations are 25-year contracts. Every year of added CSG will be cumulative. For at least 25 years, these numbers will not go down. They will only go up. There is no limit in law or regulation as to how high this can accumulate.

	2017	2018	2019	2020	2021*	2022*	2023*
Total Cost of CSG Energy for MN customers (\$M)	\$15	\$68	\$99	\$146	\$175	\$207	\$218
Cost of same amount of utility scale solar	\$5	\$19	\$26	\$35	\$41	\$48	\$49
Total Premium paid by MN customers for CSG	\$11	\$49	\$74	\$111	\$134	\$159	\$169
Typical MN Residential Payment for CSG (7800 kwh/year)	\$4.92	\$17.95	\$27.41	\$41.93	\$51.33	\$59.28	\$63.02
Cost of same amount of utility scale solar	\$1.56	\$5.01	\$7.03	\$10.14	\$11.95	\$13.68	\$14.29
Annual premium paid by customer for CSG	\$3.36	\$12.94	\$20.38	\$31.80	\$39.38	\$45.61	\$48.73
Solar Garden contracts are 25-year contracts. Contracts added each year are cumulative.							



*projected

Xcel Energy is currently working with the Community Solar Garden developers to explore reforms to the Community Solar Garden program. The object of those discussions is to reduce the price of Distributed Solar, eliminate the inequity in the distribution of money, reduce the bill impacts on Xcel Energy customers and provide a robust business for distributed solar resources that can be provided by the solar developers.

Among the topics Xcel Energy has proposed in these discussions is the creation of a distributed solar program that would provide business for the solar industry and make use of areas where distributed solar generation can be installed but at the same time lower the costs to customers and eliminate the transfer of money from Xcel Energy customers to businesses either as subscribers or as out-of-state owners of CSG.

HF 653 does not provide the kind of reform the program needs. In fact, it would only serve to expand the bill impact on customers' bills and exacerbate the inequities by allowing the same large institutional subscribers to dominate the system regardless of any proximity to the Community Solar Garden. It would do nothing to address the payment of a high energy price, without any regulatory oversight, to large, out-of-state utility companies. We respectfully request that the focus should be on balanced reform with an eye on the inequity and the customer impacts, and that Xcel Energy and the solar industry continue to seek that result.