



Let's Bring the Public Into Planning Our Energy Future

Xcel Energy has launched major ratepayer-funded outreach on a series of proposals it refers to as "Our Energy Future." Xcel is stressing that these plans encourage choice and renewable energy, but the plans actually favor monopoly utility control to the detriment of customer choice.

We believe Colorado's energy future needs to be determined by the citizens of the state, not just the utility. The renewable energy transformation in Colorado began at the ballot box when we became the first state in the nation to require renewable energy through a citizen initiative in 2004. And the future is too important to leave citizens out of the loop during this critical transition.

Since 2004, more than 30,000 Coloradans have gone solar, using their own resources to put panels on their homes and businesses to take advantage of unlimited clean energy from the sun. Colorado now ranks 9th in the nation in installed solar capacity with 540 MW currently installed-- enough to power 103,000 homes. More than 400 solar companies employ more than 5,000 Coloradans across the state.

Quickly ramping up much more solar energy -- which still only contributes about 1.5% to Xcel's Colorado energy mix-- is critical for reducing the threat of catastrophic climate change. Solar emits no carbon emissions and adding more of this clean energy is a key way to reduce energy use that relies on burning fossil fuels. We are disappointed that Xcel uses a zero cost of carbon in its assumptions about future rates and makes virtually no mention of the issue. The impact of future decisions on climate change must be central to decisions about our energy future.

We are pleased Xcel is proposing to add significantly more solar to its energy mix.

Unfortunately, however, the utility proposes in its recent filings with the Colorado Public Utilities Commission to continue to manage and control all solar programs, while entering the market as a competitor. The complex filings, estimated to cost more than \$2 million in ratepayer funds, will likely take more than a year to wend through the regulatory process.

Here are some initial thoughts on those filed so far:

Phase II Rate Case (16AL-0048E)

Last year, Xcel was granted an overall rate increase, but this case parcels out who would pay how much for electricity. The utility is proposing rate redesign for all customers and the inclusion of a new fixed

charge called a 'grid use charge' for residential and small commercial customers. At the same time, Xcel proposes to lower the charges for the volume of energy consumed per kilowatt-hour. The net effect is to reduce incentives for energy conservation (because using less will reduce the bill less) and increase the burden for ratepayers on low and fixed incomes. The structure also would erode the value proposition of solar, which reduces demand for energy from the grid.

Xcel has also stated a desire to start with a pilot of demand rates for residential customers and eventually move all customers to this structure. Demand rates on residential customers would further exacerbate the punitive effects on customers who pursue energy efficiency, conservation and solar. The rate structure would end up inhibiting customer choice and energy savings.

The need for entirely new rate structures has not been demonstrated. In fact, after a two-year in-depth inquiry into net metering, involving discussion of both the cost and benefit of distributed solar generation, the PUC decided six months ago that no problem with the current rate structure had been demonstrated. The commission voted unanimously to leave retail net metering alone. However, Xcel now calculates in the new rate case the perceived costs of rooftop solar, but not once does it mention the benefits solar brings to its system and to customers. The plan also fails to account for the real risk and costs of carbon emissions. This is an issue of paramount importance that is likely to be taken up by Xcel shareholders as well as rate payers.

If Colorado wants to explore advanced rates, pilots of several alternatives would produce more useful data. For example, Time of Use Rates charge more when energy costs more-- at peak times. A three or four part Time of Use Rate could encourage people to use energy-hogging appliances such as dishwashers when fewer people are using energy -- such as late at night. Time of Use rates also can reward solar generators for contributing clean renewable energy to the grid when usage rates are high, such as in the late afternoon and evening of hot summer days. But Xcel proposes to close the four existing commercial and industrial time of use rates to new customers.

A reverse block rate with several tiers could be tested with no special metering equipment. Reverse Block rates -- charging more the more you use -- tend to ease the burden on low and moderate income ratepayers. An annual report could detail findings on costs and benefits of multiple rates and associated grid upgrades.

2017-2019 Renewable Energy Plan (16A-0139E)

The Renewable Energy Plan(Rep) describes Xcel's plans for the Solar Rewards, Windsource and Recycled Energy programs, which are part of Colorado Renewable Energy Standard plans.

The basic rooftop residential solar program, known as the "small" program, is proposed to stay at the same level as it's been since early 2015. Currently, on the first of the month, 2 MW are made available to solar developers-- and each month, the capacity is reserved in a few minutes. This is evidence that the supply nowhere near meets the demand. Xcel proposes no increase in the 2 MW monthly allotment for the next 3 years, but a decrease in the Renewable Energy Credit paid, to 1/2 cent per kWh.

This program, which is run and controlled by Xcel, is not working for the growing solar market. Increasing numbers of solar installers and their customers are simply bypassing the cumbersome and inadequate process and choosing to install solar with Net Metering and Interconnection only. A fair solution would be to affirm the right to install unlimited numbers of small solar systems with a 20-year Interconnection Agreement, and to have the current rules grandfathered for customers choosing to invest in solar.

Xcel proposes another option in the REP, but makes it contingent on approval of the rate case, which is certainly not determined. Assuming the outcome of one proceeding in another raises legal issues.

We are pleased that the company is proposing a small increase in the commercial or Medium program - which sells out even faster than the residential program. However, going from 12MW per year to 18MW per year and reducing REC purchase prices to 3 cents per kWh, will continue to starve and frustrate the market. We applaud Xcel's recommendation to bring back modest capacity for the Large program.

But bold new initiatives are needed for Colorado to reclaim its slipping solar leadership. COSEIA recently proposed new initiatives to Xcel and still believe they are needed, including:

1. A stakeholder-supervised survey to study the business health of Colorado's solar market relative to other active markets. Such a study is needed to understand the Colorado market in relation to programs being used elsewhere to support solar deployment including REC purchase programs.

2. Low income solar programs including rooftop and community solar would reduce the need for subsidies and provide free electricity for decades to customers who have paid into the renewable energy fund. A consensus memo of recommendations from a variety of stakeholders organized by COSEIA was shared with Xcel Energy and state energy leaders.

3. Special programs to encourage solar on new homes would support the unique market needs of home builders, who now compete with retrofit installers. A Solar Builder program needs to be a separate program from other programs and should not reduce the available acquisition for the general public.

4. Virtual Net Metering works especially well for schools, local governments and businesses with many locations. The customer has a single large solar farm that offsets any meter under common account ownership. We would like an initial pilot program included in the next Renewable Energy Plan.

5. Transparent reporting on grid interconnection status would help solar developers and the utility. As seen in many other markets, the industry would like to see information posted which illustrates areas of the grid which are more or less available for added interconnection. Better planning for added solar capacity on the distribution grid is also badly needed, especially where such distributed generation would defer capital expenditures to upgrade the grid.

Additionally, Colorado's popular solar gardens program could be improved in a variety of ways. It would benefit from a new bidding process for Community Solar Gardens that creates more transparency and efficiency. Clarity is needed to ensure that negative Renewable Energy Credit prices are not legal. And special programs with differential REC prices to encourage community projects on warehouses and usable rooftops, as well as to benefit low and moderate income ratepayers, would deploy more solar in desirable locations. We believe that the popularity of Solar Gardens is still in its infancy and this form of solar needs to be encouraged in many ways.

Solar Connect (16A-0055E)

The Public Utilities Commission unanimously rejected the first version of Solar Connect in 2014 after the staff and numerous stakeholders argued that it was clearly anti-competitive.

The utility revised the proposal and has submitted a second request for approval of the program. Solar Connect would consist of a 50 MW solar farm that the utility would contract for and purchase power from. Shares would be sold to the public at a premium with Xcel allowed to make a 10 percent profit.

The revised proposal is improved but still has significant issues:

-The 50 MW size is 25 times bigger than the biggest solar gardens developers are allowed to build and thus has built-in economies of scale advantage, but would be sold at a profit. Why not use most of this capacity in other programs where more job development and industry support will result? Why let Xcel charge above-market rates for a product their own analysis claims will cost less to deliver than any competing systems?

-Xcel controls all the marketing, all the information on customers and all the solar programs so it is hard to see how Solar Connect would not be anti-competitive. More business risk should lie with Xcel shareholders including 100% of the start-up costs, marketing, administration and operations. If Xcel wants to enter the retail solar market in competition with the private developers who assume all their risks, a much more even playing field needs to be established first. If Xcel wants to offer products that compete with private industry, the utility should do so by starting a private subsidiary as other utilities have done.

Electric Resource Plan (to be filed in early June, 2016) and other dockets (Grid CPCN, Decoupling, Utility ownership of new utility-scale Renewable Energy)

Xcel is planning to file a longer-term resource acquisition plan called the Electric Resource Plan this spring, as well as other plans. The utility is seeking full ratepayer compensation for all of its multi-million dollar costs. We think there needs to be a more equal playing field.

Xcel Energy's net income from Colorado has grown from \$211.4 million in 2005 to \$466.8 million in 2015.

Xcel is also seeking an accounting mechanism that would guarantee it would be able to collect the millions of dollars of expense related to these cases in the future and thus has no incentive to be efficient. Other parties intervening in these cases must generate all costs out of their own pockets. Such intervening parties should receive compensation to hire experts, conduct analysis and construct responsive proposals, as allowed in other states.

It is also high time that Colorado appoint an independent renewable energy administrator rather than allowing the monopoly utility run all the programs, control all the customer information and have nearly unlimited ratepayer funding to support marketing of its arguments.

We are also disappointed that Xcel is using a zero cost of carbon in its assumptions about future utility rates. With catastrophic climate change coming ever closer, the effects of electric generation on greenhouse gas emissions need to be considered in every utility decision.

We certainly think that appropriate planning for the future must acknowledge that Xcel's coal-centric generation resources need to transition to clean sources of energy by attributing a reasonable cost to carbon. We think this transition needs to happen much more quickly than Xcel is proposing.

But in this transition, we don't believe it is in the public interest for the utility to act as gatekeeper, manager, and competitor all at the same time.