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Evading the Death Spiral: Minnesota's Value of Solar Tariff

"The goal as I see it with the value of solar is to find that point...at which everyone should be indifferent about whether this rate is imposed or not."

—Bill Grant, Minnesota Deputy Commissioner for Energy

"Another comment? I think that's number nine of the day. All right, thanks, Burl." Beverly Jones Heydinger hung up the phone after talking to Public Utilities Commission (PUC) Executive Secretary Burl Haar in her PUC office in the Lowertown district of Saint Paul, Minnesota. As she continued to wade through the comments submitted on the Minnesota Value of Solar Tariff (VOST) methodology, Heydinger couldn't help but think back to her time as an administrative law judge when she mediated cases between polarized parties. Although the VOST commenting parties did contain a few extremists who wanted to completely overhaul the methodology, most parties took a fairly middle-ground stance. However, even the tempered public comments contained suggestions that could drastically alter the success of the tariff.

As a replacement to net energy metering, the tariff compensated electric utility customers for solar energy generated on their property while considering infrastructure costs incurred by the local utility and societal benefits of emission-free electricity generation. The division of opinion lay between two groups: the electric utilities and proponents of solar generation (represented mostly by environmental or solar industry groups).

Electric utilities suggested changes to the proposed methodology that would reduce the price received by customers for the energy generated by solar on their roofs. Environmental groups suggested changes that would do the opposite—increase the value of distributed solar generation for utility ratepayers. If the VOST was too low, then installing solar panels on residential or business roofs became uneconomical for many. If the value was too high, then the tariff would essentially act as a subsidy for the solar industry and customers who could afford the financing for a solar project.

The intention of the tariff was to do neither. It was supposed to balance the benefits and costs of an increasingly popular form of distributed power generation as it related to the electric grid. As Heydinger finished reviewing another thorough and well-calculated public comment, a number of questions began to

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