

STATE OF MINNESOTA
BEFORE THE MINNESOTA
PUBLIC UTILITIES COMMISSION

Katie Sieben, Chair
Hwikwon Ham, Commissioner
Valerie Means, Commissioner
Joseph Sullivan, Commissioner
John Tuma, Commissioner

**In the Matter of Xcel Energy's Petition for
Approval of Residential Time-of-Use Rates**

PUC Docket Number E002/M-23-524

November 14, 2024

Reply Comments of the CLEAR Energy Coalition

The CLEAR Energy Coalition ("CLEAR") respectfully submits the following reply comments related to the revised time-of-use (TOU) proposal submitted by Xcel Energy as a Supplement on August 16, 2024. CLEAR is a group of organizations that share a vision for a clean, local, equitable, affordable, and reliable energy future for Minnesota. Together, we work to support policies that will help Minnesota rise to meet the challenge of delivering clean and reliable energy to all, while putting power and benefits in the hands of communities over corporations.

Our comments focus on our shared concerns regarding the treatment of net metering customers, the timing of peak periods, and the need to support customer decision making. Due to these concerns, CLEAR recommends that the Commission does not approve Xcel's revised TOU proposal as-is.

Treatment of net metering customers

Minnesota's net metering policy ensures that residential customers with qualifying onsite solar receive bill credits for excess generation at the same rate as they pay for power from their utility. TOU billing can be an effective means of aligning consumer interests with grid needs, and can be a complementary piece of a policy landscape that supports the adoption of distributed energy resources (DERs) that benefit all ratepayers and the grid. However, all production from net metering customers must continue to be valued at the same rate as their consumption. Anything else runs against established state policy, as noted by the Minnesota Solar Energy Industries Association (MnSEIA), and the goals above.

Xcel's revised proposal - described by MnSEIA as "inequitable and inaccurate" - would undercompensate DER owners for the excess production they export to the grid during on-peak periods. That exported solar energy benefits the local grid and nearby users, providing meaningful value that current policy recognizes through retail rate net metering. However, if a net metering customer were to opt in to the TOU rate as proposed, that customer would receive bill credits for excess energy exported during the on-peak period at a lower rate than the utility charges for energy during that same period. The net

metering customer could be providing solar energy to their next door neighbor, reducing strain on the grid when demand is highest, but receiving credits at a lesser rate than the utility charges that same neighbor for power during the same time period. This would be unfair to net metering customers, whose exported energy should not be treated as of lesser value than energy provided by the utility, and would allow the utility to pocket the difference. By depriving net metering customers of the full value of their exported energy, Xcel's proposal would disincentivize participation in the TOU rate by those who have already invested in beneficial DERs.

In addition, CLEAR agrees with MNSEIA and other commenters that Xcel's proposed method for netting generation against consumption in order to calculate net metering compensation is unnecessarily complex and difficult to understand. Maintaining the 1:1 rate principles that apply under the current net metering tariff would address this problem. This could be done by simply monetizing the net kilowatt-hour credit for each TOU period in each billing period (month) at the applicable TOU rate. This approach is consistent with Minnesota's established net metering policy, as well as the approach taken by Minnesota Power in the most recent compliance filing associated with their planned – and Commission approved – transition to default residential Time-of-Day (TOD) rates.¹

Timing of peak periods

Xcel's revised proposal included an on-peak period of 7-10pm for non-holiday weekdays, compared to its initial proposed on-peak period of 3-8pm and to the Department of Commerce's (DOC's) initial recommendation of 3-7pm. CLEAR agrees with DOC's suggestion of adopting a reasonable compromise window of 4-7pm that would effectively shift load to lower cost periods and align with peak periods used for TOU rates in other states with success. We also agree that shorter on-peak periods are more effective, since they make it easier for people to actually shift their consumption patterns to reduce usage during the on-peak window. Adopting an earlier on-peak period, in keeping with DOC's recommendation, would also make the TOU plan more appealing to distributed solar customers, whose systems can continue producing energy into the early evening during long summer days, but not later.

CLEAR also appreciates the concern expressed in the Institute for Local Self-Reliance's (ILSR's) reply comments that future changes to TOU periods would be disruptive for participating consumers, and supports taking this factor into account.

Marketing and data to support customer decision making

CLEAR agrees with comments made by Fresh Energy, the Citizens Utility Board of Minnesota (CUB), and ILSR emphasizing the need for additional marketing and promotion of a future TOU rate option to high impact consumers, such as those who have already adopted electric technologies like heat pumps, electric vehicles, and solar. Participation in a TOU rate and corresponding shifts in energy usage patterns by these consumers would be the most impactful for the grid. We also expect these early adopters to be

¹Minnesota Power, *Fifth Six-month Compliance Filing on the Status of Transition to Flat Rate and Default Time of Day Rates*, In the Matter of the Petition for Approval of Minnesota Power's Residential Rate Design. Docket No. E015/M-20-850. September 9, 2024.

more likely to opt in to a TOU rate and to actively manage their electricity use in response to TOU price signals.

In addition to targeted marketing, Xcel should also be required to provide user-friendly information and tools to help consumers make informed decisions about whether or not opting into a TOU rate will make financial sense for them. For example, an online calculator tool that uses simple inputs based on recent bills, electric technologies currently in use in the home, and when the consumer tends to use energy intensive appliances would enable customers to understand how changing to a TOU rate would impact their monthly electric bills.

Summary of recommendations

In summary, CLEAR recommends that the Commission require the following changes to Xcel's revised time-of-use (TOU) proposal before issuing approval:

- Replace Xcel's proposed method for netting generation against consumption and calculating compensation with a continuation of 1:1 net metering compensation. Xcel should monetize the net kilowatt-hour credit for each TOU period in each billing period (month) at the applicable rate for that TOU period.
- Adopt a reasonable compromise on-peak period, such as the 4-7pm window suggested by DOC, that would shift load to lower cost periods, align with peak periods adopted by other states, and encourage participation by solar customers.
- Include the provision of both targeted marketing to high impact consumers and user-friendly information and tools to help all consumers evaluate and understand the impact of TOU rates on an individual level.

Thank you for considering our input on this important matter.

Sincerely,

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