

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: May 4, 2017.....Agenda Item # 1 **

Company: Xcel Energy

Docket Number: **E-002/M-15-985**

In the Matter of the Petition of Northern State Power Company, doing business as Xcel Energy, for Approval of a Renewable*Connect Pilot Program

Issue: Should the Commission Grant the Clean Energy Organization's Petition for a Rehearing or Reconsideration?

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Relevant Documents

Order Approving Pilot Programs and Requiring Filings February 27, 2017
Clean Energy Organization's Petition for Reconsideration..... March 17, 2017
Xcel Answer to the Petition for Reconsideration March 27, 2017

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

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I. STATEMENT OF ISSUE

Should the Commission Grant the Clean Energy Organization's (CEO) Petition for a Rehearing or Reconsideration?

II. BACKGROUND

On November 12, 2015, Northern States Power Company, d/b/a Xcel Energy (Xcel, or the Company) requested the Commission's approval for a "Renewable*Connect" pilot program to be offered under Minn. Stat. § 216B.169. The statute authorizes a utility to offer one or more rate options for utility customers to secure electricity from renewable or high-efficiency, low-emission sources.

On September 21, 2016, the Company requested approval for an additional "Renewable*Connect Government" pilot program, also under Minn. Stat. § 216B.169. This program would be offered, initially, to the state Department of Administration to purchase renewable energy for the state capitol and nearby state buildings.

On October 28, 2016, the Company filed updated pricing information for the two proposed pilot programs.

On February 27, 2017, the Commission issued its Order Approving Programs and Requiring Filings. In its Order, The Commission approved the proposed pilot programs subject to annual reporting requirements and the requirement that Xcel adjust its accredited wind and solar capacity assumptions to reflect updated values for the 2016/2017 Midcontinent Independent System Operator (MISO) planning year.¹

The Order stated that the Commission will not require that the programs entail an increase in renewable resources on Xcel's system outside of the existing resource planning process—such a requirement is neither required by statute nor compelled by the public interest, and could frustrate the state's integrated resource planning process.

III. Clean Energy Organizations (CEO) Petition for Reconsideration

On March 17, 2017 CEO filed a petition for a rehearing or reconsideration of the Commission's approval of Xcel Energy's Renewable*Connect pilots, pursuant to Minnesota Statutes Section 216B.27 and Minnesota Rules 7829.3000, stating that the Commission's February 27, 2017 Order is inconsistent with Minnesota Statutes Section 216B.169, Subdivision 2(b). CEO claimed the Minnesota Statute requires additional renewable resources, and to comply with statutory requirements, the Commission should reconsider adopting the joint decision option provided by CEO and Xcel Energy.²

¹ Docket No. E-002/M-15-985, Order Approving Pilot Programs and Requiring Filings.

² *Id.*, CEO Petition for Rehearing, March 17, 2017, pp. 1-2.

In its Petition CEO stated that it did not seek a stay of the Order pending resolution of the petition and that it does not intend this petition to delay Xcel's implementation of the pilot tranche, as the requested relief does not alter any of the approved program's rules.³

CEO argued that that this statutory conflict was not clearly brought to the attention of the Commission before it filed its Petition. In addition, CEO asserted that there is a clear error in the Commission's determination on additionally and that "such a requirement is neither required by statute nor compelled by the public interest."⁴

CEO claimed this interpretation is contrary to Minnesota Statutes Section 216B.169, Subdivision 2(b), which stated:⁵

Rates charged to customers must be calculated using the utility's cost of acquiring the energy for the customer and must: 1. reflect the difference between the cost of generating or purchasing the *additional* renewable energy and the cost that would otherwise be attributed to the customer for the same amount of energy based on the utility's mix of renewable and nonrenewable energy sources

(Emphasis Added by CEO)

According to CEO, this subdivision's plain language requires the calculation of the rate to be based on the cost of acquiring "additional" renewable energy generation. However, CEO noted that the Order describes the pilots as "dedicating the output of a portion of the Company's existing renewable generation resources to the programs." CEO argued that the Commission can only approve a rate under Section 216B.169 that is calculated based on the difference between an additional renewable resource and the customer's rate that would otherwise be charged for existing resources, both renewable and nonrenewable.⁶

As a remedy for this perceived error, CEO requested that the Commission amend its Order and adopt Settlement language between CEO and Xcel that would require Xcel to acquire an additional 78.3 MWs of wind.⁷

As part of Xcel Energy's current wind acquisition process, the Company shall acquire an additional 78.3 MWs of wind beyond the Company's planned acquisition, representing the quantity of system resources used for the R*C and R*CG pilots.

No parties, other than Xcel, filed an answer to CEO's Petition. The Company took no position on the merits of the Petition and stated that it is moving forward with pilot implementation under the approved program terms. According to Xcel, the Commission's Order has clearly addressed all matters, including program terms as necessary for full pilot implementation.⁸

³ *Id.*, p. 6

⁴ *Id.*, p. 2

⁵ *Id.*

⁶ *Id.*, pp. 3

⁷ *Id.*, p. 4

⁸ *Id.*, Xcel Answer to Petition, March 27, 2017

IV. STAFF ANALYSIS

Despite CEO's argument that the concept of procurement of additional renewable resources within the Minnesota Statutes §216B.169 subd 2(b) was not clearly brought to the attention of the Commission before CEO had filed its Petition, Staff believes that CEO's brought forth no new claims in its Petition that the Commission had not already fully considered before issuing its Order.

CEO's Petition even admits that it made comments and testimony at the Commission hearing, that dedication of existing resources is not "additional." In addition, Xcel and several other parties weighed in on additionality and whether there was a statutory requirement for Xcel to procure additional wind as part of its Renewable*Connect pilot. In briefing papers, Staff noted that additionality was urged by some environmental groups in the Xcel electric vehicle tariff docket, and the Commission declined there to adopt their recommendation. Staff also agreed with the Department that additionality is not grounded in statute, and arguably is counter to some of the statutory framework established in Minnesota, such as resource planning. Staff explained that Minnesota's resource planning occurs on a system-wide basis, taking into account the needs of all the utility's customers and allowing a select group of customers to mandate that a utility acquire additional resources not identified as part of an approved resource plan could be seen as undermining the resource planning process.

Ultimately, the Commission made its decision after considering all arguments and information in the record regarding Xcel's Renewable*Connect Pilot programs and the concept of additionality, including considerable discussion on the meaning of the statutory language in Minnesota Statutes §216B.169 subd 2(b). After consideration of the comprehensive record in this proceeding, including CEO's extensive comments on the concept of additionality, the Commission ruled it will not require the Renewable*Connect Pilot programs to entail an increase in renewable resources on Xcel's system outside of the existing resource planning process, since such a requirement is neither required by statute nor compelled by the public interest, and could frustrate the state's integrated resource planning process.

V. DECISION ALTERNATIVES

1. Grant CEO's Petition for a Rehearing or Reconsideration; or
2. Deny CEO's Petition for a Rehearing or Reconsideration; or
3. Take No Action