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March 30, 2015

Daniel P. Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. E002/M-15-189

Dear Mr. Wolf:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

Xcel Energy's Request for a One-Time Waiver of its Energy Rate Savings (ERS) Tariff.

This petition was filed on February 27, 2015. The petitioner is:

Paul J. Lehman  
Manager, Regulatory Compliance and Filings  
Xcel Energy  
414 Nicollet Mall  
Minneapolis, Minnesota 55401

The Department recommends that the Minnesota Public Utilities Commission (Commission) approve the one-time waiver, pending the submission of additional information in Reply Comments. The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ ANGELA BYRNE  
Financial Analyst

AB/It  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. E002/M-15-189

**I. SUMMARY OF PROPOSAL**

On February 27, 2015, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a Petition to the Minnesota Public Utilities Commission (Commission) requesting approval of a one-time waiver to the cancellation charges in the Company's Peak Controlled Services, Peak Controlled Time of Day Services and Energy Controlled Services tariffs.

Xcel seeks approval to begin the waiver process by June 1, 2015 to allow customers the opportunity to cancel their contract in whole, or in part by reducing the amount of their controllable load, without incurring the cancellation charge through the end of 2015.

**II. DEPARTMENT ANALYSIS**

**A. NEED FOR WAIVER**

Peak Controlled Services customers receive a monthly bill reduction for voluntary load reduction through lower controllable demand charges but are also subject to charges for non-compliance and for full or partial cancellation. Cancellation charges are assessed when a customer chooses to cancel their contract or to reduce their committed demand level.

According to Xcel, the Company and MISO have had little need to call on these resources in recent history. In fact, the last time Peak Controlled Services customers were controlled for peak load conditions was in 2007. But Xcel anticipates that MISO will be calling on these resources more in the future (including during winter peak load), as early as 2016. The Company conducted a test event during the 2014 summer control period, and the results of this test demonstrated that some customers did not fully control their load down to the Predetermined Demand Level (PDL) contracted with the Company.

In its Petition, Xcel stated:

We believe it would be beneficial to have all participating customers verify their participation level and ability to comply with program requirements year-round. This review will help determine customer interest and ability to remain on the rate or to adjust their participation level to accurately reflect their current operations and capabilities. Providing a one-time waiver allows customers the opportunity to adjust their participation without charge; essentially providing an incentive to make important adjustments prior to predicted change by MISO [Midcontinent Independent System Operator].

The Department agrees with Xcel that MISO will most likely call on the Company's Peak Controlled Services resources more in the foreseeable future. Since these resources have not been called upon at all in recent years, the Department also agrees that participants in the program need to adjust their participation level to accurately reflect their operations and capabilities.

*B. FUTURE OF PEAK CONTROLLED SERVICES*

In its Petition, Xcel stated that it is reviewing its Peak Controlled Services program and plans to make future proposals for revisions that will likely include updated non-compliance charges, program design modifications, and testing provisions. The Department issued Information Request No. 2<sup>1</sup> asking Xcel to discuss its anticipated timeline for these future tariff revision proposals. Xcel replied,

The outcome of the waiver petition and our ability to work with customers to modify their participation in the Peak Controlled Services tariff will help inform the Company as to our next steps and adjustments to our demand response portfolio. The Company intends to make further changes to its existing programs to align with MISO rules and requirements in the coming years and, as part of this effort, expects to develop new programs or rates to attract more customer participation.

The Department requests that, in its Reply Comments, Xcel provide a more detailed discussion regarding its planned future proposals. Specifically, but not limited to, what MISO requirements Xcel plans to align with, and whether future program design changes would result in additional requests for tariff waivers.

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<sup>1</sup> DOC Attachment 1.

C. *EFFECT OF CHANGE UPON XCEL ENERGY REVENUE*

Xcel stated that it did not anticipate a significant change in revenue as a result of the proposed waiver. Xcel also stated that it anticipates that customers will be more inclined to adjust their controllable load than to completely cancel their Peak Controlled Service rate. The Department issued Information Request No. 3<sup>2</sup> which asked Xcel whether it has any analysis attempting to quantify the expected results of this tariff waiver. The Company responded,

The Company does not have a forecast for a response to the proposed waiver. However, considering existing discount levels, we do not anticipate a substantial response to the waiver. As noted in our Petition, customer response is expected to be more in the form of an adjustment to controllable load rather than a complete cancellation of the Peak Controlled Service rate. Additionally, as a result of the typically greater load management capabilities of customers at higher discount levels, we anticipate a waiver response would be focused on customers at the lowest discount levels.

However, to respond to the Department's request to quantify the potential effect on revenue, Xcel used a relatively high level of presumed waiver acceptance to calculate an upper level of its estimate. The Company estimated a revenue increase of approximately \$431,000. This estimated increase, according to Xcel, would be the result of applying firm demand charges in place of lower controllable demand charges to the extent customers reduce or cancel their controllable load. This increase in revenues would be partially offset by the reduction of cancellation charges, if Xcel's waiver proposal is approved.

If Xcel's proposal is approved, the Department recommends that the Commission require that Xcel file a compliance filing with the final results of this tariff waiver within 60 days of the end of the waiver period (December 31, 2015). At a minimum, the Company should include the following:

- how many customers took advantage of the waiver;
- how many megawatts (MW) of firm demand were covered under the applicable tariffs at the beginning of the waiver period (June 1, 2015);
- how many MW of controllable demand were covered under the applicable tariffs at the beginning of the waiver period (June 1, 2015);
- how many MW of firm demand were covered under the applicable tariffs at the end of the waiver period (December 31, 2015);
- how many MW of controllable demand were covered under the applicable tariffs at the end of the waiver period (December 31, 2015);
- the final revenue impact of this tariff waiver; and

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<sup>2</sup> DOC Attachment 2.

- a discussion on the overall results of the this waiver and the Peak Controlled Services program reevaluation.

### III. CONCLUSION AND RECOMMENDATIONS

Based on the Department's review, the Department recommends the Commission approve the one-time waiver, pending the submission of additional information in Reply Comments. Specifically the Department requests that Xcel provide a more detailed discussion regarding its planned future proposals to its Peak Controlled Services tariffs.

In addition, if Xcel's proposal is approved, the Department recommends that the Commission require that Xcel file a compliance filing with the final results of this tariff waiver within 60 days of the end of the waiver period (December 31, 2015). At a minimum, the Company should include the following:

- how many customers took advantage of the waiver;
- how many MW of firm demand were covered under the applicable tariffs at the beginning of the waiver period (June 1, 2015);
- how many MW of controllable demand were covered under the applicable tariffs at the beginning of the waiver period (June 1, 2015);
- how many MW of firm demand were covered under the applicable tariffs at the end of the waiver period (December 31, 2015);
- how many MW of controllable demand were covered under the applicable tariffs at the end of the waiver period (December 31, 2015);
- the final revenue impact of this tariff waiver; and
- a discussion on the overall results of the this waiver and the Peak Controlled Services program reevaluation.

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- Non Public Document – Contains Trade Secret Data**  
 **Public Document – Trade Secret Data Excised**  
 **Public Document**

Xcel Energy

Docket No.: E002/M-15-189

Response To: Department of Commerce      Information Request No.      2

Requestor: Angela Byrne

Date Received: March 10, 2015

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Question:

Reference: Petition, Section E.

What is Xcel's anticipated timeline for future tariff revision proposals (non-compliance charges, program design modifications, and testing provisions)?

Response:

The outcome of the waiver petition and our ability to work with customers to modify their participation in the Peak Controlled Services tariff will help inform the Company as to our next steps and adjustments to our demand response portfolio. The Company intends to make further changes to its existing programs to align with MISO rules and requirements in the coming years and, as part of this effort, expects to develop new programs or rates to attract more customer participation.

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Preparer: Peter Narog

Title: Manager, DSM Policy & Strategy

Department: Marketing

Telephone: 303-294-2138

Date: March 20, 2015

- Non Public Document – Contains Trade Secret Data  
 Public Document – Trade Secret Data Excised  
 Public Document

Xcel Energy

Docket No.: E002/M-15-189

Response To: Department of Commerce Information Request No. 3

Requestor: Angela Byrne

Date Received: March 10, 2015

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Question:

Reference: Petition, Section F.

Does the Company have an analysis that attempts to quantify its expectations discussed in Section F of its Petition?

Response:

The Company prepared an analysis that summarized the amount of billed controllable demand for the year 2014 by discount level, which varies by tier and performance factor levels. These controllable demands were then applied to the different average monthly discount levels to estimate total year 2014 discounts, excluding interim rates.

This information was then used as a base to determine the change in revenue that would result from an assumed reduction in controllable demand as a result of the proposed waiver. The Company does not have a forecast for a response to the proposed waiver. However, considering existing discounts levels, we do not anticipate a substantial response to the waiver. As noted in our Petition, customer response is expected to be more in the form of an adjustment to controllable load rather than a complete cancellation of the Peak Controlled Service rate. Additionally, as a result of the typically greater load management capabilities of customers at higher discount levels, we anticipate a waiver response would be focused on customers at the lowest discount levels.

In the following table, which uses a relatively high level of presumed waiver acceptance only for the purpose of a conservative example, the resulting revenue increase would be \$431,000. Any increase in revenue from reduced interruptible discounts would be offset to some extent by waived cancellation charges. Additional firm service capacity requirements from reduced controllable load would also result in a cost of service increase.

Tier	Perform Factor	Annual Billed Controllable Demand –	Ave Month	Annual Discount	Waiver Accept	Reduced Discount
Level	Level	MW*	Discount	\$1,000s	Example	\$1,000s
2	A	1,248	\$3.10	\$3,870	5%	\$194
2	B	1,567	\$3.82	\$5,985	2%	\$120
2	C	2,649	\$4.30	\$11,390	1%	\$114
1	B	94	\$4.49	\$423	1%	\$4
1	C	877	\$5.05	\$4,428	0%	\$0
1	S	1,573	\$5.55	\$8,728	0%	\$0
		8,008	\$4.35	\$34,824		\$431

\*Billable Controllable Demand is the demand used for billing purposes which differs from load relief.

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Preparer: Steve Huso  
 Title: Pricing Consultant  
 Department: Regulatory Analysis  
 Telephone: 612-330-2944  
 Date: March 20, 2015



## **CERTIFICATE OF SERVICE**

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce  
Comments**

**Docket No. E002/M-15-189**

**Dated this 30<sup>th</sup> day of March 2015**

**/s/Sharon Ferguson**

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