

## Staff Briefing Papers

Meeting Date June 6, 2019 Agenda Item 6\*

Company Northern States Power (Xcel Energy)

Docket No. **E-002/GR-12-961**

**In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Power Service in the State of Minnesota**

Issues Should the Commission accept Northern States Power's (Xcel's) Business Incentive and Sustainability (BIS) Rider annual report for 2018?

Staff Kevin O'Grady 651-201-2218

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 **Relevant Documents**

**Date**

Xcel's BIS Annual Report

November 30, 2018

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The attached materials are work papers 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.

## I. Statement of the Issues

Should the Commission accept Northern States Power's (Xcel's) Business Incentive and Sustainability (BIS) Rider annual report for 2018?

## II. Background

On September 3, 2013, in the context of Xcel's General Rate Case (electric), the Commission approved Xcel's Business Incentive and Sustainability (BIS) Rider.<sup>1</sup> Xcel describes the purpose of Rider:

The BIS Rider is designed to ... [provide] incentives to those customers with alternatives for locating their businesses or acquiring their energy. The BIS Rider improves our offers to companies evaluating locations and utilities, as we understand electric rates are a predominant decision factor in this competitive market. The BIS Rider supports additional business investment, possible job growth, and local tax growth.<sup>2</sup>

Pursuant to the approved tariff, new and existing, qualifying, demand-metered, commercial and industrial customers receive a 40 percent discount on demand charges for the first three years of a six-year Electric Service Agreement, a discount of 20 percent in the fourth year, and a discount of ten percent in the fifth year.<sup>3</sup> The tariff also states a reporting requirement:

No later than 30 days after the Company signs a new ESA with a customer to be served under the BIS Rider, the Company must file with the Commission a report showing the incremental revenues and the incremental costs associated with the new ESA. If no party objects to the ESA within 30 days of the filing date, the ESA is deemed to be approved. One year from the effective date of this tariff, and annually thereafter, the Company shall file a report with the Commission identifying the number of customers receiving service under this Rider and the associated incremental additional revenues received by the Company and the incremental additional costs experienced by the Company.<sup>4</sup>

On April 8, 2016, the Commission ordered Xcel to provide additional information in its annual reports:

- 1) Xcel will provide information about the cumulative generation capacity that is necessary to serve the new load incentivized by the BIS Rider and its relationship to, and impacts on, (a) the Company's overall generation requirements; and (b) the Company's efforts to reduce the system peak through load management and demand response. ...

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<sup>1</sup> Order, September 3, 2013, p. 51.

<sup>2</sup> Xcel's Annual Report, November 30, 2018, pp. 1-2.

<sup>3</sup> Minnesota Electric Rate Book – MPUC No. 2, Section 5, Sheets 139-41.

<sup>4</sup> Ibid.

- 2) Xcel will provide information about the relationship between customers added to the BIS Rider and any sales forecasts provided for pending rate cases or other dockets involving sales forecasting. ...
- 3) Xcel will provide more information about the energy audit and other sustainability efforts required by the language of the BIS Rider tariff. ...
- 4) Xcel will provide more information about the impact of the BIS Rider discount on incentivizing new energy consumption by business customers. ...
- 5) Xcel will provide information about the “Revenue Recovery” provision (noted above) of the BIS Rider Tariff – whether and how Xcel has sought, or intends to seek, recovery of the shortfall related to the BIS discount from other customer classes; and
- 6) Xcel will provide information about the amount of BIS Rider discounts and their financial impact on other classes. ...<sup>5</sup>

### III. Xcel’s Annual BIS Rider Report

Xcel reports that it currently has six customers receiving service pursuant to the BIS rider and that it expects to enroll additional customers in 2019:

<b>Xcel’s BIS Customers</b>	<b>Commenced BIS Service</b>
Rosemount, Inc.	May 2015
Advanced Extrusion, Inc.	February 2016
LeafLine Labs, LLC	February 2016
New Plastics Plus, Inc.	February 2016
Grede, LLC	February 2016
Glasshouse, LLP	June 2018

Glasshouse, LLP (Glasshouse) is the only new BIS customer in 2018. Xcel submitted its ESA with Glasshouse on May 10, 2018. No party or interested person commented or objected to Xcel’s ESA with Glasshouse. Under the terms of the BIS Rider, if no party objects within 30 days of the filing date, the ESA is deemed to be approved.

Xcel, in its annual report, states that it received from those six customers approximately \$11.7 million in incremental revenue at an incremental cost of approximately \$3.2 million for the reporting year of November 2017 to October 2018. Xcel states that approximately 22 MW is required to serve the new load, and the amount of BIS rider discounts recovered in current

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<sup>5</sup> Order, April 8, 2016.

rates was \$379,000 (allocated to customer classes as approved by the Commission in Xcel's general rate case).

Customer-specific information regarding revenues and costs has been filed as "not public" in the attachments to Xcel's report.

#### **IV. Staff Analysis**

Staff believes that Xcel has fulfilled the Commission's filing requirements. No party has filed comments or raised any objection to the report.

#### **V. Decision Alternatives**

1. Accept Xcel's Annual BIS Rider Report.
2. Take other action.

Staff recommends Alternative 1.