

# Minnesota Public Utilities Commission

## Staff Briefing Papers

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Meeting Date: September 17, 2015 .....Agenda Item # \_\_\_\_\_

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Company: Xcel Energy (Xcel or the Company)

Docket No. **E-002/M-15-650**

**In the Matter of a Petition by Xcel Energy for Approval of an  
Amendment to a Solar\*Rewards Customer Contract with Murphy  
Warehouse**

Issues: Should the Commission approve the amendment to the Solar\*Rewards (S\*R)  
customer contract with Murphy Warehouse?

Should the Commission approve a negative check-off approval process for  
amendments to the S\*R standard customer contract?

Staff: Susan Mackenzie.....651-201-2241

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### Relevant Documents

Xcel petition (public and non-public).....July 2, 2015  
Department of Commerce (DOC) comments. .... August 3, 2015  
Xcel reply comments ..... August 13, 2015

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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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### ***Statement of the issue***

Should the Commission approve the amendment to the Solar\*Rewards (S\*R) customer contract with Murphy Warehouse?

Should the Commission approve a negative check-off approval process for amendments to the S\*R standard customer contract?

### ***Introduction/background***

On December 20, 2011, Xcel entered into an S\*R contract with Murphy Warehouse as part of its first generation S\*R program. On October 21, 2014, after three years of operation, the customer moved the PV system from the service address in the contract to a new address within Xcel's service territory. Since the contract did not allow for a service address change, Xcel has withheld the annual incentive payments since the transfer to a new address.

Under the terms of the first generation program, customers received an upfront incentive payment of \$2.25 per watt and five consecutive annual payments. The standard S\*R customer contract is for a 20-year term and requires the PV system to be located at that service address set forth in the contract for the entire term.

Xcel has now reached a resolution of the issues surrounding the change of service address and the non-compliance with the customer contract. Xcel proposed Amendment No. 1 to the contract (see Attachment B to Xcel's Petition). The amendment allows Murphy Warehouse to move its rooftop PV system to another location while continuing to receive payments allocated from the Minnesota Bonus program. It provides for a pro rata adjustment of the remaining Made in Minnesota bonus payments to reflect the period of time during which the PV system was not generating. In order to resolve this issue, the Department recommended approval of Xcel's proposed amendment to the S\*R customer contract.

### ***Positions of the parties***

#### ***Xcel Energy (Xcel) petition***

On July 2, 2015, Xcel filed a petition seeking approval of the amendment to the contract with Murphy Warehouse. Xcel explained that the amendment allows Murphy Warehouse to move its rooftop PV system to another location while continuing to receive payments allocated to the customer through the Minnesota Bonus program (i.e. the first generation S\*R program) but at a reduced level to reflect the period that the system was not in operation.

Xcel explained that the amended customer contract is in the public interest because it allows the customer to reinstall the system under the program. Putting the system back into production will allow the Company to continue to offer the benefits intended by the S\*R program and to obtain RECs, one of the goals of the program. Finally, the Company finds the amendment to be an equitable remedy for non-compliance.<sup>1</sup>

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<sup>1</sup> For a full description of the issue and resolution, see Xcel's petition filed July 2, 2015 in this docket.

*Department of Commerce (DOC)*

The Department reviewed the contract amendment and concluded that it was a reasonable way to resolve the issue of removal of the solar PV system at the original address without burdening ratepayers. The DOC explained that the customer will be required to pay the interconnection costs for reinstalling the PV system at the new location and payments will be adjusted to reflect the period over which the PV system was not operational. In comments filed August 3, 2015, the DOC provided a summary and analysis of the proposed contract amendments. The DOC summary and analysis will not be repeated here.

Initially, the DOC recommended that Xcel develop language that covers terms and conditions for moving a PV system to a different location and to include these in its standard contract rather than seeking a contract amendment each time such a circumstance occurs. However, after reviewing Xcel's reply comments, the DOC agreed with Xcel that the version of the S\*R customer contract under consideration is no longer in use; therefore, requiring Xcel to revise the contract does not make sense because it will not be used for any new S\*R customers. The DOC also recommended approval of Xcel's proposal to use a negative check off system for future S\*R customer contract changes for both first and second program modifications to the standard contracts.

*Xcel Energy (Xcel) reply*

Xcel explained that on March 28, 2014, the Department approved the closure of the first generation S\*R program and the approved of a new second generation program.<sup>2</sup> Thus, as of July 2014, the first generation program has been closed to new applicants. There are currently 782 customers in the program; only 35 percent continue to receive the annual payments.

The second generation S\*R program is different than the first in that payments are based on the PV system's energy production rather than upfront payments. This means there are incentives in place to maximize production by maximizing solar exposure, installing efficient systems, and performing the necessary maintenance over the life of the contract.

In response to DOC's suggestion that the Company file a revised standard contract reflecting the remedy worked out with Murphy Warehouse, Xcel indicated that this case was unique---an upfront payment already had been made. However, the two remaining outstanding payments created an opportunity to work with the customer to keep the system operational for the benefit of all ratepayers as well as the customer.

With the closure of the first generation S\*R program in 2014, Xcel expects that each year there will be fewer projects remaining with unpaid bonus payments. Therefore, any standard contract addressing a similar situation would have limited applicability due to the declining number of possible situations where it could be applied.

Xcel noted that there may be many situations that require a remedy and it is difficult to predict them. Therefore, instead of developing a standard contract to cover a limited number of similar situations, the Company proposed a 30-day negative check-off procedure for approval of

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<sup>2</sup> See Docket No. E, G-002/CIP-12-447.

contract amendments. Such a procedure would limit the burden on the Commission in addressing contract changes and allow for an expedited process in cases where it is appropriate. Under the proposed process, the Company would file for approval of a contract amendment under either the first or second generation S\*R program. If no objection is filed within 30 days of the filing, the contract amendment would be deemed approved. If an objection were filed in this 30-day period, the Commission would take the matter up and rule on whether the contract amendment is appropriate. If after some period of time, there appear to be amendments to the standard contract that could be used to cover most situations, the Company will propose changes to the standard contract.

### ***Staff discussion***

Both Xcel and the DOC recommend approval of the amendment to the S\*R customer contract with Murphy Warehouse. In addition, the DOC supported Xcel's proposal for the use of a negative check-off procedure to process S\*R contracts that require amendments.

Staff agrees with Xcel and the DOC that a negative check-off procedure is an appropriate process to follow for approving changes to the standard contract for first and second generation S\*R contracts with two conditions. First, under such a process, if no objection or intent to object has been filed within 30 days of the contract filing, on day 32, Xcel could proceed with the contract. Second, the Commission should ask Xcel when it files the modified contracts for approval to file a red-lined version of the full contract showing the amendment to the standard contract, as well as an explanation of why the amendments are needed.

Staff believes the parties are in agreement on the decision options below.

### ***Decision alternatives***

1. Approve the amendment to the Minnesota Solar\*Rewards (S\*R) customer contract and addendum to the S\*R contract with Murphy Warehouse.
2. Xcel is permitted to proceed with amended S\*R customer contracts 32 days after they are filed with the Commission if all three of the following conditions exist:
  - (a) The filing amends a first or second S\*R generation contract;
  - (b) The filing includes a red-lined version showing the changes to the standard contract;
  - (c) No objection or intent to object is filed within 30 days of the filing.