


Staff Briefing Papers

Meeting Date	February 6, 2020	Agenda Item *5
Company	Northern States Power Company d/b/a Xcel Energy	
Docket No.	E002/GR-12-961 In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota	
Issues	<ol style="list-style-type: none"> 1. Should the Commission accept Northern States Power’s (Xcel’s) Business Incentive and Sustainability (BIS) Rider Annual Report for 2019? 2. What action should the Commission take regarding Xcel’s proposed clarification of the BIS tariff submitted in Xcel’s initial application for a multi-year rate plan, Docket No. E-002/GR-19-564? 	
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 Relevant Documents	Date
PUC – Order	April 8, 2016
Xcel BIS Compliance Filing – RMS Company	July 29, 2019
DOC-DER - Letter	August 28, 2019
Xcel - Response to DOC Letter	September 3, 2019
Steven V. Huso – Prefiled Direct Testimony (Docket No. E-002/GR-19-564)	November 1, 2019
Xcel BIS Annual Compliance Filing	November 26, 2019

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Table of Contents

- I. Statement of the Issues 1
- II. Introduction 1
 - A. Xcel’s BIS Rider 1
 - B. Xcel BIS Rider Activity in 2019 1
- III. Xcel’s Electric Service Agreement with RMS Company 2
 - A. The ESA with RMS Company..... 2
 - B. Department’s Comments on the RMS Company ESA..... 2
 - C. Xcel’s Initial Response to the Department’s Concern 3
 - D. Xcel’s Proposed BIS Tariff Clarification in the Multi-year Rate Case (Dkt. 19-564) 3
 - E. Status of Xcel’s Multi-year Rate Case (Dkt. 19-564) 6
- IV. Xcel’s BIS Annual Compliance Filing..... 6
 - A. Xcel’s Annual Compliance filing 6
 - B. Staff Comment 7
- V. Decision Alternatives 8

I. Statement of the Issues

Should the Commission accept Northern States Power's (Xcel's) Business Incentive and Sustainability (BIS) Rider Annual Report for 2019?

What action should the Commission take regarding Xcel's proposed clarification of the BIS tariff submitted in Xcel's initial application for a multi-year rate plan, Docket No. E-002/GR-19-564?

II. Introduction

A. Xcel's BIS Rider

Xcel's BIS Rider is a discounted service which is available to new and existing demand-metered commercial and industrial customers with new or additional load of 350 kW or greater.

Eligible customers receive discounts on their demand-metered rate schedule for 5 years and return to regular charges in year six. The demand charge discount is 40 percent for three years, 20 percent for the fourth year, and 10 percent for the fifth year.

The BIS Rider requires participating customers to make significant capital investments and to undergo operational energy audits to ensure that load growth is efficient.¹

The BIS Rider tariff requires Xcel to file, no later than 30 days after Xcel enters into a contract (Electric Service Agreement, or ESA) with a customer to be served under the BIS Rider, and an annual report with the Commission showing that the incremental revenues exceed the incremental costs associated with the new ESA. The BIS service agreements are deemed approved unless an objection to the ESA is filed within 30 days' of the filing of the ESA.

Xcel proposed the BIS Rider its 2012 rate case (Docket No. E002/GR-12-961) with the objective of enabling Xcel to attract new commercial and industrial customers and to encourage existing large customers to expand operations, thereby contributing to its fixed, overhead costs.

The Commission approved Xcel's BIS Rider in Xcel's 2012 rate case.²

There are currently 8 customers on the BIS Rider.

B. Xcel BIS Rider Activity in 2019

In 2019, Xcel submitted three new BIS ESAs. The first was with ESA-Polar Semiconductor and the Department submitted a letter indicating it had not objections to this ESA. The second ESA

¹ The BIS Rider tariff permits the Company to seek recovery of the BIS Rider discounts. The final rates compliance filing in the last rate case (Docket No. E002/GR-15-826) included recovery of \$379,000 in BIS Rider discounts associated with qualifying actual year 2016 billed kW.

² FINDINGS OF FACT, CONCLUSIONS, AND ORDER, Docket No. E002/GR-12-961, September 3, 2013, p. 51.

was with RMS Company and the Department submitted a letter indicating it had no objections but requested clarification of the service at delivery point issue (discussed below). Xcel submitted a third ESA with Proto Labs on which the Department has not commented or taken exception.

Xcel also submitted an annual report on all eight of its BIS ESAs. The Department has not commented on Xcel's annual report. There is no requirement that the Department comment on any of the BIS-related filings if it does not take exception to any of the information provided by Xcel in these filings.

III. Xcel's Electric Service Agreement with RMS Company

A. The ESA with RMS Company

On July 29, 2019, Xcel filed a BIS compliance filing regarding its ESA with RMS Company (RMS), a manufacturer of parts for medical devices. The filing contained two ESAs that Xcel had executed with RMS Company.

Responding to the suggestions made earlier by the Department, Xcel provided report of a "worst case" scenario by assigning all currently known potential incremental generation and distribution costs to serve the expansion of RMS. Even under this worst-case scenario, Xcel indicated that the estimated incremental revenue exceeded incremental cost, thereby contributing to Xcel's fixed cost.

Xcel indicated that RMS has two premises which qualified for the BIS discount and provided a trade secret "margin" analysis for each premises separately. The margin analysis contained the estimated usage of the customer in each premises, the incremental energy cost associated with the estimated usage, the incremental capacity cost associated with the usage, and the contribution (i.e., the excess of revenue over the incremental costs) made by the customer to the overhead costs of Xcel.

B. Department's Comments on the RMS Company ESA

On August 28, 2019, the Department filed its comments on the RMS Company ESA.

The Department noted that it did not object to Xcel's BIS ESA with RMS.

Incidentally, as no other party objected to Xcel's ESA with RMS within the 30-day period, the ESA was deemed approved by operation Xcel's tariff for the BIS Rider as approved in the Commission's Order in the 2012 rate case.

The Department, however, raised what it termed a "minor" concern regarding the operation of the BIS Rider tariff.

The Department's concern had to do with the application of the BIS discount to what the BIS tariff requires, i.e. service "at a single delivery point." The Department asked for clarification as to how the discount would apply if a customer had (as was the case with RMS Company) two

qualifying delivery points. The question here is whether the discount would apply once or at both points?

The BIS Rider provides

for new customers:

the Qualified Billing Demand under this Rider must be a minimum of 350 kW at a single delivery point.

for existing customers:

Qualified Billing Demand is the new load of 350 kW or greater at a single delivery point incremental to that existing prior to approval for service under this Rider.

The Department raised this concern because RMS' load meets the threshold level of demand (350 kW) at each of its two locations to receive the BIS discount, and because the BIS Rider does not explicitly address the possibility of customers with multiple delivery points, Xcel's application of its BIS Rider may be different than what was intended or expected by the Commission.

The Department recommended that the Commission:

- approve RMS's ESAs by taking no action on them;
- require Xcel to clarify the BIS tariff language regarding delivery points; and
- require Xcel to provide the rationale for using a single delivery point.

C. Xcel's Initial Response to the Department's Concern

On September 3, 2019, Xcel responded to the Department's concern.

Xcel agreed with the Department that, in addition to the multiple delivery points, "some of the language in the BIS Rider tariff could be more precise," and that Xcel planned on filing revisions and clarifications to the BIS Rider "in a filing this fall."

D. Xcel's Proposed BIS Tariff Clarification in the Multi-year Rate Case (Dkt. 19-564)

On November 1, 2019, Xcel filed a multiyear general rate case. Xcel addressed the clarifications to the BIS Rider through the prefiled direct testimony of Mr. Huso (pp. 27-30).

Xcel stated that it was proposing the BIS tariff changes in the rate case, rather than in a miscellaneous tariff change docket, because the proposal would receive broader exposure.

Xcel clarified, first, that a customer may receive a BIS Rider discount at multiple delivery points as long as each delivery point independently qualifies for the demand discount, and the delivery point is not currently receiving service under the BIS Rider.

Huso reiterated that under the BIS tariff, as presently written, Qualified Billing Demand (for both new and existing customers) is a minimum of 350 kW “at a single delivery point.”

Huso added that this language does not explicitly address the reality that some large C&I customers have multiple delivery points and more than one of those delivery points may qualify for the BIS Rider, just as RMS does.

Xcel proposed to amend the tariff language at Sheet No. 139 by changing the phrase

“at a single delivery point”

to

“at any single delivery point.”

Staff inserts the following “snip” of the relevant part of the tariff page (Section 5, page 139) in order that the proposed language change may be seen in its larger overall context.

Northern States Power Company, a Minnesota corporation
 Minneapolis, Minnesota 55401

MINNESOTA ELECTRIC RATE BOOK - MPUC NO. 2

BUSINESS INCENTIVE AND SUSTAINABILITY RIDER

Section No. 5
 1st Revised Sheet No. 139

AVAILABILITY

Available to new or existing demand-metered commercial and industrial customers with significant new Qualified Billing Demand. Service under the Rider is limited to customers whose application for service under the Rider is approved by the Company.

RATE

The rates and provisions of the customer's regular demand-metered rate schedule shall apply except monthly demand charges for customer's Qualified Billing Demand, before the application of voltage discounts, shall be reduced as follows:

Years:	1 - 3	4	5	6
Percent Reduction:	40%	20%	10%	0%

QUALIFIED BILLING DEMAND

The portion of the customer's billing demand that qualifies for reduced demand charges. Qualified billing demand includes billing demands for standard demand, on-peak period demand, firm demand and controllable demand. Qualified billing demand does not include billing demands for off-peak period demand, distribution demand, transmission and distribution demand, contracted standby demand or contracted supplemental demand.

New Customers. This Rider is available for new load that is associated with initial permanent service. For new Customers, the Qualified Billing Demand under this Rider must be a **minimum of 350 kW at a single delivery point.** The demand charge reduction shall not apply during any month in which the Qualified Billing Demand is below 350 kW; provided, however, the demand charge reduction shall apply during any month in which the Qualified Billing Demand is below 350 kW as a consequence of new conservation or load control by the customer.

Existing Customers. For existing customers, Qualified Billing Demand is the **new load of 350 kW or greater at a single delivery point** incremental to that existing prior to approval for service under this Rider. The demand charge reduction shall not apply during any month in which the Qualified Billing Demand is below 350 kW; provided, however, the demand charge reduction shall apply during any month in which the Qualified Billing Demand is below 350 kW as a consequence of new conservation or load control by the customer.

Xcel also proposed three additional changes that it believes, if approved, would clarify the application of the BIS tariff:

1. Under the New Customers and Existing Customers headings, Xcel proposes language to clarify that a customer can receive the BIS Rider discount multiple times, so long as they have the necessary increase in Qualified Billing Demand and the delivery point is not currently receiving service under the BIS Rider.
2. Under the Right to Refuse Service heading, the Company proposes to modify the Company's right to refuse service, but retains a customer's ability to get service under the tariff if they contribute to the capital costs necessary to serve them.³

The Right to Refuse Service currently reads as:

RIGHT TO REFUSE SERVICE

The Company reserves the right to refuse applicants for service under this Rider if it determines that significant additional capital expenditures will be required to provide service to that applicant. In such cases, an applicant may be able to qualify for service by making a non-refundable contribution to compensate for the significant additional capital costs incurred by the Company to supply service to the applicant.

Essentially, the tariff implies that in exceptional circumstances, where the capital expenditure to be incurred to provide service is significant, the customer may be required to contribute towards the up-front capital costs.

Xcel proposes to replace the phrase "non-refundable contribution to compensate for the significant additional capital costs [emphasis supplied]" with language to the effect that the customer can retain the ability to receive BIS service if it "contribute[s] to the capital costs necessary to serve" the customer.

3. Under the Electric Service Agreement heading, the Company proposes to strike the reference to this "Stimulation" Rider as the term "Stimulation" is not used elsewhere in the BIS tariff. The first sentence under the heading "Electric Service Agreement" reads as follows:

ELECTRIC SERVICE AGREEMENT

Any customer taking service under this **Stimulation** Rider shall execute an Electric Service Agreement, or amend their existing Electric Service Agreement, with the Company for a period of six years beginning on the effective date on which the customer commences taking service under this Rider. |

³ Xcel added that when it makes its BIS Rider compliance filings, it must provide information about the impact the BIS discount has had on incentivizing new energy consumption.

E. Status of Xcel's Multi-year Rate Case (Dkt. 19-564)

Concurrent with the filing of the multi-year rate case, Xcel filed a companion petition (the True-Up and Stay-Out Petition) in dkt 19-688 proposing to leave base rates unchanged in 2020 if the Commission granted approval of certain true-up proposals⁴ Xcel requested in that petition.

In the True-up and Stay-Out Petition, Xcel committed to “to withdraw its general rate case filing and to not file a new general rate case until on or after November 2, 2020” if the Commission approved the True-Up Petition before December 31, 2019.

On December 30, 2019, the Commission issued its Order Suspending Rates and Staying Petition, in the rate case docket (dkt 19-564) in which the Commission suspended the operation of Xcel's proposals in the rate case until the Commission issues a final determination in that case or until Xcel has withdrawn its rate case petition. In its December 30, 2019 Order, the Commission stayed further consideration of the rate case pending resolution of the True-Up and Stay-Out Docket (E-002/M-19-688).

The Commission's order in the True-Up petition docket has not been issued as of the writing of this briefing paper.

IV. Xcel's BIS Annual Compliance Filing

A. Xcel's Annual Compliance filing

On November 26, 2019, Xcel filed its BIS annual compliance filing.

Xcel indicated that following up on its plans as stated in its letter of September 30, 2019, the prefiled Direct Testimony of Steven Huso addressed the BIS tariff changes.

In terms of BIS Rider compliance, Xcel reported that it served 8 customers who accounted for \$12,183,748 in total incremental revenues and \$2,937,978 in incremental costs for the reporting year November 2018 through October 2019.

In compliance with the requirements established in the Commission's April 8, 2016 Order, in this docket, #12-961, Xcel's annual report provided a response to the following filing requirements:

- 1) 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;
- 2) 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;

⁴ Xcel, Petition for Approval of True-Up Mechanisms, November 1, 2019, p. 2.

- 3) Information about the energy audit and other sustainability efforts required by the language of the BIS Rider tariff;
- 4) Information about the impact of the BIS Rider discount on incentivizing new energy consumption by business customers;
- 5) Information about the “Revenue Recovery” provision 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) Information about the amount of BIS Rider discounts and their financial impact on other classes.

B. Staff Comment

Staff believes that Xcel has fulfilled the Commission’s filing requirements. As with Xcel’s annual compliance filing last year, no party raised any objection to, or even filed comments on, the annual report. The Department did not file comments on Xcel’s 2018 BIS Annual Report. The Commission issued an order accepting Xcel’s 2018 BIS annual report on June 13, 2019.

Staff is not aware of any opposition to the Commission’s acceptance of Xcel’s 2019 BIS Annual Report.

The Commission may, however, wish to ascertain from the assembled parties if there are any objections to the Commission accepting this annual report.

In accepting the 2019 BIS Annual Report, the Commission has to reckon with Xcel’s language changes proposed in the 2019 rate case to the BIS tariff because the annual report notes that changes to the BIS tariff were made in the context of the rate case.

Because the Commission has suspended action on the rate case, these BIS proposals, if approved by the Commission, would have to be refiled in a compliance filing specific to the BIS tariff.

Xcel initially proposed the BIS Rider in its rate case, in docket E-002/GR-12-961, and subsequent filings regarding BIS have been filed under that docket number.

In addition to BIS, there are a number other compliance filings regarding other issues that were litigated that continue to be filed in that docket so much so that it is administratively cumbersome to sort through the filings to isolate BIS-related filings. Staff suggests (Option 12 below) that the Commission consider directing Xcel to file BIS-related filings in a new docket number each year.

V. Decision Alternatives

Should the Commission accept Northern States Power's (Xcel's) Business Incentive and Sustainability (BIS) Rider Annual Report for 2019?

1. Accept Xcel's 2019 BIS Rider Annual Report, or
2. Take no action.

What action should the Commission take regarding Xcel's proposed clarification of the BIS tariff submitted in Xcel's initial application for a multi-year rate plan, Docket No. E-002/GR-19-564?

Multiple Delivery Points

(**Staff Note:** Regarding Option 3, the Commission may direct Xcel to file its BIS-related clarification in a new docket, rather than proceed with Xcel's filing in the rate case. If the Commission adopts Option 3, the next decision option to consider is Option 12 below.)

3. Direct Xcel to propose language at an appropriate place in the BIS tariff to the effect that a demand discount applies at multiple delivery points provided each delivery point independently qualifies, and provided that the delivery point is not already receiving BIS service. Also, direct Xcel to make whatever other clarifications it deems appropriate or relevant;

or

4. Authorize Xcel to submit a compliance filing in this docket with the following Multiple Delivery Point language change at Sheet No. 139 of Section 5 in the BIS tariff:

replace the phrase "at a single delivery point" with "at any single delivery point."

or

5. Take no action.

Revision of Language Regarding Right to Refuse Service

6. Authorize Xcel to replace the phrase "non-refundable contribution to compensate for the significant additional capital costs," at page 140 of the BIS tariff, with language to the effect that the customer can retain the ability to receive BIS service if the customer contributes to the capital costs necessary to serve the customer. or
7. Take no action.



**Deletion of the Word Stimulation under the Electric Service Agreement
Heading**

8. Under the heading Electric Service Agreement, page 140 of BIS tariff, authorize Xcel to delete the word “Stimulation.” or
9. Take no action.

Should Xcel submit a compliance in this docket?

10. Direct Xcel to submit a compliance filing within 10 days of the Commission issuing its order in this docket that incorporates the authorized changes above, or
11. Take no action.

Should future Xcel BIS Rider filing be submitted under a new docket number every year?

12. Direct Xcel to submit each new BIS Rider contract and each new annual BIS Rider compliance report under a new docket number for each year, or
13. Take no action.