

**State of Minnesota
Before the Public Utilities Commission**

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner
Katie Sieben	Commissioner

In the Matter of Xcel’s 2017 Biennial Distribution Grid
Modernization Report

Docket No. E002/M-17-776

Reply Comments of the Citizens Utility Board of Minnesota

I. Introduction

The Citizens Utility Board of Minnesota (“CUB”) appreciates the opportunity offered by the Minnesota Public Utilities Commission (“PUC” or “the Commission”) to submit these reply comments regarding the 2017 Biennial Distribution Grid Modernization Report (“2017 Report”) filed by Northern States Power Company, d/b/a Xcel Energy (“Xcel”). CUB continues to recommend the Commission certify the time of use (“TOU”) pilot proposed by Xcel, deny certification of the proposed FLISR and view with skepticism recovery of grid modernization efforts through riders. CUB further agrees with the Office of Attorney General (“OAG”) that specific criteria be established for use in determining which projects are eligible for certification and rider cost recovery. CUB also recommends the Commission direct Xcel to develop a cost-benefit analysis for both FLISR and voltage optimization technologies (IVVO), as recommended by the Department of Commerce Energy Division (“the Department”). Finally, CUB recommends the Commission define the overall goals of grid modernization in Docket No. 15-556, direct each utility to develop distribution system plans in accordance with that definition, and clearly connect those plans to any grid modernization investment proposals and performance reports that the utilities produce. This will help CUB and other organizations involved in the many related Commission proceedings and ultimately help to ensure that all aspects of grid modernization can be viewed holistically by the ratepayers supporting them.

II. The Commission should limit the use of riders for grid modernization projects.

CUB supports prudent distribution system investments that benefit ratepayers. To ensure these investments are beneficial to ratepayers, it is imperative for the utility to provide evidence that the benefits outweigh the costs. CUB recommends the Commission focus on the costs and benefits of each investment when deliberating certification and, in the future, require Xcel to file a cost-benefit analysis with the request for certification to establish a net benefit for ratepayers. To that end, CUB supports the recommendation of the Department that Xcel be allowed implementation of grid modernization projects that show a positive benefit-cost result (e.g. a total resource cost test result greater than 1.0). The Commission may wish to approve some projects at pilot scale that are not expected to achieve a positive benefit-cost result, but should do so with caution and only when the rollout of the project at full scale is expected to provide a net benefit to ratepayers.

CUB also agrees with other parties in expressing concern over the proposal to use the Transmission Cost Recovery (TCR) rider for grid modernization projects. In this docket, Xcel provided information on upcoming grid modernization projects throughout the next decade. These investments will cost millions of dollars over many years. The TCR rider should not be seen as a tool for cost recovery for all distribution system investments needed to modernize the grid. Recovering these costs in a rider does not allow for the cost savings these technologies will provide to be realized by the ratepayer. Indeed, implementation of many of these technologies will lead to immediate cost reductions throughout many areas of Xcel's business. These cost savings will not be incorporated into the calculation through a rider, which could lead to an over-recovery of costs by Xcel that cannot be addressed in a rate case because of test year constraints.

A rate case is a much more appropriate arena to consider the cost recovery for these investments. A rate case provides regulators and stakeholders the ability to review all costs a utility undertakes and realize the cost savings from these technologies. Allowing the utility to recover costs outside of a rate case limits the ability to truly gain a sense of the how just and reasonable rates are. CUB cited a 2010 PUC report that provides situations where a rider may be appropriate in initial comments. The use of riders is not a tool the Commission should disregard completely, but many of the distribution system upgrades discussed by Xcel in this docket are planned by the utility years in advance and do not represent the "unpredictable or dramatic change in cost" that provides justification for recovery through a rider.¹

Further, allowing for cost recovery of distribution system investments through the TCR rider limits the effectiveness of Xcel's multi-year rate plan (MYRP). A major advantage of a MYRP is the incentive for the utility to control costs between rate cases, giving customers a greater certainty in their rates. Allowing for recovery of significant investments through an existing rider limits the benefits of the MYRP and the rate case proceeding in general.

III. The Commission should establish criteria for use in certifying grid modernization investments.

As discussed above, CUB has concerns with using a rider to recover the costs of grid modernization projects. However, CUB acknowledges that in some cases, certification of these projects for recovery through a rider could be appropriate. In order to ensure that certification is used sparingly as an interim-measure between rate cases, CUB agrees with the OAG in the importance of establishing clear criteria for certification of grid modernization investments. As noted by several parties, including CUB, the Commission is currently relying on a limited set of criteria, and approval of a project relies on the investment meeting at least one of the benefits listed in statute.² The current governing statute lacks specifics that are very important in determining whether cost recovery through a rider is appropriate.

To that end, CUB supports the proposal of the OAG to now set specific criteria for these projects. The initial comments of the OAG in this docket provide criteria drawn from past decisions on grid modernization project certification. In Docket No. 15-962, the Commission noted the absence of specific criteria for deciding what should be certified and is currently making decisions on a case-by-case basis until criteria is established.³ The OAG proposed that the Commission certify only those grid modernization projects that are, first, necessary and fundamental for grid modernization and, second, related to at least

¹ CUB Initial Comments ("CUB Init. Comments"), 2/5/18, Docket No. 17-776, at 2-3.

² Minn. Stat. §216B.2425, subd. 2(e).

³ OAG Init. Comments.

one of the objectives listed in the certification statute, Minnesota Statutes §216B.2425.

CUB agrees that the Commission should utilize these criteria in making a determination in this docket. CUB also recommends the PUC set forth the overall goals of grid modernization in Docket 15-556, to provide direction by which utilities would then develop distribution system plans.⁴

The establishment of specific goals for distribution system investments is particularly important given the number of projects currently proposed or scheduled to be proposed by Xcel in the near future. Once these goals are set, it will provide a more concrete direction for these investments and may lead to different decisions on grid modernization investments in the past and present. Until that time, decisions made here regarding specific projects should not necessarily be considered precedential.

IV. The Commission should direct Xcel to compare FLISR with other advanced grid applications such as voltage optimization technologies.

CUB supports the recommendation of the Department that Xcel examine a range of advanced grid applications to evaluate which prove most beneficial for Xcel's customers. In its initial comments, CUB did not support certification of the Fault Location, Isolation, and Service Restoration (FLISR) project.⁵ However, CUB agrees that advanced grid applications like FLISR may hold potential for lowering cost and improving service. While Xcel fell short of proving FLISR is appropriate at this time, CUB believes Xcel should investigate a suite of applications that could deliver benefits to customers independent of customer action. The Department recommends that Xcel conduct a cost-benefit analysis of other applications such as voltage optimization technologies.⁶ CUB agrees that these technologies have the potential to deliver energy savings. However, such savings are greatly dependent on the distribution system configuration. For that reason, Xcel should conduct a study to see which specific voltage optimization technologies may be cost-effectively deployed.

V. The Commission ensure the objectives of utilities' grid modernization investments are clear and the outcomes are clearly reported.

The initial comments filed by Communities United for Responsible Energy (CURE) in this docket point to how important it is for members of the public to understand, at a general level, the grid modernization investments being made and the benefits those investments provide to ratepayers. CURE's comments include a partial list of efforts and statutes related to public engagement in transmission and distribution planning. The list highlights how difficult it is for any person – especially a member of the public who is not an energy policy professional – to track the various related initiatives, how they fit together, and whether investments have been worthwhile.

The Commission can ease this difficulty by making clear the objectives of distribution system investments in general and for each utility that undertakes such investments, and by ensuring that

⁴ In our reply comments in Docket No. 15-556, CUB identifies the following goals of grid modernization: meeting traditional utility responsibilities (e.g. affordability and reliability of service); advancement of policy goals regarding greenhouse gas reduction in the manner most cost-effective for ratepayers; and equity and environmental justice goals of ensuring affordability of service and penetration of DER amongst all types of customers, including low-income, renters, etc. (CUB Reply Comments, 9/21/17, at 2).

⁵ CUB Init. Comments at 6.

⁶ Dept. Init. Comments at 4-5.

utilities' regular reporting on performance incorporate the outcome of these investments.

The Commission should define the objectives of grid modernization in Docket No. 15-556, then require each utility to submit distribution system plans, as CUB recommended in our initial comments in this docket. Furthermore, to the degree that performance metrics are established for particular utilities, the Commission should ensure that these metrics will measure benefits of grid modernization investments.⁷ This will help members of the public understand why the utility is undertaking grid modernization projects and what they are getting for the ratepayer dollars invested.

VI. Conclusion

CUB appreciates the opportunity to comment on Xcel's proposed grid modernization efforts. CUB recommends the Commission:

- Certify Xcel's TOU pilot;
- Deny certification of Xcel's proposed FLISR project at this time and direct Xcel to conduct a cost-benefit analysis for the Commission to review;
- Define the objectives of grid modernization in docket 15-556, then require each utility to submit distribution system plans;
- Limit the use of riders for grid modernization projects;
- Require Xcel to make grid data and privacy-protected customer data that is generated through grid modernization investments available to the public;⁸ and
- Ensure that the outcomes achieved by grid modernization investments are reported through any utility performance metrics that are established.

Thank you for the opportunity to provide these comments.

Respectfully submitted,

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⁷ This would include, for example, Xcel's performance metrics currently under consideration in Docket No. 17-401.

⁸ See CUB's 2/5/18 Initial Comments in this docket for further details.

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