

February 27, 2015

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/M-14-1057

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy resources (the Department or DOC) in the following matter:

A request by Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) for Commission approval of an Amendment to an Electric Service Agreement with Tering Seeds (Tering Seeds or the Customer) for 96 kW of solar generation.

The petition was filed on December 22, 2014 by:

Amy Liberkowski
Manager, Regulatory Analysis
Xcel Energy
414 Nicollet Mall
Minneapolis, Minnesota 55401

The Department recommends that the proposal as modified be approved, and is available to answer any questions the Commission may have.

Sincerely,

/s/ DALE V. LUSTI
Financial Analyst

DVL/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET No. E002/M-14-1057

I. BACKGROUND

A 2013 amendment to Minnesota Statute Section 216B.164 allows net metering of facilities up to 1,000 kW.

Currently there is rulemaking underway to address the statutory net metering issue.¹

On December 22, 2014, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) submitted to the Minnesota Public Utilities Commission (Commission) its Petition for approval of an Amendment to an Electric Service Agreement (ESA) with Tarning Seeds (Tarning Seeds or the Customer) for 96 kW (AC) of solar generation. The Amendment and ESA were entered into at the same time and are hereinafter referred to together as the ESA, or the Agreement.

In its January 27, 2015 NOTICE OF COMMENT PERIOD ON NET METERING CONTRACT, the Commission set an initial comment period deadline of February 27, 2015 and a reply comment period deadline of March 9, 2015 with regard to the following two topics:

- Whether the Commission's decision on the agreement should only apply to the individual agreement in this docket, or should be ruled on more broadly as a template to be used with other customers; and
- Whether the agreement is in the public interest.

¹ See Docket No. E-999/R-13-729, *In the Matter of Possible Amendments to Rules Governing Cogeneration and Small Power Production*, Minnesota Rules Chapter 7835.

II. SUMMARY OF PROPOSAL

On December 22, 2014, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) submitted to the Minnesota Public Utilities Commission (Commission) its Petition for approval of an Electric Service Agreement (ESA) with Tering Seeds, Inc. (Terling Seeds or the Customer) to govern service between Xcel and the Customer's 96 kW (AC) of solar generation. The ESA addresses both net metering and standby service provisions. According to the Petition, the ESA becomes effective as soon as it is approved by the Commission and the parties have signed it.

Prior to December 19, 2014, the date of the contract between the Parties, Tering Seeds received service from Xcel under the General Service Rate Code A14, Sheet 5-26.

Beginning December 19, 2014, or the date of interconnection, Tering Seeds will receive service from Xcel under the following three tariffs²:

- General Service Rate Code A-14, Sheet 5-26;
- Purchase and Sale Billing Service, Rate Code A51 (Avoided Cost rate), Sheet 9-3; and
- Standby Service Rider, Sheet 5-101.

Xcel states that there are currently no rules or tariffs in place to effectuate the relatively new Minnesota Statutes, section 216B.164, which allows net metering of facilities up to 1,000 kW, a change from the previous limit of 40 kW. Therefore, to accommodate Tering Seeds' plans for a 96 kW (AC) solar facility, the Company crafted an ESA with Tering Seeds based on Xcel's generic, Commission-approved ESA (found in Section 7 of Xcel's electric tariff) amended to be consistent with the Commission's draft Uniform Statewide Contract language developed in a current rulemaking effort (Docket No. E999/R-13-729).

Xcel states in its Petition that the proposed ESA with Tering Seeds is in the public interest because:

- The agreement was drafted in accordance with the Commission's draft rules on Cogeneration and Small Power Production;
- The agreement supports and facilitates the legislature's intent with the recently enacted statute to expand net metering offerings to larger distributed generation systems; and
- The agreement fulfills the customer's request to obtain Standby Service.

² Per conversation with Ms. Amy Liberkowski.

III. DEPARTMENT ANALYSIS

After discussing the Petition with Xcel, the Department notes that there have been two changes to the proposed ESA, subsequent to its being filed:

- Item 2, as described on Pages 4 and 5 of Attachment A to the Petition, should be modified to note that Tering Seeds has elected to receive service under the A51 tariff rather than the Time of Day A52 tariff; and
- Item 13, as described on Page 6 of Attachment A to the Petition, should be modified to note that Xcel has agreed to pay Tering Seeds for all energy exported to Xcel subsequent to the interconnection, on or about December 19, 2014.³

Further, the Department recommends clarifying the terms of compensation, Item 4.1, as described on page 5 of Attachment A to the Petition to read as follows:

Kilowatt hour energy credit to the QF's account with the utility, carried forward and applied to subsequent energy bills, and trued up annually.

The Department asserts that the primary issue to be addressed at this time is whether the proposed Agreement is consistent with the public interest.

In evaluating whether Xcel has shown that the proposed ESA with Tering Seeds is consistent with the public interest, the Department considered:

- Whether the proposed agreement affects the operating costs and rate levels of Xcel Energy;
- Whether the price is reasonable; and
- Whether the agreement impairs effective regulation.

The proposed ESA would not negatively affect the operating costs and rate levels because the customer will receive service at tariffed rates and be reimbursed for energy supplied to Xcel at the avoided cost rate on an annual basis. As the Company states on page 3 of its Petition "Approval of this contract will not impact Company revenues." Thus, other ratepayers will not be negatively affected by approval of this ESA.

In addition to the customer being able to receive payment for annual net input into the Xcel system at the avoided cost rate, the customer will pay for net energy supplied by Xcel according to the applicable tariffed rate and receive standby service. Thus, the price is reasonable.

³ Per conversation with Ms. Amy Liberkowski and Xcel's Response to Department Information Request No. 1.

Approval of the proposal would not impair effective regulation, since all rates utilized are tariffed rates. Any future amendments to the ESA would likewise be brought to the Commission for approval.

Thus, the Department concludes that the proposed Amendment is consistent with the public interest.

To address the Commission question as to whether the Commission's decision on the ESA should only apply to the individual agreement in this docket, or should be ruled on more broadly as a template to be used with other customers, the Department concludes that it would be appropriate for the Commission's decision on this Agreement to be used as a template for future agreements between Xcel and its customers. However use of this template should be considered an interim measure pending the results of the rulemaking in Docket No. E999/R-13-729.

IV. RECOMMENDATION

The Department recommends that the proposal as modified, by the noted changes to Items 2, 4 and 13, be approved. Further, the Department recommends that the approved Agreement be used as a template for future agreements between Xcel and its customers, pending the outcome of Docket No. E999/R-13-729.

/lt

CERTIFICATE OF SERVICE

I, Linda Chavez, hereby certify that I have this day served copies of the following document on the attached list of persons by electronic filing, 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 Nos. **E002/M-14-1057**

Dated this **27th** day of **February, 2015**.

/s/Linda Chavez

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