

**STATE OF MINNESOTA  
BEFORE THE PUBLIC UTILITIES COMMISSION**

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

In The Matter Of The Approval Of Revisions  
To The Renewable\*Connect Pilot Program

DOCKET NO. E-002/M-17-695

**COMMENTS OF THE MINNESOTA  
OFFICE OF THE ATTORNEY GENERAL**

The Office of the Attorney General – Residential Utilities and Antitrust Division (“OAG”) respectfully submits these Reply Comments in response to the Commission’s Notice of Comment Period issued on September 29, 2017. The Commission should carefully review the Renewable\*Connect program because it provides a useful example of how allowing utilities to offer value-added services can increase risk and cost for ratepayers. If the Commission decides to remove the ten percent cap on program subscriptions, it should modify Xcel’s proposed tariff changes so that the cap is removed only for the first tranche of the program, and so that the cap is preserved for any future program expansion.

**I. THE RENEWABLE\*CONNECT PROGRAM IS AN EXAMPLE OF PROBLEMS THAT CAN ARISE WHEN UTILITIES ARE ALLOWED TO OFFER VALUE-ADDED SERVICES.**

When Xcel filed its initial petition for approval of the Renewable\*Connect program, the OAG expressed significant concerns.<sup>1</sup> The primary concern was that the program would allow Xcel to secure new revenues by offering value-added services<sup>2</sup> to some customers, but place the

---

<sup>1</sup> *In the Matter of the Petition of Northern States Power Company for Approval of a Renewable\*Connect Pilot Program*, Docket No. E-002/M-15-985, INITIAL COMMENTS OF THE OAG at 4 (NOV. 15, 2016).

<sup>2</sup> The term “value-added service” refers to a broad category of emerging, customer-facing energy services that are being enabled by changes to technology and customer preferences. There is an ongoing debate about the definition of value-added services and which type of entity should provide these services. *See* Lawrence Berkeley Nat’l Lab., (Footnote Continued on Next Page)

risk that those service offerings are unsuccessful on general ratepayers.<sup>3</sup> As it stands, this program is an example of what can happen when service offerings are not as successful as utilities predict. There are unique circumstances in this case that shield general ratepayers from harm, but the Commission should take note of how new service offerings can go wrong.

The Renewable\*Connect program allows Xcel to set aside renewable resources, and offer them to customers as a replacement for the system fuel cost. Renewable\*Connect customers theoretically pay for the cost of the renewable resources themselves, incorporating some neutrality adjustments, and no longer pay for system fuel costs. The program offers these customers at least two value-added services above and beyond Xcel's basic electricity service: first, customers gain access to renewable energy because Xcel retires the RECs on behalf of the customer; second, customers have the opportunity to hedge against the cost of fuel by signing 5- or 10-year contracts. In its first "tranche," Xcel offered 75 MW of renewable energy into the program; any energy that is not taken up by Renewable\*Connect subscriptions is collected from general ratepayers through the fuel clause adjustment. In its petition in this proceeding, Xcel explained that the program was currently only 64 percent subscribed,<sup>4</sup> and that subscriptions have been declining.<sup>5</sup> It appears that Xcel overestimated demand for the program and selected a tranche that was too large.<sup>6</sup>

---

(Footnote Continued from Previous Page)

Future Electric Utility Regulation Report No. 9, *Value-Added Electricity Services: New Roles for Utilities and Third-Party Providers* (Oct. 2017).

<sup>3</sup> Rather than on the Company's shareholders, or on those customers who choose to participate.

<sup>4</sup> Xcel Petition at 1–2 (Sept. 21, 2017).

<sup>5</sup> It would be interesting to see how the decline in new subscriptions, particularly residential subscriptions, is related to Xcel's marketing efforts, and also how the Company's efforts at marketing the program to residential customers compares to its efforts to do so for the largest customers, but the Company has not provided that information in its petition.

<sup>6</sup> Or, perhaps, that it selected a large tranche knowing that it could request that the 10 percent cap be removed in the future.

General ratepayers are not unduly harmed by the unsubscribed Renewable\*Connect energy because of one unique circumstance in the initial tranche of the program: the resources for the first tranche were carved off of Commission-approved system resources that would have been collected through the fuel clause anyway if the Renewable\*Connect program had not been approved.<sup>7</sup> The *only* reason that general ratepayers are not being harmed is because of the source of the resources used for the first tranche. The problem at this stage is that Xcel has made clear that its vision for the future program will be based on resources that are procured incrementally,<sup>8</sup> unlike the first tranche. If Xcel does expand the program using incremental resources, and once again overestimates program demand, then general ratepayers would be harmed unless the Commission ensures that they are protected from increased costs.

The first year of the Renewable\*Connect program is an example of what can go wrong if the program is expanded in the future using incremental resources. Consider, for example, what would have happened if Xcel procured incremental resources for the first tranche, rather than using already-approved system resources. In this hypothetical example, Xcel would have acquired new resources and offered them, and the value-added services they provide, to Renewable\*Connect customers. Xcel's shareholders would have the benefit of new revenue streams; Renewable\*Connect customers would have the benefit of value-added services;<sup>9</sup> and

---

<sup>7</sup> Allowing Xcel to collect the unsubscribed energy through the fuel clause, even though the resources are not system resources, *is* increasing costs to general ratepayers, but the Commission approved Xcel's proposal to do so last year. Based on Xcel's most recent AAA filing, the Renewable\*Connect program cost \$264,241 in September 2017. *Xcel Fuel Clause Adjustment November 2017*, Docket No. E-002/AA-17-780, INITIAL FILING, Attachment 1, Page 8 (Oct. 31, 2017). To the extent the Commission is concerned about this cost, it may wish to get additional information from Xcel and revisit whether it is appropriate for unsubscribed Renewable\*Connect energy to be recovered from general ratepayers through the fuel clause.

<sup>8</sup> *In the Matter of the Petition of Northern States Power Company for Approval of a Renewable\*Connect Pilot Program*, Docket No. E-002/M-15-985, XCEL'S PETITION FOR APPROVAL OF A RENEWABLE\*CONNECT PILOT PROGRAM, at 10 (Nov. 12, 2015) (stating that "we intend to scale our pilot and eventually offer a full-fledged program, adding incremental renewable resources").

<sup>9</sup> The benefits provided by the Renewable\*Connect program appear to be the sort that are valued more highly by large commercial customers who place marketing value on REC ownership, and who are sufficiently sophisticated (Footnote Continued on Next Page)

neither group would have any risk if the program was not successful, because general ratepayers would be required to pay for any unsubscribed energy, and additional costs if any Renewable\*Connect customers break their 5- or 10-year contracts.<sup>10</sup> If incremental resources had been used for the first tranche of Renewable\*Connect, then general ratepayers would be paying for 36 percent of the program, and Xcel would have no financial risk for creating a new service offering that is not as successful as anticipated.<sup>11</sup>

It is true that this hypothetical example does not apply to the first tranche of the Renewable\*Connect program because it was not procured incrementally. But it is still a valuable example because Xcel stated it intends to expand the program using incremental resources in the future,<sup>12</sup> and other parties also asked the Commission to use incremental resources to expand the program.<sup>13</sup> Xcel's experience with Renewable\*Connect is an example of the ways in which utilities can seek out new revenue streams by providing value-added services, and what can go wrong when those services do not pan out—in the end, general ratepayers can

---

(Footnote Continued from Previous Page)

to determine whether Renewable\*Connect provides value as a hedge against system fuel costs. The fact that the vast majority of subscriptions by size are taken up by commercial and industrial customers appears to bear this out, as well as the OAG's prior concerns that the program would be used primarily as a fuel hedge for large customers. *See In the Matter of the Petition of Northern States Power Company for Approval of a Renewable\*Connect Pilot Program*, Docket No. E-002/M-15-985, INITIAL COMMENTS OF THE OAG (NOV. 15, 2016).

<sup>10</sup> The cost of customers terminating contracts early could be significant, because Xcel's termination fees do not insulate non-participants from the possibility of stranded Renewable\*Connect assets. *See id.* for a detailed discussion of the issue.

<sup>11</sup> One reason it may not be in the public interest to allow utilities to backstop the risk of new service offerings on general ratepayers is that it will incentivize utilities to create more service offerings than are warranted. It would also be concerning if utilities continued to expand value-added service offerings targeted to large customers, and backstopped the risk of those offerings on residential customers.

<sup>12</sup> *In the Matter of the Petition of Northern States Power Company for Approval of a Renewable\*Connect Pilot Program*, Docket No. E-002/M-15-985, XCEL'S PETITION FOR APPROVAL OF A RENEWABLE\*CONNECT PILOT PROGRAM, at 10 (Nov. 12, 2015) (stating that "we intend to scale our pilot and eventually offer a full-fledged program, adding incremental renewable resources").

<sup>13</sup> *In the Matter of the Petition of Northern States Power Company for Approval of a Renewable\*Connect Pilot Program*, Docket No. E-002/M-15-985, INITIAL COMMENTS OF THE CLEAN ENERGY ORGANIZATIONS at 1 (Nov. 15, 2016).

be left holding the bag. The same can be said for any value-added product or service that Xcel offers.

**II. IF THE COMMISSION DECIDES TO MODIFY THE TEN PERCENT CAP, IT SHOULD MODIFY XCEL'S PROPOSED TARIFF CHANGES.**

In its Petition, Xcel seeks permission to remove language in the Renewable\*Connect tariff providing that individual customers may not subscribe to more than ten percent of the program. Xcel states that it has identified several customers who would increase or add subscriptions if the limitation were removed.<sup>14</sup>

The OAG takes no position on whether the ten percent cap should be lifted *for this tranche*. Obtaining additional subscriptions for the program would reduce the financial burden on general ratepayers because it would reduce fuel clause collections, but that benefit must be balanced against policy concerns about concentrating the benefits of a program to a few large customers, who will no longer contribute to paying system fuel costs. Because the Commission already approved this program and set aside this resource for this specific purpose, the OAG takes no position at this time on whether customers should be permitted to increase subscriptions for the first tranche.

That said, the Commission should not modify the tariff as proposed by Xcel. If the Commission decides to remove the 10 percent cap on Renewable\*Connect subscriptions, that decision should be limited to the first tranche only. The language incorporating the 10 percent cap should remain in the Renewable\*Connect tariff and be the starting point for any expansion of the program. The 10 percent cap is a protection for general ratepayers, because it limits the harm that can be caused by a single customer exiting the program after signing a long-term

---

<sup>14</sup> Xcel Comments (Oct. 13, 2017).

contract. It also places some limits on the extent to which large customers can end their contribution to system fuel costs through hedging.

Instead of the tariff change proposed by Xcel, if the Commission seeks to modify the ten percent cap, it should insert this language following Paragraph 2, Section No. 5, Sheet No. 151 of Xcel's tariff:

2a. Limited Exception to Subscription Level. Customers who subscribe to the first tranche of resources approved for the Renewable\*Connect Pilot Program may purchase a total Subscription Level from the first tranche without limitation.

While it may be reasonable given current circumstances to remove the ten percent limitation on the first tranche in order to reduce costs for general ratepayers, it would not be reasonable to remove the limitation for the entire pilot program at this time. The ten percent limit is an important restriction that prevents large customers from obtaining excessive benefits and ending their contribution to system fuel costs. Based on the level of subscriptions in the current program, it appears the OAG was correct to be concerned that the program would primarily benefit large customers.

## **CONCLUSION**

The Commission should carefully review the performance of the Renewable\*Connect program as an example of how value-added services can increase risk, and also increase costs, for general ratepayers. If the Commission decides to allow customers to subscribe to more than ten percent of the first Renewable\*Connect tranche, the Commission should not modify the tariff

as proposed by Xcel, but should instead maintain the ten percent cap as the status quo and create a limited exception for the first tranche.

Dated: November 9, 2017

Respectfully submitted,

LORI SWANSON  
Attorney General  
State of Minnesota

s/ **Ryan P. Barlow**

---

RYAN P. BARLOW

Assistant Attorney General  
Atty. Reg. No. 0393534

445 Minnesota Street, Suite 1400  
St. Paul, Minnesota 55101-2131  
(651) 757-1473 (Voice)  
(651) 296-9663 (Fax)  
ryan.barlow@ag.state.mn.us

ATTORNEYS FOR OFFICE OF THE  
ATTORNEY GENERAL – RESIDENTIAL  
UTILITIES AND ANTITRUST DIVISION



**LORI SWANSON**  
ATTORNEY GENERAL

# STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

SUITE 1400  
445 MINNESOTA STREET  
ST. PAUL, MN 55101-2131  
TELEPHONE: (651) 296-7575

November 9, 2017

Mr. Daniel Wolf, Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101-2147

**Re:** *In the Matter of the Approval of Revisions to the Renewable\*Connect Pilot Program*  
**MPUC Docket No. E-002/M-17-695**

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find Comments of the Minnesota Office of the Attorney General – Residential Utilities and Antitrust Division.

By copy of this letter all parties have been served. An Affidavit of Service is also enclosed.

Sincerely,

s/ **Ryan P. Barlow**

---

RYAN P. BARLOW

Assistant Attorney General

(651) 757-1473 (Voice)

(651) 296-9663 (Fax)

Enclosure





First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Amster Olzweski	david@mysunshare.com	SunShare, LLC	1774 Platte St Denver, CO 80202	Electronic Service	No	OFF_SL_17-695_M-17-695
Christopher	Anderson	canderson@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022191	Electronic Service	No	OFF_SL_17-695_M-17-695
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_17-695_M-17-695
James J.	Bertrand	james.bertrand@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	200 S 6th St Ste 4000 Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_17-695_M-17-695
Steve W.	Chriss	Stephen.chriss@walmart.com	Wal-Mart	2001 SE 10th St. Bentonville, AR 72716-5530	Electronic Service	No	OFF_SL_17-695_M-17-695
William	Crider	William.Crider@target.com	Target Corporation	33 S 6th St CC-2805 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Carl	Cronin	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_17-695_M-17-695
James	Denniston	james.r.denniston@xcelenergy.com	Xcel Energy Services, Inc.	414 Nicollet Mall, Fifth Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-695_M-17-695
Ian	Dobson	Residential.Utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_17-695_M-17-695

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_17-695_M-17-695
Todd J.	Guerrero	todd.guerrero@kutakrock.com	Kutak Rock LLP	Suite 1750 220 South Sixth Street Minneapolis, MN 554021425	Electronic Service	No	OFF_SL_17-695_M-17-695
Kimberly	Hellwig	kimberly.hellwig@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
S Mike	Holly	4358@brainerd.net	Sorgo Fuels and Chemicals, Inc.	34332 Sunrise Blvd  Crosslake, MN 56442	Electronic Service	No	OFF_SL_17-695_M-17-695
Michael	Hoppe	il23@mtn.org	Local Union 23, I.B.E.W.	932 Payne Avenue  St. Paul, MN 55130	Electronic Service	No	OFF_SL_17-695_M-17-695
Alan	Jenkins	aj@jenkinsatlaw.com	Jenkins at Law	2265 Roswell Road Suite 100 Marietta, GA 30062	Electronic Service	No	OFF_SL_17-695_M-17-695
Richard	Johnson	Rick.Johnson@lawmoss.com	Moss & Barnett	150 S. 5th Street Suite 1200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Mark J.	Kaufman	mkaufman@ibewlocal949.org	IBEW Local Union 949	12908 Nicollet Avenue South  Burnsville, MN 55337	Electronic Service	No	OFF_SL_17-695_M-17-695
John	Kearney	jmkearney@MnSEIA.org	MnSEIA	2512 33rd Ave S  Minneapolis, MN 55406	Electronic Service	No	OFF_SL_17-695_M-17-695
Thomas	Koehler	TGK@IBEW160.org	Local Union #160, IBEW	2909 Anthony Ln  St Anthony Village, MN 55418-3238	Electronic Service	No	OFF_SL_17-695_M-17-695

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Frank	Kohlasch	frank.kohlasch@state.mn.us	MN Pollution Control Agency	520 Lafayette Rd N.  St. Paul, MN 55155	Electronic Service	No	OFF_SL_17-695_M-17-695
Jon	Kramer	sundialjon@gmail.com	Sundial Solar	3209 W 76th St  Edina, MN 55435	Electronic Service	No	OFF_SL_17-695_M-17-695
Michael	Krikava	mkrikava@briggs.com	Briggs And Morgan, P.A.	2200 IDS Center 80 S 8th St Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Douglas	Larson	dlarson@dakotaelectric.com	Dakota Electric Association	4300 220th St W  Farmington, MN 55024	Electronic Service	No	OFF_SL_17-695_M-17-695
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_17-695_M-17-695
Thomas	Melone	Thomas.Melone@AllcoUS.com	Minnesota Go Solar LLC	222 South 9th Street Suite 1600 Minneapolis, Minnesota 55120	Electronic Service	No	OFF_SL_17-695_M-17-695
Brian	Meloy	brian.meloy@stinson.com	Stinson, Leonard, Street LLP	50 S 6th St Ste 2600  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
David	Niles	david.niles@avantenergy.com	Minnesota Municipal Power Agency	220 South Sixth Street Suite 1300 Minneapolis, Minnesota 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Kevin	Reuther	kreuther@mncenter.org	MN Center for Environmental Advocacy	26 E Exchange St, Ste 206  St. Paul, MN 551011667	Electronic Service	No	OFF_SL_17-695_M-17-695

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Amanda	Rome	amanda.rome@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 5 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_17-695_M-17-695
Richard	Savelkoul	rsavelkoul@martinsquires.com	Martin & Squires, P.A.	332 Minnesota Street Ste W2750 St. Paul, MN 55101	Electronic Service	No	OFF_SL_17-695_M-17-695
David	Shaffer	shaff081@gmail.com	Minnesota Solar Energy Industries Project	1005 Fairmount Ave Saint Paul, MN 55105	Electronic Service	No	OFF_SL_17-695_M-17-695
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-695_M-17-695
Byron E.	Starns	byron.starns@stinson.com	Stinson Leonard Street LLP	50 S 6th St Ste 2600 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_17-695_M-17-695
Eric	Swanson	eswanson@winthrop.com	Winthrop & Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_17-695_M-17-695
Letha	Tawney	ltawney@wri.org	World Resources Institute	10 G. Street NE #800 Washington, DC 20008	Electronic Service	No	OFF_SL_17-695_M-17-695
Lisa	Veith	lisa.veith@ci.stpaul.mn.us	City of St. Paul	400 City Hall and Courthouse 15 West Kellogg Blvd. St. Paul, MN 55102	Electronic Service	No	OFF_SL_17-695_M-17-695

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Paul	White	paul.white@prwind.com	Project Resources Corp./Tamarac Line LLC/Ridgewind	618 2nd Ave SE Minneapolis, MN 55414	Electronic Service	No	OFF_SL_17-695_M-17-695
Cam	Winton	cwinton@mchamber.com	Minnesota Chamber of Commerce	400 Robert Street North Suite 1500 St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_17-695_M-17-695
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_17-695_M-17-695