MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	April 5, 2018	Agenda Item **2
Company	Xcel Energy (Xcel)	
Docket No.	**E-999/CI-15-115**	
	In the Matter of a Commission Inquiry into Standby Service Tariffs	
Issues	Should the Commission approve Xcel's proposed solar PV Demand Credit Rider and agreement with parties, filed on March 20, 2018? Should the Commission approve Xcel's proposed Standby Service Rider with the changes agreed to by parties, filed on March 20, 2018?	

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✓ **Relevant Documents**	**Date**
PUC Orders:	
Order Approving Three Tariffs with Conditions and Requiring Xcel to File a Proposal for its Solar PV Capacity Credit Rider, in 15-115	Issued October 3, 2017
Solar PV demand credit rider:	
Xcel compliance PV demand credit rider agreement	November 2, 2017

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The attached materials are work papers 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.

Relevant Documents	**Date**
MnSEIA letter	November 8, 2017
Sundial Solar	November 27, 2017
Target	November 27, 2017
Xcel PV demand credit rider	January 4, 2018
Standby Service Rider:	
Xcel compliance update letter	December 4, 2017
Xcel standby service rider	January 31, 2018
Xcel standby service update (includes all proposed tariffs)	March 20, 2018
Additional relevant documents:	
Staff Briefing Papers for August 24, 2017 agenda meeting	August 15, 2017
Xcel Responses to MPUC Information Request Nos. 1-3	September 18, 2017

I. Statement of the issues

Should the Commission approve Xcel's proposed solar PV Demand Credit Rider and agreement with parties, filed on March 20, 2018?

Should the Commission approve Xcel's proposed Standby Service Rider with the changes agreed to by parties, filed on March 20, 2018?

II. Introduction

On August 24, 2017, the Commission took comments and deliberated on utility proposals for revised standby service. These proposals were first filed on May 19, 2016. In the October 2017 Order that followed its deliberations, the Commission approved standby service tariffs for Otter Tail Power Company, Dakota Electric Association, and Minnesota Power. In the case of Xcel's proposal, however, the Commission decided more time and discussion were needed and directed the Company to work with parties to reach agreement on the remaining disputed issues.

In addition to seeking agreement on standby service, the Commission directed Xcel to work with interested stakeholders on a proposal for a solar PV capacity credit rider and a process and timeframe for establishing a methodology for a permanent PV credit rider.

III. Procedural background

On October 3, 2017, the Commission issued its *Order Approving Three Tariffs with Conditions and Requiring Xcel to File a Proposal for its Solar PV Capacity Credit Rider,* in the current docket ("October 3 Order"). In the Order, the Commission approved standby service tariffs for three utilities, while directing Xcel to take the following actions:

> 16. Xcel shall work with Flint Hill Resources and other interested parties to address the issues raised by Flint Hills and Xcel in this docket surrounding the need for a separate rider for customer-sited combined heat and power projects larger than 10 MW, and if the parties come to agreement, to file a proposal for a separate rider.
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> 17. Xcel shall file the above-referenced proposal, or an explanation of why the parties could not reach agreement, within 60 days of this order. The filing should be submitted under a new docket number.
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> 18. Xcel shall work with other interested stakeholders and parties in this docket on development of a Solar PV Capacity Credit Rider and, in so doing, seek to reach an agreement on what the value of the Solar PV Capacity Credit Rider will be in the interim, prior to establishment of a methodology.

> 19. Xcel shall work with the parties to reach agreement on a proposed process and timeframe for establishing a methodology to be used in developing the solar PV capacity rider.
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> 20. Within 30 days of the Order, Xcel shall file a report with the Commission with any agreements or partial agreements reached by the parties on the PV Solar Capacity Credit, and explain or identify any areas of disagreement or impasse remaining and basis therefore.

On November 2, 2017, Xcel submitted a compliance filing in response to Order Points 18, 19 and 20. This filing included a proposal for a solar PV Demand Credit Rider based on an agreement negotiated with the Department of Commerce (Department) and the Minnesota Solar Energy Industries Association (MnSEIA).

On November 8, 2017, MnSEIA filed a letter in support of the negotiated agreement and requested expedited treatment.

On November 13, 2017, the Commission issued a notice seeking comments on the negotiated agreement and the PV Demand Credit Rider filed on November 2, 2017.[1]

On November 27, 2017, in response to the Commission's notice, Sundial Solar and Target filed comments on the agreement.

On December 4, 2017, Xcel filed a letter in compliance with Order Points 16 and 17 in the October 3 Order. These Order Points related to Xcel's proposal for a Standby Service Rider and Flint Hills Resources' request for the formation of a separate rider for customer-sited combined heat and power (CHP) projects over 10 MW.

On January 4, 2018, Xcel filed tariff sheets reflecting the proposed PV Demand Credit Rider agreement supported by the Department and MnSEIA.

On January 31, 2018, Xcel filed proposed revisions to its Standby Service Rider, agreed to by Flint Hills Resources, and a slightly modified version of its proposed PV Demand Credit Rider clarifying customer availability.

On March 20, 2018, Xcel filed: (1) the parties' final agreement on the Standby Service Rider (supported by Xcel, the Department, Flint Hills Resources, and the Midwest Cogeneration Association), and (2) the proposed agreement and PV Demand Credit Rider supported by Xcel, the Department and MnSEIA. The March 20, 2018 filing included red-lined versions of both sets of proposed tariffs for which Xcel is seeking approval.

[1] On November 21, 2017, the Commission issued a second notice clarifying that it would consider the proposed agreement on Xcel's PV Demand Credit Rider at the same time it considered the Company's proposal for a Standby Service Rider.

IV. Additional background

These briefing papers do not summarize issues in this docket that have already been briefed.[2] What is now before the Commission are two settlements reached by Xcel and the parties in response to the Commission's previous directive to settle outstanding issues.

In addition, the parties' agreement calls for a future methodology to determine the solar PV demand credit to be filed on or before September 19, 2018. Therefore, these briefing papers do not consider the future methodology.

The issues currently before the Commission are: (1) whether to adopt the proposed PV Demand Credit Rider and agreement, which outlines a plan and timeline for determining a future methodology, and (2) whether to adopt Xcel's proposed Standby Service Rider, with revisions agreed to by the parties. These agreements were filed in final form on January 31, 2018 and March 20, 2018.

V. Parties' comments

Issue One—Solar PV Demand Credit Rider

Xcel Energy (Xcel)

On November 2, 2017, in response to Order Points 18, 19 and 20 of the October 3 Order, Xcel filed an agreement reached with parties on the PV Demand Credit Rider. The agreement is a result of negotiations between the Company, the Department and MnSEIA,[3] addressing the level of the credit, customer eligibility, and the process and timeline for developing a new rate. At the time it was filed, Xcel had not received support (or opposition) to the agreement from other parties, including the City of Minneapolis, Metropolitan Council, and Target.[4]

The proposed solar PV Demand Credit agreement reached by Xcel, the Department and MnSEIA contains the following terms:

1. The level of the credit in the PV Rider assumes a starting value of \$4.52/kW[5] credit and 11 months as the average non-grace period months in the conversion formula for the kWh based solar credit, resulting in a credit value of 7.139 cents per kWh;

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[2] Xcel's petition and the surrounding disputed issues were fully briefed in the Staff Briefing papers prepared for the Commission's August 24, 2017 hearing (see relevant documents).

[3] In addition, on September 27, 2017, Xcel met with the Department, Metropolitan Council, City of Minneapolis, Target Corporation, MnSEIA, and numerous solar developers for a two hour discussion of issues related to the PV Demand Credit Rider.

[4] In its March 20, 2018 filing, Xcel indicated that the Company understands that Target is not opposed to the agreement.

[5] \$4.52/kW is based on the Company's updated calculations of the capacity value stack methodology in

2. Current customers under the Standby Service Rider who qualify under the PV Rider at a given location will no longer be on the Standby Service Rider and will be enrolled in the PV Rider. New customers who qualify for the PV Rider at a given location may also enroll in the PV Rider under this rate provided that they do so before the date of an order issued by the Commission authorizing a change to this rate. This subsequently revised rate in an updated PV Demand Credit Rider is referred to as the Revised PV Rider Rate;

3. The PV Rider credit rate of 7.139 cents per kWh will be available to customers properly enrolled at the rate as described above for a given location for six years from the date of the Commission order approving the PV Rider. Any customer enrolling in the Revised PV Rider will receive the credit as set forth in the Revised PV Rider Rate tariff;

4. Require Xcel Energy, following discussions with the Department of Commerce, MNSEIA and other interested parties, to file a proposed methodology for determining the appropriate solar capacity or demand credit. The methodology should consider reasonable ways to incorporate cost of service principles in demand charges for behind-the-meter solar customer accounts as well as also address the additional issues surrounding the solar capacity or demand credit rider as raised by parties in this docket. Xcel Energy should file its proposal and discussion of the additional issues by September 19, 2018 as well as rationales for why this study is or is not a better indicator of capacity or demand value than previously derived values. Parties will be allowed 60 days to respond;

5. Require Xcel Energy, with input from the Department, MNSEIA and other interested parties, to evaluate to what extent the billing demand quantities of customers with solar generation is affected by their solar production. Xcel Energy will review whether there is a mismatch between the net billing demand of individual customers with solar installations and their net demand on system peak demand days relative to non-solar generation customers and, if so, how to reflect that difference appropriately in demand billing or comparable rate component; and

6. Require Xcel Energy to conduct a new ELCC load study in preparation for its resource planning process. In addition, Xcel will compare this credit to current peak controlled demand credits. All study results will be provided to parties by July 1, 2018.

On January 4, 2018, Xcel filed the red-lined and clean version of the proposed PV Demand Credit Rider incorporating the terms reached by Xcel, the Department, and MnSEIA. On January 31, 2018, it filed a slightly modified version. The only difference in the two filings is a revision to the availability provision to more accurately represent the agreement. On March

response to MNPUC IR #3 (in Docket No. 15-115). Parties are not advocating for this methodology in the agreement. The agreement is a negotiated accord agreed to by the parties with the intent to move the rider forward in a constructive and efficient manner.

20, 2018, as part of the final filing of the agreement on standby service, Xcel included the red-lined and clean version of the PV Demand Credit Rider.

Xcel believes that the agreement reached establishes a reasonable PV Demand Credit interim rate, provides additional certainty to customers, and establishes a workable process and timeline for establishing a new PV Demand Credit rate proposal.

Minnesota Solar Industries Association (MnSEIA)

On November 8, 2017, MnSEIA requested expedited treatment of the PV Demand Credit Rider agreement, noting that the effort to move to a new stand-alone PV rider had taken significant time. The result was an industry-wide pause on C&I solar projects due to uncertainty over the credit amount and the resulting risk and reduced cash flow. The situation was aggravated by the elimination of the Made in Minnesota program, resulting in additional pressure on local solar businesses seeking to take advantage of Xcel's solar credit and to remain in the Minnesota market.

MnSEIA indicated that it signed and supported the agreement, but wished to accelerate Commission approval. It argued that all parties are ready to move forward and that this could best be accomplished by some form of expedited treatment, with minimal if any additional comments or procedure. MnSEIA concluded that, while other stakeholders may weigh in, the agreement is now sufficient to meet the needs of all participants.

Sundial Solar (Sundial)

On November 27, 2017, Sundial filed comments in response to the Commission's notice stating that it was "generally supportive of the agreement" outlined in Xcel's November 2, 2017 filing. It noted, however, that solar projects have faced the uncertainty of an interim rate for five years, and that the agreement represents yet another interim rate and not a final methodology. It commented that there is a continuing need in the solar industry for greater predictability in the market.

Recognizing that the agreement is a necessary step prior to the establishment of a methodology, Sundial provided the following comments for Commission consideration:

Interim Rate Level. Sundial did not support a starting credit value of $4.52/kW (prior to the conversion) and recommended that it remain at the existing level ($5.15/kW). In addition, it argued that any change to the current rate be discussed and reviewed as part of the development of the methodology.

Customer Eligibility. Sundial supported this section of the agreement.

Availability Term. Sundial agreed in principle that a definite period of time is needed during which eligible solar facilities can rely on receiving the solar credit. Six years, while short, is an acceptable minimum period to allow for the financing of projects. However, Sundial recommended that the period during which the credit is received begin only once the solar facility is interconnected, rather than when the Commission issues its Order. It noted that this is important because six years is the minimum time required by the IRS for system owners to hold the asset in order to collect the tax equity.

Proposed Process and Time Frame for Establishing Methodology to Develop Solar PV Capacity Rider. Sundial argued that the highest priority in this docket should be the final establishment of a methodology for the solar credit, based on "credible foundational elements and arrived at in a transparent process between the stakeholders."[6]

Target

On November 27, 2017, Target filed comments in response to the Commission's notice. It stated that "Target does not offer a recommendation on whether or not the Commission should adopt the partial settlement agreement on the solar capacity credit rider."[7] However, if the Commission adopts the settlement, Target recommended that the effective date of the six-year term be changed from the issue date of the Commission's Order to 180 days after the issue date, during which time existing customers would remain on the current credit.

Target noted that its recommendation to extend the starting date of the six-year term reflects the realities of the time needed to finance, plan and arrange interconnection for distributed solar projects. Target noted that projects require this time to sign contracts, procure panels during a period of uncertainty, complete interconnection, and meet other project requirements. Because these projects already absorb the risk of variations in retail rates in financing, they should not be made to absorb additional uncertainty due to changing levels of the capacity credit. Setting the effective date for the start of the six-year term at 180 days from the issue date of the Commission's Order would allow customers to plan for new projects while capturing more of the value of the financing certainty provided by the agreement.

Target also suggested that as the Commission considers the future credit methodology, it take note of how other state Commissions have addressed solar capacity's contribution to the grid and the related issue of overpayment of demand charges by solar customers.[8]

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[6] Sundial Solar, November 27, 2017, p. 2.

[7] Target, November 27, 2017, p. 1.

[8] Target noted that rates offered by three California investor-owned utilities include lower peak demand charges. The rates vary depending on whether they reduce the non-coincident demand charge rate or reduce the peak period demand charge rate. All three utilities disaggregate generation and transmission demand rates from distribution demand rates, a best practice that was identified in the Minnesota Department of Commerce's January 30, 2015 Report on Standby Service to the Commission. Xcel's Colorado subsidiary, Public Service Company of Colorado, also offers a tariff for demand-metered solar customers. Target attached the current Colorado tariff sheets to its November 27, 2017 comments. Target argued that, in the future when the Commission establishes a new methodology, it should not

In closing, Target reiterated that the PV demand credit in not an incentive, nor is certainty around the credit term. Providing certainty for the credit term is not harming ratepayers any more than approving power purchase agreements. Instead, Target believes they both speak to the realities of project financing and development.

Issue Two—Standby Service Rider

Xcel Energy (Xcel)

On December 4, 2017, Xcel filed a letter in compliance with Order Points 16 and 17 of the Commission's October 3 Order. The letter explained that the Company had met with representatives of Flint Hills Resources (Flint Hills) and, despite several meetings, as of December 4, 2017 had not reached agreement on a separate rider for customer-sited CHP projects larger than 10 MW. Xcel noted that parties were no longer working on a proposal for a separate standby rider, but were making progress discussing terms and conditions in the Company's pending Standby Service Rider proposal. It also indicated that discussions with Flint Hills Resources and other parties would continue, and that Xcel would file an update by January 31, 2018.

On January 31, 2018, Xcel filed an update, indicating that an agreement had been reached between the Company and Flint Hills. The agreement covered topics related to terms of Standby Service applicable to Flint Hills' forthcoming CHP facility (sized greater than 10 MW). The revised Standby Service Rider would apply to all standby service customers independent of a customer's generation capacity size.

On March 20, 2018, Xcel filed the final agreement and revisions to its Standby Service Rider. It noted that since the January 31, 2018 filing, the Company, the Department, Flint Hills Resources and the Midwest Cogeneration Association had continued discussions and had come to agreement on the final revisions to the Rider, which are included in the March 20, 2018 filing.[9]

The agreement to modify the terms of Xcel's proposed Standby Service Rider include the following:

1. Clarify language and specify the three types of standby service options in the Availability provision;

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abandon the analysis used to create the current capacity credit, nor should it doubt the validity of the current credit design as it considers new approaches.

[9] Xcel asked the Commission to approve the tariff sheets attached to the March 20, 2018 filing. According to Xcel, these tariff sheets contain the modifications that describe the accord achieved with parties and resolve all issues. As noted the tariff sheets attached to the March 20, 2018 filing include both Xcel's proposed Standby Service Rider and PV Demand Credit Rider, both supported through agreements with parties.

2. Remove the exempt (grace) hours provision as recommended by the Department with a corresponding reduction in the Peak Period Standby Energy Surcharge per kWh;

3. Reduce the share of generation and transmission costs included in the standby reservation demand rate from 12 percent to 7.4 percent of the amount included in base tariff demand rates;

4. Clarify that energy used under the Standby Service Rider does not qualify for the base tariff Energy Charge Credit;

5. Revise the definition of peak period standby energy for consistency with the removal of the exempt hours provision and to more specifically define its measurement;

6. Expand and clarify the Definition of Peak Period for Standby Energy section;

7. Add clarity and additional descriptions to the Determination of the Demand provision;

8. Retain the option for monthly revisions of contract standby capacity as recommended in the Company's May 15, 2017 Reply Comments;

9. Specify in the Standby Service Electric Service Agreement the process and requirements for nominating contracted Standby capacity, including seasonal or monthly levels;

10. Remove the definition of excess standby energy usage from the Terms and Conditions of Service (No. 9) as unnecessary without an exempt hours provision;

11. Revise the applicable charge for use of unscheduled standby service during system peak hours and where Company provides advance notice to customer of system peak conditions;

12. Remove written notice require for scheduled maintenance during the months of April, May, October and November;

13. Allow additional scheduled maintenance periods for customers with greater than 1,000 kW of contracted standby capacity subject to advance notice and Company approval;

14. Allow scheduled maintenance on weekends and holidays subject to advance Company approval for customer with a time of day base tariff;

15. Revise the maximum annual duration of qualified scheduled maintenance periods from six weeks to eight weeks (56 days), as recommended in the Company's May 15, 2017 Reply Comments;

16. Revise the 24 hour notice requirement for changes to the annual projection of scheduled maintenance from 48 hours to 72 hours to accommodate holiday weekends; and

17. Revise the charge for non-compliance with Scheduled Maintenance Option requirements and limit its applicability to a single month.

Xcel clarified that the parties agreed to revisions to the Standby Service Rider to support use of the rider by Flint Hills Resources, replacing the request by Flint Hills for a separate Large CHP Rider. The Company noted that its agreement to the revisions described above is contingent on the parties' ongoing agreement to use the Standby Service Rider as modified, rather than a separate Large CHP rate.

Also in the March 20, 2018 filing, the Company noted that it believes that the terms of the settlement agreement would fulfill the intent of Order Point 4 in the Commission's May 19, 2014 Order, in Docket No. E-002/CI-13-315, and that the Commission could terminate the Company's compliance obligation associated with Order Point 4.

For ease of review, as part of the March 20, 2018 filing, Xcel included both the red-lined and clean versions of the current tariff sheets (Attachment A), reflecting both the pending modification proposal as well as the terms of the agreement.

VI. Staff discussion

Issue One—Solar PV Demand Credit Rider

The Commission directed Xcel to work with parties in this docket to reach agreement on a PV Demand Credit Rider. Consistent with the direction in the Commission's October 3 Order, the Company filed an agreement. Because the agreement is a negotiated settlement (or partial settlement), any changes (such as those proposed by Sundial and Target) may require additional review and comment. Staff believes that the balance of interests achieved in this settlement could be upset by such reconsideration. Because staff was not a participant in these negotiations, the Commission may wish to hear directly from the parties concerning the reasons for their support and an explanation of the balance achieved by the agreement. With this understanding, the Commission can then decide whether to approve or reject it.

The issue of Xcel's solar PV demand credit has benefited from a series of detailed and thorough discussions among the parties and before the Commission. Xcel's original petition of May 19, 2016 proposed converting the existing solar credit ($5.15/kW) to a new volumetric credit ($0.07395/kWh), structured to maintain the current "legacy" level of the $5.15/kW credit, together with a total credit limit. Initially, Xcel recommended that the legacy level of the credit be maintained but be revisited and possibly coordinated with annual compliance filings in Docket 13-315, due next on May 19, 2018.

Xcel's initially proposed PV demand credit rider met with wide support, including MnSEIA's endorsement of the need for an assured legacy rate until a transition to a permanent credit is made. However, some parties, such as Target, maintained that additional measures be undertaken to assure a more certain investment climate for solar installations. These included Target's proposal that the solar demand credit be fixed for a period of 10 years.[10]

At the Commission hearing on August 24, 2017, it became clear that more time was needed to fully clarify and respond to several remaining disputed issues. The Commission found:

> Numerous stakeholders and parties filed comments in this docket, and/or appeared and commented at the Commission hearing, addressing Xcel's proposed standby service rider and solar PV capacity credit rider. After lengthy discussion of both, the Commission determined that additional time was required to fully flesh out the disputed issues with the parties.
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> Accordingly, the Commission will not take final action on either rider at this time. The Commission will require Xcel to work with other interested stakeholders and parties in this docket on development of a Solar PV Capacity Credit Rider and, in so doing, seek to reach an agreement on what the value of the Solar PV Capacity Credit Rider will be in the interim, prior to establishment of a methodology.
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> The Commission will also require Xcel to work with the parties to reach agreement on a proposed process and timeframe for establishing a methodology to be used in developing the Solar PV Capacity Credit Rider.
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> The Commission will require that Xcel file a report with the Commission within 30 days of the order, with any agreements or partial agreements reached by the parties on the PV Solar Capacity Credit, and explain or identify any areas of disagreement or impasse remaining; and basis therefore.
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> (October 3 Order, pages 12-13)

On November 2, 2017, Xcel filed a settlement agreement on the PV demand credit rider that was supported by Xcel, the Department and MnSEIA. Only two parties responded to the Commission's notice seeking comments on the settlement (Sundial Solar and Target). On November 8, 2017, MnSEIA filed a letter of support for the settlement and asked the Commission to accelerate its approval so that parties could all move forward. It indicated that the settlement agreement was sufficient to meet the needs of all participants.

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[10] For a complete summary of Xcel's initial proposal (and all the issues raised by parties), see the Staff Briefing Papers, prepared for the August 24, 2017 meeting, pp. 38-50.

The settlement agreement includes a revised lower credit through updates to the avoided capacity value and the average non-grace period,[11] but extends the certainty of the credit level to existing customers. The specific credit rate agreed to ($0.07139/kWh) will be available for a period of six years from the issue date of the Order adopting the settlement for customers enrolled in the rate prior to Commission approval of a new credit rate. A new credit rate will be proposed by September 19, 2018.

In addition, the terms of the agreement require Xcel to perform certain studies and make a specific filing. These include: (1) a proposed methodology for determining the appropriate solar capacity or demand credit to be filed by September 19, 2018, (2) an evaluation study of the extent to which the billing demand quantities of customers with solar generation are affected by their solar production, (3) a new Electric Load Carrying Capacity (ELCC) study,[12] and (4) a comparison study of the proposed credit methodology to current peak controlled demand credits. The three studies (2), (3) and (4) above are to be shared with parties by July 1, 2018.

As noted, only two parties responded to the Commission's notice seeking comments on the settlement. Sundial, while "generally supportive of the agreement," did not support the proposed starting credit value ($4.52/kW) and recommended that the credit remain at $5.15/kW (the starting value prior to the conversion). It argued that future adjustments to the credit should be made as part of the development of a methodology, although it acknowledged that the agreement is a "necessary step" in this development. Sundial also believes the six-year credit term is only an acceptable minimum if it begins at the time a facility is interconnected (not when the Commission issues its Order) so as to allow for collection of tax equity under IRS rules.

Staff notes that settling parties may have agreed to update the credit (which results in a reduced credit level) partly in exchange for a fixed six-year term. Therefore, maintaining the level of the credit at $5.15/kW, while also providing for and possibly extending the start date of a six-year term, could upset the balance of the settlement, and may be unacceptable to some parties. Staff notes that MnSEIA, which represents a broad spectrum of solar interests, supported the agreement as filed and recommended the Commission accept it.

Target, as noted above, did not offer a recommendation on whether or not the Commission should accept the settlement. However, similar to Sundial, it requested an extension on the start date of the six-year term. Target asked that, if the Commission adopts the settlement, the six-year term begin 180 days after the Commission Order is issued to allow it to plan its projects with greater certainty.

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[11] As noted by the parties to the agreement, the $4.52/kW credit value is based on the Company's updated calculations of the capacity value stack methodology provided in response to MNPUC IR #3 (in Docket No. 15-115). Parties indicated that they are not advocating for the value stack methodology but have agreed to an overall negotiated accord with the intent of moving forward in a constructive manner.

[12] Xcel explained that its ELCC study will be updated in the context of its next IRP (due February 1, 2019). The Company plans to take advantage of that update to inform the new PV demand credit proposal.

The Commission should note that issues of tax equity financing may cause some projects, particularly those in earlier stages of development, to benefit from an extension in the start date of the six-year term (as proposed by Sundial and Target). However, the settling parties may not see the 180-day or other extensions as necessary, suggesting that they believe sufficient certainty is provided by a six-year term commencing with the issuance of the Order. The Commission may wish to hear from the settling parties on this issue.

Issue Two—Standby Service Rider

As noted, numerous stakeholders and parties appeared before the Commission and filed comments on Xcel's proposed standby service rider at the August 24, 2017 hearing. After lengthy discussion, the Commission concluded that additional time was required for parties to address the disputed issues. It directed the Company to work with Flint Hills and other interested parties to address these issues, specifically the need for a separate rider for customer-sited CHP projects larger than 10 MW. If agreement could be reached, it directed Xcel to file a proposal.

On March 20, 2018, Xcel filed its proposed agreement, which was supported by Xcel, the Department, Flint Hills, and the Midwest Cogeneration Association. The agreement and proposed Rider represent the culmination of a long process of comments and discussions among the parties, including those issues raised at the Commission's August 24, 2017 hearing.

The agreement appears to have addressed the issues that remained in dispute after the August hearing.[13] For example, the MISO registration issue initially raised by the Department was dropped, the parties agreed to the elimination of grace hours, and to move forward with Xcel's proposed method to determine the level of standby usage. In addition, parties agreed that the proposed revisions would support the use of the Rider by Flint Hills in place of a separate Large CHP Rider.

The late filing of the agreement (on March 20, 2018), together with the need to bring this matter to the Commission by April 5, resulted in no formal comments, which the Commission's October 3 Order did not appear to contemplate. Instead, the Order directed Xcel to work with Flint Hills and other interested parties to agree and file a proposal. Since the resulting agreement was negotiated and filed fairly recently (and represents a settlement) the Commission may wish to ask parties at the hearing to explain their support for the terms of the agreement in more detail. Following this, the Commission can determine whether the agreed revisions represent a reasonable structure for standby service. It can then approve or reject Xcel's proposal, and can always make further adjustments to the service in subsequent deliberations based on experience.

[13] Staff Briefing Papers, prepared for the Commission's August 24, 2017 hearing, pp. 3-14.

The Commission should note that the first versions of Xcel's standby service proposal were filed almost two years ago, on May 19, 2016. Therefore, the Commission may wish to move forward and avoid further delay and uncertainty regarding Xcel's standby service.[14]

VII. Decision options

Xcel's solar PV Demand Credit Rider

1. Adopt Xcel's proposed solar PV Demand Credit Rider, and the terms and conditions of the agreement regarding Xcel's PV Demand Credit Rider, as filed on March 20, 2018. (*Xcel, the Department, MnSEIA)*

2. Adopt Xcel's proposed solar PV Demand Credit Rider, and the terms and conditions of the agreement regarding Xcel's PV Demand Credit Rider, as filed March 20, 2018, with some or all of the following modifications:

    a. Recalculate the level of the credit in the solar PV Demand Credit Rider assuming a value of $5.15/kW prior to the conversion calculation. (*Sundial Solar*)

    b. Modify the effective date of the six-year term in the proposed PV Demand Credit Rider to start 180 days from the issue date of the Order in this matter. (*Note: Target indicated that it does not have a recommendation on whether the Commission should adopt the proposed PV Demand Credit Rider. However, if the Commission does adopt the Rider, Target recommended the modification in 2.b.)*

    c. Modify the effective date of the six-year term in the proposed PV Demand Credit Rider to start once the solar facility is interconnected. (*Sundial Solar*)

3. Reject Xcel's request for approval of its proposed solar PV Demand Credit Rider, and the terms and conditions of the agreement regarding Xcel's PV Demand Credit Rider, as filed on March 20, 2018.

Xcel's Standby Service Rider

4. Adopt Xcel's proposed Standby Service Rider, as filed March 20, 2018. *(Xcel, the Department, Flint Hills Resources, Midwest Cogeneration Association)*

5. Take no action on Xcel's proposed Standby Service Rider, as filed March 20, 2018. Require Xcel to refile its current Standby Service Rider with a single modification to

[14] Staff notes that Flint Hills Resources initially indicated that the Commission's decision on standby service was time sensitive because the service would be applied to its new CHP facility, which was planned to begin operation in 2018. According to Flint Hills, a Commission decision on April 5, 2018 (with Order to follow) will meet the timeframe of the CHP project.

remove the Solar Capacity Credit provision. (*Staff generated Decision Option for the Commission, if it does not adopt Decision Option #4 above*).

6. Reject Xcel's proposed Standby Service Rider, as filed March 20, 2018.

Closing compliance requirement

7. Find that Xcel has fulfilled the requirements of Order Point 4 in the Commission's May 19, 2014 Order, in Docket No. E-002/CI-13-315, and discontinue the compliance obligation.

Compliance filings

8. Where not otherwise specifically required, require Xcel, within 30 days of the Order in this matter, to submit compliance filings in the current docket and updated tariff sheets to reflect the Commission's decisions. The effective date for the approved changes to Xcel's Standby Service Rider will be within 90 days of the issue date of the Order in this matter.

9. Require Xcel to evaluate the revisions to its standby service rider, including the formation of a separate PV demand credit rider, and report to the Commission on its evaluation within three years of the effective date of the approved standby service rider. (*Staff* note: *The Commission directed Otter Tail Power Company, Minnesota Power and Dakota Electric Association to file evaluations of their company's revised standby service within three years of the effective date of the approved tariffs*.)