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May 15, 2017

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/M-15-662

Dear Mr. Wolf:

On April 19, 2017, the Minnesota Public Utilities Commission (Commission) issued a Notice of Comment Period *In the Matter of an Alternative Rate Design Stakeholder Process for Xcel Energy*. Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department).

The Department is available to answer any questions the Commission may have.

Sincerely,

/s/ SUSAN L. PEIRCE
Rates Analyst Coordinator

SLP/lt
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE

DOCKET NO. E002/M-15-662

I. BACKGROUND INFORMATION

As part of a stipulation approved by the Minnesota Public Utilities Commission (Commission) in Xcel Energy's (Xcel or the Company) 2013 rate case (Docket No. E002/GR-13-868), the Minnesota Department of Commerce (Department) undertook a stakeholder process to consider inverted block rate (IBR) structures and other rate design alternatives for Xcel "that promote energy conservation, reduce peak demand, and/or send more accurate, useful price signals to customers."¹

In 2015, the Department convened two stakeholder meetings to consider alternative rate design structures. On November 10, 2015, the Department issued its Report on Alternative Rate Design Options, memorializing the rate design options considered by the workgroup.

On December 18, 2015, the Commission issued its Order Taking Procedural Actions to Further the Process to Establish an Alternative Rate Design, directing Commission Staff to convene additional workshops to consider rate design alternatives.

On May 13, and November 4, 2016, the Commission held workshops to discuss rate design alternatives.

On February 15, 2017, the Commission issued a Notice of Comment Period, with comments due on March 31, 2017 on the following questions:

- 1) Should the Commission direct Xcel to develop an alternative rate design pilot?
 - a) Why or why not?
 - b) If yes, what are the goals, principles, and objectives of such a pilot?
 - c) Provide recommendations for the design of such a pilot (such as rate structure, geography, customer class, length of pilot)
 - d) How should the pilot's success be evaluated? How should any concerns about the impact on low-income customers be addressed in a pilot?

¹ Commission's May 8, 2015 Findings of Fact, Conclusions of Law and Order, page 90.

- 2) Provide any responses to issues raised in workshops or in the earlier comments filed April 8, 2016 that the Commission should take into consideration.
- 3) Should the Commission convene any additional workshops? If so, what topics or questions should be addressed in those workshops?
- 4) Provide any other information to support your position, including but not limited to reports issued or other state commission decisions.

On March 31, 2017, the following parties filed comments:

- Xcel, Center for Energy and the Environment and Great Plains Institute (Xcel, CEE, GPI),
- Department,
- Suburban Rate Authority,
- Citizens Utility Board of Minnesota,
- Fresh Energy and Minnesota Center for Environmental Advocacy,
- Office of attorney General – Residential and Anti-Trust Utilities Division, and
- Energy CENTS Coalition.

Xcel's, CEE's and GPI's comments in this docket indicated their intent to convene a stakeholder group and file a Time-of-Use (TOU) pilot project by November 2017.

On April 11, 2017, before the requested comments on whether the Commission should direct Xcel to develop an alternative rate design pilot came before the Commission, Xcel gave a presentation about their TOU pilot to the Commission.

On April 19, 2017, the Commission issued a Notice of Comment Period seeking comment on the following procedural questions:

1. What procedural actions, if any, should the Commission take at this time with respect to Xcel's proposal to file a rate design pilot by November 2017?
2. Should the record in this docket eventually be incorporated into the record for Xcel's pilot when filed?
3. Should this generic docket continue in parallel to the Xcel pilot development, and if so, what should the Commission address in this generic docket apart from the issues addressed in the Xcel pilot proceeding?
4. Please provide any other comments related to Xcel's information meeting presentation on its plan to develop and file a TOU pilot.

II. DEPARTMENT COMMENTS

The history of this docket demonstrates the difficulty and opportunities in developing and fully assessing new rate design proposals. This docket is an outgrowth of a proposal in Xcel's 2013 rate case (Docket E002/GR-868) to require Xcel to offer an inverted block rate design to its residential customers. Since that time, the Department and the Commission have each held a number of meetings and workshops to discuss a variety of rate design alternatives, and to consider the pros and cons of the various alternatives. As a result of these workshops, the Commission has a record in this docket detailing various rate design alternatives, including: 1) inverted block rate (IBR); 2) Time-of-Use pricing (TOU); 3) Critical Peak Pricing (CPP); Residential Demand charge rates; and (5) Reducing the Customer Charge/Increase Energy Charge.

On March 31, 2017, the Department filed comments recommending that the Commission order Xcel to develop a TOU Pilot. As such, the Department does not object to the proposal by Xcel, CEE and GPI to move forward in developing a TOU pilot program. Further, given the existing record in this docket, the Department recommends that the Commission use the record in this docket to inform its evaluation of any TOU proposal.

Most importantly, the Department recommends that the Commission identify the information it wishes to learn from the pilot project to ensure that upon pilot completion parties have useful information on which to evaluate the program, for example:

- Identify the type, timing and quality of information Xcel can provide to customers,
- Develop effective methods for informing and educating customers on price variances,
- Develop methods to inform and educate customers on the timing of their energy usage,
- Effectively evaluate customers' responses to the pilot's price signals,
- Identify barriers that customers may face in responding to price signals,
- Identify any information from other pilots that may be helpful for Minnesota (e.g. potentially the TOU pilot in the Sacramento Municipal Utilities District) and
- Identify opportunities and methods to address the barriers.

In its March 31st comments, the Department also recommended that any Pilot be structured so that participant usage data is collected for the relevant rate periods for a period of time prior to the implementation of TOU rates so as to enable a better comparison of the impact that TOU rates have on customer usage during relevant time periods.

Providing clear, high-level guidance, in advance, on what the Commission hopes to be able to evaluate at the conclusion of any TOU Pilot will assist stakeholders and the Company in designing a pilot that will provide useful information.

The Department also recommends that the Commission indicate whether there are any other rate-design issues that the Commission would like to be developed further. The Department attended two TOU meetings and intends to provide specific input to the rate group.

III. SUMMARY OF DEPARTMENT RECOMMENDATIONS

The Department does not object to the proposal by Xcel, CEE and GPI to solicit information to develop a TOU pilot. To help ensure that the pilot provides useful information, the Department recommends that the Commission provide the Company and stakeholders a list of information it wishes to learn from the pilot project, such as:

- Identify the type, timing and quality of information Xcel can provide to customers,
- Develop effective methods for informing and educating customers on price variances,
- Develop methods to inform and educate customers on the timing of their energy usage,
- Effectively evaluate customers' responses to the pilot's price signals,
- Identify barriers that customers may face in responding to price signals,
- Identify any information from other pilots that may be helpful for Minnesota (e.g., potentially the TOU pilot in the Sacramento Municipal Utilities District), and
- Identify opportunities and methods to address the barriers.

/lt

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, 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 No. E002/M-15-662

Dated this 15th day of May 2017

/s/Sharon Ferguson

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