

**Agenda Meeting, October 31, 2019**

**Revised Decision Options**

**Docket No. E-002/M-13-867 and E-999/M-14-65**

**I. Xcel's proposed methodology**

1. Approve Xcel's proposed methodology for calculating the avoided distribution cost component in the VOS. Direct that the proposed methodology be used beginning with the 2020 VOS and in future VOS vintage years. *(Xcel, Department)*
2. Approve Xcel's proposed methodology for calculating the avoided distribution cost component in the VOS, ~~calculation~~ with the revisions noted below. Direct that the proposed methodology, with revisions, be used beginning with the 2020 VOS rate and in future VOS vintage years. Xcel's proposed methodology will include some or all of the following revisions:

**A. 50% deferral reduction factor**

1. Take no action. (i.e. adopt the Company's proposal with the 50% deferral factor) *(Xcel, Department)*
2. Remove the 50% deferral reduction factor. *(Fresh Energy, Chan et al, MnSEIA, IPS Solar)*
3. Find that the current record lacks sufficient evidence to support the adoption of a deferral reduction factor for use in the calculation of the avoided distribution cost component. Remove the deferral reduction factor from the methodology. ~~for calculation of the 2020 VOS.~~ Direct Xcel, if it decides to propose a deferral reduction factor for the 2021 VOS, to provide additional supporting evidence in its September 1, 2020 VOS annual compliance filing. Such evidence should include an evaluation of solar project locations, both CSG and other distributed solar projects as possible, compared to the locations of deferrable distribution investments made over the past 5 years and planned within the next 3-5 years. *(Fresh Energy, Chan et al, MnSEIA, IPS Solar)*
4. Take no action to remove the 50% deferral reduction factor at this time. Require the Company to report annually on its planned and actual distribution spending, along with the placement of CSGs to assist with evaluating the continued reasonableness of Xcel's avoided distribution cost calculation methodology. *(Department, Xcel accepts)*

**B. Time period for calculating avoided distribution cost component**

1. Take no action. (i.e. adopt the Company's proposal for a 2-year historical and 3- year forecasted time period) (*Xcel, Department*)
2. Use 10 years of cost and distribution capacity data, including adding historical data for 2011 to 2015, and the per unit rate for avoided distribution capacity to be derived from the cumulative distribution investments (in \$) added over a 10-year period and the cumulative distribution capacity (in MW) added over the same period. (*MnSEIA, IPS Solar*)
3. Direct further examination of MnSEIA's proposal for the use of 8 years of historical and 2 years of forecasted data. Direct Xcel to further investigate this issue in collaboration with the Department and stakeholders.
4. Direct Xcel to perform a sensitivity analysis of different time periods and their effect on the volatility of the value of the avoided distribution cost component from year to year. (*Chan et al*)

**C. Cost categorization**

1. Take no action to modify Xcel's proposed cost categorization. (*Xcel, Department*)
2. Adopt Xcel's cost categorization but direct Xcel, within 30 days of the issue date of the Order in this matter, to file a categorization framework, or decision tree, showing how specific types of distribution projects will be categorized for the purposes of future calculations of the VOS avoided distribution capacity component. (*Fresh Energy*)
3. Modify Xcel's cost categorization. Direct Xcel to add distribution O&M and general plant costs to the \$/kWh distribution capacity component from FERC Form 1 data. The recommended general plant loader shall be 3.3%, inflating the economic value of avoided distribution capacity by 3.3% for general plant. The distribution O&M adder would be \$17 per kW-year, or \$0.0117 per kWh = \$17 per kW/1,452 kWh/kW-year where 1,452 kWh/kW is the assumed annual PV production. (*MnSEIA, IPS Solar*)
4. Adopt Xcel's cost categorization but direct Xcel to work with the Department and other stakeholders to identify and provide further information on the Company's cost categorization process. Direct Xcel to

provide additional information and transparency on its system of cost categorization by meeting to discuss this issue with the Department and stakeholders. Direct specific examination of the proposal by MnSEIA to include O&M and general plant in the list of costs included in the calculation of the avoided distribution cost component.

**D. Application of linear regression analysis**

1. Take no action. (i.e. adopt the Company's proposal without application of a linear regression analysis) *(Xcel, Department)*
2. Modify Xcel's proposal by directing Xcel to use a linear regression to determine the \$/kW slope when cumulative costs are compared to cumulative capacity additions. *(MnSEIA, IPS Solar)*
3. Adopt Xcel's proposal without linear regression analysis as proposed by MnSEIA but direct Xcel to further examine the proposal. Direct Xcel to further investigate this issue in collaboration with the Department and stakeholders.

**E. Additional actions related to Xcel's proposed methodology**

1. Take no action to require the re-calculation of the 2019 avoided distribution cost component or the 2019 VOS bill credit rate. *(Xcel, Department)*
2. Direct Xcel to re-calculate the 2019 avoided distribution cost component using the changes adopted by the Commission in Decision Options 2.A-D (above), and to re-calculate 2019 VOS based on these changes. *(MnSEIA, IPS Solar)*

**II. MnSEIA's proposal to adopt a simple average for the 2020 VOS**

1. Take no action. (i.e. do not adopt MnSEIA's proposal for a simple average for the 2020 VOS) *(Xcel, Department)*
2. Direct Xcel to implement MnSEIA's proposal for an interim value of \$0.0252/kWh for the avoided distribution cost component for the 2020 VOS, and to use MnSEIA's simple average approach (based on values calculated under the current methodology) until a revised methodology is adopted by the Commission. *(MnSEIA, IPS Solar)*

### **III. Modifications to the 2014 VOS Methodology in Docket No. E-002/M-14-65**

1. Take no action at this time to make permanent modifications to the 2014 VOS Methodology through the adoption of red-line changes.
2. Require Xcel to submit a compliance filing, within 20 days of the Order in this matter, with red-lined changes to the 2014 VOS Methodology reflecting the decisions made by the Commission at its October 31, 2019 meeting.
3. Modify the 2014 VOS Methodology by adopting the red-lined changes offered by Xcel in the Company's petition filed August 5, 2019 (Attachment C, pp. 40-43 and the 2014 VOS Methodology, pp. 34-36). (*Xcel*)
4. Modify the 2014 VOS Methodology by adopting the red-lined changes offered by Fresh Energy in comments filed August 23, 2019 (p. 3).

### **IV. Coordination of avoided distribution costs across dockets**

1. Direct Xcel to convene a workgroup with interested stakeholders to compare the approach to avoided distribution costs in Xcel's IDP, CIP, IRP, and CSG VOS dockets, including: (1) Xcel's Integrated Distribution Plan (IDP), in 18-251, (2) Xcel's CIP dockets (in 16-541, 16-115, and 18-783), (3) Xcel's Integrated Resource Planning (IRP), in 19-368, and (4) Xcel's CSG docket, in 13-867. (*Chan et al suggestion; staff composed decision option*)

### **V. Further stakeholder discussions: Longer-term issues**

1. Direct Xcel to work with the Department and other stakeholders, including Chan et al, to consider design options for the avoided distribution cost component of the VOS. These would include but may not be limited to the issues raised by Chan et al in this docket, such as lessons from other states, long-term peak load growth assumptions, sensitivity analysis of different time periods for system-wide calculation, as well as methods to de-average avoided distribution costs to account for specific location differences.

### **VI. Compliance Filings**

- 1 Direct Xcel, within 20 days of the issue date of the Order in this matter, to refile its 2020 VOS update, including the avoided distribution cost component revised to reflect any decisions made by the Commission at the agenda meeting on October 31, 2019.