

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Commission Inquiry into  
Standby Service Tariffs

ISSUE DATE: October 3, 2017

DOCKET NO. E-999/CI-15-115

ORDER APPROVING THREE TARIFFS  
WITH CONDITIONS AND REQUIRING  
XCEL TO FILE A PROPOSAL FOR ITS  
SOLAR PV CAPACITY CREDIT  
RIDER

**PROCEDURAL HISTORY**

In 2013, the Legislature passed legislation prohibiting utilities from imposing standby charges on net-metered or other qualifying facilities of 100 kW capacity or less.<sup>1</sup> Prior to the legislation, the Commission had exempted facilities of 60 kW or less from standby charges.

On January 27, 2014, the Commission required certain utilities that had requested to modify their standby service tariffs in light of legislative changes (Otter Tail Power Company, Northern States Power Company d/b/a Xcel Energy, Interstate Power and Light, and Minnesota Power) to confer with the Minnesota Department of Commerce, Division of Energy Resources (the Department) on the need and potential scope for a generic proceeding to address standby rates.<sup>2</sup>

On January 30, 2015, the Department filed comments, based on its consultations with utilities and stakeholders, recommending a generic proceeding focused on standby service tariffs. The Department recommended that the proceeding include an effort to develop a generic approach and framework for standby service that would consider key goals, fair compensation considerations, design considerations, best practices, and related Commission orders.

After several rounds of comments, on November 19, 2015, the Commission ordered the referenced rate-regulated utilities to file individual proposals for updated standby service tariffs.

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<sup>1</sup> 2013 Minn. Laws ch. 85, art. 9, § 4.

<sup>2</sup> See, *In the Matter of Otter Tail Power Company's Request to Amend its Standby Service Tariff*, Docket E-017/M-13-609, et al., Order Approving Tariff Amendments Governing Standby Service Charges for Net-Metered and Qualifying Facilities (January 27, 2014).

In May 2016, Otter Tail Power Company (Otter Tail), Northern States Power Company d/b/a Xcel Energy (Xcel), Dakota Electric Association (Dakota Electric),<sup>3</sup> and Minnesota Power filed a proposed standby tariff.<sup>4</sup> In addition, Xcel filed a separate proposal for a solar photovoltaic (PV) capacity credit rider.

In the fall of 2016, the Commission received comments on the four proposals. In December 2016 and January 2017, the Department sponsored two workshops and parties filed a series of information requests to gain a better understanding of the proposed structure and application of the proposed tariffs.

On February 17, 2017, the Commission issued a notice asking parties to provide updated positions. By May 15, 2017, the Commission had received comments and/or additional comments from:

- Energy Concepts
- Innovative Power Systems
- All Energy Solar
- Flint Hills Resources Pine Bend
- iDEAL Energy
- Xcel Energy
- Large Power Intervenors (LPI)
- Dakota Electric
- MnSEIA
- Department of Commerce (the Department)
- Winona Renewable Energy
- Solar Farm, LLC
- Renewable Energy Services, LLC
- Novel Energy Solutions
- Midwest Cogeneration Association /Fresh Energy (MCA/FE)
- Otter Tail
- Target Corporation
- Ameresco, Cargill, Cummins et.al.
- Alliance for Industrial Efficiency
- Minnesota Power
- Metropolitan Council
- Affected Solar Community
- Sundial Solar
- City of Minneapolis
- Energy Resources Center, University of Illinois-Chicago

On August 24, 2017, the Commission met to consider the matter.

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<sup>3</sup> Dakota Electric Cooperative elected to become subject to the Commission's rate regulation under Minn. Stat. § 216B.03.

<sup>4</sup> Interstate Power sold its Minnesota electric distribution system and assets to Southern Minnesota Energy Cooperative in 2014. It subsequently sold its Minnesota gas distribution facilities as well.

## FINDINGS AND CONCLUSIONS

### **I. Background**

Standby service makes electricity available to generating facilities during planned and unplanned outages, among other needs. Utilities charge standby rates to certain distributed generation facilities to recover costs incurred to make electric service available to those facilities.<sup>5</sup>

After a statutory change in 2013 prompted utilities to update their standby service tariffs, disagreements arose about whether further changes to standby tariffs were warranted and appropriate.<sup>6</sup> At that time the Commission declined to undertake a generic proceeding and directed interested parties and participants to confer with the Department to further develop the issue.

The Department reported on its progress in December 2014 and filed a report on its discussions with stakeholders in January 2015. Following the Department's report, the Commission initiated this proceeding to collect stakeholder and public input on standby rate tariffs proposed by Otter Tail, Xcel, Interstate Power, and Minnesota Power.

The Department set out four key goals for standby tariffs in a report filed on February 3, 2015.<sup>7</sup> Specifically, the Department stated the following goals:

- Transparent, flexible, and promote economically efficient consumption;
- Accurately account for all relevant value streams including both costs and benefits;
- Simplify input data sets and methodology where possible and warranted; and
- Provide neither an incentive nor a disincentive for distributed generation.

This proceeding focuses on transparency, encouragement of economic efficiency, and implementation of best practices.

### **II. Summary of Commission Action**

In this order the Commission approves the proposed standby service tariffs of Minnesota Power, Otter Tail Power, and Dakota Electric Association, with certain conditions. The Commission also requires Xcel to work with stakeholders and interested parties to develop and submit a proposal for a Solar PV Capacity Credit Rider. The Commission takes no action at this time regarding Xcel's standby service tariff.

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<sup>5</sup> Minn. Stat. § 216B.164, subd. 2a(1). Public utilities may not impose standby charges on facilities of 100kW or less. *Id.* at subd. 3(b).

<sup>6</sup> See, generally, *In the Matter of Otter Tail Power Company's Request to Amend Its Standby Service Tariff*, Docket No. E-017/M-13-609, Order Approving Tariff Amendments Governing Standby Service Charges for Net-Metered and Qualifying Facilities (January 27, 2014), also filed in Docket Nos. E-002/M-13-642, E-001/M-13-667, and E-015/M-13-77).

<sup>7</sup> Minnesota Department of Commerce, Need and Appropriate Scope for a Generic Proceeding on Standby Rates, (February 3, 2015), this docket at page 13.

### **III. Minnesota Power’s Standby Service Rider**

#### **A. Minnesota Power’s Proposal**

Minnesota Power (or the Company) proposed updates to its existing rider for standby service on May 19, 2016. Standby service is available to customers with distributed generation systems taking service under the Company’s General Service, Large Light and Power Service, Municipal Pumping Service, and Large Power Service Tariffs.<sup>8</sup>

The proposed rider is designed for customers with distributed generation systems with the ability to run continuously and use the Company’s electric service as temporary backup when their own distributed generation systems are experiencing an outage or not generating at normal levels. Customers with intermittent distributed generation can receive back-up power through their standard base rate schedule. Charges under the standby service rider include a monthly reservation fee, standby demand charges based on scheduled and unscheduled outages, and an energy charge.

For scheduled outages, the Company prorates demand charges for the number of days in which standby service is used during the billing period. Minnesota Power charges energy usage during a scheduled outage at the rates under the customer’s standard rate schedule. When such an outage occurs in months where standby service is used, the customer pays the greater of the reservation fee or the standby demand charge, but not both.

For unscheduled outages, the Company proposed to lower its off-peak demand charges to encourage moving demand for power from on- to off-peak periods. Energy usage during an unscheduled outage is billed at the Company’s hourly incremental energy costs at the time of usage plus an energy surcharge of \$0.02 per kWh.

Minnesota Power explained that the proposed rider meets the Department’s recommendations for designing standby rates as well as the Department’s “best practices” recommendations.

#### **B. Positions of Commentors**

##### **1. MCA/FE**

MCA/FE expressed concern with three aspects of Minnesota Power’s proposed rider: 1) the monthly demand charge “ratchet” for unscheduled outages; 2) the limitation of scheduled outages to shoulder months; 3) the lack of differentiated peak and off-peak demand and energy charges for unscheduled outages; and 4) the lack of a definition of unscheduled outages.

MCA/FE described a study done by Five Lakes Energy that provided a comparison of the four utilities in Minnesota with standby service, using a defined system of a 5 MW plant where 2 MW are self-generated. The organization raised concerns that there are huge variables in charges for unscheduled outages by the utilities, and asked that a more proportionate rate structure be used to account for the many benefits standby service customers provide the system, such as taking load off the system by freeing up plant and transmission capacity.

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<sup>8</sup> Customers with systems at or below 100 kW are not required to use the Standby Service Rider.

Finally, the organization argued that Minnesota Power had provided no cost justification for its standby service tariff.

In response, Minnesota Power explained that it has a unique customer mix with a handful of large customers that account for a significant portion of its total system load. Under the proposed daily “as-used” demand pricing structure proposed by MCA/FE, the standby customer would contribute towards system peak, resulting in higher costs in the form of additional capacity requirements, Midcontinent Independent System Operator (MISO) charges, etc. Such costs would not be recovered through the daily charge proposed by MCA/FE.

The Company also explained that its proposed pricing structure for standby service, which uses a monthly demand charge to assess unscheduled standby outage charges, is needed. The Company’s rate structure reflects on- and off-peak pricing, along with allowing use of the standby service during scheduled outages at lower rates. Minnesota Power stated that this gives a clear price signal to standby customers to encourage them to plan outages (or periods when the system will not generate at normal levels) in non-peak months to avoid outages during higher-cost times.

Further, the Company stated that its proposed Standby reservation and demand rates are based on revenue requirements and billing units that were approved as part of the rate review in its 2009 rate case.<sup>9</sup>

## **2. LPI**

In its written comments, LPI proposed that standby service for large customer-sited projects continue to be negotiated on a case-by-case basis and that the Company confirm that application of Minnesota Power’s standby service rider is limited to distributed generation systems with a nameplate capacity of 10 MW or less. Further, LPI recommended that the terms of standby service for distributed generation systems greater than 10 MW continue to be individually negotiated as a separate contract or through an electric service agreement.

## **3. The Department**

The Department initially recommended that the Commission approve Minnesota Power’s updated standby service rider, finding that the proposed Rider is reasonable and generally conforms to the Department’s rate design goals. At the hearing, it recommended that combined heat and power customers (CHP) be allowed to schedule outages in off-peak times as defined in the MISO tariff.

In response to comments by LPI, the Department stated that the current proceeding is focused on distributed generation, defined by statute as a facility with a capacity of 10 MW or less.<sup>10</sup>

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<sup>9</sup> The Company stated it plans to update the rates at the completion of its 2016 rate case, Docket No. E-015/GR-16-664.

<sup>10</sup> Minn. Stat. § 216B.164, subd. 1a(h).

### **C. Commission Action**

Having considered the rounds of written comments and the discussion at the hearing, the Commission will follow the recommendation of the Department and approve Minnesota Power's updated standby service rider. The Company has provided adequate support for its pricing structure, particularly the unscheduled outage portion of the rate. Finally, a cost justification for the levels of the rider rates will be reviewed in the Company's ongoing rate case.

Accordingly, the Commission will approve Minnesota Power's proposed standby service rider, including the revisions to the Company's Electric Service Agreement for Distributed Generation/Standby Service and Standby Service Agreement, as filed by the Company on May 19, 2016. The Commission also approves Minnesota Power's proposal to update its standby reservation and demand rates in the rider based on the Commission's decisions regarding revenue requirements and billing units in the Company's 2016 rate case (Docket No. E-015/GR-16-664).

The Commission will also require Minnesota Power to revise its proposed rider so that scheduled outages are not limited to shoulder months and also include off-peak periods as set forth in the MISO tariff. Finally, the Commission accepts Minnesota Power's proposal to add language to its standby service rider limiting the application of the rider to customers with on-site generation of 10 MW or less, and to file the revised tariff language as part of a compliance filing for Department review, within ten days of this order.

Further, the Commission will require Minnesota Power to file compliance tariffs reflecting the decisions made by the Commission within 30 days of this order. Minnesota Power's Standby Service Rider, Electric Service Agreement for Distributed Generation/Standby Service, and Standby Service Agreement, as approved by the Commission, shall be effective on the first day of the month following compliance filing review by the Department.

Finally, the Commission will require Minnesota Power to evaluate the revisions to its standby service rider and report to the Commission on its evaluation within three years of the effective date of the approved rider. The evaluation report should be filed in Docket No. E-999/CI-15-115.

## **IV. Otter Tail's Standby Service Tariff**

### **A. Otter Tail's Proposal**

On May 18, 2016, Otter Tail filed its updated standby service tariff as a stand-alone rate schedule, rather than a rider that applies to a customer's standard service.<sup>11</sup> The tariff includes a two-page table summarizing the tariff charges.

Otter Tail based its tariff revisions on a study submitted by the Department prior to the Commission's decision in this docket asking utilities to file individual standby tariffs (the ERC study).<sup>12</sup> The ERC study had only three suggestions for Otter Tail's standby service tariff:

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<sup>11</sup> At this time, Otter Tail has no Minnesota customers taking service under this schedule.

<sup>12</sup> Analysis of Standby Rates and Net Metering Policy Effects on Combined Heat and Power (CHP) Opportunities in Minnesota, Energy Resource Center, COMM-03192012-59974, p. 5 (April 2014),

- unbundle the reservation charges into generation, distribution, and transmission cost components;
- clearly state whether non-firm standby customers may take scheduled maintenance service; and
- use the forced-outage rate in the calculation of a customer's reservation charge to provide an incentive to customers to limit use of backup service.

In response to these suggestions, Otter Tail did not unbundle the reservation charges, but instead provided a percentage breakdown of the cost components that make up the reservation charges by including them in a table that defines the percentage of each rate component that represents transmission or distribution service. Further, the utility added a statement in its tariff clarifying that scheduled maintenance service is applicable to both firm standby and non-firm standby service.

Finally, Otter Tail did not change its calculation of the reservation charge, stating that its customers do not routinely maintain forced outage rate information, but instead rely on MISO for this function.

## **B. The Department**

The Department had several recommendations for Otter Tail's proposed standby service tariff. First, the Department suggested that instead of a table with percentages, the Commission require the Company to file the rates associated with each category. Second, to address Otter Tail's concern that determining the forced-outage rate of a distributed generator would be unduly burdensome, the Department recommended that the Company use its average fleet forced-outage rate as a reasonable alternative.

The Department also raised concerns that Otter Tail's monthly customer charge and standby local distribution facilities charge appear to be higher than those of other utilities, noting that the standby-service customer charge should only include the incremental cost of providing standby service to the customer.

In response, the Company stated that in its initial petition it had indicated its plan to unbundle the rate components for transmission and distribution reservation fees in its tariff, and promised to provide them in a filing at the close of its rate case. Otter Tail filed them in its proposed standby service tariff in May. The Company also stated that its initial petition included a proposal to use the forced outage rate for its own generation fleet in lieu of individual customers' outage rates, thus agreeing with the Department's recommendation. Finally, with regard to its customer charge, the Company stated that it provided the information requested by the Department in its IR response to Fresh Energy on June 9, 2017.

## **C. MCA/FE**

The MCA/FE praised Otter Tail's proposed standby service tariff as appropriate and reasonable, finding that the Company's proposed tariff is proportional and encourages efficiency with clear price signals to its self-generation customers.

MCA/FE agreed with the Department that unbundling charges within specific fees helps provide transparency in the tariff, but recommended that it apply to all the utilities examined, and not just Otter Tail. However, the organization was skeptical of the Department's recommendation to use the fleet forced-outage rate as a proxy for on-site non-intermittent generation projects, because fleet-forced-outage rate is not in the record in this proceeding, making a fair assessment impossible. Finally, MCA/FE asked for further cost justification of the standby facilities charge.

#### **D. Commission Action**

The Commission will approve Otter Tail's proposed standby service tariff, filed on May 12, 2017, including the Company's agreement to recalculate the standby service reservation charge using Otter Tail's generation fleet's forced outage rate and to update the tariff rates based on the Commission's decision in Otter Tail's recent rate case.<sup>13</sup>

The Commission finds that Otter Tail's proposed standby service tariff meets many of the key goals for standby tariff. Otter Tail has adopted a separate standby tariff rather than a standby rider and includes a two-page table clearly summarizing the tariff charges. The Company's standby tariff also provides cogeneration customers with proportional and time-of-use charges by differentiating peak/off-peak time of use and scheduled/unscheduled use in its pricing. It also provides a seasonal use price differential.

Otter Tail's tariff applies no demand charges for scheduled outages, recognizing that scheduled outages do not impose infrastructure or capacity costs on the utility. Its demand charges for unscheduled standby service are also reasonable. Otter Tail does apply a flat fixed reservation fee; however, that fee is quite low compared to other utility reservation fees and a reasonable customer charge.

Finally, the Commission has reviewed the summary table of standby service charges and provisions provided in Otter Tail's filing. The Commission finds the table a concise and helpful tool which translates the various terms and conditions of the standby tariff into uniform components of charges reflecting the fixed or variable customer charges, reservation fees, demand charges, and energy charges imposed under the tariff.

The Commission will require Otter Tail to file compliance tariffs reflecting the decisions made by the Commission within 30 days of this order; the tariff will be effective within 30 days following completion of the Department's compliance review. Finally, the Commission will require Otter Tail to evaluate the revisions and updates made to its standby service tariff and report back to the Commission on its evaluation within three years of the effective date of the approved Tariff. The evaluation report shall be filed in Docket No. E-999/CI-15-115.

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<sup>13</sup> Docket No. E-017/GR-15-1033 (2017).



## **V. Dakota Electric's Standby Service Rider**

### **A. Dakota Electric's Proposal**

On May 19, 2016, Dakota Electric Association (Dakota Electric), a distribution cooperative, filed its updated standby service rider.<sup>14</sup> Dakota Electric described the purpose of the standby rider as providing utility service to members when their own generation is not available or is insufficient to meet some or all of their electrical load. The rider is applied to consumers receiving electric service under one of Dakota Electric's firm retail electric rate schedules who operate an on-site distributed generation system. The proposed rider is applicable to intermittent and non-intermittent facilities.

Dakota Electric has proposed to use two types of reservation fees: 1) a wholesale power supply reservation fee (basically a pass-through rate billed under the rates, terms, and conditions of the utility's wholesale supplier, Great River Energy (GRE)), and 2) a distribution service reservation fee.<sup>15</sup>

For wholesale power, Dakota Electric proposes to bill a customer the same wholesale power charges that GRE would bill Dakota Energy. The standby reservation fee is designed to recover the costs of owning, operating, and maintaining distribution facilities so they are available whenever firm and standby customers need electricity from the utility.

In response to customer inquiries, Dakota Electric offered to develop and file a new rate schedule for standby service customers with on-site generation that runs most of the time, *e.g.* a CHP facility. The new schedule would be designed to provide all of a customer's electrical requirements. Customers opting to take service under the new rate schedule would also have the option to take service under the proposed standby service rider in combination with the new rate schedule, or under the General Service rate in combination with the proposed rider.

At the Commission hearing, Dakota stated that it was preparing to file the new rate schedule for standby service customers using CHP facilities imminently.

### **B. The Department**

The Department raised two main concerns with the proposed standby rider: 1) it does not distinguish between use of standby service during scheduled and unscheduled outages in its application of rates for standby service, and 2) it applies to intermittent resources such as solar generation. The Department also noted with concern that the new rate schedule for standby service customers with on-site generation that the utility has promised to file shortly has the potential to result in substantially higher charges than under the proposed standby rider.

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<sup>14</sup> Two customers take service under the rider, a 133 kW solar installation and a larger natural gas wholesale generator. Dakota Electric has no CHP facilities on its system.

<sup>15</sup> Both reservation fees are based on the amount of load served by the on-site generation facility.

The Department recommended that the Commission not approve Dakota Electric's standby service rider until after the cooperative files the proposed rate schedule, along with cost support, and an explanation of how forced outage rates for customer-sited generators will be incorporated into the new CHP rate schedule. The Department also asked that the cooperative be required to include the annual 8,760-hour demand data in its new rate-schedule filing.

In response to the Department's request that Dakota Electric further explain how it accounts for a generator's forced outage rate when developing rates. The cooperative explained that its distribution service is different from the wholesale power it purchases from GRE, over which it has no control. Dakota Electric, however, designs and builds the distribution system to meet the local/on-site load requirements of individual consumers and diversified load requirement. Its distribution system is designed, built, and maintained to handle its entire member load, without consideration of generation availability.

### **C. MCA/FE**

MCA/FE initially raised objections to several aspects of Dakota Electric's proposed standby service rider. After discussions with the cooperative, however, MCA/FE agreed to the filing of a specific tariff incorporating the following suggestions:

- the application of variable demand charges that reflect system peaks in order to reward customer who optimize their CHP systems to use grid backup service as little as possible;
- the provision of lower reservation/demand charges for pre-planned maintenance that can be scheduled for off-peak hours and/or during low-demand seasons in order to encourage customers to adequately maintain CHP systems and minimize unplanned forced outages; and
- the provision of rates that differentiate between peak and non-peak time of use in order to reward customers who can shift load to minimize use of backup service during peak hours.

Finally, MCA/FE argued that the cooperative should promptly provide cost justification and 8,760 hour data.

In response to MCA/FE's concerns about cost justification for the new CHP rate schedule and 8,760-hour demand data, Dakota Electric explained that its distribution standby reservation fees are based on the cost of owning, operating, and maintaining the distribution facilities that are needed to provide electric service to standby consumers when on-site generation sources are not available. Dakota explained that the costs of having these facilities in place just in case they are needed are on-going regardless of need, and appropriately recovered through the existing standby demand charges.

Finally, Dakota Electric stated that it does not currently serve any CHP facilities, and therefore can't provide the requested 8,760 hour demand data.

## **D. Commission Action**

After consideration of the written filings and the arguments of the parties at the hearing, the Commission will approve Dakota Electric Association's standby service rider, filed on May 19, 2016. While the Department and MCA/FE continued to recommend that the Commission wait until such time as the cooperative files its new CHP rates, the cooperative continued to urge the Commission to take action on the standby service tariff. The Commission agrees with Dakota, as it sees no added value in delaying the rider decision until consideration of the new CHP rate has been made.

The cooperative has provided adequate support for its standby rider, including its standby reservation fee justification. To offer adequate standby service, Dakota Electric must be allowed to recover the costs of owning, operating, and maintaining the distribution facilities and capacity sufficient to enable it to serve all standby consumers who call upon the cooperative for backup power.

Accordingly, the Commission will approve Dakota Electric's proposed standby service rider. On August 25, 2017, Dakota Electric filed a new rate schedule for Combined Heat and Power / Distributed Generation (CHP/DG) Service. As part of the new rate schedule, the Commission will require Dakota Electric to include the necessary cost support for the rate and an explanation of how Dakota Electric incorporated fixed outage rates in its proposal for the new rate.

The Commission will also require Dakota Electric Association to file compliance tariffs reflecting the decisions made by the Commission within 30 days of this Order. Finally, the Commission will require Dakota Electric to evaluate the structural changes to its standby service rider and its new CHP rate schedule and report on the evaluation within three years of the effective date of the Rider. The evaluation report shall be filed in Docket No. E-999/CI-15-115.

## **VI. Xcel Energy**

### **A. Flint Hills Resources**

In its initial comments, Flint Hills Resources, LP, and Flint Hills Resources Pine Bend, LLC (collectively Flint Hills) participated in this docket regarding the Xcel's standby service rider. Flint Hills raised concerns about both the existing and proposed standby riders and their potential effect on Flint Hills' combined heat and power project. Flint Hills initially asked that the Commission require Xcel to develop and file a separate standby tariff tailored to consumers with larger self-generation projects (over 10 MW) like Flint Hill's CHP project.

Flint Hills filed additional comments just before the Commission hearing on this matter, stating that it had had a number of discussions with Xcel to document clarifications to Xcel's proposed standby service rider. Flint Hills asked that the Commission for additional time for the parties to continue their discussions, in lieu of adopting the redline version of the rider. In light of the procedural posture of Xcel's standby service rider and solar PV capacity credit rider determined below, the requested additional time is reasonable. To accommodate the parties, the Commission will require the following:

- Xcel must work with Flint Hills 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.
- Xcel must file the above-referenced proposal, or an explanation of why the parties could not reach agreement, within 60 days of the order in this matter. The filing should be submitted under a new docket number.

## **B. Standby Service Rider and Solar PV Capacity Credit Rider**

### **1. Xcel's Petition**

On May 19, 2016, Xcel filed its updated standby service rider. The Company also filed a new and separate service for solar-generation customers and new wind: the solar PV capacity credit rider. Xcel currently provides standby service under its existing standby service rider to 30 customers, of which 23 have on-site solar PV generators. Xcel explained that once the proposed solar PV capacity credit rider is approved, customers with on-site solar will receive a capacity credit for on-peak solar capacity under the rider.

Xcel asserted that its standby service proposal is cost-based and continues to fully recognize unavoidable distribution costs and a reserve share of generation and transmission costs for customer with self-generation. In addition, the standby service rider includes a variable usage charge for the actual use of standby backup service, following an exempt period, such that the customer pays the regular service rate when the customer's generator is completely out of service.

Xcel explained that currently, its solar PV capacity credit is available only to customers taking service under Xcel's standby service rider. Xcel proposed to exempt solar and new wind customers from the standby service requirements and to replace the existing solar capacity credit with a new volumetric capacity credit rider. The new rider converts the present \$5.15 per kW credit into a more focused peak-period capacity credit of \$0.07395 per kWh that works as a credit to billed firm demand charges. The credit would be applied to renewable generation during a peak period defined as 1:00 -7:00 p.m. The proposed rider retains a monthly customer charge as a contribution to the fixed customer-related costs of the production meter for customer generation, interval metering requirements, and incremental billing process requirements.

### **2. Commission Action**

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.

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.

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.

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. Finally, the Commission will delegate to the Executive Secretary the authority to set a time frame for comments on whatever Xcel files within the 30 day period on the Solar PV Capacity Rider.

## **VII. Other Requirements**

The Commission will require the rate-regulated utilities participating in this docket to provide a one to two page summary table of standby service charges and provisions, substantially similar to the table included in the proposed Otter Tail standby tariff, for distribution to standby service customers. The utilities shall file the summary of charges table for compliance review by the Department, within 30 days of the issuance of this order.

### **ORDER**

#### *Otter Tail Power*

1. The Commission approves Otter Tail Power's proposed standby service tariff, filed on May 12, 2017, including the Company's agreement (in June 9, 2017 comments) to recalculate the standby service reservation charge using Otter Tail's generation-fleet forced outage rate and to update the tariff rates based on the Commission's decision in Otter Tail's current rate case (Docket No. E-017/GR-15-1033).
2. Within 30 days of this order, Otter Tail Power shall file compliance tariffs reflecting the decisions made by the Commission.
3. Otter Tail Power's tariff shall be effective within 30 days following completion of the Department's compliance review.
4. Otter Tail Power shall evaluate the revisions and updates made to its standby service tariff and report back to the Commission on its evaluation within three years of the effective date of the approved tariff. The evaluation report shall be filed in Docket No. E-999/CI-15-115, unless the Commission opens a new docket for the review of Otter Tail Power's new rate schedule.

*Dakota Electric Association*

5. The Commission approves Dakota Electric Association's standby service rider, filed on May 19, 2016.
6. As part of the new rate schedule filing, Dakota Electric Association shall include the necessary cost support for the rate and an explanation of how Dakota Electric incorporated fixed outage rates in its proposal for the new rate. Dakota Electric Association shall file this new rate schedule within 30 days of this order.
7. Within 30 days of this order, Dakota Electric Association shall file compliance tariffs reflecting the decisions made by the Commission.
8. Dakota Electric Association shall evaluate the structural changes to its standby service rider and its new CHP rate schedule and report on the evaluation within three years of the effective date of the rider. The evaluation report shall be filed in Docket No. E-999/CI-15-115, unless the Commission opens a new docket for the review of Dakota Electric's new rate schedule.

*Minnesota Power*

9. The Commission approves Minnesota Power's proposed standby service rider, including the revisions to the Company's Electric Service Agreement for Distributed Generation/Standby Service and Standby Service Agreement, as filed by the Company on May 19, 2016, including MP's proposal to update the standby reservation and demand rates in the Rider based on the Commission's decisions regarding revenue requirements and billing units in the Company's 2016 rate case (Docket No. E-015/GR-16-664).
10. Minnesota Power shall revise its proposed rider so that scheduled outages are not limited to shoulder months and may also be applied to off-peak periods as set forth in the MISO tariff.
11. The Commission accepts Minnesota Power's proposal to add language to its standby service rider limiting the application of the rider to customers with on-site generation of 10 MW or less, and to file the revised tariff language as part of a compliance filing for Department review, within ten days of this Order.
12. Within 30 days of this order, Minnesota Power shall file compliance tariffs reflecting the decisions made by the Commission.
13. Minnesota Power's Standby Service Rider, Electric Service Agreement for Distributed Generation/Standby Service and Standby Service Agreement, as approved by the Commission, shall be effective on the first day of the month following compliance filing review by the Department.

14. Minnesota Power shall evaluate the revisions to its standby service rider and report to the Commission on its evaluation within three years of the effective date of the approved Rider. Minnesota Power shall file the evaluation report in Docket No. E-999/CI-15-115, unless the Commission opens a new docket for the review of Minnesota Power's new rate schedule.

*All Rate-Regulated Utilities*

15. The rate-regulated utilities participating in this docket shall provide a one to two page summary table of standby service charges and provisions, substantially similar to the table included in the proposed Otter Tail standby tariff, for distribution to standby service customers. The utilities shall file the summary of charges table for compliance review by the Department, within 30 days of the issuance of this order.

*Xcel Energy*

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.
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.
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.
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.

21. The Commission delegates to the Executive Secretary the authority to set a time frame for comments on whatever Xcel files within the 30 day period on the Solar PV Capacity Credit rider.
22. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf  
Executive Secretary



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