

Staff Briefing Papers

Meeting Date March 6, 2025 Agenda Item **4

Company Northern States Power Co. d/b/a Xcel Energy

Docket No. E002/M-20-86

In the Matter of the Petition for Approval of a General Time-Of-Use Service Tariff

- Issues 1. Should the Commission approve Xcel's tariff changes as proposed in their February 23, 2024, petition filing?
2. Should the Commission approve Xcel's recruitment plan modification as proposed in their June 20, 2024, petition filing?

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Relevant Documents

Date

Xcel Energy – Petition for Tariff Modification	February 23, 2024
Xcel Energy – Petition for Pilot Recruitment Modification	June 20, 2024
Department of Commerce – Comments	September 20, 2024
Xcel Energy – Reply Comments	October 4, 2024
Fresh Energy – Comments	October 4, 2024
Department of Commerce – Letter	October 21, 2024

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1. Statement of the Issues

- I. Should the Commission approve Xcel’s tariff changes as proposed in their February 23, 2024, petition filing?
- II. Should the Commission approve Xcel’s recruitment plan modification as proposed in their June 20, 2024, petition filing?

2. Background

In an effort to reduce peak demand, the Commission ordered Xcel Energy (Xcel or Company), on July 17, 2019, to design and propose an updated Time-of-Use (TOU) rate for General Service customers that was more reflective of hourly system costs.¹ TOU rates vary according to the time of day, season, and daytime. Higher rates are charged during peak demand hours and lower rates are charged during off-peak hours. As a condition of Xcel’s 2019 rate case stay-out proposal, the Commission required Xcel to file the General Service TOU rate in a standalone docket by January 17, 2020.² These new tariffs should be designed to be more reflective of hourly system costs and to send price signals that will reduce peak demand and increase system utilization.

Xcel initiated the current docket on January 17, 2020, when they filed their general service TOU proposal.³

On May 29, 2020, Clean Grid Alliance, Fresh Energy, Minnesota Center for Environmental Advocacy, Sierra Club, and Union of Concerned Scientists (collectively, CEOs) filed their alternative TOU rate proposal, which contained a Critical Peak Pricing (CPP) rate component.⁴ CPP is designed to send

¹ Docket No. E002/M-18-643, *In the Matter of Xcel Energy’s Petition for Approval of Electric Vehicle Pilot Programs*, Order Approving Pilots with Modification, Authorizing Deferred Accounting, and Setting Reporting Requirements, July 17, 2019, at 22.

² Docket No. E002/M-19-688, *In the Matter of Northern States Power Company doing business as Xcel Energy for Approval of True-Up Mechanisms*, Order Approving True-Ups and Requiring Xcel to Withdraw its Notice of Change in Rates and Interim Rate Petition, March 13, 2020, at 10.

³ Xcel Initial Filing – Petition for Approval of General Service Time-of-Use Tariff, January 17, 2020.

⁴ Clean Energy Organizations Alternative Proposal, May 29, 2020.

price signals about peak energy demand during specific time events. These time event periods occur when electric systems may require more power than is typically available, like hotter than normal summer days or frigid winter nights.

In August and October of 2020, comments were received from Metro Transit, the Department, the Office of the Attorney General – Residential Utilities Division (OAG), Xcel’s large industrial customers (XLI), Target Corporation (Target), CEOs, Xcel, Tesla, Inc. (Tesla), and the City of Minneapolis regarding the two proposals.⁵

During oral arguments, held on May 20, 2021, Xcel and CEOs jointly proposed a new alternative for the Commission to consider. On July 16, 2021, the Commission ordered Xcel to implement two pilot programs, one proposed by the CEOs and one by Xcel, to begin in 2022. The Commission required Xcel to solicit feedback on the two rate designs from the CEOs, the City of Minneapolis, the Minnesota Department of Commerce (Department), the OAG, Metro Transit, Target, Tesla, and the XLI, among others.⁶

In their January 18, 2022, compliance filing, Xcel requested that the Commission approve their pilot implementation plans, a new General TOU Service Pilot Program Tariff, minor modifications to the General TOU Service rate base system demand rate and CPP rate proposed rate levels, a revenue true-up mechanism, and recommended reporting requirements.⁷

In May of 2022, the Commission received comments and recommendations from the Department, Tesla, Metropolitan Council, XLI, and CEOs regarding Xcel’s TOU pilot modification plans.⁸ In their reply comments, filed on June 16, 2022, Xcel addressed several issues raised by parties, including but not limited to CEOs two-phased plan, assigning potential customers to recruitment groups, a revenue true-up mechanism, and CPP Pricing Events.⁹

On February 1, 2023, the Commission found that Xcel’s January 18, 2022, Petition had satisfied the requirements of the Commission’s July 16, 2021 Order, with some exceptions. The Commission also approved Xcel’s proposed General Service Time of Use and CPP pilot contingent upon Xcel filing additional information.¹⁰ The terms of the pilot were as follows:

⁵ Metro Transit Comments, August 6, 2020, Department Comments, August 14, 2020, OAG Comments, August 14, 2020, XLI Motion and Comments, October 14, 2020, Target Corporation, October 14, 2020, CEOs Comments, October 14, 2020, Xcel Energy, October 14, 2020, Tesla Comments, October 14, 2020, City of Minneapolis Comments, October 14, 2020.

⁶ Commission Order to Conduct Pilot Programs for General Service Time-of-Use Rates, and Setting Procedural Schedule, July 16, 2021, at 13-15.

⁷ Xcel Compliance Filing – General TOU Service Pilot Programs, January 18, 2022.

⁸ XLI Comments, May 25, 2022, Department Comments and Supplemental Letter Filing for Comments, May 25, 2022, and May 31, 2022, Tesla Comments, May 25, 2022, Metropolitan Council Comments, May 25, 2022, CEOs Comments, May 26, 2022.

⁹ Xcel Reply Comments, June 16, 2022.

¹⁰ Commission Order Approving Time-of-Use Pilot and Setting Additional Requirements, February 1, 2023, at 7-8.

- The General TOU Service rate and the CPP rate design have an on-peak period between the hours of 3 p.m. to 8 p.m. on non-holiday weekdays;
- An off-peak period between the hours of 12 a.m. to 6 a.m. everyday;
- A base period is all other hours not listed above;
- Both rate designs include the same monthly customer charge of \$29.64;
- A distribution demand rate per kilowatt
 - Secondary Voltage of \$2.00,
 - Primary Voltage of \$1.52, and
 - Transmission Transformed Voltage of \$0.64;
- A separate component of the CPP rate design is an additional rate that is effective during a critical peak event and significantly higher than the on-peak rate; and
- The two rate designs have distinct system demand rates.¹¹

The Commission also approved Xcel's randomization of General Service customers into three recruitment groups. The 20/40/40 recruitment plan would randomly choose 20% of eligible customers to market either the General TOU rate or the CPP rate; 40% of customers would be chosen to randomly market only the General TOU rate, and the remaining 40% of customers will be randomly chosen to market only the CPP rate.¹²

In Xcel's March 31, 2023, Compliance Filing, Xcel requested that the Commission approve their changes to the pilot tariff along with additional information in compliance with the February 1, 2023 Order.¹³

In its June 9, 2023 Order, the Commission found that Xcel's compliance filing satisfied the requirements of the Commission's February 1, 2023 Order. The Commission also approved Xcel's proposal to extend bill protections to public transit charging providers through the duration of the pilot and the proposed tariff modifications, as found in Xcel's March 31, 2023, compliance filing.¹⁴

On February 23, 2024, Xcel submitted a Petition for approval of a tariff change for their General Service TOU Pilot Program which incorporates new pricing based on the revenue requirements that were approved in their most recent electric rate case in Docket No. E002/GR-21-630.¹⁵

On April 28, 2023, Xcel detailed the incremental costs of the pilot in their reply comments. Xcel anticipated costs of \$5,700 to recruit and enroll participants to the TOU rate option. Of the \$5,700 budget, Xcel anticipated that \$2,000 will be used for contract labor. The January 19,

¹¹ Commission Order, February 1, 2023, at 2.

¹² *Id.*, at 9.

¹³ Xcel Compliance Filing – Compliance Filing Tariff, March 31, 2023.

¹⁴ Commission Order, June 9, 2023, at 1.

¹⁵ Xcel Initial Filing – Tariff Modification Petition, February 23, 2024.

2023 Decision in Docket No. E,G002/CIP-20-473 gave Xcel approval to recover costs related to labor, pilot administration, advertising and promotion, and contract labor for measurement and verification through the Conservation Improvement Program (CIP) Rider. Xcel anticipated that they will incur and recover about \$280,000 per year for costs primarily dedicated to the CPP rate through the CIP Rider.¹⁶

On June 20, 2024, Xcel submitted a Petition for approval to modify the Commission approved recruitment plan for their General Service TOU Pilot Program in the hopes to attract more pilot participants.¹⁷

On September 20, 2024, the Department submitted their comments on the proposals.¹⁸

On October 4, 2024, the Commission received reply comments from Xcel¹⁹ and comments from Fresh Energy.²⁰

On October 21, 2024, the Department filed a letter with a recommendation in response to Xcel's October 4, 2024, reply comments. In this letter, the Department cited concerns about continuation of a pilot that does not yield statistically significant results. The Department changed its positions stated in their September 20, 2024 comments, instead recommending that the Commission suspend the pilot and require Xcel to work with stakeholders to develop a default General Service TOU rate structure for filing by November 1, 2025.²¹

The decision before the Commission is whether to approve Xcel's proposed modifications to the General Service TOU pilot program, suspend the pilot and proceed to development of a default General Service TOU rate structure as recommended by the Department, or take other actions.

3. Summary of Petitions

I. Xcel's Tariff Modification Petition

Xcel is seeking approval to update three pricing components for their General TOU Service Rate Pilot Program. The updates include 1) the monthly customer charge, 2) the distribution demand charge pricing that is applicable to both the General TOU Service Rate²² and CPP Rate²³, and 3)

¹⁶ Xcel Reply Comments, April 28, 2023 at 2.

¹⁷ Xcel Petition – Recruitment Modification, June 20, 2024.

¹⁸ Department Comments, September 20, 2024.

¹⁹ Xcel Reply Comments, October 4, 2024.

²⁰ Fresh Energy Comments, October 4, 2024.

²¹ Department Letter, October 21, 2024.

²² Rate Code A25

²³ Rate Code A26

the energy charge pricing for both rate designs.²⁴ Xcel contends that the proposed changes incorporate the approved revenue requirement and class cost of service from their most recent rate case, as found in Docket No. E002/GR-21-630.

II. Monthly Customer Charge

Xcel proposes to update the monthly customer charge for General TOU Service Rate Pilot Program participants from \$29.64 to \$29.98. The monthly customer charge of \$29.98 would be the same for both the General TOU Service Rate and the CPP rate. **(Decision Option 1)**

A. Demand Charges

Xcel has two demand charges incorporated into their General Service TOU Rate Pilot Program: Distribution Demand Charge per month per kW and System Demand Charge per month per kW.

Xcel seeks approval to update their distribution demand charge pricing. **(Decision Option 2)** The customers' service voltage level dictates the distribution demand charge. Table 1 below shows a comparison of the approved and proposed distribution demand charge.

Table 1: Distribution Demand Charge Comparison Per kW²⁵

Voltage	Proposed	Approved	Difference
Secondary ²⁶	\$2.80	\$2.00	\$0.80
Primary ²⁷	\$2.18	\$1.52	\$0.66
Transmission Transformed ²⁸	\$0.74	\$0.64	\$0.10

The rate designs, seen above in Table 1, are applicable to both the General Service TOU rate and the CPP rate. Distribution demand charges are not applied to customers taking service at transmission voltage.²⁹

Xcel's system demand charges under current rates are approximately consistent with the rates included in their proposed TOU pricing.³⁰

²⁴ Xcel Initial Filing – Tariff Modification Petition, February 23, 2024.

²⁵ *Id.*, at 2.

²⁶ Single or three phase from 208 volts up to but not including 2,400 volts.

²⁷ Three phase from 2,400 volts up to but not including 69,000 volts.

²⁸ Three phase from 2,400 volts up to but not including 69,000 volts, where service is provided at the Company's disconnecting means of a distribution substation transformer.

²⁹ Xcel Initial Filing – Tariff Modification Petition, February 23, 2024, at 3.

³⁰ *Id.*

B. Energy Charge

Xcel seeks approval to their updated time-differentiated energy charges for both the General TOU Service Rate and the CPP rate. However, in terms of their CPP rate, Xcel does not request a change to their CPP component price. **(Decision Option 3)**

Table 2 below compares the approved and proposed energy charge for the General TOU Service Rate (Rate Code A25).

Table 2: General TOU Service Rate Energy Charge Comparison Per kWh³¹

Period	Proposed	Approved	Difference
Peak ³²	\$0.07514	\$0.05054	\$0.02460
Base ³³	\$0.04508	\$0.02686	\$0.01822
Off-Peak ³⁴	\$0.01503	\$0.00810	\$0.00693

Table 3 below compares the approved and proposed energy charge for the CPP Rate (Rate Code A26).

Table 3: CPP Rate Energy Charge Comparison Per kWh³⁵

Period	Proposed	Approved	Difference
Peak	\$0.11308	\$0.07970	\$0.03338
Base	\$0.05872	\$0.04220	\$0.01652
Off-Peak	\$0.02711	\$0.02040	\$0.00671
CPP	\$0.55880	\$0.55880	\$0.00000

III. Xcel's Recruitment Modification Petition

Xcel is seeking approval to modify their General TOU Service Pilot Program recruitment plan in hopes of attracting more pilot participants.³⁶ **(Decision Option 4)** There are currently seven customers enrolled in the TOU pilot with a total of twelve premises. No customers are currently enrolled or waiting to enroll in the CPP program.³⁷

A. Background - Initial Recruitment Plan

Xcel's current 20/40/40 recruitment plan, which was approved by the Commission on February 1, 2023, enables 20 percent of Xcel's eligible participating customers to be marketed either the

³¹ *Id.*

³² 3:00 p.m. to 8:00 p.m. Monday through Friday, non-holidays.

³³ All hours not defined as peak period or off-peak period.

³⁴ Midnight to 6:00 a.m. every day.

³⁵ Xcel Initial Filing – Tariff Modification Petition, February 23, 2024, at 3.

³⁶ Xcel Other Filing – Recruitment Modification Petition, June 20, 2024, at 1.

³⁷ Department Comments, September 20, 2024, at 9.

General TOU rate or the CPP rate; 40 percent of participants would only be marketed the General TOU rate, and the remaining 40 percent of participants would only be marketed the CPP rate. All eligible commercial and industrial (C&I) customers are able to participate in either rate option while the 20/40/40 recruitment plan reflects Xcel's marketing efforts.³⁸

Xcel explained that their reasoning behind the 20/40/40 recruitment plan was to limit self-selection bias for an opt-in pilot. Xcel feared that with an opt-in pilot a self-selection bias would occur, therefore skewing results because customers that would most benefit from the rates, also known as "structural winners", would opt-in to the rate that they most benefited from. Consequently, if the pilot was deemed successful the rates may not be applicable to a wider population if the program is scaled up to a larger number of commercial and industrial customers.³⁹

In early Q3 2023, Xcel began recruiting for the pilot by mailing postcards to 1,232 customers. 493 customers were sent the CPP rate, 491 customers were sent the TOU rate, and 248 customers were sent a choice of either rate. Using the same participation list as the direct mail outreach, mentioned above, Xcel emailed 1,172 customers on August 16, 2023. The email outreach was smaller than the postcard effort because some customers did not share their email, or they opted out of email communication. A third round of customer outreach was completed in December 2023 when Xcel, again, emailed customers on their participation list along with additional eligible customers that had not yet been contacted. In total, Xcel sent postcards and emails to 2,974 customers.⁴⁰

When Xcel's account managers directly engaged with customers about the rates they found limited interest from their customers. Xcel's petition states that four customers are in the process of enrolling in the pilot under the General TOU rate while zero customers have enrolled in the CPP rate.⁴¹

IV. Xcel's Proposed Recruitment Plan Modification

In the hopes of increasing pilot participation, Xcel wants to do away with the 20/40/40 recruitment plan and replace it with marketing the pilot rate options to all eligible customers. Xcel feels that this change will enable them to attract more customers since every eligible customer would receive more information about both rate options, allowing them to decide which rate is best for them. **(Decision Option 4)** Xcel believes that the additional marketing and communication efforts will be covered under the existing budget.⁴²

³⁸ Commission Order Approving Time-of-Use Pilot and Setting Additional Requirements, February 1, 2023, Ordering paragraph 11, at 9.

³⁹ Xcel Other Filing – Recruitment Modification Petition, June 20, 2024, at 2.

⁴⁰ *Id.*, at 3.

⁴¹ *Id.*

⁴² *Id.*

Xcel would continue their customer outreach efforts with the following strategy:

- complete an additional round of communication via email and direct mail;
- include both pilot rates to their 'Rate Plans' section of their website; and
- consider conducting webinars with customers to provide information about the pilot and to directly answer questions from customers.⁴³

4. Participant Comments

V. Department of Commerce

As stated above, the Department provided analysis and recommendations on Xcel's proposed modifications to the pilot in their September 20, 2024 comments, then changed its recommendations in the letter filed October 21, 2024. In this section, Staff describes the Department's initial positions for context.

Monthly Customer Charge

The Department is not opposed to Xcel's updated monthly customer charge of \$29.98 and therefore recommended that the Commission approve the charge in the General Service TOU Rate Pilot Program.⁴⁴ **(Decision Option 1)**

Demand Charge

The Department asserts that Xcel did not explain how they calculated their proposed increase for the Distribution Demand Charge per kW in their petition. The Department notes that "Xcel stated in their January 18, 2022, compliance filing that the distribution demand rates that will be used also maintain the voltage discounts included in other demand class tariffs (Rate Codes A14 and A15) that apply to customers who take service above the secondary voltage level."⁴⁵

The Department requested that Xcel explain the following in their reply comments:

1. the methodology for determining the proposed distribution demand charge; and
2. the relationship between the approved voltage discounts in A14 and A15 and its proposed rate increase in the Distribution Demand Charge.⁴⁶

Energy Charge

The Department states that both of Xcel's proposed energy charges, the General TOU rate and the CPP rate, have weakened the price signal to customers designed to reduce peak demand from what was originally approved by the Commission's February 1, 2023, Order.⁴⁷

⁴³ *Id.*, at 3-4.

⁴⁴ Department Comments, September 20, 2024, at 3.

⁴⁵ *Id.*, at 4.

⁴⁶ *Id.*

⁴⁷ *Id.*, at 5.

Similar to Xcel's demand charges, the Department states that Xcel did not explain how they calculated their proposed energy charge increases for the General TOU rate and the CPP rate.⁴⁸ Therefore, the Department filed Information Request No. 11 (IR No. 11) where they asked Xcel to provide an explanation for how it calculated the proposed energy charge per kWh.⁴⁹

After reviewing Xcel's response to IR No. 11, the Department requests that Xcel calculate energy charges for the General TOU rate and the CPP rate that are revenue neutral and also have the same price ratio of Peak and Base rates to Off-peak energy charges that were approved by the Commission in its February 1, 2023, Order.⁵⁰

Pilot Recruitment Plan Modification

The Department expressed concerns that Xcel's modified proposal will be insufficient in increasing pilot participation levels which will result in Xcel lacking the ability to gather significant statistical and qualitative results.⁵¹ The Department does not believe Xcel's updated outreach plan will greatly increase Xcel's success rate for attracting pilot-eligible customers to the General Service TOU Rate Pilot Program under the general TOU rate and CPP rate options.⁵²

The Department feels that the Commission may need to consider suspending the launch of the General TOU Service Rate Pilot program, and proceed directly to the design and development of a default General Service TOU rate structure, if Xcel does not develop a more detailed marketing and recruitment plan that will ensure they succeed in the recruitment of enough eligible commercial and industrial (C&I) customers to opt-in to both rate plans.⁵³ **(Decision Option 6)**

VI. Xcel Reply Comments

Energy Charge

Xcel reiterates that their proposed energy charge modifications are intended to make the rates revenue neutral based on the revenue requirement approved in their most recent electric rate case, Docket No. E002/GR-21-630. Xcel states that the slightly lower price signals that they proposed more closely align with industry standards. Xcel believes that their proposed rates are reasonable, and they request that the Commission approve them as they are proposed.⁵⁴ **(Decision Option 3)**

⁴⁸ *Id.*, at 5-6.

⁴⁹ *Id.*, Attachment A at 1-4.

⁵⁰ *Id.*, at 6.

⁵¹ *Id.*, at 7.

⁵² *Id.*, at 12.

⁵³ *Id.*

⁵⁴ Xcel Reply Comments, October 4, 2024, at 2.

Per the Department's comments, Xcel recalculated the energy rates to use the price signals previously approved by the Commission on February 1, 2023. Table 4 below shows the recalculated energy rates.⁵⁵

Table 4: Recalculated Energy Rates (Rates per kWh)

Period	TOU (A25)	Price Ratios	CPP (A26)	Price Ratios
Peak	\$0.08224	6.2	\$0.10610	3.9
Base	\$0.04377	3.3	\$0.05713	2.1
Off-Peak	\$0.01326	1.0	\$0.02720	1.0
CPP			\$0.74539	27.4

Table 5 below shows a comparison of the proposed energy charges and the recalculated energy rates from Table 4 above.⁵⁶

Table 5: Energy Charge Comparison (Rates per kWh)

	Recalculated		Proposed		Difference	
Period	Energy Charge	Price Ratios	Energy Charge	Price Ratios	Energy Charge	Price Ratios
<u>TOU Rates</u>						
Peak	\$0.08224	6.2	\$0.07514	5.0	\$0.00710	1.2
Base	\$0.04377	3.3	\$0.04508	3.0	\$(0.00131)	0.3
Off-Peak	\$0.01326	1.0	\$0.01503	1.0	\$(0.00177)	0.0
<u>CPP Rates</u>						
Peak	\$0.10610	3.9	\$0.11308	4.2	\$(0.00698)	(0.3)
Base	\$0.05713	2.1	\$0.05872	2.2	\$(0.00159)	(0.1)
Off-Peak	\$0.02720	1.0	\$0.02711	1.0	\$0.00009	0.0
CPP	\$0.74539	27.4	\$0.55880	20.6	\$0.18659	6.8

Xcel believes that the recalculated rates would put their General Service TOU rates well outside the industry standard, which is 5 to 1 for the peak to off-peak comparison.⁵⁷

Currently there are 11,124 customers with 12,990 premises that are eligible to participate in the TOU pilot based on demand and load factor. 3,869 of the eligible customers have advanced

⁵⁵ *Id.*, at 2-3.

⁵⁶ *Id.*, at 3.

⁵⁷ *Id.*, at 2.

metering infrastructure (AMI) meters. 18,235 meters are enrolled in a demand response (DR) program in Xcel's Minnesota service territory.⁵⁸

2,522 meters, out of the 18,235 meters already enrolled in DR programs, belong to premises that are eligible to participate in the Pilot, with 336 of those enrolled in Electric Rate Savings (ERS). Xcel acknowledges that all customers currently enrolled in either the ERS or DR programs could impact recruiting customers to the TOU and CPP Pilot. However, customers may leave an existing program in favor of the TOU or CPP Pilot if it does not violate the terms and conditions of either program.⁵⁹

Installation of AMI Meters

Xcel believes that the AMI rollout will be completed sometime in 2025 for all C&I customers, including those eligible for the Pilot. However, customers with KYZ pulse meters will not receive AMI meters until 2028. KYZ pulse meters provide energy pulses or load control signals which can be utilized by customers for energy management purposes. This functionality is not yet available in the meters being installed as part of Xcel's AMI rollout. Xcel anticipates that an additional 7,255 customers will be eligible for the pilot once the AMI rollout is complete. Therefore, the completed AMI rollout will result in an estimated 11,124 Pilot eligible C&I customers. These estimates are based on current customers, peak loads, and load factors so eligibility may change during the rollout of AMI equipment.⁶⁰

Opinion Dynamics

Xcel has contracted with Opinion Dynamics, a third-party consultant, to evaluate dual participation of customers in different DR programs and TOU rates as part of the pilot.⁶¹ Opinion Dynamics believes that dual participation in DR programs and TOU rates will be infrequent, and they intend to use established practices for isolating effects. For example, since demand response events are temporary while the TOU rate is long term, days with demand events can be removed from an impact analysis without having a major effect.⁶²

Opinion Dynamics asserts that having 30 or more participants in each rate plan is sufficient to capture diverse perspectives and outcomes from participants to deliver qualitative information from the Pilot. Opinion Dynamics states that it is possible to derive valuable insights for cases of fewer than 30 participants, but results depend on numerous factors like the types of customers and the responses to participation interviews.⁶³

⁵⁸ *Id.*, at 3.

⁵⁹ *Id.*, at 4-5.

⁶⁰ *Id.*, at 5.

⁶¹ Xcel estimates the cost of engaging with Opinion Dynamics for the length of the pilot to be \$1.2 million. However, lower participation may mean lower total cost for Opinion Dynamics work. See, PUC February 18, 2025, Ex Parte Communication.

⁶² Xcel Reply Comments, October 4, 2024, at 5.

⁶³ *Id.*, at 6.

Opinion Dynamics plans on using the following techniques to evaluate the pilot's performance:

- Qualitative research with participants – Includes in-depth interviews with participants to gather information about their motivations, decisions, and perceptions of outcomes.
- Qualitative research with nonparticipants – Xcel and Opinion Dynamics will evaluate the priority of nonparticipant research focused on awareness, barriers, and ability to succeed on future rates.
- Impact Analysis – Using site-level methods allowing for a look into consumption patterns, trends, and changes combined with information from participant interviews.
- Assessment and documentation limitations – Assessing how representative the participating customers are of the eligible customers and all commercial customers.⁶⁴

Marketing and Outreach Plan

Xcel notes that approximately 600 eligible customers were not contacted because 400 sent emails were returned as undeliverable. Xcel also added 200 eligible customers since their initial emails informing their customers of the pilot. Xcel believes that their direct mail campaign will potentially allow them to reach close to 400 eligible customers with no valid email on file and the additional round of emails will ensure that all customers, both new and old, will be contacted about the pilot. The emails and postcards will include QR codes that leads customers to a webpage with more information on the rates and pilot enrollment. Also, as new eligible customers receive their AMI meters, information regarding both pilot rates will be included in the materials given to customers informing them of their new meter.⁶⁵

Because Xcel will be handling the email marketing outreach internally, the Company stated that no incremental costs will be incurred. Xcel estimates the total cost for direct mail outreach to be approximately \$8,500.

Timeline for Filing a New Default General Service TOU Rate Structure

Xcel does not believe that they will complete the rollout of AMI meters until sometime in 2025. Due to the initial low enrollment numbers for the pilot, Xcel believes that it will not be feasible to file a proposal for a class-wide default TOU rate by the November 1, 2025 deadline.⁶⁶ Xcel states that proceeding to default TOU rates for the entire General Service class is inconsistent with customer expectations and the Company worries that it might result in similar opposition as experienced in the Residential class.⁶⁷

Xcel believes that a small pilot sample size can still deliver valuable insights and instructive results. Xcel also argues that the limited pilot participation numbers has provided some

⁶⁴ *Id.*

⁶⁵ *Id.*, at 7.

⁶⁶ Commission Order to Conduct Pilot Programs for General Service Time-of-Use Rates and Setting Procedural Schedule, July 16, 2021, Ordering Paragraph 2, at 14-15.

⁶⁷ Xcel Reply Comments, October 4, 2024, at 8.

learning, and the rates as designed have not been broadly appealing to their C&I customers. With that being said, Xcel does not oppose an alternative that moves towards a new General Service TOU rate if the Commission does not want to continue the pilot.⁶⁸

Xcel's preference, if the Commission decides to terminate the pilot, is to focus on developing a partial transition plan, instead of a class-wide plan, by the November 1, 2025 target in the Commission's prior Order. Xcel would focus its time, before November 1, 2025, on working with stakeholders to develop the details of a rescaled proposal.⁶⁹ **(Decision Option 5)**

Xcel envisions their rescaled proposal as follows:

- Modernize the general service TOU rates for those customers who are required to take time-varying rate service, and to transition those mandatory TOU customers to a refreshed three-period rate design;⁷⁰
- The refreshed TOU rate would be available to other general service customers on a voluntary basis;
- Shifting the mandatory general service TOU rate to a three-period energy rate;
- Simplifying the demand charges;
- For other time-varying rates for C&I customers, shifting away from demand charges that are differentiated by time periods and instead using a single monthly demand charge; and
- Developing a separate voluntary CPP rate option for customers in consultation with stakeholders.⁷¹

If the Commission decides to pursue the path listed above, Xcel anticipates the following timeline:

- Q1 2025 – Meet with stakeholders to discuss new General Service TOU and voluntary CPP rates.
- Q2 2025 – Informed by stakeholder discussions and insights from pilot, begin design of new General Service TOU and voluntary CPP rates.
- November 1, 2025 – Submit General Service TOU and voluntary CPP Rate Petition.
- 2026 – Potential Commission approval of General Service TOU and voluntary CPP rates filed in its 2024 Minnesota Electric Rate Case (Docket 24-320).

⁶⁸ *Id.*

⁶⁹ *Id.*, at 9.

⁷⁰ The General Time of Day Service (Rate Codes A15, A17, A19) is mandatory for customers with demand equal to or greater than 1,000 kW. Currently there are 5,401 customers on mandatory TOD service who would be subject to this transition.

⁷¹ Xcel Reply Comments, October 4, 2024, at 9.

- Concurrent with final rates compliance filing in Minnesota Electric Rate Case – Calibrate final general service TOU and voluntary CPP rates with revenue requirement approved in rate case.
- TOU and CPP rate Effective Date – To be concurrent with 2024 Minnesota Electric Rate Case final rates implementation.⁷²

VII. Fresh Energy

Like the Department, Fresh Energy is concerned that Xcel's proposed recruitment plan modification would increase self-selection bias. Fresh Energy states that even if the Commission approves Xcel's recruitment plan modification, Xcel will still not approach the participation levels needed to obtain statistically significant results. Fresh Energy argues that Xcel's proposed recruitment plan modification is both problematic and inadequate. Fresh Energy also states that Xcel should not invest additional resources into the TOU pilot, and instead focus on developing the new default general service TOU rate structure, that they are required to file no later than November 1, 2025.⁷³ **(Decision Option 6)**

VIII. Department Letter

For the reasons stated in its September 20, 2024, comments, the Department recommends that the Commission order Xcel to terminate the General Service TOU pilot and require the Company to focus attention and resources on developing the default general service TOU rate by the November 1, 2025 target date.

The Department contends that without greater participation levels from eligible C&I customers the pilot will fail in obtaining statistically significant results for both the TOU and CPP rate plans. The Department states that Xcel would be better served by working with stakeholders to develop a default general service TOU rate using current Xcel peak load data and best practices from other examples of TOU rates from across the nation.⁷⁴

The Department argues that a better outreach and education plan will enable Xcel to develop and offer default General Service TOU rates to C&I customers that will effectively shift load and be accepted by the majority of C&I customers.⁷⁵

The Department recommends the Commission order Xcel to suspend the launch of the General TOU Service Rate Pilot Program and proceed directly to working with stakeholders on the design and development of a default General Service TOU rate structure.⁷⁶ **(Decision Option 6)**

⁷² *Id.*

⁷³ Fresh Energy Comments, October 4, 2024, at 1-2.

⁷⁴ Department Letter, October 21, 2024, at 1.

⁷⁵ *Id.*, at 2.

⁷⁶ *Id.*

5. Staff Analysis

Path One: Decision Option 4

There are a few paths the Commission can take to resolve the issues listed above. One path forward is to require Xcel to move on from their original randomized 20/40/40 recruitment plan and accept Xcel's new recruitment plan, allowing all eligible C&I customers to choose either the General TOU rate or CPP rate. **(Decision Option 4)** This tactic would potentially boost current pilot participation levels, which is currently at seven customers enrolled in the TOU rate and none for the CPP rate, above Opinion Dynamics' 30-participant threshold for pilot performance evaluation. If the Commission decides to go this route, Xcel plans to once again send communications to potential customers via email and direct mail. Xcel will also add both pilot rates to their 'Rate Plans' page of their website and they will consider setting up webinars to educate potential interested customers.

Path Two: Decision Option 6

Another path the Commission could take is to put the General TOU rate and CPP rate pilot on hold, as recommended by Fresh Energy and the Department. **(Decision Option 6)** Fresh Energy and the Department believe that Xcel's updated pilot recruitment plan will not attract enough customers to the General Service TOU Rate Pilot Program. Therefore, Fresh Energy and the Department argue that Xcel will not be able to obtain statistically significant results to help guide them when they create their default General Service TOU rate by November 1, 2025. The Department states that the low participation rates indicate that the pilot design is not broadly appealing to C&I customers, and because of that, changing the recruitment procedure will not change enrollment numbers. For those reasons, Fresh Energy and the Department recommend Xcel focus on establishing a three-period TOU rate design because those rates can effectively shift load from peak to off-peak hours and be more appealing to C&I customers.

Path 3: Decision Option 5

If the Commission agrees with Fresh Energy and the Department, Xcel is not opposed to shelving the pilot to focus on an alternative path to develop and partially transition to a default General Service TOU Rate Pilot Program. **(Decision Option 5)** If the Commission decides to go this route, Xcel will submit its General Service TOU and voluntary CPP rate petition to the Commission on November 1, 2025.

6. Decision Options

Monthly Customer Charge

1. Approve Xcel's updated monthly customer charge from \$29.64 to \$29.98 as proposed in the Company's February 23, 2024, petition filing. (Xcel)

Demand Charges

2. Approve Xcel's updated distribution demand charge pricing as proposed in the Company's February 23, 2024, petition filing. (Xcel)

Energy Charge

3. Approve Xcel's updated time-differentiated energy charge rates for both the General TOU Service Rate and CPP Rate as proposed in the Company's February 23, 2024, petition filing. (Xcel)

Pilot Participation Recruitment Plan

4. Approve Xcel's modified General TOU Service Pilot recruitment strategy allowing the Company to market both the General TOU Service and the CPP pilot rate options to all eligible customers. (Xcel)

[OR]

5. Require Xcel to suspend its General TOU Service Rate Pilot Program and focus on developing a partial transition plan to a default General Service TOU rate, to be filed by November 1, 2025, with timelines and actions as described in Xcel's October 4, 2024 Reply Comments. (Xcel not opposed)

[OR]

6. Require Xcel to suspend its General TOU Service Rate Pilot Program and to immediately work with stakeholders on designing and developing a default General Service TOU rate structure, to be filed by November 1, 2025. (Fresh Energy, Department)