

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: March 31, 2016 Agenda Item* # 3

Company: Northern States Power Company d/b/a Xcel Energy

Docket No. E-002/GR-12-961

In the Matter of the Application of Northern States Power Company, d/b/a
Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota

Issues: Should the Commission accept Northern States Power Company’s annual compliance report on its new Electric Service Agreements (ESAs) with Advanced Extrusion, Inc., LeafLine Labs LLC, New Plastics Plus, Inc., and Grede, LLC under Xcel’s Business Incentive and Sustainability (BIS) Rider?

Should the Commission require Xcel to file additional information with future Business Incentive and Sustainability Rider compliance filings?

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Relevant Documents

Xcel – BIS Rider – Annual Report - Compliance Filing (TS)..... December 1, 2015
Xcel – BIS Rider – New ESAs - Compliance Filing (TS)..... January 27, 2016
Office of the Attorney General – Comments February 26, 2016
Xcel – Reply Comments March 7, 2016

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Statement of the Issues

Should the Commission accept Northern States Power Company's annual compliance report on its new Electric Service Agreements (ESAs) with Advanced Extrusion, Inc., LeafLine Labs LLC, New Plastics Plus, Inc., and Grede, LLC under Xcel's Business Incentive and Sustainability (BIS) Rider?

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Business Incentive and Sustainability Rider Tariff

The Commission's September 3, 2013, Order in Docket No. E002/GR-12-961 approved Xcel's Business Incentive and Sustainability Rider (BIS) tariff.

This rider is available to commercial and industrial customers who place new load (or demand) generally exceeding 350kW. Eligible customers are required to sign an Electric Service Agreement (ESA) contract for a period of six years and permit Xcel to conduct an energy audit and participate in the Energy Assistance Design program.

Generally, under the BIS Rider, the monthly demand charges are subject to the following reductions over the full term of the contract:

Years:	1 - 3	4	5	6
Percent Reduction:	40%	20%	10%	0%

The BIS Rider tariff requires Xcel to file a compliance filing, within 30 days of signing an ESA, showing the incremental revenues and the incremental costs associated with the new ESA. The tariff provides that if no party objects to the ESA within 30 days of the filing date, the ESA is deemed to be approved.

The BIS Rider tariff also states (Minnesota Electric Rate Book - MPUC No. 2, Section 5, Original Sheet No. 141):

REVENUE RECOVERY

The Company, within a general rate case, is allowed to seek recovery of the difference between the applicable commercial and industrial tariff and this Rider times the usage level during the test year period.

Business Incentive and Sustainability Rider Compliance Filings

January 27, 2016, Xcel filed a compliance filing showing that Xcel had entered into an ESA with four customers under the BIS Rider tariff. For each individual customer, Xcel showed that the incremental revenues to be received exceeded the associated incremental cost.

Comments of the Office of the Attorney General

On February 26, 2016, the Office of the Attorney General (OAG) filed comments stating that it was not objecting to Xcel's compliance filing and that while Xcel was properly administering the existing BIS Rider tariff, the compliance filings could be improved and made more transparent in the future by requiring Xcel to file additional information.

The OAG stated that although it obtained additional information pursuant to discovery, it would be preferable to routinize the submission of such information.

The likelihood of extensive application of discounts under the BIS Rider tariff and the revenue recovery proposal contained in the BIS tariff are at the heart of the OAG's request for additional information in its bid to evaluate the efficacy of the BIS Rider tariff. As such, the OAG has raised issues that go beyond the merely compliance aspects of the BIS tariff.

The OAG states that until this compliance filing, the BIS discount had been offered to just one customer so far. The instant compliance filing brings four additional customers under the BIS discount and the OAG notes that Xcel anticipates adding between five and ten new customers during 2016 and has been in contact with as many as 51 customers about the BIS Rider discounts.

In the following, Staff restates the additional information the OAG is seeking and the OAG's rationale for seeing it:

- 1) Xcel should provide information about the cumulative generation capacity that is necessary to serve the new load incentivized by the BIS Rider and its relationship to the Company's overall generation requirements. The OAG noted that although Xcel has stated that it currently has excess generation capacity, it would be helpful for the Commission to understand the impact that the new consumption incentivized by the BIS Rider discounts has on the Company's future generation requirements;
- 2) Xcel should provide information about the relationship between customers added to the BIS Rider and any sales forecasts provided for pending rate cases or other dockets involving sales forecasting. The OAG argued that it is possible that customers increasing consumption in response to BIS Rider incentives could have a material impact on the Company's sales forecasting;
- 3) Xcel should provide more information about the energy audit and other sustainability efforts required by the language of the BIS Rider tariff. The BIS Rider, while offering discounts aimed at increasing usage, requires customers to participate in sustainability and conservation

programs. The OAG noted that providing more information about this process (e.g., where each customer is in the process and any conservation action taken by the BIS customers) would be beneficial in judging the overall success of the BIS Rider;

4) Xcel should provide more information about the impact of the BIS Rider discount on incentivizing new energy consumption by business customers. The OAG is seeking more information on how customers responded to the BIS Rider discount and how Xcel determined it was not offering unnecessary discounts;

5) Xcel should provide information about the “Revenue Recovery” provision (noted above) of the BIS Rider Tariff – whether and how Xcel has sought, or intends to seek, recovery of the shortfall related to the BIS discount from other customer classes; and

6) Xcel should provide information about the amount of BIS Rider discounts and their financial impact on other classes. The OAG notes its concern that, in light of the increasing number of customers that appear to be interested in the BIS Rider, the application of the discount, over time, could result in a measurable shift in cost from business customers to residential customers.

In the interest of increasing the transparency of the BIS Rider in the future, the OAG recommends that Xcel provide this additional information with future BIS Rider Compliance Filings.

Reply Comments of Xcel

On March 7, 2016, Xcel filed its Reply Comments.

Xcel noted that the additional information requested by the OAG was not required under the BIS tariff to determine a customer’s ability to take service under the tariff.

Nevertheless, Xcel stated its willingness to provide the information requested by the OAG, but not with the compliance filing.

Xcel suggested that it would develop a format to provide the requested additional information on customers taking service under the BIS Rider in its “December 1 Annual Compliance Filing.” Xcel stated that this mode of providing the information would permit an efficient organization and review of this additional information.

Staff Comment

The OAG noted that Xcel provided much of the information in response to the OAG’s discovery.¹ From the attachments to the OAG’s Comments, it is apparent that Xcel responded to the OAG’s discovery within the 10-day limit that is normally applicable to discovery.

¹ It does not appear that the OAG conducted discovery relating issues 4), 5), and 6) above.

Although Xcel appears willing to provide the information requested by the OAG in annual filing, Xcel also appears to imply that the BIS policy issues should be resolved in a rate case setting. For example, in response to the following OAG's queries,

What is the cumulative generation requirement for the four new ESAs? Is this requirement reflected in Xcel's pending integrated resource plan?

Are the increased sales as a result of these four ESAs reflected in the Company's pending rate case in docket 15-826? If they are not, why?

Xcel included the following preface:

The Company notes that the questions raised in this request are related to the benefits and design of the BIS Rider and not to the Company's compliance with an existing tariff. Should the OAG disagree with the current design of this tariff, our current rate case provides the appropriate forum for this discussion.

Xcel's response is certainly in accord with the Administrative Law Judge's Findings of Fact in the 12-961 docket:²

805. So as to assure prompt execution and completion of service contracts, and to avoid delays by the Company's competitors, it was agreed by the Department that submission by the Company of an annual filing as to each contract was sufficient to permit Commission oversight of administration of the BIS Rider.

Now, however, the OAG has raised new policy issues not apparently considered or raised in the 12-961 rate case in a way that OAG believes is appropriate today. Xcel appears to imply that policy-issues relating to the BIS tariff are best addressed in a rate case rather than in a compliance filing.

The Commission has approved the BIS tariff and the OAG's current position is simply to accumulate information with the aim of modifying the tariff in the future. Staff suggests that if the OAG believes the framework of the BIS Rider tariff should be modified, then it may want to suggest that in its testimony in Xcel's pending electric rate case, in docket #15-828.

² The Commission's September 3, 2013 Order did not make any exception to this finding.

Decision Alternatives

1. Accept Northern States Power Company's annual compliance report on its new Electric Service Agreements (ESAs) with Advanced Extrusion, Inc., LeafLine Labs LLC, New Plastics Plus, Inc., and Grede, LLC under Xcel's Business Incentive and Sustainability (BIS) Rider.
2. Require Xcel to provide the information in items 1 – 6 above in future BIS Rider compliance filings.
 - a. in the annual December 1st compliance report on all BIS ESAs, or
 - b. in the new BIS ESA compliance filings, or
 - c. in both annual compliance filings as described in 2(a) and 2(b).
3. Require Xcel to develop a format to provide the information in items 1 – 6 above on customers taking service under the BIS Rider within 30 days of the issue of this order.
4. Other action by the Commission.

Staff Recommendation

Staff recommends decision alternatives 1, 2(a) and 3.