


## Staff Briefing Papers

Meeting Date	November 5, 2020		Agenda Item 1**
Company	Northern States Power Company, d/b/a Xcel Energy		
Docket No.	<b>E002/M-20-662</b> In the Matter of a Petition by Northern State Power Company for Approval to Provide Relief for Commercial and Industrial Customers that had Peak Monthly Loads of Less than 100 kW before the COVID-19 Pandemic and Civil Unrest		
Issue	Should the Commission approve Xcel’s Petition to provide rate discounts for certain commercial and industrial customers that had peak monthly loads of less than 100 kW before the COVID-19 pandemic and civil unrest?		
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 <b>Relevant Documents</b>	<b>Date</b>
PUC - Order Approving Proposed Changes with Modifications (E-002/M-20-436)	July 27, 2020
NSP-MN - Petition	August 14, 2020
Office of the Attorney General – Comments	September 14, 2020
Department of Commerce – Comments	October 1, 2020
NSP-MN – Reply Comments	October 15, 2020
City of Minneapolis – Reply Comments	October 15, 2020

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## **I. Statement of the Issue**

Should the Commission approve Xcel's Petition to provide rate discounts for certain commercial and industrial customers that had peak monthly loads of less than 100 kW before the COVID-19 pandemic and civil unrest?

## **II. Introduction**

On April 23, 2020, in Docket No. E-002/M-20-436,<sup>1</sup> Xcel filed a petition proposing, among other things, temporary rate relief to commercial and industrial customers facing reduced business due to the COVID-19 pandemic (the COVID-19 program). Essentially, the program offers, for a limited time (until March 31, 2021), enrolled<sup>2</sup> customers with a pre-pandemic average monthly peak load of 100 to 2000 kW, and who have suffered 25 percent reduction in their load as a direct response to government mandates associated with the pandemic, a 25 percent credit or discount on basic charges (excluding customer charge).

The Department of Commerce, Division of Energy Resources (Department) and the Office of the Attorney General (OAG) filed responsive comments on Xcel's COVID-19 program. These comments raised concerns about certain aspects of the proposal, but, in the main, did not oppose the proposal.

On July 27, 2020, the Commission issued its order<sup>3</sup> approving Xcel's COVID-19 program with modifications. This Order also directed Xcel to make a supplemental filing by August 14, 2020, designed to provide relief for commercial and industrial customers that had peak monthly loads of less than 100 kW.

On August 14, 2020, Xcel submitted the compliance filing in the instant docket (E-002/M-20-662). Xcel called the compliance filing "Pandemic and Civil Unrest Recovery Program."

## **III. Parties' Positions**

### **A. Office of the Attorney General**

On September 14, 2020, the OAG filed Comments recommending the Commission approve the petition and require Xcel to track both the costs and the revenues that result from the program so that any proposed recovery of deferred costs can be offset by the corresponding benefits accruing for the same period. The OAG added that if the benefit to Xcel from offering the

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<sup>1</sup> In the Matter of the Petition of Northern States Power Company for Approval of Revisions to the Business Incentive and Sustainability (BIS) Rider Tariff.

<sup>2</sup> Enrollment requires application by customers and subject to approval by Xcel; customers should participate in at least one of the energy-efficiency programs; and enrollment is limited to a total load of 200 Mw.

<sup>3</sup> Order Approving Proposed Changes With Modifications, In the Matter of the Petition of Northern States Power Company for Approval of Revisions to the Business Incentive and Sustainability (BIS) Rider Tariff, Docket No. E-002/M-20-436

credits exceeds the cost of those credits, recovering deferred costs from ratepayers would not be just and reasonable.

**B. Department of Commerce**

On October 1, 2020, the Department filed its comments recommending approval of the discount program.

**C. City of Minneapolis**

On October 15, 2020, the City of Minneapolis (Minneapolis) filed reply comments. Minneapolis supports the OAG’s recommendation to approve Xcel’s proposed program with the requirement to offset the recovery of deferred costs by the associated benefits. This will help balance the need to support small businesses with near-term relief with the interests of non-participating customers and ensure that cost recovery from customers is better aligned with actual costs.

**D. Xcel**

On October 15, 2020, Xcel filed its reply to the OAG’s comments. Xcel disagrees with the OAG’s recommendation that the Commission order Xcel to track both costs and revenues so that any proposed recovery of deferred costs can be offset by the corresponding benefits accruing for the same period.

Xcel argues that it is inappropriate to impose this condition because the discount proposed in this compliance filing is in response to the Commission’s order and that it is unreasonable to hold the Company at risk.

**IV. Details of Xcel’s Petition**

As required by the Commission’s July 27, 2020 Order Approving Proposed Changes with Modifications, the proposed discount is for enrolled customers with pre-pandemic loads under 100 kW and who have experienced at least a 25 percent reduction in peak load compared to their prior monthly peak load for the twelve months preceding February 2020.<sup>4</sup>

Enrolled customers would receive a 25 percent discount off their total monthly base rate charge (excluding customer charge). To qualify for the discount, customers must demonstrate they have experienced a minimum 25 percent peak load reduction compared to their prior monthly peak load for the twelve months preceding February 2020 “directly associated with the COVID-19 pandemic or the recent civil unrest.” For non-demand billed customers, load reductions will be estimated based on energy usage.

The credits will be applied from the time of approval of the program through March 31, 2021.

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<sup>4</sup> The program is aimed at customers such as schools, theaters, fitness centers, shopping centers, hotels, and small manufacturers.

The discount program is limited to a total of 50 Mw of customer loads, measured by the total average load (prior to the impact of the pandemic or civil unrest) of participating customers.

Xcel is seeking Commission approval to defer recovery of the credits to its next rate case. Xcel stated that by retaining revenue-generating customers who might otherwise fail, it hopes to mitigate the risk of further sales losses brought about by the pandemic or the civil unrest. Xcel, however, indicated that the total revenue impact is expected to be positive by virtue of the sales retained from the program.

Xcel noted that it would file with the Commission a monthly report providing a list of participating customers, each customer's average peak load for the 12 months ending February 2020, each customer's peak load at the time of application, and the date of each application (see Xcel's petition, Attachment C). As for non-demand billed customers, Xcel indicated that the report would provide the 12 months' average kWh usage prior to February 2020 and the kWh usage at the time of application. Xcel indicated that it would also file a final report identifying the total number of customers that participated in the program and the total amount of program credits provided.

Xcel indicated that it intends to explain this program to customers primarily through targeted emails and bill inserts. Attachment D1 to Xcel's petition provides a copy of the proposed bill insert and Attachment D2 contains a copy of the e-mail to be sent to the Chamber of Commerce.

## **V. OAG's Comments**

The OAG recommended the Commission approve the petition but require Xcel to track both the costs and the revenues that result from the program.

The OAG supports Xcel's proposal because it is consistent with the OAG's recommendation in Docket No. E-002/M-20-436. The OAG claims that Xcel's current proposal would provide much-needed relief to smaller businesses, such as restaurants, small retail shops, grocery and convenience stores, pharmacies, printers and small manufacturers, who were left out of the BIS Rider relief program (E-002/M-20-436) because of its minimum demand threshold.

The OAG stressed that in approving the BIS Rider relief program, the Commission authorized Xcel to seek recovery of the cost of the credits in a future rate case, on the condition that the Company

... provide[d] a cost/benefit analysis demonstrating the reasonableness of any cost recovery, including the full amount of the COVID-19 credits given and the sales revenue stimulated and retained.

The OAG argues that by imposing this requirement, the Commission acknowledged that providing these discounts benefits Xcel, helping the Company retain load that it could otherwise lose. For the same reason, the Commission should require Xcel, in the instant docket, to track both costs and revenues related to this program so that any proposed recovery of deferred costs can be offset by the corresponding benefits accruing for the same period. If

the benefit to Xcel from offering the credits exceeds the cost of those credits, recovering deferred costs from ratepayers would not be just and reasonable.

## **VI. Department's Comments**

The Department recommended approval of the petition and its analysis sheds light on the potential scope of the proposed discount plan.

The Department noted that Xcel's 2019 billing information indicates that there are approximately 39,000 electric customers with loads below 100 kW, with an annual base revenue of approximately \$280 million. The Company's proposed 50-MW cap represents approximately 5 percent of billed demand. Xcel estimated that the 50-Mw cap would result in approximately 1,950 customers participating in the discount program. The Department also noted that Xcel indicated it expects the total revenue impact to be positive because it will result in retained sales.

## **VII. Staff Comments**

The instant temporary Pandemic and Civil Unrest Recovery Program proposed by Xcel is analogous to the temporary COVID-19 discount program previously approved by the Commission.

Xcel has proposed that the relief program in this docket terminate on March 31, 2021.

The Commission modified the effective date of the previous discount program such that it remained effective for 8 months, from July 27, 2020 (the date of the order in E-002/M-20-436) through March 31, 2021.

Staff suggests that the Commission consider the feasibility of this instant relief program running for the same length of time as the first program, i.e., for a full 8 months.

Staff agrees with the OAG and the City of Minneapolis that the Commission should subject Xcel to a requirement similar to that imposed in the earlier COVID-19 discount docket:

In its next general rate case, Xcel may seek recovery of the cost of the credits issued in this Pandemic and Civil Unrest Recovery Program. At that time, Xcel shall provide a cost/benefit analysis demonstrating the reasonableness of any cost recovery, including the full amount of the credits given and the sales revenue stimulated and retained. Xcel may defer the cost of these credits until its next general rate case.

Xcel argues that it is inappropriate to impose this condition because Xcel is only complying with a Commission order and that it is unreasonable to hold the Company at risk.

Staff believes that because this discount filing is merely an extension of, or an appendage to, the earlier COVID-19 discount proposal, it would be appropriate to subject both programs to the same set of requirements. By tracking the credits given and any increase or retention of

revenues, Xcel will be able to perform a cost/benefit analysis which can be used to judge the reasonableness of cost recovery. Staff believes such an approach is not only consistent between the two discount programs, but risk-free.

### **VIII. Decision Alternatives**

1. Approve Xcel's Pandemic and Civil Unrest Recovery Program as proposed.

or

2. Approve the proposed Pandemic and Civil Unrest Recovery Program subject to the following modifications:
  - a. the credit shall be applied for an 8-month period following the date of the Commission's order in this docket; and
  - b. in its next general rate case, Xcel may seek recovery of the cost of the credits issued in this Pandemic and Civil Unrest Recovery Program; at that time, Xcel shall provide a cost/benefit analysis demonstrating the reasonableness of any cost recovery, including the full amount of the credits given and the sales revenue stimulated and retained; and Xcel may defer the cost of these credits until its next general rate case.