

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition of Northern
States Power Co. d/b/a Xcel Energy to Revise
Its Net Metering Tariffs to Apply to
Qualifying Facilities Up to 5 MW

ISSUE DATE: June 25, 2025

DOCKET NO. E-002/M-24-389

ORDER APPROVING NET METERING
TARIFF CHANGES

PROCEDURAL HISTORY

On November 20, 2024, Northern States Power Co. d/b/a Xcel Energy (Xcel or the Company) filed a petition to revise its net metering tariffs to apply to qualifying facilities up to five megawatts (MW).

On December 18, 2024, the Commission filed a notice requesting comments on Xcel's petition.

On February 18, 2025, the Commission received comments from the Department of Commerce—Division of Energy Resources (the Department), United Health Group, and Xcel customer Joe Bauer.

On February 28, 2025, Xcel filed reply comments.

On March 31, 2025, the Department filed a letter responding to Xcel's reply comments.

On May 8, 2025, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Background

The Public Utilities Regulatory Policies Act of 1978 (PURPA) requires Xcel to interconnect with and purchase electricity from certain types of electric generation facilities that PURPA refers to as qualifying facilities (QFs). A QF can be either a small power production facility that generates up to 80 MW of renewable energy or a cogeneration facility that produces electricity and useful thermal energy (like heat or steam) together in a more efficient way than producing them separately. Xcel must purchase power from QFs at its avoided cost rate, which is the generation

expense that a utility avoids by purchasing power from a QF rather than producing the power itself.

Another way utilities purchase power from generating facilities is through net metering, whereby customers are billed for the difference between the energy produced on-site and the energy consumed over the course of a defined period. Net metering incentivizes small-scale customer-sited distributed energy resources (DERs) such as rooftop solar. This incentive mechanism is outside the scope of PURPA.

Minn. Stat. § 216B.164 implements PURPA in Minnesota and governs net metering. Among other provisions, this statute allows public utilities to limit the size of net metered solar facilities over 40 kilowatts (kW) to 120 percent of the customer's on-site annual electric energy consumption.¹ This is referred to as the "120 percent rule."

Xcel's net metering tariff provides net metering for all QFs less than 40 kW and for other QFs less than 1,000 kW (or 1 MW) that comply with the 120 percent rule. QFs can be paid for excess production in 15-minute, monthly, or annual intervals, depending on the size of the QF.

Xcel's current tariff requires QFs between 1 MW and 5 MW to negotiate a power purchase agreement (PPA) with Xcel to sell excess energy production to the Company.

II. Petition

Xcel sought approval of changes to its 15-minute net metering tariff² that would enable QFs up to 5 MW to participate in 15-minute net metering. Xcel also proposed removing the 120 percent rule from this net metering tariff to align with PURPA, which does not have a 120 percent rule. Xcel further requested a variance to Minn. R. 7835.9910 to modify the Uniform Statewide Contract, making it applicable to QFs up to 5 MW.

Xcel argued that its proposed changes would improve transparency, allow customers to make more informed decisions about their energy needs, and simplify the interconnection process for distributed QFs. Xcel maintained that using the net metering tariffs would streamline the process for many customers while allowing QF owners to negotiate a PPA with the Company if they choose.

Xcel argued that its variance request met the standard for granting variances in Minn. R. 7829.3200 because the proposed changes to the Uniform Statewide Contract would alleviate an excessive burden on developers, customers, and the Company by allowing a standardized approach to interconnection and reducing surprises to the developer or interconnection customer. Xcel further argued that the changes would not adversely affect the public interest and would not conflict with standards imposed by law.

¹ Minn. Stat. § 216B.164, subd. 4c(a)(2).

² Rate Codes A51 and A52.

III. Comments

A. The Department

The Department agreed with Xcel that a standardized tariff would provide benefits to QF owners and the utility by providing greater clarity about net metering compensation, which could facilitate additional DER adoption among large commercial and industrial customers. The Department also agreed that a standardized tariff would reduce administrative demands associated with PPA negotiation, which should facilitate a more streamlined and efficient interconnection process for QF owners and Xcel.

However, the Department expressed concerns with Xcel's proposed changes to the net metering tariff and the Uniform Statewide Contract. The Department questioned whether the net metering tariffs, which are aligned with Minn. Stat. § 216B.164 and Minn. R. 7835 and limit net metering eligibility to systems under 1 MW, are the appropriate method for Xcel to meet its obligations under PURPA. The Department argued that Xcel did not sufficiently discuss the elimination of the 120 percent rule, particularly the fact that equivalently sized net metered systems below 1 MW on other rate codes would still have to comply with the 120 percent rule.

The Department also disagreed with Xcel's variance analysis. The Department questioned whether the status quo requiring negotiated PPAs for QFs larger than 1 MW can be considered excessively burdensome, and the Department argued that modifying the Uniform Statewide Contract for systems larger than 1 MW would conflict with Minn. Stat. § 216B.164, subd. 6(a). The Department further argued that additional rule variances were required to effectuate Xcel's proposed changes and recommended that the Commission deny Xcel's request for a variance to Minn. R. 7835.9910.

The Department requested that Xcel propose an alternative tariff option that would achieve Xcel's objectives of standardizing interconnection of QFs up to 5 MW or explain why an alternative is not feasible.

B. Other Comments

United Health Group argued that Xcel's proposed changes should apply to other net metering rate codes to encourage greater development of renewable resources for healthcare facilities, schools, municipalities and other interested stakeholders. United Health Group maintained that its recommendation was consistent with Minnesota Executive Order 19-27, which calls for government agencies to run in more sustainable ways. United Health Group also argued that DER facilities owned by the same customer that are within one mile of each other should not have their capacity aggregated for purposes of determining the facility size.

Xcel customer Joe Bauer owns rooftop solar and expressed concern that Xcel's proposal would reduce net metering payments for customers, thereby decreasing solar growth and the stability of the grid.

C. Xcel Reply Comments

Xcel reiterated its arguments in favor of its requested rule variance to modify the Uniform Statewide Contract and argued that the additional variances suggested by the Department are not necessary to implement its proposed changes. Xcel also further explained its proposed elimination of the 120 percent rule.

Xcel argued that United Health Group's recommended net metering tariff changes would unfairly reduce monthly electricity payments from larger net metering customers, thereby shifting costs onto other ratepayers. Xcel also argued that aggregation of net metered facilities within one mile of each other is in the public interest and consistent with Federal Energy Regulatory Commission guidance.

Xcel clarified that its proposed tariff changes would not affect rooftop solar systems like Joe Bauer's and contacted him about the Company's \$15,000 DER cost sharing program.

IV. Department and Xcel Agreement on Tariff Changes

In response to the Department's request for an alternative tariff option, Xcel proposed a tariffed PPA contract for QFs up to 5 MW or systems under 1 MW that do not comply with the 120 percent rule. This alternative proposal did not require changes to the current 15-minute net metering rate codes nor the Uniform Statewide Contract. Xcel explained that a benefit of this approach was the ability to leverage existing IT, billing and process infrastructure within the Company.

The Department filed comments supporting Xcel's alternative approach and recommending the Commission approve Xcel's proposed tariff changes.

V. Commission Action

The Commission appreciates the Department's and Xcel's agreement on Xcel's net metering tariff changes. The Commission concurs that the proposed tariffed PPA simplifies and streamlines the interconnection process for net metered DERs and provides greater clarity and transparency regarding compensation for customers.

The Commission concludes that the alternative tariff changes included in Xcel's reply comments are a reasonable and measured approach that will remove barriers to net metering and may encourage more customers to install DERs, particularly commercial and industrial customers interested in larger systems. The Commission will therefore approve the proposed Tariffed 5 MW QF PPA included in Xcel's reply comments and require Xcel to implement the accompanying tariff changes within 90 days of this order.

The Commission acknowledges United Health Group's arguments for expanding the tariff changes to other net metering rate codes but agrees with Xcel that doing so would require other ratepayers to cross-subsidize these net metered systems and is not in the public interest.

ORDER

1. The Commission approves the proposed Tariffed 5 MW QF PPA as set forth in Xcel's reply comments dated February 28, 2025.
2. Xcel shall implement and file the following tariff changes within 90 days of this order:
 - a. Add the proposed Tariffed 5 MW QF PPA to Xcel's tariff;
 - b. Revise tariff sheet 9-8.1 as set forth in Xcel's petition; and
 - c. Revise tariff sheet 9-8.2 as set forth in Xcel's reply comments.
3. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert
Executive Secretary



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CERTIFICATE OF SERVICE

I, Anne Redmond, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

Minnesota Public Utilities Commission
ORDER APPROVING NET METERING TARIFF CHANGES

Docket Number **E-002/M-24-389**

Dated this 25th day of June, 2025

/s/ Anne Redmond

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