



414 Nicollet Mall
Minneapolis, MN 55401

August 7, 2017

—Via Electronic Filing—

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: REPLY COMMENTS
SOLAR ENERGY STANDARD CUSTOMER EXCLUSION COST TREATMENT
DOCKET NO. E002/M-17-425

Dear Mr. Wolf:

Northern States Power Company, doing business as Xcel Energy, has reviewed the July 26, 2017 Comments of the Department of Commerce, Division of Energy Resources in this proceeding and provides the enclosed Reply.

We have electronically filed this document with the Minnesota Public Utilities Commission, and copies have been served on the parties on the attached service list.

Please contact Rebecca Eilers at rebecca.d.eilers@xcelenergy.com or 612-330-5570 or me at amy.a.liberkowski@xcelenergy.com or 612-330-6613 if you have any questions regarding this filing.

Sincerely,

/s/

AMY LIBERKOWSKI
DIRECTOR, REGULATORY PRICING AND PLANNING

Enclosures
c: Service List

STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

IN THE MATTER OF THE PETITION OF
NORTHERN STATES POWER COMPANY
FOR APPROVAL OF A PLAN FOR
TREATMENT OF COSTS RELATED TO
SOLAR ENERGY STANDARD CUSTOMER
EXCLUSIONS

DOCKET NO. E002/M-17-425

REPLY COMMENTS

INTRODUCTION

Northern States Power Company, doing business as Xcel Energy, submits to the Minnesota Public Utilities Commission this Reply to the July 26, 2017 Comments of the Minnesota Department of Commerce – Division of Energy Resources regarding our plan for treatment of costs related to Solar Energy Standard (SES) customer exclusions.

The Department recommends that the Commission require the Company to refile our solar cost exclusion proposal to exclude solar costs for solar-exempt customers at the time they are billed. We believe our filed proposal meets statutory requirements, is in keeping with other regulatory cost treatment mechanisms, and is both reasonable and practical at any scale of affected customers. Therefore, we respectfully request the Commission approve our petition as originally filed.

REPLY

A. Company Proposal

On May 26, 2017, the Company filed a Petition with the Commission, seeking approval of a mechanism to implement the solar cost exclusion provision under Minn. Stat. § 216B.1691 subd. 2f(d). This filing follows the Company's previously

approved proposals which set forth the means by which customers may receive notice of, apply for, and receive cost exempt treatment. In the Company's May 26 Petition, we proposed a straightforward process for identifying relevant costs and crediting affected customers on an annual basis. As discussed in the Company's most recent Annual Report, the Company currently has two customers eligible for cost exclusion treatment as of June 1, 2017.¹

B. The Company's Proposal Complies with Statute

In its Comments, the Department quotes the relevant statute and states that it understands the law to require that customers are excluded from paying solar costs *at the time those costs are billed*. We believe in reaching this conclusion, the Department misapplies the rules of statutory construction, ignores precedent, and may undercut Commission authority to exercise discretion. The statute does not require that solar costs are excluded "at the time those costs are billed," and the Department is not permitted to read such a phrase into the statute.²

There are well-established precedents that expose customers or utilities to a limited period of lag. For example, the Company's rider mechanisms are designed to true-up to actual costs, so there is always a lag in which customers are not billed the precise recoverable costs.

In addition, the SES statute is silent on the process by which it should be applied, and the Commission has discretion to implement the statute as it sees fit. For instance, the statute does not prescribe how solar excluded customers are to be identified, and so the Company proposed, and the Commission approved, the process for identification and approval of those customers. We have proceeded with developing a proposal that we believe meets the requirement of the statute and achieves its intended outcome.

C. The Company's Proposal is Reasonable

As described in our Petition, we have put forth a practical proposal to implement the provision of the statute on behalf of our two affected customers. Our proposed solar cost exclusion treatment is a transparent solution that allows customers to realize the benefit to which they are entitled through an annual on-bill financial adjustment.

¹ See the June 1, 2017 Annual Report filed in Docket No. E999/M-17-283.

² *River Valley Truck Center v. Interstate Companies*, 680 N.W.2d 99, 105 (Minn. App., 2004).

The Company's proposal is reasonable for several reasons. First, as discussed in our Petition, the refund mechanism relies on actual data. Were the Company to exclude solar costs from the affected customer at the time they were billed, this would require the use of forecast data, rather than the actual data relied on in the Company's refund proposal. By using actual data and a straightforward refund, customers receive the full benefit of exemption.

Second, the Commission has reviewed and found similar mechanisms to be reasonable, even where a greater number of customers are affected. The Commission has on many occasions approved mechanisms that necessitate lag. These include true-ups, trackers, and deferred accounting solutions, to name a few. The Commission has concluded that such mechanisms are reasonable in a variety of circumstances where substantially greater customer interests are at stake.

Third, the Company's proposal gives effect to a provision of statute passed in 2013. The customers became eligible for cost exclusion treatment on June 1, 2017, and, regardless of the ultimate mechanism approved by the Commission for this purpose, the use of a lagged refund is inevitable in year one at a minimum. The Company believes its proposal, given these facts, is reasonable under the circumstances.

Finally, the Company's proposal is reasonable at any scale of customer interest, but particularly so given that only two customers are currently affected. As indicated in the Company's Petition, in the event that we observe a significant increase in solar cost exclusion requests by eligible customers, it may at that time be reasonable to review the refund mechanism. At present, however, the Company's two customer exemptions do not warrant the development of new rates across three existing tariffed Riders.

The Department did not, save for their concerns about the statute, conclude that the form of the Company's mechanism was otherwise unreasonable or technically flawed. We believe that, in light of the circumstances, the Company's proposed refund mechanism is reasonable.

D. The Department's Recommendation

In recommending that the Company be required to offer solar and non-solar rates through our riders, the Department is, in effect, recommending that our tariffs and customer bills reflect that customers pay higher rates attributed to solar energy standard compliance costs. It also would require the development of a series of new rates exclusively for the benefit of a very small subset of customers. While the

Company believes this recommendation has the potential to bring about increased transparency about solar as a cost driver, we are unsure that this potential benefit outweighs other considerations for practical and reasonable administration.

Additionally, the Department's recommendation is unlikely to lead to increased accuracy at the time of billing. The forecast costs included in solar and non-solar rates would themselves be subject to a constant true-up cycle. For all of these reasons, the Company continues to support its refund mechanism as proposed.

CONCLUSION

We respectfully request that the Commission approve our SES cost exclusion proposal as originally filed.

Dated: August 7, 2017

Northern States Power Company

CERTIFICATE OF SERVICE

I, Jim Erickson, hereby certify that I have this day served copies of the foregoing document on the attached list of persons.

xx by depositing a true and correct copy thereof, properly enveloped with postage paid in the United States mail at Minneapolis, Minnesota

xx electronic filing

DOCKET Nos. E002/M-17-245

Dated this 7th day of August 2017

/s/

Jim Erickson

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