

Staff Briefing Papers

Meeting Date	September 1, 2022	Agenda Item **6
Company	Xcel Energy, Minnesota Power, Otter Tail Power, Dakota Electric Association	
	E002/M-21-694 In the Matter of Xcel Energy's 2021 Integrated Distribution System Plan	
	E015/M-21-390 In the Matter of Minnesota Power's 2021 Integrated Distribution System Plan	
Docket No.	E017/M-21-612 In the Matter of Distribution System Planning for Otter Tail Power Company	
	E111/M-21-728 In the Matter of Distribution System Planning for Dakota Electric Association	
Issues	<ol style="list-style-type: none"> 1. What action should the Commission take on the Department of Commerce's Guidance Document as it relates to future IDPs and grid modernization filings? 2. Should the Commission require utilities to file additional information under Filing Requirement 3.D? 3. Should the Commission clarify its intent regarding Filing Requirement 3.A.28? 	
Staff	Hanna Terwilliger	hanna.terwilliger@state.mn.us 651-201-2243

Relevant Documents	Date
<i>Docket 21-694 – Xcel Energy IDP</i>	
Xcel Energy – 2021 Integrated Distribution Plan	November 1, 2021
Department of Commerce – Letter (Guidance Document)	February 9, 2022
Department of Commerce – Initial Comments	February 28, 2022
Xcel Energy – Reply Comments	March 22, 2022
Fresh Energy – Response to Reply Comments	April 11, 2022
City of Minneapolis – Reply Comments	April 11, 2022
Department of Commerce – Reply Comments	April 11, 2022



Community Power, ELPC, Vote Solar (CEV) – Reply Comments

April 12, 2022

Docket 21-390 – Minnesota Power IDP

Minnesota Power – 2021 Integrated Distribution Plan

October 25, 2021

Department of Commerce – Letter (Guidance Document)

February 9, 2022

Department of Commerce – Initial Comments

May 16, 2022

Minnesota Power – Reply Comments

June 6, 2022

Department of Commerce – Reply Comments

June 17, 2022

Docket 21-612 – Otter Tail Power IDP

Otter Tail Power – 2021 Integrated Distribution Plan

November 1, 2021

Department of Commerce – Letter (Guidance Document)

February 9, 2022

Department of Commerce – Initial Comments

March 22, 2022

Otter Tail Power – Reply Comments

April 15, 2022

Department of Commerce – Reply Comments

April 26, 2022

Docket 21-728 – Dakota Electric Association IDP

Dakota Electric Association – 2021 Integrated Distribution Plan

November 1, 2021

Department of Commerce – Letter (Guidance Document)

February 9, 2022

Department of Commerce – Initial Comments

March 15, 2022

Dakota Electric Association – Reply Comments

April 5, 2022

Department of Commerce – Reply Comments

April 18, 2022

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.

Statement of the Issues

1. What action should the Commission take on the Department of Commerce's Guidance Document as it relates to future IDPs and grid modernization filings?
2. Should the Commission require utilities to file additional information under Filing Requirement 3.D?
3. Should the Commission clarify its intent regarding Filing Requirement 3.A.28?

Acronyms

AGIS	Advanced Grid Intelligence and Security
AMI	Advanced Metering Infrastructure
BCA	Benefit Cost Analysis
CIP	Conservation Improvement Program
CN	Certificate of Need
EUIC	Electric Utility Infrastructure Cost
IDP	Integrated Distribution Plan
IRP	Integrated Resource Plan
MYRP	Multi-Year Rate Plan
TCR	Transmission Cost Recovery

Background

On November 1, 2021, Xcel Energy, Minnesota Power, Otter Tail Power, and Dakota Electric Association filed their Integrated Distribution Plans (IDPs), in line with the Commission's filing requirements. The purpose of the Commission's IDP filing requirements is to facilitate a utility's IDP filing that will:

- Maintain and enhance the safety, security, reliability, and resilience of the electricity grid, at fair and reasonable costs, consistent with the state's energy policies;
- Enable greater customer engagement, empowerment, and options for energy services;
- Move toward the creation of efficient, cost-effective, accessible grid platforms for new products, new services, and opportunities for adoption of new distributed technologies;
- Ensure optimized utilization of electricity grid assets and resources to minimize total system costs; and
- Provide the Commission with the information necessary to understand the utility's short term and long-term distribution-system plans, the costs and benefits of specific investments, and a comprehensive analysis of ratepayer cost and value.

On February 9, 2022, the Department filed a letter across utility IDP dockets that contained its Guidance Document.

Between February 28 and June 17, the Department, utilities, and stakeholders filed initial and reply comments across the utility IDP dockets.

On June 1, 2022, the Commission met to consider Xcel Energy's IDP and Certification Request for the Resilient Minneapolis Project. The Commission deferred actions relating to the Guidance Document until a later agenda meeting.

On July 26, 2022, the Commission issued its Order Accepting Xcel Energy's 2021 IDP and Certifying the Resilient Minneapolis Project.

The Commission will separately consider Dakota Electric Association, Minnesota Power, and Otter Tail Power's IDPs at the September 1, 2022, agenda meeting. This set of briefing papers addresses the Department's Guidance Document and the Department's recommendation to the Commission's IDP filing requirements 3.A.28 and 3.D. Staff notes Xcel Energy and the Department have agreed upon a path forward related to the Guidance Document with the 2021 Transmission Cost Recovery (TCR) Rider Petition (Docket No. E002/M-21-814), and that docket is not in scope for these proceedings.

Department Guidance Document

In its September 27, 2019, [Order](#) in Xcel's 2017 and 2018 TCR Rider Petition the Commission requested that "the Commissioner of Commerce seek authority from the Commissioner of Minnesota Management and Budget to incur costs for specialized technical professional investigative services under Minn. Stat. § 216B.62, subd. 8, to investigate the potential costs and benefits of grid modernization investments proposed for recovery by Xcel in its next rate case or TCR filing and to assist the Department in providing recommendations to the Commission regarding any such investments."¹

As a result of the Order point, the Department retained Synapse Energy Economics, Inc. as its technical expert to assist with the evaluation of Xcel's grid modernization investments. As a part of its technical assistance, Synapse developed a report titled "Review and Assessment of Grid Modernization Plans: Guidance for Regulators, Utilities, and Other Stakeholders," also referred to as the "Guidance Document."²

On February 9, 2022, the Department of Commerce filed a letter containing the Guidance Document across multiple dockets, including:

- Xcel's 2021 Transmission Cost Recovery Rider (E002/M-21-814)
- Xcel Energy's 2021 IDP (E002/M-21-694)
- Otter Tail Power's 2021 IDP (E017/M-21-612)
- Minnesota Power's 2021 IDP (E015/M-21-390)
- Dakota Electric Association's 2021 IDP (E111/M-21-728)

As described by the Department in its February 9 Letter:

The Guidance Document's purpose is three-fold: first, it is intended to distill related Commission Orders into recommended filing requirements for utility grid modernization proposals to ensure that core elements of economic evaluation are satisfied by the utility and that necessary information is available to the Commission to establish whether investments are in the public interest; second, it is intended to describe best practices for conducting economic evaluations of grid modernization investments; and

¹ Order Authorizing Rider Recovery, Setting Return on Equity, and Setting Filing Requirements, September 27, 2019, Docket No. E002/M-17-797

² Department, Feb 9 Letter, p. 2

third, it is also intended to complement and incorporate the Department's December 2020 Report called *Methods for Performance Evaluations, Metrics, and Consumer Protections for AMI and FAN*, filed in Docket No. E999/DI-20-627. The Guidance Document is intended to be generally applicable to any utility grid modernization proposal regardless of which regulatory pathway a utility takes.³

The Department outlined three possible paths for grid modernization investment approval in Minnesota, indicating its Guidance Document could apply to all three pathways:

1. A certification request under Minn. Stat. 216B.2425, Subd. 3 and recovery through the TCR Rider proceeding under Minn. Stat. 216B, Subd. 7b(b)(5) for utilities operating under a Multi-Year Rate Plan (MYRP)
2. A general utility rate case
3. An Electric Utility Infrastructure Cost (EUIC) Rider under Minn. Stat. 216B.1636, Subd. 2.⁴

In its letter, the Department noted that due to the scale of grid modernization projects, careful and in-depth review of utility proposals is necessary to protect ratepayers and the public. The Department pointed out that in other types of proceedings, such as resource planning, need for transmission or generation is established through technical proceedings, however a similar process does not exist for large scale distribution projects. Therefore, the Department recommended the Commission establish a standard of review for grid modernization projects by creating a link between IDPs and grid modernization projects via the cost benefit analysis outlined in the Guidance Document.⁵

The Department explained that the Guidance Document is “intended to guide the creation of a framework for grid modernization in Minnesota, one that connects utility IDPs to specific utility grid modernization investments, similar to the IRP-CN [Integrated Resource Plan - Certificate of Need] and MISO transmission planning-CN connections, and at its core provides protections for utility ratepayers and certainty to stakeholders on the process by which grid modernization investments are undertaken in Minnesota.” The Department noted it will evaluate utility grid modernization proposals based on the Guidance Document going forward, and also recommended that the Commission require utilities to “adhere to the filing requirements, methods of evaluation, and ratepayer protections detailed in the Guidance Document” in future proposals.⁶

Synopsis of Guidance Document

The Guidance Document (also titled “Review and Assessment of Grid Modernization Plans: Guidance for Regulators, Utilities, and Other Stakeholders”) is an approximately 30-page document that lays out a framework for evaluating grid modernization proposals and a set of filing requirements for utilities to adhere to, along with recommended reporting requirements. The Guidance Document contains 4 sections:

³ Department, Feb 9 Letter, pp. 2-3

⁴ Department, Feb 9 Letter, pp. 4-5

⁵ Department, Feb 9 Letter, pp. 6-8

⁶ Department, Feb 9 Letter, p. 10

- An introduction outlining the need for evaluation criteria and Minnesota specific considerations related to grid modernization. (Section 1)
- Grid Modernization Evaluation Framework, laying out how to conduct analysis on grid modernization filings, including choosing an evaluation methodology, defining reference and investment scenarios, accounting for costs and benefits, establishing metrics, accounting for risk discount rates, and customer equity. (Section 2)
- Initial Filing Requirements, outlining what a utility should include in their grid modernization petitions. Filing requirements include topics such as ensuring the proposal is consistent with long term planning, identifying the roles and relationships of project components, justification for evaluation scope, including which costs tests were used, evaluation methodology for the proposal, metrics and targets the proposal aims to achieve, and alternatives considered. (Section 3)
- Ongoing Reporting Requirements for annual reports after the project is approved. (Section 4)

The Guidance Document was developed by Synapse Energy on behalf of the Minnesota Department of Commerce. Stakeholders and utilities were not consulted during the development of the Guidance Document and in many cases were unaware of its existence until the February 9, 2022 Letter.

Department Recommendations pertaining to the Guidance Document

The Department did not request Commission action directly from its February 9, 2022, Letter. However, the Department did make a series of recommendations across utilities' 2021 IDPs, and in-progress grid modernization filings (specifically Xcel Energy's 2021 TCR rider and Otter Tail Power's EUIC rider). Below Staff outlines the Department's requests that apply across utility IDP and grid modernization filings. Staff also includes the Department's recommendations in specific IDP filings as Appendix A to these briefing papers.

First, the Department recommended the Commission require future utility grid modernization filings to "adhere to the filing requirements, methods of evaluation, and ratepayer protections detailed in the Guidance Document."⁷ The Department offered a variation of this recommendation with greater detail in Otter Tail, Dakota, and Minnesota Power's filing.⁸ Staff confirmed with the Department that the version below aligns the versions offered across the multiple IDP filings and is the Department's final recommendation (**Decision Option 1**).

Require future utility grid modernization proposals to provide BCA information in accordance with the filing requirements, methods of evaluation, and ratepayer protections detailed in Sections 2 (Grid Modernization Evaluation Framework) and 3 (Initial Filing Requirements) of the Guidance Document, and require utilities to propose an annual report of grid modernization proposals approved by the Commission

⁷ Xcel IDP (21-694) – April 11 Reply Comments, pp. 41-40; Minnesota Power IDP (21-390) – June 17 Reply Comments, pp. 12-13

⁸ Minnesota Power IDP (21-390) – June 17 Reply Comments, pp. 12-13; Otter Tail Power IDP (21-612) – April 26 Reply Comments, pp. 28-29; Dakota IDP (21-728) – April 18 Reply Comments, p. 33

consistent with Section 4 (Ongoing Reporting Requirements) of the Guidance Document.

Second, the Department recommended the Commission ensure consistency between utility responses to IDP filing requirement 3.D and subsequent grid modernization filings, along with additional information to support its analysis.⁹ Staff notes that the Department recommendation around the information provided in response to IDP filing requirement 3.D evolved over the course of utility IDP proceedings. Therefore, the version below is a modified version based on the final recommendations, which Staff confirmed to be accurate with the Department. **(Decision Option 2)**

In future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies, require that utilities include the information provided in response to IDP Filing Requirement 3.D, as well as the following information:

- The utility's internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
- Assumptions and data supporting the projected customer participation rates;
- Sensitivity analysis for varying rates of adoption of proposed programs; and
- Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.

Utility and Stakeholder Response to Guidance Document

Xcel Energy

Xcel objected to the use of the Department's Guidance Document given the abrupt nature with which it was presented across multiple dockets for retroactive Commission use. Xcel stated that if the Commission adopted the Department's Guidance Document and associated approach, it "would effectively deprive the Company, and other stakeholders, of required due process."¹⁰ Xcel recommended that if the Commission wishes to adopt a standardized evaluation methodology for grid modernization investments, it should engage a stakeholder process as is currently underway for the update of Minnesota's Conservation Improvement Program (CIP) and the implementation of the Natural Gas Innovation Act (NGIA).¹¹ Xcel noted the Department's proposed application of the Guidance Document is not consistent with the current setup of IDP evaluation, which is to provide the Commission with greater insight and understanding of how utilities operate their distribution systems. Xcel pointed to multiple orders where the Commission included language stating that acceptance of an IDP "is not a prudence determination of any proposed system modifications or investments."¹² Xcel

⁹ Xcel IDP (21-694) – April 11 Reply Comments, pp. 41-40; Minnesota Power IDP (21-390) – June 17 Reply Comments, pp. 12-13; Otter Tail Power IDP (21-612) – April 26 Reply Comments, pp. 28-29; Dakota IDP (21-728) – April 18 Reply Comments, p. 33

¹⁰ Xcel IDP (21-694), Xcel Energy March 22, 2022, Reply Comments, p. 5

¹¹ Xcel IDP (21-694), Xcel Energy March 22, 2022, Reply Comments, p. 6

¹² Xcel IDP (21-694), Xcel Energy March 22, 2022, Reply Comments, p. 8-9

concluded by stating that if the Commission desires to evolve the IDP process into more of an IRP-like proceeding, it will need to carefully consult with stakeholders over an extended period of time before adopting a final result.¹³

Otter Tail Power

Otter Tail (OTP) also expressed reservations about the Department's Guidance Document, requesting further review and discussion before implementing the proposal. Otter Tail questioned whether the Guidance Document would be applied to all grid modernization proposals, including ones that were small in size, stating a concern for adding unnecessary complexity and expense to Commission proceedings. According to OTP, one way to remedy this could be a cost threshold, for example, \$10 million, for when the Guidance Document would apply. Otter Tail also indicated it believed the Guidance Document would be best applied in a cost recovery filing, and not in an IDP, as the IDP is an informational filing.¹⁴

Otter Tail explained it was open to discussing filing requirements for "customer facing offerings" as requested by the Department per IDP Filing Requirement 3.D. However, OTP noted first there would need to be a better definition of what a "customer facing offering" is, and also noted there should not be duplicative efforts in the IDP and a cost recovery request for specific and detailed items like cost benefit analysis and sensitivity analysis.¹⁵

Dakota Electric Association

Dakota was troubled by portions of the Guidance Document and the process by which it was developed. Dakota recognized the Department's jurisdiction to develop its own analytical methods, but objected to its methodology being the only way to assess grid modernization investments, especially as the Guidance Document was created without input from other stakeholders and could be seen as "de facto rulemaking."¹⁶ Dakota pointed out that the Guidance Document was not requested by the Commission, indeed the initial Commission request to the Department for technical assistance was narrowly focused on analysis for Xcel Energy's Advanced Grid Intelligence and Security (AGIS) proceedings.¹⁷ Dakota was not opposed to creating guidelines for grid modernization evaluation, but believed that it should be achieved through a collaborative stakeholder process and not a unilaterally created framework like the Guidance Document.¹⁸

In addition to procedural concerns with the Guidance Document, Dakota outlined other reservations:

1. General Cost Recovery Principles – Dakota took issue with the Department's characterization of how the cost recovery process would work.¹⁹

¹³ Xcel IDP (21-694), Xcel Energy March 22, 2022, Reply Comments, p. 10

¹⁴ OTP IDP (21-612), April 15 Reply Comments, p. 5

¹⁵ OTP IDP (21-612), April 15 Reply Comments, p. 5

¹⁶ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, p. 5

¹⁷ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, p. 5

¹⁸ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, p. 6

¹⁹ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, pp. 9-11

2. Threshold for analysis – Dakota requested more clarity on what qualifies as a “grid modernization project” under the Guidance Document.²⁰
3. Metrics and required data – Dakota believed the granularity of information required would result in an undue burden upon the cooperative.²¹
4. Benefit cost analysis – Dakota disputed that a benefit cost analysis is the only way to properly evaluate grid modernization and distribution projects, and especially that there are multiple ways to conduct a benefit cost analysis.²²

Minnesota Power

Like the other utilities, Minnesota Power was hesitant to accept the Department’s Guidance Document. It echoed Otter Tail’s concern that the Guidance Document was a better fit for a cost recovery proceeding instead of the IDP, as it would likely result duplicative efforts to provide such extensive information in each IDP. Minnesota Power also disputed whether the Guidance Document, which originated from a Commission request for analysis of Xcel Energy grid modernization request, was appropriate for all utilities.²³

Fresh Energy

In reply comments in Xcel’s IDP (21-694), Fresh Energy noted that while it appreciated the Department’s efforts to create the Guidance Document, and supported the Department using it to bolster its own positions, it cautioned “against making decisions in this proceeding that tacitly approve new standards of review.” Instead, Fresh Energy explained it would be better to solicit stakeholder input on how the Guidance Document could be used in future Commission proceedings prior to its adoption.²⁴

City of Minneapolis

In reply comments to Xcel’s IDP (21-694), Minneapolis agreed with Xcel that it was improper to retroactively apply the Guidance Document to the current IDP. However, Minneapolis noted with several iterations of IDPs there may be an opportunity to reevaluate the intent of the IDP and possibly modify filing requirements, preferably through a stakeholder process.²⁵

Community Power, Environmental Law and Policy Center, Vote Solar (CEV)

In reply comments to Xcel’s IDP (21-694), CEV was aligned with Xcel’s procedural objections to the Department’s Guidance Document, stating it should not be used as a formal evaluation criterion midway through a proceeding. However, CEV did not necessarily oppose the goals of the Guidance Document, mainly to create a “clearer standard of review for IDP cases.” CEV suggested that moving forward, a stakeholder process that is part of the IDP proceedings should be used to create a new standard of review for IDPs.²⁶

²⁰ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, pp. 11-12

²¹ Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, pp. 12-13

²² Dakota IDP (21-728), Dakota April 5, 2022 Reply Comments, pp. 13-16

²³ Minnesota Power IDP (21-390), Minnesota Power June 6, 2022 Reply Comments, p. 5

²⁴ Xcel IDP (21-694, Fresh Energy April 11, 2022 Reply Comments, pp. 8-9

²⁵ Xcel IDP (21-694), City of Minneapolis April 11, 2022 Reply Comments, p. 2

²⁶ Xcel IDP (21-694), CEV April 12, 2022 Reply Comments, p. 7

Department Reply Comments

The Department submitted extensive reply comments across utility IDPs that covered similar themes regarding the Guidance Documents. Staff has used the Department's reply in Minnesota Power's IDP for summary purposes as it addresses concerns that were present from multiple utilities. In reply comments to Minnesota Power's IDP, the Department indicated it has initiated conversations with Dakota Electric Association and Otter Tail Power about its intent regarding the Guidance Document, and plans to reach out to other stakeholders as well.²⁷

The Department highlighted Otter Tail's willingness to provide information in line with the Guidance Document in its ongoing EUIC rider filing (Docket 21-382) as indicative that it can work with utilities to find a reasonable solution in line with the Guidance Document.²⁸

The Department acknowledged utility concerns about the potential costs to evaluate very small projects and potentially developing a cost threshold for where the Guidance Document would apply. The Department welcome feedback and was open to potential modifications through further record development.²⁹

The Department addressed concerns from utilities that many components of the Guidance Document were best addressed via cost recovery, and not in the IDP. In general, the Department said it agreed with utilities, and its intent was to ensure information provided in response to IDP Filing Requirement 3.D is consistent with current and future planned grid modernization proposals, to the extent practicable.³⁰

Staff Analysis

Staff appreciates the work done by the Department and Synapse to lay out a detailed methodology for evaluating grid modernization proposals. Staff does not take issue with the contents of the Guidance Document and believes the analysis produced by following the process laid out will be valuable for the Commission's consideration of future grid modernization proposals. Providing this guidance to utilities and stakeholders of how the Department will review grid modernization proposals should help improve information provided by utilities and focus the evaluation of utilities' proposals. That said, historically the Commission has not adopted a single methodology for evaluating utility proposals. The Commission is guided by its statute and rules when determining whether a petition merits approval.

For example, an important factor in a general utility rate case is the class cost of service study (CCOSS) to properly allocate costs among a utility's customer classes. However, the Commission does not mandate use of a specific type of CCOSS for utilities to use, instead depends up on the expertise of parties like the Department of Commerce to assess whether the CCOSS is reasonable. Similarly, in IRP proceedings, multiple parties may offer modeling results that recommend various resources mixes, which gives the Commission additional insight into potential paths forwards. The Commission does not prescribe one model or set of inputs, but

²⁷ MP IDP (21-390), Department Reply Comments, June 17, 2022, p.2

²⁸ MP IDP (21-390), Department June 17, 2022 Reply Comments, pp. 2-3

²⁹ MP IDP (21-390), Department Reply Comments, June 17, 2022, p.4

³⁰ MP IDP (21-390), Department Reply Comments, June 17, 2022, pp.4-5

rather weighs all the evidence in the record before making its decision. In these and other cases, having multiple models and studies in the record enhances the Commission's decision-making ability by providing it with multiple angles of analysis.

If the Commission decides it would like to adopt criteria, such as the Guidance Document, for future grid modernization proposals, Staff agrees with the utilities and stakeholders that their feedback should be considered. As mentioned, in instances where a standardized methodology for review is used, such as cost effectiveness tests in utility CIP proposals, there is an extensive stakeholder process to develop the evaluation criteria. The Department appears to agree with this in concept for the Guidance Document; however, Staff is unclear whether the Department would prefer informal stakeholder discussion or written comments at this stage. At several places throughout its reply comments the Department has invited "further record development"³¹ on a range of Guidance Document topics. If this is the path the Commission takes it is necessary to clarify both the scope and the docket(s) where this record development would happen.

An additional consideration is establishing a Commission standard of review for grid modernization proposals will likely result in requests for modifications to any such methodology, which would devote additional time to process rather than evaluation of specific proposals. The Department itself acknowledges this in reply comments to OTP's IDP, stating: "The Department welcomes stakeholder feedback regarding the Guidance Document and expects that the Guidance Document, much like IDPs themselves, will change over time to reflect new information and understandings."³² Staff is concerned that these types of changes could result in less time spent analyzing IDPs and grid modernization investments and associated cost recovery, and instead turn the focus to ongoing changes to the Guidance Document itself. Looking to Xcel Energy's IDP as an example, multiple parties suggested changes to filing requirements and planning objectives, but spent very little time in their comments analyzing the actual content of Xcel's IDP.

If the Commission does not adopt the Guidance Document as a de facto method of evaluation, the Department has indicated it will continue to use the Guidance Document as its standard of review in grid modernization proceedings, as is its prerogative. Having the Guidance Document as a template has already been useful to utilities and stakeholders to understand the evaluation criteria the Department will use to assess future grid modernization filing, including the information the Department will request if not included in a petition. Utilities should also be expected to be responsive to Department information requests to obtain the information necessary for analysis, as they would be in any proceeding. Therefore, even if the Commission does not adopt the Guidance Document, its creation could still result in process efficiencies as utilities will know what information to provide at the outset of a proceeding and as they develop their proposals to assist the Department with its review.

In Otter Tail Power's EUIC petition (Docket 21-382), the Company indicated it was willing to provide a benefit cost analysis consistent with the Department's Guidance Document.³³

³¹ See, for example, p. 4 in Department Reply Comments in Minnesota Power's IDP (21-390)

³² OTP IDP (21-612), Department Reply Comments, April 26, 2022, p. 17

³³ Otter Tail Response to Reply Comments, Docket 21-382, p. 4

Similarly, Xcel agreed to supplement the record in the 2021 TCR docket with information recommended for a completeness review in the Guidance Document, and both Xcel and the Department agreed to work collaboratively toward a mutual understanding of elements of the Guidance Document.³⁴ Staff sees these examples as ideal with the Department and individual utilities coming to an agreement in specific dockets without it being prescribed in a Commission Order on a permanent basis for all grid modernization investment dockets. This allows for future flexibility if the Department has updates to the Guidance Document, it will not need to come to the Commission for approval for changes ahead of a utility filing. Staff proposes **Decision Option 2** which encourages the Department and utilities to work together on future modernization filings as an alternative to Decision Options 1.

Clarification on Filing Requirement 3.A.28

The existing IDP filing requirement 3.A.28 requires utilities to provide “[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any **non-traditional** distribution projects (emphasis added).”

The Department requested clarification on how the Commission defines “non-traditional,” stating that currently utilities consider “non-traditional” to be synonymous with “non-wires alternatives.” According to the Department, this has reduced the amount of detailed financial information utilities provide with their IDPs. The Department proposed that the definition of “non-traditional” in the context of distribution system planning could “... be centered around the ability of a proposed project or technology to enable two-way information or power flows on the distribution system.”³⁵

Xcel did not directly respond to the Department’s proposed clarification for Filing Requirement 3.A.28, but in general opposed expansion of reporting requirements for future distribution projects that are not part of a certification request in the IDP.³⁶

Minnesota Power stated it did not have an objection to the Department’s request for Commission clarification.³⁷

Dakota and Otter Tail did not address the Department’s suggested clarification.

Staff Analysis

Given that utilities did not weigh in on whether they supported a modification to Filing Requirement 3.A.28, Staff suggests the Commission may wish to inquire with parties about the change at the agenda meeting. If utilities and stakeholders are comfortable with the proposed change, the Commission could simply offer a clarification, or could modify the filing requirement with this specific clarification by adopting **Decision Option 4**. If there is not agreement or the Commission feels the revised filing requirement is unclear, Staff suggests the

³⁴ Order (June 2, 2022), Docket Nos. E002/M-21-814 and E002/M-20-680, p. 4

³⁵ Xcel IDP (21-694), Department February 25, 2022 Initial Comments, p. 24. Identical language repeated in MP, OTP, Dakota IDP comments.

³⁶ See, for example, Xcel IDP (21-694), Xcel March 22, 2022 Reply Comments, Attachment A, p. 18 (PDF p. 36)

³⁷ Minnesota Power IPD (21-390), Minnesota Power June 6, 2022 Reply Comments ,p. 6



Department could consult with stakeholders to achieve a shared understanding and, if necessary, propose a red-lined modification during the 2023 IDP process.

If the Commission adopts the modification to Filing Requirement 3.A.28, Staff will ensure utility filing requirement documents are updated and filed in individual utility dockets as an attachment to the Orders.

Decision Options

1. Require future utility grid modernization proposals to provide benefit cost analysis information in accordance with the filing requirements, methods of evaluation, and ratepayer protections detailed in Sections 2 (Grid Modernization Evaluation Framework) and 3 (Initial Filing Requirements) of the Guidance Document, and require utilities to propose an annual report of grid modernization proposals approved by the Commission consistent with Section 4 (Ongoing Reporting Requirements) of the Guidance Document. (Department)
2. Find the Department's Guidance Document is a useful tool for evaluating utility grid modernization initiatives in future Commission proceedings. Encourage utilities to work with the Department to provide the information necessary to complete the analysis outline in the Guidance Document as a part of the utility's initial grid modernization petition. (Staff, alternative to Decision Option 1)
3. In future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies, require that utilities include the information provided in response to IDP Filing Requirement 3.D, as well as the following information:
 - a. The utility's internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - b. Assumptions and data supporting the projected customer participation rates;
 - c. Sensitivity analysis for varying rates of adoption of proposed programs; and
 - d. Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs. (Department)
4. Amend IDP filing requirement 3.A.28 as follows:

Projected distribution system spending for 5-years into the future for the categories listed above, itemizing any non-traditional distribution projects. In this context, "non-traditional" means projects or technologies that enable two-way information or power flows on the distribution system. (Staff interpretation of Department)

Appendix A: Original Department Recommendations

Xcel IDP (21-694) – April 11 [Reply Comments](#), pp. 41-40

- The Department recommends that the Commission require utility grid modernization proposals to adhere to the filing requirements, methods of evaluation, and ratepayer protections detailed in the Guidance Document.
- The Department recommends that in future filings the Commission require Xcel to provide the following information related to its grid modernization plans and proposed investments in response to IDP Filing Requirement 3.D and in future certification requests under Minn. Stat. §216B.2425, subd. 2(e) to facilitate stakeholder review and input of the costs the Company proposes to incur related to customer-facing utility offerings and programs:
 - Xcel’s internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - Assumptions and data supporting the projected customer participation rates;
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conversation Improvement Plan or Next Generation Energy Act programs.
- The Department recommends that the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide “[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any nontraditional distribution projects (emphasis added).”

Minnesota Power IDP (21-390) – June 17 [Reply](#) Comments, pp. 12-13

- The Department recommends that the Commission require utility grid modernization proposals to adhere to the filing requirements, methods of evaluation, and ratepayer protections detailed in the Guidance Document.
- The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that Minnesota Power includes in the information provided in response to IDP Filing Requirement 3.D, Minnesota Power provides the following information:
 - Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - Assumptions and data supporting the projected customer participation rates; o
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs

- The Department recommends that the Commission require Minnesota Power to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects that the Commission approves in those proceedings.
- The Department recommends that the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide “[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any nontraditional distribution projects (emphasis added).”

Otter Tail Power IDP (21-612) – April 26 [Reply](#) Comments, pp. 28-29

- The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that the Otter Tail Power includes in the information provided in response to IDP Filing Requirement 3.D, Otter Tail Power provides the following information:
 - Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - Assumptions and data supporting the projected customer participation rates;
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.
- The Department recommends that the Commission require Otter Tail Power to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects that the Commission approves in those proceedings..
- The Department recommends that the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide “[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any nontraditional distribution projects (emphasis added).”

Dakota IDP (21-728) – April 18 [Reply](#) Comments, p. 33

- The Department requests that in future filings regarding customer-facing utility offerings and programs that may be enabled by new investments in grid modernization technologies that the Dakota Electric includes in the information provided in response to IDP Filing Requirement 3.D, Dakota Electric provides the following information:

- Internal benefit-cost analyses for reference and investment case scenarios, including reasonably known and analyzed alternatives;
 - Assumptions and data supporting the projected customer participation rates;
 - Sensitivity analysis for varying rates of adoption of proposed programs; and
 - Discussion of how the proposed customer-facing utility offerings and programs may interact with existing or proposed Conservation Improvement Plan or Next Generation Energy Act programs.
- The Department recommends that the Commission require Dakota Electric Association to provide BCA information consistent with Section 2 of the Guidance Document (Grid Modernization Evaluation Framework), comply with Section 3 of the Guidance Document (Initial Filing Requirements), and propose an annual report of approved projects consistent with Section 4 of the Guidance Document (Ongoing Reporting Requirements) in future EUIC Rider proceedings for any projects Dakota Electric Association that the Commission approves in the Cooperative's AGi Rider.
- The Department recommends that the Commission further clarify its intent in Filing Requirement 3.A.28 which requires the utility to provide "[p]rojected distribution system spending for 5-years into the future for the categories listed above, itemizing any non- traditional distribution projects (emphasis added)."