

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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August 14, 2023

In the Matter of the Commission Investigation to Identify and Develop Performance Metrics and Potentially, Incentives for Xcel Energy’s Electric Utility Operations

Docket No. E002/CI-17-401

REPLY COMMENTS OF FRESH ENERGY

I. Introduction

Fresh Energy submits these reply comments per the Minnesota Public Utility Commission's ("the Commission's") May 26, 2023, *Notice of Comment Period* and subsequent July 10, 2023, *Notice of Extended Comment Period* on the investigation to identify and develop performance metrics and, potentially, incentives for Xcel Energy’s electric utility operations in the above-named matter.

Fresh Energy reemphasizes its support for performance-based ratemaking (“PBR”). Performance metrics provide an opportunity to stipulate the information necessary to update and more closely align utility investment and decision-making with the public interest. Enhanced availability of utility data reduces information asymmetry and improves transparency and accountability of public utility regulation. It allows regulators to make more informed decisions, and it empowers the public to meaningfully participate in the regulatory process.¹ Performance targets have the potential to provide a “north star” to help guide utility, regulatory, and stakeholder decisions, and Fresh Energy supports

¹ Initial Comments of Fresh Energy in Response to the Commission’s April 5, 2019, Notice, Fresh Energy, filed May 6, 2019, in docket E002/CI-17-401 p. 2

continued work toward establishing targets, and potentially, incentive/penalty mechanisms, for key metrics.

With such an opportunity for positive impact, it is crucial to develop representative and complete banks of data to work from. As indicated in our Initial Comments with Center for Energy and Environment,² Fresh Energy agrees with Xcel's concluding statements in its reply comments – there is value in taking additional time to continue to track the current metrics and assess impacts from newly passed Federal and State legislation prior to moving forward to steps 5 and 6³ of the PIM (Performance Incentive Metrics) process.⁴ In these reply comments, Fresh Energy responds to a specific recommendation the Company made about the Load Factor for the Load Net of Variable Renewable Generation (“Net Load Factor”) metric.

II. Recommendation

Fresh Energy disagrees with the utility's recommendation to remove this metric from future reporting.⁵ It is not disputed by the parties that the Net Load Factor metric is based in data currently tracked by the utility that directly addresses the degree to which aggregate customer load is aligned with periods of renewable generation.⁶ At a system level, this metric tracks the utility's performance in aligning or shaping load to periods of renewable generation, which can be improved through demand management programs like demand response and time of use rates, as well as through investments in renewable and clean energy technologies that enable generation to better match load profiles (e.g., energy storage, dual-axis tracking solar, geographically dispersed renewable sites, etc.). Xcel notes that as the portion of its generation mix provided by renewable energy has grown, net load factor has dropped—indicating that demand management is taking place on a smaller and/or slower scale than renewable energy deployment. This is not surprising as demand management programs require considerable time to develop and require a level of buy-in from customers. However, the changes to net load factor we have seen in the past several years do not mean this metric is not useful. We recommend continued reporting on this metric, at least until a more thorough review of metrics can take place (e.g., following the 2024 or 2025 Annual Report in this docket).

² Joint Commenters, Initial Comments, July 31, 2023, Docket E002/CI-17-401

³ Notice of Comment Period, Public Utilities Commission, filed May 26, 2023, in docket no. E002/CI-17-401 p. 2

⁴ Comments, Xcel Energy, filed July 31, 2023, in docket no. E002/CI-17-401 p. 27

⁵ Xcel, Comments, July 31, 2023, Docket E002/CI-17-401, p. 27

⁶ Comments, Xcel Energy, filed July 31, 2023, in docket no. E002/CI-17-401 p. 27

Xcel recommends that it continue to report under the current reporting structure and to include an assessment of the impacts of the current metrics in its next annual report. And as discussed earlier, this metric is calculated with data Xcel already tracks. Thus, Xcel could, without an unreasonable administrative burden, include another year of data and additional assessment of the Net Load Factor metric in annual reports until otherwise directed.

Additionally, Fresh Energy is supportive, in concept, of the Department of Commerce's recommendation to direct the utility to work with interested parties to re-evaluate the calculation of the Net Load Factor metric.⁷ However, Fresh Energy recommends any potential re-evaluation take place after the additional year of reporting and assessment – as recommended by the utility – is completed.

Fresh Energy appreciates the opportunity to submit comments on this matter. Thank you for your consideration.

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⁷ Comments, Department of Commerce, filed July 28, 2023, in docket no. E002/CI-17-401 p. 28