

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: May 12, 2016**Agenda Item #8

Company: Minnesota Power (Company)

Docket Number: **E-015/M-15-773**

In the Matter of the Petition of Minnesota Power for Approval of Investments and Expenditures in the Camp Ripley Solar Project for Recovery through Minnesota Power’s Renewable Resources Rider under Minn. Stat § 216B.1645 and Related Tariff Modifications

Issue: Should the Commission grant the request by the Office of the Attorney General (OAG) to amend the February 24, 2016 Order in this matter to require Minnesota Power, as part of its analysis of the applicability of the Value of Solar (VOS) Methodology components, to calculate a value for each VOS component and provide a description of how each will affect the bill credit for solar paying customers?

Staff: Susan Mackenzie | 651.201.2241 | susan.mackenzie@state.mn.us

Relevant Documents

Order Granting Petition In Part and Requiring Reevaluation of Solar Energy Adjustment Rider..... issued February 24, 2016
OAG petition to amend Order..... March 15, 2016
Fresh Energy Answer..... March 16, 2016
MP Answer March 25, 2016

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Statement of issue

Should the Commission grant the request by the Office of the Attorney General (OAG) to amend the February 24, 2016 Order in this matter to require Minnesota Power, as part of its analysis of the applicability of the Value of Solar (VOS) Methodology components, to calculate a value for each VOS component and provide a description of how each will affect the bill credit for solar paying customers?

Background

On February 24, 2016, the Commission issued its *Order Granting Petition in Part and Requiring Reevaluation of Solar Energy Adjustment Rider*, in Docket E-015/M-15-773.

On March 15, 2016, the OAG filed a petition to amend the Commission's February 24 Order. The OAG filed its petition pursuant to Minn. Stat. § 216B.27 (Rehearing; Condition Precedent to Judicial Review) and Minnesota Rules part 7829.3000.

On March 16, 2016, Fresh Energy filed an Answer to the petition. On March 25, 2016, Minnesota Power filed an Answer.

Minn. Stat. § 216B.27, Subd. 1 allows that within 20 days of receiving an Order, a party may apply to the Commission for rehearing. The Commission may grant and hold rehearing if sufficient reason exists to do so. Subdivision 4 indicates that any application for rehearing not granted within 60 days from the date of filing shall be deemed denied.

Summary of the issue

In its February 24 Order, the Commission approved MP's investment and expenditures for the Camp Ripley Project. It also approved the overall structure of rate design and cost recovery for the project. Although the Commission approved MP's request for the broad structure of the rate design, it required MP to re-submit an alternative proposal for the Solar Energy Adjustment Rider (SEA Rider) that would: (1) account for on-peak energy (as proposed by the DOC), and (2) include an analysis of the applicability of the VOS Methodology components to the recalculation (as proposed by the OAG).

On March 15, 2016, the OAG filed a petition seeking clarification and amendment of the Commission's February 24 Order, specifically Order Point 7, which states:

Within 60 days of the date of this order, Minnesota Power shall submit a proposed alternative calculation of the SEA Rider. The proposal shall include, at a minimum:

- a. an on-peak energy offset or another method that would better reflect the actual avoided energy costs due to solar additions, and
- b. an analysis of the applicability of the VOS Methodology components.¹

¹ The motion containing this decision passed 5-0. See minutes from January 28, 2016.

On April 25, 2016, as required in Order Point 7, Minnesota Power filed its proposed alternative calculation of the SEA Rider. The Commission should note that at this time its Order is not effective, including the requirements for secondary filings.²

February 24 Order in relevant part

The February 24 Order included language in support of Order Point 7 as follows:

2. Cost Recovery

The Commission will approve the broad structure of the Company's rate design proposal. Specifically, the Commission will approve the proposed new Solar Energy Adjustment Rider and solar renewable factor. The Minn. Stat. § 216B.1691, subd 2f(d), requirement to exempt certain customers from Solar Energy Standard costs warrants a new method for accounting for SES project costs and benefits. The Company's proposal to separate recovery of the solar projects from other renewables is reasonable.

However, the Commission agrees that the Company's proposed method for calculating the adjustment does not adequately account for solar benefits. The Commission will require the Company to propose a revised methodology to ensure that the calculation methodology will compute a value appropriate for inclusion in the Company's SEA Rider.

In its new proposal, the Company will include a method that better reflects actual avoided energy costs due to SES additions, as recommended by the Department.

The Company will also assess applicability of the VOS Methodology components. These components account for the value derived from solar PV energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value. Analysis of the components' application to the Company's SEA calculation method will inform whether the new method adequately calculates and allocates a reasonable recovery for SES projects.

Parties' positions

Office of the Attorney General (OAG)

The OAG asked the Commission to clarify and amend its February 24 Order to require MP to quantify the value of each VOS component as part of the Company's proposed alternative calculation of the SEA Rider. This would allow parties to address, and the Commission to review, the Company's calculation of the components to be included in the Rider as part of a single comment period.

² Minn. Stat. § 216B.27, Subd. 3 states (in relevant part):

No order of the commission shall become effective while an application for a rehearing or a rehearing is pending and until ten days after the application for a rehearing is either denied, expressly or by implication, or the commission has announced its final determination on rehearing.

The OAG argued that if MP does not provide a calculation of each VOS component, parties will lack information on the effect of the VOS components on the SEA Rider. The OAG argued that without these value calculations, the Commission: (1) will be deciding on which VOS components should be included without knowing the rate impact, and (2) might need a second deliberation to finalize the bill credit for solar-paying customers.

Fresh Energy

Fresh Energy supported the OAG's petition, agreeing that without the calculation of each VOS component there may be need for additional comment periods, hearings and Commission Orders.

Minnesota Power (MP or the Company)

MP responded that the Commission should deny OAG's petition on its merits and adhere to the process already established in the February 24 Order. It argued that the OAG and Fresh Energy raised no new issues, offered no new evidence, and simply restated arguments already before the Commission. It argued that the Commission's Order had already addressed all of the OAG's issues.

MP argued that the OAG's primary argument—that the Commission needs to immediately require MP to quantify VOS components in the calculation of the SEA Rider—goes beyond the Commission's Order that required that MP's SEA Rider “proposal shall include, at a minimum...an analysis of the applicability of the VOS Methodology components.”³

MP noted that the Commission recognized the OAG's position as an option at the January 28, 2016 agenda meeting. That option would have required MP to adopt the VOS Methodology as the basis for developing an alternative SEA Rider and credit methodology. The Commission did not select this option, thus deciding how MP should consider the VOS Methodology components in developing its alternative calculation of the SEA Rider.

MP argued that the OAG has not met the Commission's standard of review for reconsidering an Order, and that the OAG's request will not make the overall process more efficient and could cause delay MP's implementation of the Commission's Order. MP also noted that if the Commission had intended to require MP to include a calculation of each of the VOS value components, it would have provided the Company with more time to make such a compliance filing.

Staff discussion

The Commission will need to decide if to “assess applicability” and to provide “analysis of the [VOS] components' application to the Company's SEA calculation method” would necessarily require that the Company undertake a specific calculation of each VOS component in its second filing, or if this would reach beyond the intent of the Order.

Staff notes that, at the time of deliberation, the Commission was presented with two decision options, both of which it declined to adopt. Instead, it adopted a third.

³ See Order Point 7.

Below are the decision options presented to the Commission at the time of deliberation. Italics are added for emphasis and clarity.

Approve the broad structure of MP's rate design proposal: to add a new Rider for Solar Energy Adjustment (SEA Rider) in conjunction with the Company's existing Rider for Fuel and Purchased Energy Adjustment (FPE Rider), and to adjust its existing FPE Rider to exclude solar costs and energy.

- a. Approve also MP's full cost recovery and cost allocation proposal as proposed in the Company's initial Petition. (*MP's initial position*)
- b. Require in addition that the methodology for determining the SEA credit be further evaluated in a subsequent filing. *MP shall submit an alternative calculation of the SEA Rider as part of a subsequent filing. The alternative calculation methodology in the current docket shall be limited to relying on an on-peak energy offset or another method that would better reflect the actual avoided energy costs due to solar additions.* Require MP, in its next rate case, to develop and file as part of its direct testimony, an appropriate methodology to allocate capacity costs between solar-paying (non-exempt) and solar-exempt customers, given that the Camp Ripley project will provide capacity for MP's system. (*DOC, MP*)
- c. Require in addition that the methodology for determining the SEA credit be further evaluated in a subsequent filing. MP shall submit an alternative calculation of the SEA Rider as part of a subsequent filing. *Find that the VOS Methodology should be used as the basis for developing an alternative SEA rider and credit methodology that fully accounts for all benefits of the project, including an evaluation of whether each value component in the VOS Methodology is an appropriate system benefit provided by the Camp Ripley project.* Require MP, in its next rate case, to develop and file as part of its direct testimony, an appropriate methodology to allocate capacity costs between solar paying (non-exempt) and solar-exempt customers, given that the Camp Ripley project will provide capacity for MP's system. (*OAG, Fresh Energy*)

The motion adopted by the Commission was:

9. Require that, within 60 days of the date of this order, Minnesota Power submit a proposed alternative calculation of the SEA Rider. Require that the proposal include, at a minimum:
 - a. an on-peak energy offset or another method that would better reflect the actual avoided energy costs due to solar additions, and
 - b. an analysis of the applicability of the VOS Methodology components.

Staff believes that the Commission's motion took note of and attempted to find middle ground between the two recommendations in the italicized portions of Options b. and c. above. If the Commission now believes that to require the calculation of the eight VOS components would be helpful to its determination of the SEA Rider, it can grant reconsideration to clarify that MP

should include that information in its analysis.⁴ However, if the Commission concludes that the VOS component quantifications are not necessary as part of the alternative calculation of MP's SEA Rider, then no new issue presents for reconsideration.

Decision Options

A. Reconsideration

1. Grant the OAG petition for reconsideration of the Commission's February 24 Order.
2. Deny the OAG petition for reconsideration.

B. Tolling the time

(Note: Under Minn. Stat. § 216B.27, there is a deadline to grant a petition for reconsideration. If the OAG's petition is not granted within 60 days of the filing, or May 14, 2016,⁵ it will be deemed denied. For this reason, the Commission may wish to adopt Decision Option B.1 below.)

1. For procedural purposes, grant reconsideration for the limited purpose of tolling the 60-day time period to allow additional time for preparation of the Commission's written Order on the merits.

C. If the Commission grants reconsideration:

1. Affirm the Commission's February 24 Order in this matter and decline to amend any aspect of the Order.
2. Grant the OAG request. Amend the February 24 Order as requested by the OAG to require Minnesota Power, as part of the analysis of the applicability of the Value of Solar (VOS) Methodology components, to calculate each VOS component and to include a description of how each VOS component will affect the bill credit for solar paying customers.

(Note: If the Commission selects Decision Option C.2 above, it will need to require MP to re-submit its April 25, 2016 filing in this matter, as proposed in Decision Option C.3 below.)

3. Require Minnesota Power, within 30 days of the Order in this matter, to refile its alternative SEA Rider calculation reflecting the decisions of the Commission in this matter.

⁴ If the Commission does pursue this option, then it may wish to extend the time for MP to make its second filing.

⁵ Staff believes the 60-day deadline falls on Saturday, May 14, 2016. Therefore, the Commission's decision and Order in this matter would need to be issued by May 16, 2016.