Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: October 24, 2017.. Agenda Item **# 3**

Company: **Minnesota Power**

Docket No. **E015/M-16-204**

In the Matter of Minnesota Power's Petition for Approval of Revisions to Rider for Parallel Generation

Issue(s):

- What action should the Commission on Minnesota Power's proposal to eliminate the monthly service charge in the Rider for Parallel Generation?
- Are any other changes to Minnesota Power's updated compliance filing needed?

Staff: Michelle Rosier 651-201-2212

I. Relevant Documents

Commission Order………………………………………………………………. May 22, 2017

Commission Staff, *Information Request (IR) No. 2*…………………………………. June 5, 2017

Minnesota Power, *Response to IR No. 2*…………………………………………… June 21, 2017

Department of Commerce, *Reply Comments*……………………………………….. July 18, 2017

Minnesota Power, *Compliance Filing*………………………………………………. July 21, 2017

Department of Commerce, *Compliance Comment Letter*……………………….. August 21, 2017

II. Statement of the Issues

- What action should the Commission on Minnesota Power's proposal to eliminate the monthly service charge in the Rider for Parallel Generation?
- Are any other changes to Minnesota Power's updated compliance filing needed?

III. Background

On February 29, 2016, Minnesota Power initially filed a petition for approval of revisions to its Rider for Parallel Generation that included monthly service charges. The initially proposed monthly service charges varied based on the customer's generation size and associated metering requirements.

On May 22, 2017, the Commission issued its Order in this docket provisionally approving the monthly service charge on Minnesota Power's Rider for Parallel Generation. The Commission's Order also required additional record development to demonstrate the service charge was based on incremental costs to serve a customer with distributed generation compared to one without distributed generation.

On June 5, 2017, Commission staff issued an information request to Minnesota Power requesting the demonstration of the incremental costs. On June 21, 2017, Minnesota Power responded with a proposal to eliminate its monthly service charge citing the availability of advanced metering infrastructure (AMI).

On July 6, 2017, the Commission issued a notice for comments on Minnesota Power's proposal to eliminate the monthly service charge. On July 18, 2017, the Department of Commerce was the only party to file comment, and raised Minnesota Power's proposal to recover production meters costs as Solar Energy Standard (SES) compliance costs.

On July 21, 2017, Minnesota Power filed its compliance filing which included the provisionally approved monthly service charges with a note that due to the timing and need for Commission approval the Company anticipated refiling with the elimination of the fees. On August 21, 2017, the Department of Commerce submitted a compliance comment letter.

On October 2, 2017, Commission staff clarified with Minnesota Power staff how the proposed cost recovery for production meters would work in instances that were not related to the Solar Energy Standard. Commission staff informed the Department of Commerce staff of the content of that discussion which is summarized in staff comment in these briefing papers.

IV. Minnesota Power's IR Response and Compliance Filing

Elimination of Monthly Service Charge

Minnesota Power proposed by IR response to eliminate the monthly service charge; however, pending a Commission decision on the proposal to eliminate the charge the Company included the current monthly service charge in its July 21, 2017 compliance filing. The Company intends to file a second compliance filing with the charge removed if the Commission approves.[1]

By the end of 2016, a majority of Minnesota Power's customers are served by advanced metering infrastructure (AMI) which replaces the legacy automated meter reading (AMR) system. The AMI system does not require additional costs for two way communication between the utility and its customers with distributed generation.[2] As a result, Minnesota Power's updated side-by-side comparison demonstrates the remaining, incremental cost of $20.98, for bidirectional programming of a service meter and associated costs based on administrative and general service expenses (.28%) and distribution and general engineering cost (12%).[3] The Company determined that the equivalent $.05/month incremental cost to serve a customer with distributed generation did not warrant charging a monthly service charge, and proposed to eliminate its monthly service charge. The Company did not address production meter costs in the IR response.

Additional Information Required

Minnesota Power's July 21, 2017 Compliance Filing incorporated the additional information required by the Commission's May 22, 2017 Order. The list of additional information required is attached to these briefing papers, and the inclusion has been confirmed by both Department and Commission staff.

Minnesota Power, consistent with the Commission's Order, replaced the language in its Schedule E with a copy of the statewide interconnection standards.[4] The Company also incorporated the language specifying that production meters are only required for systems between 40 kW and 1,000 kW[5], and replaced "same legal entity" with "customer" in its meter aggregation policy in compliance with the Commission's Order.[6]

In addition, Minnesota Power flagged several credit corrections made in the compliance filing to address an error in the initial filing with how line loss adjustment was treated. These errors had no impact on customers because Minnesota Power does not have customers on either the simultaneous purchase and

[1] Minnesota Power, Compliance Filing, p. 3.
[2] Minnesota Power, IR #2 Response, p. 2.
[3] Minnesota Power, IR #2 Response, Attachment, p. 1.
[4] Minnesota Power, Compliance Filing, Attachment A, p. 1-85.
[5] Minnesota Power, Compliance Filing, Section V, page no. 60.9, revision 36, (9)
[6] Minnesota Power, Compliance Filing, Section V, page no. 60.6, revision 36, "Meter Aggregation"

sale or time of day rates at this time.[7] Staff confirms the updated energy credits under the compliance filing's simultaneous purchase and sale and time of day rate schedules are consistent with Schedule A.

V. Department Comments

Elimination of Monthly Service Charge

The Department recommends the Commission approve Minnesota Power's proposal, and addressed the issue of cost recovery for production meters when required:

> [T]he Department notes that the Company still intends to require production meters for systems incentivized by either MP or by the Made in Minnesota Program, as well as for systems sized between 40kW and 1,000kW. The Company clarified to the Department via email that since production meters are necessary for the Company to comply with the Solar Energy Standard (SES), the Company is providing production meters free of any upfront charge to DG customers and recovering the costs from all of MP's customers through the standard customer charges. The Department concludes that this is a reasonable way to recover these costs, as SES compliance benefits all customers on the Company's system.[8]

Energy and Firm Power Capacity Credit

The Department noted an error in Minnesota Power's filed Energy and Firm Power Capacity Credit, and recommends updating the applicable rate from $.0296/kWh to $.0299/kWh to be consistent with the Company's most recently filed Schedules A & B in Docket. No. E999/PR-17-09.[9] Staff confirms this change is appropriate and consistent with Schedules A & B as noted by the Department.

Additional Information Required

The Department concluded Minnesota Power "incorporated the remainder of the Minnesota Public Utilities Commission's Order into its tariff."[10]

VI. Staff Comment

Elimination of Monthly Service Charge

In follow up with staff[11], Minnesota Power clarified cost recovery through either an upfront charge or the standard customer charge was how the Company proposed to handle costs of production meters, when required, for non-solar distributed generation or solar customers that maintained their SREC

[7] Minnesota Power, Compliance Filing, p. 4.
[8] Department, Reply, p. 2.
[9] Department, Compliance Letter, p. 1.
[10] Department, Compliance Letter, p. 1.
[11] Phone Conversation with Lori Hoyum and Katie Frye (Minnesota Power), October 2, 2017.

ownership. According to Minnesota Power staff, this would apply to very few customers today (less than three.) Minnesota Power proposes to recover the production meter costs for solar customers enrolled in incentive programs that include transfer of SRECs to the Company; such as, SolarSense or Made in Minnesota, from all customers as a SES compliance cost. Minnesota Power staff estimated this to be approximately fifty customers this year.

Staff offers for context how the other investor-owned utilities treat production meter costs when required. Otter Tail Power proposed, and the Commission approved, recovery of production meter costs as part of SES compliance costs in E017/M-16-280. In Otter Tail Power's example, the utility was offering the production meter at no cost to a customer who voluntarily sold their small-scale SRECs to the company. For all other production meters, Otter Tail Power has a monthly metering charge based on incremental costs and approved by the Commission.

Xcel Energy requires customers who are required to have a production meter either because of the interconnection standard's metering requirements or who receive a production-based incentive program, e.g. Solar Rewards or Made in Minnesota, to pay a monthly metering charge based on incremental costs and approved by the Commission. The costs of the incentive-based programs are conservation improvement program (CIP) or Renewable Development Fund (RDF) expenses, and are not recovered as SES compliance costs.

Staff notes that Minnesota Power has a number of customers, predominantly large industrial, who are exempt from SES compliance costs. As such, it may not be appropriate to recover SES compliance costs from all customers. Minnesota Power also has not clarified what of the metering costs in previous service charge calculations is production meter-related. The initial calculation for the service charge refers to meter costs based on a "kWh meter", "TOD Meter", "kVar Meter", "Meter" or "Cell Modem."[12] The Commission may wish to consider cost recovery of production meters through the SES rider by referring this issue to the generic SES docket (Docket No. E999/CI-13-542) for record development.

As discussed in Docket No. E999/CI-15-755, a utility may include required, incremental interconnection costs, which include metering, in the costs to be recovered in the uniform statewide contract or through a monthly metering charge based on incremental costs to serve the customer. Another option may be to forgo the purchase of a production meter by utilizing existing functionality in a customer's inverter if it allows revenue grade production metering; however, there can be an issue with access to useful information between the utility and the inverter. The Commission will be addressing the issue of interconnection requirements and costs in the update of the statewide interconnection standards, Docket No. E999/CI-16-521. Cost recovery of utility costs not paid for by the interconnection customer directly is not currently considered part of the scope of that docket.

[12] Minnesota Power, Initial Filing, Calculation of Service Charge, p. 1.

VII. Commission Options

A. Approve Minnesota Power's proposal to eliminate its monthly service charge given the side-by-side comparison of incremental costs (Minnesota Power, Department);

B. Require Minnesota Power to file an updated compliance filing within 10 days with the following modifications:

    i. Elimination of the monthly service charge (Minnesota Power, Department);
    ii. Correct Energy and Firm Power Capacity Credit rate. (Minnesota Power, Department)

C. Allow Minnesota Power to recover production meter costs from all customers either through the standard customer charge or as an SES compliance cost, if eligible. (Minnesota Power, Department)

or

D. Require Minnesota Power to recover production meter costs through an upfront charge/payment schedule to the customer in the uniform statewide contract, or file an additional monthly service charge calculation that includes the cost of a production meter. (Staff)

or

E. Delegate authority to the Executive Secretary to refer the issue of whether to recover production meter costs as SES compliance costs to the generic SES docket (Docket No. E999/CI-13-542). (Staff)

Staff recommends decision options: A, B(i-ii), and D or E.

II. REPLY COMMENTS

Minnesota Power complied with the Commission's request to make the necessary revisions to incorporate the changes to Minn. Stat. §216B.164 and resulting changes to Minnesota Rules, Chapter 7835 into its Rider tariff; however, the Company is open to consideration of the Department's recommendations specified in Initial Comments. In the following sections the Company responds to the Departments recommendations and requests.

A. Incorporation of Additional Language into Tariff

The Department made several recommendations for the incorporation of additional language into the Rider tariff. The Department recommended that Minnesota Power incorporate language:

- Defining terms used in the tariff, as found in Minnesota Rules 7835.0100;
- Setting compliance, interconnection, and generation system standards as described in Minnesota Rules 7835.2100;
- Indicating that the Company will provide the customer a copy of, or access to, the relevant Commission Order establishing Interconnection Standards before the customer signs the Uniform Statewide Contract;
- Referencing where the Uniform Statewide Contract, the most recent Interconnection Standards and related Commission Order, and any other pertinent Rules, Statutes, and documents can be found;
- Indicating that any contract between a utility and a qualifying facility of less than 40 kW remains in force until terminated by mutual agreement or as otherwise specified in the contract;
- Governing how ownership of renewable energy credits is treated (Minnesota Rules, part 7835.5950);
- Indicating that the Uniform Statewide Contract must be used for all facilities under 1,000 kW;
- Providing compensation options for customers providing non-firm power under both the Simultaneous Purchase and Sale Rate and the Time-of-Day Purchase Rate;
- Clarifying how the customer will qualify as a firm power provider;

- Clarifying if customer does not elect to be compensated for net input in the form of a kilowatt-hour credit, that the customer will be compensated for the net input at the utility's avoided cost rate;
- Clarifying the Company's metering policy for serving qualifying facility ("QF") customers;
- Regarding dispute resolution;
- Specifying the terms and conditions of meter aggregation; and
- Specifying the conditions under which utilities may impose standby charges, as specified in Minnesota Statutes 216B.164 Subd. 3a.

Minnesota Power is agreeable to incorporating the Department's recommended language into the Rider tariff. The Company anticipates filing an updated Rider tariff that incorporates the recommended language additions once an order has been issued in this Docket.

B. Reply Comment Request Information

The Department also requested that Minnesota Power address the following in Reply Comments:

- Provide a side-by-side comparison of the monthly service charge calculation for a QF customer and a non-QF customer, to demonstrate the incremental costs associated with serving QF customers;
- Clarify its metering policy for serving qualifying facility ("QF") customers;
- Clarify the protocols the Company would use to determine individual system capacity limits for customers whose sites contain two or more aggregated meters;
- Clarify how the Company would calculate the 120 percent rule based on historical or imputed customer energy use when 12 months of historical data for a site is unavailable; and
- Clarify how the Company would calculate peak demand for non-demand wind generation customers.