

February 27, 2019

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. E002/M-19-33

Dear Mr. Wolf:

Attached are the comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) regarding:

Northern States Power Company, d/b/a Xcel Energy's request for approval to expand its Renewable*Connect Program.

The Department recommends **approval**. The Department is available to respond to any questions the Minnesota Public Utilities Commission may have on this matter.

Sincerely,

/s/ SUSAN L. PEIRCE
Public Utilities Rate Coordinator

SLP/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. E002/M-19-33

I. BACKGROUND INFORMATION

On February 27, 2017, the Minnesota Public Utilities Commission (Commission) issued its *Order Approving Pilot Programs and Requiring Filings* in the matter of Northern States Power Company d/b/a Xcel Energy's (Xcel or the Company) request for approval of its Renewable*Connect (R*C) Pilot Program in Docket No. E002/M-15-985. Participating customers in the R*C Pilot pay a per-kilowatt-hour (kWh) rate for wind- and solar-generated electricity in lieu of the fuel clause charge they would normally pay. The R*C Pilot is to end on December 31, 2026.

On February 21, 2018, the Commission issued its *Order Approving Tariff Revisions with Modifications* in the matter of Xcel's request for approval of revisions to the R*C Pilot Program in Docket No. E002/M-17-695.

On January 7, 2019, Xcel filed a petition requesting approval to expand its R*C Program into a full-time, permanent offering.

II. SUMMARY OF THE FILING

Xcel's R*C Pilot program is currently fully subscribed with a waiting list of approximately 400 customers seeking to participate. Xcel proposes to expand its R*C offering with an additional 30 MW of solar for its ongoing Month-to-Month offering, and 150 MW of new wind generation and 50 MW of new solar for its Long Term Offering.

Xcel proposes to transition customers on its Windsource¹ green pricing tariff to its R*C tariff. The Company states that the contracts for its Windsource resources will be expiring soon, and that offering a green pricing program with expanded options, both in terms of renewable resources and contract terms, is reasonable at this time.

¹ *Order Approving Renewable Energy Rider as Revised, Clarified, and Modified* regarding Xcel's petition for approval of a renewable energy rider in Docket No. E002/M-01-1479.

As with the R*C Pilot program, Xcel proposes to offer a month-to-month option, and five- and ten-year contracts. In addition, the Company proposes to offer 15- and 20-year contracts, as well as a pricing option for customers with high off-peak energy usage.

Xcel intends to maintain the same pricing structure as that used for its R*C Pilot program which includes the cost of the resource, less a capacity credit, plus administrative costs and a neutrality adjustment. The Company has not finalized generation acquisitions, and consequently offers only indicative resource costs and not final pricing. The neutrality adjustment is intended to minimize the impact of the program on non-participants.

III. DEPARTMENT ANALYSIS

The Minnesota Department of Commerce, Division of Energy Resources (Department) has reviewed Xcel's R*C proposal and recommends approval.

Xcel proposes to transition its existing Windsource customers to the R*C program under its month-to-month offering beginning in 2021 when it is expected that the solar generation being used to support the R*C program is operational. Existing Windsource customers will be transitioned to the R*C program with the ability to opt out without penalty, if desired.

In order to better facilitate the transition of Windsource customers to R*C, the Company proposes to eliminate its minimum term requirements for Windsource customers. In addition, Xcel proposes to incorporate new solar resources by purchasing solar renewable energy credits (RECs) for its Windsource offering as permitted by the Commission's Order in Docket E002/M-09-1177.²

Xcel proposes to serve its month-to-month R*C customers with the existing wind resources currently used to serve its Windsource customers. The Company has negotiated a 10-year extension to its Moraine II purchased power agreement (PPA) (see Docket No. E002/M-19-58).

Xcel expects to acquire approximately 150 MW of new wind and 50 MW of new solar resources to serve its long-term R*C customers. In addition to the 5- and 10-year contracts currently being offered under the R*C Pilot Program, the Company proposes to offer 15- and 20-year contracts. Customers with more than 62.5 percent of their usage occurring in the off-peak period will have the option of obtaining a High Off-Peak Usage contract which will be priced assuming a higher proportion of wind energy than the standard long-term contract. Customers

² *In the Matter of Xcel Energy's Request for Approval of Revisions to its Voluntary Renewable and High Efficiency Purchase Rider*, Order Allowing Addition of Limited Solar Energy to Windsource Program, Requiring Customer Notification and Requiring Compliance Filing, June 21, 2010, Docket No. E002/M-09-1177.

seeking a long-term contract under R*C will be offered a R*C Bridge until new renewable resources become operational. Under the R*C Bridge option, the Company will retire RECs equivalent to the customers' energy usage and charge customers a single rate to cover the cost of the RECs, REC registry fees, program administration and other associated costs. The R*C Bridge option will be discontinued once the new renewable generation intended to support R*C Program is operational.

Xcel proposes pricing methodology consistent with the methodology used in its R*C Pilot, and includes resource costs less a capacity credit when applicable, plus administrative costs and a neutrality adjustment. Because Xcel has not yet acquired the generation resources to serve its R*C customers, the Company has filed indicative pricing. The Department recommends that Xcel be directed to file its final pricing for its R*C Program within 30 days of approval of its resource acquisitions for the Program.

With respect to the application of a capacity credit, Xcel states that it will not provide a capacity credit to its long-term R*C customers until there is a system need, currently expected to occur in 2025. Because the month-to-month offering is being served from existing Windsor assets which have an established capacity credit associated with the PPAs, a capacity credit is reflected in the month-to-month customer pricing.

Consistent with its R*C Pilot program, Xcel intends to continue using a neutrality adjustment charge that covers costs associated with line losses, curtailment costs, renewable energy integration and system balancing costs. Revenues associated with the neutrality adjustment will be credited to the Fuel Clause as a means of minimizing the impact of the R*C Program on non-participating customers.

Xcel requests the ability to use a 30-day negative check-off process should long-term service agreements require amendment. As proposed, the Company would file for approval of a service agreement amendment, and if no objection or letter of intent to object is filed within 30 days, the amendment would be deemed approved. In the event of an objection, the Commission would take comments and hear the objection at a Commission meeting. The Department recommends approval of the 30-day negative check-off process. The process has been successfully used for service agreement amendments with the Solar*Rewards and Solar*Rewards Community programs.

Xcel proposes to continue its current compliance reporting similar to its R*C Pilot. Compliance reporting would be made on April 1 after the first full year of operation and include the items reflected in the Commission's February 27, 2017 Order Approving Pilot Programs and Requiring Filings in Docket No. E002/M-15-986. The Commission may wish to have periodic updates on the status of acquiring additional renewable resources for the R*C Program. The Department

recommends the Company be directed to provide a brief update on its progress in acquiring new resources for the R*C Program in its April 1st compliance reporting on the R*C Pilot Program.

IV. DEPARTMENT RECOMMENDATIONS

The Department recommends that the Commission:

- Approve Xcel's proposal to offer the Renewable*Connect Program
- Approve Xcel's proposal to modify the Windsource Tariff to eliminate minimum subscription periods, and to transition customers to the Renewable*Connect Program.
- Require Xcel to file its initial final pricing for its R*C Program within 30 days of approval of its resource acquisitions for the Program.
- Approve Xcel's request to use a negative check-off process for amendments to its Renewable*Connect Long Term Service Agreement.
- Approve Xcel's proposed annual compliance reporting and require that Xcel be directed to provide updates on its initial acquisition of resources for the Program by April 1st each year.

/ja

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. E002/M-19-33

Dated this **27th** day of **February 2019**

/s/Sharon Ferguson

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