

May 30, 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-19-270

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 revised 2020 Tariff Rates
for its Renewable*Connect Pilot

Xcel Energy provided the revised Renewable*Connect rates and neutrality charge in an April 1, 2019 compliance filing.

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-19-270

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 April 1, and April 12, 2019, Xcel submitted its annual R*C Pilot compliance filing and an errata to its compliance filing, respectively. In addition to its compliance filing, Xcel seeks approval of its 2020 Month-to-Month and Special Events rates and neutrality charge.

II. SUMMARY OF THE FILING

The Commission's February 27, 2017 Order required Xcel to submit an annual report every April 1st with the following information:

- Total participants by customer class and contract length;
- Total wind and solar production;
- Total R*C expenses and R*C Government expenses;
- Total amount of R*C and R*C Government charges collected;
- Tracker balance;
- Monthly comparisons of R*C pricing for participants with the fuel charge for nonparticipant customers;
- Impact of the R*C Pilot on non-participating customers;
- Impact on all Xcel ratepayers through updates in base rates; and
- Information on the number of terminations and termination fees.

III. DEPARTMENT ANALYSIS

Xcel has submitted the compliance information for 2018 as required by the Commission's February 27, 2017 Order. The R*C Pilot is 100 percent subscribed and had a waiting list of 1,100 customers as of December 31, 2018. Xcel filed a proposal for a permanent R*C Program

on January 7, 2019 in Docket No. E002/M-19-33, which is currently pending before the Commission. Xcel reported the following subscription and sales information for its R*C Pilot:

Table 1: Summary of Renewable*Connect Subscribers

Customer Class	No. of Subscribers	% of total	kWh Sales	% of Total
Residential	3,217	95.6%	20,885,877	15.0%
Small Comm'l	37	1.1%	377,707	0.2%
Demand Billed	<u>112</u>	<u>3.3%</u>	<u>118,195,941</u>	84.8%
Total	3,366	100.0%	139,459,525	100.0%

Xcel offers month-to-month, 5-year, and 10-year contracts, as well as the ability to subscribe for special events. Finally, Xcel also offers R*C specific to government entities.

To calculate the impact of the R*C Pilot on non-participating ratepayers, the Company compared the on- and off-peak Locational Marginal Price (LMP) information to the Purchased Power Agreement (PPA) costs of the solar and wind resources allocated to the R*C Pilot. R*C Pilot resources continued to be priced higher than the marginal cost of energy, resulting in no incremental costs being borne by non-participant customers.

Xcel provided the following information on its tracker balance for the R*C Pilot Program. The Company reports the following balances for 2018:

Table 2: Summary of Renewable*Connect Pilot Tracker Balance

Total R*C Revenue	\$5,911,886
Expenses:	
Production Cost	\$4,814,268
Neutrality Recovery	<u>\$ 717,115</u>
Credits to the Fuel Clause	\$5,531,383
Marketing and Administrative Expense	<u>\$30,676</u>
Total Renewable*Connect Expenses	\$5,562,059
Over/(Under) Recovery	\$349,827

Table 3: Proposed Rates

	Current Rate 2019	Proposed 2020
Month-to-month/one-time events	\$0.03599	\$0.03623
Neutrality Charge	\$0.00483	\$0.00488

Xcel proposed a small increase in its month-to-month and one-time event rates for its R*C Pilot. The increase reflects an increase in the neutrality charge, and was partially offset by lower administrative costs. The Department has reviewed Xcel's filing, and recommends approval of the proposed rates.

IV. DEPARTMENT RECOMMENDATION

The Department recommends that the Commission accept Xcel's annual Renewable*Connect Pilot Program Annual Report, and approve the proposed rates.

/ja