BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matthew Schuerger	Commissioner
Katie J. Sieben	Commissioner
John A. Tuma	Commissioner

In the Matter of a Commission Inquiry Into Standby Service Tariffs

ISSUE DATE: April 20, 2018

DOCKET NO. E-999/CI-15-115

ORDER APPROVING SOLAR PV DEMAND CREDIT RIDER WITH MODIFICATIONS AND STANDBY SERVICE RIDER

PROCEDURAL HISTORY

On October 3, 2017, the Commission approved standby service tariffs for Otter Tail Power Company, Dakota Electric Association, and Minnesota Power. Xcel Energy (Xcel or the Company) had also filed a proposal for standby service, a proposal for a solar photovoltaic (PV) capacity credit rider, and a process and timeframe for establishing a methodology for a permanent PV credit rider. In the October 3, 2017 order, the Commission did not immediately act on Xcel's proposal, but directed Xcel to take the following actions:

> 16. Xcel shall work with Flint Hills Resources and other interested parties to address the issues raised by Flint Hills and Xcel in this docket surrounding the need for a separate rider for customer-sited combined heat and power projects larger than 10 MW, and if the parties come to agreement, to file a proposal for a separate rider.
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> 17. Xcel shall file the above-referenced proposal, or an explanation of why the parties could not reach agreement, within 60 days of this order. The filing should be submitted under a new docket number.
>
> 18. Xcel shall work with other interested stakeholders and parties in this docket on development of a Solar PV Capacity Credit Rider and, in so doing, seek to reach an agreement on what the value of the Solar PV Capacity Credit Rider will be in the interim, prior to establishment of a methodology.
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> 19. Xcel shall work with the parties to reach agreement on a proposed process and timeframe for establishing a methodology to be used in developing the solar PV capacity rider.

> 20. Within 30 days of the Order, Xcel shall file a report with the Commission with any agreements or partial agreements reached by the parties on the PV Solar Capacity Credit, and explain or identify any areas of disagreement or impasse remaining and basis therefore.

On November 2, 2017, Xcel submitted a compliance filing in response to order points 18, 19 and 20. Xcel included its proposal for a solar PV Demand Credit Rider based on an agreement negotiated with the Department of Commerce (Department) and the Minnesota Solar Energy Industries Association (MnSEIA).

On November 8, 2017, MnSEIA filed a letter in support of the negotiated agreement and requested expedited treatment.

On November 13, 2017, the Commission issued a notice seeking comments on the negotiated agreement and the PV Demand Credit Rider.

On November 27, 2017, Sundial Solar, a solar developer, and Target Corporation filed comments on the negotiated agreement.

On December 4, 2017, Xcel filed a letter regarding its compliance with order points 16 and 17. These order points relate to Xcel's proposal for a Standby Service Rider and Flint Hills Resources' request to establish a separate rider for customer-sited combined heat and power (CHP) projects over 10 MW.

On January 4, 2018, Xcel filed tariff sheets reflecting the proposed PV Demand Credit Rider agreement. On January 31, 2018, Xcel filed proposed revisions to its Standby Service Rider, agreed to by Flint Hills Resources (Flint Hills), and a slightly modified version of its proposed PV Demand Credit Rider clarifying the circumstances under which it is available.

On March 20, 2018, Xcel filed the parties' final agreement on the Standby Service Rider and the proposed agreement and PV Demand Credit Rider and a red-lined version of both sets of proposed tariffs.

On April 5, 2018, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Solar PV Demand Credit Rider

A. The Negotiated Agreement

Following the Commission's October 3, 2017 order, Xcel, the Department, and MnSEIA reached an agreement as to proposed terms for the solar PV Demand Credit agreement (Agreement). On March 20, 2018, Xcel filed the Agreement, which addressed the level of the credit, customer eligibility, and the process and timeline for developing a new rate, as follows:

- The level of the credit in the PV Rider assumes a starting value of $4.52/kW credit and 11 months as the average non-grace period months in the conversion formula for the kWh based solar credit, resulting in a credit value of 7.139 cents per kWh;

- Current customers under the Standby Service Rider who qualify under the PV Rider at a given location will no longer be on the Standby Service Rider and will be enrolled in the PV Rider. New customers who qualify for the PV Rider at a given location may also enroll in the PV Rider under this rate provided that they do so before the date of an order issued by the Commission authorizing a change to this rate. This subsequently revised rate in an updated PV Demand Credit Rider is referred to as the Revised PV Rider Rate;

- The PV Rider credit rate of 7.139 cents per kWh will be available to customers properly enrolled at the rate as described above for a given location for six years from the date of the Commission order approving the PV Rider. Any customer enrolling in the Revised PV Rider will receive the credit as set forth in the Revised PV Rider Rate tariff;

- Following discussions with the Department of Commerce, MNSEIA and other interested parties, Xcel will file a proposed methodology for future revision of the $4.52/kW solar capacity or demand credit. The methodology should consider reasonable ways to incorporate cost of service principles in demand charges for behind-the-meter solar customer accounts, as well as also address the additional issues surrounding the solar capacity or demand credit rider as raised by parties in this docket. Xcel should file its proposal and discussion of the additional issues by September 19, 2018, as well as rationales for why this study is or is not a better indicator of capacity or demand value than previously derived values. Parties will be allowed 60 days to respond;

- Xcel, with input from the Department, MNSEIA and other interested parties, will evaluate to what extent the billing demand quantities of customers with solar generation is affected by their solar production. Xcel will review whether there is a mismatch between the net billing demand of individual customers with solar installations and their net demand on system peak demand days relative to non-solar generation customers and, if so, how to reflect that difference appropriately in demand billing or comparable rate component; and

- Xcel will conduct a new electric load carrying capacity (ELCC) study in preparation for its resource planning process. In addition, Xcel will compare this credit to current peak controlled demand credits. All study results will be provided to parties by July 1, 2018.

At the hearing, there was also a broad discussion of the studies being conducted on distributed energy resources (DER) at the state as well as the federal level. The Company agreed to add a qualitative discussion of the DER issues currently being studied in its methodology filing in the fall of 2018.

Xcel asserted that the Agreement reached with the Department and MnSEIA results in a reasonable PV Demand Credit interim rate, provides additional certainty to customers, and establishes a workable process and timeline for establishing a new PV Demand Credit rate proposal.

MnSEIA commented that the negotiated Agreement is sufficient to meet the needs of all participants to this proceeding, and recommended that the Commission approve it expeditiously.

B. Comments of the Parties

Sundial Solar (Sundial) filed comments generally supporting the Agreement, but offering additional comments. Sundial did not support the change to a starting credit value of $4.52/kW– recommending instead that the rate remain at the existing level of $5.15/kW, with any change to that rate determined as part of the Commission's subsequent review of the proposed methodology to be used.

Sundial also recommended that the period during which the credit is received begin only once the solar facility is interconnected, rather than when the order is issued.

Target did not offer an opinion on whether or not the Commission should adopt the partial Agreement reached on the solar capacity rider. If the Agreement is adopted, however, Target recommended that the effective date of the six-year term be changed from commencing with the order issuance date to 180 days after the issue date, during which time existing customers would remain on the current credit.

C. Commission Action

Xcel's original petition on the solar PV Demand Credit Rider was filed on May 19, 2016. Since that time, the proposal evolved as it went through a lengthy series of detailed and thorough discussions, both among the parties and before the Commission.

As Xcel explained at the hearing, the new interim rate to be set in this proceeding will establish the start of a six-year term for the new solar PV Demand Credit Rider. This would be a closed rate designed to last for six years. If the Commission establishes a new methodology within the six-year period, and the new methodology is approved by the Commission, a new rate, either higher or lower than the interim rate, will commence. Customers already on the interim rate would have the option to stay on the initial closed rate for the remainder of the six-year term, or to take service under the newly set rate once approved.

Having considered the proposed Agreement and the evolving comments and recommendations of the parties, the Commission will adopt Xcel's proposed Solar PV Demand Credit Rider, and the terms and conditions of the March 20, 2018 Agreement regarding the proposed rider. The Agreement presents a fair, equitable, and reasonable balance of all interests presented. The Commission will, however, modify certain of the terms of the Agreement, as set forth below, to account for the passage of time.

The Commission will extend the date by which Xcel must share the results of the studies required to be undertaken, from July 1, 2018 (as stated in the Agreement filed March 20, 2018) to August 18, 2018. The Commission will also extend the date on which Xcel is to file a proposed methodology for determining the appropriate PV demand credit from September 19, 2018 to October 19, 2018.

Finally, the Commission has considered, but will not accept, the proposed modifications to the Agreement offered by Sundial Solar and Target. The modifications proposed by Sundial – to adjust the proposed starting credit value ($4.52/kW) back to the former credit of $5.15/kW (the starting value prior to the conversion) and commence the six-year credit term to begin at the time a facility is interconnected – were not agreed to by the other parties to the Agreement.

In addition, the Commission will not accept Target's proposal that the six-year term of the Agreement not commence until 180 days after the Commission's order is issued. The settling parties did not include these changes to the Agreement nor discuss their terms at the hearing. The Commission does not find the proposed unilateral changes in the terms of the Agreement to be warranted.

II. Standby Service Rider

A. The Agreement

Ordering Paragraphs 16 and 17 of the Commission's October 3, 2017 order required Xcel to meet with Flint Hill Resources to discuss the issues raised by Flint Hills and Xcel in this docket surrounding the need for a separate rider for customer-sited combined heat and power (CHP) projects larger than 10 MW. Xcel and Flint Hills were initially unable to reach agreement on a separate rider for CHP projects; however, by January 31, 2018, they had agreed to certain revisions to standby service that would replace the need for the formation of a separate large CHP rider.

Xcel filed the proposed final Agreement to modify the Standby Service Rider on March 20, 2018. The Department, Flint Hills, and the Midwest Cogeneration Association support the Agreement modifying the rider. Xcel clarified that the parties' agreement to the revisions to the Standby Service Rider were made to support use of the rider by Flint Hills, and thereby replace Flint Hills's request for a separate large CHP rider.

The proposed Agreement addresses the issues that remained disputed after the August 24, 2017 hearing in this matter, including, *e.g.*, eliminating the inclusion of grace hours, and moving forward with Xcel's method to determine the level of standby usage. Further, the parties agreed that the proposed revisions support the use of the rider by Flint Hills in lieu of a separate large CHP rider.

The proposed terms agreed to by the parties in the modified Standby Service Rider include the following:

1. Clarify language and specify the three types of standby service options in the Availability provision;

2. Remove the exempt (grace) hours provision as recommended by the Department with a corresponding reduction in the Peak Period Standby Energy Surcharge per kWh;

3. Reduce the share of generation and transmission costs included in the standby reservation demand rate from 12 percent to 7.4 percent of the amount included in base tariff demand rates;

4. Clarify that energy used under the Standby Service Rider does not qualify for the base tariff Energy Charge Credit;

5. Revise the definition of peak period standby energy for consistency with the removal of the exempt hours provision and to more specifically define its measurement;

6. Expand and clarify the Definition of Peak Period for Standby Energy section;

7. Add clarity and additional descriptions to the Determination of the Demand provision;

8. Retain the option for monthly revisions of contract standby capacity as recommended in the Company's May 15, 2017 Reply Comments;

9. Specify in the Standby Service Electric Service Agreement the process and requirements for nominating contracted Standby capacity, including seasonal or monthly levels;

10. Remove the definition of excess standby energy usage from the Terms and Conditions of Service (No. 9) as unnecessary without an exempt hours provision;

11. Revise the applicable charge for use of unscheduled standby service during system peak hours and where Company provides advance notice to customer of system peak conditions;

12. Remove written notice require[ments] for scheduled maintenance during the months of April, May, October and November;

13. Allow additional scheduled maintenance periods for customers with greater than 1,000 kW of contracted standby capacity subject to advance notice and Company approval;

14. Allow scheduled maintenance on weekends and holidays subject to advance Company approval for customer with a time of day base tariff;

15. Revise the maximum annual duration of qualified scheduled maintenance periods from six weeks to eight weeks (56 days),

as recommended in the Company's May 15, 2017 Reply Comments;

16. Revise the 24 hour notice requirement for changes to the annual projection of scheduled maintenance from 48 hours to 72 hours to accommodate holiday weekends; and

17. Revise the charge for non-compliance with Scheduled Maintenance Option requirements and limit its applicability to a single month.

Finally, Xcel asserted that the terms of the Standby Service Agreement also fulfill the intent of the Commission's May 19, 2014 order in Docket No. E-002/CI-13-315.[1] In order point 4, the Commission required Xcel to do the following:

> Xcel shall file an update in this docket within two years of this Order on the progress at the MISO to establish a specific solar capacity accreditation value and any other changes potentially relevant to the decision as to whether to update the credit. Such changes include, but are not limited to: (1) changes to base tariff demand charges in a rate case or other proceeding, and (2) material changes in avoided cost components. Xcel shall continue to file an update on this matter and the progress at MISO every 12 months following the Company's first report.

B. Commission Action

The Commission will adopt the Company's proposed Standby Service Rider, as filed March 20, 2018. The proposed revisions represent a reasonable structure for standby service, satisfactorily resolve the issues with Flint Hills about the need for a separate CHP rider, and, as finally proposed, met with no objections from the parties or stakeholders.[2] Accordingly, the Commission will approve it.

Further, the Commission finds that Xcel has fulfilled the requirements of order point 4 of the Commission's May 19, 2014 order in Docket No. E-002/CI-13-315. The Commission will therefore discontinue the Company's ongoing compliance obligations from that order, except to require Xcel to file the same information required in order point 4 prior to its October 19, 2018 filing under the PV demand credit agreement in this matter.

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[1] *In the Matter of a Rate for Large Solar Photovoltaic Installations*, Docket No. E-002/CI-13-315, Order Setting Final Solar Photovoltaic Standby Service Capacity Credit, Requiring Updates and Requiring Compliance Filing (May 19, 2014).

[2] Fresh Energy filed comments on March 29, 2018, and voiced its support for the proposed Standby Service Rider.

ORDER

1. Xcel's proposed solar PV Demand Credit Rider, and the terms and conditions of the agreement regarding Xcel's PV Demand Credit Rider, as filed on March 20, 2018, is adopted, as modified herein.

2. Xcel shall file the studies provided to parties under the PV Demand Credit Agreement with the Commission in this docket at the same time Xcel provides the studies to the parties.

3. Xcel's proposed Standby Service Rider is adopted as filed on March 20, 2018.

4. Xcel's ongoing compliance obligations under the Commission's May 19, 2014 order in Docket No. E-002/CI-13-315 are discontinued, except to require Xcel to file the same information from Order Point 4 prior to its October 19, 2018 filing under the PV demand credit agreement.

5. Where not otherwise specifically required herein, within 30 days of this Order, Xcel shall submit compliance filings in this docket and updated tariff sheets to reflect the Commission's decisions. The effective date for the approved changes to Xcel's Standby Service Rider shall be within 90 days of the issue date of the Order in this matter.

6. Xcel shall evaluate the revisions to its Standby Service Rider, including the formation of a separate PV Demand Credit Rider, and shall report its evaluation to the Commission by December 1, 2020.

7. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf

Daniel P. Wolf
Executive Secretary

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