

City of Minneapolis
350 S. Fifth Street
Minneapolis, MN 55415

Target Corporation
33 South 6th Street, cc-2805
Minneapolis, MN 55402

September 23, 2019

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

RE: Supplemental Comments on the Commission Inquiry into Standby Service Tariffs
Docket No. E999/CI-15-115

Dear Mr. Wolf:

The City of Minneapolis and Target Corporation, with support from Farmington Area Public Schools, Hi-Lo Manufacturing, LifeSource Organ Eye and Tissue Donation, Midwest Diesel Service, Inc., Minneapolis Public Schools, Performance Office Papers, Triangle Warehouse, Inc. and University of Minnesota (“Commercial Customer Cohort” or “Commercial Cohort”), appreciate the opportunity to respond to Department of Commerce’ (“Department”) recommended action on the Xcel Energy PV Demand Credit Rider (“Rider”).¹

I. Commercial Customer Cohort Summary of Initial Comments

The Commercial Customer Cohort is a diverse group made up of public sector, non-profit, and for-profit commercial customers with on-site solar. Collectively we have made significant investments in our behind-the-meter solar systems, and these systems have produced local employment and related economic benefits for Minnesota. While there is a great deal of focus on ratepayers by parties in this docket, we emphasize that our organizations are ratepayers too. We are participating because without a well-supported and researched credit that meets basic customer needs we are at risk of being overbilled.

In our initial comments in February,² The Commercial Cohort requested that the Commission either deny Xcel Energy’s (“Xcel” or “the Company”) petition to modify the existing Rider or require the Company to resubmit a proposal with a methodology that more fairly credited commercial customers for overbilled demand with specific suggestions for modifying Xcel’s proposed methodology. We also requested that customers with energy storage not be excluded from participating. Since then, in reading

¹ Docket 15-115. Department of Commerce [Supplemental Comments](#) in the Matter of a Commission Inquiry into Standby Service Tariffs, PV Demand Credit Rider Methodology. August 16, 2019.

² Docket E999/CI-15-115. Commercial Customer Cohort [Comments](#). Feb 19, 2019.

through the comments of other parties, including the Department’s supplemental comments we wish to update our recommendations.

II. Response to Department of Commerce Supplemental Comments

The Commercial Cohort supports the Department’s recommendation to include the PV Demand Credit Rider to Xcel Energy’s next rate case. Including this rate in a general rate case will allow for a more comprehensive analysis. This would offer the following benefits:

- The PV Demand Credit could be compared with other rates designed to allow commercial customers to recover peak demand charges.
- Xcel could conduct a billing study that responds in alignment with the Commission’s Order

We specify two additional actions that would improve transparency and agreement related to the revised methodology as follows:

A. Direct Xcel to convene a stakeholder process with commercial customers

The stakeholder processes were a successful approach in 2012, 2016, and 2017 when the introductory and current PV Demand Credits were developed collaboratively with Xcel, the Department, MnSEIA, and commercial customers. There are additional recent examples of Xcel convening commercial customer rate focus groups to address the increasing complexity of commercial rate design as technology and markets evolve.³

We request that Xcel approach the stakeholder meetings as follows:

- *Work with historically engaged commercial customers involved in PV Demand Credit rate design discussions to schedule multiple meetings with notice*
- *Facilitate the exchange of stakeholder materials in advance of meetings to allow for review time and maximize meeting productivity*
- *Offer access to the Company’s underlying calculation data for stakeholder review*

The Commercial Cohort believes that a collaborative stakeholder process that meets these criteria will provide for a favorable, balanced outcome.

B. Maintain the existing PV Demand Credit Rider through April 20, 2027

The Commission requested feedback on “The appropriate PV Demand Credit to apply in the interim period, prior to the establishment of a new methodology for the credit.” We support the option initially proposed by the Commercial Cohort and summarized by the Department in section IV. D. 1.b *Potential Commission Options*:

³ See Attachment A as one example.

Until the Pilot project is approved, maintain Xcel's current PV Demand Credit Rider of \$0.07139 per kWh of peak period solar PV generation [from 1:00 p.m. to 7:00 p.m.] but for the closed rate, A85, extend the expiration date from April 20, 2024 to April 20, 2027.⁴

Xcel has not supported key elements of its methodology that the Department partly modifies in option 1.a. In our February comments, our analysis included detailed discussion of issues within Xcel's proposed methodology, including a lack of access to data supporting the proposed \$0.41/kWh reduction, failure to credit capacity value until 2025, and several others.⁵ We continue to find these issues to be critical flaws in Xcel's proposal. However, more fundamentally, we agree with the Department that Xcel's proposal was not responsive to the Commission's most recent Order for the reasons summarized by the Department in *Supplemental Comments* below:

Xcel's study should have focused on comparing the difference in costs that commercial customers with and without solar arrays impose on Xcel's system and then compared that to the differences in how these two different customer groups are allocated costs. That is, the purpose of Xcel's billing study was to come up with a fair way of allocating costs that customers impose on the system.⁶

and

The Department disagrees with Xcel's proposed methodology because it fails to reflect that Xcel's solar demand customers generally decrease Xcel's overall peak, as shown in Xcel's Study.⁷

The Commercial Cohort agrees with the Department that moving the decision to the general rate case and convening a thoughtful, collaborative stakeholder process can allow time to develop a methodology that aligns with the Commission Order. In the meantime, the Commercial Cohort believes that it is appropriate and fair to maintain the existing PV Demand Credit Rider and extend the expiration date to April 20, 2027. This timeline extension is appropriate and reflects that the general rate case proceeding will take time.

III. Unresolved Implementation Issues

The Commercial Customer Cohort's experience with deploying on-site solar projects lends implementation insights that we highlight two issues below for the Commission's consideration as part of the next order.

A. Enrollment definition

"Enrollment" is a step that is required to qualify for the current PV Demand Credit Rider. Commercial customers involved in discussions and negotiations during the last round of this docket believed that

⁴ Department of Commerce [Supplemental Comments](#). p.19

⁵ Commercial Cohort Initial Comments. p.2-9.

⁶ Department of Commerce Supplemental Comments p. 14.

⁷ *Id.* p.20.

meeting this milestone meant that customers with complete interconnection applications submitted prior to the Commission's next Order in this docket would be eligible for the current PV Demand Credit tariff terms. The approved tariff states:

AVAILABILITY – CLOSED RATE Availability of the closed rate is limited to qualifying customer account locations that: 1) are receiving Standby Service Rider tariff service with the Photovoltaic Solar Credit on the date this Rider is originally approved by the Commission, or 2) have enrolled for the Rider before the date the credit rate in this Rider is revised by the Commission. (Emphasis added.) The closed rate will remain fixed for a six year period beginning with the original Commission order date approving this Rider, expiring April 20, 2024. After expiration of the closed rate, the applicable standard rate will replace the closed rate.⁸

However, Xcel has interpreted *enrollment* differently and requires a system to be fully operational by the date of the Commission's next Order. (Please see *Attachment B, Application*, specifically *Agreement #2* on page 2.)

The Company's policy results in customers with solar projects in the interconnection queue not knowing if projects will be credited at the current Rider rate and terms. We request that the Commission clarify the definition of enrollment under the existing rider to resolve this issue. We believe a reasonable requirement of the customer is that a complete interconnection application is submitted to the utility. Submitting a complete interconnection application is not a simple task. It involves having negotiated and executed a development contract between the customer and a solar developer, performing structural analysis of the customer's roof to ensure the structure can support the solar equipment if necessary, developing the engineering one-line diagram, paying the application fee, and many other steps. Significant customer work is required before a complete interconnection application can be submitted. For these reasons, the Commercial Cohort believes that this step in the interconnection process demonstrates real customer commitment to proceed and is the appropriate step in the process to define for enrollment definition purposes. This definition of enrollment is consistent with:

- business transactions between a utility and a third party developer where the power purchase rate is understood prior to building the project
- the rules under the community solar program when an applicant applies under a known rate and is allowed time to complete the project.

B. Energy storage eligibility

In initial comments the Commercial Cohort requested that solar projects paired with energy storage not be excluded from participating in this Rider. Xcel responded:

⁸ Xcel Energy Minnesota Electric Rate Book -MPUC No.2 [Photovoltaic Demand Credit Rider](#) Section No. 5, 4th Revised Sheet No. 125. Effective Date: Jun 1, 2018.

...storage is at odds with the underlying purpose of the Rider and can be used to “game” the rate. Finally, the new metering configurations required to include PV and storage are not feasible under the Company’s proposal.⁹

While the Commercial Cohort agrees that solar paired with energy storage may require special consideration, we maintain that it is unreasonable to simply exclude energy storage. Energy storage is a viable technology that is gaining interest by utilities, customers, and communities due to its attributes for:

- increasing grid flexibility
- improving grid resource efficiency
- strengthening customer and system resiliency
- saving money, for both participating and non-participating customers

We believe that Xcel’s concerns about integrating energy storage can be addressed with technology solutions available today. Given the value proposition that energy storage presents to customers and the grid community alike, we request that the Commission direct Xcel to evaluate allowing customers with on-site solar and energy storage to participate under this Rider and to propose a pilot. This will allow customers more choice about meeting their operational needs and offer valuable early experience with energy storage.¹⁰

IV. Clarifying the Commercial Cohort’s Initial Comments on Rate Certainty and Fairness

We believe that Xcel has misinterpreted our concerns outlined in initial comments about the fairness of the proposed methodology when we highlighted elements of the proposal that hinder a customer’s ability to develop a project, including the necessary step of securing financing. Xcel responded to our concerns as follows:

...We believe there is a fundamental misunderstanding evident among some parties about the purpose of the PV Demand Credit Rider.

Some parties ask that the methodology be developed to assist the market in responding to “financing realities”, and they assert that without modification, the proposed methodology would lead to “unfair suppression of the commercial solar market”.¹¹

However, the Commercial Customer Cohort shares the Department’s and Xcel’s understanding about the purpose of the Rider:

The purpose behind Xcel’s proposed new PV Demand Credit Methodology is to address the fact that the peak demand charge for solar customers will often be set on the days

⁹ Xcel Energy [Reply Comments](#). Mar 19, 2019.

¹⁰ *Id.* p.3. Xcel noted in March Reply Comments that there are 50 Rider customers representing 0.1% of demand-metered customers.

¹¹ *Id.* p.2

*that system peaks do not occur and thus capacity charges do not reflect costs caused by customers with solar PV.*¹²

The Commercial Cohort's objective is not to receive special treatment or to create an incentive, but rather to raise awareness that the issues customers investing in on-site solar experience are similar to those experienced by a utility or other developer when developing a project with mostly upfront costs and no variable fuel costs. We hoped that if the terms of a rate are shown not to work well for customers that the Company would be open to considering the feedback and incorporating it into a more viable rate structure. For example, Xcel has held feedback sessions for the Conservation Improvement Program, and demand response programs, and other rate designs for this purpose. (See *Attachment B, Xcel Energy Time of Use Rates Roundtable Invitation* as a recent example.)

We want to assure the Commission and parties that we offered feedback in this spirit, specifically highlighting areas where the Company's petition undervalued the customer's investment or created undue uncertainty that would threaten the viability of on-site solar projects. We feel that non-participating customers are not harmed by our requests for certainty and appropriate valuation. In fact, we believe the grid community benefits from customer-funded investments in solar, especially with the existing and proposed Rider applying only to production between 1:00 and 7:00 p.m. to better align with system peaks. We hope to work collaboratively with Xcel and other stakeholders to identify an equitable solution that builds on the learnings from current and previous versions of the Rider.

V. Summary of Recommendations

In conclusion, the Commercial Cohort supports the Department's recommendation to include the PV Demand Credit Rider in Xcel Energy's next rate case. In addition, we recommend the Commission:

- Direct Xcel to convene a stakeholder process with commercial customers and that the stakeholder meetings are led as follows:
 - Work with historically engaged commercial customers involved in PV Demand Credit rate design discussions to schedule multiple meetings with notice
 - Facilitate the exchange of stakeholder materials in advance of meetings to allow for review time and maximize meeting productivity
 - Offer access to the Company's underlying calculation data for stakeholder review

- Adopt the Department option in section *IV. D. 1.b. Potential Commission Options*:

Until the Pilot project is approved, maintain Xcel's current PV Demand Credit Rider of \$0.07139 per kWh of peak period solar PV generation [from 1:00 p.m. to 7:00 p.m.] but for the closed rate, A85, extend the expiration date from April 20, 2024 to April 20, 2027.¹³

¹² Department of Commerce Comments. p. 10-11.

¹³ Department of Commerce [Supplemental Comments](#). p.19

- Clarify the fulfillment of “enrollment” as being the date a complete interconnection application is submitted.¹⁴
- Direct Xcel to propose a pilot under the Rider that includes customers with energy storage.

The Commercial Cohort appreciates the Commission’s attention to this important matter and thanks you for the opportunity to share our perspective as commercial customers.

Respectfully submitted,

Mark Ruff
Chief Financial Officer, City of Minneapolis
Minneapolis, MN

Holly Lahd
Lead Energy & Sustainability Program Manager,
Target Corporation
Minneapolis, MN

Jane Houska, Director of Finance, and
Dan Miller, Director of Operations
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Karen DeVet
Chief Operating Officer
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Erik Nordley
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Hi-Lo Manufacturing
Stacy, MN

Russ DeFauw
President
Performance Office Papers
Lakeville, MN

Peter Farstad
Chief Administrative Officer
LifeSource Organ Eye and Tissue Donation
Minneapolis, MN

Peter Kaufhold
Director of Operations
Triangle Warehouse, Inc.
Minneapolis, MN

Jerry Reiter
President
Midwest Diesel Service, Inc.
Blaine, MN

Shane Stennes
Director of Sustainability
University of Minnesota

¹⁴ The Commercial Cohort notes this is especially important in the near-term if the Commission does not adopt IV. D. 1.b. from the previous bullet.



YOU'RE INVITED TO OUR 2019 TIME OF USE RATES ROUNDTABLE

Planning for the Future

Join us for lunch and an opportunity to learn more about our Time of Use Rates and to give us your input on how Xcel Energy might develop and propose a revised General Service Time of Day Rate that might vary from today's current On and Off Peak hours and be more reflective of hourly system costs with a price signal designed to help reduce peak demand.

Tuesday, August 27th, 2019 and Thursday, September 19th, 2019

11:15 a.m. – 1:30 p.m.

Southview Country Club

[239 Mendota Road East](#)

[West St. Paul, Minnesota 55118](#)

(lunch included)

[Click Here to Register Today!](#)

(Please RSVP by 8/23/19)

TIME OF USE AGENDA

11:15 – 11:30

Registration

11:30 – 12:00

Lunch

12:00 – 1:30

Roundtable Discussion, Trends and Brainstorming (Week 1)
Preview of the New Rates (Week 2)

Attachment B

Xcel Interconnection Application

**Amendment No. 1
to Electric Service Agreement
Between Northern States Power Company
And _____**

(Regarding Xcel Energy Photovoltaic Demand Credit Rider)

This Amendment No. 1, is between Northern States Power Company, a Minnesota corporation and wholly owned subsidiary of Xcel Energy Inc. ("Xcel Energy") and _____ ("Customer"). Xcel Energy and Customer entered into an Electric Service Agreement ("Agreement") dated _____, 20____, by which Xcel Energy provides electric service to Customer at the following address:

_____. Customer wishes to participate in the Xcel Energy Photovoltaic Demand Credit Rider (Section 5 tariff, Sheet 125) for service provided at this address.

NOW, THEREFORE, the parties hereby amend the Agreement to add the following terms and conditions:

RECITALS

The Customer is a demand-metered commercial or industrial customer that uses Solar Photovoltaic as a customer-sited generation source greater than 40 kW (AC) with a single production meter to serve all or a portion of its electric energy requirements at the above address. The Customer understands that participation in the Xcel Energy Photovoltaic Demand Credit Rider is not available if it participates in another incentive program such as Solar*Rewards for the same Solar Photovoltaic system.

AGREEMENTS

The Customer and the Xcel Energy agree:

1. Xcel Energy will sell electricity to the Customer at the above address under a demand-metered rate schedule available to the Customer.

2. The Customer **will be enrolled** in the Xcel Energy Photovoltaic Demand Credit Rider on the date when all of the following conditions have been met: 1) This Amendment No. 1 is countersigned by Xcel Energy; and, 2) **the Photovoltaic system to which this Amendment No. 1 applies is fully operational**. But, Customer's participation and qualification to participate is subject to all of the terms and provisions of the Xcel Energy Photovoltaic Demand Credit Rider.

3. The installed capacity of the Customer's Solar Photovoltaic generation subject to the Xcel Energy Photovoltaic Demand Credit Rider at the above address is: ___ kW (AC).

4. The base tariff to which the Xcel Energy Photovoltaic Demand Credit Rider applies is hereinafter indicated:

___ General Service (A14)

___ General Time of Day Service (A15, A17 or A19)

___ Peak Controlled Service (A23 – provided that the credit is limited to the billed demand charge for Firm Demand for Peak Controlled Service)

___ Peak Controlled Time of Day Service (A24 – provided that the credit is limited to the billed demand charge for On Peak Firm Demand for Peak Controlled Time of Day Service)

___ Tier 1 Energy Service Rider (A27 – provided that the credit is limited to the billed demand charge for On Peak Firm Demand for Peak Controlled Time of Day Service)

___ Light Rail Line Tariff (A29)

___ Municipal Pumping Service (A41)

5. Customer and Xcel Energy affirm the following (check all that apply):

___ A. The Customer was receiving Standby Service Rider tariff service with the Photovoltaic Solar Credit from Xcel Energy at the above address on or before April 20, 2018.

___ B. The Customer enrolled in the Photovoltaic Demand Credit Rider prior to the date the credit rate in this Rider is revised by the Commission.

If either par. A or B above apply and other tariff conditions are met, then the Customer qualifies for the A85 – Closed Photovoltaic Demand Credit Rate until the expiration date of April 20, 2024, at which time the A86 – Standard Photovoltaic Credit Rate will apply. If neither par. A or B above apply and other tariff conditions are met, then Customer qualifies for the A86 – Standard Photovoltaic Credit Rate.

THE CUSTOMER AND THE UTILITY HAVE READ THIS AMENDMENT NO. 1 AND AGREE TO BE BOUND BY ITS TERMS.
AS EVIDENCE OF THEIR AGREEMENT, THEY HAVE EACH SIGNED THIS CONTRACT BELOW.

_____(Customer)
Signature: _____
Name: _____
Title: _____
Date: _____

**Northern States Power Company, a Minnesota
corporation (Xcel Energy)**
Signature: _____
Name: _____
Title: _____
Date: _____