

Minnesota Public Utilities Commission

Staff Briefing Papers

Meeting Date: **September 29, 2005** Agenda Item # _____

Company(s): Xcel Energy

Docket No. E002/M-04-2055

In the Matter of the Petition of Xcel for Approval of a Distributed Generation Tariff

Issue(s): **A.** Should Xcel's Distributed Generation Tariff be Approved, Modified or Rejected?

B. What other requirements if any should be established in this proceeding?

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Relevant Documents

Commission Order Establishing Standards (E999/CI-01-1023) Sept. 28, 2004(#132)
Xcel Petition to Approve Tariff December 27, 2004(#1)
DG Coalition Comments May 25, 2005(#18)
DOC Comments May 25, 2005(#19)
Xcel Reply Comments June 13, 2005(#24)
DOC Supplemental Comments August 9, 2005(#29)
Xcel Supplemental Reply Comments August 22, 2005(#31)

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Statutory Background

On August 1, 2001, Minn. Stat. § 216B.1611 became effective. The Commission was directed under this statute to implement a proceeding with the following purposes: 1) establish the terms and conditions that govern interconnection and parallel operation of on-site, distributed generation; 2) provide cost savings and reliability benefits to customers; 3) establish technical requirements that will promote the safe and reliable parallel operation of on-site distributed generation resources; 4) enhance both the reliability of electric service and economic efficiency in the production and consumption of electricity ; and 5) promote the use of distributed resources in order to provide electric system benefits during periods of capacity constraints.¹

Generic Distributed Generation Proceeding

On August 20, 2001, the Commission initiated a generic proceeding in Docket No. E999/CI-01-1023 to implement the requirement of Minn. Stat. § 216B.1611. The Commission organized work groups under the guidance of the DOC to develop guidelines for technical standards and tariffs and also established a procedural schedule.

On February 3, 2003, DOC filed a report and supplemented it on February 14 which identified topics and guidelines for establishing technical standards and tariffs. Participants involved in the development of the report filed comments agreeing in part and disagreeing in part with the report's recommendations.

On May 22, 2003, the DOC filed a second report on technical standards for permitting distributed generators to connect to a utility's network. Comments from numerous parties were filed. The Parties filed proposals for the resolution of technical issues.

The Commission considered all of the work groups reports and comments in July 2004.

On September 28, 2004, the Commission issued its *Order Establishing Standards*² after consideration of all the work group reports and comments. In that order, the Commission amended and adopted a joint proposal that established process and technical requirements for interconnecting generators with no more than 10 MW of capacity. The Commission also amended and adopted a Rate Work Group report that established the financial relationship between an electric utility and a qualified generator with no more than 10 MW of capacity.

¹Minn. Stat. §216B.1611, Subd. 1

²Docket No. E999/CI-01-1023

General Description of Distributed Generation Tariff Requirements

The Commission, in its September 28, 2004 Order in Docket No. E999/CI-01-1023, adopted the majority of recommendations of two workgroups that were formed to develop guidelines for the DG tariff requirements. The workgroups included numerous interested parties including electric utilities, various organizations that promote wind and solar generation, environmental organizations, and the DOC. The first workgroup developed recommendations on technical requirements for interconnecting with the electric grid. The second workgroup was the Rate Work Group that provided guidelines for the financial relationship between an electric utility and a qualified generator.

In the September 28, 2004 *Order Establishing Standards*, the Commission adopted tariff guidelines that are contained in the following documents.

- Interconnection Process for Distributed Generation Systems
- Distributed Generation Interconnection Requirements
- Generation Interconnection Application
- Engineering Data Submittal
- Interconnection Agreement
- Guidelines for Establishing the Terms of the Financial Relationship

In accordance with Minn. Stat. § 216B.1611, Subd. 3, DG Tariffs were required to be filed 90 days after the Commission established its guidelines. The tariffs would apply to interconnecting DG generators with no more than 10 MW of capacity.

Xcel Energy Distributed Generation Tariff Filing

On December 27, 2004, Xcel Energy (Xcel) filed its distributed generation tariff in this Docket.

On May 25, 2005, DOC and the Distributed Generation (DG) Coalition filed initial comments on Xcel's distributed generation tariff.

On June 13, 2005, Xcel filed reply comments.

On August 9, 2005, DOC filed Supplemental Comments

On August 22, 2005, Xcel filed Supplemental Reply Comments.

Issue A. Should Xcel's Distributed Generation Tariff be Approved, Modified or Rejected?

Commission Options

1. Approve the distributed generation tariff as filed by Xcel.
2. Approve the distributed generation tariff with one or more modifications as discussed in the following tables (issue items 1 through 24). Require Xcel to file a revised tariff complying with the Commission's modifications within 30 days of the date of the Commission's Order and allow parties 10 days to file comments on Xcel's compliance filing.
3. Reject Xcel's distributed generation tariff filing.

Staff Note

The Commission should be aware that four other utilities have filed DG tariffs in accordance with the statute and Commission order. While Xcel is the subject of this docket, the other four utilities, whose DG tariffs are pending Commission review and approval, may wish to provide oral comments in this docket. These other utilities may be affected by any precedent established by the Commission in this matter.

The following tables identify the tariff sections (Issues 1 through 25) that were the subject of comments by the parties. Other issues (Issues 26 - 31) related to Xcel's DG tariff were also raised by DOC and the DG Coalition and are explained in these tables. Based on the parties' comments, the standby service for DG customers (issues 9 - 14) appears to be the more contentious category of issues that have been raised.

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 1 Throughout Tariff where applicable</p>	<p>Substitute “Xcel Energy” for “Area EPS” EPS stands for “electric power system”</p>		<p>Substituting Xcel would involve additional grammatical sentence changes. Xcel will agree to make the change to replace EPS with Xcel Energy.</p>	<p>The Commission order uses the term EPS as a generic reference. Using the utility’s name instead of EPS may be clearer to the customer using the tariff.</p>
<p>Issue 2 73 - Qualification</p>	<p>Change language that says the facility must be (delete: <u>shall be owned</u>) by the customer. Require that the facility must be (add: <u>servicing</u>) the customer.</p>	<p>Delete the ownership qualification from the tariff to conform with the Commission requirements.</p>	<p>Xcel agrees to make the change.</p>	<p>Making the change would conform with the Commission Order.</p>
<p>Issue 3 74 - Contracts</p>	<p>Change language that the Company (delete: <u>will</u>) purchase all electricity. (add: <u>shall</u>) purchase electricity.</p>		<p>Xcel agrees to make the change.</p>	<p>Making the change would conform with the Commission Order.</p>
<p>Issue 4 XX - Supplemental Service</p>	<p>Availability of supplemental service through Xcel’s base electric rate should be clarified in its DG tariff.</p>		<p>DOC appears to be requesting that its proposed supplemental service clarification be included in the Standby Service tariff. Xcel offered to clarify the availability of supplemental service in the DG tariff under Terms and Conditions - Sheet 77, item 1 with the following underlined language. “...with the appropriate retail electric rates <u>thus supplemental load service shall be provided to the DG customer through the Company’s base electric rates.</u>”</p>	<p>DOC’s recommendation was to include the clarification in the DG tariff not the Standby tariff as suggested by Xcel. The Order lists supplemental service as an option for DG customers and explaining it in the DG tariff would help clarify its availability. Xcel has proposed language that should provide the clarification that DOC requests.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 5 73 - Application of Services</p>	<p>Add following language for clarification regarding fees. <u>Please see the schedule for Generation Interconnection Application Fees under Process for Interconnection, Step 1 Application (By Applicant) on Sheet 89 of this section.</u></p>		<p>Xcel agrees to make the change.</p>	<p>The Order authorized other services deemed necessary. DOC language would help clarify the tariff in accordance with the Order.</p>
<p>Issue 6 73 - Studies and Services</p>	<p>Add language for clarification. <u>Please see the Process for Interconnection in this section for more information regarding these studies. Please see the schedule for Generation Interconnection Application Fees under Process for Interconnection, Step 1 Application (By Applicant) on Sheet 89 of this section.</u> Also add language in sentence regarding the fee schedule that it “may be revised from time to time, <u>upon Commission approval.</u>”</p>		<p>Xcel agrees to make the change.</p>	<p>DOC language seeks to clarify the scope of fees and how they are assessed. DOC language appears to conform to the Order.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 7 75 - Power Purchase Agreement Terms (Energy)</p>	<p>A. Xcel provided its Energy Payment rate schedule that is based on its most recent (12/04) Cogeneration and Small Power Production filing to determine the avoided energy costs. This schedule is based on <i>seasonal</i> rather than the Commission requirement to calculate <i>monthly</i> on-peak and off-peak rates. Xcel should explain its methodology used to develop its Payment Schedule for Energy Delivered that is based on Xcel's Cogen and small power filing.</p>	<p>B. Pricing for energy buyback should not be proprietary. At a minimum, the final rates should be public while keeping the calculation proprietary.</p>	<p>A. Xcel has provided DOC with information that demonstrates how the seasonal incremental energy costs are derived from monthly values. Xcel's Payment Schedule for Energy would comply with the Order. Xcel provided its schedule with its Supplemental Reply Comments. B. Pricing information is trade secret because public access could undermine the resource bidding process resulting in higher costs for customers.</p>	<p>A. It appears that Xcel's proposal would comply with the Order. DOC should confirm whether it believes the information provided by Xcel addresses DOC's concerns. B. The order does not address trade secret info. Normal industry practice should govern whether this type of info is trade secret.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 8 76 - Power Purchase Agreement (Capacity)</p>	<p>A. Change tariff to state that capacity payments should be based on capacity (add: <u>made available</u>) rather than (delete: <u>contributed</u>). DOC agreed with Xcel’s proposed modification to DOC’s proposed changes. B. Xcel did not provide a Capacity Payment Rate Schedule as other utilities have done in their proposed DG tariffs. Xcel should provide a current Capacity Payment Schedule.</p>	<p>C. Pricing for accredited capacity payments should not be proprietary. At a minimum, the final rates should be public while keeping the calculation proprietary.</p>	<p>A. Xcel disagrees with DOC because available capacity may not be used and therefore would not contribute to Xcel’s energy supply needs. Xcel proposed revision to state: “... capacity payments shall be based on the <u>total fully accredited DG capacity made available...</u>” B. Specific prices for capacity cannot be produced because it will vary by project. The Commission adopted a formula which is what Xcel provided and DOC agrees with. Xcel provided the starting value for its calculation which would be adjusted based on project specific parameters. C. Pricing information is trade secret because public access could undermine the resource bidding process resulting in higher costs for customers.</p>	<p>A. Xcel’s proposed new language more closely mirrors the Order language addressing capacity payments. B. Xcel’s capacity payments will be based on a formula in accordance with the Order. The formula inputs would produce the applicable rates which would vary depending on the inputs. Specific rates do not appear to be required according to the Order however, according to DOC other utilities have done so. C. The order does not address trade secret info. Normal industry practice should govern whether this type of info is trade secret.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 9 74 - Standby Service Requirements</p>	<p>Change tariff to state that DG customers (add: <u>may</u>) rather than (delete: <u>shall be required to</u>) contract for Standby Service. Also add: <u>If the customer chooses not to contract for Standby Service, standby power may not be available.</u></p>		<p>Xcel disagrees with DOC's language proposal. Only DG customers under 60 kW are exempt from purchasing standby service. All DG customers above 60 kW <u>must</u> contract for Standby Services. The Standby Service has both a firm and non-firm option. The non-firm option requires a reservation fee to cover non-generation costs. The non-firm option already addresses DOC's proposed language that <i>standby power may not be available</i> however, a contract for standby service for transmission and distribution would still be required.</p>	<p>The Order supports Xcel's arguments that only DG customers requiring 60 kW or less are exempt from purchasing standby service. Staff notes however that the Order requires that non-firm standby service eliminates monthly reservation fees for costs for generation and transmission. Its unclear from Xcel's comments that transmission costs are also being eliminated in its non-firm standby service. Xcel should clarify this.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 10 Section 5 Standby Service Rider, Sheet 102 (in Standby tariff not DG tariff)</p>	<p>A. In the Standby Service Rider add language regarding the reservation fee as follows: <u>...with the maximum value for a customer's Contracted Standby Capacity being the capacity of the DG facility.</u> DOC had no objection to Xcel's proposed modifications to DOC's proposal.</p>	<p>B. Xcel's current Standby Service rider allows the charging of peak demand charges for unscheduled Standby Service which can be very high and are not defined as fixed demand charges. The Standby Service Rider would treat DG customers differently than Xcel's own generators.</p>	<p>A. Xcel would agree to modify DOC's language (<i>Xcel's in italics</i>) as follows: "<u>... with the maximum value for a customer's Contracted Standby Capacity being the amount of load served on-site by the customer's generation, but in no case more than the capacity of the customer's generation facility.</u>"</p> <p>B. The Commission has determined that standby service is necessary and the charges will be based on the cost of that service without providing a subsidy to the DG customer.</p>	<p>A.DOC and Xcel are in agreement on Xcel's proposed language which would be consistent with the Order.</p> <p>B. The Order supports Xcel's position that subsidies to DG customers are inappropriate.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 11 74 - Standby Service Requirements</p>	<p>A. Xcel explained to DOC that the standby reservation rates for firm standby service for DG customers include transmission transformation costs. Xcel has now clarified for DOC that the cost for Transmission Transformation should be included in the reservation fee.</p> <p>B. Xcel's standby service is not available to residential customers. Based on Xcel's explanation that residential customers would not be required to purchase standby service, DOC recommends the following language clarification. <u>Residential customers participating in the DG tariff are excluded under modification number 1) identified below. Standby Service is available to Residential DG customers through their base rate at no additional cost.</u></p>	<p>C. Standby charges, in particular reservation fees, are a barrier to DG development.</p>	<p>A. Transmission Transformation represents the voltage step down to distribution levels. This cost is appropriately associated with distribution and has been approved in Xcel's and other utilities' rates.</p> <p>B. The small size of residential loads would never require the use of standby service. Xcel has agreed to use DOC's proposed language in its tariff.</p> <p>C. The Commission has determined that standby service is necessary for a customer installing generation and should be cost based.</p>	<p>A. Xcel has clarified for DOC that transmission transformation is an appropriate cost for firm standby reservation fees.</p> <p>B. DOC's proposed language changes provide clarification regarding residential DG customers obligations for standby service. Xcel has agreed to DOC's language proposal.</p> <p>C. The Order supports Xcel's position that subsidies to DG customers are inappropriate.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 12 74 - Standby Service Requirements</p>	<p>DOC initially requested that Xcel clarify whether Transmission Transformation costs should be included in Standby Reservation Fees for <u>non-firm customers</u>. Xcel has now clarified for DOC that the cost for Transmission Transformation should be included in the reservation fee.</p>		<p>Transmission Transformation represents the voltage step down to distribution levels. This cost is appropriately associated with distribution which would apply to non-firm customers.</p>	<p>The Order prohibits transmission costs and allows distribution costs in non-firm standby reservation fees. If Xcel's transmission transformation cost only reflects the voltage step down to distribution levels then this cost would be appropriate as a distribution cost and therefore included in the standby reservation fee for non-firm standby service. Xcel should clarify if transmission transformation only reflects the voltage step down to distribution levels.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 13 74 -Standby Service Requirements</p>	<p>Add following tariff language: <u>Customers may instead choose to be a physical assurance customer. A physical assurance customer is a customer who agrees to not require standby services and has a mechanical device to insure that standby service is not taken. The cost of the mechanical device, which must be reasonable, is to be paid by the DG customer.</u> Despite Xcel's explanation, DOC continues to believe that physical assurance customers should not be required to pay for standby services.</p>	<p>DG Coalition agrees with DOC. Because a customer may elect to be a physical assurance customer, the customer is not required to take standby service. The tariff should address this possibility.</p>	<p>Xcel agrees with the suggested DOC language however, to be clear, Physical Assurance is not a separate retail service. Rather, it is one form of the Non-Firm Standby Service under the Standby Service Rider. Physical Assurance customers can avoid generation costs but not distribution. This treatment would be consistent with Xcel's Standby Service Rider approved in its last rate case. Xcel believes the Commission supported Xcel's view that a physical assurance customer pay for distribution services.</p>	<p>The Order did not determine whether physical assurance customers should pay for distribution costs. The Commission should determine now whether distribution costs should be recovered. If not, then the DOC language would be appropriate to eliminate the need for any standby service. The principle adopted by the Commission is that there should not be subsidies to or from a DG customer through the utilities DG tariffs. Parties may want to address whether this principle is being followed.</p>
<p>Issue 14 74 -Standby Service Requirements</p>	<p>A. Modification #1. (for DG customers with 60 kW or less generation)</p> <p>Insert tariff language to modification #1: <u>Standby service will be available to these customers.</u> DOC does not object to Xcel's proposed language but would insert "<u>offered by</u>" and delete "of" after the word tariffs.</p>	<p>B. Xcel should explain rationale for modification items 2 and 3 in tariff which address costs for demand and reservation fees.</p>	<p>A. Xcel agrees with DOC language with the following additional (<i>in italics</i>) language: <u>Standby service will be available to these customers through the general electric tariffs of the Company.</u></p> <p>B. Xcel did not directly respond to DG Coalitions request for an explanation.</p>	<p>A. Xcel's proposal would comply with the Order and provide clarification that the only cost will be for service through the general electric tariffs. DOC agrees with this proposal with one minor additional language change.</p> <p>B. Xcel should provide a response to the DG Coalition if questions remain.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 15 74 - Distribution Facility Credit</p>	<p>Insert tariff language: <u>Upon request, a list of substation areas or feeders that could be likely candidates for distribution credits as determined through the Company's normal distribution planning process.</u></p> <p><u>The value of the DFC shall be equal to the Company's avoided distribution costs resulting from the installation of the DG facility.</u></p> <p><u>Upon Receiving a DG application, as part of the case specific study...</u></p> <p>DOC had no objections to Xcel's proposed modifications to DOC's changes.</p>		<p>Xcel agrees with all of DOC's recommended language with the following minor language additions (<i>in italics</i>): <u>...the Company's normal distribution planning process shall be provided to the requestor.</u></p> <p><u>Upon receiving a DG application, and as part of the case specific study...</u></p>	<p>Either DOC's or Xcel's proposed language would comply with the Order. DOC agrees with Xcel's modifications.</p>
<p>Issue 16 XX - Line Loss Credits</p>	<p>Add tariff language: <u>If Customer requests the Company to provide a specific line loss study, Customer may be eligible for additional line loss credits if the study supports such credits. The Customer is responsible for the cost of the study, regardless of the study's outcome.</u></p>		<p>Xcel agrees to make the change.</p>	<p>DOC's proposed language would comply with the Order and provide clarity.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 17 75 - Renewable Resource Credit</p>	<p>A. Change language to state: ...renewable energy and capacity (add: <u>shall equal</u>) (delete: <u>will reflect</u>).</p> <p>B. Xcel should provide a current schedule of renewable resource credits with explanation of how it was developed using some average or reference value of the avoided cost for “green power.”</p>	<p>B. Xcel should also provide calculations and prices for the renewable resource credit.</p> <p>C. Tying the value of the renewable energy credit to Green Pricing is in the public interest and fair. Costs to administer a green pricing program can be subtracted from the premium between renewable and non-renewable energy so that green pricing premium reflects the utility’s actual incremental costs.</p> <p>D. DG customer should have option of choosing between the regular or renewable avoided cost. Legislative intent for DG was to facilitate deployment of clean energy.</p>	<p>A. Xcel agrees to make the change.</p> <p>B. Xcel must evaluate each DG project to determine the extent to which it allows Xcel to avoid the need to purchase renewable resources and/or renewable credits. Therefore specific rates cannot be developed. The Commission did not require a standing offer or schedule of rates. Xcel’s explanation is consistent with other utilities’ DG tariff filings.</p> <p>C and D. As the Commission already decided and should reaffirm, the DG customer must pay the avoided cost of renewable energy not some artificially inflated cost such as Green Prices.</p>	<p>A. DOC proposed language would comply with Order.</p> <p>B. Specific rates were not required in the Order for renewable credits as explained by Xcel. Staff supports DOC’s recommendation that Xcel provide a current schedule of renewable resource credits. The Commission could also require utilities to propose guidelines on how to calculate credits and allow other parties to comment.</p> <p>C and D. The Order requires that the DG customer be paid the avoided cost of “green power” if doing so would allow the utility to avoid the need to purchase “green power” elsewhere. The Order did not support the DG Coalition’s recommendation to pay “green prices.”</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 18 75 - Renewable Resource Credit</p>	<p>A. Add language: <u>In the event that Customer receives renewable energy credits, that is, the Customer is paid by the Company the avoided cost of renewable energy purchases, then this transaction will constitute a transfer of the property rights for those renewable attributes from the renewable energy generated by the Customer to the Company.</u></p> <p>B. Also add: <u>Customer may receive either renewable credits or tradable emission credits but not both.</u></p>	<p>C. Ownership of tradable resource credits (TRCs) should remain with the DG customer if customer is paid for the regular avoided cost. If DG customer is paid a renewable energy avoided cost that is higher than the regular avoided cost then the payment is covering TRCs. If Xcel is not explicitly paying for TRCs the DG customer should retain the TRC.</p>	<p>A. Xcel agrees to make the change.</p> <p>B. Xcel agrees to make the change.</p> <p>C. Xcel believes the Commission's intent regarding renewable credits was adequately addressed in its tariff and further clarified in DOC's recommended language changes.</p>	<p>A. DOC proposed language would be consistent with the Order.</p> <p>B. The Order stated that: <i>A DG customer may get green credit or an emission credit but not both.</i> DOC's recommended language replaced the Order's term "green credit" with "renewable credit." It appears that the terms green credit and renewable credit are being used interchangeably by parties.</p> <p>C. The Order did not address the DG Coalition's recommendation. However, it appears that the DOC proposed language addresses the DG Coalition's concern.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 19 75 - Tradeable Emissions Credits</p>	<p>A. Change language to state: ...credits shall be provided to the DG customer under terms that (delete: <u>reflect</u>) (add: <u>equal</u>) the value of (add: <u>the revenues from</u>) the tradable emission credits. B. Also add: <u>Customer may receive either renewable credits or tradable emission credits but not both.</u></p>		<p>A. Xcel agrees to make the DOC change. B. Xcel agrees to make the DOC change.</p>	<p>A. DOC proposed language would be consistent with the Order. B. The Order stated that: <i>A DG customer may get green credit or an emission credit but not both.</i> DOC's recommended language replaced the Order's term "green credit" with "renewable credit." These terms appear to be used interchangeably.</p>
<p>Issue 20 77 - Terms and Conditions of Service</p>		<p>Change tariff item 4 which requires customer to pay "... applicable study fees and interconnection costs and any (add: <u>sales</u>) tax-impact of the foregoing..."</p>	<p>The generic term: tax-impact is more appropriate than just sales tax because there may be other taxes such as income taxes that accrue to an interconnection arrangement which are properly assignable to the DG customer.</p>	<p>The Order did not address sales tax, income tax nor any other type of tax. Staff recommends that any income taxes assessed against the utility not be passed back to the DG customer. Income taxes are assessed against utility corporation profits which would be difficult to trace back to a specific transaction or arrangement with a DG customer.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 21 77 - Terms and Conditions of Service (item 6)</p>		<p>Change tariff item 6 to clearly state the costs of metering and billing. Xcel's proposal to use an assessment process creates uncertainty about what the metering and billing cost will be for the DG customer.</p>	<p>The assessment process has been approved for Xcel and other utilities depending on the circumstances. Reasonableness of the charges would continue to be judged on their own merit.</p>	<p>The Order did not address metering and billing. Staff would support more clarification in the tariff to describe under what circumstances a monthly charge for metering and billing would be done.</p>
<p>Issue 22 78 - Terms and Conditions of Service (item 11)</p>		<p>Item 11 states a blanket obligation of DG customer to pay all resulting costs "not covered in the terms of the Interconnection Agreement." This creates uncertainty about what costs a DG customer might incur. Costs should be more clearly outlined in Exhibit B (Proposed Interconnection Agreement).</p>	<p>The kinds of costs that a DG customer will incur can be identified but the magnitude cannot until interconnection studies are completed for each project/location.</p>	<p>The Order did not address the issue of unknown costs that may arise and passed onto the DG customer. Staff agrees with the DG Coalition that item 11 of this section in Xcel's tariff creates uncertainty and should either be eliminated or more clearly defined as to what types of costs may arise.</p>

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
Issue 23 78 - Terms and Conditions of Service (item 14)		Tariff Item 14 requires an (URGE) test to receive capacity payments. This requirement should be eliminated. MAPP's accreditation requirement for variable capacity generation such as a DG has a different requirement. Replace item 14 language to state: "...the facility must meet the minimum requirement for capacity accreditation in the MAPP, <u>as specified by the most recently approved version of the MAPP Generation Reserve Sharing Pool Handbook.</u> "	MAPP, at its discretion, determines which method it uses for accreditation. Xcel does not want to refer to a handbook that may change over time. Xcel offers the following modifications: "the minimum requirements for capacity accreditation in the MAPP, (add: <u>as specified in MAPP rules and procedures</u>). (delete: <u>including performing an annual uniform rating of generation equipment (URGE) test.</u> "	The Order states: <i>Capacity payments should be made for the total fully accredited DG capacity, regardless of when the power is delivered to the system.</i> Xcel's proposed modification appears to conform with this guideline.
Issue 24 114 - Limitation of Liability		Delete language in para. A that reads: " <u>except to the extent that such damages, losses or claims were caused by the negligence or intentional acts of the other party.</u> This language would have the effect that a negligent party would not be responsible for its actions.	No changes necessary. The language means that one party indemnifies the other except when the other party was negligent or caused the harm.	The Commission approved the specific language used by Xcel in its tariff in Attachment 5 of the Order. Staff recommends no change.

Xcel Tariff Sheet Number and Paragraph	DOC Comments	DG Comments	Xcel Reply	Staff Comment
<p>Issue 25 115 - Limitation of Liability</p>		<p>Para. B should be deleted because it excludes Xcel's liability for punitive, incidental and other damages and thereby places disproportionate risk on developers.</p>	<p>No changes necessary.</p>	<p>The Commission approved the specific language used by Xcel in its tariff in Attachment 5 of the Order. Staff recommends no change.</p>

Issue B. What other requirements if any should be established in this proceeding?

Commission Options

1. Adopt one or more of the requirements discussed in the following tables (issue items 26 through 31).
2. Do not adopt any of the requirements discussed in the following tables.

Non-Tariff Issues	DOC	DG Coalition	Xcel Reply	Staff Comment
<p>Issue 26 Annual Rate Compliance Filings</p>	<p>DOC recommended annual rate compliance filings for energy and capacity payments that would apply for the following year. Also, Xcel should file for renewable resource credits and average emission credits for the previous year. Changes should be explained. DOC recommended that Xcel provide a specific proposal for annual compliance filing.</p>		<p>Xcel agrees with DOC recommendation on annual compliance filings and recommended that they be filed in conjunction with Xcel's annual cogeneration filing. Xcel proposed to file payment schedules by January 31 each year.</p>	<p>The Order does not address annual compliance filings. Staff supports Xcel's proposal to link compliance filings to the annual cogeneration filing. Xcel's proposal for a January 31 filing appears reasonable.</p>

Non-Tariff Issues	DOC	DG Coalition	Xcel Reply	Staff Comment
<p>Issue 27 Elimination of 2 MW DG Tariff</p>	<p>DOC recommended that parties be granted opportunity to comment on Xcel's proposal to eliminate its 2MW DG Tariff before granting that request. When the Commission determines that the 2 MW DG tariff should be replaced with its 10 MW DG tariff, DOC supports Xcel's proposal to notify all parties in the merger docket.</p>	<p>Xcel suggested that it may eliminate its Small Wind Tariff and use its proposed DG Tariff to address the interconnection standards and other issues for wind projects. The Coalition doesn't believe the proposed 10 MW DG tariff can address all of the needs and attributes of small wind projects.</p>	<p>Xcel's 2 MW DG tariff includes language that puts parties on notice that it may replace this tariff with the current 10 MW DG tariff. Xcel believes that was the intent when the issue came up during the Xcel Merger Docket E002/M-01-937. Since this tariff will overlap with the 2 MW DG tariff it would be confusing to have both to address the same DG situations. Xcel offered to provide notice to all parties in the Merger Docket when Xcel proposes to eliminate the 2 MW DG Tariff.</p>	<p>The Order does not address Xcel's other tariffs. Staff supports Xcel's proposal to notify persons on the service list for the merger docket when Xcel petitions to remove the 2 MW DG tariff.</p>
<p>Issue 28 FERC Order No. 2006</p>	<p>DOC recommended that parties be granted opportunity to comment on whether FERC Order No. 2006 has any impact on this proceeding.</p>		<p>Xcel recommended a separate docket to address the implications of FERC 2006. Other parties would also be impacted by any Commission inquiry of FERC 2006.</p>	<p>The Order does not address this issue. Staff supports Xcel's proposal.</p>

Non-Tariff Issues	DOC	DG Coalition	Xcel Reply	Staff Comment
<p>Issue 29 Report on DG customers (60 kW or less)</p>	<p>Xcel should report in 24 months on the number of customers meeting this exception and the standby usage by these customers.</p>		<p>Xcel agrees with DOC recommendation on reporting after 24 months of the DG Tariff approval.</p>	<p>B. The Order states that the Commission will review the 60 kW exemption within 24 months. 24 months from the date of the Order would be September 28, 2006. Staff recommends that the Commission clarify this or an alternate date such as December 31, 2006 for the filing of Xcel's report.</p>
<p>Issue 30 Annual DG Interconnection Report</p>		<p>According to Minn. Stat. §216B.1611, Subd. 4, a DG interconnection report is required annually. If no reports have yet been filed the Commission should order that they be filed to establish a base line of information and posted or linked on a website.</p>	<p>Xcel believes the reporting mandate was intended to report on relevant activity under each utility's approved DG tariff. If so, there is nothing to report yet.</p>	<p>Staff recommends that Xcel's first report be filed for the calendar year 2005. This report, if possible should be submitted with other annual reports as discussed in Issue 26.</p>

Non-Tariff Issues	DOC	DG Coalition	Xcel Reply	Staff Comment
<p>Issue 31 Excessive Metering</p>		<p>A. DG projects eligible for net metering for Qualified Facilities (QF) should be exempt from monthly metering charges to promote DG.</p> <p>B. DG projects that are non-QF facilities of 40kW and under should have only a single, reasonable monthly metering fee.</p> <p>C. If Xcel wishes to use two meters to measure energy flow in each direction, Xcel, not the DG customers should pay for the second meter and associated monthly metering charges.</p> <p>D. Similarly, multiple customer charges should not be allowed on a single DG project.</p>	<p>A. The Commission has and should continue to rejected DG Coalition’s attempt to provide subsidies to DG projects such as its proposal to exempt them from monthly metering.</p> <p>B. Current tariffs already allow for net metering for customers 40 kW and below that are not eligible for the DG tariff. The Coalition’s attempt to broaden the scope of this docket should be rejected.</p> <p>C. Additional metering may be needed due to the configuration of the customer’s service facilities. Such costs should be borne by the customer.</p> <p>D. DG Coalition again proposes a subsidy to DG customers by preventing separate customer charges that isolate costs for regular customers and the additional costs resulting from DG customers selling power to the utility. Xcel should not be required to subsidize DG customers.</p>	<p>A-D.The Order did not address the metering issues raised by the DG Coalition. Staff believes a reasonable approach would assign costs for a second meter to the party who requests or needs it.</p>