BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger Chair
Nancy Lange Commissioner
Dan Lipschultz Commissioner
John A. Tuma Commissioner
Betsy Wergin Commissioner

In the Matter of a Commission Inquiry into
Standby Service Tariffs

ISSUE DATE: November 19, 2015
DOCKET NO. E-999/CI-15-115

ORDER REQUIRING TARIFF FILINGS

PROCEDURAL HISTORY

On January 27, 2014, the Commission required Otter Tail Power Company, Northern States Power Company d/b/a Xcel Energy (Xcel), Interstate Power and Light, and Minnesota Power to confer with the Minnesota Department of Commerce – Division of Energy Resources (the Department) on the need and potential scope for a generic proceeding to address standby rates.¹

On May 19, 2014, the Commission identified additional issues for the Department and stakeholders to address in the course of their discussions.²

On January 30, 2015, the Department filed comments, based on its consultations with utilities and stakeholders, recommending a generic proceeding focused on standby service tariffs.³ The Department recommended that the proceeding include an effort to develop a generic approach and framework for standby service that would consider “key goals, fair compensation considerations, design considerations, best practices, and recent related Commission Orders.”

On February 12, 2015, the Commission requested comments on the scope of a possible investigation into standby service tariffs.


By April 15, 2015, the Commission had received comments from:

- A Work of Art Solar Sales
- Dakota Electric
- Fresh Energy
- Interstate Power and Light Company
- Midwest Cogeneration Association
- Minnesota Municipal Utilities Association
- Minnesota Power
- Minnesota Rural Electric Association
- Missouri River Energy Services
- Otter Tail Power Company
- Southern Minnesota Municipal Power Agency
- Standby Service Reform Group
- Sundial Solar
- The University of Minnesota
- Xcel

By May 15, 2015, the Commission had received reply comments from:

- The Department
- Fresh Energy
- Midwest Cogeneration Association
- Missouri River Energy Services
- Xcel

With the exception of Otter Tail Power Company, the comments generally supported a generic proceeding on standby service tariffs. But many commenters disagreed with the particulars proposed by the Department.

On November 5, 2015, the Commission met to consider the matter.

**FINDINGS AND CONCLUSIONS**

**I. Background**

Utilities charge “standby” rates to certain distributed generation facilities to recover costs incurred to make electricity service available to those facilities.\(^4\) Standby service makes electricity available to generating facilities during planned and unplanned outages, among other needs.

After a statutory change in 2013 prompted utilities to update their standby service tariffs, disagreements arose about whether further changes to standby tariffs were warranted and appropriate.\(^5\) At that time the Commission declined to undertake a generic proceeding and directed interested parties and participants to confer with the Department to further develop the issue.

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\(^4\) Minn. Stat. § 216B.164, subd. 2a(l). Public utilities may not impose standby charges on facilities of 100kW or less. *Id.* at subd. 3(b).

The Department reported on its progress in December 2014 and filed a report on its discussions with stakeholders in January 2015. According to its report, the Department explored the standby service issues by:

- Reviewing Minnesota standby service tariffs and related issues;
- Researching national key issues and best practices for standby service tariffs; and
- Engaging with utilities and stakeholders regarding the need and appropriate scope for a generic proceeding through a public meeting and by soliciting comments.

Following the Department’s report, the Commission initiated this proceeding to collect stakeholder and public input on the scope and goals for a generic proceeding focused on standby rates.

II. Commission Action

Having reviewed the comments of the participants, the work already done by the Department and stakeholders, and the further input provided at the Commission meeting, the Commission concludes that the most effective way to further develop the issues surrounding standby service is to require the rate-regulated utilities to file updated standby service tariffs.

At the Commission meeting, the Department stated that changing circumstances since its May 15 reply comments had changed its opinion on how productive a generic proceeding would be. Particularly, the Department expressed concern that its anticipated workload would strain its resources and that a wide-ranging Commission inquiry would represent additional competition for those limited resources.

The Department recommended that if the Commission wanted a comprehensive generic proceeding in light of the Department’s resource constraints, the Commission could request that the Department obtain authority to incur costs for specialized professional investigative services. With authority, the Department would retain a facilitator to conduct the necessary workgroup proceedings. If approved under the statute, facilitator costs could then be billed to the utilities, and ultimately passed on to ratepayers.

At the Commission meeting, the rate-regulated utilities and the Department agreed that a productive alternative to a generic proceeding would be to require rate-regulated utilities to file updated standby service tariffs. Representatives of municipal and cooperative utilities concurred that rate-regulated utility tariff filings could guide their own deliberations over developing standby service tariffs. Representations by the rate-regulated utilities at the meeting also indicated very few customers currently receive service under these tariffs—only Xcel indicated that it has more than one current standby service customer.

With these details in mind, the Commission agrees that requiring updated tariffs is another way to continue developing these issues and prefers it in this case over seeking authority to incur additional professional costs. Because there is another path forward that will be both productive and less burdensome on the Department, the Commission will not request that the Department seek authorization under Minn. Stat. § 216B.62, subd. 8.

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6 Minn. Stat. § 216B.62, subd. 8.
Substantial discussion and development of standby-service-related issues has taken place, facilitated by the Department–stakeholder discussions in 2014 and the comments in this proceeding. An iterative approach—requiring the utilities to file updated standby service tariffs that have been informed by the discussion so far—will provide a concrete demonstration of the progress that has already been made. The filings will be subject to public comment and will facilitate clearer focus on what areas of disagreement, potential improvement, and opportunities for standardization still remain.

The Commission will require that these updated tariffs be filed by May 19, 2016, which coincides with a related filing required of Xcel in Docket No. E-002/M-13-315. At the Commission meeting, the utilities agreed that this was a reasonable time frame in which to prepare and file updated tariffs that reflect the work that has been done on these issues so far. The filings and any resulting comments will, in turn, inform how best to proceed.

ORDER

1. All rate-regulated utilities shall file updated standby service tariffs no later than May 19, 2016.

2. This order shall become effective immediately.

BY ORDER OF THE COMMISSION

Daniel P. Wolf
Executive Secretary

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