



# Xcel Energy

## Standby Service Rider

### Policy Description

In 2015, the Minnesota Public Utilities Commission (MN PUC) ordered the state's rate-regulated utilities, including Xcel Energy, to file updated standby service tariffs in Docket No. E-999/CI-15-115. Xcel aimed to simplify its standby service rider while encouraging efficient use of system resources, minimizing complexity, improving customer understanding, sending appropriate price signals, and minimizing customer cross-subsidies. Xcel engaged extensively with stakeholders who wished to provide feedback on the company's proposed revisions. In response, Xcel made several revisions to its proposed standby service rider. As a result of this collaborative process, the company's final revised rider, approved by the MN PUC on April 20, 2018, contained many positive features: 1) a reduction to the reservation fee's generation and transmission component, which now more closely reflects a combined heat and power (CHP) forced outage rate of 5%; 2) hourly on-peak usage charges (instead of daily demand charges); 3) removal of a grace period with a corresponding reduction in hourly on-peak usage charges; and 4) no usage charges for scheduled maintenance during the shoulder months. Additionally, for customers on a time-of-day base tariff, Xcel allows scheduled maintenance on weekends and holidays subject to advance approval.

### Policy Development



**Flint Hills recently constructed a state-of-the-art CHP system that uses natural gas and a heat recovery process to produce approximately 50 MW of electricity, or roughly 40% of the energy required to power the Pine Bend refinery. The facility is served under Xcel's revised standby service rider.**

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Xcel made its initial revised standby service rider filing on May 19, 2016, in response to the MN PUC's November 19, 2015, Order in Docket CI-15-115. Xcel's initial proposal aimed to recognize both the capacity value of a customer's on-site generation and the cost of the utility company's requirement to serve as a backup supplier for the customer. Through subsequent modifications to its proposal, Xcel carefully balanced several key goals, including providing reliable electric service, making the terms of standby service transparent, promoting economically efficient consumption, reflecting appropriate costs and benefits through cost-causality, and simplifying the policy overall.

### Key Stakeholders

In addition to staff from the Minnesota Department of Commerce's (MN DOC) Division of Energy Resources, key stakeholders in MN PUC Docket CI-15-115 included Flint Hills Resources, owner of Pine Bend Refinery; Stoel Rives on behalf of the Large Industrials Group; Larry Schedin on behalf of the Standby Service Reform Group, a group of current and prospective commercial/industrial/institutional standby service customers; the University of Minnesota; the City of Minneapolis; District Energy St. Paul/Ever-Green Energy; CenterPoint Energy; the Midwest Cogeneration Association; and the Energy Resources Center. Modifications adopted by Xcel ultimately eliminated the need for a separate large-system (over 10 MW) CHP rider, which Flint Hills Resources initially requested.

## Summary of Policy Results and Outcomes

Xcel's final revised standby service rider included many positive changes:

- Clarifying language and specificity around types of standby service options
- Reducing the generation and transmission component of the reservation fee
- Increasing transparency by removing the grace period and decreasing the reservation charges
- Adjusting the applicable charge for use of unscheduled standby service during system peak hours and when the company provides advance notice to the customer of system peak conditions
- Removing written notice requirements for scheduled maintenance during the months of April, May, October, and November
- Extending the maximum annual duration of qualified scheduled maintenance periods from six weeks to eight weeks
- Revising the notice requirement for changes to the annual projection of scheduled maintenance from 48 hours to 72 hours to accommodate holiday weekends
- Adjusting the charge for non-compliance with scheduled maintenance option requirements and limiting its applicability to a single month.

## Lessons to Share

A state energy office can play an important role in helping guide the conversation to a positive outcome by outlining a set of objectives at the outset of proceedings. In comments kicking off the standby rates proceeding in MN PUC Docket No. E-999/CI-15-115, the MN DOC presented several overarching goals: 1) reliability of electric service; 2) transparency and flexibility; 3) promotion of economically efficient consumption; 4) accurate accounting of all relevant value streams, including both costs and benefits; 5) examination of whether rates reasonably reflect cost-causality and other ratemaking goals; 6) simplification of input data sets and methodology, where possible and warranted; and 7) neither an incentive nor a disincentive for distributed generation. While a seemingly small step, outlining goals and objectives at the outset of proceedings allows state energy offices to shape these important discussions.

Concurrent with the MN PUC proceeding, the MN DOC also hosted workshops to educate stakeholders about standby rates. The events included presentations by experts from the Regulatory Assistance Project on standby rate best practices. While there was not universal agreement around the proposed best practices, this early education gave participants a shared understanding and made subsequent discussions more constructive.

*The goals from MN DOC provided a helpful structure for Xcel and the other rate-regulated utilities to develop their proposals and for interested parties to comment on the filings. Overall, there was broad agreement on the goals, even while parties expressed different perspectives on how they can be achieved.*

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## For More Information

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