

TO: COMMISSIONERS AND ADVISORS
FROM: DARREN KEARNEY, KRISTEN EDWARDS, AND ADAM DE HUECK
SUBJECT: DOCKET EL15-014 – XCEL ENERGY PETITION FOR ONE TIME WAIVER OF CANCELLATION CHARGES FOR PEAK CONTROLLED AND ENERGY CONTROLLED SERVICE CUSTOMERS
DATE: AUGUST 3, 2015

STAFF MEMORANDUM

Overview

In this filing, Xcel Energy (Xcel or Company) requests that the Commission grant a limited, one-time, waiver of the Company's cancellation charges set forth in its Peak Controlled Service and Energy Controlled Service Tariffs, Rules, and Agreements. The waiver is only for customers that participate in the Company's Peak Controlled Service (PCS), Peak Controlled Time of Day Service (PCS TOD), or Energy Controlled Service (ECS) tariffs. Customers under these tariffs receive a discounted demand charge, discounted energy rate, or both, in return for reducing their controllable loads when called upon by Xcel to do so. Xcel requests that the limited waiver of cancellation charges be available to customers through December 31, 2015.

Driving Xcel's request is the fact that capacity reserve margins are tightening in the MISO market. It is forecasted that this will result in MISO calling on demand response resources more frequently in both summer and winter months starting in 2016. Xcel stated that accurate registration of demand response resources in the MISO market is essential to prevent noncompliance charges that would be incurred to all Xcel customers should PCS, PCS TOD, or ECS customers fail to show up when called upon by MISO.

Xcel identified that granting this waiver will allow for the Company to "right-size" its demand response resources for registering in the MISO market by allowing PCS, PCS TOD, and ECS customers to adjust their controllable load obligations.

Background Information

- 1) Tighter regional capacity supplies are expected in the MISO market footprint due to Environmental Protection Agency's present and proposed regulations. This has led MISO to prepare utilities for increased use of demand response resources to begin in 2016.

- 2) The number of South Dakota interruptible load customers under PCS, PCS TOD, and ECS are provided in the table below.

Peak Controlled Service Tariff	Average Participants	MW Load
Peak Controlled Service	76	8
Peak Controlled TOD Service	7	9
Energy Controlled Service	21	7
Total	104	24

- 3) Xcel conducted a curtailment test event in 2014 and determined that 25% of Peak Controlled Service customers did not meet their predetermined demand level (PDL). These 18 customers incurred total noncompliance charges of \$9,752.
- 4) Xcel has not called on PCS and PCS TOD customers to control load for several years with the exception of the test event in 2014. ECS customers are called on about once per year. By not being called on frequently in recent years, interruptible load customers may not be prepared to respond when called on in the future.
- 5) Cancellation charges for PCS, PCS TOD, and ECS customers are determined to be the difference between the applicable firm service General Service tariffs and the corresponding PCS, PCS TOD, or ECS tariff over the period of the most recent 18 months.
- 6) Xcel identified the purpose of the cancellation charge is to offset additional associated short-term peak capacity requirements that can occur without adequate advanced planning notice to ensure an economic replacement for the lost interruptible load. This serves to protect firm service customers from an unanticipated cost of service increase.
- 7) For the previous 18 months, no energy or capacity had to be purchased as a result of PCS, PCS TOD, or ECS customers failing to show up when called on.
- 8) Xcel believes that customers will be more likely to adjust their predetermined demand level (i.e. controllable load levels) rather than change to firm General Service rates. Given this, the company does not anticipate a significant change in revenue as a result of the one-time cancellation charge waiver.
- 9) Firming up the level of Xcel's demand response resources to be registered in the MISO market will reduce the potential for MISO noncompliance charges, which ultimately get passed on to all customers through the Fuel Adjustment Clause.

Staff Recommendation

Upon initial review of the filing, Staff was concerned that the one-time waiver of cancellation charges would be contrary to the purpose of cancellation charges identified in bullet number 6 above. However, in its response to Staff's data request 2-5, Xcel identified that firm General Service customers did not incur additional energy or capacity costs over the previous 18 month period as a result of interruptible load customers failing to show up when called upon by Xcel. This shows that no economic harm occurred to firm General Service customers over the previous 18 months (which is the basis for cancellation charges) as a result of interruptible service customers failing to show up.

Moreover, Xcel will use the cancellation charge waiver to give PCS, PCS TOD, and ECS customers the opportunity to firm up their controllable load levels, allowing Xcel to register accurate levels of demand response resources in the MISO market. By registering an accurate level of demand response resources with MISO, Xcel will reduce the potential for incurring MISO noncompliance charges as a result of demand response resources not showing up when called on by MISO. These noncompliance charges are ultimately passed on to all of Xcel's customers through the Fuel Adjustment Clause and, thus, all of Xcel's customers benefit from the accurate registration of demand response resources with MISO.

Based on the above, Staff recommends the Commission grant the limited, one-time waiver of cancellation charges for Xcel's customers under Peak Controlled Service, Peak Controlled Time of Day Service, and Energy Controlled Service Tariffs, *from the date of the Commission's Order through December 31, 2015.*

Staff further recommends that the Commission require Xcel to submit a report by January 31, 2016, that provides the following information:

- 1) the number of customers that changed from an interruptible rate to a firm General Service rate,
- 2) the expected change in revenues as a result of customers changing to firm General Service rates from interruptible rates,
- 3) the number of customers that adjusted their predetermined demand level (PDL),
- 4) the amount of load, by customer, that changed as a result of adjusting the PDL, and
- 5) A summary of additional associated short-term peak capacity costs incurred to Xcel customers as a result of PCS, PCS TOD, or ECS customers adjusting their PDL or switching to firm General Service rates.