

ISSUE DATE: October 30, 1996

DOCKET NO. E-002/M-96-337

ORDER APPROVING PETITION AS MODIFIED

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs
Marshall Johnson
Dee Knaak
Mac McCollar
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Petition by Northern States Power Company to Clarify the Language of the Standby Service Rider

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PROCEDURAL HISTORY

On March 29, 1996, Northern States Power Company (NSP or the Company) filed a Petition to Clarify the Language of the Standby Service Rider.

The Department of Public Service (the Department) filed comments on April 29, July 19, and August 6, 1996.

The Center for Energy and Environment (CEE), an organization currently studying ways to improve the market for cogeneration in Minnesota,¹ filed comments on May 13, 1996.

District Energy St. Paul, Inc. (DESP), a not-for-profit corporation which provides district heating and cooling services in downtown St. Paul, filed comments on July 25, 1996. DESP is currently a customer of NSP's Standby rate,

The Regents of the University of Minnesota (the University), which plans to install a 15 MW cogeneration facility to serve the University campus, filed comments on July 25 and August 5, 1996.

NSP filed responsive comments and amendments to its petition on July 5, August 6, and September 16, 1996.

On October 3, 1996, the matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

¹ CEE is conducting the study on behalf of Minnesotans for an Energy Efficient Economy, a coalition of energy conservation providers, community groups, religious organizations, and other entities.

I. THE NSP PETITION

NSP provides Standby Service to customers who meet all or a portion of their electric power requirements with their own generation facilities. Standby Service is a backup source of power for those customers when their facilities are unable to operate either because of scheduled maintenance or because of unanticipated production failure.

For some time, NSP has been discussing with interested parties the need to clarify and supplement its existing Standby Rider.

On March 29, 1996, NSP filed a petition to clarify the Rider. The petition proposed two basic types of changes--1) additional language to explain the service and the Company's associated billing; and 2) additional language to identify specific terms and conditions and how they are implemented.

NSP proposed changes and clarifications to the following areas: 1) reservation fees; 2) the grace period of 964 hours per year during which Standby Service may be used without incurring additional demand charges; and 3) language explaining demand and energy charges, the Resource Adjustment, billing in a month in which the customer exceeds the grace period, and reimbursement for the cost of additional equipment purchased to serve the customers's standby service load.

II. THE EVOLUTION OF THE STANDBY RIDER

Following extensive rounds of discussions with the Department, existing and potential customers, and energy policy groups, NSP made several modifications to its original petition. NSP modified and clarified the language to address specific issues raised by the parties to the discussions.

Following are the Company's major responses to the various parties' written and oral comments.

A. The Department

In its April 29 comments, the Department suggested three clarifications to the following terms in NSP's petition:

- installation of the Company's meter to measure the flow of power and energy from the customer's generating facilities to the customer

- the measurement of standby power usage

- the application of standby power usage toward the 964 hours of grace period

NSP incorporated the Department's three changes in the Company's July 5, 1996 amended petition.

In its July 19 comments, the Department expressed satisfaction with the Company's changes but recommended a further change under "Terms and Conditions of Service--Part 9, the measurement of the usage of the grace period."

NSP accepted the Department's further change in its August 6 comments.

On August 6, 1996, the Department filed comments recommending the Commission approve the Rider as amended, with one final modification under the "Determination of Demand" section.

At the October 3, 1996 Commission meeting, counsel for NSP stated that the Company approves this final modification and will incorporate it into the Standby Service Rider.

B. District Energy St. Paul, Inc. (DESP)

In comments filed July 25, 1996, DESP recommended that the Commission approve the Standby Rider if the Company incorporated three suggested changes: a language change in the "Determination of Demand" section; and changes to Paragraphs No. 1 and 13 in the "Terms and Conditions of Service."

NSP accepted DESP's suggestions in the Company's August 6, 1996 comments.

C. CEE

In its May 13, 1996 comments filed with the Commission, CEE offered suggested changes and clarifications to NSP's Standby Rider. However, CEE did not serve these comments on NSP or any other party and the comments were not received by the parties until September 6, 1996.

In comments filed September 16, 1996, NSP accepted CEE's two minor language changes on the relationship of the grace period to scheduled outage hours and the exemption from the demand ratchet for standby usage billing demands.

In NSP's opinion, CEE's remaining comments had either been covered in negotiations which took place since the May filing date, or were not relevant to the proceedings.

D. The University of Minnesota

The University's July 25, 1996 comments included five suggested language changes for NSP's Standby Rider.

In NSP's August 6 comments, the Company dealt with each of the five University recommendations on language.

- Determination of Demand. NSP stated that DESP's suggested wording on this issue provided more clarity and was therefore preferable to the University's version. NSP had already adopted DESP's version of the recommended change.
- Reduction of Customer's Load through Demand Side Management. NSP stated that the University's suggestion in this area was the same as DESP's and had been adopted.
- Liability for Damages for Customers' Use of Power in Excess of Contracted Capacity. NSP disagreed with the University's suggested changes. According to NSP, the Rider language on this issue was merely a statement of the customer's share of the mutual liability NSP and the customer share when the parties' facilities are interconnected. That liability is as encompassing as the law provides for; it would be unreasonable to attempt to define or limit the liability in the Rider.
- Power Source Reliability. NSP accepted the University's suggested clarifications in this area.
- Metering Requirements. NSP accepted the University's language changes, which were the same as those offered by DESP.

The University's chief concern was NSP's application of the 964 hour grace period under the terms of the Standby Rider. The concern arose from the treatment of the University's particular type of cogeneration unit under the grace period terms of the Standby Rider.

The University's planned cogeneration facility would be "steam load-following." In this type of plant, a basic level of electric power (in the University's case, about 3.5 MW) is produced relatively consistently throughout the year. For levels beyond that threshold, electric power production follows steam production. Weather variations, and the resulting level of use of steam for space heating, will therefore affect the level of electricity produced.

The University feared that the 964 hour grace period would work to the detriment of steam load-following cogenerating facilities. The University's cogenerating plant might be producing as much electricity as possible in a given hour, yet consume several kWh of the grace period because steam production is down due to warm weather. Under a Standby Service system such as NSP's, in which partial outages impact the grace period, the University could exhaust the annual grace period within a few months.

The University believed that a Supplemental Service Rider, currently under extensive negotiation among the University, DESP and NSP, could resolve the University's concerns

regarding the grace period. In its filings, the University asked the Commission to defer consideration of the Standby Rider until NSP has filed a proposed Supplemental Service Rider and the proposal has been approved by the Commission.

At the October 3 Commission meeting, representatives of NSP and the University revealed a late-developing agreement which resolved outstanding issues between the University and NSP. NSP's counsel stated that the Company would file a proposed Supplemental Service Rider by the end of the month, thus allaying the University's fears regarding the treatment of the grace period under the Standby Rider. The proposed Supplemental Service Rider would be based on the August 23 draft the parties had negotiated.

At the October 3 meeting, NSP also agreed to adopt the following language to address the University's concerns regarding liability for damages for customers' use of power in excess of contracted capacity:

Paragraph No. 5 under "Terms and Conditions of Service." Customers will be liable for all damages allowed by law to the extent caused by the customer's use of power in excess of contracted standby power.

With these developments, the University recommended that the Commission approve NSP's Standby Rider as modified.

III. CONCLUSION

At the October 3, 1996 Commission meeting, the parties to this proceeding agreed that the Standby Rider has been strengthened and clarified as a result of parties' participation and NSP's willingness to respond to the concerns raised. All agreed that a spirit of cooperation and plenty of hard work had produced an improved Standby Service Rider.

The Commission agrees that the Standby Rider, as modified by the parties, should be approved. The Commission will therefore approve NSP's original petition, as developed and clarified by the parties as follows:

- modifications accepted in NSP's July 5, August 6, and September 16, 1996 comments
- the Department's final recommended modification to the "Determination of Demand" section
- the language accepted on October 3, 1996 for Paragraph No. 5 under "Terms and Conditions"

Because NSP's intention of filing a Supplemental Service Rider constituted a major element of the University's acceptance of the Rider, the Commission will require NSP to file the Supplemental Service Rider proposal on or before November 1, 1996. The Supplemental Service Rider will be based on the August 23 draft agreed to by the Company, the University

and DESP.

ORDER

1. The Commission approves NSP's proposed Standby Service Rider as modified by the parties and outlined in this Order.
2. On or before November 1, 1996, NSP shall file a Supplemental Service Rider based on the August 23 draft agreed to by the Company, the University, and DESP.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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