

Memorandum

To: Commissioners Christmann, Haugen-Hoffart, and Fedorchak

From: Adam Renfandt, Public Utility Analyst



Date: February 23, 2023

Subject: Northern States Power Company, Competitive Response Rider (CRR),
Tariff and Rates, Case No. PU-22-185

On May 4, 2022, Northern States Power Company (NSP) filed a petition for approval of a Competitive Response Rider (CRR). The purpose of the CRR would be to establish special rates for existing commercial and industrial (C&I) customers with a minimum load of 2 MW who could obtain their electricity elsewhere, and any new C&I customer with a minimum load of 10 MW. The rates and terms would be established in an electric service agreement (ESA), which would have to be approved by the Commission prior to the rates becoming effective. The rates would be set to at least recover the incremental cost of service and would be effective for at least one year and no longer than seven years for existing customers and ten years for new customers. Furthermore, NSP could seek recovery of any rate discount in a future rate case from its existing load.

On July 6, 2022, the Commission held an Informal Hearing where concerns were raised over the recovery of any rate discount to existing load in a future rate case and over the maximum length that the special rates would be in effect. Staff also had concern over a 30-day decision deadline with which to act upon any modified proposals.

On September 9, 2022, NSP filed a revised petition. The revision provided additional clarity that the rates would at least recover the incremental cost of providing service, including any energy-related marginal costs plus the cost of any incremental capacity, and any marginal customer-related costs. Furthermore, NSP added that the goal of the rate calculation is to “ensure that the revenue requirement of other Customers will not increase due to the addition of the new load”.

On February 1, 2023, and after further discussions with Staff, NSP filed its second revised petition. NSP revised the maximum term for all ESAs to be five years, removed the provision that recovered the rate discounts from existing load in a future rate case, and eliminated the 30-day decision deadline for a Commission to act on modified proposals.

Staff no longer has concerns over NSP’s second revised proposal. The maximum term aligns with similar rate mechanisms that have been approved by the Commission, allows the Commission the flexibility to review the rate discount for recovery purposes during general rate proceedings, and eliminates the time constraint in reviewing modified proposals. Therefore, if the Commission’s concerns have been addressed, Staff recommends the Commission approve the second revised CRR.