Xcel Energy Case Study:

Certified Renewable Percentage Program: Enabling Customers to Count Renewables in the Utility Grid Mix Toward Their Renewable Energy Goals

I. Linking Utility and Customer Actions to Meet Goals

In 2019, Xcel Energy began launching its Certified Renewable Percentage (CRP) to help provide clarity to its customers on how to count renewables in the system-wide grid mix towards their individual renewable energy goals. Xcel Energy’s 100% carbon-free by 2050 goal is expected to drive impact beyond what is currently mandated by Renewable Portfolio Standards (RPS) in states where the utility operates. Customers in these states are also focused on investing in new renewables above and beyond those driven by the local RPS. Communities (such as Denver, Minneapolis, Eau Claire, and La Crosse) as well as corporates (such as IBM, 3M, Best Buy and Target) have adopted similarly aggressive goals most often targeting 100% renewables by 2030 or 2050. For these customers with ambitious renewables goals, the CRP would allow them to use a combination of voluntary purchases, such as Xcel Energy’s Renewable*Connect program, and credit for renewable energy they receive from the grid, as measured by the CRP, to achieve up to 100% renewable energy for their electricity needs. As Xcel Energy increases its investments in clean energy, the CRP and similar programs will allow customers to join Xcel in driving overall system transformation and create stronger links between utility and customer investment.

II. How The Certified Renewable Percentage (CRP) Program Works

The CRP allows Xcel Energy’s customers to account for the current level of renewable energy in their local grid mix when working towards their own renewable energy goals through Xcel’s retirement of Renewable Energy Credits (RECs) on behalf of all retail customers. After retiring the RECs needed to meet its required RPS mandates for a given year, Xcel will retire additional RECs so that the total amount retired is proportional to the renewable electricity delivered to customers. Allowing customers to claim their portion of these RECs recognizes that the cost of this renewable energy investment is recovered through rates. While Xcel Energy may still elect to sell some of the excess RECs in order to generate revenue and reduce costs for all customers, those sold would not be included in the CRP calculations. Xcel Energy will forecast future CRP amounts, though the CRP level could still vary from year to year due to those sales and create some uncertainty for customers in the additional amount of renewables needed to meet their own goals.

The timing for the CRP to become available to customers and its methodology will vary by state. The CRP has already launched in Wisconsin and Minnesota and Xcel Energy is working to gain approval from the Public Utility Commission in Colorado for a program there as well. Xcel Energy is designing
the individual programs to meet the specific needs within those states and to be compatible with the structure of their voluntary renewable energy programs.

There are a variety of ways that customers can combine the CRP with other voluntary actions to reach their goals, if they choose to, depending on the methodology in their state. The biggest difference in across state programs is what percentage of the customer’s usage the CRP applies to. These differences are dependent on how tariffs are structured there. Consider a situation in Colorado, for example, where the CRP is 50% and a customer signs up for 50% Renewable*Connect. The way Renewable*Connect is structured in Colorado, the customer could apply the proposed CRP to their entire usage and thus claim to have met their 100% renewable goals. In Wisconsin, the CRP would only apply to the unsubscribed portion, so this customer could claim to be 75% renewable. Minnesota is a hybrid of the two approaches, where the mechanisms for rates to recover RPS and fuel costs drive the percentage. Xcel Energy offers customers a calculator tool to determine exactly how the CRP applies compared to their usage and voluntary purchases. Customers can also combine the CRP with on-site renewables, Virtual Power Purchase Agreements (vPPAs), or other ways of procuring RECs to apply to their energy usage.

The figures below provide a more in-depth example using the 2018 CRP in Wisconsin as an example. Figure 1 illustrates how the annual CRP is calculated. After RECs are RPS compliance are retired, any remaining RECs that are not tied to a voluntary program are also retired and distributed across customers to create a CRP of 23%. As illustrated in Figure 2, customers in Wisconsin who procure 50% renewable energy through the utility’s green tariff, would receive the CRP on the half of the energy procured from the utility and claim an additional 11.5%. Customers who purchase 100% renewable energy through the utility’s green tariff offering would not receive any credit for the CRP, due to the tariff structure which credits customers making voluntary purchases for fuel costs they avoid. This means the program would not yield any cost savings for customers in meeting a 100% renewable energy goal, if the renewables were procured entirely through the utility’s green tariff. In different markets with different tariff structures, the program could be designed so that green tariff customers would be able to take advantage of the CRP program at all purchasing levels.

**Figure 1: Wisconsin’s Certified Renewable Percentage Calculation**

![Certified Renewable Percentage Calculation Diagram](image-url)
The challenges Xcel Energy has faced during development of the CRP have included providing benefits to customers, ensuring proper accounting, and educating customers on how to utilize the program. For example, Xcel Energy balances the financial benefit to customers of selling RECs versus retiring RECs, which brings environmental benefits for all. It is also focused on finding ways to ensure the CRP is additive to other voluntary renewable programs already in place (e.g., green tariffs). Xcel Energy has also focused on establishing accounting that accurately reflects renewable energy delivered to retail customers, ensuring third party verification of the program, detailing how the impact of emissions will be reported in their annual summary, and communicating both methods and benefits to stakeholders. Xcel Energy’s customer outreach includes public calculator tools as well as meetings and workshops for large customers to help them apply the CRP to their specific situation. Customer feedback on this methodology and how it impacts customers’ renewable energy purchasing and goals will be important if the CRP is adopted across more states.

While there is currently no industry standard for implementing a program like this, Xcel Energy’s CRP is similar to Mid-American Energy’s GreenAdvantage program, which also retires RECs on behalf of customers and was approved by the Iowa Utilities Board in November 2017. Mid-American’s GreenAdvantage offering has been supported by a variety of prominent stakeholders such as Microsoft, Google, the Iowa Business Energy Coalition, and the Environmental Law & Policy Center. The most notable difference between this program and the CRP is the treatment of RECs tied to wholesale and trade margin energy sales. Xcel’s methodology includes adjustments to avoid shifting attribution of RECs associated with energy sold into the spot market to retail customers.

III. The Bottom Line

By implementing an accounting framework that clearly attributes renewable energy on the grid to retail customers, programs like the CRP may be able to help bring clarity to corporations, cities and communities on how they can count renewable energy they receive as part of their regular electric service toward meeting their sustainability goals. The CRP will be designed as an optional tool for customers, designed to meet their needs.

For more information on this program, please contact Dan King (daniel.s.king@xcelenergy.com).