

e21 Initiative

Presentation to the
Minnesota Public Utilities Commission
Planning Meeting

December 9, 2014



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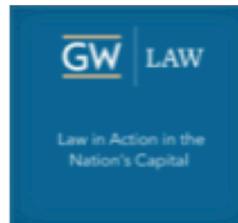
e21 is Convened by the Following Partners

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visit: www.betterenergy.org/projects/e21



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Overview of the e21 Process

1. Develop shared understanding of the “current state.”
2. Develop plausible scenarios (stories) about what COULD happen in the future.
3. Use scenarios to I.D. ACTIONS that look robust under ANY future, & meet e21 principles.
4. Develop recommendations for statutory & regulatory reform.
5. Communicate results & collaborate on implementation.



e21 Guiding Principles

- Align an economically viable utility model with state and federal public policy goals.
- Provide universal access to electricity services, including affordable services to low-income customers.
- Provide for just, reasonable, and competitive rates.
- Enable delivery of services and options that customers value.
- Recognize and fairly value grid services and “distributed energy resource” services.



e21 Guiding Principles cont'd

- Assure system reliability, and enhance resilience and security, while addressing customer privacy concerns.
- Foster investment that optimizes economic and operational efficiency of the system as a whole.
- Reduce regulatory administrative costs where possible (e.g., results in fewer rate cases or otherwise reduce the burden of the regulatory process).
- Facilitate innovation and implementation of new technologies.



Overview of Draft Recommendations

- **The e21 Recommendations propose shifting to a more customer-centric and sustainable framework for utility regulation in Minnesota** that better enables innovation, new customer options, modernization of the grid, and achievement of public policy goals.
- **The recommendations are proposed as a *package* and are intended as a blueprint for this new regulatory approach.**
- **The recommendations support a new utility business model** that places less emphasis on selling an increasing amount of electricity and more on providing the energy services and options that meet customer expectations.
- **The recommendations cover three main areas of reform:**
 - Performance-based ratemaking;
 - Planning; and
 - Regulatory processes.



Enable innovative products, service options, and technologies

Key Recommendation:

Allow utilities the flexibility to offer tailored rate and service options that respond to unique customer needs and interests, where doing so brings economic and/or system efficiencies.



Enable innovative products, service options, and technologies

One critical interest of the State is to ensure the competitiveness of energy-intensive, trade-exposed industries. Two examples for innovative service options, which would require changes in statute, include the following:

- a. *Allow greater flexibility to establish special tariffs between these industries and utilities.*** Examples include fixed rates or market-based rates (e.g. could include time, location, or other circumstance-based pricing).
- b. *Facilitate partnerships among utilities and customers that foster initiatives beneficial to the system,*** such as on-site generation via elimination of certificate of need requirements where appropriate.



Enable innovative products, service options, and technologies

Other potential service options that should be explored include:

a. Aggregation of load. Allow customers with multiple meters at multiple sites to aggregate the total load that those meters represent when doing so would improve billing efficiency and better reflect that customer's actual load.

b. Expand services and develop markets. Empower utilities to expand services and develop additional markets that can be demonstrated to be in the public interest.



A More Proactive, Nimble, Flexible Regulatory Framework

Key Recommendations:

Institutionalize Use of Collaborative Regulatory Processes

- a. Encourage the use of settlement agreements.
- b. Seek opportunities to initiate generic dockets.
- c. Use facilitated dispute resolution alternatives.
- d. Initiate forward-looking stakeholder processes.



A More Proactive, Nimble, Flexible Regulatory Framework

Key Recommendations:

The MN Legislature should fully fund both MN PUC and DER

- a. To allow both agencies to meet their current obligations in a timely fashion.
- b. To allow both agencies to assist in the transition to a new regulatory framework/utility business model.



Grid Modernization

Key Recommendations:

- a. Develop forward-looking distribution planning and timely grid modernization through a robust, well-informed stakeholder process, which could include workshops and technical conferences.
 - Example topic: how to achieve a more flexible distribution system that can efficiently and reliably integrate cost-effective DERs
- b. Identify and develop opportunities to reduce customer costs by improving overall grid efficiency.

These recommendations are intended to support a cleaner, more flexible grid that is reliable, resilient, and secure and enables customers to manage and reduce their energy costs.



An Alternative to Traditional Rate Cases

Key Recommendations:

Evolve to a multi-year, performance-based regulatory model

- a. Give utilities greater flexibility to manage costs, in exchange for achieving agreed upon performance outcomes.
- b. More directly link a utility's financial success to delivering outcomes that customers and policymakers value.
- c. Allow utilities to anticipate and respond more quickly to customer interests and to direct additional resources to policy-driven efforts.
- d. Provide for greater rate predictability and stability for customers and utilities.
- e. Maintain oversight through initial review, annual reporting and accountability for performance goals and other tools to ensure transparency.



An Alternative to Traditional Rate Cases, cont.

Support rate-setting with multi-year business plan.

Comprehensive business plan establishes roadmap for meeting performance objectives and includes (but is not limited to):

- a. Resource adequacy analysis and five-year action plan.
- b. Performance metrics.
- c. Planned investments and expenditures.
- d. Cost recovery proposal, including annual rate adjustment process and cost allocation.

Evolve the Resource Planning process to align policy choices and the ratemaking process.

- a. Incorporate stakeholder input upfront and evaluate issues holistically.
- b. Create opportunity to look at big picture of future energy policy.



Next Steps

1. 12/9: Presentation to MnPUC
2. 12/15: Release of Phase I report
3. 12/17: Next e21 stakeholder meeting
4. 12/18: Xcel Energy submits “framework filing” with the MnPUC.
5. Phase II begins in January—with the goal of going deeper, including discussion of draft ideas that have yet to be thoroughly discussed.



THANK YOU

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