

Charge to Electrical Energy Study Committee

Phase 3: Advancement

Background

The quality of Minnesota's electrical energy system is vital to its quality of life and to its economic competitiveness. With projected electric rate increases and environmental concerns growing, it is becoming clear that Minnesota must focus on pursuing greater system-wide efficiency gains, since our system—despite technological innovation and customer-side conservation programs—still loses about two-thirds of all energy potential from generation to end-use, the result of which is greater costs than necessary to ratepayers and the environment.

How the state regulates investor-owned utilities (IOUs) has been identified as a key barrier to greater efficiency gains. Under the current framework that rewards IOUs based on the cost of delivering reliable and affordable energy, utilities face a dilemma to being more efficient; to increase revenue they must increase the “rate base” or capital assets owned, and also maintain a pre-determined volume of energy sales after rates are established, yet neither condition is optimal when pursuing greater system-wide efficiency.

Phase 2 Recommendations

In order to effectively pursue deeper system-wide energy efficiency in Minnesota, the Electrical Energy Advancement Group is charged with advancing the Citizens League's phase 2 recommendations:

1. Minnesota must transition to an electrical regulatory framework centered on rewarding utilities for achieving the efficient delivery of reliable, affordable and clean electricity.
2. This transition must be made methodically and conservatively with a stepwise approach that minimizes risk to Minnesota's electrical energy system, to ratepayers, and to the environment.
3. Minnesota should transition to performance-based regulation using a transparent process that maximizes public input and stakeholder engagement.

Next Steps

In advancing these recommendations, it has become increasingly clear from stakeholders that the Public Utilities Commission is the appropriate venue with the jurisdiction to conduct a transparent stakeholder process. Input from stakeholders to this process will be vitally important, including vetted recommendations from both the Citizens League and E21 Initiative.

Once convened, the Citizens League Study Committee will be asked to draft both a statement and legislation to direct the Public Utilities to convene this public dialogue with the support of external stakeholder efforts. Additionally, with the help of community experts and research, our group will continue to consider the following questions, and refine our charge as appropriate:

- How does Minnesota transition to a performance-based regulatory framework centered on rewarding utilities for achieving the efficient delivery of reliable, affordable and clean energy?
- How is regulatory reform of this scale initiated? What are the levers for change? What may be potential political barriers to reform?
- Are existing institutions equipped to enable this transition to occur? What changes may need to be made to existing institutional structures and functions so that Minnesota is able to adapt to an evolving electrical energy system?

The group will have six evening meetings and schedule additional ones as needed: **Nov. 10th, Nov. 24th, Dec. 8th, Jan. 12th, Jan. 26th, and Feb. 9th from 5:30 - 7:30 pm.**

For questions or to participate in the advancement phase of this work, contact Adam Arling at [aarling\[at\]citizensleague.org](mailto:aarling[at]citizensleague.org) or 651-289-1073.