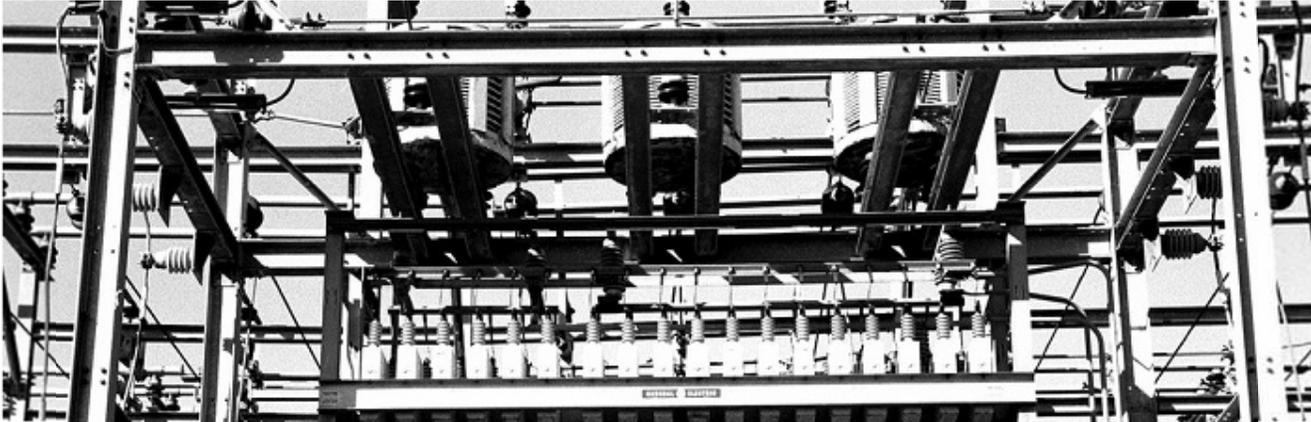


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Towards a Customer-Centric Utility: The e21 Initiative

Posted by Mike Bull | Date December 19, 2014

The initial phase of an amazing project came to an end on December 18th as the stakeholders for the e21 Initiative issued their [phase I recommendations](#). Far broader and more significant than I expected at the outset of the project, the recommendations reached by these stakeholders could begin the necessary shift to align utility interests with rising customer expectations and evolving public policy goals.

[Read the report for details](#), but to give a general overview, the e21 Initiative aims to develop a more customer-centric and sustainable framework for utility regulation in Minnesota. Our goals are to:

- Shift AWAY from a system that provides customers few options and that rewards utilities for selling more electricity and building capital-intensive projects;
- Move TOWARD a system that gives customers more options on how and where their energy is produced and how they use it, and toward a system that enables utilities to earn revenue by achieving an agreed upon set of outcomes that reflect public policy goals, new customer expectations, and the changing technology landscape.

The e21 Initiative started as little more than a glimmer in my eye a couple of years ago, when I was a Manager of Policy and Strategy for Xcel Energy. I'd just come back from a meeting at the Edison Electric Institute about the impact of various dynamics – low load growth, increasing infrastructure investments, deeper penetrations of distributed resources – on the [current utility business model](#). In general, rates were going to rise under the current model far faster as a result of those forces, and utility revenues become more uncertain.

Those dynamics were later chronicled in the [Disruptive Challenges](#) report issued by the Edison Electric Institute in January 2013. I realized that it was important for Xcel to try and get out ahead of the curve.

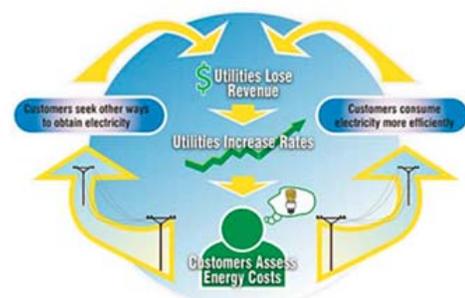
So I reached out from Xcel to Rolf Nordstrom at the [Great Plains Institute](#) and Nancy Lange, then at CEE (now a Minnesota PUC commissioner), to start putting the e21 project together. Rolf and I worked to put a strong core project team together – CEE, Great Plains, Xcel Energy, Minnesota Power, George Washington University Law School and consultant Matt Schuerger. We then compiled a [terrific group of stakeholders](#) who together represent much of what constitutes the public interest – low income customer advocates, small and large business representatives, utilities, environmental organization, cities and other public entities, and regulators. Beginning last February, this group of 25-30 stakeholders met monthly for day-long sessions that were wonderfully facilitated by Rolf and Jennifer Christenson, his colleague at GPI, toiling together deep in the weeds of utility regulation. It was an honor to work with all of them, as we coalesced around the set of consensus recommendations detailed in the report.

In my role at CEE, I had three goals for the e21 Initiative. First, as an environmental organization, one aspect of the CEE mission is to continue to reduce carbon emissions in a least cost way. Minnesota has made great progress over the last decade to reduce carbon emissions, but the next increment of progress is likely to come somewhat harder than the last. We in the environmental community need to pay close attention to the cost impacts of the policies and actions we're advocating. I think the e21 recommendations provide an important opportunity to manage consumer impacts while continuing to make significant environmental progress.

Second, we believe that utilities are terrific implementers and achievers of public policy due to the broad scope and integration of their operations, which include maintaining high reliability, ensuring affordable access, and mitigating environmental impacts, to name a few. One of my goals in e21 is to maintain that broad scope and deep integration, to ensure the broad public interest continues to be served, while working to design a regulatory framework where our utilities have the opportunity to be financially successful. We think that's good for everyone.

And finally, e21 provides a chance to re-align incentives and opportunities for customers, communities, and utilities, so that everyone is "pulling on the same end of the rope", as Rolf often says. In doing that, it's important that we step back a little to focus less on specific aspects of utility costs, and more

DISRUPTIVE TRENDS TO THE 100+ YEAR-OLD UTILITY MODEL



on the outcomes we want our utilities to achieve and whether consumers are receiving value for the money they are spending. I'm afraid if we don't shift to a more performance-based framework, regulators may begin to get somewhat overwhelmed by the complexity and detail of utility costs, and will miss critical opportunities to spur innovation and efficiency.

The phase 1 recommendations are a fantastic beginning to what will be a long, detailed journey. After a brief respite to enjoy the holidays and appreciate what we have accomplished, we'll reconvene next year to start the hard work of phase II. I'm looking forward to it.

For those interested in following these issues, [Xcel Energy has issued a framework filing](#) to lay out additional details of how the e21 recommendations might apply to them. Also, please join us on January 27th at our free policy forum: [The Future of Energy Regulation in Minnesota - Policy Opportunities and Innovations](#), where we will hear from Xcel Energy CEO Ben Fowke and a panel of state energy policy experts.



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