



# Minnesota's Electrical Energy Future: A Policy Framework to Optimize Efficiency

Presentation to the Minnesota Legislative Energy Commission  
January 8, 2014

# About the Citizens League

- **Multi-partisan, multi-issue** nonprofit for over 60 years.
- **Vision** is to create the common ground where “We the People” can achieve the common good.
- **Civic Policy Making:** Operating Principles guide our approach.
- We believe **policy happens everywhere.**

# Civic Guidelines

- 1. Defining a problem:** People who are impacted by a problem will help define the problem in keeping with our values.
- 2. Demonstrating transparency and good governance:** Leaders will establish transparent processes that expect all participants to engage in decision and policy making.
- 3. Contributing resources:** All participants will help to identify and contribute resources to address the problem.
- 4. Sustaining solutions:** All participants will help to advance and sustain recommended solutions in their institutions.



# Phase I: Defining the Outcomes for MN's Ideal Electrical Energy System

# Phase I: Defining the Outcomes

- Initiated by Department of Commerce Office of Energy Security in 2010
- More than **200 individuals** represented a **broad, cross-sector base**.
- Participants engaged in a deliberative process to **envision achievable outcomes** of an **ideal electrical system** in Minnesota.
- The final report of Phase 1 was issued in December 2011 and envisioned an electrical energy system that met **11 outcomes**.

# Phase I: Outcomes of Ideal Electric System:

**Affordability**

**Sustainability**

**Reliability / Quality**

**Safety and Security**

**Efficiency**

**Self-Reliance**

**Phase II: What long-term, system-level policy changes would promote system-wide electrical efficiency?**

# Phase II: Developing a policy framework

- Over **45 participants** developed a **policy framework** that would increase efficiency, with “policy” defined broadly.
- Participants included **IOUs, Munis, Co-ops, Environmental organizations, businesses,** and **unaffiliated citizens** who looked at a number of possible changes that would work under current framework.
- Advisory Committee began meeting in late 2012; Participants met frequently **throughout 2013.**



# Phase II: Developing a policy framework

Participants identified the **electric utility regulatory model for Investor Owned Utilities as a core barrier** to maximizing the energy efficiency of the electrical energy system, for 2 reasons:

- IOUs' play a determinative role in electric energy pricing and overall economics of the electricity sector in Minnesota.
- IOUs are directly regulated by the PUC and the Minnesota Department of Commerce.

# Phase II: 11 Evaluative Principles

## 7 Outcomes:

1. Conservation
2. Cost
3. Sustainability
4. Reliability and quality
5. Safety and public health
6. Security
7. Economic development

## 4 Process Measures:

1. Focus on outcomes while facilitating continual improvement
2. Take a whole-systems approach
3. Include a complete economic assessment
4. Align incentives and market signals at all levels towards efficiency

# Phase II: General Recommendations

Citizens League recommends that Minnesota move from a predominantly investment-based electrical regulatory framework **to a performance-based electrical regulatory framework** that rewards service providers for the efficient delivery of reliable, affordable, and clean electricity.

# Phase II: General Recommendations

Transition will be best achieved:

- by a transparent process that **maximizes public input and stakeholder engagement**
- methodically and conservatively, with a stepwise approach that **minimizes risk to Minnesota's electrical energy system, to ratepayers, and to the environment.**

# Phase II: Next Steps

Participants are meeting during early 2014 to finalize responses to 2 questions:

- **What substantive steps are required to facilitate the transition to Performance-Based Regulation in Minnesota?**
- **What is the best process to develop the details of an ideal Performance-Based Regulatory Framework in Minnesota?**