

Minnesota Public Utilities Commission: Presentation to Legislative Energy Commission



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State Office Building

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MINNESOTA PUBLIC UTILITIES COMMISSION



Minnesota Public Utilities Commission





Why Did the Legislature Give the PUC Regulatory Authority?

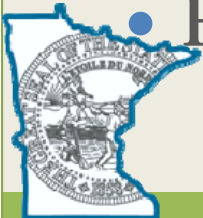
- To regulate investor-owned monopolies that provide an essential electric or natural gas service to Minnesota customers
- To assure that captive customers do not pay for:
 - Unnecessary, imprudent, investments
 - Inefficient operations
 - Excess profits
- To assure that the utility is able to charge rates that are sufficient to:
 - Meet the reasonable, prudent costs of providing reliable service
 - Allow the utility to recover the costs of depreciating property used to furnish service
 - Permit the utility the opportunity to earn a fair rate of return so that it can attract necessary capital to make necessary investments



The Commission



- Five Commissioners
- Appointed by the Governor, confirmed by the Minnesota Senate
- Staggered six year terms
- Not more than three from one political party
- At least one from outside the Twin Cities metropolitan area
- Full time positions
- Removed only for cause



Mission



Ensure safe, adequate and reliable service at fair and reasonable rates, consistent with the state's environmental policies



Rate Case Process

Minn.Stat. §216B.16

1. Company files application for increase; Commission reviews for completeness and sets interim rates
2. Referred to the Office of Administrative Hearings for “contested case” hearing
3. Direct, rebuttal and surrebuttal testimony prefiled by all parties
4. Administrative Law Judge (ALJ) conducts public hearings in the service territory; accepts written public comments



Rate Case Process

Minn.Stat. §216B.16



5. ALJ conducts evidentiary hearing; witnesses are under oath, subject to cross-examination; transcribed by court reporter; post hearing briefs filed with ALJ
6. ALJ issues a report with findings of fact, conclusions of law and a recommendation to Commission; parties may file exceptions to the ALJ report
7. Full record, including ALJ report and exceptions, is reviewed by Commission; staff develops decision options for each disputed issue
8. Oral argument is held in front of Commission; Commission deliberates publicly and votes; written order is issued



Rate Case Process

Minn.Stat. §216B.16

9. Commission orders are subject to “Request for Reconsideration,” and may be appealed to the Court of Appeals
10. If final rates are lower than the interim rates, customers receive a refund



Just and Reasonable Rates

Minn.Stat. §§ 216B.01, 216B.03, 216B.164



$\text{COSTS} \div \text{SALES} = \text{RATES}$

$\text{INCREASED COSTS} \div \text{FLAT SALES} = \text{HIGHER RATES}$

- Meet the cost of providing reliable service
- Depreciation of property used to furnish service
- Opportunity to earn a fair rate of return
- Rates must be “just and reasonable”



Just and Reasonable Rates

Minn.Stat. §§ 216B.01, 216B.03, 216B.164



- To the maximum extent possible:
 - encourage cost-effective energy conservation and renewable energy;
 - reduce utility costs for businesses and residences;
 - improve competitiveness and profitability of Minnesota businesses;
 - create more energy-related jobs;
 - reduce pollution and emissions;
 - decrease dependence on fossil fuels



Rates are based on “costs”



- Revenue requirement: review of allowable costs
 - Compensation, including pensions
 - Capital investment, capital structure and rate of return
 - Depreciation
 - Taxes, deferred taxes, tax credits
 - Many more
- “Class Cost of Service Study” – Divide the costs among the classes

Xcel's Last Rate Case			
	Xcel CCOSS	DOC CCOSS	OAG CCOSS
Residential	36.91%	36.21%	35.88%
Large C & I	58.45%	59.22%	59.51%

Chart excludes other small rate classes, for simplicity



Rates are based on “costs”



- Class Revenue Apportionment – Based on projected sales and projected revenue by class, comparing existing rates to revenue requirement
- Rate design – Structuring rates for each class to meet the revenue requirement

Two or three parts:

- basic customer charge (fixed charge)
- demand charge for larger customers (charge/kW)
- energy charge (charge/kWh)

- “Riders” and “Fuel clause adjustment” are outside the base rates but affect the total bill



Rate Cases: Requested vs Allowed



- In general rate cases over the last six years (2009-2015), the Commission has taken the following actions:

	Increases Requested	Increase Allowed	Difference	% Allowed
Natural Gas (5 cases)	\$90.5 million	\$59.67 million	\$30.83 million	65.9%
Electric (8 cases)	\$843.61 million	\$401.8 million	\$441.81 million	47.63%
Total	\$934.12 million	\$461.47 million	\$472.65 million	49.4%

Pending Rate Cases:

CenterPoint Energy
 MERC
 Xcel Electric (2016 & 2017)
 Great Plains

Requested
 \$54.1 M
 \$14.8 M
 \$297.1 M
 \$1.57 M



Looking on the Bright Side



- Robust transmission system
- Low natural gas prices
- Technological advances that aid energy efficiency and load management
- “Integrated resource plans” (IRP)
- Falling price of renewable energy
- Steady decline in reliance on fossil fuels
- Slow growth in demand for electricity



Challenges are Opportunities



- Slow growth in demand for electricity
- Modernizing and increasing the resiliency of the distribution system
- Responding to technological change
- Cyber threats
- Proper pricing; flexible options
- New solar standards



Upcoming Dockets



2015 Legislation

- Longer multi-year rate plans; pending Xcel rate case
- EITE, Green Pricing and other new rates
- Natural gas extension projects
- Distributed Generation Rates and Terms
- Interconnection Technical Requirements
- Distribution-level planning added to Integrated Resource Plans

2013 Legislation

- Solar projects – utility-scale and community solar gardens

Other

- Environmental Externalities
- Privacy of Customer Data
- Controversial oil pipelines



Thank you!



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