



Electric Utility Rates in Minnesota
Presentation to the Legislative Energy
Commission
Bill Grant, Deputy Commissioner

Overview

- Cost drivers are utility-specific, tend to follow major capital investments
- Renewable rate impacts have been nominal
- Energy efficiency rate impacts very small, with large economic benefits
- Overall trend shows continued upward pressure on rates

Rate Trends Since 2010

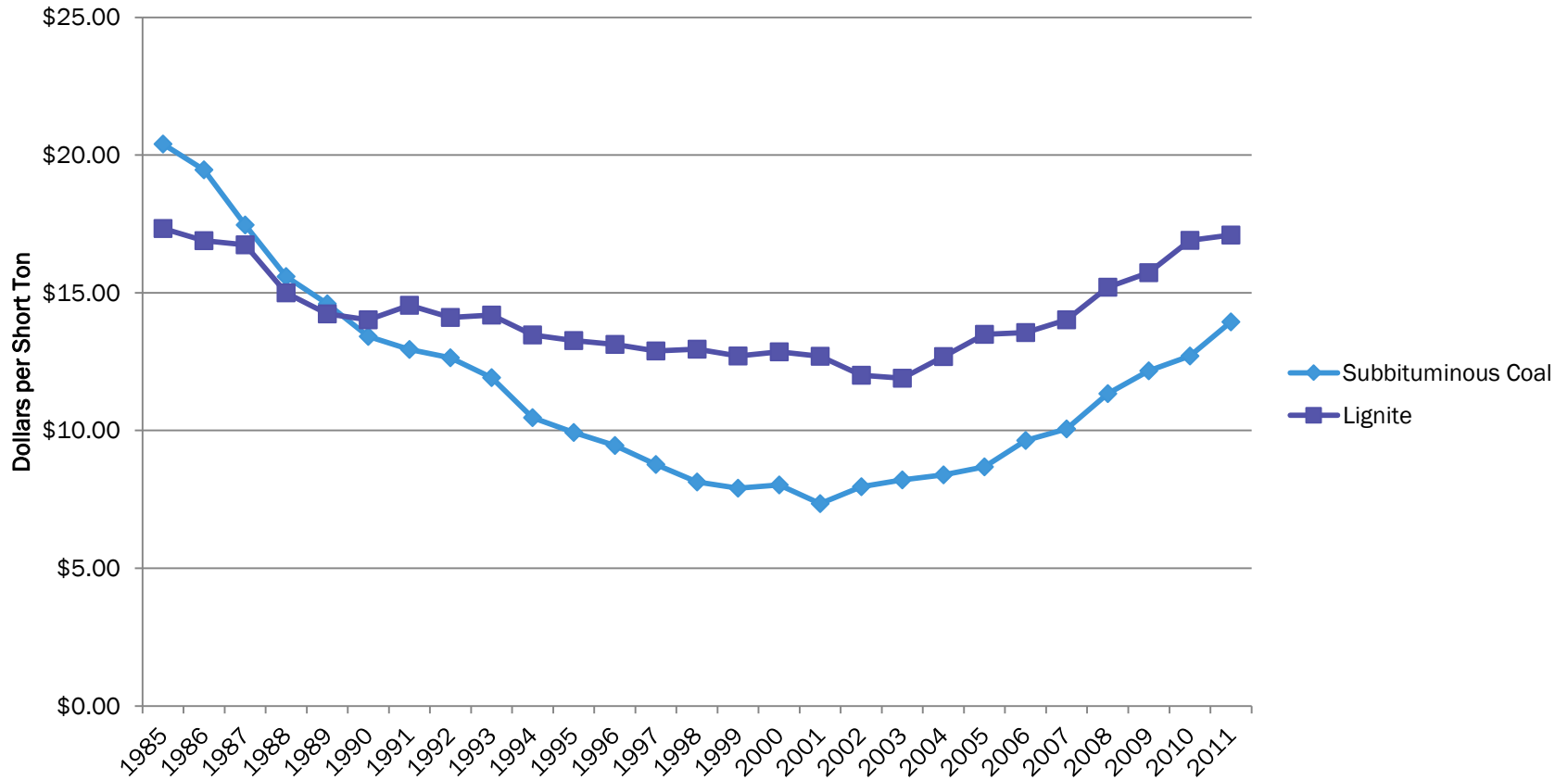
Utility	Requested	Authorized	Ratepayer Savings
CenterPoint Energy	\$ 44,322,000	\$ 32,943,000	\$ 11,379,000
Dakota Electric	\$ 4,189,000	\$ 4,010,171	\$ 178,829
IPL Electric	\$ 15,100,000	\$ 8,400,000	\$ 6,700,000
Minnesota Energy Resources Corporation	\$ 29,352,597	\$ 18,627,774	\$ 10,724,823
Otter Tail Power	\$ 10,600,000	\$ 5,000,000	\$ 5,600,000
Xcel Electric	\$ 775,154,000	\$ 380,444,000	\$ 394,710,000
Total	\$ 878,717,597	\$ 449,424,945	\$ 429,292,652

Examples of Cost Drivers, Investor-Owned Utilities

- **Fuel**
- **Excessive transmission return:** Federal Energy Regulatory Commission's ALJ determined that return on equity for transmission was overstated by 206 basis points
- **Nuclear (Xcel):** \$587 million cost overrun for Monticello Uprate
- **Riders:** Transmission projects, environmental compliance

Trends in Coal Costs

Subbituminous & Lignite (Adjusted for Inflation)



Renewable Energy Rate Impacts

- Utilities report on RES compliance costs, rate impacts
 - Integrated resource plans provide guidance on pricing needed for renewable energy to be cost-effective
 - Investor-owned utilities need to show that specific renewable additions are cost-effective
 - No utility has sought an “off-ramp” exemption from obtaining renewable resources

Energy Efficiency Rate Impacts

- Cadmus study
- Utility perspective
- Societal perspective
- Non-participant (Ratepayer Impact Measure)
- Economic indicators

Cadmus Study - Objective

- Economic impact analysis of the Conservation Improvement Program (CIP)
 - Results based on CIP activities occurring between 2008-2013
 - Assessed the impact of the net benefits that accrue from 5 years of activity through 2032
 - Assessed cost-effectiveness from stakeholder perspectives including utilities and society
 - Estimation of the impact on statewide electric and natural gas rates by 2032
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Cadmus Study Results: Non-Participant/Ratepayer Impact

- CIP causes a slight upward pressure on future rates (by 2032):
 - \$0.000705 per kWh
 - This equates to approximately .5% of the average monthly residential electric bill
 - This analysis does not include what the impact on rates would be in the absence of CIP and the need to build additional generation, transmission, distribution.
 - CIP has avoided the need to build approximately three 640 MW natural gas combine cycle power plants.
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Cadmus Study Results

Utility Cost Test is a measurement of the net cost of CIP as a resource option from a utility perspective:

- CIP provided approximately \$3 billion in net benefits between 2008-2013.
- The results of the study show efficiency is a highly cost-effective investment compared to other supply resources.

Societal Cost Test is a measurement of the net costs of CIP as a resource option from a societal perspective:

- CIP generated \$3.2 billion in net benefits between 2008-2013.
 - Results show an increasing benefit to the state of Minnesota from investment in CIP.
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Questions