



To: Minnesota Public Utilities Commission

Fr: Doug Scott, Vice President of Strategic Initiatives, Great Plains Institute

RE: **Summary of e21 Roundtable Meetings convened by the Great Plains Institute
In the Matter of a Commission Investigation To Identify and Develop Performance Metrics
And, Potentially, Incentives for Xcel Energy Electric Utility Operations
Docket No. E-002/CI-17-401**

Date: March 6th, 2018

Dear Commissioners,

The Great Plains Institute (GPI) is pleased to file the following meetings summary, describing the outcomes to date from an e21 Initiative roundtable formed to discuss issues raised in the above-referenced docket (Roundtable).

As the Commission knows, the e21 Initiative (e21 stands for a 21st century electric system) was developed in 2014 by the Center for Energy and Environment (CEE) and GPI and a broad range of stakeholders to develop principles, ideas and proposals that foster a more customer-centric and sustainable framework for utility regulation in Minnesota that better aligns how utilities earn revenue with public policy goals, new customer expectations, and the changing technology landscape. The stakeholder group includes utilities, consumer advocates, energy technology companies and other businesses, environmental and academic organizations, and government to accomplish this goal and enable Minnesota to continue to lead in shaping an electric system for the 21st century.

As part of Phase II of the e21 Initiative, the stakeholders developed a white paper outlining a performance-based compensation framework. That white paper, along with the full Phase II report, was submitted in Comments submitted on December 21st, 2018 in this docket.

As part of Phase III of the e21 Initiative, the e21 Initiative co-directors will convene stakeholders in roundtables to discuss issues related to the principles, goals, and objectives developed by earlier phases of the initiative. This docket raises such issues, and the GPI has convened stakeholders for roundtable discussions four times to date to discuss performance-based metrics. The participants in this roundtable are listed in the meeting summary below. The participants will continue to meet in an effort to find common areas of understanding as they relate to this docket.

It should be noted that this meeting summary is not a consensus position and no particular statement should be read as attributable to any particular organization or person. Rather, the

summary is intended to describe general areas of agreement and disagreement among stakeholders. Additionally, roundtable participants may choose to file their own Comments on behalf of their organizations. As the process continues, the roundtable participants may attempt to seek consensus on the issues related to performance incentive mechanisms, and will convey any consensus positions as such, if and when obtained.

It should also be noted that, while the e21 Initiative is co-directed by CEE and GPI, in this docket where CEE will be submitting separate comments, GPI has facilitated the roundtable conversations and is submitting this document on its own. CEE has been an active participant in the roundtable meetings.

Respectfully,

A handwritten signature in cursive script that reads "Douglas P. Scott". The signature is written in black ink and is positioned above a horizontal line.

Doug Scott

Vice President of Strategic Initiatives

Great Plains Institute



e21 Roundtable on Performance Incentive Mechanisms

Meetings Summary

November 2017 - January 2018

I. Participating Organizations

The following organizations have participated in at least one of the four meetings of the e21 Initiative Roundtable on performance incentive mechanisms between November 16th, 2017, and January 26th, 2018. However, the comments described in this document should not be read as attributable to any particular organization or individual.

- Advanced Energy Management Alliance
- Center for Energy and Environment
- Citizens Utility Board of Minnesota
- Energy Transition Lab, University of Minnesota
- Fresh Energy
- Midwest Cogeneration Association
- Minnesota Center for Environmental Advocacy
- Minnesota Power
- Office of the Attorney General
- Stoel Rives on behalf of the Minnesota Large Industrial Group
- Xcel Energy

II. Introduction

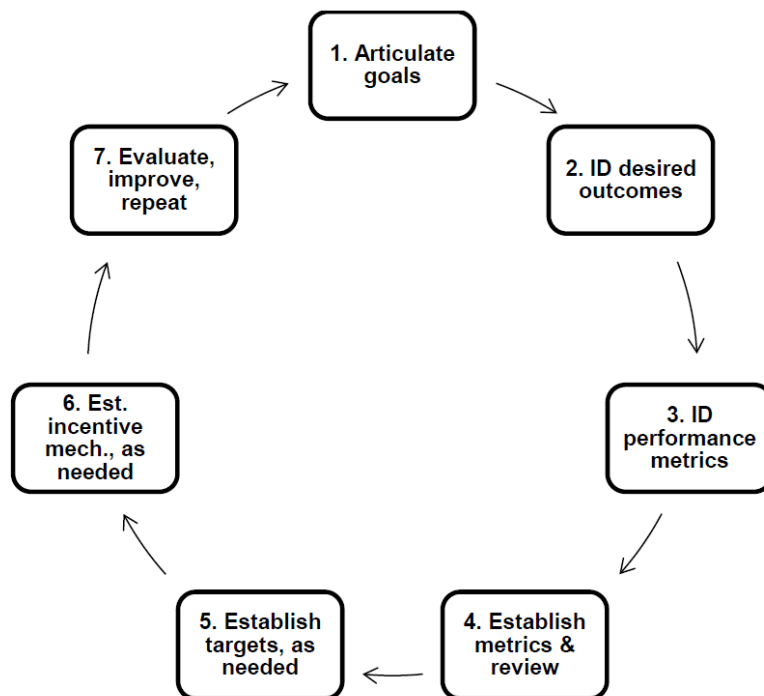
The e21 Initiative convened the Roundtable on performance incentive mechanisms to help educate stakeholders and explore their perspectives in advance of the initial Comment Period for the above-referenced docket. The first meeting of this group occurred on November 16th, 2017 and featured a presentation from staff at Energy Innovation that provided an educational overview on performance-based regulation, including national and international examples. The second meeting occurred on January 10th, 2018 to review the Seventhwave and Lawrence Berkeley National Laboratory utility revenue and earnings model, which is designed to measure the impact of a shift to a performance-based model on rates, earnings, and achieved return on equity. The third meeting on January 12th, 2018, allowed stakeholders to have an open discussion to explore their perspectives and included a presentation by staff from the Office of

the Attorney General (OAG) on their suggested Performance Incentive Mechanism (PIM) Design Process. It was suggested at the third meeting that the group should meet a fourth time to identify rough agreement on desired outcomes for performance incentive mechanisms, using the “Goal, Outcome, Metric” hierarchy of the PIM Design Process to structure the conversation. That fourth meeting took place on January 26th, 2018, at which point the group had a productive discussion about the desired goals and outcomes of performance incentive mechanisms, but did not reach consensus.

Arising from that fourth meeting was rough agreement among participants that this is a very complicated issue, that we must proceed carefully, and that we do not currently have a pure cost of service system in Minnesota, as there are a number of existing performance mechanisms already in place. Mindful of that note of caution, the group also recognized that coming together to discuss the opportunities and challenges of how performance metrics and incentives should be structured to better achieve desired outcomes will help us understand what degree of change might be needed in Minnesota, if any.

III. PIM Design Process

As part of the initial Comments submitted in this docket, the OAG made a recommendation that “The Commission should adopt a deliberative process, described in these Comments as the PIM Design Process, to follow as it considers the implementation of performance incentive mechanisms for Xcel energy.” (OAG Comments, page 16). This process was further described in the OAG Comments as including a seven-step process, with the following steps:



(OAG Comments, Page 17, Figure 1)

The OAG recommended that this initial phase of the docket be limited to the first four steps of the PIM Design Process.

The Roundtable participants generally agreed that the measured approach suggested by the PIM Design Process, in which certain core decisions (goals, outcomes) are decided before working on actual metrics themselves, makes sense and support the Commission implementing the process as outlined by the OAG.

IV. Suggested Process Adjustments

Participants also discussed several possible adjustments to the PIM Design Process, drawing on their diverse perspectives as well as what they learned from the four Roundtable meetings. These suggested PIM Design Process adjustments are described below:

1. **Seek stakeholder input between steps:** Roundtable participants agreed that, if the Commission were to implement the PIM Design process, ongoing Commission oversight and guidance is necessary, and stakeholder engagement would be beneficial. As a result, participants suggested that between each of the numbered steps listed above, there should also be a step calling for collaborative, in-person stakeholder input. Participants noted that this additional effort will take time, but is necessary to consider all of the potential impacts of each step.
2. **Focus initially on goals, outcomes, and metrics, and provide clearer direction to stakeholders on the intention and goals of this docket:** While the full seven-step process illustrated above and described in the OAG Comments may ultimately be the preferred manner of establishing performance-incentive mechanisms, the Roundtable participants agreed that it would be prudent to focus initially on steps one through three (articulate goals, identify desired outcomes, identify performance metrics), with some participants suggesting the process stop there and others suggesting that step four be included. The general sentiment from the group was that focusing on these initial steps, and then pausing to evaluate next steps, will help to determine whether regulatory changes are needed to achieve desired outcomes. Additionally, some participants saw value in the Commission providing clearer direction on the scope and intention of this docket, as well as the goals around which outcomes and metrics might be designed. The following bullets capture some notable stakeholder comments related to this suggestion:
 - Any agreed-upon goal, outcome, or metric should be linked to existing law.
 - The Commission could accomplish the first step of the PIM Design Process by establishing goals based on the record presented in this docket to date.
 - Certain goals and outcomes may challenge the traditional regulatory compact and therefore demand debate and analysis on the appropriateness of regulatory reform. Any resulting analysis should be done carefully to avoid predetermining the need (or lack thereof) for reform. Furthermore, analysis should help illustrate whether a more significant shift towards a performance-based system is

ultimately more likely (or not) to achieve desired goals and outcomes than a cost of service system in Minnesota going forward.

- Completing this initial phase should help to ensure that the utility is achieving results in traditional areas of regulatory interest while also ensuring that it is well-positioned for the future.
 - There is value in stopping short of establishing targets and assigning incentives/penalties for now, as doing so prematurely could result in undesired consequences.
3. **Utilize this group as an ongoing resource:** There was interest among several participants to continue meeting during the Commission investigation process to discuss goals, outcomes, metrics, and possibly reporting, following the initial steps of the PIM Design Process. There was also interest in ensuring that all stakeholders who filed Comments or Reply Comments in this docket are provided the opportunity to participate in this Roundtable (invitations to the third meeting were extended by e21 to all stakeholders who filed Comments, but not all were able to attend). Consequently, many participants hoped that in continuing to meet, this group could be a resource for the Commission going forward, as the Commission weighs these very important issues.
 4. **Evaluate existing performance mechanisms:** As was also made clear by initial Comments filed in this docket, participants recognized that there are a number of existing traditional and performance-incentive mechanisms currently in place in Minnesota. In general, there was agreement that these existing policies need to be reviewed and evaluated as part of the conversation around performance incentive mechanisms. Some participants recommended that this evaluation be performed after the desired goals outcomes are articulated, while others suggested it be done after the goals are articulated but before discussing the desired outcomes. Whatever the order, participants generally agreed that this evaluation should be completed under a process adopted by the Commission.
 5. **Consider whether certain issues merit a separate, simultaneous process:** During discussions, some participants raised the concern that there may be emerging issues that lend themselves to the PIM Design Process, but also merit separate consideration apart from that process (beneficial electrification, electric vehicles, and demand response were mentioned as possible examples). The concern was that adequately addressing these issues, and doing so in a timely manner, may be more difficult if they are explored only through the broader PIM Design Process. However, there was not unanimity in the group on the benefit of separate consideration of these subjects, whether the subjects themselves merit inclusion in the PIM Design Process, and the degree to which any subject may challenge the traditional regulatory compact or demand more significant regulatory reform.

III. Conclusion

Participants in the e21 Initiative Roundtable on performance-incentive mechanisms appreciate the Commission's attention to these very important issues. There is rough agreement among these participants that the deliberative process outlined by the OAG is worth consideration for adoption by the Commission, with attention to the initial steps as described above, and with consideration of stakeholder involvement and ongoing Commission oversight and guidance at every step. As previously noted, several participants are interested in continuing to meet to discuss issues presented by this docket and hope that the Commission will view the group as a useful resource going forward.

BEFORE THE MINNESOTA DEPARTMENT OF COMMERCE
85 7th Place East, Suite 500
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AFFIDAVIT OF SERVICE

Docket No. E002/CI-17-401

I, Trevor Drake, herby certify that on this 6th day of March 2018, I served the *Summary of e21 Roundtable Meetings in the Matter of a Commission Investigation to Identify and Develop Performance Metrics and, Potentially, Incentives for Xcel Energy Electric Utility Operations* on the following persons on the attached Service Lists by:

XX placing such filing in envelopes, properly addressed, and depositing the same in the Post Office at the City of Minneapolis, for delivery by the United States Post Office as directed by said envelopes.

XX electronic filing



Trevor Drake

Subscribed and sworn to before me
this 6th day of March 2018.



Notary Public



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