

April 10, 2020

William Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
Saint Paul, MN 55101

RE: Docket No. E-002/M-20-180 Xcel Energy 2019 Electric Revenue Decoupling Pilot Program

Dear Mr. Seuffert:

The City of Minneapolis (“Minneapolis”) thanks the Commission for the opportunity to provide reply comments regarding Xcel Energy’s (“Xcel” or “the Company”) 2019 Electric Revenue Decoupling Pilot Program Report<sup>1</sup>.

Minneapolis understands revenue decoupling is a strategy to incentivize investor owned utilities to promote investments in energy efficiency and remove the incentive for the company to sell more energy in order to generate more revenue.<sup>2</sup> However, we are concerned that there may be unintended consequences that inhibit beneficial electrification and wish to support the Minnesota Department of Commerce’ comments filed on March 31, 2020 within this docket.

Xcel’s RDM Rider applies to the Company’s Residential and non-demand-metered Small General Service schedules, excluding rates for electric vehicle [charging] services.<sup>3</sup> Excluding electric vehicle (EV) charging should allow the Company to promote transportation electrification, a key strategy for meeting the State’s greenhouse gas reduction goals<sup>4</sup>. However, for EV charging energy sales to be exempt from decoupling, customers must participate in an EV charging program. To the extent that Xcel EV customers are not widely opting in to EV programs, it creates a disincentive for the Company to promote electrification.

Minneapolis appreciates that the Commission’s June 25, 2019 Order requires Xcel to report on whether the decoupling mechanism should be modified to better reflect the value of electric vehicles and beneficial electrification.<sup>5</sup>

The Company explains in Section C *Coordination of Decoupling and Other Tools in the Transformation of Beneficial Electrification* of its report:

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<sup>1</sup> [2019 Electric Revenue Decoupling Pilot Program Report](#). January 31, 2020.

<sup>2</sup> Xcel Decoupling Report. Attachment F. January 31, 2020.

<sup>3</sup> Docket Nos. E002/M-20-180 and E002/GR-15-826MN [Dept. of Commerce Analysis and Comments](#). Page 8

<sup>4</sup> The Next Generation Energy Act, under Minnesota Statutes Chapter 216H

<sup>5</sup> Commission Order Docket No. E002/M-19-12. Jun 25, 2019.

*Absent specific program and policies, utilities lack direct incentives to support market transformation and GHG savings beyond the electricity sector that are needed to meet the state's long-term climate goals. Coordination among programs within the regulatory framework will be needed to drive the transformation....*

*Revenue decoupling mechanisms are generally a deterrent from efforts to promote new load... However, it also creates a new, potentially unintended disincentive for promoting electrification, as the utility cannot realize additional revenues from successful efforts to advance the adoption of beneficial electrification technologies, such as heat pumps.*

*The Commission took steps to address this issue for EV charging by exempting this load from Xcel Energy's decoupling mechanism pilot. However, only the portion of this load served that is separately metered can be factored into the analysis. Thus, while the Commission partially removed the disincentive to promote new EV load, there is still a lack of affirmative incentive to actively encourage it as well as to actively encourage other beneficial electrification. For these reasons, performance incentives may have a role to play in the broader adoption of beneficial electrification.<sup>6</sup>*

Minneapolis supports the Department on the following recommendation for additional analysis in response to Xcel's observations about decoupling impacts on beneficial electrification:

*The Department believes that a rigorous analysis of different regulatory policies and how they interact is needed to inform the discussion of how Minnesota's greenhouse gas goals can be reached at a least cost or reasonable cost basis. Going forward, the Department recommends that the analysis rigorously consider:*

- 1. Where changes in regulatory policy may be needed, differentiating between short term and long term.*
- 2. How different regulatory policies may interact.*
- 3. The potential costs of the regulatory policies under a variety of future assumptions.*
- 4. Short-term and long-term forecasts of potential changes in emissions.*
- 5. How other states have designed regulatory policies that promote greenhouse gas reductions at a minimal cost.<sup>7</sup>*

Given the risk of customers overpaying for electricity services, Minneapolis agrees with the Department's caution regarding the creation of additional financial incentives<sup>8</sup> to encourage beneficial electrification. Before developing new financial incentives that risk overlap with Conservation Improvement Program and Demand Side Management incentives, we'd like to see an effort to increase the appeal of and enrollment in EV charging programs and electric heat applications.

**Further, City of Minneapolis wishes to emphasize the importance of attractive EV program design and customer enrollment critical components of revenue decoupling.** Given that the state's economywide reduction in GHG emissions requires beneficial electrification, our view is that the various beneficial

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<sup>6</sup> Report pages 18-19.

<sup>7</sup> See pages 11-12 of [Commerce Analysis](#).

<sup>8</sup> Page 12 of Commerce Analysis

electrification programs and policies must be developed with rate structures and financial incentives in mind. We are pleased that the Department and Xcel plan to discuss how decoupling fits in with the state's broader goals.<sup>9</sup>

The City of Minneapolis appreciates the opportunity to review and offer input on this important topic. Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "K. W. Havey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mr. Kim W. Havey, LEED AP, AICP  
Division of Sustainability

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<sup>9</sup> *Id.* page 12.



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