



408 Saint Peter Street, Suite 220  
Saint Paul, MN 55102

PHONE 651 225 0878  
EMAIL [info@fresh-energy.org](mailto:info@fresh-energy.org)  
WEBSITE [fresh-energy.org](http://fresh-energy.org)

April 10, 2020

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
Saint Paul, Minnesota 55101-2147

**RE: Fresh Energy's Reply Comments in the Matter of Xcel Energy's 2019 Electric Revenue Decoupling Pilot Program**

Docket No. E002/M-20-180

Dear Mr. Seuffert:

Fresh Energy appreciates the opportunity to provide reply comments in response to the Minnesota Department of Commerce, Division of Energy Resources' (Department) comments and Xcel Energy's 2019 Electric Revenue Decoupling Pilot Program Report. In the Commission's June 25, 2019 Order in Docket No. E002/M-19-127, the Commission required that Xcel Energy (the Company) discuss whether to renew their decoupling program, and potential modifications, including whether the program should be modified to better reflect the value of electric vehicles and beneficial electrification.

**The Next Generation Energy Act (NGEA) prioritizes both energy conservation and greenhouse gas reductions**

The Next Generation Energy Act established criteria and parameters for Minnesota utilities to develop and implement revenue decoupling mechanisms that support energy conservation efforts<sup>1</sup>. Since then, four Minnesota invested-owned utilities have implemented revenue decoupling pilots, and the Public Utilities Commission has recognized the policy as a foundation for maximizing energy efficiency as a resource in the state.

The NGEA also clearly and explicitly sets a greenhouse gas emission goal of 80 percent reduction by 2050 compared to 2005 levels across the entire economy<sup>2</sup>. While the state's electric sector is on the right decarbonization path to meet this goal, other sectors of the economy are not on track. Electrifying more of the economy is increasingly seen as a viable option to significantly reduce carbon emissions and lower customer costs (i.e. beneficial electrification).

**Minnesota Utility Policy Can Both Promote Energy Efficiency and Beneficial Electrification**

While decoupling and beneficial electrification policies seem to serve different purposes, they are complementary approaches that drive towards the same goal: a highly-efficient economy powered by clean carbon-free electricity.

---

<sup>1</sup> Minnesota Statute, Section 216B.2412

<sup>2</sup> Minnesota Statutes, Section 216H.02

Revenue decoupling mechanisms are traditionally seen as producing unintended disincentives for promoting beneficial electrification. This is because a decoupled electric utility cannot capture additional revenues above the authorized rate of return from beneficial electrification activities that achieve greenhouse gas reduction initiatives. Because decoupling adjusts for both under- and *over*-collection of utility revenues, there have been concerns that beneficial electrification and decoupling may not be compatible as increased sales from electrification would be negated by decoupling adjustments.

While revenue decoupling best practices are still evolving, Fresh Energy believes that Minnesota's decoupling policies have been achieving their intended purpose. At this time, we have not identified significant concerns with revenue decoupling policies in combination with beneficial electrification initiatives that warrant changes to its underlying structure. As implementation strategies are better understood, utilities, regulators, and other stakeholders can mitigate some concerns of decoupling by following a few important steps:

- Plan ahead and incorporate load growth from beneficial electrification efforts into forecasts used when determining rates. With this growth embedded in the underlying rate structure, decoupling will adjust to anticipated increases in sales due to electrification.
- Monitor the level and direction of decoupling adjustments annually to ensure that the underlying rate structure is accurately reflecting utilities' revenue needs.
- As a general rule, avoid extended periods of time between utility rate cases. While unending rate cases impose resource and time restrictions on utilities, regulators, and other interveners, allowing many years to pass between rate cases can result in rates that are misaligned with utility revenues. Having regular rate cases can ensure that rates reflect utility needs, incorporate beneficial electrification, and minimize the magnitude of decoupling adjustments.

We encourage the Company and the Department to continue discussions on how revenue decoupling and beneficial electrification can be pursued concurrently. The Commission has initiated an ongoing proceeding<sup>3</sup> to examine different performance-based metrics or incentives that decoupled electric utilities might use to accelerate energy efficiency achievements while pursuing beneficial electrification. Beneficial electrification is an active area of interest with stakeholders in this docket, including metrics targeting CO<sub>2</sub> avoidance for (1) electric appliances such as water and space heating, and (2) electrification of transportation through EV rate options.

We appreciate the opportunity to comment on this important topic and look forward to continued engagement with stakeholders going forward.

*/s/ Dylan Sievers*

Senior Policy Associate, Energy Performance

Fresh Energy

408 St. Peter Street, Suite 220

St. Paul, MN 55102

(651) 294-7144

sievers@fresh-energy.org

---

<sup>3</sup> Docket E-002/CI-17-401