

Thinking about Linking:
State and Regional Efforts

by

Phyllis A. Reha, Commissioner
MN Public Utilities Commission

PEW Center State and Regional
Workshop

October 11, 2006

Washington D.C.

Efforts in Regional Coordination in the Upper Midwest

- The Midwest Renewable Energy Tracking System
- The Organization of MISO States
- The Midwest Governor's Association Protocol
- The Midwest Natural Gas Initiative

M-RETS Update

- Project initiated with two regional workshops in 2004-5, hosted by MN and WI Public Utilities Commissions
- 3 NGO's (Izaak Walton League, Great Plains Institute, Center for Resource Solutions) awarded Joyce Foundation grant in July '05 to develop system technical, governance and financing recommendations
- State legislative authority bills passed in ND, SD

M-RETS UPDATE cont.

- 5 states (MN, WI, IA, SD, ND) and Manitoba have agreed to participate in M-RETS development.
- Technical recommendations complete and shared with PUC's and stakeholders.
 - Resolved design issues, e.g., how credits are created, retired and/or traded; TRC included regulators, utilities, other stakeholders.
 - Design is "policy neutral" to allow individual states to determine compliance with in-state renewable requirements.
- Wisconsin PSC has agreed to issue RFP for system administrator and enter into contract for system operator services.

M-RETS Timeline

- Oct. 15, 2006—RFP released
- Dec. 1, 2006—Proposals due
- Jan. 1, 2007—Contract awarded
- Feb. 15, 2007—Contract start date
- July 1, 2007—Begin M-RETS operation
- Proposals to include plans for system cost and financing, technical and operational designs.

The Midwest Natural Gas Initiative

- A cooperative effort by 8 Midwestern states to develop a multi-state energy efficiency initiative to decrease natural gas (now also Electric) consumption. (MN, IA, WI, OH, IL, MO, IN)
- Developed a Memorandum of Understanding and a corresponding regional plan for increasing energy efficiency.
- Grew out of the NARUC Natural Gas Crisis Conference at Carnegie Mellon University in 2004. Discussions among PUC Commissioners in the Midwest to find a regional approach to EE as a way to mitigate high natural gas prices.

Potential Benefits of Initiative

- Lowering consumption through easily adopted efficiency measures could lower natural gas prices and save a total of \$104 billion in gas and electricity costs for 2004-2008 (ACEEE Analysis)
- Projected savings of \$104 billion would require public investment of \$7 billion and private investment of \$23 billion

Guiding Principles for Midwest Natural Gas Initiative

- Intent is to accommodate the diversity in policies and programs in individual states.
 - The initiative will be expandable and flexible, permitting other states to join the initiative.
 - The initiative will not unduly interfere with other national, state or regional EE programs and initiatives, but will seek to coordinate and collaborate with them to increase the effectiveness of both.
 - The initiative is coordinated by the Midwest Energy Efficiency Alliance (MEEA), a Chicago-based non profit organization dedicated to advancing EE in order to support a sustainable economy and promote environmental preservation
 - The Regulatory Assistance Project (RAP) and ACEEE also provide policy and technical support to the Initiative.

What Can Regulators Do?

- Support EE performance targets for their utilities
- Establish or expand system benefit funds for electricity and gas to fund EE and renewable energy programs
- Support renewable portfolio standards or other initiatives that encourage renewable energy such as DG Performance credits

What Can Regulators Do ?, Cont

- Establish state/regional level collaborative processes to explore how best to increase investment in Energy Efficiency
- Conduct formal investigations on ways utilities can remove the link between revenues and sales volume
- Include energy efficiency on a consistent and comparable basis with supply-side resources in future resource planning activities

Other Regional Coordination Efforts

- CAPX 2020
 - Formed Spring 2004 by 8 Minnesota utility partners
 - Focused on serving growing load in service territories; generation outlet, reliability, market efficiency
 - Collaborative effort; utilities, regulators, legislators, and other stakeholders
 - Broadly based recognition that there needs to be significant investments.
- LEETF-Legislative Electric Energy Task Force (Minnesota)
- Midwest ISO (MISO) Transmission Policy Work Group
- UGPTC-Upper Great Plains Transmission Coalition
- Powering the Plains
 - Great Plains Institute
 - Coal Gasification Work Group
- AWEA
- Wind on the Wires

Regional Coordination –The Barriers

- Jurisdictional Competition
 - Economic Development
 - Jobs
 - Cost Recovery
- Resource Planning-Old Model
 - Utility driven
 - Complicated resource pieces
 - Lack of Communication with neighboring jurisdictions
 - Reactive vs. proactive
- Strategic Manipulation of the Process
 - Multiple processes
 - Different State Laws and Rules
 - Strategic determination of timing to achieve approval
 - Lack of Communication between jurisdictions

Barriers, Cont.

- Resource Importers vs. Exporters
 - Differing interests and needs
 - Cost Impacts
 - Policy differences e.g. Energy Efficiency, Renewables, Coal, Carbon Capture, Technology
- Technology and Geography
 - Benefits vs. Burdens
- Differing State Laws and Policies
 - Difficulty in finding common goals
- Politics
- Unnecessary Overlap of Regional Coordination Efforts

Can We Overcome These Barriers?

- Develop a Base Line Model for Inter-Jurisdictional Coordination
 - Best Practices
 - Model Legislation
 - Coordinate Policies and procedures
- Find a Regional Consensus Group to Initiate the Conversations
 - e.g. NCSL, Midwestern Governors Association, NGA, MISO, Great Plains Institute, PTP, OMS, NARUC, MARC, others???
- Avoid Political Identification
- Make sure appropriate stakeholders are at the table
- Prioritize the issues
- Support Legislation that promotes a regional, cooperative approach to solving problems associated with energy generation and transmission planning within the framework of a clean environment.