



NOTICE OF COMMENT PERIOD

Issued: September 22, 2017

In the Matter of a Commission Investigation to Identify and Develop Performance Metrics and, Potentially, Incentives for Xcel Energy’s Electric Utility Operations

PUC Docket Number: E-002/CI-17-401

Comment Period: Initial comment period closes December 1, 2017
Reply comment period closes January 18, 2017

Project Background: Minnesota statutes allow regulated utilities to establish multiyear rate plans for a period of up to five years (Minn. Stat. § 216B.16, Subd. 9). That statute states, in part, that the Commission “may require the utility to provide a set of reasonable performance measures and incentives that are quantifiable, verifiable, and consistent with state energy policies”¹ and that the Commission “may initiate a proceeding to determine a set of performance measures that can be used to assess a utility operating under a multiyear rate plan.”²

In November 2015, Xcel Energy initiated a general rate case seeking consecutive rate increases pursuant to the multiyear rate plan statute.³ In addressing Xcel’s petition the Commission noted that “[p]erformance metrics are an important tool to preserve service quality and align utility incentives with ratepayer interests” and found that the record was insufficient to “determine the adequacy of Xcel’s proposed performance metrics.” To that end the Commission opened this investigation as “the best venue for determining what combination of metrics and incentives, in addition to those already in Xcel’s QSP Tariff, would appropriately align utility and ratepayer interests.”⁴

The Commission is interested in obtaining an understanding of how performance metrics and standards, and potentially incentives, could further align the focus of Xcel’s utility management with the public interest. Identifying what to measure or consider as indicators of utility

¹ Section 216B.16, Subd. 19(a).

² Section 216B.16, Subd. 19(h).

³ See Docket 15-826.

⁴ *Findings of Fact, Conclusions, and Order*. Docket 15-826, June 12, 2017, p. 23.

performance is a key starting point. In the broadest sense, the measures or standards should be focused on furthering the public interest and advancing outcomes that customers value. In order to focus utility decision-making, several metrics related to distinct outcomes defined by regulators as public interest priorities could be appropriate to track utility performance, and the Commission anticipates that a wide variety of metrics will be discussed by those participating in this comment opportunity. However, a particular set of performance measures should not necessarily be viewed as the exclusive means by which utility performance will be evaluated in the future.

Process: This docket will be staged in phases. The first phase will focus on collecting stakeholder input about (a) the key goals for the electricity sector, (b) how performance against those goals is currently being measured, (c) which metrics or information should be used to determine whether the utility is meeting those key goals, and (d) what utility information or independent studies would aid in establishing achievable potential for performance against those key goals.

A second phase will focus on how the performance measurements and standards developed in the first phase may be used or applied by the Commission, including possible standards or performance targets and the potential for using financial incentives to drive Xcel's performance. This could start with identification of some of the more established metrics from the first phase for earlier development of appropriate incentives.

Topics Open for Initial Comment: The Commission seeks initial phase one comments that address the following questions:

1. Key goals of utility regulation, traditional or performance-based, include reasonable, affordable rates, reliable service, customer service and satisfaction, and environmental performance. Identify and discuss any additional key goals for the electric utilities for which performance metrics should be developed.
2. How should performance with respect to specific goals be measured? Identify and discuss the areas of utility performance that should be measured and reported to the Commission, why they should be measured and their importance to the public interest.
3. Identify and discuss the extent to which those areas are currently measured or evaluated either by the utility or an independent third party and whether the current measurements or evaluations are sufficient to adequately evaluate the utility's performance in those areas.
4. Discuss how each identified area of utility performance should be measured, and the extent to which they can be cost-effectively verified. Please include any examples of how those areas are currently measured by Xcel or by other utilities and discuss specific proposals – including specific metrics – for measuring Xcel's performance in areas not already measured.

5. Identify and discuss areas of performance that would be aided by a study of achievable potential needed to establish performance targets.
6. Identify established metrics where it could be appropriate to move sooner on potential targets and incentives.
7. Are there other issues the Commission should consider in the first phase of this docket?

Filing Requirements: Utilities, telecommunications carriers, official parties, and state agencies are **required** to file documents using the Commission's electronic filing system (eFiling). All parties, participants and interested persons are encouraged to use eFiling: mn.gov/puc. Select *eFiling*, and follow the prompts.

Submit Public Comments: Visit mn.gov/puc, select *Speak Up!*, find this docket, and add your comments to the discussion.

- *If you wish to include an exhibit, map or other attachment, please send your comments via U.S. Mail.*

Send U.S. Mail to Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul MN 55101. Please include the Commission's docket number in all communications.

Full Case Record: See all documents filed in this docket via the Commission's website - mn.gov/puc. Select *Search eDockets*, enter the year (17) and the docket number (401). Select *Search*.

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