

Diller, Michael R.

From: KPederson@otpco.com
Sent: Tuesday, February 02, 2010 11:17 AM
To: Diller, Michael R.
Subject: RE: DSM Filings

Just on a personal note – I am pretty happy actually – less work! Thanks Mike,
K

From: Diller, Michael R. [mailto:mdiller@nd.gov]
Sent: Monday, February 01, 2010 9:30 AM
To: Pederson, Kim; Bring, Mark; Brutlag, Bernadeen; Dan.Kuntz@MDUResources.com; Tamie.Aberle@MDU.com; Don.Ball@MDU.com; bridget.mclaughlin@xcelenergy.com; suzanne.galster@xcelenergy.com; Brause, Tom
Cc: Fahn, Pat; Lein, Jerry; Nyquist, Larry K.; Jeffcoat-Sacco, Illona; Bendish, Annette
Subject: RE: DSM Filings

Kim,

I think staff has been pretty clear on its position. As far as the commissioners themselves are concerned, I'm guessing that they are not too far from staff but we won't know that until after a rate case, rules proceeding, legislative proposal, single issue rate case such as your DSM filing and so on. I like a rate case setting myself as it focuses everyone's attention on what is really important to the company and its ratepayers. If a particular program survives that kind of scrutiny then it is likely a valuable resource. I am confident the commissioners will give your position full consideration in a rate case.

I sense that you are not happy with staff's position on DSM/EE programs and a rate case will help settle those differences. A rate case will allow for you to make full and complete arguments in favor of your programs and staff will be able to hire a rate case consultant that might even agree with your assessment. Our first requirement of a consultant is that they tell the truth. They are not required to conclude what we think is true. We want the truth as much as you do but let's not fool ourselves, our world views and built in biases affect our judgment. A rate case or full blown hearing will help sort all that out. I believe the guidelines you desire will be a natural outcome of a contested rate case hearing.

I agree that we should be careful in the allocation of time and money dedicated to analyzing the resources. However, the nature of DSM programs require continued time and effort to deploy because they are not

like a power plant that is built and then simply deployed for 40 years. The cost of energy changes, the time value of money changes, technologies change, new information becomes available and on and on. Luckily, DSM and EE programs can be brought on line and taken off line much more easier but that requires constant review and analysis to determine whether such programs are continuing to meet everyone's desire for least cost planning.

All that said, and in the interest of working with our utilities, if there is common ground that we can agree on to minimize the issues of a rate case, then we will work with you. I am specifically thinking of programs that are primarily DSM in nature as opposed to EE and of course a tariff/rider to make that happen. I am concerned with putting everything in riders and would prefer a rate case setting where base rates are established for all costs but again, advocacy staff is agreeable to pursuing common ground.
Mike

From: KPederson@otpc.com [mailto:KPederson@otpc.com]
Sent: Friday, January 29, 2010 3:07 PM
To: Diller, Michael R.; mbring@ottertail.com; BBrutlag@otpc.com; Dan.Kuntz@MDUResources.com; Tamie.Aberle@MDU.com; Don.Ball@MDU.com; bridget.mclaughlin@xcelenergy.com; suzanne.galster@xcelenergy.com; TBrause@otpc.com
Cc: Fahn, Patrick J.
Subject: RE: DSM Filings

Mike,
It is our opinion that energy efficiency/DSM portfolios can be handled either through a rate case or a separate proceeding. However, some guidelines need to be in place for either to be effective. If we don't establish guidelines both staff and utilities will spend tremendous resources compiling data, filings, and review for an effort with no sustainable future.

We propose that these guidelines should include:

- Whether the commission sees DSM and Energy efficiency as a viable resource option alongside traditional supply-side alternatives;
- Recognition of whether or not the Commission wants energy efficiency for North Dakota to be included in utility resource planning
- Consideration for the disincentive associated with lost sales due to energy efficiency
- Consideration of a financial return for an energy efficiency investment
- Recognition of the unique characteristics of each utility (territories, resource needs, etc.)
- How energy efficiency programs will be evaluated, and whether consistency among utilities is important. (RIM test reliance, etc.)

The National Association of Regulatory Commissioners has been supportive of energy efficiency, so it's possible some additional guidelines could come from them. Their leadership resulted in the development of the National Action Plan for Energy Efficiency, a collaborative effort among State regulators, the federal government, utilities, and energy consumers aimed at identifying and reducing key barriers limiting greater investment in energy efficiency. The federal government tied stimulus funding to the existence of energy efficiency programs so it's conceivable they could also be influential.

I'm just concerned that if we don't have some of these issues ironed out, it's my opinion that moving energy efficiency to a rate case will just muddy the rate case proceedings.

Kim

From: Diller, Michael R. [mailto:mdiller@nd.gov]

Sent: Wednesday, January 27, 2010 11:57 AM

To: Bring, Mark; Pederson, Kim; Brutlag, Bernadeen; Kuntz, Dan; Aberle, Tamie; Ball, Don

Cc: Fahn, Pat

Subject: DSM Filings

The commission discussed the DSM filings with their advisors at its administrative meeting and agreed to roll these filings into the companies' next rate case proceedings. The advisory staff asked me to contact the parties to find out if that is acceptable. My recommendation on MDU's DSM filing is to implement some of the programs as part of the next rate case proceeding so little would change other than having the hearing at the same time as the rate case hearing. I had been planning to recommend the same with OTP. Let me know if this is a problem and you would rather the commission take a different approach. Mike