Notes from DSM Potential Study Advisory Committee Meeting #2

October 2, 2017

I. Meeting Kickoff

- Not all policy issues will be addressed/resolved in this meeting
- Request for written comments will be sent out later this week – due back in December. Opportunity for many comments – these comments will influence the discussion in the report and the specific comments will be included as appendices in the report.
    - May have another round of comments after the first round of comments.
    - Members will have a chance to review the report before finalization.

II. Potential Study Updates

- Memo has been prepared – check out your folder for more information
- Primary data collection is going well – commercial building survey is going out soon.
- Obtaining NDAs from utilities is a slow but steady process.
- Discussions with advisory committee on program benchmarking may occur before the next meeting.
- Question on avoided costs: different avoided cost assumptions for different utilities?
    - For a statewide study sensitivity range will be used – some measures may drop out for utilities with less avoided costs.
- CEE will keep engaging stakeholders on these technical updates (modeling, avoided costs etc.) – using a similar process as with the Measure Memo and Webinar.

III. Stakeholder survey - Cael Warren

- 38 participants total in the survey –
- Large majority of stakeholders surveyed had at least a 'mostly favorable' experience with CIP program in general – 5% (about two respondents) had an unfavorable experience with CIP
- Main challenge identified is future savings compliance
    - Degree of concern was higher with Munis and Coops
        - Question on how utilities are performing in the program
            - Dept. can circulate the latest CO2 report with 2014 numbers
- Low-income and residential customers identified as harder to reach comparatively with C&I populations
- Possible Efficiency Goals
    - Survey identified that all potential goals are important
    - When prioritized – Energy Savings and Customer Cost Savings were top tied (29%)
        - The other two, CO2 reductions and Demand Reduction, were also high priorities.
- Potential Changes to CIP what should have a greater emphasis (i.e. counted in CIP savings)

    - Demand Response , Behavioral, CIP targets based on potential scored relatively high
    - Beneficial electrification – highest on 'Strongly agree'
- Metrics used to measure CIP success
    - Lifetime savings by far the top - in terms of ranking and rating
    - 1st Year Savings is still an important metric - easy to explain
- Questions
    - Is lifetime savings and 1st year savings mutually exclusive
        - Consensus is that they are not mutually exclusive – but there is a lot of discussion around the country highlighting the importance of lifetime savings
            - In some parts of country the incentive is based on the 1st year savings metric as the threshold and then lifetime savings plays a role in the amount of incentive
    - A lot more qualitative data is still being analyzed from this survey which can guide conversation going forward

IV. Stakeholder perspectives on CIP purpose/goals

- Annie Levinson-Falk CUB
    - CUB non-profit advocate for utility consumers – policy and regulatory advocacy – outreach advocacy
    - Broadly speaking – conservation through what utility consumers can get on their end
    - Two Priorities – Savings Money & Reducing Environmental Impacts
        - Conservation output
- Jeff Hasse - GRE
    - 28 Member Co-ops - customers charged demand reduction on their bills
    - No need for new generation in the foreseeable future
    - Tension with CIP and renewable energy – when energy is consumed
    - Customers pay attention to their bills – and it is a priority for many
    - Wholesale rate design – relates to demand response opportunities
        - A/Cs demand response has a lot of benefits
- Nick Mark – CPE
    - Personal Thoughts
    - Energy Savings is the goal – Waste is bad – lots of other benefits
        - Efficiency is justified on its own
    - Gas is different – rate case in early August – 3rd rate case in 30 years
        - 5 years ago tripled capital investments – lots of pipe
    - Gas is in a position where there may be losing customers with efficiency – this may have societal problems – because of increased capital investments.
- Marty Kushler – ACEEE
    - DSM Potential Study – MN is viewed as a national leader
        - MN 9th (1 in the Midwest) in latest scorecard
        - Emphasis on rural areas (Munis & Coops) is important

- 2007 Legislation NGEA – cost-effective energy efficiency – should be aggressively pursued – for a multitude of reasons…
- National Practice Standards Manuel
  - States should develop cost-effectiveness tests based on policies that are in existence
- Energy Efficiency needs special requirements and statutes, it is a unique case for energy efficiency – do not weaken the case for energy efficiency by focusing on demand response, electrification etc.

- Discussion after presentations
  - Public benefits program versus a ratepayers benefit program
    - Language in statute implies a public benefits program
  - Societal tests should try to quantify non-energy benefits as best as possible

V. Xcel's Presentation on DSM trends and Strategic Issues Filing in CO

- Economic Value is changing due to de-carbonized system
- Less beneficial savings going forward – avoided fuel cost is going down – wind and lower gas costs
- DSM is the preferred resources – typically the least cost resource – Wind is getting close to lowest cost
- In the evening lots of energy efficiency savings – but the costs of energy at that time is inexpensive and low carbon energy –
  - Home lighting is driving the evening savings
- Xcel is trying to 'Invest in their future' with their DSM strategy
  - What measures save peak energy? How to market that better to customers?
  - Demand response measures – CIP may play a role in encouraging these investments
  - Increased AMI and grid modernization to help identify peak users
  - Behavioral measures – Time of Use rates –
- As DSM savings becomes savings harder to achieve then the resource cost of DSM may increase
- Avoided generation costs – avoided T&D costs

VI. Alternative methods for setting utility goals.

- Will Nissen – Fresh Energy - How should we set and track CIP goals
  - Went through pros and cons
    - 1st year goal versus lifetime savings goal
    - Annual savings goal versus cumulative savings goals
    - Statutory Savings goal versus Potential Study goals
    - kWh savings versus time and locational value
    - kWh savings versus carbon savings
  - Questions –
    - Implementation of these different goals.
      - Statutes allows for a potential to shift to a study based goal

        - May not be that easy
- Bob Jagusch – MMUA –
    - 125 Munis – 350,000 customers total
    - 75 now required to participate now – 300,000 customer
        - Top 10 utilities 150,000 customers
        - 65 utilities 150,000 – have 2,300 customers each
    - Smaller utilities do not have the staff and capacity to calculate complicated goals
        - Simpler is easier for the smaller utilities
    - How to gather around nebulous benefits laid out in statute.
        - Some point CIP falls off because of other priorities –
        - Customer owned - they want to save money
    - Potential Studies are expensive – not practical for small utilities to complete these often
    - How do we value the savings? Societal, customer, utility as a whole?
    - What is the best way for the customers? that is the MMUA perspective.
    - States across the country are talking about this.
    - 'Strategic electrification' – what is this impact – how it will change conservation?
- Questions?
    - Does MN have the capacity to collaborate in program administration/
        - Some states PUC will hire independent administrator to deliver
        - In Minnesota utilities can aggregate
            - 25 independent aggregators
        - State has an energy conservation account – for low-income programs – if utility does not want to provide these programs – this account has never been used.
    - Standardization to help address different potentials across different service territories - to give flexibility
    - Across the country independent administer has performed well
    - Minnkota aggregates and provides programs for their members – customers and utilities were surprised when they were opted out
    - Customer focused – externalities – other technologies i.e. microgrids – raises the whole sale electricity costs and O&M costs and that raises rates – so while efficiency helps it is hard to explain to a customer higher costs
    - Potential for IOU and COOP partnerships? Statute may not allow this… even though the partnership may make sense
    - What is some of the limiting language in statute that may improve the overall CIP program without 'blowing up the program'
        - What are some tweaks that can enable flexibility or encourage partnerships?
    - Policy issues from ACEEE perspective
        - What do the EERS across the country look like – financial incentives to address the economics across the country.
        - Successful states all have an EERS and the incentive helps to maximize energy savings.