Demand-side Potential Study Questions

- **Q:** Is there any planned "look back" at the previous potential study to assess (at a high level) its accuracy vs. actuals?
- **A:** That had not been contemplated, but is a fantastic idea. The project team will look into doing this as part of the DSM potential study.

- **Q:** Will the "best practices" identified in the study include regulatory policies, so the study can help guide both utilities and regulators? Would be good to ensure that the analysis includes the regulatory context for the identified results. For example, Massachusetts allows free drivers and, therefore, savings values for the same measures will be considerably higher than, say, California, which has been very reluctant to factor free drivers, market effects, etc.
- **A:** Yes, regulatory policies will be considered, and making recommendations for regulatory and/or changes is part of the study scope. These recommendations will be sourced from, and discussed by, the project team and stakeholders in this project. The point about considering regulatory differences among states is a good one, and one we’ll try to keep in mind as we develop recommendations.

- **Q:** Will you be contacting the Gas Technology Institute (GTI) to determine any emerging technologies nearing commercialization on the gas side such as gas heat pumps?
- **A:** Good suggestion. We intent to consult with a range of national organizations (including the GTI, with whom members of the project team are familiar), and welcome any ideas for particular technologies, or categories of technologies, that people feel would be important to include, or that your organization would like to know more about.

- **Q:** How does, or will, financing, like property assessed clean energy (PACE), factor into the Demand Side Potential Study's estimate? I ask this because it feels like PACE is really making projects possible for small businesses to take energy efficiency action that they otherwise would not. If PACE (or other similar financing mechanism) are
more widely available, would that change the potential energy savings significantly?

- **A:** The project team will be doing both a national, as well as statewide, assessment of best practices for programs that utilities could implement. However, we would note that a PACE program is often not in the control of the utility, and could require authorizing policy to function, and thus is a grey area as a utility program. That said, we will interpret this question as a suggestion to look into this issue further, and will do that as part of the best practices investigation part of the study.

**Supply-side Potential Study Questions**

- **Q:** Are there any other states that have a similar provision in statute or that allow utilities to claim energy efficiency savings for supply-side investments?
  - **A:** To our knowledge, Minnesota is the only state that explicitly includes electric utility infrastructure (EUI) efficiency as a potential resource for meeting conservation goals (generally referred to as energy efficiency resource standards). Other states don’t explicitly disqualify infrastructure projects, but they’re not a specific goal either. Some states do have efforts to count conservation voltage reduction projects toward efficiency goals and there are other efforts to drive distribution and generation efficiency using other mechanisms. We’re not the first to notice supply-side potential, but we think we’re the first to explore expanding the existing incentive framework to drive efficiency across the whole system under one umbrella.

- **Q:** How are you planning on coordinating with MISO as part of this project?
  - **A:** We anticipate MISO being an extremely important partner in this effort. We’re not sure that individual efficiency projects will fit into the wholesale market in the way that DSM can because efficiency projects aren’t an on-demand resource for meeting load requirements. But, there are plenty of other ways MISO will be a crucial stakeholder in the process. MISO oversees the development and management of transmission assets in the state, so any transmission efficiency projects will have to meet MISO’s approval. Potentially, if utilities invest in transmission efficiency, MISO may play a role in allocating costs. MISO will also have a lot of the data we’re looking for to complete the supply-side efficiency potential study.

- **Q:** Do supply-side projects needs to pass cost-effectiveness tests? Are there exceptions on limits on lifetimes for supply-side projects?
  - **A:** Utilities are required to report the cost-effectiveness of each Conservation Improvement Program (CIP) from the Societal, Utility Cost, Ratepayer Impact Measure, and Participant tests, so that individual program performance can be monitored by Department staff. The utility’s CIP portfolio overall must be cost-effective, but each individual CIP project doesn’t necessarily have to be. That being
said, it seems unlikely that there would be a benefit to doing a cost-

ineffective supply-side efficiency project. The EUI measures that are defined in Minnesota’s Technical Reference Manual (TRM) include project lifetimes that should be used by utilities.

- **Q:** Assessing “free ridership” (or the equivalent) has to be a pretty big challenge for supply-side investments. Is this something that the EUI study will address?
- **A:** First, the statute specifically requires that efficiency credit only accrues for gains “greater than what would occur in the course of normal maintenance.” Defining “normal maintenance” is one of the trickiest issues for the supply-side effort. The TRM’s EUI measures were designed to incorporate this concept as best we could – there may be room for improvement in the future. Conceptually, if we satisfactorily solve the normal maintenance issue, that should remove most concerns about free ridership on existing infrastructure. For new construction, we will have to look at past projects to set a baseline of what would have happened in the absence of efficiency credit – there will have to be judgement calls made and the Department will pre-approve projects as necessary. It’s a great question and definitely worth discussion during the project.

### Overlapping Study Questions

- **Q:** How do or will these potential studies take into consideration utility and State Energy Office capacity? In all sectors in general, employees’ time seem limited. If more staff time could be directed toward energy efficiency, would that change the potential savings achievable?
- **A:** That could be a policy recommendation from the study, if evidence and informed stakeholder discussion supports that argument (to provide more/adequate funding for the State Energy Office, as a strategy to maximize savings). In general, it is probably too speculative for the project team to try and actually model the potential savings that could hypothetically occur from this policy action, and it is not contemplated that this would be a scenario that would be modeled for the study. On the supply-side, one of the major barriers to implementation was identified as staff resources (2010 Franklin report). We don’t plan to incorporate that into our technical potential estimates, but it will definitely be part of the qualitative discussion and the policy study. Preliminarily, we’re hoping that defining some prescriptive TRM measures, identifying possible potential, and clarifying policies will lower the required effort on the part of utility staff to assess the value of efficiency efforts – so indirectly we’re addressing the issue already. But, certainly worth talking about in terms of costs and potential benefits of adding staff resources (either at the utilities or to the Department).