



mn COMMERCE
DEPARTMENT

MN Energy Efficiency For All

CIP Planning
Low-Income+
Kick-Off Mtg



WELCOME! We will start at 1:05 pm

AGENDA

- ▶ **Welcome & Introductions (10 min)**
- ▶ **Conservation Improvement Program 101 (30 Min)**
 - Introduction to CIP and ECO
 - Q&A
- ▶ **“Low-Income” Program Focus (40 min)**
 - Brief Overview
 - Breakout Rooms
- ▶ **Other Topic Areas (20 min)**
 - Efficient Fuel Switching
 - Pre-weatherization Measures
 - Financial Incentives
- ▶ **Next Steps & Close Out (10 min)**

INTRODUCTIONS



Donte Curtis (he/him)

Owner/Lead Consultant
Catch Your Dream Consulting



Arlinda Bajrami (she/they)

Policy Manager, Stakeholder Engagement
Midwest Energy Efficiency Alliance

INTRODUCTIONS

Organizing Group:



MN Energy Efficiency For All

VIRTUAL HOUSEKEEPING

- ▶ **Please mute yourself** during the presentation portions
- ▶ **Use the chat and “Q&A” feature** to ask questions
 - There will be an opportunity to ask Q&A after each section (e.g. CIP 101, “Low Income” Program Overview, and during breakout rooms)
 - We welcome questions or comments through the meeting – facilitators will monitor chat
 - Any unanswered questions will be responded to after meeting

WHAT IS THIS?

Overall Goal: create a process for **non-utility participants** to influence decisionmakers in the design and access of **utility energy efficiency programs** and propose new solutions or programs to be formally reviewed in the energy efficiency regulatory process.

Non-utility participants:

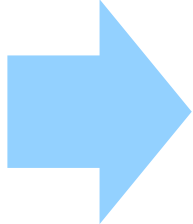
- Advocates
- Program implementers
- Community organizations or members
- Local gov't
- Anyone else interested

Focused on:

- Programs designed for under-resourced customers (incl. “Low Income”)
- Multifamily residents
- Renters
- Black, Indigenous, People of Color*

WHAT IS THIS?

Overall Goal: create a process for **non-utility participants** to influence decisionmakers in the design and access of **utility energy efficiency programs** and propose new solutions or programs to be formally reviewed in the energy efficiency regulatory process.



PHASE I (Current)

Build groundwork for goal, focused on providing *high-level* recommendations to utility energy efficiency planning currently underway

(Jan 2023 – April 2023)

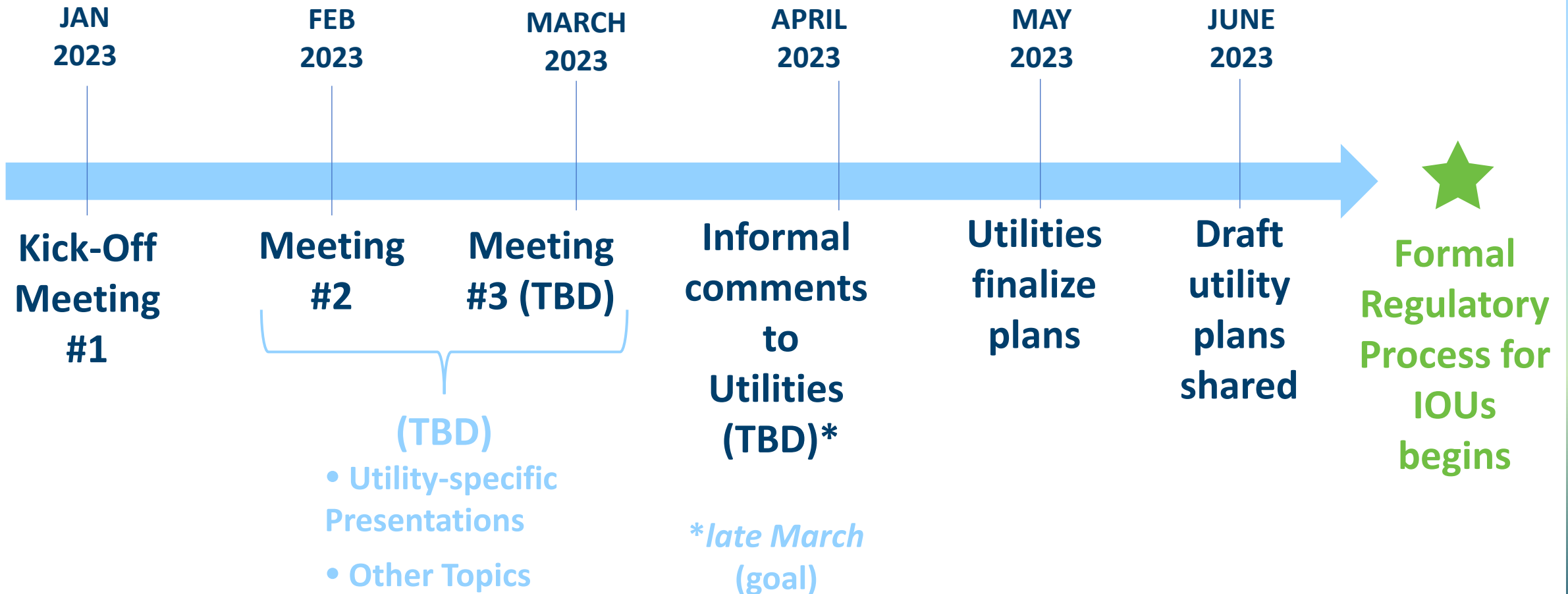


PHASE 2

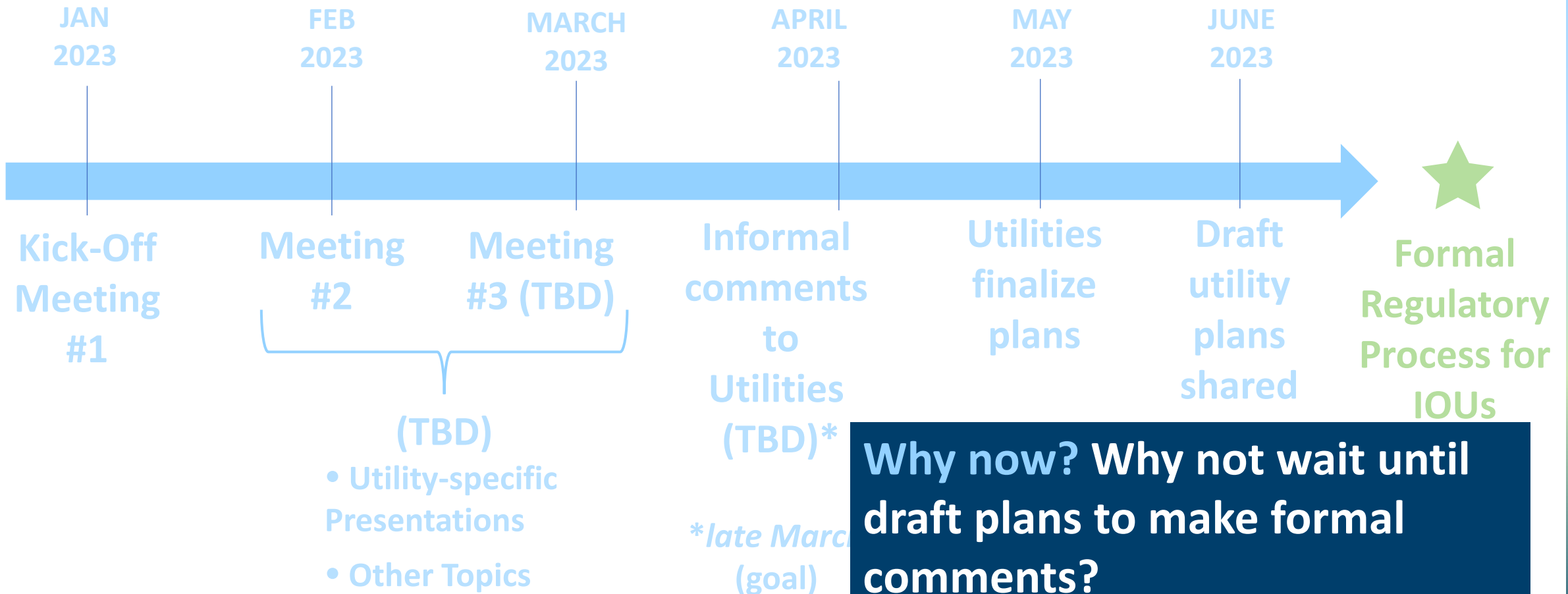
(Summer/Fall 2023)

Permanent “Low-Income+” Energy Efficiency Working Group

TIMELINE FOR PHASE I (this)



TIMELINE FOR PHASE I (this)



Why now? Why not wait until draft plans to make formal comments?

A NOTE FOR ALL PARTICIPANTS

Feedback is welcome and critical to this process

There will be opportunities to provide feedback today during breakout discussions and closing out

Thank you in advance for sharing your thoughts!

CONSERVATION IMPROVEMENT PROGRAM 101

POLL TIME! How familiar are you with the Conservation Improvement Program (CIP)?

CONSERVATION IMPROVEMENT PROGRAM 101



Audrey Partridge

Director of Policy

Center for the Energy and Environment

Minnesota's Energy Efficiency Framework: From "CIP" to "ECO"

January 26, 2023





CEE's nonprofit mission

Our mission is to discover and deploy the most effective energy solutions that strengthen the economy and improve the environment.

WE STAND FOR

- ✓ Collaboration
- ✓ Expertise
- ✓ Science
- ✓ Community
- ✓ Integrity
- ✓ Equity



Acronyms

- CIP = Conservation Improvement Program
- ECO = Energy Conservation and Optimization Act
- IOU = Investor-Owned Utility
- COU = Consumer-Owned Utility (municipal and cooperative utilities)
- Dth = Dekatherm (a unit of measurement for natural gas; 10 therms)
- kWh = Kilowatt hour (a unit of measurement for electricity)
- WAP = Weatherization Assistance Program (U.S. Dept. of Energy)
- AMI = Area median income
- SMI = State median income
- FPL = Federal poverty level
- TRM = Technical Reference Manual (provides technical assumptions to calculate energy savings of different measures)



Agenda

- Minnesota's Conservation Improvement Program ("CIP")
 - History and overview
 - Programs
 - Cost-effectiveness framework
- Energy Conservation and Optimization Act ("ECO")
 - Legislative updates
 - Cost-effectiveness updates
 - Timeline



Minnesota's Conservation Improvement Program ("CIP")



Conservation Improvement Program (CIP)

- Minnesota Statute 216B.241
 - Minnesota's utility energy conservation program
 - Overseen by the Minnesota Department of Commerce
 - Started in 1983
 - Low-income programs required in 1989
 - Includes a low-cost cost-recovery mechanism and utility financial incentive
 - Has become both an important energy resource and a key customer engagement tool



CIP Serves

- CIP includes energy efficiency programs for:
 - Commercial and industrial customers
 - Residential customers (“market rate”)
 - Low-income customers
- Note: Multifamily buildings can fall within all 3 of the above segments



CIP Programs

- Direct-Impact
 - Rebate-based programs (equipment or building shell)
 - Whole-home programs (new construction and retrofits)
 - Direct-install programs
- Indirect-Impact*
 - Audit and study programs
 - Education and outreach
 - Workforce training/certification
 - Administration (not specific to a particular program)
- Research and Development
 - R&D for a new technology or new program model

*Indirect-impact activities are often paired with direct impact activities, such as direct-install or rebate offerings.



Low-Income Efficiency Services

- CIP required a minimum amount of spending on low-income programs:
 - Gas Utilities: 0.4% of gross operating income from residential customers
 - Electric Utilities: 0.2% of gross operating income from residential customers
- Programs focus on the full cost of improvements
- Programs often combine CIP funding with other types of funding
 - e.g. U.S. DOE Weatherization Assistance Program funding
 - Presents advantages and disadvantages



CIP Cost-Effectiveness Framework

- Cost-Effectiveness Tests

- Societal Cost Test (screening)
- Utility Cost Test (financial incentive)
- Participant Cost Test
- Ratepayer Impact Test

- Applied at the segment level

- Low-income programs exempt from cost-effectiveness and from the utility incentive calculation

Table 6a. Program Benefit/Cost Ratios, 2021-2023

Project	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test
Residential Segment Projects				
Home Efficiency Rebates	0.59	3.41	2.51	3.19
DIY Home Efficiency	0.58	3.06	4.76	N/A
Home Insulation Rebates	0.54	2.13	0.96	1.27
Home Energy Reports	0.47	1.38	2.00	N/A
Home Energy Squad	0.31	0.54	0.72	4.90
High Efficiency Home	0.49	1.58	2.19	3.57
New Home Construction Rebates	0.52	1.83	1.71	2.69
School Kits	0.50	1.62	2.45	N/A
Subtotal	0.55	2.45	2.08	3.09

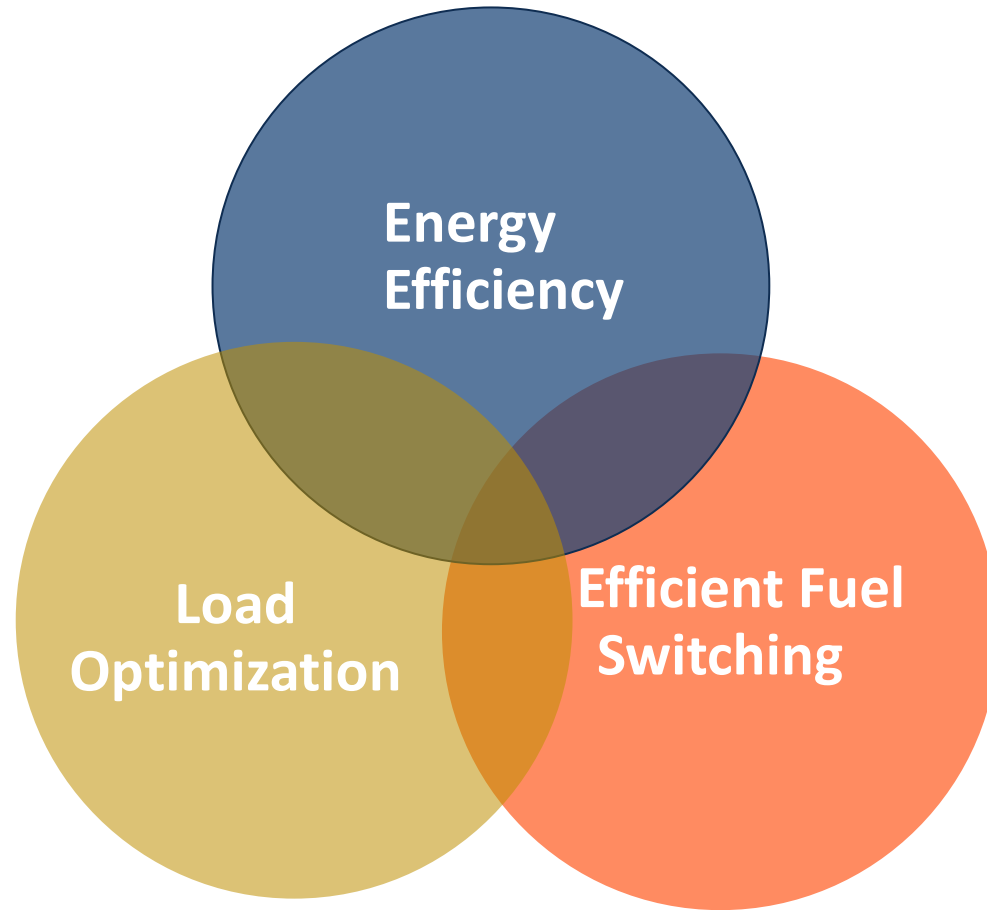
*Example from CenterPoint Energy's 2021-2023 Triennial Plan, illustration only



Energy Conservation and Optimization (“ECO”)



Energy Conservation and Optimization Act (ECO)





Energy Conservation and Optimization Act (ECO)

- New law in 2021 (MN Statute 216B.241)
- Updates include:
 - Increased the annual energy savings requirement for electric investor-owned utilities
 - Allows for efficient fuel switching (e.g. natural gas furnace to air source heat pump)
 - Increases utility spending on low-income programs (gas to 1% and electric to 0.6% of residential gross operating revenue)
 - Allows utilities to fund “pre-weatherization” improvements (i.e. health and safety measures) for low-income customers.
 - Allows utilities to include load management (i.e. demand response) programs



Updated Cost-Effectiveness Framework

- Minnesota Department of Commerce Initiative
- Cost-effectiveness Advisory Committee (CAC) Stakeholder Process
- Primary “Minnesota Test”
 - Based on National Standard Practice Manual Process
 - Reflects relevant Minnesota policies
- Adjust structure of test to account for multiple fuels



ECO Milestones

- February 16, 2023– Department Decision on Technical Reference Manual
- Q1 2023– Department Decision on Cost-Effectiveness
- Q2 2023 – Department Proposal for a Utility Financial Incentive
- June 1, 2023 – Utilities file 2024-2026 ECO Triennial Plans
 - New programs will be effective January 2024
- Q4 2023 – MN Public Utilities Commission Decides Utility Financial Incentive for 2024-2026
- January 2024 – New Triennial Plan Programs Kick-Off

Thank You!

apartridge@mncee.org





Appendix

Extra Information



Resources

- Minnesota Department of Commerce
 - <https://mn.gov/commerce/energy/conserving-energy/cip/>
- ECO Regulatory Filings
 - <https://www.mncee.org/minnesota-energy-dockets>
- National Standard Practice Manual
 - <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>
- Weatherization Assistance Program
 - <https://mn.gov/commerce/energy/consumer-assistance/wap/>
- MinnCAP (Minnesota Community Action Partnership)
 - <https://minncap.org/>



Other Opportunities for Energy Efficiency and Electrification



Minnesota Efficient Technology Accelerator

- A new initiative through ECO, added in 2021
- A program to accelerate the deployment and reduce the cost of emerging and innovative efficient technologies and approaches
- Bring statewide, holistic market transformation approach, modeled after Northwest Energy Efficiency Alliance (NEEA)





Natural Gas Innovation Act (NGIA)

- Allows natural gas utilities to invest in innovative, low/no-emissions fuels and technologies to reduce emissions of the natural gas system
- Utilities can file 5-year Innovation Plans that include a mix of eligible “innovative resources,” including
 - **Energy Efficiency**
 - **Strategic Electrification**
 - District Energy
 - Biogas/Renewable Natural Gas
 - Power-to-hydrogen
 - Power-to-ammonia
 - Carbon Capture



Minnesota's Energy Efficiency Achievements



THE 2022 STATE ENERGY EFFICIENCY SCORECARD

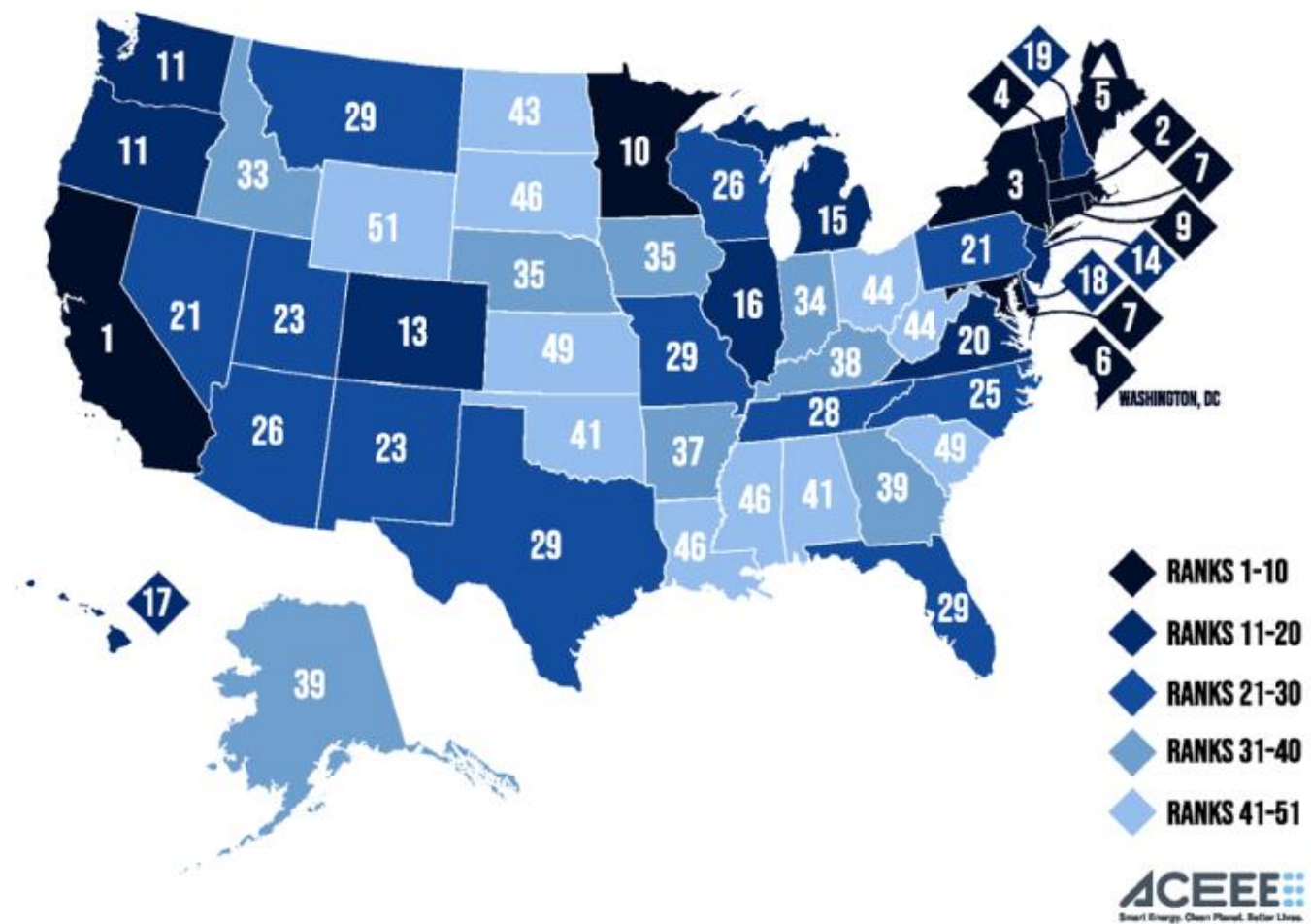
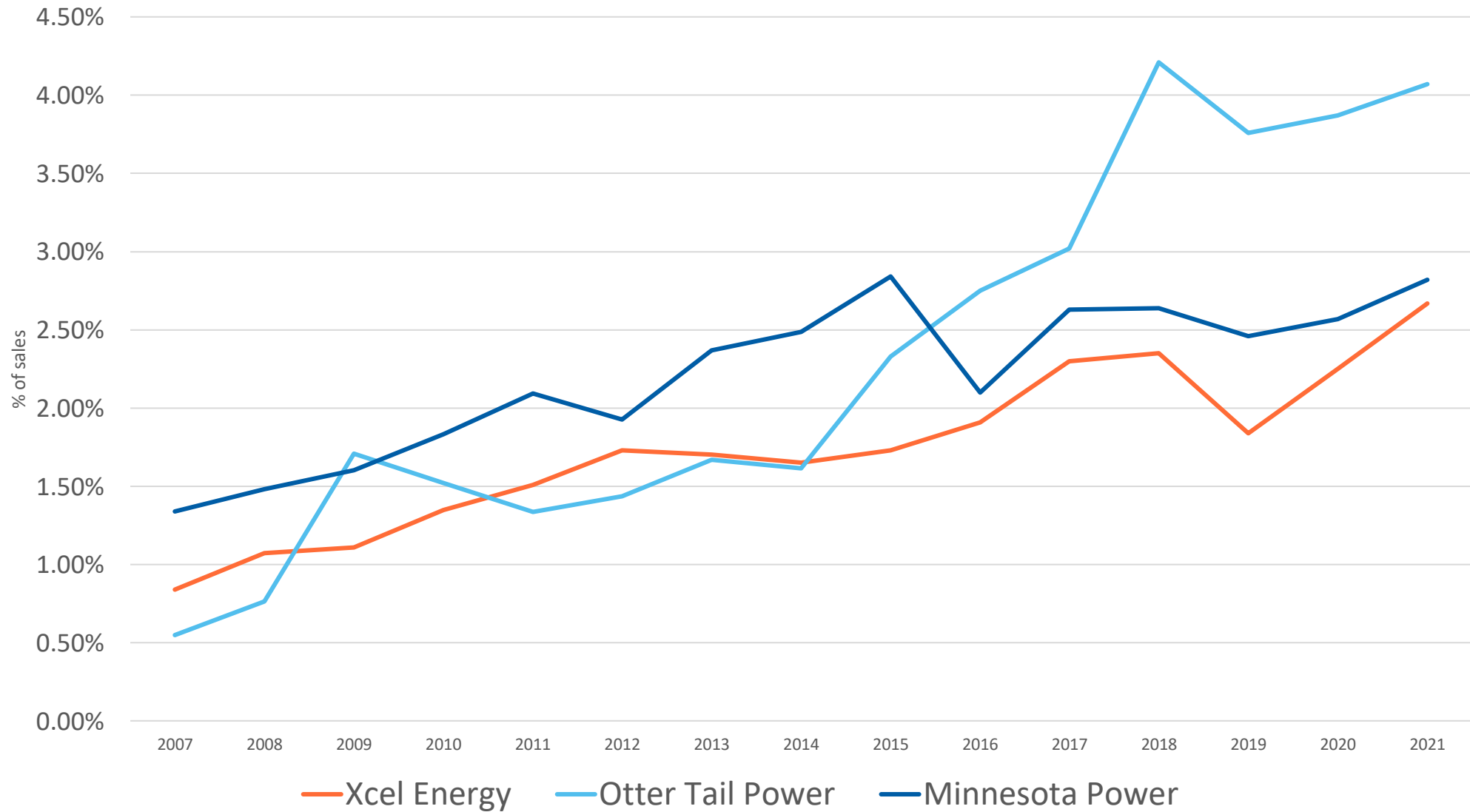
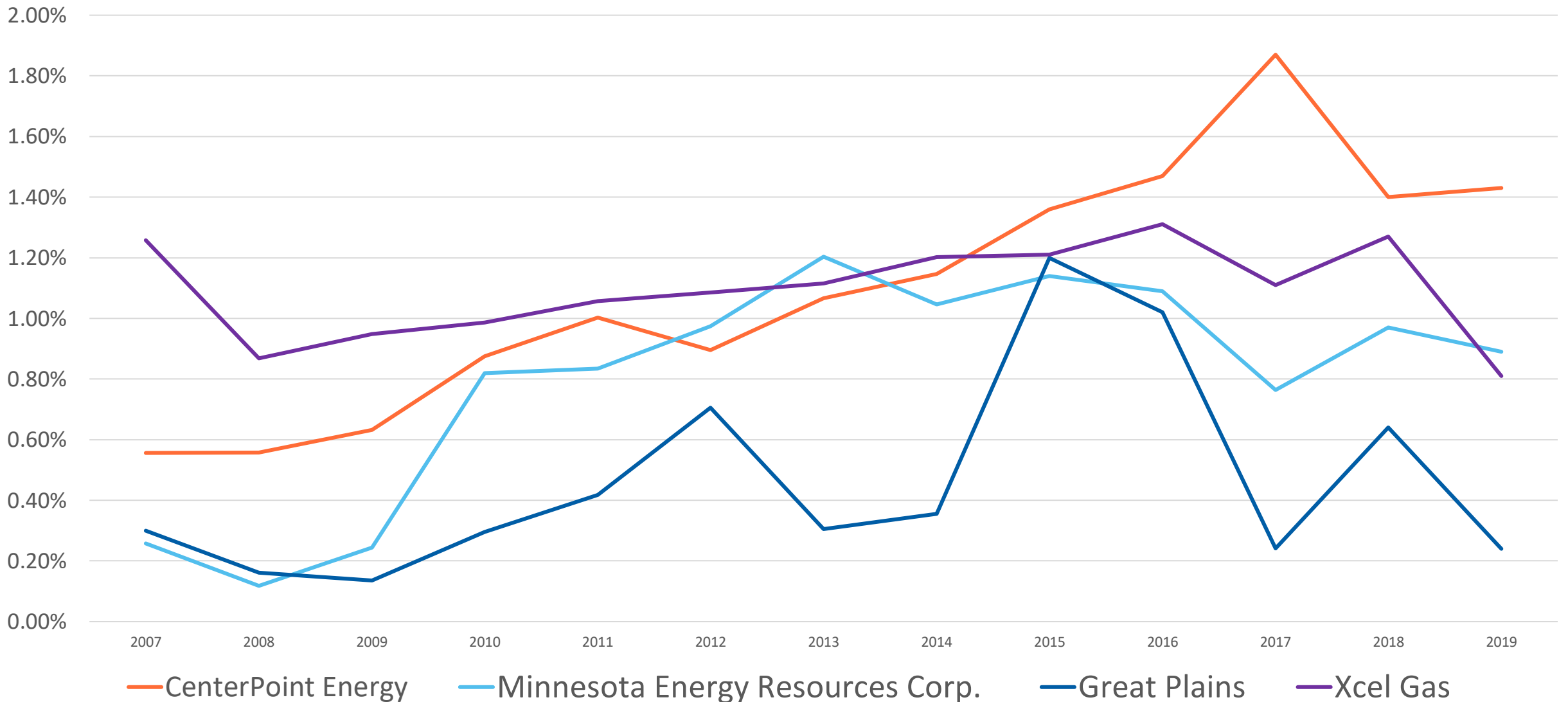


Figure ES1. 2022 State Energy Efficiency Scorecard rankings

MN Investor-Owned Electric CIP Savings as % of Sales



Minnesota Investor Owned Natural Gas CIP Savings as % of Sales



CONSERVATION IMPROVEMENT PROGRAM 101

Questions & Answers

Put questions & answers in the chat or in the Q&A box

You may use the “raise hand” function to ask out-loud
(wait until called upon)

Any unanswered question will be noted and responded
to in follow-up email

****BREAK****

Return at 2 pm

CIP “Low-Income” Program



Anjali Bains (she/her)
Director, Energy Access and Equity
Fresh Energy

CIP “Low-Income” Program

► Why Energy Efficiency?

**Reduces
Energy
Costs**



**Increases
health &
safety**



**Improves
resilience to
climate
impacts**



CIP “Low-Income” Program

- ▶ **WHEN:** Established in 2007 thru Next Generation Energy Act
- ▶ **WHAT:** Requires utilities to spend a minimum amount on “low-income” customers
 - “Low Income” definition typically left to utilities and the Department of Commerce to determine in detail
 - No “one size fits all” definition (varies per utilities and programs)
- ▶ **HOW:** Utilities must report on this spending in regular reports
 - Can include - \$\$ spent, # households served, and energy savings achieved



CIP “Low-Income” Program



Typical Energy Efficiency Programs

- ▶▶ Energy Audit
- ▶▶ Replacing or upgrading individual components e.g. light bulbs, appliances (furnace, air conditioner)
- ▶▶ Insulation and air-sealing of the house

Note: once installed, utility customer generally owns

Difference from “market-rate” programs:

- Need to qualify
- Higher proportion of upfront costs typically covered
- Can be combined with other assistance programs e.g. weatherization assistance
- **NEW!** Up to 15% of funds can go to “Pre-weatherization” measures

CIP “Low-Income” Program

POINTS OF DISCUSSION AND CONCERNS:

- ▶ **Deeper energy savings** for customers (costs more \$\$ per customer)
- ▶ **Data** from utilities and service providers to identify gaps (esp. across race and ethnicity)
- ▶ **“Low to Moderate” income access** to tailored financial support
- ▶ **Access for Multifamily, Renters** who tend to be harder to reach



BREAKOUT-ROOMS

BREAK-OUT ROOMS = 20 min, designated coordinator in each

Question 1: What questions do you have so far, about either how utility “low-income” programs work OR the overall utility energy efficiency framework, e.g. Conservation Improvement Program (CIP)?

Question 2: What ideas or improvements would you like to see utilities consider in designing their “low-income” programs?

BREAKOUT-ROOMS

BREAK-OUT ROOMS = 20 min, designated coordinator in each

Question 1: **But first! Does anyone have an idea they'd like to share, of something they've done OR want to see** utility "low-income" programs? Conservation

Question 2: **utilities consider** in designing their "low-income" programs?

BREAKOUT-ROOMS

BREAK-OUT ROOMS = 20 min, designated coordinator in each

Question 1: What questions do you have so far, about either how utility “low-income” programs work OR the overall utility energy efficiency framework, e.g. Conservation Improvement Program (CIP)?

Question 2: What ideas or improvements would you like to see utilities consider in designing their “low-income” programs?

BREAKOUT-ROOMS

Thank you!

Responses will be compiled, anonymized,
and shared by follow-up email

OTHER TOPIC AREAS

- ▶ **Efficient Fuel Switching** – Caitlin Eichten, Fresh Energy
- ▶ **Pre-weatherization Measures** – Laura Silver, Dept of Commerce
- ▶ **CIP Financial Incentive** – Adam Zoet, Dept of Commerce

Up to 5 min each topic, followed by Google Form to gauge interest in a more in-depth follow-up for these topics



Efficient Fuel-Switching in the Conservation Improvement Program

January 26, 2023 | Prepared for CIP Planning Kick-Off

Caitlin Eichten (she/her)
Senior Policy Associate, Buildings

Efficient Fuel-Switching – Definition

- ▶ A utility program that enables customers to switch from one fuel type to another
 - ▶ E.g., switching from a gas- or propane-fired furnace to an electric heat pump for heating
 - ▶ Primarily used to accomplish strategic electrification



Efficient Fuel-Switching – Brief Context

- ▶ Before passage of the Energy Conservation and Optimization (ECO) Act in 2021, utilities were prohibited from fuel-switching via CIP
 - ▶ CIP focused on ensuring that utilities sold fewer units of energy
- ▶ ECO Act changed this rule by allowing utilities to propose efficient fuel-switching (EFS) projects in their CIP plans
 - ▶ Electrification is a major tool as we work to reduce carbon emissions; the prohibition on fuel-switching was becoming a barrier to deeper decarbonization



Efficient Fuel-Switching – ECO Criteria

- ▶ ECO Act, codified in [Minn. Stat. § 216B.241](#), requires a fuel-switching improvement to:
 - ▶ Reduce amount of energy used
 - ▶ Reduce statewide greenhouse gas emissions
 - ▶ Be cost-effective
 - ▶ Improve the utility's system load factor
- ▶ ECO incentivizes electrification by allowing some utilities to claim energy savings from fuel-switching toward their goals



Efficient Fuel-Switching – Energy Savings Goals

▶ Electric IOUs

- ▶ EFS does not qualify toward energy savings goal of 1.75%
- ▶ Maximum EFS spending of 0.35% of gross annual retail sales (July 1, 2026)

▶ Natural Gas IOUs

- ▶ EFS does qualify toward energy savings goal of 1%
- ▶ Maximum EFS spending of 0.35% of gross annual retail sales (July 1, 2026)

▶ Electric and Natural Gas COUs

- ▶ Of 1.5% energy savings goal, a minimum of 0.95% must be met from energy conservation; EFS qualifies for remaining 0.55%
- ▶ Maximum EFS spending of 0.55% of gross annual retail sales (July 1, 2026)



Efficient Fuel-Switching – Department Guidance

- ▶ Department's [March 2022 ECO Technical Guidance](#) (CIP-21-837) provides a detailed step-by-step process that utilities proposing CIP programs must follow to incorporate EFS measures into programs
 - ▶ Electric and gas utilities (IOUs and COUs) offering EFS measures and programs with an electric ending fuel type are explicitly permitted in statute
 - ▶ Utilities wishing to propose EFS programs with a natural gas ending fuel type may do so on a custom basis
 - ▶ EFS improvements may include both electricity and gas components (e.g., gas supplemental heating for an air source heat pump)



Efficient Fuel-Switching – Opportunities

- ▶ Ensure that efficient fuel-switching in CIP furthers the state’s energy and climate goals and promotes the deployment of electrification in our homes and businesses
- ▶ Natural gas is primary heating source in many electric service territories
- ▶ Further incentivize gas utilities to promote efficient fuel-switching via the CIP DSM financial incentive
- ▶ These workshops leading up to the Triennial are a great opportunity to provide input to utilities; additional opportunities to weigh in after utilities file their plans in June



Thank you!

- ▶ Questions?
- ▶ Additional resource:
 - ▶ <https://fresh-energy.org/the-conservation-improvement-programs-legacy-in-minnesota>

Caitlin Eichten

eichten@fresh-energy.org



Fresh Energy

UPDATE ON SUBTOPIC AREAS:

CIP Financial Incentive Mechanism

- Chris Davis, Adway De, and Andy Bahn at Commerce recently kicked off work on the 2024-2026 CIP Shared Savings financial incentive mechanism and what parameters that might include. This will be the financial incentive mechanism that applies to the CIP investor-owned utilities' upcoming 2024-2026 Triennial Plans. They are working with a financial incentive stakeholder group to examine potential changes to the incentive mechanism, which will require consideration of the following:
 - The Commission's December 9, 2020 Order approving the 2021-2023 incentive mechanism in Docket No. E,G-999/CI-08-133,
 - Implementation of the ECO act,
 - Changes to the CIP cost-effectiveness tests, and
 - Changes in gas and electric avoided costs.

- In recent years, there has been discussion about including a financial incentive mechanism for achievements in low-income CIP programing. The investor-owned utilities' mandatory low-income CIP expenditure requirements were increased through the ECO Act, and currently there is not a lot of actual results/data of the legislation's impact on IOU low-income CIP programs to determine if a low-income performance incentive would be in the public interest. We're open to discussing this as part of the current CIP financial incentive stakeholder process, but there are a lot of details that would need to be worked out.

Pre-Weatherization Measures

Approved list of measures can be found here (Docket CIP-21-837, March 15, 2022), page 34:

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01#page=34>

Measures can be reviewed annual through the Technical Resources Manual (TRM) process.

Note: if link doesn't open initially, close out window and re-click above

CLOSING OUT

▶ **What to expect next**

- Will share a follow-up email to share slides and compiled responses from breakout room, and resources on CIP
- A 'save the date' for the next meeting (Late February)
- Update on utility-specific presentations

▶ **Google Form (feedback) – link:** <https://forms.gle/ad3KBeUsCojghmdN9>

- What outcome do you prefer?
- What do you think of a permanent working group?

CLOSING OUT

▶ **Thank you & Close Out**

- Thank you for joining us today!
- Share in the chat 1-2 words on how you're feeling

END OF MEETING
