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Re: Comments regarding CIP Fuel-switching Stakeholder Meeting #1 (June 26, 2019)

Minnesota Municipal Utilities Association (MMUA) appreciates the opportunity to provide the following response to the Division of Energy Resources' (DER) request for comments following the first 2019 CIP fuel-switching stakeholder meeting held June 26, 2019.

MMUA's mission is to unify, support and serve as a common voice for municipal utilities. As public power entities, Minnesota's municipal electric and gas distribution utilities have a particularly strong commitment to their customer-owner communities. MMUA had two staff members in attendance at the June 26 meeting and, afterward, discussed it with other attendees representing several municipal electric and gas utilities. A general consensus arose regarding aspects of the meeting that relate – directly or indirectly – to your Questions 1, 2 and 3.

*Question 1 - During Meeting #1, several stakeholders discussed the need for a deeper analysis of various use cases and technology solutions that may result in utility fuel switching activity (between natural gas and electric utilities) that is prohibited for CIP incentives. Please describe:*

- *Potential energy-saving measures that could result in fuel switching, and that you believe should be made eligible for CIP incentives;*
- *Noteworthy benefits, factors, and considerations involving these use cases and technologies; and*
- *Uncertainties and unintended consequences related to these use cases or technologies that should be addressed in the policy process.*

This first question seems to refer to space heating and, possibly, cogeneration as air-source heat pumps (ASHPs) and combined heat and power (CHP) equipment would switch users from gas to electricity and electricity to gas, respectively.

MMUA urges DER to keep in mind that such technologies may produce energy efficiency benefits on certain utility systems but not others. Few if any municipal utilities would benefit from such fuel-switching as, a) economical CHP potential is limited almost exclusively to Xcel service areas,<sup>1</sup> and b) ASHPs are not as cost-competitive in electric service areas that have natural gas service, as most municipal electric service areas do.

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<sup>1</sup> [Minnesota CHP Policies and Potential, p. xvi.](#)

This question also brings to mind comments from the meeting referring to a new phrase we heard: “unregulated CIP spending” used to imply that non-CIP spending should not be usable for incentives that could result in fuel use changes. We strongly caution against mischaracterizing legitimate utility spending *that is not claimed for spending or savings credit under CIP* as somehow unauthorized under state law or in need of regulatory oversight simply because it results in utility load growth. For instance, CIP in no way *prohibits* a municipal gas utility from providing customer rebates for efficient gas furnaces regardless of the customer’s original fuel source, nor should it.

Implying that non-CIP spending should be regulated by the state shows a misunderstanding of the state’s fundamental regulatory framework whereby spending by municipally owned utilities that is not mandated by state or federal law is regulated by the local governing body of the utility. The utility may not be able to claim CIP spending or energy savings credit for such measures. But it most certainly may choose to re-invest utility revenue on behalf of its customers, subject to approval only by its local utility commission or city council.

*Question 2 - Not all fuel-switching use cases involve switching between utility energy supplies. For example, implementing some energy-conservation measures can lead to increased utility sales and decreased sales of non-utility delivered propane and fuel oil. Please describe:*

- *Use cases and technologies exemplifying potential energy-saving measures that you believe should be addressed in State energy policies (within CIP or otherwise);*
- *Noteworthy factors and considerations involving these use cases and technologies; and*
- *Uncertainties and unintended consequences related to these use cases or technologies that should be addressed in the policy process.*

By referring specifically to propane and fuel oil as the obvious non-utility fuel-switching examples, this Question 2 also seems to point directly at space heating. And although propane and fuel oil are given only as examples, it seems that by referring predominantly to space heating throughout this request for comments, the process is already zeroed in on one type of allowable fuel-switching use.

The summary of the meeting seems to confirm this. In it, the moderator briefly notes a comment he himself made, stating that he had “summarized a third use case involving electrification of transportation, and noted that related issues are being addressed through the parallel Strategic Electrification stakeholder process and will not be a central focus of the fuel-switching stakeholder process.”<sup>2</sup> To our group, that statement seems to have summarily dismissed, without discussion, perhaps the single greatest driving force and purpose of the current fuel-switching debate that we presumed this stakeholder process was meant to address, namely, switching from gasoline and diesel fueled vehicles to electricity-fueled vehicles.

This raises multiple questions. When a large group of stakeholders have convened to begin multiple meetings on fuel-switching, why would the meetings not deal with the largest use case? Who comprises this parallel group of stakeholders if not the very people in *this* stakeholder process? Is there a separate statutory program under which the DER has authority or direction from the

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<sup>2</sup> Summary – Fuel Switching Meeting #1, p. 2.

Legislature to pursue fuel-switching for transportation *other than* the Conservation Improvement Program? Who has determined that such fuel-switching is so different from other types that a separate process for presumably these same people is necessary? Should we refer to the current stakeholder process as the *space heating* stakeholder group?

Transportation electrification that results in energy efficiency clearly advances the purposes of the Conservation Improvement Program and the state government's statewide goal to achieve *energy* savings that "reduce utility costs for businesses and residents, improve the competitiveness and profitability of businesses, create more energy-related jobs, reduce the economic burden of fuel imports, and reduce pollution and emissions that cause climate change."<sup>3</sup>

MMUA believes a separate stakeholder process for transportation electrification is unnecessary and the subject should be dealt with in this stakeholder process. It is a major reason why the people involved have taken time away from their duties to travel and participate in this process. If there is a separate, duplicative process for transportation uses, MMUA would like to be informed of it for purposes of participating even if it means committing additional time and resources.

*Question 3 - Criteria for allowing fuel-switching in CIP may be influenced by requirements and factors affecting specific high-impact use cases. Please comment on which fuel-switching use cases you believe will have the greatest beneficial impact on the State of Minnesota, and therefore should merit the highest priority in policymaking.*

Question 3 appears to ask process participants to narrow the scope of its discussions even beyond the exclusion of transportation electrification. We are concerned, on one hand, that anxiety from some corners might already have caused a shrinking away from allowing recognition of fuel-switching simply for fear of reducing the amount of energy savings specifically from electricity and natural gas. MMUA believes electrification fits within CIP in addition to energy efficiency and conservation.

On the other hand, it may be that the DER is concerned about administering CIP while multiple fuel-switching technologies are allowed. MMUA believes that narrowing the focus of this group to one with "the greatest beneficial impact" could leave significant energy savings off the table. As we all know from last year's CEE report, air source heat pumps are perceived by some to have the greatest potential impact, and that perception, though unvetted by this group, might lead to narrowing the field of measures for discussion unnecessarily.

Again, some fuel conversions will make sense in some service areas and not others for reasons of geography, geology, local economy, customer makeup, etc. DER should direct its efforts toward analyzing energy savings from any conversions between resources as they become cost-effective and practical for implementation. Focus should be on conversion measurement standards that are generally applicable to various technologies. Examples of such technologies include, but are not limited to, personal, public and corporate electric vehicles, technologies that electrify industrial processes, structure-related technologies and energy-saving technologies that have yet to be invented.

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<sup>3</sup> [Minn. Stat. §216B.2401.](#)

MMUA urges the DER and the other stakeholders to think expansively in accordance with the state's preference for all cost-effective energy savings when considering our approach to fuel-switching under CIP and to narrow our focus only when doing so is necessary and prudent.

Thank you for considering these comments. We look forward to continuing MMUA's participation in the fuel-switching stakeholder process.

Sincerely,



Bill Black  
Government Relations Attorney