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8/22/2019

Minnesota Department of Commerce
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St. Paul, MN 55101

Submitted via email to mtburr@burrenergy.com

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| RE: Comments of the Minnesota Rural Electric Association In the Matter of Minnesota's Policy on Electric and Gas Utility Fuel-Switching Programs and the Minnesota Conservation Improvement Program (CIP) | DOCKET NO.: E,G999/CIP-18- 402 |
| | Date: 8/22/2019 |

Dear Minnesota Department of Commerce:

The Minnesota Rural Electric Association (MREA) respectfully submits the attached comments in response to the request for comments from the Minnesota Public Utilities Commission (Commission) issued by the Commission in the above-referenced docket.

MREA represents the interests of the state's 45 electric distribution cooperatives and the six generation and transmission cooperatives that supply them with power. Our member cooperatives are not-for-profit electric utility businesses that are locally owned and governed by the member-consumers they serve.

The Minnesota Rural Electric Association appreciates the opportunity to submit comments in this matter on behalf of the member-owned electric cooperatives across Minnesota.

Sincerely,

/s/ Joyce Peppin

Joyce Peppin
Director of Government Affairs and General Counsel
Minnesota Rural Electric Association

**State of Minnesota
before the
Minnesota Department of Commerce**

**Comments of the Minnesota Rural Electric Association In the
Matter of Minnesota's Policy on Electric and Gas Utility Fuel-
Switching Programs and the Minnesota Conservation
Improvement Program (CIP)**

**DOCKET NO.: E,G999/CIP-18-
402**

**Minnesota Rural Electric
Association Comments**

INTRODUCTION

The Minnesota Rural Electric Association (MREA) respectfully submits these comments to the Department of Commerce (DOC) regarding Minnesota's policy on electricity and gas utility fuel-switching programs. MREA represents the interests of the state's 45 electric distribution cooperatives and the six generation and transmission cooperatives that supply them with power. MREA appreciates the opportunity to submit comments on this matter on behalf of the member-owned electric cooperatives across Minnesota.

OVERVIEW

Minnesota's Conservation Improvement Program (CIP) establishes annual energy conservation goals for all utilities, including cooperatives, and has largely been a successful program. Cost-effective energy savings is a primary objective of CIP, as is reducing carbon emission. The program has helped utilities become even greener and has helped our members use electricity more wisely. However, the industry has changed substantially since the program was established, and therefore the program should be updated to enhance benefits to consumers, the environment and the state.

Many of the products and programs CIP incentivizes have now been deployed to the point of saturation. For example, consumers buy energy-efficient appliances, such as refrigerators, based largely on their market availability and competitiveness. As there are now few non energy-efficient choices available, CIP-induced rebates have become less meaningful. Further, LED lighting is increasingly not only the preferred option but the only option. Therefore, CIP rebates no longer play a role in helping consumers make energy-efficient lighting decisions.

Perversely, efficient (beneficial) electrification opportunities, such as the adoption of electric vehicles, is *discouraged* by CIP. While EVs are a greener option for consumers and their usage should be encouraged under CIP, it is not. Increased EV loads actually make it harder for utilities to achieve their CIP goals because EVs increase a utility's total electric sales and cause them to spend more to reach that goal. The transportation sector now emits more carbon than electric power generation, and every vehicle converted to electricity results in a net reduction in emissions. CIP should be modernized to emphasize end-use total energy efficiency rather than narrowly focusing on reducing electricity use, and that can only be done by allowing fuel switching.

The Minnesota legislature recognizes that the CIP program needs to change. Both chambers passed meaningful CIP reform legislation not only in their respective energy committees, but also in their full chambers. While the two chambers were ultimately unable to align on the details of CIP reform, the DOC should take the passage of bills in both chambers as a signal that Minnesota's policy makers support modernizing the program, and should act quickly to update its 2005 order to eliminate the fuel-switching barrier.

As a starting point, re-evaluating the metrics of calculating a utility's overall energy savings goal in a way that would allow fuel-switching activities to count towards that goal would help modernize the program and would be consistent with Minnesota's energy policy goals.

Minn Stat. 216B.241 systematically references "energy" as the focus, making it clear the legislature intended the goal to be total energy reductions, not a narrow focus on reducing "electricity." The 2005 order prohibiting fuel switching has resulted in DOC substituting a focus on reducing end-use electricity (and gas) on a siloed basis, where the statute clearly points to a desire to reduce "energy." The statute states that each individual utility shall have an energy-savings goal equivalent to 1.5% of gross annual retail energy sales, as well as a goal to spend at least 1.5% of their revenue on measures reducing energy use. The DOC should view the word "equivalent" broadly. Metrics could be readily developed for utility achievements that increase electricity but result in a reduction in total energy by calculating savings on an equivalent basis with existing efficiency measures. While it is true that certain assumptions would have to be made to define new "equivalent" metrics, assumptions are already made in the current Technical Review Manual (TRM) for measuring CIP compliance efforts. Similar inferences could be made to establish new CIP metrics, and the DOC could and should lead the process by working with industry leaders to define new metrics.

If we look at the goals of Minnesota's energy saving policy goals broadly, cost-effective approaches to fuel switching are completely consistent with the intent of Minnesota's energy policy. Technology measures that move consumers from fossil fuels to electricity while saving total system energy can all meet the objectives of the energy saving policy goal if we look at energy more holistically.

QUESTIONS

- 1. Several stateholders 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 case and technologies; and uncertainties and unintended consequences related to these use cases or technologies that should be addressed in the policy process.**

One example is electric storage water heater programs. Electric storage water heater programs do not count toward CIP goals, even though they promote renewable integration (wind and solar) and reduce greenhouse gasses when an individual fuel switches from natural gas (or propane) to electric. If these programs counted toward CIP goals, an electric cooperative could provide a free or reduced-price water heater to members combined with a discounted community solar panel subscription. Such a program could enhance grid flexibility. Since water heaters store energy for up to a day, hot water can be heated when there is less electricity demand and then be deployed anytime during that day. By controlling when water heaters are used, electric co-ops can manage the load curve. The load can be shifted away from expensive peak times to times with less demand that are cheaper and supplied by cleaner energy.

- 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; 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.

As mentioned earlier, a specific measure that is not currently allowed under CIP is electric vehicle incentives. Electric vehicles increase electricity usage but reduce gasoline (and in some cases propane) consumption, improve the efficiency of transportation and greatly reduce greenhouse gas emissions. Utilities can provide rates and incentives that reduce the impact of charging, such as by incenting off-peak charging times, or deploying smart charging that can adjust to grid dynamics. These strategies would help reduce the costs of integrating electric vehicles on the grid and would generate indirect system benefits to end users.

Another example of an energy-saving technology that should count toward CIP is transitioning from relying on heating from delivered fuels to air source heat pumps. Air source heat pumps in combination with delivered fuels or natural gas secondary heating systems can result in a net reduction in energy used for space heating. Like electric water storage heaters, allowing fuel-switching from other fossil fuel sources to air source heat pumps can save costs for consumers, reduce greenhouse gas emissions and create a more resilient grid.

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.

All of the above listed fuel-switching cases and other new or existing technologies will have a beneficial impact on the state of Minnesota and should be addressed quickly. Vehicles are expensive and last for years, even decades, as do space and water heaters. Waiting to address fuel-switching will only result in fewer consumers able to take advantage of a greener, more cost-effective and resilient grid.

CONCLUSION

All of the above examples could reduce consumers' total energy bills and provide better tools for reducing carbon. Acting quickly to modernize the CIP program to allow fuel-switching will result in a cleaner, more efficient and more resilient grid. Minnesota legislators have shown their desire to update the CIP program by passing legislation to do so in both chambers. Other states have also begun to take actions along these lines. The consensus towards electrification as an increasingly important part of achieving environmental goals continues to grow. The DOC should follow up by addressing its own 2005 order against fuel-switching and work with industry leaders to establish new metrics that incorporate fuel switching programs. Thank you for your consideration.

CERTIFICATE OF SERVICE

I, Joyce Peppin, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at Maple Grove, Minnesota.

Minnesota Rural Electric Association

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