

FAQ's

The following are postings of municipal utilities' questions and Department of Commerce staff answers. If you have a question email Keith Butcher @ kbutcher@mncee.org.

Question: If a municipal utility gives those customers who are using ground source heat pumps a rate discount:

- (a) is the discount eligible as a CIP expenditure?
- (b) would it count as conservation or load management?

DoC Answer: This filing is under the new statute, so we are starting fresh and we won't be counting programs, projects, or materials that are already in use.

Follow-up question: Utilities give discounts for AC load control, peak shedding, having ground source heat pumps, etc. These discounts obviously go on over time, not just the first year the customer implements this thing. ...[Y]ou previously told us that if a [municipal utility] customer gets a discount for a peak controlled load, the discount is eligible as a load management expense. This really isn't going to make any sense to the munis unless it continues to be eligible after the first year. I would assume the same is true with a special rate for GSHPs....

DoC Answer: The difference we see between GSHP and AC load control is that the AC load control has to be re-enrolled every year, but the GSHP is there once it is installed... [For AC load control] customers could (and do) choose to de-enroll.

Follow-up question: [I]f a new customer went on GSHP and the utility gave a rate discount for this, the FIRST year discount would be eligible?

DoC Answer: I'll give a qualified yes. The Commissioner, of course, may see otherwise.

CEE comment: Investor-owned utilities are not allowed to count any load management rate discounts, load control incentives, etc. as CIP expenditures.

Question: If a municipal utility is acquiring meter reading software that will allow customers to see more information about their energy consumption - both through a readout on the meter and through enhanced information on their bill (e.g., graphs), is the cost of this software eligible? We thought it would be eligible as an education expenditure since it would help customers to see how they use energy and give them better information from which to make decisions about how to reduce energy use.

DoC Answer: It doesn't meet the spirit of the CIP statute. Much of this type of expenditure is the price of doing business, and it will be helpful in many ways.

Question: If a utility uses a cogeneration system to generate electricity and produce steam for use by its customers:

- (a) are measures to reduce steam use in customers' homes or businesses eligible as a CIP expenditure?
- (b) would they count as conservation or load management?
- (c) are measures to improve the efficiency of steam production and distribution eligible as a CIP expenditure?
- (d) would they count as conservation or load management?

DoC Answer: If this is a new project you are referring to and steam is generated from biomass, then it could be a viable situation. Would have to see the proposal.

Question: If a utility installs AC and/or water heater load control on low-income customers' homes, does that count toward the utility's low income requirement?

DoC Answer: Yes

Question: As a low income expenditure, could a utility pay 100% of the cost to replace the refrigerators in public housing (owned by the local HRA) with high-efficiency refrigerators? If not 100%, what percent, and what would be the rationale for determining an appropriate percent?

DoC Answer: It is has been the recommendation that CIP funds be used to pay the incremental cost between the cost of the refrigerator that is proposed and the most energy efficient refrigerator available. Same with washers, dryers, water heaters etc.

CEE comment: This has indeed always been the case for investor-owned utilities. We were not sure whether the Department would apply the same criterion to municipals.

Question: Some municipals have quite small CIP budgets. A question was raised as to whether such a small utility could spend its entire CIP budget on low income measures, or at least could spend a much more significant fraction than would be calculated using the traditional rules of thumb (that is, looking at the percent of revenues collected from the residential sector as a guide to the percent of CIP expenditures that should be residential, and then taking 10 to 15% of that as a target for low income spending). The utility that brought this up has a CIP budget of around \$9000, but as you know, some of the CIP budgets go down to less than \$1000 total. If you had \$1000 CIP budget, \$100 of that would have to be spent on conservation in 2002 (and \$200 in 2003). If half of your revenues were from residential, half C&I, you'd need to spend \$50 on residential conservation, roughly. If the rule of thumb is that 10 to 15% of the residential conservation budget should be spent on low income, that would mean you should spend \$5 to \$7.50 total on your low income program for 2002. Suppose your budget is \$9000 - then you should spend between \$45 and \$67.50 on low income conservation. You can't do a lot with that. Around 35 municipals have total CIP budgets under \$9000.

DoC Answer: Yes. I suspect most of the cities you are referring to have little or no C&I, so to spend their money on specific low-income projects would be fine.

Question: Research is not intended to reduce demand and energy use directly, but only through projects implemented later based on the research. Therefore I assume that the \$/kW and \$/kWh numbers do not need to be filled in on the project. Is that correct? I assume the same would be true for education programs.

DoC Answer: Yes

Question: We [have] had a lot of questions on distributed energy resources.

- (a) The statute says, "To the extent that cost-effective projects are available in the service territory..." As we've discussed before, this appears to literally mean that if cost-effective projects are not available in the service territory, utilities do not have to spend CIP funds on this. I know that you told me recently that the Department wants to encourage utilities to get into renewables, and that you have encouraged things like allowing customers to buy a certain number of kWh from a wind tower in the past. You said that the Commissioner is a strong supporter of wind, and that even though the tower may not be in the service territory, the program is likely to be ok'ed. Our question is, if there are no cost-effective projects available in the service territory (for example, they are not in a windy location), does a utility still HAVE to spend 5% of CIP on something along these lines, or does it become optional in that scenario?
- (b) Assuming that cost-effective projects are available, is 5% a minimum or a maximum that they need to spend on them through CIP? Are they supposed to be aiming exactly at 5% or can they go above or below this?
- (c) You told me before that if the entire cost of a renewable project is recovered through green pricing, the cost cannot also be charged to CIP.
- I told people ... that if they recovered the capital cost of a wind turbine and its O&M costs through green pricing, they could not charge those costs to CIP. But if they did not recover the cost of marketing the wind power or of monitoring the wind power before the turbine was built, etc., through the green pricing, those costs could be charged to CIP. Do you agree?
 - I also told people that, if green power costs 3 cents more but they only charge a 2.5 cent premium to the participating customers, the other 0.5 cents could be charged to CIP. Do you agree with this? Is this consistent with Mn Stat 216B.169, which seems to imply that the entire premium must be charged to the participant? 216B.169 covers renewable and high efficiency energy rate options, which is not necessarily the same thing as distributed energy resources, covered in 216B.2411.

DoC Answer: I can only reiterate what the statute says. My take on recovering costs is that there can be no "double dipping". If the price for green energy is greater than what the utility is using for generation, then it would be accounted for in the green pricing. That being the case, then CIP money would be additional income.

CEE comment: Parts (a) and (b) of the question were not answered.

Question: Standby generation - Previously you e-mailed me as follows: "That has not been allowed as conservation as it just changes who owns the generation." [CEE staff] had two different interpretations of what you meant. Also, the standby generators can be at the utility's facilities and owned by them, or can be at customers' facilities. So the questions are:

- (a) Can addition of a standby generator belonging to the utility be charged as a CIP expense?
- (b) If yes, would it fall under load management or conservation?
- (c) 216B.2411 states that "projects to install a distributed generation facility of ten megawatts or less of interconnected capacity that is fueled by natural gas, renewable fuels, or another similarly clean fuel" fall under the 5% distributed energy resources CIP spending requirement. So if a utility added standby generation, such as a small internal combustion engine, that burned natural gas instead of diesel, would it qualify under 216B.2411?
- (d) If a customer is adding standby generation, and the utility provides a rebate for it, is that eligible as a CIP expense?
- (e) If it is, would it fall under load management or conservation?
- (f) Again, if the standby generation were fueled by natural gas and under 10 MW would that make a difference in whether the rebate could be charged to CIP or not?

DoC Answer:

Yes, for new only.

Yes, as load management

Load management

Yes

Load management

No - it should be natural gas and not another fuel

Question: Accounting system costs ...Some utilities will have to upgrade their accounting systems to track the CIP programs at the level of detail the Department is now asking for. Obviously when an accounting system is upgraded it works better for other things, too, but they want to be able to charge at least some of the cost to CIP. This seems legitimate..., since they wouldn't be doing the upgrade if it weren't for the things needed for CIP. This seems like it would belong under administrative costs... What is your opinion?

DoC Answer: No

Question: When does "exempt" utilities' exemption end? I believe it is June 1, 2003 - is that correct?

DoC Answer: Yes

Question: Is it correct that they must file by June 1, 2002 but do not have to start operating programs until June 1, 2003?

DoC Answer: Yes

Question: Is an engineering study to look at needs and opportunities to improve a utility's system eligible as a CIP expenditure? If yes, is it load management or conservation? Does the subject of the study make a difference in its eligibility for CIP? For example, if the study focuses on ways to improve efficiency, is it eligible? If it focuses on ways to improve reliability or where a new substation might be needed, is it not eligible?

DoC Answer: Load Management

Question: Is running lines to a new subdivision that was not previously wired eligible as a CIP expenditure? If yes, is it load management or conservation?

DoC Answer: No

Question: Is burying power lines that were previously overhead lines eligible as a CIP expenditure? If yes, is it load management or conservation?

DoC Answer: No

Question: If a utility does not spend 1.5% GOR in one year, can they make it up in the next year so that their average for each biennium is 1.5% each year?

DoC Answer: We are looking at it as 1.5% of the GOR for each year of the biennium that should be spent. That's where aggregation helps if a utility wants to vary their expenditures.

CEE Comment: The answer is not very clear, however it is safe to assume the Department strongly wishes that utilities meet their spending requirement each and every year. Note, however, that in the past at least one investor-owned utility unable to spend their CIP requirement one year was allowed to spend the money in the following year. Even so, it is highly recommended that a utility spend its CIP requirement each calendar year.

Question: If a utility has a large CIP expenditure, can they amortize that cost over the biennium or even over several years?

DoC Answer: Although we don't recommend it, if the project is that large then it can be done. I'm thinking of a utility or several utilities want to put up a wind generator. That's pretty costly for a biennium, so it can be stretched out over several more years.

Question: In regards to the Energy Conservation Account [the option for any utility to give CIP funds it cannot or does not wish to spend to the Department of Commerce to be administered by them], can you give me an idea of where the Department is heading with this? I realize you can't make official rulings, but will the Department look towards spending the money in the utility's service territory that spent it or will it be statewide efforts? Will the Department try to target all market sectors, or focus primarily on low-income programs? The utility would really like to have some idea of how the money would be used so they can evaluate whether they would be

better off spending the money on their own or depositing it in the account. Any ideas, impressions, feelings, that you could share would be beneficial.

DoC Answer: First of all, we are discouraging any contribution to this account. If a utility insists on doing that, we will then proceed to follow the instructions in the statute for setting up the nitty-gritty needed for the account to pass muster. The money would not be targeted to their service territory, but used wherever the Commissioner sees a need for extra conservation money. If a utility can't spend their money themselves in their service territory, we aren't going to look for places to spend it. They should know better than a state agency where to put their own money. Right now, since there is no money designated for this account, we have not put into any structure the process our attorneys said we had to do in order to allocate any money.