

Conservation Improvement Program (CIP)

Minnesota's municipal utilities support energy conservation. The wise use of energy is in keeping with the main goal of our electric and gas services – to provide good service at a reasonable price. Helping customers improve their efficiency helps the environment, helps the utility defer the need to invest in generating facilities and helps consumers manage their energy bills.

Municipal utilities' support for energy conservation has been demonstrated by their continuing efforts to meet state energy conservation mandates. Municipal utilities were early leaders in developing programs to manage and control customer's peak. Subsequently, municipal utilities have become increasingly engaged in developing and implementing conservation programs. A number of Minnesota municipal utilities have received awards from the U.S. Department of Energy and U.S. Environmental Protection Agency for their conservation initiatives.

In 2007, the Minnesota legislature passed a statewide CIP goal of 1.5% annual conservation savings for electric and natural gas utilities. Some suggest an even higher goal should be established. However, the 1.5% target is generally considered to be in the upper bounds of best practices for demand side management throughout the U.S., and we believe that utilities and the Department of Commerce (DOC) should be allowed to ramp up to the 2010 target date before the Legislature considers any additional changes.

Municipal utilities are currently working with the DOC to implement this goal. While the DOC will soon have a standardized savings database completed – equating certain energy savings with the purchase and implementation of specific commercial or industrial equipment – it will take time before the full plan is completed. We are in the beginning stages of implementing last year's law which will not be fully implemented until 2010. The success on meeting the 1.5% goal not only depends on the utilities working with the DOC – but will also depend on customers' willingness to embrace, to invest in, and to implement high-efficiency alternatives.

In the absence of customer willingness to support this effort, these targets will not be met. Therefore, Minnesota municipal utilities support the establishment of increasingly stringent efficiency requirements for products sold in Minnesota and urge the Governor to encourage the Midwest Governors Association to seek multi-state action for increased product efficiency standards.

Minnesota municipal utilities currently spend about \$12 million per year on conservation programs. After operating active conservation programs for many years, some utilities have picked all the low-hanging fruit and are finding it more difficult to maintain cost-effective conservation programs. Minnesota's municipal utilities are serious about conservation, but we are also serious about spending our ratepayers' dollars on cost-effective programs. We believe

that the legislature should take a cautious approach toward any further conservation spending mandates.

Minnesota's policy regarding CIP should adhere to the following principles:

- No additional CIP requirements should be imposed on municipal electric or gas utilities until we have had an opportunity to fully implement and to gauge the impact and effectiveness of the 2007 legislation.
- Ultimate decision-making authority regarding municipal utility CIP energy efficiency and load management programs must remain with the local governing body of the utility.
- CIP must complement new generation and transmission facility investment. CIP should not be allowed to become a tool to block the development of essential new infrastructure.
- The Governor and the DOC must recognize the importance and necessity of establishing appropriate codes, ordinances and efficiency standards to maximize energy reduction efforts in Minnesota.