

Energy Conservation and Optimization (“ECO”) S.F. 4409 Rarick/H.F. 4502 Stephenson

Minnesota’s Conservation Improvement Program (“CIP) has been highly successful, delivering real savings on customer energy bills, providing over \$6 billion in net benefits to the state, and **supporting over 45,000 local jobs in every corner of Minnesota**. Yet, since its inception, the CIP energy efficiency framework has limited customer energy efficiency programs to opportunities within defined siloes – electric technologies to reduce electric consumption and natural gas technologies to reduce natural gas consumption. **Consumers could reduce their total energy costs further by modifying the timing of their energy consumption through load management programs and by switching to more efficient technologies and lower carbon fuels**. CIP has historically not recognized these energy and cost savings opportunities that can facilitate cleaner and more efficient uses of energy.

ECO would expand CIP to include load management and efficient fuel-switching, while protecting traditional energy efficiency, increasing CIP’s ability to offer additional efficient choices for customers and support local job opportunities. By unleashing technology innovation and creating new utility programs to install these technologies, ECO would help save customers energy and money while supporting local economies. **Projects supported by ECO are inherently local jobs in electrical, heating/cooling, ventilation, and insulation installation**. These types of projects are typically designed and carried out by local businesses and installed by state licensed contractors, using locally sourced products.

Additionally, many innovative companies that build these technologies, such as Trane, Daikin, 75F, 3M, Honeywell, and Andersen Windows, among others, have manufacturing facilities and are headquartered in Minnesota. **ECO will expand workforce opportunities all over the state**, by adding the next generation of technologies to the highly successful energy efficiency programs offered through CIP, **providing residents and businesses more opportunities to save money on their energy bills** and creating economic opportunities when needed most.

Supporters of ECO include:

Minnesota Rural Electric Association	Center for Energy and Environment
Minnesota Municipal Utilities Association	Fresh Energy
Xcel Energy	Clean Energy Economy Minnesota
Otter Tail Power Company	Energy CENTS Coalition
Minnesota Power	Citizens Utility Board of Minnesota
Great River Energy	Blue Green Alliance
Southern MN Municipal Power Agency	Sierra Club
CenterPoint Energy	Conservation MN
Missouri River Energy Services	SMART SMW Local 10
Minnesota Electrical Association	National Electrical Contractors Association
MN Mechanical Contractors Association	IBEW, Local 292
Minnesota Department of Commerce	

Key Aspects of Energy Conservation and Optimization

ECO expands CIP to include limited fuel-switching. Fuel-switching provides customer energy- and cost-saving opportunities between fuels and sectors. **In addition to the workforce opportunities** discussed on the previous page, expanding CIP to include fuel-switching will:

- **Increase efficiency opportunities for all Minnesotans, especially rural customers**
- **Support a greater range of technology and fuel choices for Minnesotans for heating, cooling and personal transportation.** No fuel or technology would be excluded by ECO and the same fuel-neutral criteria would apply to all fuel alternatives and technologies.
- **ECO will require any fuel-switching project to:**
 - **Pass important cost-effective tests**
 - **Demonstrate clear benefits to customers, including energy savings**
 - **Reduce greenhouse gas emissions**

ECO would establish separate regulatory frameworks for COUs and IOUs. ECO establishes separate sections in Minnesota law to govern energy efficiency, fuel-switching and load management programs for Minnesota’s consumer-owned utilities (“COUs” – municipal gas utilities, municipal electric utilities and rural electric cooperatives) and Minnesota investor-owned gas and electric utilities (“IOUs”), **reflecting important differences between these types of utilities.**

ECO would eliminate minimum utility energy conservation spending requirement. Currently all utilities subject to CIP have energy savings goals as well as minimum spending requirements for energy conservation, a belts and suspenders approach. **ECO eliminates the spending requirement currently imposed on utilities subject to CIP,** completing the transition begun in 2007 from a program based on energy conservation spending to one that is based on energy savings.

ECO provides additional regulatory flexibility for COUs. Under current law, COUs provide annual energy conservation plans to the Minnesota Department of Commerce for review and approval by Commerce. **ECO allows COUs to submit plans that could cover up to three years, providing COUs more flexibility to meet state goals.** Commerce will evaluate these plans and provide feedback and recommendations to the COUs.

ECO increases the energy savings goals for investor owned electric utilities to 1.75% of gross annual retail sales (was 1.5%) and set the goal for investor owned gas utilities at 1% of gross annual sales. **ECO maintains the energy savings goals of municipal and cooperative utilities** at 1.5% of gross annual retail sales and allows net energy savings from efficient fuel-switching improvements to count toward that goal **above a minimum energy savings goal of 1% from traditional energy efficiency.**

ECO enhances efforts to address low-income needs. ECO expands the kinds of investments for which utility low-income CIP funds can be spent, as well as **doubles the amount of support available to benefit of IOU low-income customers.**

ECO continues exemptions from CIP for large industrial customers. Under CIP, certain large industrial customers, like **taconite mines, paper mills, ethanol plants,** are able to and have petitioned Commerce to be exempt from CIP. This opportunity would continue under ECO, as would the existing exemptions.