

CIP Policy Guidelines: Energy Savings from Delivered Fuels

OVERVIEW

During the Minnesota Environmental Initiative 1.5 Percent Energy Efficiency Solution Project¹ process (MEI process), one of the issues for the Low-Income Technical Work Group to address was to develop a methodology to account for delivered fuels and small gas weatherization savings through electric utility conservation programs.

Many people rely on delivered fuels² for space heating and domestic hot water. Minnesota's Conservation Improvement Program (CIP) activities concentrate exclusively on the achievement of electricity and natural gas savings. The Next Generation Energy Act of 2007 includes language that requires the state to "minimize the need for annual increases in fossil fuel consumption ... and provide for an optimum combination of energy sources consistent with environmental protection and the protection of citizens"³. Because utility CIP programs are viewed as a demand-side resource, utilities have historically only been allowed to claim energy savings from activities that directly save the type of energy that the utility sells to its retail customers. Electric utilities offer electric savings measures while natural gas utilities offer natural gas savings measures to their customers.

For residential customers, space and hot water heating often account for the majority of a household's energy consumption and the greatest opportunities for energy savings. Under the current CIP regulatory framework, there are two cases where electric utilities customers are paying CIP carrying charges through their electric utility bills but they have little opportunity to benefit from CIP.

1. First, electric utility customers that use delivered fuels for their space and water heating equipment do not have access to ratepayer-funded programs that address their space and water heating equipment because CIP requirements do not apply to delivered fuels providers.
2. Second, a small municipal natural gas utility is exempt from the CIP requirement if it provides less than one billion cubic feet in total annual throughput sales to retail customers (Minn. Stat. § 216B.241 subd. 1b (a)). Customers of an electric utility and a small natural gas utility that use natural gas for their space and water heating equipment

¹ The final report of the 1.5 Percent Energy Efficiency Solution Project is available at <http://environmental-initiative.org/projects/past-projects>.

² Delivered fuels refers to liquid propane and fuel oil.

³ Next Generation Energy Act. MN Session Laws 2007, Chapter 136, Article 1, Section 2, Subd 1.

do not have access to ratepayer-funded programs that address their space and water heating equipment because CIP requirements do not apply to small natural gas utilities.

However, there is opportunity for these customers to benefit from reduced energy consumption and resulting reductions in fuel expenses, and there is opportunity for society to benefit from reduced consumption of fossil fuels.

POLICY GUIDELINES

In an effort to address the issues described by the MEI process and to support additional opportunities to realize energy savings, the Division of Energy Resources (DER) is providing the following guidance. Electric utilities may provide direct space heating and domestic hot water energy savings measures to low-income delivered fuel customers and low-income small gas municipal utility customers offered in conjunction with the Weatherization Assistance Program. Utilities may claim the energy savings from those measures towards their CIP energy saving goals.

Examples of potential measures include, but are not limited to the following:

Thermal Efficiency Improvements:

- Attic insulation
- Wall insulation
- Foundation insulation
- Rim joist insulation
- Air sealing reduction

Mechanical Upgrades:

- Furnace replacement
- Water heater replacement
- Set back thermostat

Water Heating Improvements:

- Low flow showerhead
- Faucet aerators
- Pipe wrap
- Temperature set back
- Drain water heat recovery unit

Utilities may claim kilowatt-hour (kWh)-equivalent savings based on the energy savings from displaced liquid propane and fuel oil using the conversion factors listed in Table 1. Utilities must track both the energy savings in kWh-equivalents and the volume of displaced fuel. Enhancements are planned for the Energy Savings Platform to support calculation and tracking of delivered fuel and kWh-equivalent savings.

Table 1. kWh Equivalents in Fuels

Fuel	Unit	kWh
#2 Fuel Oil	Gallon	40
LP	Gallon	27
Natural Gas	MCF	293