

E-015/M-91-458 ORDER ACCEPTING COMPLIANCE FILING AND ORDERING
FILING OF STRATEGIC EVALUATION PLAN PORTION OF 1994-95 CIP
PROPOSAL

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of Minnesota
Power's Demand Side Management
Financial Incentive Pilot
Program Compliance Filing

ISSUE DATE: February 3, 1993

DOCKET NO. E-015/M-91-458

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FILING AND ORDERING FILING OF
STRATEGIC EVALUATION PLAN
PORTION OF 1994-95 CIP PROPOSAL

PROCEDURAL HISTORY

On March 12, 1992, the Commission issued its ORDER ESTABLISHING DEMAND SIDE MANAGEMENT INCENTIVE PILOT PROJECT AND REQUIRING FURTHER FILINGS. In this Order, the Commission approved Minnesota Power's (MP's) demand side management (DSM) incentive pilot plan, as modified, and required the Company to file 1) a plan for measuring lost margins attributable to conservation and 2) a plan for evaluating the financial incentives pilot project within 45 days of the date of the Order.

On April 28, 1992, MP filed the requested plans.

On May 27, 1992, the Minnesota Department of Public Service (the Department) and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments on the Company's April 28, 1992 filing.

On June 10, 1992, MP filed response comments.

On August 21, 1992, the Commission issued its ORDER APPROVING EVALUATION PLAN AND METHOD TO CALCULATE LOST MARGINS AND BONUS. In this Order, the Commission ordered MP to file expanded commercial and industrial impact evaluations on or before December 1, 1992, based on the results of its work with the DSM Consortium and the 1992 PowerGrant and Industrial Commercial Pilot-II (ICP-II) projects.

On December 2, 1992, MP filed a letter in response to the Commission's August 21, 1992 Order. MP argued that there was no need at this time for an expanded motor end-use metering evaluation plan.

On December 21, 1992, the Minnesota Department of Public Service (the Department) filed comments regarding MP's December 2, 1992 letter.

On January 28, 1993, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

MP's Compliance Filing

MP argued that there is no need at this time for an expanded motor end-use metering evaluation plan. In support of its contention, MP cited two factors:

- 1) the small number of motor efficiency improvements funded in 1992 commercial and industrial Conservation Improvement Plan (CIP) projects¹ and
- 2) the review and recommendation of the Demand Side Management (DSM) Evaluation Consortium which had found, according to MP, that motor end-use profiles are well-defined and readily available in the electric industry and that there is no need for further primary research in motor end-use.

The Department's Comments and MP's Response

The Department agreed that MP should not be required to conduct additional motor end-use metering at this time. The Department advised that, based on the new information provided by MP² on the number of motor projects it is funding, motor end-use metering would not be a cost-effective use of limited resources. The Department did recommend, however, that MP update the Commission on its plans for evaluating ICP-II projects when it has more information regarding the types of ICP-II projects it will fund in 1993.

The Department objected strongly, however, to MP's interpretation and use of the Consortium's work. The Department, which is a participant in Consortium meetings, disagreed that Consortium

¹ MP had two groups of 1992 commercial and industrial Conservation Improvement Plan (CIP) projects: PowerGrant CIP Projects and the ICP-II CIP Projects. Motor projects accounted for only 12 percent of the budget projected for the PowerGrant CIP Projects and no ICP-II project grants of any type were awarded to Large Power class customers in 1992.

² See footnote 1.

participants had agreed on the points that MP had attributed to them. Specifically, the Department reported that Consortium participants did not agree that motor end-use profiles are clearly defined and readily available in the electric industry. Nor did they agree, according to the Department, that no additional motor end-use research is needed.

Moreover, the Department noted that the Consortium was not a formal group capable of issuing advisory opinions to the Commission. The Department stated that the proper role of the Consortium was to informally share information and opinions on DSM evaluation methodologies and not to act or be cited as a formal policy tool in proceedings before the Commission.

MP's Response

In response, MP indicated that it agreed with the Department's recommendations and with the Department's suggested clarification of the Consortium's role. The Company informed the Commission that it plans to file a strategic evaluation plan for commercial and industrial customers with its 1994-95 CIP filing with the Department to be made September 1, 1993. MP suggested, therefore, that it file a copy of that plan with the Commission at that time rather than file a separate strategic evaluation plan.

Commission Action

Given the small number of motor efficiency improvements for commercial and industrial customers funded in 1992 under MP's CIP program,³ an expanded commercial and industrial impact evaluation of those projects based on additional end-use metering is unnecessary. MP will have to refine its evaluation procedures and to obtain more information on the type of grant projects under ICP-II before submitting an expanded commercial and industrial evaluation plan for projects to be funded in CIP year 1993. Accordingly, the Company's failure to file an evaluation plan on December 1, 1992 pursuant to the Commission's August 21, 1992 Order is excused.

While it is appropriate to delay the filing of MP's expanded commercial and industrial impact evaluation until more projects are approved, the Commission is convinced of the value of such a plan and will continue to require one. However, the Commission notes that the Company will be filing a strategic evaluation plan for commercial and industrial customers as part of its 1994-95 CIP filing with the Department on September 1, 1993. As a matter of efficiency, the Commission will not require the Company to prepare a separate evaluation plan in response to this Order.

³ See footnote 1.

The Company may simply file a copy of the strategic evaluation plan it files as part of its proposed 1994-95 CIP Program. The Commission notes that such a plan may well propose to do some motor end-use metering; the Commission is specifically not ruling out the usefulness of such metering as the Company originally suggested. At a minimum, the Commission will require the Company to address the cost-effectiveness of end-use metering in its plan.

Finally, this case gives occasion to clarify the identity and activities of the DSM Consortium. The DSM Consortium is an informal ad-hoc group of utilities and representatives of regulatory agencies initiated for the beneficial purpose of facilitating the exchange of information on the practicalities of DSM evaluation. As such, it is more accurate to say that the Consortium has participants rather than members. While the Commission generally welcomes the emergence of this kind of activity, the Consortium has no status, advisory or otherwise, with the Commission as a policy formulating body and Consortium participants have no expectations to the contrary.

ORDER

1. Minnesota Power's (MP's) compliance filing dated December 2, 1992 is approved.
2. On or before September 1, 1993, MP shall file with the Commission a copy of the strategic evaluation plan that is part of the Company's 1994-95 CIP proposal to the Minnesota Department of Public Service (the Department). In this plan, MP shall address the issue whether or not end-use metering for motors would be a cost effective component of the plan.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)