

September 10, 2009

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
350 Metro Square Building  
121 7<sup>th</sup> Place East  
St. Paul, MN 55101-2147

**Re: In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. §216B.241, Subd. 2c. Docket No. E, G-999/CI-08-133**

Dear Dr. Haar:

The Minnesota Chamber of Commerce, on behalf of its 2,400 member companies (many of whom are customers of Xcel Energy), respectfully submits these comments regarding its proposed "Conservation Incentive Plan," as well as those proposed by other utilities.

The Chamber is active in a growing number of dockets at the commission, on behalf of business customers of several utilities. Our goal in each docket is the same: to ensure that Minnesota's traditional advantage of competitive electric rates (regionally, nationally and globally) remains a reason for companies to locate, grow & expand their businesses and employment in Minnesota.

We need no convincing that the most cost-effective kilowatt to produce is the one that doesn't need to be generated at all. Publicly and privately, we advise our members to become as energy-efficient as possible as a means of making their business more competitive. A great many of our members (particularly those who compete globally) don't need our advice – the very survival of their company depends on eliminating unnecessary costs. Conservation is a natural for them and has been for many years. As an organization, the Chamber understands the value of conservation and efficiency in an individual business, as well as the benefits that efficient use of resources yields to all other customers on the grid and to their communities in general.

Our comments, therefore, are directed at the incentive mechanism itself as opposed to the desired result.

The state of Minnesota, and each individual utility has a statutory goal of 1.5% of annual retail sales. Minn. Stat. §216B.241, Subd. 1(c). The Commissioner of Commerce is not allowed to approve a plan by a utility that fails to achieve a 1% goal. As a measure to give utilities the desire to achieve and exceed the state's goals with vigor, the legislature created a performance incentive mechanism "to recognize making progress toward and meeting the energy-savings goals" Minn. Stat. §216B.241, Subd. 2(c).

The commission must consider certain statutory objectives before it may approve an incentive plan. Minn. Stat. §216B.16, Subd. 6(c.). The criteria include not only the utility's success in delivering cost-effective conservation, but also "whether the plan is compatible with the interest of the utility's ratepayers and other interested parties." Sec. (a)(2).

As an advocate of conservation, and of utility ratepayers, the Chamber submits the following criteria for consideration in approving Xcel's proposed incentive plan. These criteria are consistent with the statutes, and could be used when measuring Xcel's future incentive proposals, or those of other utilities who may request an incentive. We believe these criteria, if met, will be acceptable to utility customers and shareholders, while moving us toward our statutory goal of 1.5% annual conservation.

1. The utility's plan should forecast a growing percentage of its program budget going for payments directly to customers. Incentives should not be awarded to utilities whose conservation plans do not target spending at least 50% for direct payments or reimbursements to customers for conservation investments consistent with the utility's plan. Each utility's plan should show how it plans over time to increase direct payments to at least 75%.
2. Prior to receiving an incentive for meeting or exceeding conservation goals, the utility should be required to demonstrate to the PUC's satisfaction (with input from customers and other interested parties) that the utility's rates are measurably competitive and becoming more competitive with those of other utilities in our region and/or states with which Minnesota frequently competes for business development and expansion.
3. Any proposed incentive plan should clearly state the costs associated with the plan, compared with the cost of the incentive mechanism itself (*not* simply the avoided cost of generating the forecasted energy savings). That is, customers should be able to easily see the value not only of the conservation itself, but also the value in paying the utility an incentive to achieve the desired result.
4. Any utility that has a pending or approved "decoupling" program should not be awarded a conservation "incentive" under any circumstance. "Decoupling" is intended to make the utilities agnostic on conservation. An "incentive" is designed to make them into advocates. The policies are incompatible, and should not be used in tandem.

If these criteria are met, the shared goals of customers and utilities are more likely to be met while meeting the state's goal of 1.5% energy savings.

We look forward to working with Xcel, the commission and other utilities on this matter.

Sincerely,

Michael. A. Franklin  
Director, Energy Policy

William A. Blazar  
Senior Vice President