

Conservation Improvement Programs (CIP)



2.5.13

Minnesota CIP Program: Success Using the “Minnesota Model”

- ▶ **Set the right business and regulatory framework, and rules of the road**
- ▶ **Utility interest is aligned with policy objective**
- ▶ **Result is cost effective, nation-leading energy efficiency and conservation outcomes**
- ▶ **Xcel is exceeding aggressive state standard**

Conservation Improvement Programs

- ▶ **Purpose of CIP:** Promote awareness and adoption of energy efficient technologies to reduce energy use, costs and emissions
- ▶ Offered programs since early 1980s
- ▶ Current targets established by Next Generation Energy Act 2007
- ▶ Dept of Commerce and Public Utilities Commission oversee CIP
- ▶ All customers share the cost and benefits
- ▶ Programs must pass cost effectiveness tests

Examples of CIP Programs

- ▶ Targeted programs are available to business, residential and income-qualified customers
 - ▶ Electric savings: 70% attributable to commercial, 30% to residential;
 - ▶ Gas savings: 60% attributable to commercial, 40% to residential.
- ▶ Examples include:
 - ▶ Custom Efficiency
 - ▶ Lighting
 - ▶ School Education Kits
 - ▶ Insulation Rebates
 - ▶ Home Energy Audits
 - ▶ Energy Design Assistance
 - ▶ Energy Feedback

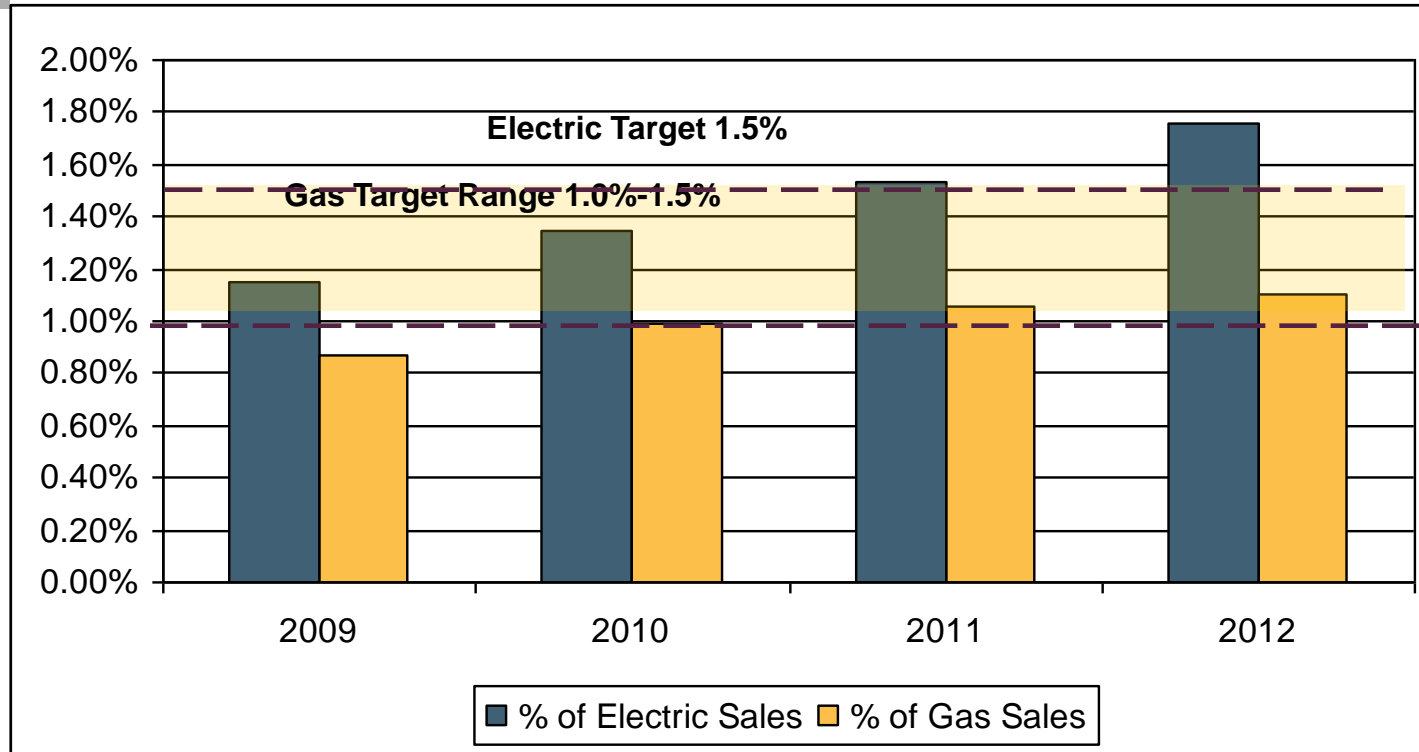
Engaging Customers

Attracting customers to participate in CIP:

- ▶ Rebates
- ▶ Education
- ▶ Equipment contractor outreach
- ▶ Technical Support
- ▶ Recommend financing options
- ▶ Partnering with local communities

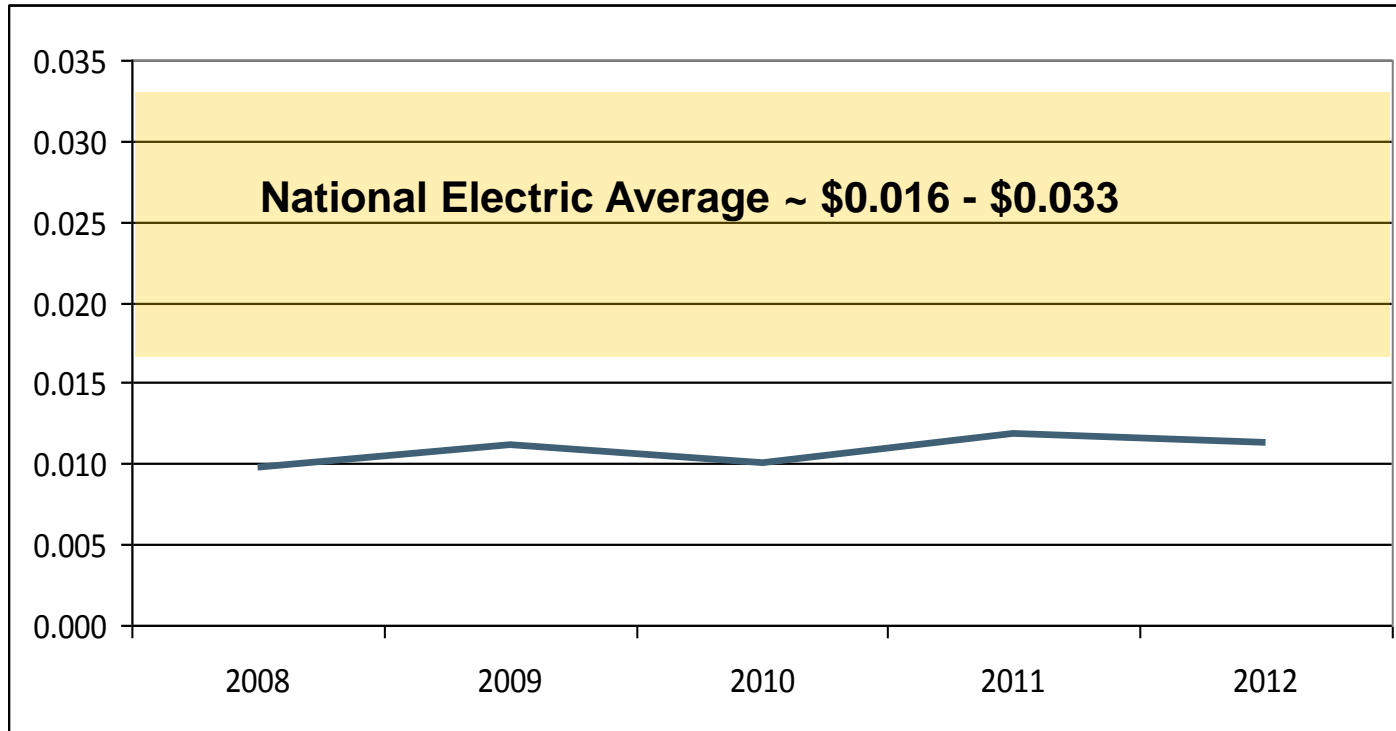
Recent Performance

Exceeding our goals



Outperforming the Industry

Spending less for energy savings



► **Our costs are below the national average**

Why we support CIP

- ▶ *Everyone can benefit:* Participants, non-participating customers, local businesses, and communities
- ▶ *Provide customer choice:* Options to manage energy use and control costs
- ▶ *Benefits to the environment:* We have been able to avoid 10 medium-sized power plants

Financial Incentive

- ▶ **The 2013 - 2015 Financial Incentive Mechanism sends the right message to utilities:**
 - ▶ **Awards based on achievement of savings and cost effectiveness**
 - ▶ **Motivates utilities to manage costs**
 - ▶ **Customers retain vast majority of the net benefits**

Looking Ahead:

CIP 2013-2015

- ▶ **Continue the momentum built by 2011/2012**
 - ▶ \$260 million to be spent over 3 years
 - ▶ Electric goal is savings equivalent to 1.5% of retail sales
 - ▶ Gas goal is savings equivalent to 1% of retail sales
 - ▶ Addition of targeted programs: Multi-family, Commercial Efficiency
- ▶ **Challenges ahead that could erode future savings attributed to CIP programs**
 - ▶ Energy Standards and Codes
 - ▶ Appliances will use less energy
 - ▶ New construction will be built to a higher level.