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November 2, 2023

Will Seuffert  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101

**VIA ELECTRONIC FILING**

**Re: Reply Comments of Minnesota Energy Resources Corporation on the Proposal for Modifications to the Shared Savings DSM Financial Incentive Mechanism for Implementation Beginning in 2024  
Docket No. U999/CI-08-133**

Dear Mr. Seuffert:

On October 23, 2023, Minnesota Energy Resources Corporation (“MERC” or the “Company”), Xcel Energy, CenterPoint Energy, Minnesota Power, Otter Tail Power, and the Office of the Attorney General – Residential Utilities Division (“OAG”), filed initial comments in the above-referenced docket on the 2024-2026 Shared Savings Conservation Improvement Program (“CIP”) Financial Incentive Mechanism as proposed by the Department of Commerce, Division of Energy Resources (the “Department”). MERC submits these Reply Comments to briefly respond to the comments and recommendations of the OAG and reiterate its support for the alternative incentive mechanism parameters set forth in the Company’s October 23, 2023 Comments.

According to the OAG, the Department’s proposed Net Benefits Cap of 3.4 percent is “calibrated to bring utilities’ incentives slightly below the incentives they earned under the previous iteration of the incentive mechanism... [A] 3.4 percent Net Benefits Cap, combined with adopting the Minnesota Test, should yield a modest reduction in shared-savings incentives.”<sup>1</sup> However, as discussed in MERC’s Comments, the proposed 3.4 percent Net Benefits Cap is expected to reduce MERC’s incentive by nearly 50 percent, a substantial reduction from the current incentive mechanism.<sup>2</sup> Such a significant reduction will not serve to “ensure that the incentive continues to encourage utility investment in cost-effective energy conservation,”<sup>3</sup> and is likely to undermine the policies the CIP incentive mechanism is designed to promote, such as ensuring all non-exempt customers have access to conservation programs and recognizing that energy efficiency is a least cost resource.

The OAG further asserts the reductions to the Net Benefits and CIP Expenditures caps proposed by the Department are necessary “to ensure that utilities do not receive a windfall

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<sup>1</sup> OAG Comments at 2 (Oct. 23, 2023).

<sup>2</sup> See MERC Comments at 1-2 (Oct. 23, 2023); Department Comments at 25-26 (Sept. 1, 2023).

<sup>3</sup> OAG Comments at 3 (Oct. 23, 2023).

purely due to the impact of a new cost-effectiveness test.”<sup>4</sup> But transitioning from the Utility Cost Test, which does not fully capture the benefits of CIP investments, to the Minnesota Test, also does not provide support for reducing utility incentives. Evaluating CIP investments based on a more comprehensive view of the costs and benefits supports incentivizing even greater investment in energy efficiency as a preferred resource. MERC’s proposal, which would set the Net Benefits Cap at not less than 5 percent, recognizes the impact of transitioning from a calculation of net benefits under the Utility Cost Test to the Minnesota Test, while at the same time ensuring changes to the CIP incentive mechanism are gradual, to allow time to evaluate the impact of those changes and avoid unintended consequences.

Based on the Comments submitted, MERC continues to propose the Commission establish a Net Benefits Cap of not less than 5 percent based on net benefits under the Minnesota Test. While this proposed Net Benefits Cap could be applied uniformly across the Minnesota utilities, in light of the unique characteristics and considerations relevant to MERC, as discussed in the Company’s October 23rd Comments, the record before the Commission would support adopting such cap applicable specifically to MERC.

Please contact me at (651) 322-8917 or [jennifer.kimmen@wecenergygroup.com](mailto:jennifer.kimmen@wecenergygroup.com) if you have any questions regarding these comments.

Sincerely,



Jennifer Kimmen  
Senior Customer Program Manager  
WEC Business Services, Inc.

cc: Service List

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<sup>4</sup> OAG Comments at 1-2 (Oct. 23, 2023).

In the Matter of Commission Review of  
Utility Performance Incentives for Energy  
Conservation

Docket No. U999/CI-08-133

**CERTIFICATE OF SERVICE**

I, Kristin M. Stastny, hereby certify that on the 2nd day of November, 2023, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Comments on [www.edockets.state.mn.us](http://www.edockets.state.mn.us). Said documents were also served via U.S. mail and electronic service as designated on the attached service lists.

Dated this 2nd day of November, 2023.

/s/ Kristin M. Stastny

Kristin M. Stastny

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