

PREFERRED DECISION OPTIONS
Filed by Commissioner Partridge
March 12, 2026

DOCKET NUMBER	E,G999/CI-08-133
ANALYST	Isabel Ricker
DATE/TIME SUBMITTED	March 10, 2026, 3:00 p.m.
TITLE	Commissioner Partridge Preferred Decision Options
ATTACHMENT	No
SUBJECT	In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation

Approval or Denial and Overarching Provisions

1. Approve a Shared Savings DSM Financial Incentive Mechanism with the following provisions, **and**
2. The new Shared Savings DSM Financial Incentive Plan shall be in effect for 2027–2029 ECO program years.

Natural Gas Incentive

4. The following parameters apply to natural gas _____
 - A. Utilities

Metrics Used to Calculate the Natural Gas Incentive

5. The utility incentive shall be based on performance in the following categories
 - A. First-year energy savings, as a percent of weather-normalized average retail sales
 - B. Spending on low-income ECO programs, measured as a percent of average residential Gross Operating Revenue (GOR).
 - C. Insulation and air sealing first-year energy savings, as a percent of weather-normalized average residential retail sales

Net Benefits Cap

6. Set a total net benefits cap equal to _____ of portfolio net benefits.
Partridge Modified B. 5.65 percent

Expenditures Cap

8. Set an expenditures cap of 20 percent of total portfolio expenditures, which increases to 25 percent if the utility achieves first-year energy savings of 1.2 percent of weather-normalized average retail sales or higher.

Performance Thresholds

9. Allow utilities to begin collecting an incentive for each metric when they reach the following performance levels:
 - A. First-year energy savings of 0.7 percent of weather-normalized average retail sales, at which the utility can collect _____ of portfolio net benefits.
 - ii. 1.44 percent

- C. Insulation and air sealing first-year energy savings equal to one-third of the utility's average 2027-2029 insulation and air sealing first-year energy savings program potential (calculated using the 2018 Minnesota Energy Efficiency Potential Study and recalibrated for a 90 percent AFUE furnace baseline), at which the utility can collect 0.48 percent of portfolio net benefits.
- D. Low-income spending of 1.0 percent of residential gross operating revenue (GOR), at which the utility can collect _____ of portfolio net benefits.
 - i. 0.38 percent

Performance Goals and Metric Caps

11. Set metric-specific net benefits caps at the levels below

- A. _____ of portfolio net benefits for first-year energy savings, awarded for an achievement of 1.2 percent of weather-normalized average retail sales or higher.
 - ii. 3.3 percent
- C. _____ percent of portfolio net benefits for insulation and air sealing first-year energy savings, awarded for an achievement equal to the utility's insulation and air sealing first-year energy savings program potential (calculated using the 2018 ECO Potential Study and recalibrated for a 90 percent AFUE furnace baseline).
 - i. 1.1 percent
- D. _____ of portfolio net benefits for low-income spending, awarded for an achievement of 2 percent of average residential Gross Operating Revenue (GOR) or higher.
 - iii. 1.2 percent

Eligible Measures for the Insulation and Air Sealing Metric

13. A utility may count savings from insulation and air sealing retrofit measures such as wall insulation, attic insulation, and envelope air sealing toward the Insulation and Air Sealing metric.

Linear Interpolation and/or Extrapolation

16. Use linear interpolation to award the appropriate percentage of net benefits for performance levels between the achievement threshold and net benefits cap.

Electric Non-EFS Incentive

18. The following parameters apply to electric _____
 C. Utilities' non-EFS activities

Metrics Used to Calculate the Electric Non-EFS Incentive

19. The utility incentive shall be based on performance in the following categories:
- A. First-year energy savings, as a percent of weather-normalized average retail sales
 - B. Demand savings, expressed as the reduction in demand corresponding to energy savings as a percentage of weather-normalized average retail sales. The demand reduction (MW) corresponding to each MWh of energy savings shall be calculated using the utilities' most recently-approved Integrated Resource Plan
 - C. Spending on low-income ECO programs, measured as a percent of average residential Gross Operating Revenue (GOR).

Net Benefits Cap

20. Set a total net benefits cap for non-EFS programs equal to _____ of non-EFS portfolio net benefits.
Partridge Modified A. 6.~~8~~5 percent

Expenditures Cap

- Partridge Modified 21.** Set an expenditures cap of 20 percent of ~~non-EFS total~~ portfolio expenditures, which increases to 25 percent if the utility achieves first-year energy savings of 2.3 percent of weather-normalized average retail sales or higher.

Performance Thresholds

23. Allow utilities to begin collecting an incentive for each metric when they reach the following performance levels:
- A. First-year energy savings of 1.5 percent of weather-normalized average retail sales, at which the utility can collect 1 percent of portfolio net benefits.
 - D. Demand savings equal to the utility's _____ demand goal (calculated using the utility's most recently approved Integrated Resource Plan), at which the utility can collect 1.0 percent of portfolio net benefits.
 - ii. 1.5 percent
 - E. Low-income spending of 0.6 percent of residential gross operating revenue (GOR), at which the utility can collect _____ of portfolio net benefits.

Performance Goals and Metric Caps

25. Set metric-specific net benefits caps at the following levels for each metric
- A. A combined cap of 5 percent of non-EFS net benefits for first-year savings and permanently avoided demand, awarded when the utility achieves one of the following:

- i. First-year savings equal to 2.3 percent of weather-normalized average retail sales or higher.
 - ii. Reaching or exceeding the utility's 4.7 percent demand goal (calculated using the utility's most recently approved Integrated Resource Plan).
 - iii. Achievements in both first-year savings and demand savings that, together, result in 5 percent of awarded net benefits, calculated using linear interpolation.
- F. _____ of portfolio net benefits for low-income spending, awarded for an achievement of 1 percent of average residential Gross Operating Revenue or higher.
- ii. 1.8 percent

Linear Interpolation and/or Extrapolation

27. Use linear interpolation to award the appropriate percentage of net benefits for performance levels between the achievement threshold and net benefits cap.

Electric Efficient Fuel-Switching Incentive:

29. The following parameters apply for electric efficient fuel-switching:
30. For an electric utility to begin earning an EFS incentive, it must first achieve the following thresholds:
- A. First-year energy savings equal to 1.75 percent of average retail sales and;
 - B. Low-income spending equal to 0.6 percent of the average residential gross operating revenue.

Calculating the EFS Award Percentage

31. Set the base percentage of net benefits awarded at 5 percent.
33. Set the final percentage of net benefits at the lesser of:
- A. The base percentage of net benefits multiplied by the RIM ratio achieved by the utility's EFS activity
 - B. 10 percent
34. Apply the final percentage of net benefits to the total Minnesota Test net benefits from the utility's EFS activity to determine the EFS incentive amount.

Expenditures Cap

35. Set an EFS expenditures cap of 20% of EFS expenditures, which increases to 25% if the utility achieves an EFS RIM ratio greater than or equal to 2.0.

General Parameters

Cost Benefit Test

36. For all utilities, net benefits are calculated using the Minnesota Test according to the approved 2027–2029 ECO Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities, which is expected to be issued by the Department in Q1 2026.

How to Count EFS and Load Management Expenditures

40. Both electric and gas utilities may count their expenditures on eligible load management programs when calculating the relevant expenditures cap.
41. Gas utilities are allowed to count their expenditures on EFS in calculation of their expenditures cap and electric utilities are allowed to count their expenditures on EFS in their EFS expenditures cap.

Load Management

42. Both electric and gas utilities that have achieved energy savings at or above 1 percent of retail sales, excluding savings achieved through load management programs, are allowed to count the increased net benefits and energy savings derived from their load management programs that occurred on or after the approval of the Energy Conversation and Optimization Act (May 25, 2021) toward calculating their financial incentive.
43. For the treatment of load management programs that do not result in energy savings,
 - A. Calculate net benefits using the Minnesota test and include the net benefits in the total net benefits used to calculate the financial incentive.
 - B. Exclude all kW saved from load management programs that existed before May 25, 2021, from the benefits calculation.

Other Requirements

- Partridge Modified 44.** For the purpose of calculating the incentive, ~~the~~ the Societal Discount Rate, as approved in the Department’s 2027–2029 ECO Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities, is used in the calculation of net benefits to discount for future benefits and costs.
45. ECO-exempt customers shall not be allocated costs for the Shared Savings Incentive Mechanism. Sales to ECO-exempt customers shall not be included in the calculation of utility energy savings goals.

Partridge Modified 46. If a utility elects to include or not to include a third-party ECO project in the calculation of its utility incentive, the utility cannot change its election until the beginning of subsequent years.

Partridge Modified 48. The actual annual energy savings, costs, and benefits of ~~modifications to non-third-party utility ECO~~ projects will be included in the calculation of a utility's DSM incentive.

49. The costs of any mandated, non-third-party projects (e.g., 2007 Next Generation Energy Act assessments and University of Minnesota Initiative for Renewable Energy and the Environment costs) shall be excluded from the calculation of net benefits and energy savings achieved and incentive awarded.
50. Costs, energy savings, and energy production related to Electric Utility Infrastructure Costs, solar installation, and biomethane purchases shall not be included in net benefits for DSM financial incentive purposes.