July 1, 2024

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce**
Docket No. E002/M-24-50

Dear Mr. Seuffert:

Attached are the comments of the Minnesota Department of Commerce (Department) in the following matter:

A Petition submitted by Northern States Power Company, doing business as Xcel Energy (Xcel, Xcel Energy, or the Company), requesting approval of the following:

- The Conservation Cost Recovery contained in Xcel's 2023 Conservation Improvement Program (CIP) electric tracker account;
- A proposed 2023 electric DSM financial incentive of $26,478,641; and
- A proposed 2024/2025 electric CIP Adjustment Factor (CAF) of $0.000207 per kWh.

The Company filed the Petition on April 1, 2024.

The Department recommends that the Commission **approve** Xcel's Petition. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. SYDNIE LIEB
Assistant Commissioner of Regulatory Analysis

HJ/ar
Attachment

MN COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce

Docket No. E002/M-24-50

I. INTRODUCTION

On April 1, 2024, Northern States Power Company d/b/a Xcel Energy submitted to the Minnesota Public Utilities Commission (Commission) a Petition of Northern States Power Company for Approval of an electric Conservation Improvement Program Adjustment Factor (Petition). The Petition includes a report of proposed recoveries and expenditures in Xcel's electric Conservation Improvement Program (CIP) tracker account during 2023, a proposed decrease in the currently approved electric CIP Adjustment Factor (CAF), and a proposed Shared Savings Demand Side Management (DSM) financial incentive for its 2023 conservation achievements. Xcel's Petition requested the Commission approve the following:

- The Conservation Cost Recovery contained in Xcel's 2023 Conservation Improvement Program (CIP) tracker account;
- A proposed 2023 DSM financial incentive of $26,478,641; and
- A proposed 2024/2025 CIP Adjustment Factor (CAF) of $0.000207 per kWh.

The Petition contains data relevant to the Company's natural gas utility as well as to its electric utility. The Department will not comment on information related to the natural gas utility in this docket; instead see Docket No. G002/M-24-47.

II. COMMISSION'S 2023 ORDER

On July 21, 2023, the Commission issued its Order in Docket E002/M-23-145 approving Xcel's 2022 DSM financial incentive, CAF, and CIP tracker. In that Order the Commission:

1. Approved Xcel Energy's electric Shared Saving Demand Side Management (DSM) financial incentive of $24,271,202.

2. Approved Xcel Energy's electric 2022 Tracker Account, as filed on March 31, 2023, with an ending balance of ($38,012,183).

3. Approved a 2023/2024 electric CIP Adjustment Factor of $0.002629 per kWh beginning October 1, 2023, or the first billing cycle in the month following the Commission's Order in this matter, whichever is later.

4. Required Xcel Energy to modify its bill message to read as follows:

> Effective Oct. 1, 2023 the Resource Adjustment line item on your bill has increased due to a change in the Conservation Improvement Program (CIP) factor. The electric CIP portion of the Resource Adjustment is $0.002629 per kilowatt-hour (kWh).

5. Required Xcel Energy to submit a compliance filing with tariff sheets and all necessary calculations within 10 days of the issue date of this order.

On July 31, 2023, Xcel Energy filed a compliance filing updating the CAF to $0.002225 per kWh to be implemented October 1, 2023.

On September 5, 2023, the Commission issued its Order accepting Xcel's July 31st compliance filing.

III. DEPARTMENT ANALYSIS

The Department's analysis of Xcel's *Petition* is provided below in the following sections:

- Section III.A, Review of Minnesota's updated conservation statutes;
- Section III.B, Xcel's proposed electric 2023 Shared Savings DSM financial incentive;
- Section III.C, Xcel's proposed electric 2023 CIP Tracker account;
- Section III.D, Xcel's proposed electric CIP Adjustment Factor for 2024/2025;
- Section III.E, Xcel's proposed electric Customer Bill Notice; and
- Section III.F, Review of Xcel's conservation activity for the period of 2010 through 2023.

A. UPDATE ON MINNESOTA'S CONSERVATION STATUTES AND PROGRAMS

In 2021, the Minnesota Legislature passed the Energy Conservation and Optimization (ECO) Act. This act updated Minnesota's existing "CIP" Statutes, which have since become known as the "ECO" statutes. Subsequently, the state's Conservation Improvement Program (CIP) was re-branded as the state's Energy Conservation and Optimization (ECO) program. As a result, Xcel's triennial filing governing the 2021-2023 years was considered a "CIP" Triennial Filing, Xcel's most recent triennial filing covering years 2024-2026 was considered its first "ECO" Triennial Filing. The Department expects future Xcel Status Reports will also incorporate the "ECO" language change.

The ECO Statutes impacting Investor-Owned Utilities include:

- Minnesota Statutes § 216B.2401 (Energy Savings and Optimization Policy Goal);
- Minnesota Statutes § 216B.2402 (Definitions);
- Minnesota Statutes § 216B.241 (Public Utilities; Energy Conservation and Optimization);
- Minnesota Statutes § 216B.2411 (Distributed Energy Resources); and
- Minnesota Statutes § 216B.2412 (Decoupling of Energy Sales from Revenues).

The Department's review of the Company's Shared Savings Financial Incentive will be impacted in next year's filing, as that future review will incorporate the Commission's January 25, 2024 Order Adopting Modifications to Shared Savings Demand-Side Management Financial Incentive Plan from Docket No. E,G999-CI-08-133 (In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation).

B. XCEL'S PROPOSED ELECTRIC DSM FINANCIAL INCENTIVE FOR 2023 ACHIEVEMENTS

1. Background of the DSM Financial Incentive

The Shared Savings Demand Side Management (DSM) financial incentive plan was initially approved by the Commission in Docket No. E,G999/CI-08-133 on January 27, 2010. On August 5, 2016, in the same docket, the Commission adopted an Order modifying the DSM Financial Incentive Plan for the years 2017-2019. In an Order issued November 15, 2021, in Docket No. 017/M-21-228, the Commission extended the modification through 2020. On December 9, 2020, the Commission approved the parameters for the Shared Savings Financial Incentive Mechanism covering the 2021-2023 CIP triennial.[1] In that Order, the Commission capped electric and gas incentives at 10 percent of net benefits and 30 percent of expenditures. The December 9th Order also allowed for the expenditure cap to exceed the 30 percent cap up to a maximum of 35 percent, if an electric utility meets or exceeds energy savings equaling 2 percent of retail sales. For more details about the December 9th Order, see Department Attachment A.

The current filing covers CIP activities occurring in 2023, and therefore is subject to the following two caps: 10 percent of net benefits and up to 35 percent of expenditures.

2. Xcel's Proposed Shared Savings DSM Incentive

For its 2023 achievements, Xcel reported energy savings of 689,113,977 kWh, expenditures of $115,173,263, and net benefits achieved of $264,786,408.[2] These energy-savings equate to 2.48 percent of Xcel's three-year weather-normalized sales average of 27,807,301,870[3] for its electric division. Based on the terms and conditions of its Shared Savings DSM financial incentive plan, Xcel Energy requested recovery of a DSM financial incentive of $26,478,641. Xcel's proposed incentive is equal to 10 percent of the Company's calculated 2023 net benefits and 35 percent of the Company's 2023 expenditures.[4]

In most years, a lag exists between the engineering-oriented analysis of the demand and energy savings that underpin the proposed incentive. In last year's review, the Department compensated for this review by simply assuming Xcel's 2022 energy-savings were correct as filed, with the intent to make, in the instant filing, any adjustments approved by the Commissioner. On July 6, 2023 the Commissioner approved Xcel's 2022 Status Report without adjustments in Docket No. E002/CIP-20-473.[5]

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[1] December 9, 2020 Order in Docket No. E,G999/CIP-08-133.
[2] Petition, Attachment A, Pages 21 and 22.
[3] Weather-normalized sales as reported by Xcel in its "Approved 2021-2023 CIP Triennial Plan." November 25, 2020. Docket No. E,G002/CIP-20-473, Page 9.
[4] Petition, Attachment A, Pages 21 and 22.
[5] Approved by the Commissioner on July 6, 2023.

On May 23, 2024, the Department's ECO staff recommended the Commissioner approve Xcel's 2023 Status Report.[6] If any adjustments should be required in the Commissioner's final decision, the Department will account for those in the Company's 2024 filing.

The Department's review indicates Xcel correctly calculated its 2023 DSM financial incentive and did not violate either of the Commission-approved caps. Therefore, the Department recommends the Commission approve Xcel's proposed 2023 DSM financial incentive of $26,478,641.

C. XCEL'S PROPOSED ELECTRIC 2023 CIP TRACKER ACCOUNT

Xcel requested Commission approval of its 2023 electric CIP tracker activity, resulting in a year-end 2023 balance of ($22,036,468). Table 1 below shows a summary of activity in Xcel Electric's 2023 CIP tracker account.

Table 1: A Summary of Xcel Electric's 2023 Tracker Account[7]

Description	Time Period	Amount
Beginning Balance	December 31, 2022	($37,859,320)
CIP Expenses	January 1 through December 31, 2023	$116,327,513[8]
Other Adjustments	January 1 through December 31, 2023	($1,154,250)
Financial Incentive	-	$24,271,202
Carrying Charges	January 1 through December 31, 2023	($893,637)
Recovered in Base Rates	January 1 through December 31, 2023	($85,400,473)
Recovered in CIP Adjustment Factor	January 1 through December 31, 2023	($37,327,503)
Ending Balance	December 31, 2023	($22,036,468)

The Department reviewed the Company's electric CIP tracker account activity, as provided in the Company's Petition and summarized in Table 1 above, resulting in a December 31, 2023, CIP tracker balance of ($22,036,468) and found no calculation errors. The Department also reviewed the Company's reasons behind the Other Adjustments line-item totaling ($1,154,250) and found these to be reasonable.[9]

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[6] Docket No. E,G002/CIP-20-473, May 23, 2024.
[7] Xcel's Petition, Attachment A, page 8 of 22.
[8] Note that this figure does not match the reported 2023 CIP spend of $115,173,263 because it shows pre-adjustment spending; the adjustments of ($1,154,250) are reported as the next line item in the table.
[9] As described in Attachment A, page 6 of its Petition, Xcel included the following adjustments: ($1.14m) in the business lighting audit program was spent in 2023, but savings are not being claimed until 2024, so the Company moved this spend to 2024; $1054 as a reclass from gas to electric (with a corresponding negative adjustment in the gas tracker), and; ($40,584) to correct for funds that had been incorrectly removed from the electric budget.

The Department noted a difference in the approved ending balance for 2022 and the beginning balance in 2023. The Company responded to this difference in Information Request (IR) 1 stating that the difference was due to an updated carrying charge rate following the approval of the Company's Multi-Year electric rate case.[10]

The Department also noted larger-than-average carrying charges and as a result of the significant over-recovery balance for 2023, issued an IR, and the Company provided the following in IR 1.

> The 2023 Carrying Charges of ($893,637) are a reduction from the Carrying Charges in 2022 which totaled ($988,730). The carrying charges are high in recent years for a number of reasons. For example, there has been an over recovery of CIP expenses, because the Company has continued to effectively deliver high quality programs resulting in an underspend of our approved budget. Additionally, Electric Sales have been higher than forecasted resulting in higher-than-expected recovery through the Conservation Cost Recovery Charge (CCRC) and the CIP Adjustment Factor.

In 2024, the Company is projecting high carrying charges for a slightly different reason. The Company's rate case increased the CCRC from $3.133/MWh to $4.955/MWh. This change coupled with the timeframe for changing the CIP Adjustment Factor in October of 2024 leads to very high levels of over recovery despite the increase in projected spend from the Company's 2024 to 2026 ECO Triennial Plan.

As stated above, Xcel filed a compliance filing on July 31, 2023, updating the CIP Adjustment Factor (CAF) to $0.002225 per kWh, a lower CAF rate due to over-recovery. To determine the impact of Xcel's CAF update, the Department analyzed Xcel's 2023 tracker account using the original Commission approved CAF of $0.002629 per kWh for the months of September 2023 through December 2023 comparing the results with the updated CAF.[11] The Department found, in its analysis, Xcel would have over-recovered an additional $2,600 in 2023 had the Company not responded to the need for the CAF to be modified.

It is the goal of the Department to bring the tracker balance as close to zero as possible in the course of a year, or alternatively, over the course of the time the rate is proposed to be in place. This recommendation is because maintaining higher tracker balances (either positive or negative) is associated with a larger mismatch between the time the expenses are incurred and the time they are recovered. It is ultimately the Department's goal to ensure those customers that are benefiting from conservation services are the customers paying for them.

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[10] The carrying charge update was approved by the Commission on July 17, 2023 in Xcel's Multi-Year electric rate case in Docket No. E002/GR-21-630. Subsequently on September 5, 2023, the Commission approved the incorporation of the updated carrying charge rate into Xcel's electric CIP tracker in Docket No. E002/M-23-145.
[11] The Commission approved Xcel's CAF of $0.002629 in Docket No. E002/M-23-145 and Xcel Energy modified this to $0.002225 in the Company's Compliance filing in the same docket.

While the Department finds the large over-recovery for 2023 significant, we do recognize Xcel's attempt to respond and reduce this over-recovery. Therefore, the Department recommends the Commission approve Xcel electric's 2023 tracker account with an ending balance of ($22,036,468) as shown in Table 1.

D. XCEL'S PROPOSED CIP ADJUSTMENT FACTOR FOR 2024/2025

Minnesota law states, in relevant part, that the Commission "may permit a public utility to file rate schedules providing for annual recovery of the cost of energy conservation improvements."[12] Xcel refers to its approved annual electric CIP recovery mechanism as the CIP Adjustment Factor (CAF). As noted above, in its July 21, 2023 Order in Docket No. E002/M-23-145, the Commission approved a 2023/2024 (CAF) of $0.002629 per kWh for Xcel. The CAF was eventually adjusted to $0.002225 per kWh through the Company's July 31, 2023 compliance filing, and approved by the Commission in its September 5, 2023 Order in Docket No. E002/M-23-145.

Table 2 below shows Xcel currently projects an October 1, 2025 unrecovered CIP Tracker balance of about $6.4 million under the assumption of no additional CIP cost recovery through the CAF. This projection also assumes Xcel's conservation expenditures for the 2024/2025 time period remains close to the forecasted dollar amount.

Table 2: Xcel Electric's Forecasted End of September 2025 CIP Tracker Account[13]

Description	Amount
Forecasted beginning balance (Oct 2024)	($45,794,432)
Approved expenditures (Oct 2024 - Sept 2025)	$160,311,725
Forecasted 2024 incentive	$24,408,684
Less forecasted CCRC recovery (Oct 2024 - Sept 2025)	$132,558,239
Forecasted October 2025 beginning of month balance	$6,367,739

Xcel included the above calculations so the Company can calculate the CAF modification needed to align recovery of costs most closely to when costs are incurred and to minimize the under- or over-recovery of CIP costs. This both minimizes carrying charges and helps ensure the customers causing the costs pay for the costs.

The Company proposed to update its electric CIP Adjustment Factor to $0.000207 per kWh, effective with the first billing cycle of October 2024 through the September 2025 billing period.[14] Xcel's proposed CIP Adjustment Factor is a decrease of 0.002018 per kWh, or 90.7 percent lower than the currently approved CAF of $0.002225 per kWh. Xcel calculated the proposed 2024/2025 factor to allow the Company to recover both CIP costs it does not recover through the Conservation Cost Recovery

[12] See Minn. Stat. § 216B.16, subd. 6b(c).
[13] Petition, Attachment A, Page 14.
[14] Petition, Attachment A, Page 13.

Charge (or "CCRC," which is represented in base rates) and its approved financial incentives. The proposed CAF would minimize Xcel's projected tracker balance.

Table 3 below outlines Xcel's calculation of the proposed CIP Adjustment Factor.

Table 3: Xcel's Calculation of Its Revised Electric CIP Adjustment Factor[15]

Description	Amount
Forecasted October 1, 2025 Balance without CAF	$6,637,739
Forecasted Oct 1, 2024 - Sept 30, 2025 Sales (MWh)	26,752,420
Electric CIP Adjustment Rate without Carrying Charges ($/ MWh)	$0.238
Electric CIP Adjustment Rate without Carrying Charges ($/ kWh)	$0.000238
Xcel Electric's Proposed CIP Adjustment Factor ($/ MWh)/1000	$0.207
Xcel Electric's Proposed CIP Adjustment Factor ($/ kWh)/1000	$0.000207

Xcel adjusted the calculated rate to incorporate the effect of carrying charges, which were not included in the forecasted balance. To get the September 2025 forecasted CIP Tracker balance as close to zero without going negative, the Company adjusted the calculated CIP Adjustment Rate to $0.000207 per kWh.

Table 4 compares the Company's current and proposed CIP Adjustment Factors.

Table 4: Xcel's Current versus Proposed CIP Adjustment Factor

Current Factor ($/kWh)	Proposed Factor ($/kWh)	Change ($/kWh)	Percent Change[16]
0.002225/kWh	0.000207/kWh	-0.002018/kWh	(90.7%)

The Department notes the proposed CAF is lower than Xcel's current CIP Adjustment factor, although the Company will be over-recovering for the majority of the billing period. To determine the reasonableness of this scenario, we reviewed the CAF and potential alternatives using Xcel's input data. The Company's October 2022-September 2023 CIP program spend was also lower than anticipated, actual expenses were only about 91 percent of the forecasted expenses.[17] The Department found Xcel's proposed factor to be accurate using the current forecasted data. Therefore, the Department concludes Xcel's proposed CIP cost recovery is responsive to the public policy goal of Xcel minimizing carrying charges and recovering costs close to when incurred. The Department recommends the Commission approve Xcel's proposed CIP Adjustment Factor of $0.000207 per kWh.

[15] Petition, Attachment A, Page 14.
[16] (0.000207-0.002225)/0.002225 = -0.9069662921348315*100 = 90.7%
[17] $112,318,249 (Actual)/$123,632,290 (Forecast) = 90.85 percent.

E. XCEL'S PROPOSED CUSTOMER BILL NOTICE

With respect to rate change notification, Xcel proposed to notify customers by implementing the following message on customer bills, effective the first month the 2024/2025 CIP Adjustment Factor takes effect:

> *Effective Oct. 1, 2024 the Resource Adjustment line item on your bill has decreased due to a change in the Conservation Improvement Program (CIP) factor. The electric CIP portion of the Resource Adjustment is $0.000207 per kilowatt-hour (kWh).*[18]

The Department recommends the Commission approve Xcel's proposed bill message.

F. A REVIEW OF XCEL'S ELECTRIC CIP ACTIVITY

In Attachment B, the Department presents a historical comparison of Xcel's electric CIP activity for the period 2011 through 2023. Attachment B provides an indication of how the Company's energy and demand savings, CIP expenditures, Shared Savings financial incentive, carrying charges, and year-end tracker balance changed during the period. Select statistics from Attachment B are presented in the following table:

Table 6: Savings, Expenditures, and Incentives for Select Years, 2011-2023[19]

	Achieved Energy Savings (kW)	Demand Savings (kW)	CIP Expenditures	DSM Financial Incentive
2023	689,113,997	238,423	$115,173,263	$26,478,641
2022	647,675,810	183,922	$104,265,717	$24,271,202
2011	462,021,574	138,765	$76,302,262	$51,350,104
Average 2021-2023	693,542,432	216,641	$109,664,621	$25,876,948
Average 2011-2013	485,840,220	136,398	$80,981,620	$49,313,842
Compare 2023 to 2022	6.4%	29.6%	10.5%	9.1%
Compare 2023 to 2011	49.2%	71.8%	50.9%	-48.4%
Compare 2023 to Avg 2021-2023	-0.6%	10.1%	5.0%	2.3%
Compare Avg 2021-2023 to Avg 2011-2013	42.8%	58.8%	35.4%	-47.5%

Table 6 above shows:

- In 2023, achieved energy savings were up 6.4 percent, demand savings were up 29.6, CIP expenditures were up 10.5 percent and DSM financial incentive was up 9.1 percent compared to 2022;

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[18] Petition, Page 6-7.
[19] Data taken from Department Attachment B.

- Comparing 2023 to a three-year 2021-2023 average; achieved energy savings are down 0.6 percent, demand-savings are up 10.1 percent, CIP expenditures are up 5 percent and shared savings DSM financial incentive was up 2.3 percent;
- Comparing 2023 to 2011, Xcel has increased achieved energy savings by 49.2 percent, demand savings by 71.8 percent, expenditures by 50.9 percent and the shared savings DSM financial incentive has decreased by 48.4 percent;
- Comparing 2021-2023 average to 2011-2013 average, Xcel has increased its achieved energy savings by 42.8 percent, demand savings have increased by 58.8 percent, expenditures have increased by 35.4 percent and the shared savings DSM financial incentive has decreased by 47.5 percent.

The Department does not have any concerns based on our review of Xcel's Electric CIP activity and appreciates and supports the Company's continued increases in energy and demand savings.

IV. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department concludes Xcel's electric Conservation Improvement Factor Petition is reasonable, therefore the Department recommends the Commission take the following action:

1) *Approve Xcel Energy's electric Shared Savings DSM financial incentive of $26,478,641;*

2) *Approve Xcel Energy's electric CIP Tracker Account, as filed on April 1, 2024, with an ending balance of ($22,036,468);*

3) *Approve Xcel's proposed bill message, effective the first month the $0.000207 electric CIP Adjustment Factor takes effect, revised as necessary to incorporate the approved CAF and effective date; and*

4) *Require Xcel Energy to submit a compliance filing with tariff sheets and all necessary calculations within 10 days of the issue date of the Order.*

Docket No. E002/M-24-50
Attachment A

The December 9, 2020 Order (December 9, 2020)
Docket No. E,G999/CI-08-133

A. For electric utilities, the 2021 -2023 triennium plan is as follows:

1) Authorize financial incentives for a utility that achieves energy savings of at least 1.0 percent of the utility's retail sales.
2) For a utility that achieves energy savings equal to 1.0 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.
3) For each additional 0.1 percent of energy savings, the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.7 percent of retail sales.
4) For savings levels of 1.7 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
5) Electric utilities may exceed the 30% CIP Expenditures Cap, up to a maximum of 35%, if they meet or exceed energy savings equaling 2% of retail sales.

B. For Gas utilities, the 2021 -2023 triennium plan is as follows:

1) Authorize financial incentives for a utility that achieves energy savings of at least 1.0 percent of the utility's retail sales.
2) For a utility that achieves energy savings equal to 0.7 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.
3) For each additional 0.1 percent of energy savings, the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.2 percent of retail sales.
4) For savings levels of 1.2 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
5) Gas utilities may exceed the 30% CIP Expenditures Cap, up to a maximum of 35%, if they meet or exceed energy savings equaling 1.2% of retail sales.

C. For all utilities, set the following Net Benefit Caps:

1) 13.5 percent in 2017,
2) 12.0 percent in 2018,
3) 10.0 percent in 2019, and
4) 10.0 percent in 2020.

D. For all utilities, set the following Conservation Improvement Plan (CIP) Expenditure Caps:

1) 40 percent in 2017,
2) 35 percent in 2018,
3) 30 percent in 2019, and
4) 30 percent in 2020.

The Commission retains certain provisions from the current Shared Savings DSM Financial

Incentive Plan, with slight modifications, as follows:

- CIP-exempt customers shall not be allocated costs for the new shared savings incentive. Sales to CIP-exempt customers shall not be included in the calculation of utility energy savings goals.

- If a utility elects not to include a third-party CIP project, the utility cannot change its election until the beginning of subsequent years.

- If a utility elects to include a third-party project, the project's net benefits and savings will be included in the calculation of the energy savings and will count toward the 1.5 percent savings goal.

- The energy savings, cost, and benefits of modifications to non-third-party projects will be included in the calculation of a utility's DSM incentive.

- The costs of any mandated, non-third-party projects (e.g., the 2007 Next Generation Energy Act assessments,[1] University of Minnesota Initiative for Renewable Energy and the Environment costs[2]) shall be excluded from the calculation of net benefits and energy savings achieved and incentive awarded.

- Costs, energy savings, and energy production related to Electric Utility Infrastructure Costs,[3] solar installation[4] and biomethane purchases[5] shall not be included in energy savings for DSM financial incentive purposes.

- The Commission requests that the Department continue a stakeholder process, under the current docket, to evaluate ways of improving the shared-savings mechanisms for potential adoption in the 2024–2026 triennium including, but not limited to, discussion of:

    a. Incorporation of lifetime energy savings into the incentive mechanism,
    b. Incorporation of an incentive for utilities that achieve permanent peak reductions through the shared-savings incentive mechanism,
    c. Comparison of alternative mechanisms, along with the approved 2021-2023 CIP financial incentive mechanism, to each other and to how a similar-sized (in terms of cost) supply-side investment would be rewarded financially through the cost-of-service model, and
    d. Energy efficiency opportunities to support increased load flexibility (the ability to persistently shape and shift load).

[1] *See* 2007 Laws, art. 2
[2] I*d*., § 3, subd. 6.
[3] Minn. Stat. § 216B.1636
[4] Minn. Stat. § 216B.241, subd. 5a.
[5] *Id*., subd. 5b.

The new Shared Savings DSM Incentive Plan shall be in effect for 2021 - 2023.

Utilities may discontinue the annual February 1 compliance filing because a scale of net benefits will no longer be required since the Department's proposal sets percentages at certain savings thresholds and calibrates the mechanism to dollars per unit of energy.

Attachment B: Xcel Historical Electric CIP Achievements, Incentives, and Tracker Balance, 2007-2023														
Column ID		A	B	C	D	E	F	G	H	I	J	K	L	M
Year	Xcel Docket Number	CIP Expenditures (Excluding Incentive)	Demand Savings (kWh)	Achieved Energy Savings (kWh)	Net Benefits	DSM Financial Incentive	Carrying Charges	Year-End Tracker Balance	Avg Cost per kWh Saved (excluding incentive) H=(A/C)	Avg Cost per kWh Saved (including incentive) I=(A+E)/C	Incentive as a % of CIP Expenditures J=(E/A)	Incentive as a % of Net Benefits K=(E/D)	Carrying Charges as a % of Expenditures L=(F/A)	Year-End Tracker Balance as a % of Expenditures M=(G/A)
2007	08-390	$47,382,619	103,633	259,207,822	$208,992,753	$5,314,625	NA	NA	$0.18	$0.20	11.22%	3%	NA	NA
2008	09-345	$50,707,870	120,652	331,024,729	$265,436,020	$15,212,361	NA	NA	$0.15	$0.20	30.00%	6%	NA	NA
2009	10-296	$57,885,077	119,065	342,863,043	$268,644,362	$16,493,289	NA	NA	$0.17	$0.22	28.49%	6%	NA	NA
2010	11-278	$71,884,336	102,574	415,591,000	$290,852,319	$40,401,006	NA	NA	$0.17	$0.27	56.20%	14%	NA	NA
2011	12-315	$76,302,262	138,765	462,021,574	$332,568,538	$51,350,104	($619,259)	($21,768,428)	$0.17	$0.28	67.30%	15%	-0.81%	-28.53%
2012	13-247	$87,071,903	143,226	533,477,510	$376,897,422	$53,911,925	$4,231	$31,925,410	$0.16	$0.26	61.92%	14%	0.00%	36.67%
2013	14-287	$79,570,696	127,203	462,021,576	$249,969,276	$42,679,496	$298,021	$30,624,948	$0.17	$0.26	53.64%	17%	0.37%	38.49%
2014	15-320	$87,889,789	114,023	481,325,941	$255,953,599	$40,179,927	($1,229,487)	($56,291,008)	$0.18	$0.27	45.72%	16%	-1.40%	-64.05%
2015	16-282	$91,385,776	115,585	500,393,537	$268,957,814	$43,277,219	($56,557)	$9,164,617	$0.18	$0.27	47.36%	16%	-0.06%	10.03%
2016	17-259	$101,146,305	135,564	552,781,775	$312,424,228	$48,368,493	$15,721	$19,640,542	$0.18	$0.27	47.82%	15%	0.02%	19.42%
2017	18-240	$109,109,805	139,359	658,274,791	$224,008,869	$30,241,197	$48,421	$31,512,526	$0.17	$0.21	27.72%	13%	0.04%	28.88%
2018	19-258	$107,451,885	148,400	680,448,447	$240,468,488	$28,856,219	$580,490	$26,639,223	$0.16	$0.20	26.86%	12%	0.54%	24.79%
2019	20-402	$92,816,075	120,344	528,899,458	$175,891,796	$17,589,180	$591,471	$14,097,193	$0.18	$0.21	18.95%	10%	0.64%	15.19%
2020	21-226	$104,461,579	165,742	646,796,991	$308,239,130	$30,500,073	$157,228	$6,960,280	$0.16	$0.21	29.20%	10%	0.15%	6.66%
2021	22-158	$109,554,882	227,578	743,837,488	$268,810,002	$26,881,000	$158,349	($353,913)	$0.15	$0.18	24.54%	10%	0.14%	-0.32%
2022	23-145	$104,265,717	183,922	647,675,810	$242,712,020	$24,271,202	($1,141,593)	($38,012,183)	$0.16	$0.20	23.28%	10%	-1.09%	-36.5%
2023	24-50	$115,173,263	238,423	689,113,997	$264,786,408	$26,478,641	($893,637)	($22,036,468)	$0.17	$0.21	22.99%	10%	-0.78%	-19.13%

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Xcel Energy		Information Request No.	1
Docket No.:	E002/M-24-148		
Response To:	Minnesota Department of Commerce		
Requestor:	Holly Jones		
Date Received:	May 6, 2024		

Question:
Topic: Electric CIP Adjustment Factor Calculations
Reference(s): Attachment A; Electric Tables

a. Please provide Tables 2, 3, 33, 35A, 35B, 36A, 36B, 37, and 38 in the above referenced CIP Petition in in Microsoft Excel format with all links and formulae intact. If any of the links target an outside file, please provide all such additional files.
b. Please provide an explanation for the difference of $152,862 between the approved ending balance in the CIP tracker account of ($38,012,183) on 12/31/22 and the beginning balance of ($37,859,320) on 01/01/23.
c. The average electric carrying charges from 2011-2022 was negative ($99,414), but in 2023 the electric carrying charges are negative ($893,637). This is a significant change from prior years, can you please provide an explanation.

Response:

a. Please see the files "Tables 2 and 3 – GBGB MN 2023 SR.xlsx" and "Tables 33 35A 35B 36A 36B 37 38 – 2023 SR Electric CIP Rider.xlsx" for the tables. These files include intact formulae and do not include any links to outside files.

b. The compliance filing for the 2022 tracker filed on July 31, 2023 in Docket No. E002/M-23-145, shows an ending balance of ($37,859,320) while the initial filing of the Company's actual 2022 tracker shows the ending balance of ($38,012,183). This difference is due to an updated carrying charge rate following the approval of the Company's Multi Year electric rate case (E002/GR 21-630) on July 17, 2023. These changes were approved by the Department of Commerce in their Comments submitted on August 10, 2023 in Docket No. E002/M-23-145.

c. The 2023 Carrying Charges of ($893,637) are a reduction from the Carrying Charges in 2022 which totaled ($988,730). The carrying charges are high in recent years for a number of reasons. For example, there has been an over recovery of CIP expenses, because the Company has continued to effectively deliver high quality programs resulting in an underspend of our approved budget. Additionally, Electric Sales have been higher than forecasted resulting in higher-than-expected recovery through the Conservation Cost Recovery Charge (CCRC) and the CIP Adjustment Factor.

   In 2024, the Company is projecting high carrying charges for a slightly different reason. The Company's rate case increased the CCRC from $3.133/MWh to $4.955/MWh. This change coupled with the timeframe for changing the CIP Adjustment Factor in October of 2024 leads to very high levels of over recovery despite the increase in projected spend from the Company's 2024 to 2026 ECO Triennial Plan.

Preparer:	Karl Shlanta
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Department:	Program Policy & Strategy
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Date:	May 16, 2024