Minnesota Energy Resources Corporation
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1995 Rahncliff Court
Eagan, MN 55122
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May 2, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

VIA ELECTRONIC FILING

Re: In the Matter of the Petition for Approval of Minnesota Energy Resources (MERC) 2015 CIP Tracker Account, DSM Financial Incentive, and Conservation Cost Recovery Adjustment (CCRA)

Docket No. G011/M-16-___

Dear Mr. Wolf:

Enclosed please find the Petition of Minnesota Energy Resources Corporation (MERC) for Approval of its 2015 Conservation Improvement Program Tracker Accounts, DSM Financial Incentive, and Conservation Cost Recovery Adjustment.

The Commission's October 28, 2014, Findings of Fact, Conclusions, and Order in Docket No. G-011/GR-13-617 at Order Point 12 also required that MERC include, in future CIP tracker-account filings, annual compliance filings documenting that its CIP-exempt customers have been properly identified and are being properly billed. MERC has included an update regarding CIP billing compliance in the attached report.

Copies of this filing have been served on the Department of Commerce, Division of Energy Resources and the Office of the Attorney General – Residential Utilities and Antitrust Division. A summary of this filing has been served on all parties on the attached service lists.

Attachment A to this filing is submitted as a separate public and non-public filing. The nonpublic version of Attachment A contains trade secret information. Specifically, customer account information that is not generally known to, and not readily ascertainable by vendors and competitors of MERC, who could obtain economic value from its disclosure. MERC maintains this information as secret. Accordingly the attached document contains data which qualifies as "Trade Secret Data" pursuant to Minnesota Statutes Section 13.37 Subdivision 1(b).

Please contact me at (651) 322-8965 if you have any questions.

Sincerely,

/s/ Amber S. Lee____

Amber S. Lee
Regulatory and Legislative Affairs Manager
Minnesota Energy Resources Corporation

cc: Service List
Enclosure

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of 2015 Conservation Improvement Program Tracker Account, DSM Financial Incentive, and Conservation Cost Recovery Adjustment Factor

Docket No. G011/M-16-___

PETITION

INTRODUCTION

Minnesota Energy Resources Corporation ("MERC" or the "Company") submits this Petition pursuant to the Minnesota Public Utilities Commission's ("Commission") ORDER ESTABLISHING UTILITY PERFORMANCE INCENTIVES FOR ENERGY CONSERVATION in Docket No. E,G-999/CI-08-133. In this filing, MERC seeks approval of its Conservation Improvement Program ("CIP") tracker account balance and a Demand-Side Management ("DSM") financial incentive for the period January 1, 2015, through December 31, 2015. MERC is also seeking Commission approval of a proposed modified Conservation Cost Recovery Adjustment ("CCRA"). MERC filed its CIP Status Report covering the same period in Docket No. G011/CIP-12-548.

I. <u>Summary of Filing</u>

A one-paragraph summary of the filing accompanies this petition pursuant to Minn. R. 7829.1300, subp. 1.

II. Service on Other Parties

Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this petition on the Department of Commerce, Division of Energy Resources and the Office of the Attorney General, Residential Utilities and Antitrust Division. A summary of this filing has been served on all parties on the attached service list.

III. General Filing Information

Pursuant to Minn. R. 7825.3200, 7825.3500, and 7829.1300, MERC provides the following information:

A. Name, Address, and Telephone Number of Filing Party

Minnesota Energy Resources Corporation
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
(651) 322-8901

B. Name, Address, Electronic Address, and Telephone Number of Attorney for the Filing Party

Kristin M. Stastny
Briggs and Morgan, P.A.
2200 IDS Center
80 South 8th Street
Minneapolis, MN 55402
KStastny@briggs.com
(612) 977-8656

C. Date of Filing and Proposed Effective Date

MERC is submitting this filing on May 2, 2016 MERC proposes that the new CCRA factor be effective January 1, 2017.

D. Statute Controlling Schedule for Processing the Filing

Minn. Stat. § 216B.16, subd. 1, allows a utility to place a rate change into effect upon 60-days notice to the Commission, unless the Commission otherwise orders.

Minn. Stat. § 216B.16, subd. 6b-6c further allows public utilities to file rate schedules providing for annual recovery of actual conservation costs and approved incentives. Under Minn. R. 7829.0100, subp. 11, this Petition constitutes a miscellaneous filing because no determination of the Company's general revenue requirement is necessary. Minn. R. 7829.1400, subp. 1, permits initial comments on miscellaneous filings to be made within 30 days of filing with reply comments 10 days thereafter.

E. Signature, Electronic Address, and Title of Utility Employee Responsible for the Filing

Amber S. Lee
Regulatory and Legislative Affairs Manager
ASLee@minnesotaenergyresources.com
1995 Rahncliff Court, Suite 200
Eagan, MN 55122
(651) 322-8965

IV. Description and Purpose of Filing

A. Background

In this Petition, MERC seeks the Commission's approval of its CIP tracker account balances as of December 31, 2015. Additionally, MERC seeks Commission approval of a DSM financial incentive for 2015 in the amount of $3,392,001. MERC also seeks the Commission's approval of a CCRA of $0.00750 per therm, with a proposed effective date of January 1, 2017.

B. 2015 CIP Tracker Account

On May 1, 2015, MERC submitted a Petition for approval of its 2014 CIP tracker account activity, DSM incentive, and revised CCRA. On May 28, 2015, MERC submitted a filing to amend its proposed CCRA calculation based on corrections to MERC's tracker to account for Conservation Cost Recovery Charge ("CCRC") recoveries credited to the tracker for the period October 2014 through March 2015 and to account for the PNG CIP refund. Specifically, MERC adjusted the 2015 CIP tracker to account for an error in the amount of CCRC recovery included for October 2014 through March 2015. Because MERC's CCRC factor is fully embedded in the distribution charge, MERC calculates the total monthly CCRC revenue by multiplying the CIP-applicable monthly sales volumes by the applicable CCRC rate. Beginning in October 2014, a number of CIP-exempt customers were transferred to new CIP-exempt rate codes, which caused MERC to over-report the amount of CCRC revenue actually collected from customers. All CIP-applicable and CIP-exempt customers were billed correctly during this period; only the tracker entries were incorrect. In MERC's May 28, 2015 filing, MERC indicated the adjustment for CCRC revenue was $2,116,257.91 plus carrying charges. MERC has since checked that calculation and determined that one additional customer should have been excluded from the calculation so that the correct adjustment amount would be $2,098,856.74, plus a carrying charge adjustment of $37,367,41. Additionally, in April 2015, a final true-up adjustment was made to close out the refund of the over-collection balance on the PNG tracker. This adjustment of $10,663 is reflected in the tracker. MERC's 2015 CIP Tracker also reflects the following adjustments:

- Adjustments for MERC's acquisition of the Interstate Power and Light Company ("IPL") CIP tracker balance effective May 1, 2015 and incorporation of IPL's 2014 DSM Incentive awarded by Commission Order dated June 22, 2015 in Docket No. G001/M-15-325.
- Adjustments for North Shore Mining Company to correct for North Shore not having been billed for CIP.[1]
- Adjustments to correct for MERC's customer in Emmons, Iowa not having been billed for CCRA.[2]

On August 31, 2015, in Docket No. G011/M-15-420, the Commission approved MERC's 2014 CIP tracker account activity including an ending balance for MERC-NMU of ($312,304.78), for MERC-PNG of ($51,584.94) and for MERC-Consolidated of $479,312.93. The Commission also approved a financial incentive of $2,093,158 for MERC's 2014 CIP achievements and a revised CCRA of $0.00865 per therm for all customer classes effective January 1, 2016. The Commission also required that MERC correct its method for calculating carrying charges going forward.

Effective January 1, 2015, MERC consolidated its previous MERC-NMU and MERC-PNG tracker accounts into a single MERC tracker and the residual balances in the MERC-PNG and MERC-NMU CIP tracker accounts were rolled into the "MERC CIP

[1] In Docket No. G011/GR-13-617, the Commission required MERC to credit the CIP tracker for the CCRC and CCRA amounts that were not collected from MERC customer Northshore Mining Company from July 2006 through December 2013, before Northshore's CIP exemption became effective on January 1, 2014 and to add a one-time carrying charge at its approved overall rate of return.

[2] In Docket No. G011/GR-13-617 by Order dated March 18, 2015, the Commission ordered that MERC adjust its CIP tracker account to reflect the impacts to the CCRA arising from the Commission's determination that the Iowa LDC is CIP and GAP applicable.

Tracker" account. The tables below provide a summary of activities in the MERC CIP tracker account in 2015.

MERC-CIP Tracker 2015 Activity

Beginning Balance – January 1, 2015	$ 115,423.21
Acquired IPL Tracker Balance	$ 66,180.00
CIP Expenses – January 1, 2015 – December 31, 2015	$ 8,870,639.08
Carrying Charges - January 1, 2015 –December 31, 2015	$ (57,571.84)
DSM Financial Incentive	$ 2,093,158.00
CIP Recoveries - January 1, 2015 –December 31, 2015	$ (12,249,784.23)
Adjustments (2015)	
North Shore CCRA/CCRC	$322,210.00
PNG CCRA Refund True-Up	$10,662.73
Emmons, IA CCRA	$ (622.39)
CCRC Correction	$2,098,856.74
Ending Balance – December 31, 2015	**$ 1,269,151.31**

Attachment A includes MERC's 2015 CIP tracker account activity. The nonpublic version of Attachment A contains nonpublic trade secret information.

C. Proposed DSM Financial Incentive

1. Calculation of DSM Financial Incentive

MERC seeks Commission approval of a DSM financial incentive of $3,392,001 for 2015 based on energy savings of 493,382 dekatherms (Dth). Supporting documentation is provided in Attachment B.

MERC has excluded NGEA assessments in the amount of $241,168 from the calculation of net benefits as provided by the Commission's January 27, 2010, ORDER ESTABLISHING UTILITY PERFORMANCE INCENTIVES FOR ENERGY CONSERVATION in Docket No. E,G-999/CI-08-133.

2. Statutory Criteria

In Docket No. E,G-999/CI-08-133, the Commission adopted a new Shared Savings Model to be used to calculate utility financial incentives for energy conservation starting with the calendar year 2010. On December 20, 2012, the Commission issued an ORDER ADOPTING MODIFICATIONS TO SHARED SAVINGS DEMAND SIDE MANAGEMENT FINANCIAL INCENTIVE in Docket No. E,G-999/CI-08-133, whereby the Commission adopted modifications to the shared savings incentive model. Minn. Stat. § 216B.16, subd. 6c(b) sets forth four statutory criteria with respect to approval by the Commission of utility financial incentive plans for energy conservation improvements. MERC's requested DSM financial incentive is consistent with the statutory criteria outlined below.

Minn. Stat. § 216B.16, subd. 6c(b), states that in approving incentive plans, the Commission shall consider:

> (1) whether the plan is likely to increase utility investment in cost-effective energy conservation;
> (2) whether the plan is compatible with the interest of utility ratepayers and other interested parties;
> (3) whether the plan links the incentive to the utility's performance in achieving cost-effective conservation; and
> (4) whether the plan is in conflict with other provisions of Chapter 216B.

The four criteria are discussed below.

(*1) Whether the plan is likely to increase utility investment in cost-effective energy conservation.*

The new Shared Savings Model emphasizes the 1.5% energy savings goal and ties the incentive earned by the Company to that goal. Under the model, the Company's incentive is calibrated so that when MERC achieves energy savings equal to 1.5% of retail sales, the Company will earn an incentive equal to $6.875 the Mcf saved. Additionally, the closer the energy savings are to reaching the 1.5% energy savings goal, the greater the incremental incentive.

MERC's incentive is designed to increase the Company's investment in cost-effective energy conservation and consequently results in increased energy and demand savings. The increasing incentives under the plan encourage MERC to seek energy savings, through completed customer conservation measures, at and beyond the 1.5% energy savings goal.

(2) Whether the plan is compatible with the interest of utility ratepayers and other interested parties.

MERC's plan is compatible with the interest of utility ratepayers and other interested parties. The incentive is designed to tie the financial incentive to the utility's progress towards meeting the 1.5% energy savings goal. Additionally, the incentive will not exceed the net benefits created through the savings, and therefore ratepayers receive the majority of the benefits achieved under the Company's CIP program. Specifically, the Company's incentive plan caps the incentive awarded at 20 percent of net benefits. Additionally, the plan caps the incentive awarded per unit of energy saved at 125% of MERC's 1.0% target calibration ($6.875) per Mcf.

(3) Whether the plan links the incentive to the utility's performance in achieving cost-effective conservation.

MERC's incentive plan links the incentive to the Company's progress toward the 1.5% energy savings goal, but the incentive awarded will not exceed the net benefits created through savings. The incentive therefore encourages the utility to achieve cost-effective conservation.

(4) Whether the plan is in conflict with other provisions of Chapter 216B.

MERC's incentive plan does not conflict with other provisions of Chapter 216B, as the Commission concluded in its January 27, 2010, ORDER ESTABLISHING UTILITY PERFORMANCE INCENTIVES FOR ENERGY CONSERVATION and December 20, 2012 ORDER ADOPTING MODIFICATIONS TO SHARED SAVINGS DEMAND SIDE MANAGEMENT FINANCIAL INCENTIVE in Docket No. E,G-999/CI-08-133.

D. Proposed CCRA

In the Company's 2008 rate case proceeding, the Commission approved a CCRA for the Company with an initial rate of $0.0000 per therm and required the Company to file adjustment reports by May 1 of each calendar year. The current CCRA factor of $0.00865 per therm was approved by the Commission by Order dated August 31, 2015, in Docket No. G-011/M-15-420 and was effective January 1, 2016.

MERC's calculation of its new proposed CCRA is based on a January 1, 2017 effective date. As discussed in MERC's 2014 CIP tracker filing, MERC has consolidated the MERC-NMU and MERC-PNG tracker accounts into a single consolidated account, rolling the remaining balances into a single account balance effective January 1, 2015. The MERC tracker balance as of January 1, 2016 is $1,269,151.31. The estimated MERC CIP tracker balance as of January 1, 2017 is $(2,513,833.23). Calculation of the proposed consolidated CCRA factor of $0.00750 per therm is shown in Attachment C.

Included as Attachment D are proposed redline changes to MERC's Tariff Sheet No. 7.02a, incorporating the proposed CCRA. The Company proposes to implement the bill message below, effective the first month the new CCRA factor takes effect, notifying customers of the change in their monthly bills:

> Effective January 1, 2017, a CCRA (conservation cost recovery adjustment) has been included on your bill. The CCRA is an annual adjustment to true-up under-recovery or over-recovery of CIP (conservation improvement program) expenses. Effective January 1, 2017, the CCRA rate will be $0.00750 per therm.

E. Effect of Change on MERC Revenue

This Petition has no effect on MERC revenue. The CCRA is forecasted to recover the difference between the CIP expenses actually recovered through the CCRC and the CIP tracker account balance as of January 2016 over a one-year period.

F. CIP-Exempt Customer Billing Review

In its Findings of Fact, Conclusions, and Order in Docket No. G-011/GR-13-617, the Commission ordered that MERC make annual compliance filings with future CIP tracker filings documenting that its CIP-exempt customers have been properly identified and are being properly billed.

On February 13, 2015, MERC made a compliance filing with the Commission in Docket No. G-011/GR-13-617. In that filing, MERC described the review the Company completed of its CIP-billing process and the findings from that review. As described in that filing, MERC reviewed all CIP-exempt customers to ensure that they were properly categorized as CIP-exempt. MERC also ran queries in its billing and customer information system to confirm that non-exempt customers were paying the correct CIP surcharge. Additionally, MERC reviewed several unique accounts and services—master and deduct meters, sale for resale accounts, and transport scenarios—to ensure these customers were paying the surcharge or are on a non-exempt rate code so the surcharge will be assessed if there is gas usage in a billing period. Finally, MERC reviewed a sample of non-exempt customers to ensure the Company was accurately billing those customers for CIP and that no CIP-exempt customers were being charged.

During the review, as outlined in MERC's February 13, 2015 filing, MERC identified one customer—a local distribution company located in Iowa—who had not been properly billed for CIP. MERC has adjusted its CIP tracker for the amount of CCRA that should have been collected from this customer, as set forth in MERC's April 10, 2015 CIP Tracker Compliance Filing in Docket No. G011/GR-13-617.

On March 18, 2015, the Commission issued an Order in Docket No. G011/GR-13-617 requiring that within 30-days, MERC file a proposed scope of work for an internal audit of MERC's CIP billing and that, with the filing of the Company's next rate case, MERC file its preliminary or final internal audit findings.

On September 30, 2015, as part of MERC's currently pending rate case filed in Docket No. G011/GR-15-736, MERC submitted, as Exhibit __ (SSD-32) to the Direct Testimony of Seth DeMerritt, the final report associated with MERC's internal audit of CIP billing prepared by WEC's internal audit group. As discussed in Mr. DeMerritt's Direct Testimony:

> The audit report identifies a gap in the procedures verifying only CIP Exempt customers existed in CIP Exempt rate code. After the gap was identified, a data extract was performed and it was verified that only CIP Exempt customers were in fact assigned to CIP Exempt rate codes. In addition, sample bills were audited to ensure customers were charged the correct charges. WEC's internal audit group has recommended and MERC has agreed that the procedures will be expanded to address the process surrounding new customers, and will consider revising the

sample size for the number of customer bills reviewed each month.

A copy of the Audit Report submitted with MERC's initial rate case filing is included as Attachment E to this filing.

MERC takes billing errors very seriously and has committed to ensuring the necessary time and resources are available to monitor CIP billing to avoid any issues in the future. To that end, MERC has continued to conduct monthly reviews of a sample of customer bills, across all bill classes, to ensure proper billing of CIP charges. MERC has also committed to review all CIP-exempt rate codes on a quarterly basis ensure customers who are treated as CIP-exempt have received an exemption. Based on MERC's continued review, all customers on CIP-exempt rate codes have a valid exemption on file and no additional billing issues have been identified.

CONCLUSION

MERC respectfully requests that the Commission approve its CIP tracker account balances for 2015 with an ending balance of $1,269,151.31. Additionally, MERC requests that the Commission approve a consolidated 2015 DSM financial incentive of $3,392,001. Finally, MERC requests approval of a revised consolidated CCRA factor of $0.00750 per therm effective January 1, 2017.

DATED: May 2, 2016

Respectfully Submitted,

BRIGGS AND MORGAN, P.A.

By /s/ Kristin M. Stastny
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Attorney for Minnesota Energy
Resources Corporation

STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Beverly Jones Heydinger	Chair
Nancy Lange	Commissioner
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
John Tuma	Commissioner

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of 2015 Conservation Improvement Program Tracker Account, DSM Financial Incentive, and Conservation Cost Recovery Adjustment Factor

Docket No. G011/M-16-___

SUMMARY OF FILING

SUMMARY OF FILING

Please take notice that on May 2, 2016, Minnesota Energy Resources Corporation ("MERC") submitted to the Minnesota Public Utilities Commission ("Commission") a Petition for Approval of its 2015 Conservation Improvement Program ("CIP") tracker account balance, 2015 DSM financial incentive, and Conservation Cost Recovery Adjustment.

Please note that this filing is available through the eDockets system maintained by the Minnesota Department of Commerce and the Minnesota Public Utilities Commission. You can access this document by going to eDockets through the websites of the Department of Commerce or the Public Utilities Commission or going to the eDockets homepage at https://www.edockets.state.mn.us/EFiling/home.jsp. Once on the eDockets homepage, this document can be accessed through the Search Documents link and by entering the date of the filing.

	A	B	C	D	E	F	G	H
1								
2	**Conservation Improvement Program (CIP)**			BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis				
3				Approved by Minnesota Department of Commerce, January 26, 2006				
4		Company:	**Minnesota Energy Resources**					
5		Project:	**TOTAL CIP - 2015**					
6				R				
7	**Input Data**					**2015 Actual**		
8								
9	1) Retail Rate ($/Dth) =		$16.06		16) Utility Project Costs			
10	Escalation Rate =		4.28%		16a) Administrative & Operating Costs =	$4,766,399		
11					16b) Incentive Costs =	$3,863,073		
12	2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =		$0.00		16c) Total Utility Project Costs =	$8,629,471		
13	Escalation Rate =		2.16%					
14	Non-Gas Fuel Units (ie. kWh,Gallons, etc) =				17) Direct Participant Costs ($/Part.) =	$495		
15								
16	3) Commodity Cost ($/Dth) =		$4.34		18) Participant Non-Energy Costs (Annual $/Part.) =	$0		
17	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
18								
19	4) Demand Cost ($/Unit/Yr) =		$118.53		19) Participant Non-Energy Savings (Annual $/Part) =	$0		
20	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
21								
22	5) Peak Reduction Factor =		1.00%		20) Project Life (Years) =	13.4		
23								
24	6) Variable O&M ($/Dth) =		$0.03		21) Avg. Dth/Part. Saved =	16.65		
25	Escalation Rate =		4.28%					
26					22) Avg Non-Gas Fuel Units/Part. Saved =	0.00		
27	7) Non-Gas Fuel Cost ($/Fuel Unit) =		$0.00		22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00		
28	Escalation Rate =		2.16%					
29					23) Number of Participants =	29,638		
30	8) Non-Gas Fuel Loss Factor		0.00%					
31					24) Total Annual Dth Saved =	493,382		
32	9) Gas Environmental Damage Factor =		$0.3500					
33	Escalation Rate =		1.73%		25) Incentive/Participant =	$130		
34								
35	10) Non Gas Fuel Environmental Damage Factor =		$0.00					
36	Escalation Rate =		0.00%					
37								
38	11) Participant Discount Rate =		2.67%					
39								
40	12) Utility Discount Rate =		7.98%					
41								
42	13) Societal Discount Rate =		2.67%					
43								
44	14) General Input Data Year =		2012					
45								
46	15) Project Analysis Year 1 =		2015					
47	15a) Project Analysis Year 2 =		2014					
48	15c) Project Analysis Year 3 =		2015					
49								
50								
51								
52	**Cost Summary**	**2014**			**Test Results**	**NPV**	**B/C**	
53								
54	Utility Cost per Participant =	$291.16			**Ratepayer Impact Measure Test**	($74,861,979)	0.32	
55	Cost per Participant per Dth =	$47.20						
56					**Utility Cost Test**	$26,416,176	4.06	
57	Lifetime Energy Reduction (Dth)	6,907,343						
58					**Societal Test**	$31,232,230	2.61	
59	Societal Cost per Dth	$2.81						
60					**Participant Test**	$128,662,037	9.78	

Year	Energy Savings Achieved	Single-year Weather-Normalized sales	Savings as percent of same-year sales
2007	141,655	55,152,126	0.26%
2008	64,517	50,820,785	0.13%
2009	133,570	33,181,472	0.40%
2010	445,836	35,846,024	1.2438%
2011	457,748	36,866,317	1.2416%

3-year Weather-Normalized Sales Average:	43,175,948	From Table 1, 2015-2016 MERC CIP Extension Correction and Modificiation
1.0% of Sales:	431,759	From Table 1, 2015-2016 MERC CIP Extension Correction and Modificiation

For CIP Budget, Energy Goal, and Estimated Benefits, include only those modifications that were required by Order or which the utility notified the OES that it planned to include in the incentive calculation upon approval. Include a summary of the modifications below.

Approved CIP Budget:	$11,020,972	From Table 7, Commissioner's 10/12/15 Decision approving Program Plan Extensi
Approved CIP Energy Goal:	453,193	From Table 7, Commissioner's 10/12/15 Decision approving Program Plan Extensi
Estimated Net Benefits at Approved Goal:	$22,922,904	From Compliance Filing bencost

on
on

Inputs:

Average Sales:	43,175,948	
1.0% Energy Savings:	431,759	
Historic Average Savings:	0.63%	(Average of 3 years of historic with min and max taken out)
Earning Threshold:	0.30%	plus one unit of energy
Earning Threshold in Energy Savings:	129,529	
Award zero point:	0.20%	
Award zero point in Energy Savings:	86,352	
Steps from zero point to 1.5%	13	
Size of steps in Energy Savings:	43,176	

Incentive Calibration:

Average Incentive per unit at 1.5%:	$9.00	Set by Commission in approval of incentive mechanism & calibration
Cap Level:	125%	of Calibration Point
Incentive Cap:	$6.875	per MCF
Energy savings at 1.5%:	647,639	
Targeted incentive at 1.5%:	$5,828,753	
Multiplier:	**1.36871%**	**Percent of Net Benefits received for every 0.1% of sales above zero point**

Estimated Incentive Levels:

Achievement Level (% of sales)	Energy Saved	Percent of Benefits Awarded	Estimated Net Benefits	Financial Incentive	Average Incentive per unit Saved
0.0%	0	0.00000%	$0	**$0**	0.000
0.1%	43,176	0.00000%	$2,183,878	**$0**	0.000
0.2%	86,352	0.00000%	$4,367,756	**$0**	0.000
0.3%	129,528	0.00000%	$6,551,633	**$0**	0.000
0.4%	172,704	2.73743%	$8,735,511	**$239,128**	1.385
0.5%	215,880	4.10614%	$10,919,389	**$448,366**	2.077
0.6%	259,056	5.47486%	$13,103,267	**$717,385**	2.769
0.7%	302,232	6.84357%	$15,287,144	**$1,046,186**	3.462
0.8%	345,408	8.21228%	$17,471,022	**$1,434,770**	4.154
0.9%	388,584	9.58100%	$19,654,900	**$1,883,136**	4.846
1.0%	431,759	10.94971%	$21,838,778	**$2,391,283**	5.538
1.1%	474,935	12.31843%	$24,022,655	**$2,959,213**	6.231
1.2%	518,111	13.68714%	$26,206,533	**$3,562,016**	6.875
1.3%	561,287	15.05585%	$28,390,411	**$3,858,850**	6.875
1.4%	604,463	16.42457%	$30,574,289	**$4,155,685**	6.875
1.5%	647,639	17.79328%	$32,758,166	**$4,452,520**	6.875
1.6%	690,815	19.16200%	$34,942,044	**$4,749,354**	6.875
1.7%	733,991	20.00000%	$37,125,922	**$5,046,189**	6.875
1.8%	777,167	20.00000%	$39,309,800	**$5,343,024**	6.875
1.9%	820,343	20.00000%	$41,493,677	**$5,639,858**	6.875
2.0%	863,519	20.00000%	$43,677,555	**$5,936,693**	6.875
2.1%	906,695	20.00000%	$45,861,433	**$6,233,527**	6.875
Energy Savings Achievement	493,382	12.90320%	$26,416,176	**$3,392,001**	6.875

Actual CIP Results

Spending:	$8,870,639	From Table B-2, MERC May 2, 2016 Status Report
Energy Saved:	493,382	From Table B-3, MERC May 2, 2016 Status Report
Net Benefits Achieved:	$26,416,176	From May 2, 2016 Status Report BENCOST Utility Cost Test

Resulting Incentive:			
Steps above Zero Point:	9.42724		
Percent of Net Benefits Awarded:	12.90320%		
Financial Incentive Award:	$3,392,001		
Incentive per MCF	$6.88		
Net Benefit after Incentive	$23,024,175		

MERC
CCRA Calculation
To Be Effective January 1, 2017

Forecasted beginning balance (January 1, 2017)	$	(2,513,833.23)
Proposed Expenditures (January 2017-December 2017)	$	11,000,000.00
Forecasted 2015 Incentive (to be approved in 2016)	$	3,392,001.00
Forecasted 2016 Incentive (to be approved in 2017)	$	2,763,174.00
Less forecasted CCRC recovery (January 2017-December 2017)	$	(11,401,297.00)
Projected carrying charges for 2017	$	(151,605.54)
Forecasted December 2017 Balance	$	3,088,439.23
Forecasted gas sales (January 2017-December 2017) Therms		412,045,454
CCRA=$/therm beginning January 1, 2017	$	0.00750

Attachment D- Clean and Redline Tariff Sheets

CONSERVATION COST RECOVERY CHARGE AND ADJUSTMENT

All Classes MERC $0.00750*

*Approved effective January 1, 2017

5. Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes section 216B.241, the CCRC and CCRA shall not apply. Those customer accounts determined by the Commission to qualify as a Large Energy Facility Customers, shall receive a monthly exemption from conservation program charges pursuant to Minn. Stat.§ 216B.16, subd. 6b Energy Conservation Improvement. Upon exemption from conservation program charges, the Large Energy Facility customers can no longer participate in any utility's energy Conservation Improvement Program.

Under Minn. Stat. 216B.241, any customer account determined by the Commission of the Minnesota Department of Commerce to qualify as a large customer facility shall be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the large customer facility. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from the conservation program charges, no exempt customer facility may participate in a utility conservation improvement program unless the owner of the facility submits a filing with the Commissioner to withdraw its exemption.

Under Minn. Stat. 216B.241, any customer account that is not a large customer facility and that purchases or acquires natural gas from a public utility having fewer than 600,000 natural gas customers in Minnesota shall, upon a determination by the Commissioner of the Department of Commerce as qualifying for an opt out of the Conservation Improvement Program, be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the commercial gas customers. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from conservation program charges, the customers can no longer participate in any utility's energy Conservation Improvement Program unless the customer submits a filing with the Commissioner to withdraw its exemption.

6. Accounting Requirements: The Company is required to record all costs associated with the conservation program in a CIP Tracker Account. All revenues recovered through the CCRA are booked to the Tracker as an offset to expenses.

CONSERVATION COST RECOVERY CHARGE AND ADJUSTMENT

All Classes MERC $0.00750~~865~~*

*Approved effective January 1, 2017~~6 in Docket No. G011/M-15-420~~

5. Exemption: For those customer accounts granted an exemption by the Commissioner of the Minnesota Department of Commerce (or successor agency) from Conservation Improvement Program (CIP) costs pursuant to Minnesota Statutes section 216B.241, the CCRC and CCRA shall not apply. Those customer accounts determined by the Commission to qualify as a Large Energy Facility Customers, shall receive a monthly exemption from conservation program charges pursuant to Minn. Stat.§ 216B.16, subd. 6b Energy Conservation Improvement. Upon exemption from conservation program charges, the Large Energy Facility customers can no longer participate in any utility's energy Conservation Improvement Program.

Under Minn. Stat. 216B.241, any customer account determined by the Commission of the Minnesota Department of Commerce to qualify as a large customer facility shall be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the large customer facility. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from the conservation program charges, no exempt customer facility may participate in a utility conservation improvement program unless the owner of the facility submits a filing with the Commissioner to withdraw its exemption.

Under Minn. Stat. 216B.241, any customer account that is not a large customer facility and that purchases or acquires natural gas from a public utility having fewer than 600,000 natural gas customers in Minnesota shall, upon a determination by the Commissioner of the Department of Commerce as qualifying for an opt out of the Conservation Improvement Program, be exempt from CIP investment and expenditure requirements with respect to retail revenues attributable to the commercial gas customers. Customer accounts granted exemption by a decision of the Commissioner after the beginning of the calendar year shall be credited for any CIP collections billed after January first of the year following the Commissioner's decision. Upon exemption from conservation program charges, the customers can no longer participate in any utility's energy Conservation Improvement Program unless the customer submits a filing with the Commissioner to withdraw its exemption.

6. Accounting Requirements: The Company is required to record all costs associated with the conservation program in a CIP Tracker Account. All revenues recovered through the CCRA are booked to the Tracker as an offset to expenses.

WEC Energy Group

**INTERNAL
CORRESPONDENCE**

To: Dave Kult
From: Cara Newman CJN
Date: September 10, 2015
Subject: Conservation Improvement Program
Copy To:

Koby Bailey	Scott Lauber
Danielle Bly	Amber Lee
Dennis Derricks	Allen Leverett
Steve Dickson	Susan Martin
Duane Fameree	Jim Phillippo
Bert Garvin	Jim Schubilske
Pat Keyes	John Zaganczyk
Gale Klappa	Deloitte

INTRODUCTION:
A review of Minnesota Energy Resources Corporation's (MERC) Conservation Improvement Program (CIP) was performed by Cara Newman, MaryBeth Moureau, and Jim Westgate. Our objective of the audit was to evaluate MERC's CIP billing process to ensure necessary steps are in place to validate and verify CIP billing accuracy.

BACKGROUND:
On March 18, 2015 as part of the order for Docket No. G-011/GR-13-617, the Minnesota Public Utilities Commission (Commission) ordered that MERC submit a scope of work for an annual audit surrounding the CIP billing process. As part of the CIP, MERC is authorized to include an additional charge on customer bills to fund the conservation program. However, commercial and industrial (C&I) customers may request an exemption from this CIP charge through a formal process with the Commission and the Minnesota Department of Commerce.

This audit requirement was the result of a previous issue identified by the Minnesota Department of Commerce in which MERC treated a customer as exempt who had not received the appropriate approval from the Commission or the Minnesota Department of Commerce. Upon identification of that exception, MERC performed a more comprehensive review and identified additional issues.

SCOPE:
MERC filed the proposed scope of work with the Commission on April 17, 2015. To achieve the audit objective and required scope, we:

- Reviewed MERC's CIP billing process to ensure necessary steps were in place to validate and verify CIP-exempt treatment of customers, September 10, 2015

- Verified CIP billing procedures are regularly followed, and
- Reviewed a sample of customer bills to ensure current CIP charges are being assessed properly (CIP-exempt customers are not being billed CIP charges and non-exempt customers are being billed for the currently approved CIP charges).

OBSERVATIONS AND CONCLUSIONS:

MERC developed the "CIP Exempt/Non-Exempt Bill Review Process" (Procedure) to document the steps to be taken to verify the correct treatment of customers as either CIP exempt or non-exempt and to identify the personnel responsible for those steps.

We identified a gap in the Procedure related to exempt rate codes. MERC currently has nine exempt rate codes set-up within the billing system (E-CIS). After a customer is approved to be exempt, MERC assigns the customer to one of those exempt rate codes. However, we noted that MERC did not perform a review of the exempt rate codes to verify that only CIP exempt customers had been assigned to those rate codes. Lack of a review of customers assigned to the exempt rate codes increases the risk that MERC would not identify if they inadvertently assigned a non-exempt customer to one of the exempt rate codes. Upon identification of this gap, the Program Manager obtained an extract from E-CIS of all customers assigned to the exempt rate codes and determined that only CIP exempt customers were assigned to those rate codes. In addition, the Program Manager updated the Procedure to include this additional review.

To ensure CIP charges were being properly assessed, MERC reviewed 61 residential bills and 61 C&I bills to verify these non-exempt customer bills included the CIP charge. In addition, MERC verified that the 17 CIP exempt customer bills did not include the CIP charge. We verified that the 17 CIP exempt bills did not include the CIP charge and a sample of 14 of the non-exempt bills did include the CIP charge.

We have recommended and MERC has concurred that the Procedure will be expanded to address the process surrounding new customers including those that MERC acquires as part of a merger, and to consider revising the sample size for the number of customer bills reviewed each month to obtain adequate coverage of all non-exempt rate codes throughout the year. This will ensure that MERC has adequate controls in place to verify customers are properly billed in relation to the CIP charge and to prevent future CIP billing errors.

Please contact Heidi Humbert (414-221-3628) or Cara Newman (920-433-6937) if you have any comments or would like additional information.

In the Matter of the Petition for Approval of Minnesota Energy Resources (MERC) 2015 CIP Tracker Account, DSM Financial Incentive, and Conservation Cost Recovery Adjustment

Docket No. G011/M-16-___

CERTIFICATE OF SERVICE

I, Kristin M. Stastny, hereby certify that on the 2nd day of May, 2016, on behalf of Minnesota Energy Resources Corporation (MERC), I electronically filed a true and correct copy of the enclosed Petition on www.edockets.state.mn.us. Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

Dated this 2nd day of May, 2016.

*/s/ Kristin M. Stastny*____
Kristin M. Stastny

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500 Saint Paul, MN 551012198	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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Amber	Lee	ASLee@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	2665 145th St W Rosemount, MN 55068	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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Brian	Meloy	brian.meloy@stinson.com	Stinson,Leonard, Street LLP	150 S 5th St Ste 2300 Minneapolis, MN 55402	Electronic Service	No	GEN_SL_Minnesota Energy Resources Corporation_General Service List
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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PUBLIC DOCUMENT--TRADE SECRET INFORMATION HAS BEEN EXCISED

Minnesota Energy Resources
CIP Tracker Balance Calculation
As of 12/31/15

			2014 Ending Balance	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	2015 Total	
		Beginning Balace															
	1.	(excl. carry cost through July 2015)		(1,816,398.99)	(3,264,397.50)	(4,878,882.11)	(5,897,860.40)	(4,203,404.30)	(4,544,023.07)	(3,538,814.42)	(1,806,197.33)	376,929.87	833,323.71	587,223.65	767,669.20	(1,816,398.99)	
		Acquired IPL tracker balance						(12,883.00)	79,063.00							66,180.00	
	2.	Expenses		374,802.83	635,285.91	1,236,289.94	693,424.50	388,052.02	1,419,281.28	245,020.02	462,587.44	851,088.19	262,308.82	830,218.43	1,472,279.70	8,870,639.08	
[TRADE SECRET DATA BEGINS...	3.	Recoveries															
		Adjustment to CCRC CCRA for North Shore (PNG)		322,210.00												322,210.00	
		Refund of PNG CCRA expense-final true up					10,662.73									10,662.73	
		One-Time Adjustment - Emmons IA CCRA															
		One-Time Adjustment - CCRC (Jan - Mar)					2,098,856.74									2,098,856.74	...TRADE SECRET DATA ENDS]
	4.	Incentives									2,093,158.00					2,093,158.00	
		Sub Balance															
		(excl. carry costs through July 2015)															
	5.	(Line 1+2-3+4)	(1,816,398.99)	(3,264,397.50)	(4,878,882.11)	(5,897,860.40)	(4,203,404.30)	(4,544,023.07)	(3,538,814.42)	(3,672,957.68)	376,193.56	831,695.87	586,076.55	766,169.62	1,266,672.11	(605,099.06)	
		Monthly Carry Cost *															
	6.	(Line 5 x .00195725)		(6,389.24)	(9,549.19)	(11,543.59)	(8,227.11)	(8,893.79)	(6,926.34)	(7,188.90)	736.30	1,627.84	1,147.10	1,499.59	2,479.19	(51,228.15)	
		One-Time Carry Charge Adjustment (PNG)		(43,074.00)												(43,074.00)	
		Monthly Carry Charge Adjustment (PNG)		14,705.71												14,705.71	
[TRADE SECRET DATA BEGINS...		One-Time Carry Charge Adjustment (CONSOL)		(15,221.00)												(15,221.00)	
		One-Time Carry Charge Adjustment-Emmons IA															
		One-Time Carry Charge Adjustment-CCRC (Jan - Mar)					37,367.41									37,367.41	...TRADE SECRET DATA ENDS]
	7.	Cumulative Carry Cost (Through July 2015)	1,931,822.20	1,881,843.67	1,872,294.48	1,860,629.08	1,889,769.38	1,880,875.59	1,873,949.24	1,866,760.35						1,874,250.36	
		Ending Balance															
	8.	**(Line 5+7)**	**115,423.21**	**(1,382,553.83)**	**(3,006,587.64)**	**(4,037,231.33)**	**(2,313,634.93)**	**(2,663,147.48)**	**(1,664,865.18)**	**(1,806,197.33)**	**376,929.87**	**833,323.71**	**587,223.65**	**767,669.20**	**1,269,151.31**	**1,269,151.31**	

* Carry Cost charge set at Rate of Return of 2.3487% based on Commission Docket No. G-011/M-14-369; Order #5

2.3487% annual short-term cost of debt rate
12 months
0.00195725 monthly rate

** Effective in August 2015, carrying charges are based on the total net tracker balance inclusive of carrying charges

Minnesota Energy Resources
CCRC Recovery by Class (in therms)

CCRC:	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YTD
Gas Residential	30,456,095	29,339,807	30,665,293	16,797,919	9,794,799	5,722,598	3,449,688	2,992,563	3,037,915	4,140,905	7,266,791	17,409,142	161,073,515
Gas Small C&I	2,369,370	2,308,632	2,509,270	1,188,744	601,733	195,873	93,274	73,783	96,107	174,870	236,641	696,697	10,544,994
Gas Large C&I	14,940,296	14,425,321	15,604,626	8,665,110	5,347,529	3,575,525	2,501,687	2,228,331	2,373,365	3,328,957	4,476,076	9,061,347	86,528,170
Gas Large C&I Int.	4,247,812	4,754,109	4,824,939	3,040,941	2,087,344	1,432,936	1,520,932	1,424,929	1,546,942	2,097,703	3,373,110	3,331,307	33,683,004
Transport of Gas	27,297,162	27,605,016	24,450,000	7,217,343	6,596,398	5,479,470	5,173,740	5,726,850	6,138,144	7,225,673	6,334,897	1,877,172	131,121,865
Total Therms	79,310,735	78,432,885	78,054,128	36,910,057	24,427,803	16,406,402	12,739,321	12,446,456	13,192,473	16,968,108	21,687,515	32,375,665	422,951,548
CCRC rate *	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448	0.02448
CCRC Recovery	$ 1,941,526.79	$ 1,920,037.02	$ 1,910,765.05	$ 903,558.20	$ 597,992.62	$ 401,628.72	$ 311,858.58	$ 304,689.24	$ 322,951.74	$ 415,379.28	$ 530,910.37	$ 792,556.28	$ 10,353,853.90

One-Time Therms adj. to correct Oct-Mar CIP exempt	(85,737,612)
CCRC rate	0.02448
One-Time adjustment to tracker	$ (2,098,856.74)

* CCRC Final rate provided Dec 2014

Minnesota Energy Resources
CCRA Recovery by Class (in therms)

CCRA:	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YTD
Gas Residential	23,869,622	29,341,830	30,675,594	16,787,817	9,309,538	5,718,346	3,386,910	2,992,596	3,037,793	4,141,193	7,266,361	17,409,128	153,936,728
Gas Small C&I	1,808,353	2,299,061	2,510,755	1,178,536	546,795	195,294	91,533	55,668	102,355	180,302	243,885	714,400	9,926,937
Gas Large C&I	10,986,883	14,453,716	15,618,587	8,689,320	4,766,976	3,628,590	2,377,518	2,173,308	2,371,023	3,324,558	4,473,133	9,147,830	82,011,442
Gas Large C&I Int.	65,205	4,726,753	4,807,521	3,075,368	1,753,225	1,432,947	1,327,209	1,424,929	1,546,942	2,097,703	3,373,110	3,338,293	28,969,205
Transport of Gas	-	8,697,322	8,459,887	7,259,875	4,886,132	5,542,315	4,965,693	5,747,958	6,185,650	7,255,647	6,369,521	2,011,380	67,381,380
Total Therms	36,730,063	59,518,682	62,072,344	36,990,916	21,262,666	16,517,492	12,148,863	12,394,459	13,243,763	16,999,403	21,726,010	32,621,031	342,225,692
CCRA rate *	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554	0.00554
CCRA Recovery	$ 203,484.55	$ 329,733.50	$ 343,880.79	$ 204,929.67	$ 117,795.17	$ 91,506.91	$ 67,304.70	$ 68,665.30	$ 73,370.45	$ 94,176.69	$ 120,362.10	$ 180,720.51	$ 1,895,930.33

CCRA = Conservation Cost Recovery Adjustment

* Rate per Docket No. G-011/M-14-369, order #3.

Conservation Improvement Program (CIP)
BENCOST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: Minnesota Energy Resources

Global Inputs

Input Data			Escalation Rate
1) Retail Rate ($/Dth) =	$16.06	Residential	4.28%
	$15.82	Commercial	
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00		2.16%
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =			
3) Commodity Cost ($/Dth) =	$4.34		4.28%
4) Demand Cost ($/Unit/Yr) =	$118.53		4.28%
5) Peak Reduction Factor =	1.00%		
6) Variable O&M ($/Dth) =	$0.03		4.28%
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00		2.16%
8) Non-Gas Fuel Loss Factor	0.00%		
9) Gas Environmental Damage Factor =	$0.3500		1.73%
10) Non Gas Fuel Environmental Damage Factor =	$0.00		0.00%
11) Participant Discount Rate =	2.67%	Residential	
	7.98%	Commercial	
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year =	2015		

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: TOTAL CIP - 2015

R

Input Data			2015 Actual
1) Retail Rate ($/Dth) =	$16.06	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$4,766,399
		16b) Incentive Costs =	$3,863,073
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$8,629,471
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$495
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	13.4
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	16.65
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	29,638
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	493,382
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$130
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	2.67%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014
Utility Cost per Participant =	$291.16
Cost per Participant per Dth =	$47.20
Lifetime Energy Reduction (Dth)	6,907,343
Societal Cost per Dth	$2.81

Test Results	NPV	B/C
Ratepayer Impact Measure Test	($74,861,979)	0.32
Utility Cost Test	$26,416,176	4.06
Societal Test	$31,232,230	2.61
Participant Test	$128,662,037	9.78

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: TOTAL LOW INCOME

R

Input Data			2014 Actual
1) Retail Rate ($/Dth) =	$16.06	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$1,067,565
		16b) Incentive Costs =	$0
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$ 1,067,565
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$0
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	14.2
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	20.08
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	404
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	8,114
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$0
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	2.67%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014	Test Results	NPV	B/C
Utility Cost per Participant =	$2,642.49	Ratepayer Impact Measure Test	($2,216,117)	0.22
Cost per Participant per Dth =	$131.57			
		Utility Cost Test	($459,832)	0.57
Lifetime Energy Reduction (Dth)	121,710			
		Societal Test	($168,293)	0.84
Societal Cost per Dth	$8.77			
		Participant Test	$2,477,182	n/a

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: TOTAL RESIDENTIAL

R

Input Data		2014 Actual	
1) Retail Rate ($/Dth) =	$16.06	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$1,644,975
		16b) Incentive Costs =	$2,296,764
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$ 3,941,739
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$342
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	12.6
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	9.65
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	21,721
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	209,604
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$106
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	2.67%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014
Utility Cost per Participant =	$181.47
Cost per Participant per Dth =	$54.21
Lifetime Energy Reduction (Dth)	2,724,852
Societal Cost per Dth	$3.33

Test Results	NPV	B/C
Ratepayer Impact Measure Test	($30,492,840)	0.32
Utility Cost Test	$10,107,261	3.56
Societal Test	$10,769,202	2.19
Participant Test	$49,448,664	7.66

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: TOTAL COMMERCIAL / INDUSTRIAL

C

Input Data			2014 Actual
1) Retail Rate ($/Dth) =	$15.82	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$2,040,218
		16b) Incentive Costs =	$1,566,309
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$ 3,606,527
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$963
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	14.0
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	36.69
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	7,513
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	275,664
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$208
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	7.98%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014	Test Results	NPV	B/C
Utility Cost per Participant =	$480.04	Ratepayer Impact Measure Test	($39,766,520)	0.33
Cost per Participant per Dth =	$39.33			
		Utility Cost Test	$15,974,278	5.43
Lifetime Energy Reduction (Dth)	3,859,290			
		Societal Test	$19,025,623	3.05
Societal Cost per Dth	$2.40			
		Participant Test	$50,070,497	7.92

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: LIW

R

Input Data			2014 Actual
1) Retail Rate ($/Dth) =	$16.06	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$369,137
		16b) Incentive Costs =	$0
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$369,137
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$0
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	19.0
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	18.07
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	158
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	2,855
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$0
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	2.67%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014	Test Results	NPV	B/C
Utility Cost per Participant =	$2,336.31	Ratepayer Impact Measure Test	($849,849)	0.23
Cost per Participant per Dth =	$129.29			
		Utility Cost Test	($114,778)	0.69
Lifetime Energy Reduction (Dth)	54,246			
		Societal Test	$43,954	1.12
Societal Cost per Dth	$6.80			
		Participant Test	$1,140,545	#DIV/0!

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: 4U2

R

Input Data			2014 Actual
1) Retail Rate ($/Dth) =	$16.06	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$667,377
		16b) Incentive Costs =	$0
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$667,377
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$0
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	11.7
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	21.38
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	246
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	5,259
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$0
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	2.67%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014
Utility Cost per Participant =	$2,712.92
Cost per Participant per Dth =	$126.90
Lifetime Energy Reduction (Dth)	63,107
Societal Cost per Dth	$10.58

Test Results	NPV	B/C
Ratepayer Impact Measure Test	($1,292,321)	0.20
Utility Cost Test	($336,701)	0.50
Societal Test	($211,412)	0.68
Participant Test	$1,253,774	#DIV/0!

	A	B	C	D	E	F	G	H
1								
2	Conservation Improvement Program (CIP)			BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis				
3				Approved by Minnesota Department of Commerce, January 26, 2006				
4	Company:	Minnesota Energy Resources						
5	Project:	Res Rebates						
6				R				
7	Input Data					2014 Actual		
8								
9	1) Retail Rate ($/Dth) =		$16.06		16) Utility Project Costs			
10	Escalation Rate =		4.28%		16a) Administrative & Operating Costs =	$275,131		
11					16b) Incentive Costs =	$1,916,680		
12	2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =		$0.00		16c) Total Utility Project Costs =	$2,191,811		
13	Escalation Rate =		2.16%					
14	Non-Gas Fuel Units (ie. kWh,Gallons, etc) =				17) Direct Participant Costs ($/Part.) =	$381		
15								
16	3) Commodity Cost ($/Dth) =		$4.34		18) Participant Non-Energy Costs (Annual $/Part.) =	$0		
17	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
18								
19	4) Demand Cost ($/Unit/Yr) =		$118.53		19) Participant Non-Energy Savings (Annual $/Part) =	$0		
20	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
21								
22	5) Peak Reduction Factor =		1.00%		20) Project Life (Years) =	10.6		
23								
24	6) Variable O&M ($/Dth) =		$0.03		21) Avg. Dth/Part. Saved =	9.36		
25	Escalation Rate =		4.28%					
26					22) Avg Non-Gas Fuel Units/Part. Saved =	0.00		
27	7) Non-Gas Fuel Cost ($/Fuel Unit) =		$0.00		22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00		
28	Escalation Rate =		2.16%					
29					23) Number of Participants =	17,408		
30	8) Non-Gas Fuel Loss Factor		0.00%					
31					24) Total Annual Dth Saved =	162,949		
32	9) Gas Environmental Damage Factor =		$0.3500					
33	Escalation Rate =		1.73%		25) Incentive/Participant =	$110		
34								
35	10) Non Gas Fuel Environmental Damage Factor =		$0.00					
36	Escalation Rate =		0.00%					
37								
38	11) Participant Discount Rate =		2.67%					
39								
40	12) Utility Discount Rate =		7.98%					
41								
42	13) Societal Discount Rate =		2.67%					
43								
44	14) General Input Data Year =		2012					
45								
46	15) Project Analysis Year 1 =		2015					
47	15a) Project Analysis Year 2 =		2014					
48	15c) Project Analysis Year 3 =		2015					
49								
50								
51								
52	Cost Summary	2014			Test Results	NPV	B/C	
53								
54	Utility Cost per Participant =	$125.91			Ratepayer Impact Measure Test	($20,233,296)	0.32	
55	Cost per Participant per Dth =	$54.19						
56					Utility Cost Test	$7,354,491	4.36	
57	Lifetime Energy Reduction (Dth)	1,792,434						
58					Societal Test	$5,941,269	1.86	
59	Societal Cost per Dth	$3.86						
60					Participant Test	$30,604,584	5.61	

	A	B	C	D	E	F	G	H
1								
2	Conservation Improvement Program (CIP)			BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis				
3				Approved by Minnesota Department of Commerce, January 26, 2006				
4	Company:	Minnesota Energy Resources						
5	Project:	Home En Exc						
6				R				
7	Input Data					2014 Actual		
8								
9	1) Retail Rate ($/Dth) =		$16.06		16) Utility Project Costs			
10	Escalation Rate =		4.28%		16a) Administrative & Operating Costs =	$812,007		
11					16b) Incentive Costs =	$380,084		
12	2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =		$0.00		16c) Total Utility Project Costs =	$1,192,091		
13	Escalation Rate =		2.16%					
14	Non-Gas Fuel Units (ie. kWh,Gallons, etc) =				17) Direct Participant Costs ($/Part.) =	$979		
15								
16	3) Commodity Cost ($/Dth) =		$4.34		18) Participant Non-Energy Costs (Annual $/Part.) =	$0		
17	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
18								
19	4) Demand Cost ($/Unit/Yr) =		$118.53		19) Participant Non-Energy Savings (Annual $/Part) =	$0		
20	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
21								
22	5) Peak Reduction Factor =		1.00%		20) Project Life (Years) =	20.0		
23								
24	6) Variable O&M ($/Dth) =		$0.03		21) Avg. Dth/Part. Saved =	55.01		
25	Escalation Rate =		4.28%					
26					22) Avg Non-Gas Fuel Units/Part. Saved =	0.00		
27	7) Non-Gas Fuel Cost ($/Fuel Unit) =		$0.00		22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00		
28	Escalation Rate =		2.16%					
29					23) Number of Participants =	798		
30	8) Non-Gas Fuel Loss Factor		0.00%					
31					24) Total Annual Dth Saved =	43,901		
32	9) Gas Environmental Damage Factor =		$0.3500					
33	Escalation Rate =		1.73%		25) Incentive/Participant =	$476		
34								
35	10) Non Gas Fuel Environmental Damage Factor =		$0.00					
36	Escalation Rate =		0.00%					
37								
38	11) Participant Discount Rate =		2.67%					
39								
40	12) Utility Discount Rate =		7.98%					
41								
42	13) Societal Discount Rate =		2.67%					
43								
44	14) General Input Data Year =		2012					
45								
46	15) Project Analysis Year 1 =		2015					
47	15a) Project Analysis Year 2 =		2014					
48	15c) Project Analysis Year 3 =		2015					
49								
50								
51								
52	Cost Summary	2014			Test Results	NPV	B/C	
53								
54	Utility Cost per Participant =	$1,493.85			Ratepayer Impact Measure Test	($8,853,320)	0.31	
55	Cost per Participant per Dth =	$44.95						
56					Utility Cost Test	$2,861,701	3.40	
57	Lifetime Energy Reduction (Dth)	878,020						
58					Societal Test	$5,143,845	4.23	
59	Societal Cost per Dth	$1.81						
60					Participant Test	$18,210,745	24.30	

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis
Approved by Minnesota Department of Commerce, January 26, 2006

Company: Minnesota Energy Resources
Project: CI Rebate

C

Input Data			2014 Actual
1) Retail Rate ($/Dth) =	$15.82	16) Utility Project Costs	
Escalation Rate =	4.28%	16a) Administrative & Operating Costs =	$900,618
		16b) Incentive Costs =	$1,529,120
2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =	$0.00	16c) Total Utility Project Costs =	$2,429,738
Escalation Rate =	2.16%		
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =		17) Direct Participant Costs ($/Part.) =	$7,795
3) Commodity Cost ($/Dth) =	$4.34	18) Participant Non-Energy Costs (Annual $/Part.) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
4) Demand Cost ($/Unit/Yr) =	$118.53	19) Participant Non-Energy Savings (Annual $/Part) =	$0
Escalation Rate =	4.28%	Escalation Rate =	0.00%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	14.5
6) Variable O&M ($/Dth) =	$0.03	21) Avg. Dth/Part. Saved =	286.86
Escalation Rate =	4.28%		
		22) Avg Non-Gas Fuel Units/Part. Saved =	0.00
7) Non-Gas Fuel Cost ($/Fuel Unit) =	$0.00	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00
Escalation Rate =	2.16%		
		23) Number of Participants =	902
8) Non-Gas Fuel Loss Factor	0.00%		
		24) Total Annual Dth Saved =	258,749
9) Gas Environmental Damage Factor =	$0.3500		
Escalation Rate =	1.73%	25) Incentive/Participant =	$1,695
10) Non Gas Fuel Environmental Damage Factor =	$0.00		
Escalation Rate =	0.00%		
11) Participant Discount Rate =	7.98%		
12) Utility Discount Rate =	7.98%		
13) Societal Discount Rate =	2.67%		
14) General Input Data Year =	2012		
15) Project Analysis Year 1 =	2015		
15a) Project Analysis Year 2 =	2014		
15c) Project Analysis Year 3 =	2015		

Cost Summary	2014	Test Results	NPV	B/C
Utility Cost per Participant =	$2,693.72	Ratepayer Impact Measure Test	($38,219,170)	0.34
Cost per Participant per Dth =	$36.56			
		Utility Cost Test	$16,950,406	7.98
Lifetime Energy Reduction (Dth)	3,881,234			
		Societal Test	$20,745,221	3.62
Societal Cost per Dth	$2.04			
		Participant Test	$49,667,444	8.06

	A	B	C	D	E	F	G	H
1								
2	Conservation Improvement Program (CIP)			BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis				
3				Approved by Minnesota Department of Commerce, January 26, 2006				
4	Company:	Minnesota Energy Resources						
5	Project:	Small Business						
6				C				
7	Input Data					2014 Actual		
8								
9	1) Retail Rate ($/Dth) =		$15.82		16) Utility Project Costs			
10	Escalation Rate =		4.28%		16a) Administrative & Operating Costs =	$169,386		
11					16b) Incentive Costs =	$1,595		
12	2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =		$0.00		16c) Total Utility Project Costs =	$170,981		
13	Escalation Rate =		2.16%					
14	Non-Gas Fuel Units (ie. kWh,Gallons, etc) =				17) Direct Participant Costs ($/Part.) =	$133		
15								
16	3) Commodity Cost ($/Dth) =		$4.34		18) Participant Non-Energy Costs (Annual $/Part.) =	$0		
17	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
18								
19	4) Demand Cost ($/Unit/Yr) =		$118.53		19) Participant Non-Energy Savings (Annual $/Part) =	$0		
20	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
21								
22	5) Peak Reduction Factor =		1.00%		20) Project Life (Years) =	10.0		
23								
24	6) Variable O&M ($/Dth) =		$0.03		21) Avg. Dth/Part. Saved =	8.95		
25	Escalation Rate =		4.28%					
26					22) Avg Non-Gas Fuel Units/Part. Saved =	0.00		
27	7) Non-Gas Fuel Cost ($/Fuel Unit) =		$0.00		22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00		
28	Escalation Rate =		2.16%					
29					23) Number of Participants =	726		
30	8) Non-Gas Fuel Loss Factor		0.00%					
31					24) Total Annual Dth Saved =	6,501		
32	9) Gas Environmental Damage Factor =		$0.3500					
33	Escalation Rate =		1.73%		25) Incentive/Participant =	$2		
34								
35	10) Non Gas Fuel Environmental Damage Factor =		$0.00					
36	Escalation Rate =		0.00%					
37								
38	11) Participant Discount Rate =		7.98%					
39								
40	12) Utility Discount Rate =		7.98%					
41								
42	13) Societal Discount Rate =		2.67%					
43								
44	14) General Input Data Year =		2012					
45								
46	15) Project Analysis Year 1 =		2015					
47	15a) Project Analysis Year 2 =		2014					
48	15c) Project Analysis Year 3 =		2015					
49								
50								
51								
52	Cost Summary	2014			Test Results	NPV	B/C	
53								
54	Utility Cost per Participant =	$235.51			Ratepayer Impact Measure Test	($820,957)	0.30	
55	Cost per Participant per Dth =	$41.15						
56					Utility Cost Test	$180,984	2.06	
57	Lifetime Energy Reduction (Dth)	65,013						
58					Societal Test	$196,908	1.74	
59	Societal Cost per Dth	$4.09						
60					Participant Test	$906,985	10.39	

	A	B	C	D	E	F	G	H
1								
2	Conservation Improvement Program (CIP)			BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis				
3				Approved by Minnesota Department of Commerce, January 26, 2006				
4	Company:	Minnesota Energy Resources						
5	Project:	Multifamily						
6				C				
7	Input Data					2014 Actual		
8								
9	1) Retail Rate ($/Dth) =		$15.82		16) Utility Project Costs			
10	Escalation Rate =		4.28%		16a) Administrative & Operating Costs =	$147,184		
11					16b) Incentive Costs =	$5,269		
12	2) Non-Gas Fuel Retail Rate ($/Fuel Unit) =		$0.00		16c) Total Utility Project Costs =	$152,453		
13	Escalation Rate =		2.16%					
14	Non-Gas Fuel Units (ie. kWh,Gallons, etc) =				17) Direct Participant Costs ($/Part.) =	$19		
15								
16	3) Commodity Cost ($/Dth) =		$4.34		18) Participant Non-Energy Costs (Annual $/Part.) =	$0		
17	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
18								
19	4) Demand Cost ($/Unit/Yr) =		$118.53		19) Participant Non-Energy Savings (Annual $/Part) =	$0		
20	Escalation Rate =		4.28%		Escalation Rate =	0.00%		
21								
22	5) Peak Reduction Factor =		1.00%		20) Project Life (Years) =	5.8		
23								
24	6) Variable O&M ($/Dth) =		$0.03		21) Avg. Dth/Part. Saved =	1.39		
25	Escalation Rate =		4.28%					
26					22) Avg Non-Gas Fuel Units/Part. Saved =	0.00		
27	7) Non-Gas Fuel Cost ($/Fuel Unit) =		$0.00		22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0.00		
28	Escalation Rate =		2.16%					
29					23) Number of Participants =	5,810		
30	8) Non-Gas Fuel Loss Factor		0.00%					
31					24) Total Annual Dth Saved =	8,066		
32	9) Gas Environmental Damage Factor =		$0.3500					
33	Escalation Rate =		1.73%		25) Incentive/Participant =	$1		
34								
35	10) Non Gas Fuel Environmental Damage Factor =		$0.00					
36	Escalation Rate =		0.00%					
37								
38	11) Participant Discount Rate =		7.98%					
39								
40	12) Utility Discount Rate =		7.98%					
41								
42	13) Societal Discount Rate =		2.67%					
43								
44	14) General Input Data Year =		2012					
45								
46	15) Project Analysis Year 1 =		2015					
47	15a) Project Analysis Year 2 =		2014					
48	15c) Project Analysis Year 3 =		2015					
49								
50								
51								
52	Cost Summary	2014			Test Results	NPV	B/C	
53								
54	Utility Cost per Participant =	$26.24			Ratepayer Impact Measure Test	($669,540)	0.29	
55	Cost per Participant per Dth =	$32.39						
56					Utility Cost Test	$127,552	1.84	
57	Lifetime Energy Reduction (Dth)	48,393						
58					Societal Test	$78,611	1.31	
59	Societal Cost per Dth	$5.29						
60					Participant Test	$693,552	7.37	

Year	Energy Savings Achieved	Single-year Weather-Normalized sales	Savings as percent of same-year sales
2007	141,655	55,152,126	0.26%
2008	64,517	50,820,785	0.13%
2009	133,570	33,181,472	0.40%
2010	445,836	35,846,024	1.2438%
2011	457,748	36,866,317	1.2416%

3-year Weather-Normalized Sales Average:	43,175,948	From Table 1, 2015-2016 MERC CIP Extension Correction and Modificiation
1.0% of Sales:	431,759	From Table 1, 2015-2016 MERC CIP Extension Correction and Modificiation

For CIP Budget, Energy Goal, and Estimated Benefits, include only those modifications that were required by Order or which the utility notified the OES that it planned to include in the incentive calculation upon approval. Include a summary of the modifications below.

Approved CIP Budget:	$11,020,972	From Table 7, Commissioner's 10/12/15 Decision approving Program Plan Extension
Approved CIP Energy Goal:	453,193	From Table 7, Commissioner's 10/12/15 Decision approving Program Plan Extension
Estimated Net Benefits at Approved Goal:	$22,922,904	From Compliance Filing bencost

Inputs:

Average Sales:	43,175,948	
1.0% Energy Savings:	431,759	
Historic Average Savings:	0.63%	(Average of 3 years of historic with min and max taken out)
Earning Threshold:	0.30%	plus one unit of energy
Earning Threshold in Energy Savings:	129,529	
Award zero point:	0.20%	
Award zero point in Energy Savings:	86,352	
Steps from zero point to 1.5%	13	
Size of steps in Energy Savings:	43,176	

Incentive Calibration:

Average Incentive per unit at 1.5%:	$9.00	Set by Commission in approval of incentive mechanism & calibration
Cap Level:	125%	of Calibration Point
Incentive Cap:	$6.875	per MCF
Energy savings at 1.5%:	647,639	
Targeted incentive at 1.5%:	$5,828,753	
Multiplier:	**1.36871%**	**Percent of Net Benefits received for every 0.1% of sales above zero point**

Estimated Incentive Levels:

Achievement Level (% of sales)	Energy Saved	Percent of Benefits Awarded	Estimated Net Benefits	Financial Incentive	Average Incentive per unit Saved
0.0%	0	0.00000%	$0	**$0**	0.000
0.1%	43,176	0.00000%	$2,183,878	**$0**	0.000
0.2%	86,352	0.00000%	$4,367,756	**$0**	0.000
0.3%	129,528	0.00000%	$6,551,633	**$0**	0.000
0.4%	172,704	2.73743%	$8,735,511	**$239,128**	1.385
0.5%	215,880	4.10614%	$10,919,389	**$448,366**	2.077
0.6%	259,056	5.47486%	$13,103,267	**$717,385**	2.769
0.7%	302,232	6.84357%	$15,287,144	**$1,046,186**	3.462
0.8%	345,408	8.21228%	$17,471,022	**$1,434,770**	4.154
0.9%	388,584	9.58100%	$19,654,900	**$1,883,136**	4.846
1.0%	431,759	10.94971%	$21,838,778	**$2,391,283**	5.538
1.1%	474,935	12.31843%	$24,022,655	**$2,959,213**	6.231
1.2%	518,111	13.68714%	$26,206,533	**$3,562,016**	6.875
1.3%	561,287	15.05585%	$28,390,411	**$3,858,850**	6.875
1.4%	604,463	16.42457%	$30,574,289	**$4,155,685**	6.875
1.5%	647,639	17.79328%	$32,758,166	**$4,452,520**	6.875
1.6%	690,815	19.16200%	$34,942,044	**$4,749,354**	6.875
1.7%	733,991	20.00000%	$37,125,922	**$5,046,189**	6.875
1.8%	777,167	20.00000%	$39,309,800	**$5,343,024**	6.875
1.9%	820,343	20.00000%	$41,493,677	**$5,639,858**	6.875
2.0%	863,519	20.00000%	$43,677,555	**$5,936,693**	6.875
2.1%	906,695	20.00000%	$45,861,433	**$6,233,527**	6.875
Energy Savings Achievement	493,382	12.90320%	$26,416,176	**$3,392,001**	6.875

Actual CIP Results

Spending:	$8,870,639	From Table B-2, MERC May 2, 2016 Status Report
Energy Saved:	493,382	From Table B-3, MERC May 2, 2016 Status Report
Net Benefits Achieved:	$26,416,176	From May 2, 2016 Status Report BENCOST Utility Cost Test

Resulting Incentive:			
Steps above Zero Point:	9.42724		
Percent of Net Benefits Awarded:	12.90320%		
Financial Incentive Award:	$3,392,001		
Incentive per MCF	$6.88		
Net Benefit after Incentive	$23,024,175		