

Counting the Capacity that Didn't Hatch: The Rate Mitigation Effects of DSM Programs

December 19, 2013

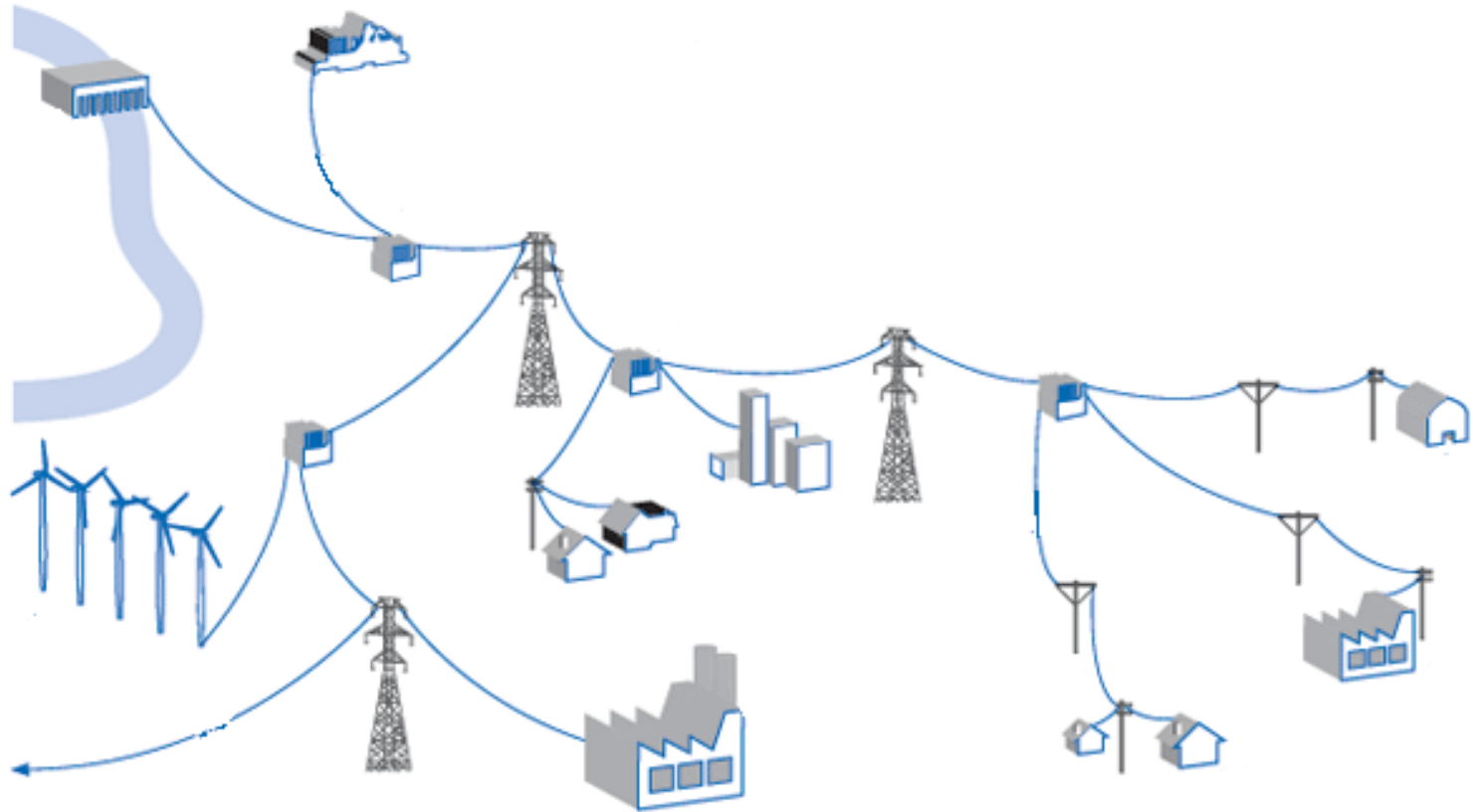
Presentation to the Legislative Energy Commission

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CEE History

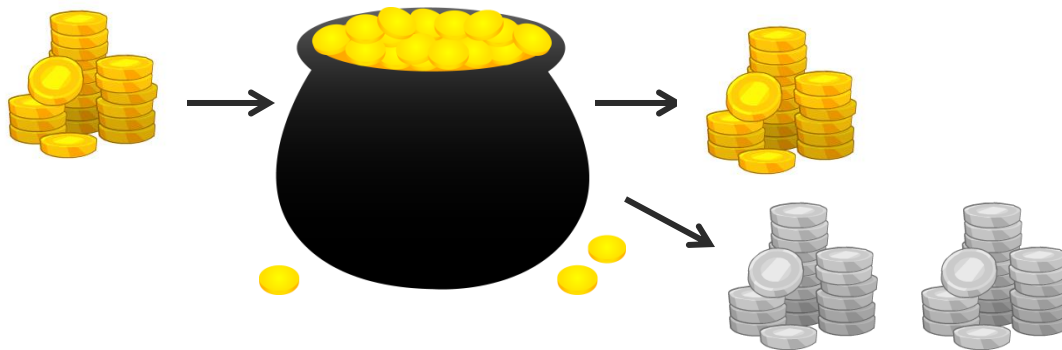
- Entering our 35th year
- Began in 1979 as the Minneapolis Energy Office
- Non-profit mission to advance the public interest in cleaner energy and a healthier economy through:
 - Technical Research
 - Program Implementation
 - Project Finance
 - Policy Innovation

Energy Efficiency is a System Resource

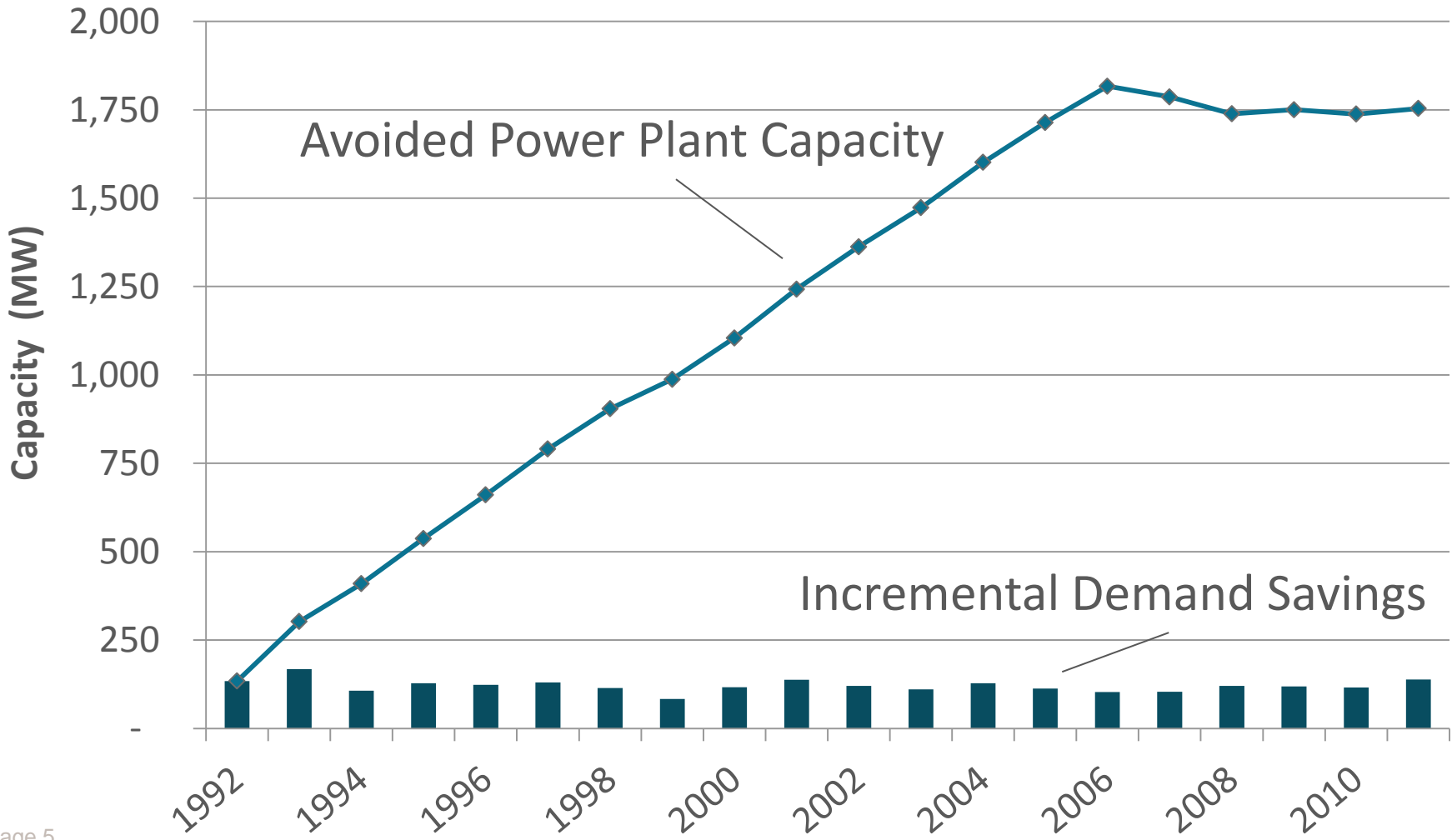


Visible Costs but Invisible Savings

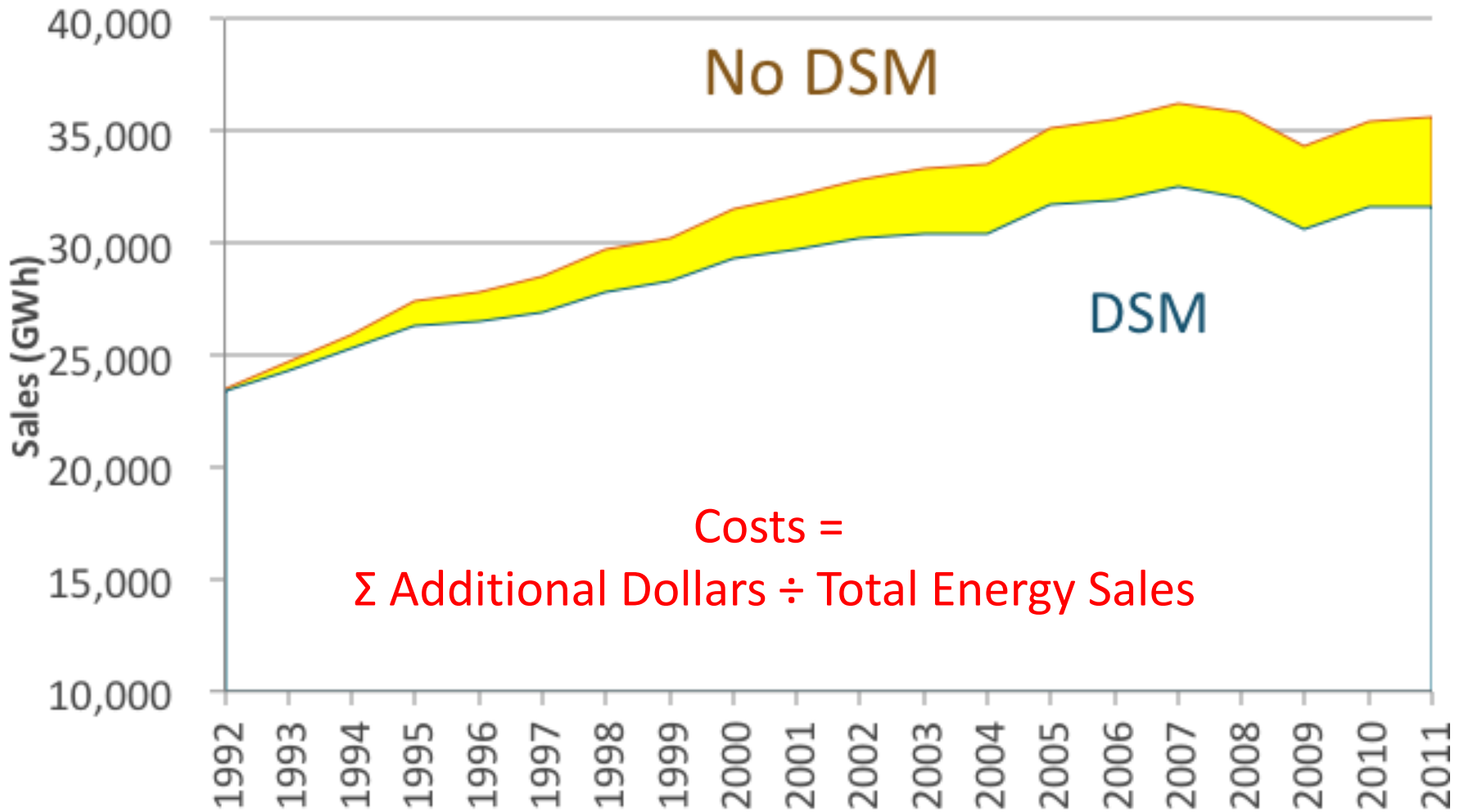
- To customers, the costs of efficiency programs are more transparent than power plant costs
- Sometimes seen as money into a pot compared to money taken out of the pot
- But system wide, costs are reduced



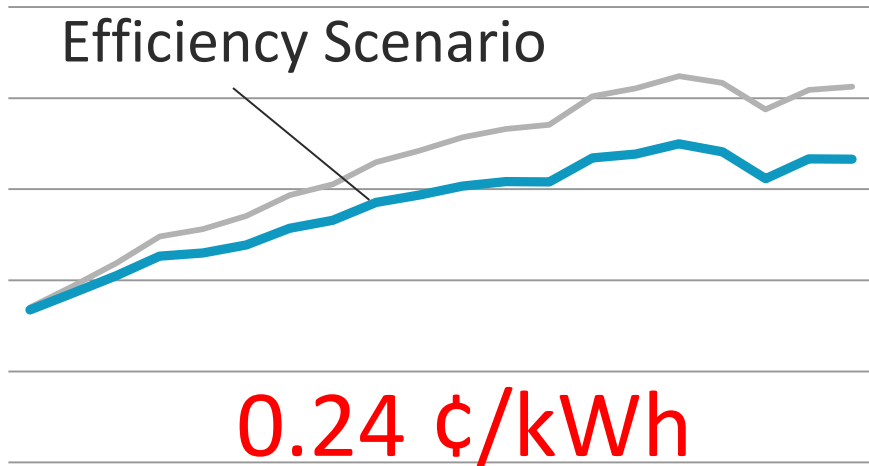
Efficiency Reduces the need for Power Plants



The Resource Wedge

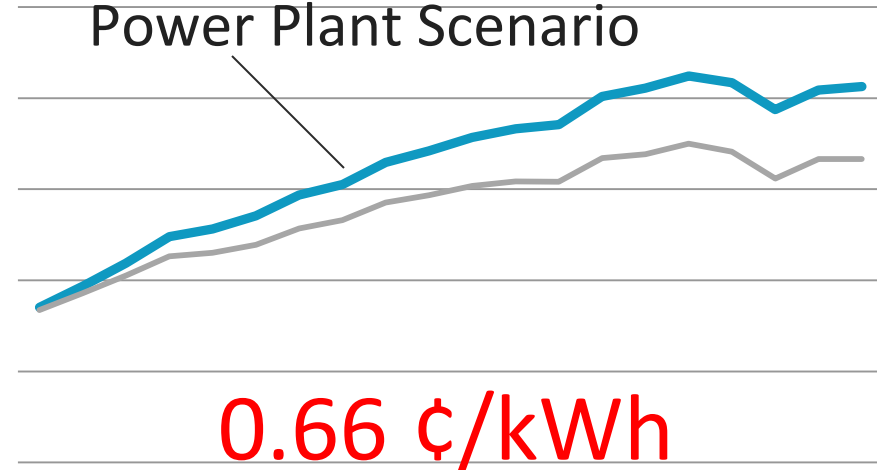


Efficiency Scenario



- Lower Resource Costs
- Fewer Sales

Power Plant Scenario



- Higher Resource Costs
- More Sales

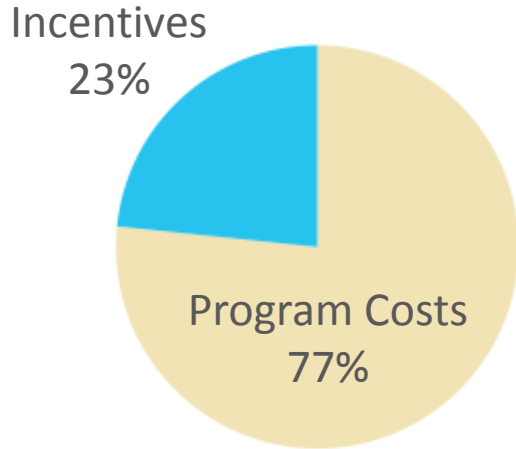
Σ Additional Dollars \div Total Energy Sales

The IOU Business Context

- System wide costs must also include business incentives
- Power plants accrue shareholder returns
- Efficiency gets performance incentives.
- Those costs are included in the total

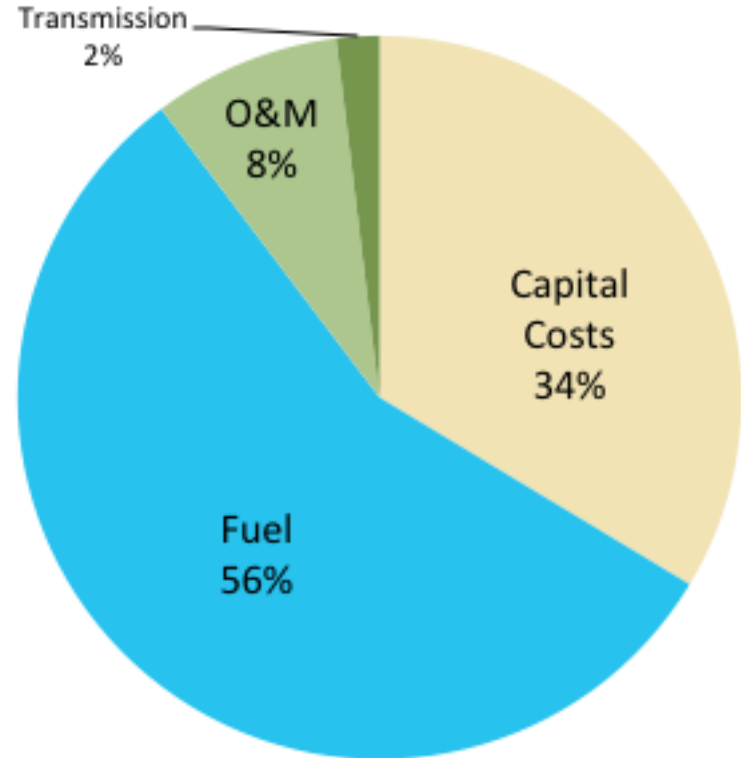
Total Costs

Efficiency Scenario



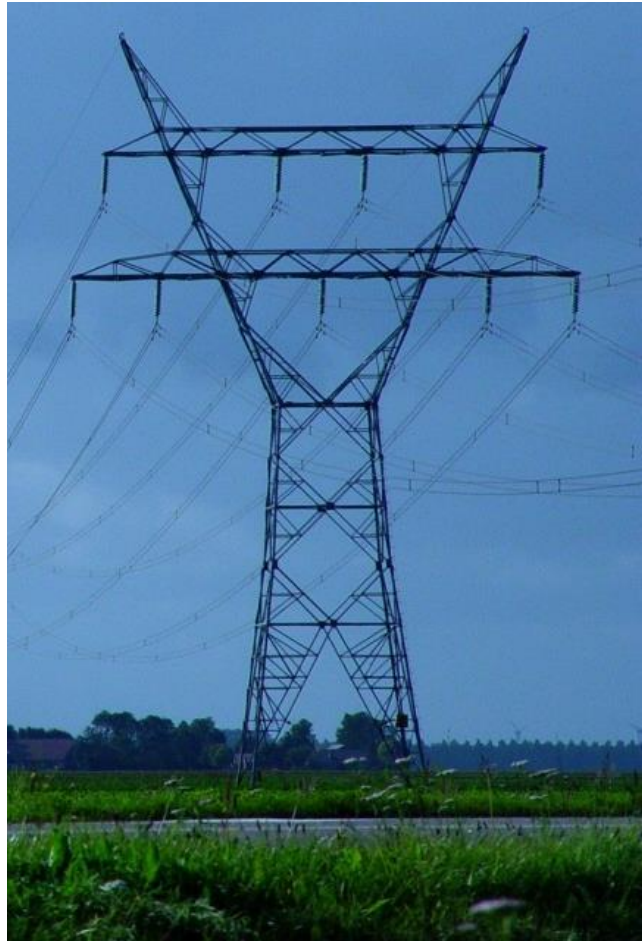
\$1.14 Billion

Power Plant Scenario

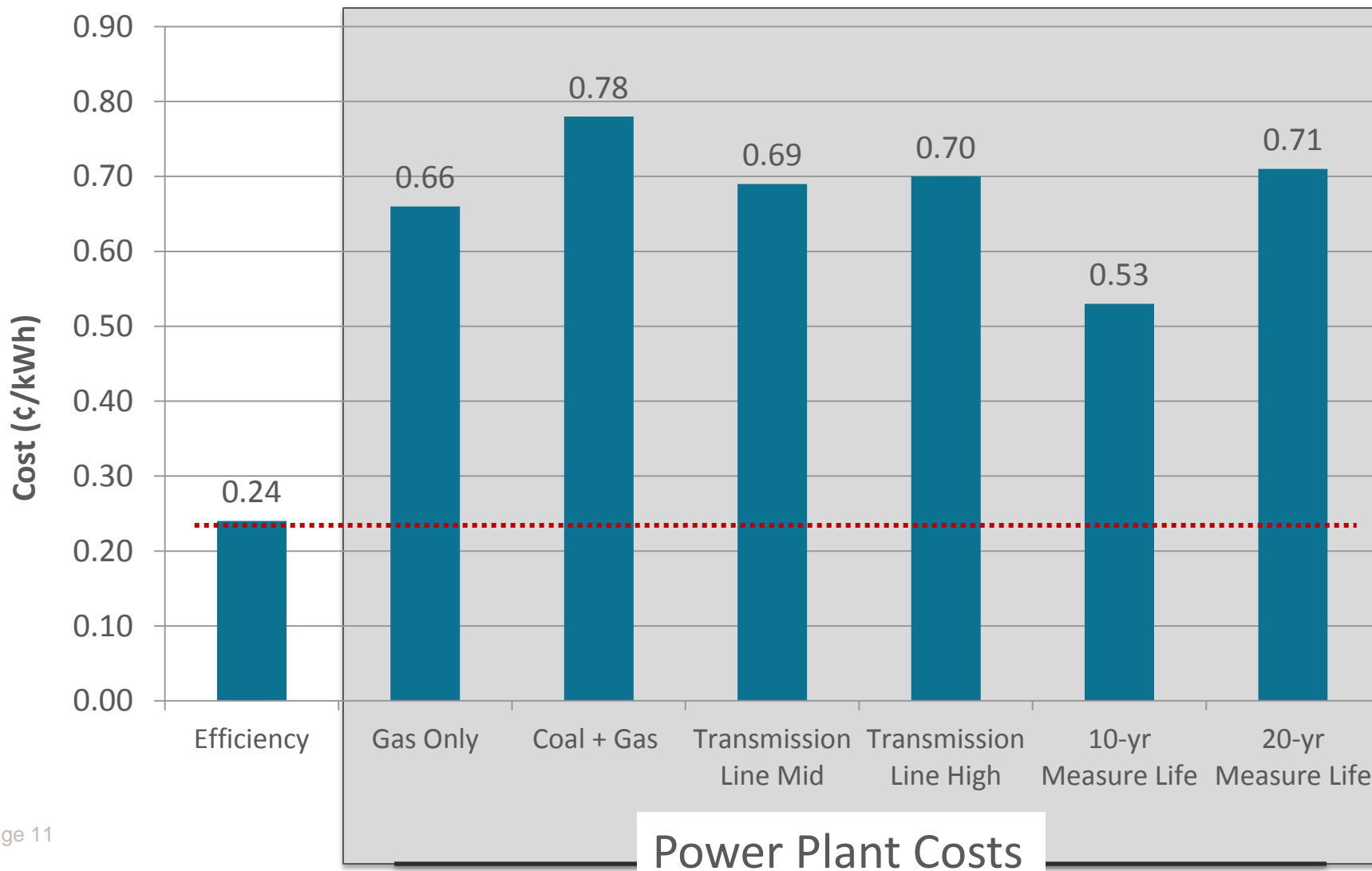


\$4.16 Billion

Alternative 'What if' Scenarios

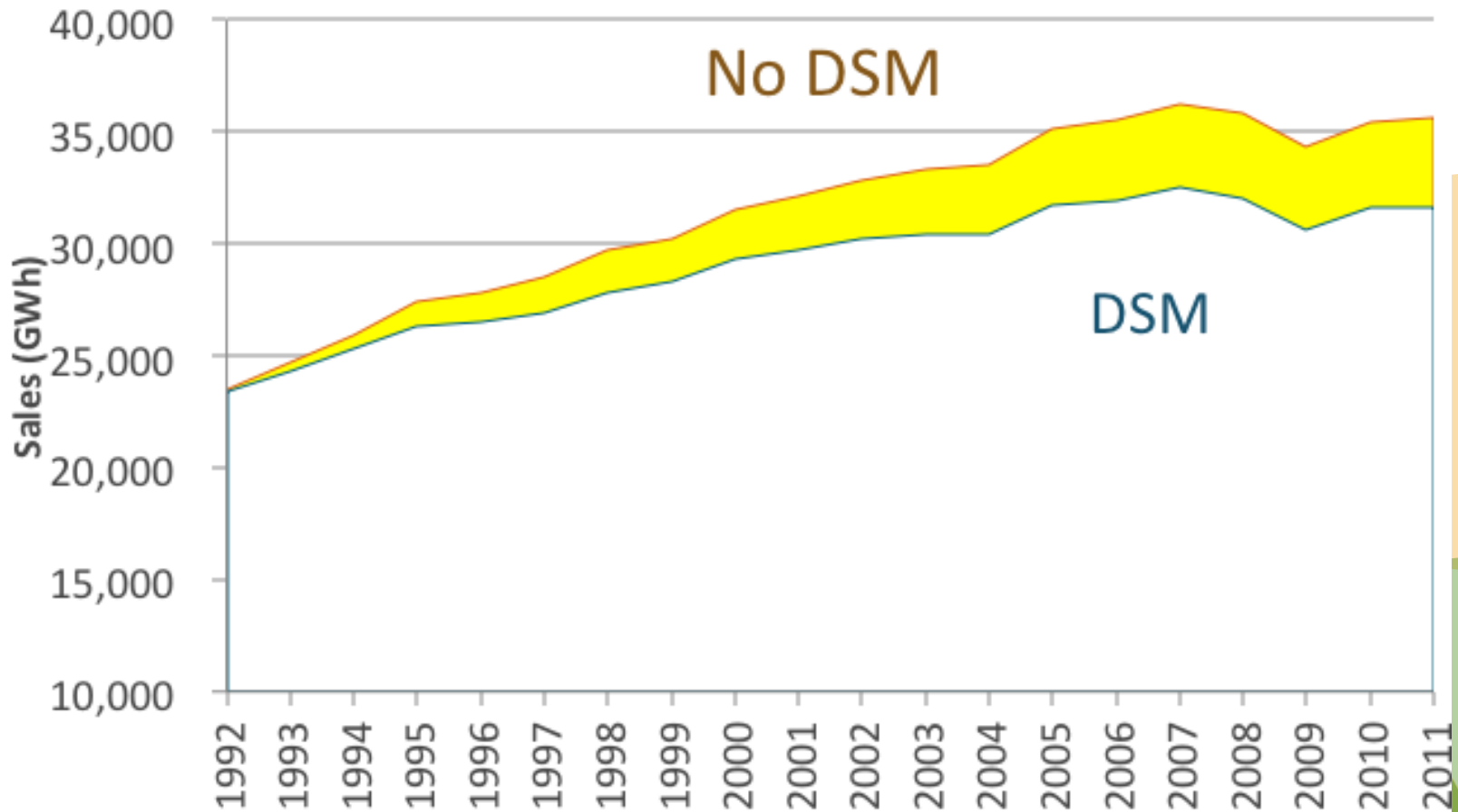


Summary of Scenarios



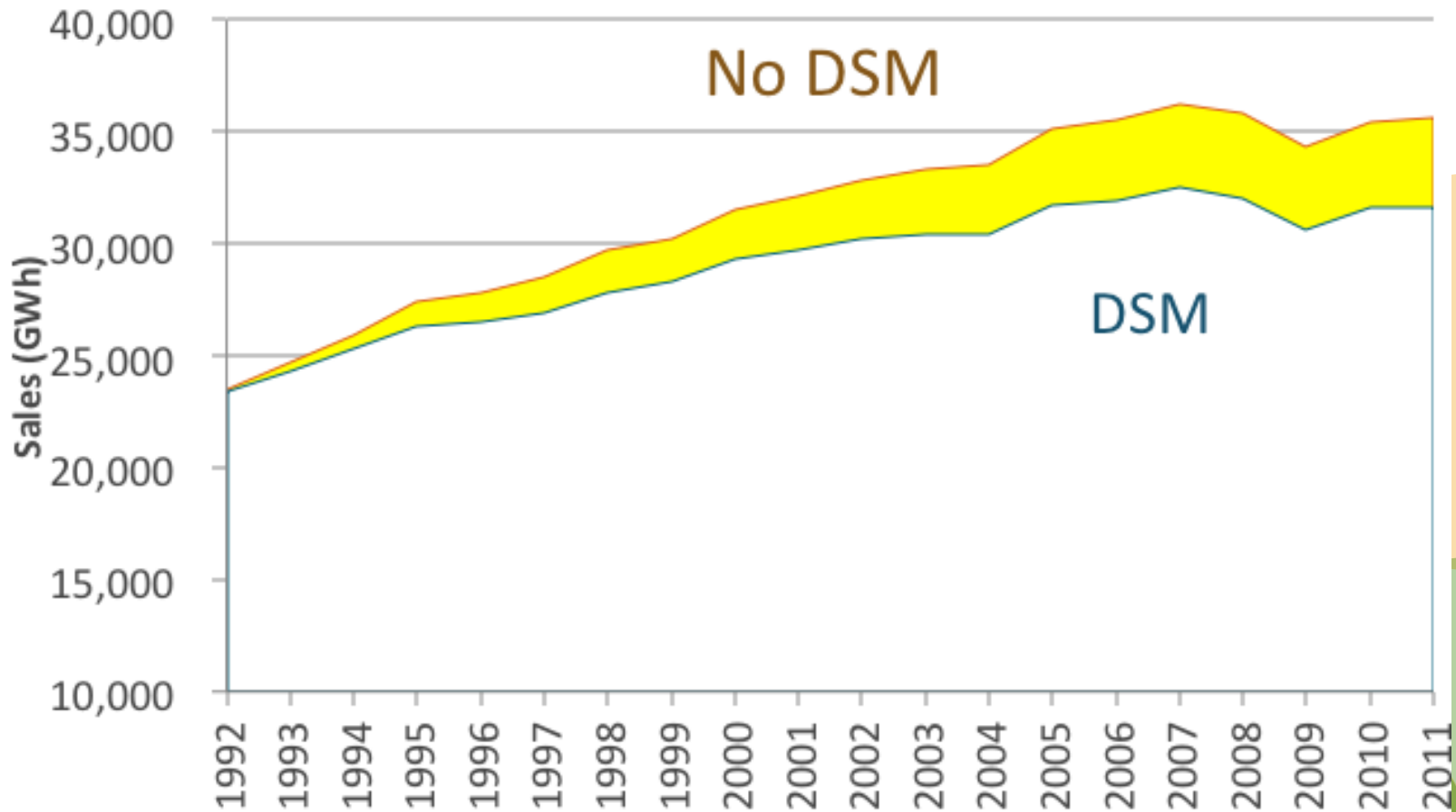
Summary

Power plant costs are 3-4 times higher than efficiency program costs, even with higher sales



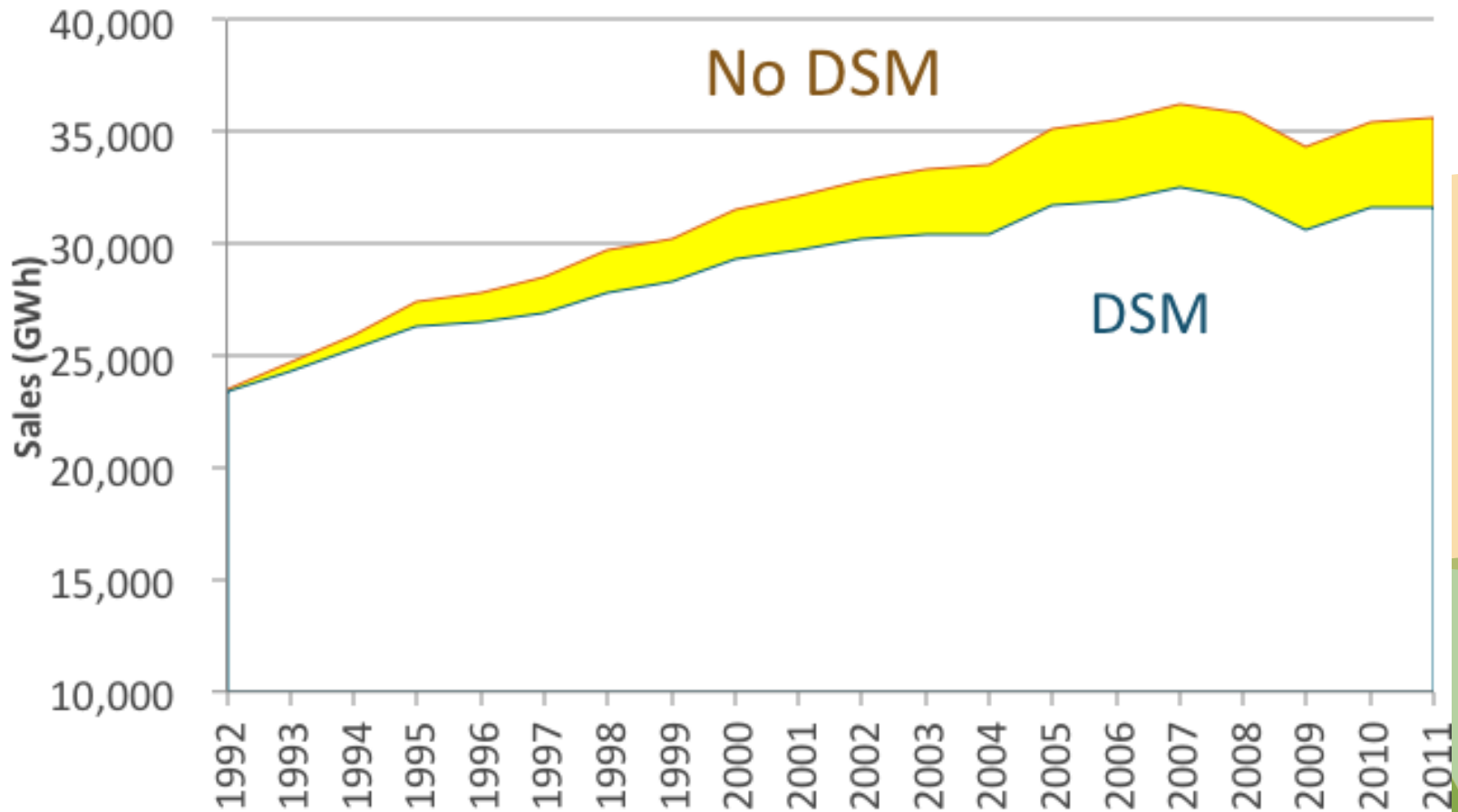
Summary

Includes all efficiency costs, but only 20 years of power plant costs



Summary

Conditions going forward will be different



Thank You

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www.mncee.org/Innovation-Exchange/Resource-Center