

Topic Selection Background Information

March 2022

Program Overview	Statutes require Minnesota electric and natural gas utilities to use a portion of their revenues from energy sales to fund conservation improvement projects. For example, utilities may provide rebates to residential, commercial, and industrial customers for installing high-efficiency appliances or pay for assessments of buildings' energy efficiency. The Minnesota Department of Commerce oversees the conservation improvement program.
Original Evaluation Questions	To what extent has this program met the objectives set in statute? Are conservation programs, such as energy audits and equipment rebates, cost-effective?
Revised Questions	To what extent has this program met the objectives set in statute? What evidence exists regarding the cost-effectiveness of conservation improvement program projects, such as energy audits and equipment rebates? To what extent have utilities devoted funds to the types of projects that are most likely to deliver cost-effective energy savings?
State Resources <i>Low</i>	Ratepayers fund utilities' conservation improvement projects. Commerce pays for its oversight activities through appropriations that support the agency as a whole.
State Control <i>High</i>	Minnesota law establishes energy-saving goals and requirements for utilities' conservation improvement projects.
Impact <i>High</i>	Because many electric and gas utilities are required to administer conservation improvement projects, a large number of Minnesota residents and businesses pay for these projects.
Timeliness <i>Medium</i>	The 2021 Legislature adjusted energy-savings goals and added more ways in which utilities can meet these goals. A private firm evaluated the economic impact of the program in 2015. OLA last evaluated the conservation improvement program in 2005.
Feasibility <i>Medium</i>	If we scope the evaluation to focus on best practices, we could use standard evaluation techniques to answer the revised questions above. However, if we scope the evaluation to focus on the cost-effectiveness of Minnesota's program, we would likely need to hire a consultant, as we did for our 2005 evaluation.
Balance <i>Medium</i>	While there are no other topics related to Commerce on this year's short list, OLA issued an evaluation in 2022 on Commerce's investigations of civil insurance complaints. Commerce was also the subject of a 2022 special review. Another topic related to energy conservation—Sustainable Building Guidelines—is also on this year's short list of topics.
Discussion <i>Not urgent</i>	The conservation improvement program is intended to help the state and utilities meet Minnesota's energy needs cost-effectively, and an evaluation of the program could provide information about the program's effectiveness. However, it is not urgent.