

August 1, 2024

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-24-43

Dear Mr. Seuffert:

Attached are the Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

CenterPoint Energy's Aggregated Compliance Filing, including: 2023 Conservation Improvement Program Status Report, 2023 Demand Side Management Financial Incentive, 2023 Conservation Improvement Program Tracker Report, and 2023/2024 Conservation Cost Recovery Adjustment (*Petition*).

The *Petition* was filed on May 1, 2024, by:

Tyler Glewwe
Regulatory Analyst, Conservation Improvement Program
CenterPoint Energy
505 Nicollet Mall
PO Box 59038
Minneapolis, MN 55459-0038

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve CenterPoint Energy's *Petition***. The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

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

Attachment



Before the Minnesota Public Utilities Commission
Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G008/M-24-43

I. SUMMARY OF THE UTILITY'S PROPOSAL

On May 1, 2024, CenterPoint Energy, a Division of CenterPoint Energy Resources Corporation (CenterPoint or the Company), submitted a filing in the present docket entitled *CenterPoint Energy's Aggregated Compliance Filing, Including: 2023 Conservation Improvement Program Status Report, 2023 Demand-Side Management Financial Incentive, 2023 Conservation Improvement Program Tracker Report and 2024/2025 Conservation Cost Recovery Adjustment (Petition)* to the Minnesota Public Utilities Commission (Commission).

CenterPoint's *Petition* includes the following:

- A financial incentive of \$8,450,662 for 2023 CIP activities;
- A 2023 CIP tracker with a year-end balance of \$6,131,707; and
- A proposed Conservation Cost Recovery Adjustment (CCRA) factor of \$0.01704 per therm, with an effective date of October 1, 2024.

II. COMMISSION'S 2023 ORDER

On September 5, 2023, the Commission issued its Order approving CenterPoint's 2022 CIP filings,¹ with the following determinations:

1. Approved CenterPoint Energy's 2022 DSM Financial Incentive of \$7,673,591.
2. Approved an increase in the 2023/2024 CCRA to \$0.0926 per dekatherm, effective October 1, 2023, or the first month following Commission approval.
3. Approved CenterPoint Energy's proposed bill message, and its proposed tariff sheet: "The PUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of \$0.00926 per therm. This charge will be used to fund energy conservation activities and has been added to your delivery charge. For more information, please call or visit our website."
4. Required CenterPoint Energy to submit a compliance filing with tariff sheets including all necessary calculations within 10 days of the issue date of this Order.

¹ See Commission's September 5, 2023, Order in Docket No. G008/M-23-182.

On September 15, 2023, CenterPoint submitted its compliance tariff sheets in response to Order Point 5.

III. DEPARTMENT ANALYSIS

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

- In Section III.A, a review of Minnesota's updated conservation statutes;
- In Section III.B, CenterPoint's proposed 2023 shared savings DSM financial incentive;
- In Section III.C, CenterPoint's proposed reconciliation for its 2023 CIP tracker account;
- In Section III.D, CenterPoint's proposed change to its currently approved CCRA;
- In Section III.E, CenterPoint's historical CIP achievements and incentives, 20011-2023.

A. MINNESOTA'S UPDATED CONSERVATION STATUTES

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, CenterPoint's triennial filing governing the 2021-2023 years was considered a "CIP" Triennial Filing (Docket No. G008/CIP-20-478) and CenterPoint's most recent triennial filing covering years 2024-2026 was considered its first "ECO" triennial filing (Docket No. G008/CIP-23-95). The Department expects future CenterPoint reports will also incorporate the "ECO" language change.

The ECO Statutes impacting Investor-Owned Utilities are as follows:

- 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 has reviewed the ECO Statutes for any changes that potentially impact the Commission. As under the former CIP Statutes, the ECO Statutes grant jurisdiction to the Department for most of the state's conservation activities. However, the Commission continues to have jurisdiction over two specific conservation items relevant to these Comments: the financial incentive and the recovery of ECO (formerly CIP) costs. The Department found no substantive changes to those sections concerning the Commission's authority that would impact this proceeding. However, 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).

Therefore, the Department has determined that its current review of CenterPoint's *Petition* can proceed as it has in past years.

B. CENTERPOINT'S PROPOSED FINANCIAL INCENTIVE FOR 2023 CIP ACHIEVEMENTS

1. Background and Summary of CenterPoint's Proposed DSM Incentive

The Shared Savings Demand Side Management 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 Demand Side Management 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 (December 9 Order). The Commission capped electric and gas incentives at 10 percent of net benefits and 30 percent of expenditures. The December 9 Order approved an expenditure cap of 35 percent if electric utilities meet or exceed energy savings of 2 percent and gas utilities of 1.2 percent of retail sales.

The instant filing covers CIP activities occurring in 2023, and so the 2023 financial incentive is subject to the following two caps: 10.0 percent of net benefits and up to 35 percent of expenditures.

2. The Department's Review of CenterPoint's Proposed 2023 DSM Incentive

In the *Petition*, CenterPoint provided the benefit and cost results associated with the Company's 2023 CIP performance. According to the Company, CenterPoint achieved energy savings in 2023 of 2,009,051 dekatherms (Dth) resulting in an estimated \$84,506,619 of net benefits before the requested incentive.² This savings is equal to 1.35% of the Company's three-year weather-normalized sales. Based on the terms and conditions of its approved DSM incentive plan, CenterPoint requested approval of a 2023 financial incentive of \$8,450,662.

CenterPoint stated it excluded \$694,872 of Next Generation Energy Act assessments from the calculation of net benefits, consistent with the Commission's December 9, 2020 *Order*.³ In addition, CenterPoint excluded costs and benefits associated with the Company's EnerChange and Energy Smart programs, also consistent with the Commission's December 9th *Order*.⁴

² *Petition*, Page 58

³ *Petition*, Page 57-58

⁴ *Petition*, Page 57-58

The Department's technical analysis of the demand and energy savings that underpin CenterPoint's proposed Shared Savings 2023 Demand Side Management financial incentive is ongoing and will not be completed before the instant comments are due. The existence of this lag between the Company's request for recovery of the incentive and the completion of the Department's review is a recurring phenomenon. In 2023, the Department compensated for this lag by simply assuming CenterPoint's claimed energy savings for 2022 were correct as filed, with the intent to make any adjustments approved by the Deputy Commissioner of the Department. However, the Deputy Commissioner approved CenterPoint's 2022 Status Report, covering 2022 CIP activity, without any adjustments in Docket No. G011/CIP-20-479, and thus none are required in this docket.⁵

On June 24, 2024, Department staff recommended that the Deputy Commissioner accept CenterPoint's 2023 Status Report. If any adjustments should be required in the Deputy Commissioner's final decision, the Department will account for those in comments on the Company's 2024 filing.

The Department's review indicates that the Company correctly calculated its DSM financial incentive for 2023 CIP achievements and did not exceed either of the caps. Therefore, the Department recommends that the Commission approve CenterPoint's 2023 Shared Savings financial incentive of \$8,450,662.

C. CENTERPOINT'S PROPOSED 2023 CIP TRACKER ACCOUNT

In its *Petition*, CenterPoint requested approval of its report on recoveries and expenditures included in the Company's CIP tracker account balance during 2023. Activity in CenterPoint's CIP tracker account during 2023 can be found in Attachment C of the utility's *Petition* and is summarized below in Department Table 1.

Department Table 1: A Summary of CenterPoint's 2023 CIP Tracker Account

Beginning Balance – January 1, 2023	\$6,015,525
Total CIP Expenses – January 1, 2023 – December 31, 2023 ⁶	\$42,710,890
Carrying Charges – January 1, 2023 – December 31, 2023	(\$19,737)
DSM Financial Incentive	\$7,673,591
CIP Recoveries – January 1, 2023 – December 31, 2023	(\$50,248,562)
Ending Balance – December 31, 2023	\$6,131,707

The Department reviewed Attachment C of the *Petition* and concludes that the Company correctly calculated its 2023 CIP Tracker account. Therefore, the Department recommends the Commission approve CenterPoint's 2023 CIP tracker, resulting in a year-end balance of \$6,131,707.

⁵ Approved by the Department's Deputy Commissioner on August 7, 2023.

⁶ The Tracker Account Total CIP Expenditures of \$42,710,890 includes Next Generation Assessments and EnerChange and Energy Smart Programs.

The Department requests that in future years, the Company provide the CIP tracker (in this case, for year 2023) in an excel spreadsheet with all formula intact.

D. CENTERPOINT'S PROPOSED CHANGE TO ITS CURRENTLY APPROVED CCRA

Minnesota law states, in relevant part, the Commission “may permit a public utility to file rate schedules for annual recovery of the cost of energy conservation improvements.”⁷ This annual CIP recovery mechanism is generally referred to as the Conservation Cost Recovery Adjustment or CCRA.

On September 5, 2023, the Commission approved CenterPoint’s request to implement the CCRA in the amount of \$0.0926 per dekatherm (“Dth”), which went into effect on October 1, 2023. CenterPoint proposes to increase the CCRA to \$0.1704 per Dth beginning October 1, 2024. This rate is designed to reduce the CIP Tracker balance as close to zero as possible by the end of 2025. In the event that Commission approval of the proposed adjustment is delayed beyond September 20, 2024 (in order to implement the rate change by October 1), the Company proposes to continue to apply the current CIP Adjustment of \$0.0926 per Dth up to the first of the month following Commission approval of a revised factor.

The Company based the proposed CCRA factor on projected CIP spending and recovery for 2024 and 2025. On December 1, 2023, the Department approved the Company’s 2024-2026 ECO Triennial Plan. For both 2024 and 2025, CIP spending was based on the currently approved budget for 2024 of \$56,731,213 and the 2024 Minnesota Efficient Technology Accelerator budget of \$1,121,321, except for January through March in 2024, which reflect actual spending, and the currently approved budget for 2025 of \$60,027,102 and the 2025 Minnesota Efficient Technology Accelerator estimated budget of \$2,084,884. The Company calculated carrying charges using the settlement short-term debt interest factor (0.39%) from the Company’s 2021 rate case for the rest of 2023 and 2024.

The Department concludes the Proposed CCRA factor will bring the CIP tracker closer to zero by the end of 2025 and therefore is reasonable. The Department recommends the Commission approve the proposed CCRA of \$0.1704 per Dth.

E. HISTORY OF CENTERPOINT'S CIP ACHIEVEMENTS AND FINANCIAL INCENTIVES 2011-2023

In Attachment A, the Department presents a historical comparison of CenterPoint’s CIP and DSM activities during the period of 2011 through 2023. This table provides an indication of how the Company’s achieved energy savings, CIP expenditures, Shared Savings financial incentive, carrying charges, and year-end tracker balance changed over time. Select statistics from Attachment A are presented in Table 2:

⁷ See Minn. Stat. § 216B.16, subd.6b paragraph (c).

Department Table 2: Savings, Expenditures, and Incentives for Select Years, 2011-2023

	Achieved Energy Savings (DTH)	CIP Expenditures	DSM Financial Incentive
2023	2,009,051	\$41,484,184	\$8,450,662
2022	2,003,321	\$40,041,875	\$7,673,591
2011	1,488,231	\$18,719,923	\$4,590,392
Average 2021-2023	1,961,294	\$40,365,163	\$7,965,258
Average 2011-2013	1,467,589	\$20,540,827	\$6,229,311
Compare 2023 to 2022	0.29%	3.60%	10.13%
Compare 2023 to 2011	35%	121.60%	84.10%
Compare 2023 to Avg 2021-2023	2.44%	2.77%	6.09%
Compare Avg 2021-2023 to Avg 2011-2013	33.64%	96.51%	27.87%

Department Table 3 shows that in 2023:

- CenterPoint’s achieved energy savings were 0.29% higher than the Company’s 2022 achieved energy savings;
- CenterPoint’s 2023 CIP expenditures increased by 3.60% and the DSM financial incentive increased by 10.13%;
- Comparing 2023 to a three-year 2021-2023 average; CenterPoint’s achieved energy savings increased 2.44%, CIP expenditures increased 2.77% and the Company’s Shared Savings DSM financial incentive increased 6.09%;
- Comparing 2023 to 2011 CenterPoint increased its achieved energy savings by 35%, expenditures have increased by 121.60% and the Shared Savings DSM financial incentive has decreased 84.10%.

III. RECOMMENDATIONS

The Department concludes CenterPoint’s filing is generally reasonable.

The Department recommends the Commission take the following action:

1. Approve a 2023 DSM financial incentive of \$8,450,662 to be included in the Company’ tracker account no sooner than the issue date of the Commission’s Order in the instant docket;
2. Approve CenterPoint’s 2023 CIP tracker account activities as summarized in Table 1 above with a December 31, 2023, ending over-recovery balance of \$6,131,707;
3. Approve the revised gas CCRA of \$0.1704 per Dth for all of CenterPoint’s Minnesota customer classes, effective October 1, 2024, or the first billing cycle in the month following the Commission’s Order, in this matter, whichever is later;

4. Approve CenterPoint's customer notification message that reads as follows; and

The PUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of \$0.01704 per therm. This charge will be used to fund energy conservation activities and has been added to your delivery charge. For more information, please call or visit our website.

5. Require CenterPoint to submit a compliance filing with tariff sheets including all necessary calculations within 10 days of the issue date of this Order.

Attachment A, Table 1. CenterPoint Energy's Natural Gas Historical CIP Achievements, Incentives, and Tracker Balance 2007-2023

Line No.	1	3	4	5	6	7	8	9	10	11	12	13
Year	Achieved Energy Savings (Dth)	CIP Expenditures	Net Benefits	DSM Financial Incentive	Carrying Charges	Year-End Tracker Balance	Average cost per first-year Dth Saved	Average cost per Dth Saved (including incentives)	Incentive as a % of CIP Expenditures	Incentive as a % of Net Benefits	Carrying Charges as a % of Expenditures	Year-End Tracker Balance as a % of Expenditures
2007	825,030	\$7,553,362	\$84,229,798	\$530,405	NA		\$9.16	\$9.80	7%	1%	NA	0%
2008	827,340	\$8,391,297	\$75,518,736	\$484,182	NA	\$8,147,421	\$10.14	\$10.73	6%	1%	NA	97%
2009	938,978	\$10,117,898	\$97,044,437	\$1,394,200	\$507,115	\$6,879,416	\$10.78	\$12.26	14%	1%	5%	68%
2010	1,300,228	\$16,574,737	\$69,366,886	\$3,493,921	\$296,465	\$10,216,655	\$12.75	\$15.43	21%	5%	2%	62%
2011	1,488,231	\$18,719,923	\$65,031,976	\$4,590,392	\$450,945	\$9,248,025	\$12.58	\$15.66	25%	7%	2%	49%
2012	1,330,518	\$19,680,178	\$54,350,138	\$3,207,411	\$418,624	\$14,225,552	\$14.79	\$17.20	16%	6%	2%	72%
2013	1,584,019	\$23,222,379	\$88,349,823	\$10,890,131	\$344,598	\$8,501,064	\$14.66	\$21.54	47%	12%	1%	37%
2014	1,701,716	\$24,352,083	\$80,928,431	\$11,608,486	(\$443,194)	\$2,285,733	\$14.31	\$21.13	48%	14%	-2%	9%
2015	1,851,930	\$26,394,800	\$75,451,306	\$12,732,019	(\$13,773)	\$2,932,026	\$14.25	\$21.13	48%	17%	0%	11%
2016	2,006,014	\$29,897,277	\$97,070,376	\$13,791,346	(\$8,953)	\$7,461,117	\$14.90	\$21.78	46%	14%	0%	25%
2017	2,632,545	\$32,131,251	\$160,452,310	\$12,456,038	(\$19,848)	\$3,899,087	\$12.21	\$16.94	39%	8%	0%	12%
2018	1,980,534	\$34,888,321	\$94,309,789	\$11,317,175	\$98,415	\$6,096,809	\$17.62	\$23.33	32%	12%	0%	17%
2019	2,020,149	\$37,252,502	\$87,584,011	\$8,758,401	(\$208,700)	(\$2,715,768)	\$18.44	\$22.78	24%	10%	-1%	-7%
2020	1,915,114	\$35,993,594	\$99,357,233	\$9,935,723	(\$120,610)	\$1,952,441	\$19.00	\$23.98	28%	10%	0%	5%
2021	1,871,509	\$39,569,431	\$77,715,201	\$7,771,520	(\$84,991)	\$11,164,791	\$20.54	\$24.69	20%	10%	0%	29%
2022	2,003,321	\$40,041,875	\$76,735,907	\$7,673,591	(\$44,869)	\$6,015,525	\$19.50	\$23.33	19%	10%	0%	15%
2023	2,009,051	\$41,484,184	\$84,506,619	\$8,450,662	(\$19,737)	\$6,131,707	\$20.65	\$24.86	20%	10%	0%	15%