July 27, 2022

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-22-215

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 2021 Conservation Improvement Program Status Report, 2021 Demand Side Management Financial Incentive, Conservation Improvement Program Tracker Report, and 2021 Conservation Cost Recovery Adjustment Aggregated Compliance Filing (*Petition*).

Ethan S. Warner, Regulatory Manager, Conservation Improvement Program for CenterPoint Energy, filed the *Petition* on May 2, 2022

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

Sincerely,

ANGIE SKAYER
Financial Analyst

DANIELLE WINNER
Rates Analyst

AS/DW/ja
Attachment

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G008/M-22-215

I. INTRODUCTION

On May 2, 2022, CenterPoint Energy, a Division of CenterPoint Energy Resources Corporation (CenterPoint or the Company), submitted a filing in the present docket entitled *CenterPoint Energy's 2021 Conservation Improvement Program Status Report, 2021 Demand-Side Management Financial Incentive, Conservation Improvement Program Tracker Report and 2021 Conservation Cost Recovery Adjustment Aggregated Compliance Filing* (*Petition*) to the Minnesota Public Utilities Commission (Commission).

CenterPoint's *Petition* includes the following:

- A proposed 2021 Shared Savings Demand Side Management (DSM) financial incentive of $7,771,520;
- A report of proposed recoveries and expenditures in the Company's Conservation Improvement Program (CIP) tracker account for 2021 ending in an over-recovered balance of $11,164,791; and
- An increase in its Conservation Cost Recovery Adjustment (CCRA) to $0.0905 per dekatherm for 2022/2023.

In addition, Section 1 of the *Petition* contains the Company's 2021 CIP Status Report. The Department does not review the Company's Status Report in these comments, the Department's CIP unit staff is addressing the Status Report in Docket No. G008/CIP-20-478.

The Department provides its analysis and recommendations below.

II. COMMISSION'S 2021 ORDER

On October 22, 2021, the Commission issued its Order in Docket G008/M-21-328 approving CenterPoint's DSM financial incentive, 2020 CIP tracker account, and CCRA aggregated compliance filing. The Commission's October 2021 Order:

1. Approved a 2020 demand-side management financial incentive of $9,935,723 for CenterPoint Energy (CenterPoint).
2. Approved CenterPoint's 2020 Conservation Improvement Program (CIP) tracker balance account resulting in a December 31, 2020 ending balance of $1,952,441.
3. Approved an increase in the 2021/2022 Conservation cost Recovery Adjustment (CCRA) to $0.0791 per dekatherm, effective December 1, 2021.
4. Approved the Company's proposed bill message regarding the CCRA and its proposed tariff sheet.

III. DEPARTMENT ANALYSIS

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

- Section III.A, CenterPoint's proposed 2021 natural gas Shared Savings DSM financial incentive;
- Section III.B, CenterPoint's proposed 2021 natural gas CIP Tracker account;
- Section III.C, CenterPoint's proposed 2022/2023 CCRA;
- Section III.D, CenterPoint's Customer Billing Language; and
- Section III.E, a review of CenterPoint's DSM and CIP activities for 2008 through 2021.

A. CENTERPOINT ENERGY'S PROPOSED 2021 NATURAL GAS DSM FINANCIAL INCENTIVE

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

On December 9, 2020, the Commission approved the parameters for the Shared Savings Financial Incentive Mechanism covering the 2021-2023 CIP triennial (December 9th *Order*).[1] The Commission capped electric and gas incentives at 10% of net benefits and 30% of expenditures. The December 9th *Order* also allowed for the expenditure cap to exceed the 30% cap up to a maximum of 35%, if a gas utility meets or exceeds energy savings equaling 1.2% of retail sales. For more details about the December 9th *Order*, see Attachment A to these Comments.

2. CenterPoint Energy's Proposed Shared Savings Natural Gas DSM Financial Incentive

Under the Commission's approved Shared Savings DSM financial incentive plan, CenterPoint Energy may request Commission approval of a performance incentive based on the energy savings as a percent of CIP-applicable retail sales the Company achieves under its approved gas CIP. The plan directly links the incentive to the Company's performance in achieving cost effective conservation.

In the *Petition*, CenterPoint Energy provides benefits and costs associated with the Company's 2021 CIP performance. According to the Company, CenterPoint Energy achieved energy savings of 1,871,509 dekatherms (Dth) resulting in $77,715,201 of net benefits before the requested incentive. This savings is equal to 102% of the Company's 2021 savings goal and 1.26% of its three-year average weather-normalized CIP applicable retail sales (Dth).[2] Based on the terms and conditions of its approved DSM incentive plan, CenterPoint Energy requested a natural gas DSM financial incentive of $7,771,520.

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[1] December 9, 2020 *Order*, Docket No. E,G999/CIP-08-133.
[2] *Petition*, Attachment A, 1,871,509 (Energy Saved)/1,831,438 (Energy Savings Goal).

CenterPoint Energy stated it excluded $608,852 for Next Generation Energy Act (NGEA) assessments and $520,959 for the third-party EnerChange and EnergySmart projects from its financial incentive calculations, consistent with the Commission's December 9th Order.[3] In addition, CenterPoint Energy excluded net benefits associated with the Company's low-income programs consistent with Minnesota Statutes § 216B.241.

The Department's review indicates CenterPoint Energy correctly calculated its DSM financial incentive for 2021 CIP achievements; therefore, the Department recommends the Commission approve CenterPoint Energy's 2021 Shared Savings Financial Incentive of $7,771,520.

B. CENTERPOINT ENERGY'S PROPOSED 2021 NATURAL GAS TRACKER ACCOUNT

In its *Petition*, CenterPoint Energy requested approval of its expenditures and recoveries in the Company's 2021 natural gas CIP Tracker Account. In the *Petition*, the Company noted the final Conservation Cost Recovery Charge (CCRC) of $0.2372 (Dth) went into effect on June 1, 2021. From January 1, 2020 through May 31, 2021, an interim rate of $0.2382 (Dth) was in effect. Because of this variance in CCRC rates, CenterPoint Energy made an adjustment to the CIP Tracker for $240,644.42 to reflect customers being charged the final rate of $0.2372 (Dth) from January 1, 2020 to June 1, 2021.

CenterPoint Energy made an additional adjustment to the CIP Tracker Account in August of 2021 for $1,872,178. The Company allocated revenue to the CIP accounts for CIP exempt customers. The Company corrected this by reducing the CIP recovery for 2021.

Table 1 below provides a summary of CenterPoint Energy's 2021 CIP tracker activity.

Table 1: Summary of CenterPoint Energy's 2021 CIP Tracker Balance

Beginning Balance (January 2021)	$1,952,441
CIP Expenditures	$39,569,431
Net Base Rate Recovery[4]	($31,589,683)
Net CCRA Recovery	($8,618,127)
Carrying Charges	($84,994)
DSM Financial Incentive	$9,935,723
Ending Balance (December 2021)	$11,164,791

[3] *Petition*, Page 53.
[4] *Petition*, Exhibit B, includes correction of $1,872,178 due to the revenue collected from two CIP Exempt customers incorrectly being allocated to the CIP accounts despite the customers being CIP exempt.

The Company calculated its carrying charges based on a short-term debt interest factor. For January 2021 through May of 2021, the interest factor was based on the 2017 rate case.[5] The June 2021 through December 2021 short-term interest factor was based on the 2019 rate case.[6]

The Department reviewed the CIP Tracker and found no calculation errors. The Department recommends the Commission approve CenterPoint Energy's 2021 tracker account resulting in an $11,164,791 ending balance.

C. CENTERPOINT ENERGY'S PROPOSED 2022/2023 CCRA

On October 22, 2021, the Commission approved CenterPoint Energy's current CCRA factor of $0.0791 per dekatherm. The CCRA went into effect December 1, 2021. The purpose of the Conservation Cost Recovery Adjustment (CCRA) is to allow CenterPoint Energy to recover approved CIP costs not included in the Conservation Cost Recovery Charge (CCRC). In the Petition, CenterPoint Energy requested to increase the current CCRA factor to $0.0905 beginning October 1, 2022. The Company stated its intent to increase the factor is to bring the CIP tracker closer to zero by the end of 2023. In the event Commission approval of the CCRA factor is delayed beyond September 2022, the Company will continue to use the current CCRA of $0.0791 until the first month following Commission approval of a revised CCRA factor.

The Company based the Proposed CCRA factor on projected CIP spending and recovery for 2022 and 2023. CenterPoint Energy's most recent Triennial CIP plan was approved for the period 2021 – 2023 in Docket No. G008/GR-478 on November 25, 2020. In forecasting the CIP spending for 2022 – 2023, the Company used actual CIP spending for the months of January 2022 through March 2022 and the budget approved amounts from its approved Triennial CIP Plan for the remaining months. Similarly, the Company used sales volumes from the 2021 rate case, except for first quarter 2022, when actual sales volumes were available.[7]

The Company used a short-term debt interest factor of 1.43% to calculate its Carrying Charges for 2022 and 2023. In its projections, the Company also assumes it will receive a DSM financial incentive requested in the instant filing as well as 10% for 2022. Given the change to the projected spending and the current tracker balance, the Company proposes to increase the CCRA to $0.0905 effective October 1, 2022.

The Department concludes the Proposed CCRA factor will bring the CIP tracker closer to zero by the end of 2023 and therefore is reasonable. The Department recommends the Commission approve the proposed CCRA of $0.0905.

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[5] *Petition*, Page 61; Docket No. G008/GR-17-285.
[6] *Petition*, Page 61; Docket No. G008/GR-19-524.
[7] *Petition*, Page 64.

D. CENTERPOINT ENERGY'S PROPOSED CUSTOMER BILLING LANGUAGE

CenterPoint Energy proposed the following bill language to notify its customers of the change in the CCRA factor.

> The PUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of $0.00905 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.

The Company stated its website address and phone numbers for contacting customer service representatives already appear near the bill message portion of a customer's bill and are not separately included in the bill message.

In addition to the proposed bill language, the Company submitted a proposed tariff sheet reflecting the change to the CCRA. The Department has reviewed the billing language and the tariff sheet and recommends Commission approval.

E. A REVIEW OF CENTERPOINT ENERGY'S CIP ACHIEVEMENTS AND FINANCIAL INCENTIVES

In Attachment B, Table 1, The Department presents a historical comparison of CenterPoint's CIP activities during the period of 2008 through 2021. The table provides an indication of how the Company's DSM financial incentives, carrying charges, year-end tracker balances, CIP expenditures, and energy savings have changed during the period.

An analysis of Attachment B, Table 1 indicates the following:

1. *2021 Compared to 2020 Achievements*

   - First-year annual energy savings (Dth) declined 2.3%
   - Expenditures increased 6.8%
   - Net Benefits decreased 21.8%
   - DSM Shared Savings decreased 21.8%

2. *2021 Compared to the 2007-2009 Average Achievements*

   - First-year annual energy savings (Dth) increased 117%
   - Expenditures increased 342.5%
   - DSM Financial Incentive increased 868%
   - Net Benefits decreased 9.2%
   - Average cost, including financial incentive, increased 26%
   - Average cost per first-year saved increased 5%

IV. DEPARTMENT CONCLUSIONS AND RECOMMENDATIONS

The Department concludes CenterPoint Energy's filing is generally reasonable.
The Department recommends the Commission take the following action:

1. Approve CenterPoint Energy's 2021 DSM Financial Incentive of $7,771,520;
2. Approve CenterPoint Energy's 2021 CIP tracker balance account as summarized below:

Table 1: Summary of CenterPoint Energy's 2021 CIP Tracker Balance

Beginning Balance (January 2021)	$1,952,441
CIP Expenditures	$39,569,431
Net Base Rate Recovery[8]	($31,589,683)
Net CCRA Recovery	($8,618,127)
Carrying Charges	($84,994)
DSM Financial Incentive	$9,935,723
Ending Balance (December 2021)	$11,164,791

3. Approve an increase in the 2022/2023 CCRA to $0.0905 per dekatherm, effective October 1, 2022 or the first month following Commission approval; and

4. Approve CenterPoint Energy's proposed bill message, and its proposed tariff sheet.

> The PUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of $0.00905 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.

[8] *Petition*, Exhibit B, includes a correction of $1,872,178 due to the revenue collected from two CIP Exempt customers incorrectly being allocated to the CIP accounts despite the customers being CIP exempt.

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

A. For electric utilities, the 2021 -2023 triennium plan is as follows:
   1) Authorize financial incentives for a utility that achieves energy savings of at least 1.0 percent of the utility's retail sales.
   2) For a utility that achieves energy savings equal to 1.0 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.
   3) For each additional 0.1 percent of energy savings, the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.7 percent of retail sales.
   4) For savings levels of 1.7 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
   5) Electric utilities may exceed the 30% CIP Expenditures Cap, up to a maximum of 35%, if they meet or exceed energy savings equaling 2% of retail sales.

B. For Gas utilities, the 2021 -2023 triennium plan is as follows:
   1) Authorize financial incentives for a utility that achieves energy savings of at least
   2) 1.0 percent of the utility's retail sales.
   3) For a utility that achieves energy savings equal to 0.7 percent of retail sales, award the utility a share of the net benefits as set forth in Attachment A.
   4) For each additional 0.1 percent of energy savings, the utility achieves, increase the net benefits awarded to the utility by an additional 0.75 percent until the utility achieves savings of 1.2 percent of retail sales.
   5) For savings levels of 1.2 percent and higher, award the utility a share of the net benefits equal to the Net Benefits Cap.
   6) Gas utilities may exceed the 30% CIP Expenditures Cap, up to a maximum of 35%, if they meet or exceed energy savings equaling 1.2% of retail sales.

C. For all utilities, set the following Net Benefit Caps:
   1) 13.5 percent in 2017,
   2) 12.0 percent in 2018,
   3) 10.0 percent in 2019, and
   4) 10.0 percent in 2020.

D. For all utilities, set the following Conservation Improvement Plan (CIP) Expenditure Caps:
   1) 40 percent in 2017,
   2) 35 percent in 2018,
   3) 30 percent in 2019, and
   4) 30 percent in 2020.

The Commission retains certain provisions from the current Shared Savings DSM Financial Incentive Plan, with slight modifications, as follows:

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

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

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

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

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

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

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

    a. Incorporation of lifetime energy savings into the incentive mechanism,
    b. Incorporation of an incentive for utilities that achieve permanent peak reductions through the shared-savings incentive mechanism,
    c. Comparison of alternative mechanisms, along with the approved 2021-2023 CIP financial incentive mechanism, to each other and to how a similar-sized (in terms of cost) supply-side investment would be rewarded financially through the cost-of-

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

service model, and

d. Energy efficiency opportunities to support increased load flexibility (the ability to persistently shape and shift load).

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

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

Attachment B, Table 1. CenterPoint Energy's Natural Gas Historical CIP Achievements, Incentives, and Tracker Balance
2011-2021

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	$38,439,620	$77,715,201	$7,771,520	($84,991)	$11,164,791	$20.54	$24.69	20%	10%	0%	29%