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May 1, 2015

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

Mr. William Grant
Deputy Commissioner
Minnesota Department of Commerce
Division of Energy Resources
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

RE: CenterPoint Energy's 2014 Conservation Improvement Program Status Report, 2014 Demand-Side Management Financial Incentive, Conservation Improvement Program Tracker Report and 2014 Conservation Cost Recovery Adjustment Aggregated Compliance Filing.
Docket No. E,G999/CI-08-133
Docket No. G-008/CI-10-111
Docket No. G-008/CI-12-564
Docket No. G-008/M-15-___

Dear Mr. Wolf and Deputy Commissioner Grant:

CenterPoint Energy respectfully submits to the Minnesota Public Utilities Commission and the Minnesota Department of Commerce, Division of Energy Resources, its aggregated compliance filing for the 2014 Conservation Improvement Program (CIP) Status Report; the 2014 Demand-Side Management (DSM) Financial Incentive; the CIP Tracker Report for the period of January 1, 2014 through December 31, 2014; and its request to update the Conservation Cost Recovery Adjustment ("CCRA" or "CIP Adjustment"). This filing complies with the Public Utilities Commission's (PUC) Orders in the Matter of the Commission Review of Utility Performance Incentives for Energy Conservation (Docket No. E,G-999/CI-08-133), CIP rules and regulations to submit an annual Status Report, and the PUC's requirement that CenterPoint Energy submit its CIP Adjustment annually in conjunction with its CIP Tracker Report and DSM Financial Incentive filing (Docket No. G-008/M-10-634).

CenterPoint Energy's 2014 energy savings achievements surpassed the Company's approved savings goal for the year by 20 percent. At 1,701,716 MCF, 2014 energy savings was a record achievement for the Company's CIP program, representing 1.25 percent of the Company's average sales.¹ This is the second subsequent year in which CenterPoint Energy's CIP has surpassed one percent of its average sales.

¹ The three-year average, weather-normalized sales figure of 136,490,212 Dth, is net of exempt customer sales volumes and was filed in the March 29, 2013 Triennial Plan in Docket No. G008/CIP-12-564.

The 2014 CIP program expenditures were \$23,701,520 (\$848,242 below the 2014 approved budget), which represents 2.67% of 2011 gross operating revenues from non-exempt customers. Under the mechanism approved by the PUC in Docket No. E,G999/CI-08-133, this level of performance qualifies the Company for a financial incentive of \$11,608,486².

In addition, CenterPoint Energy was assessed a total of \$650,562 under Minnesota Statute §216B.241. These assessments are recoverable under the provisions of the Next Generation Act of 2007 (NGEA) and Minnesota Statute §216B.241 through the CIP Tracker mechanism. Total assessments in 2014 combined with the 2014 CIP program expenditures result in total deferred expenses on the CIP Tracker Account of \$24,352,083. The Company also requests approval of its 2014 CIP Carrying Charges. Because the Company's 2014 CIP Tracker Account was over-recovered for the majority of the year, total annual carrying charges accrued in the favor of ratepayers and were credited to the Tracker Account, reducing the total year-end under-recovered balance. \$443,195 in total annual carrying charges were credited to the 2014 Tracker Account, resulting in a year-end Tracker balance of \$2,285,733.

In Docket No. G008/M-10-634, the PUC ordered CenterPoint Energy to file its CIP adjustment with its annual CIP Tracker and DSM Financial Incentive filings. Accordingly, this filing also includes a request to update the Conservation Cost Recovery Adjustment.

By copy of this transmittal letter, CenterPoint Energy is notifying persons on the service lists of this filing. A copy of this filing is available for public inspection at CenterPoint Energy's business office at 505 Nicollet Mall in Minneapolis and at the office of the Minnesota Department of Commerce. CenterPoint Energy will provide a copy of the filing to interested persons upon request. Please address requests to receive a copy of the filing, as well as comments or questions regarding the Status Report, to Audrey Partridge at audrey.partridge@centerpointenergy.com.

Please note that this filing is available through the eDockets system maintained by the Minnesota Department of Commerce and the Minnesota Public Utilities Commission. 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>.

Please call Audrey Partridge at (612) 321-4318 with any questions.

Sincerely,

/s/ Audrey C. Partridge

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CC: Service List

² Net of adjustment to the Company's 2013 savings.

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CENTERPOINT ENERGY
SUMMARY OF TARIFF FILING
Rule 7829.1300, Subp. 1

CenterPoint Energy submits its 2014 Conservation Improvement Program (“CIP”) Status Report and associated filings. In addition to the Status Report, the associated filings include a request for approval of the Company’s December 31, 2014 CIP Tracker balance of \$2,285,733; a request for approval of the 2014 CIP Financial Incentive in the amount of \$11,608,486 (to be credited to the CIP tracker account upon receipt of approval from the Minnesota Public Utilities Commission); and a request for approval of updates to the Company’s tariff book to incorporate the requested Conservation Cost Recovery Adjustment (“CCRA”) factor of \$.01021 per therm.

**CENTERPOINT ENERGY
SUMMARY OF TARIFF FILING
Rule 7829.1300, Subp. 3**

A. The name, address, and telephone number of the utility:

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, a Delaware Corporation
505 Nicollet Mall
PO Box 59038
Minneapolis, Minnesota 55402
(612) 372-4664

B. The name, address, and telephone number of the attorney for the utility:

Brenda A. Bjorklund, Assistant General Counsel
505 Nicollet Mall
Minneapolis, Minnesota 55402
(612) 321-4976

C. The date of the filing and the date the proposed rate or service change will take effect:

Date Filed:	May 1, 2015
Effective Dates:	January 1, 2016 (CCRA) Upon receipt of Commission approval (Financial Incentive)

D. The statute that the utility believes controls the timeframe for processing the filing:

CenterPoint Energy is unaware of any statute or rule that controls the time frame for processing this filing.

E. The signature and title of the utility employee responsible for this filing:

/s/
Audrey C. Partridge
Senior Regulatory Analyst, Conservation Improvement Program
(612) 321-4318

AGGREGATED COMPLIANCE REPORTS OVERVIEW

CenterPoint Energy submits its 2014 Conservation Improvement Program (“CIP”) Status Report and associated compliance reports. The purpose of the filing is to report 2014 CIP project activity; to request approval to allocate the 2014 financial incentive to CenterPoint Energy’s CIP Tracker; to update CIP Tracker activity through December 31, 2014 and request approval of the CIP Tracker balance; and to request approval of the Company’s CIP Adjustment.

This filing is an aggregation of the four compliance reports. The filing is divided into five sections consisting of the following compliance reports and their corresponding attachments:

- Section 1. 2014 Conservation Improvement Program (CIP) Status Report;
- Section 2. 2014 Demand-Side Management (DSM) Financial Incentive;
- Section 3. Conservation Improvement Program Tracker Report, December 31, 2013 through December 31, 2014;
- Section 4. Conservation Cost Recovery Adjustment; and
- Section 5. Attachments.

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SECTION 1: 2014 CONSERVATION IMPROVEMENT PROGRAM STATUS REPORT

CenterPoint Energy (the Company) submits this Status Report on its CIP program in compliance with Minnesota Department of Commerce (“Department”) Rules and the Commissioner’s Decisions. This report covers the 2014 CIP year, January 1 through December 31. The report is divided into four sections:

- I. Summary of Accomplishments
- II. Update of Program Modifications
- III. Compliance Overview
- IV. 2014 CIP Program Results

Summary of Accomplishments

CenterPoint Energy's CIP programs achieved a new record level of energy savings in 2014, exceeding 1.7 billion cubic feet of natural gas savings for the first time. The total energy savings of 1,701,716 dekatherms (Dth) exceeded the approved goal of 1,421,117 Dth by 19.7 percent and represents 1.25 percent of sales.¹

These results were achieved through program spending of \$23,701,520 – over 800,000 dollars (3.5 percent) under the approved budget. The combination of high savings achievement and controlled program expenses resulted in highly cost-effective programs; the total portfolio cost of saved energy was \$13.93 per first-year Dth saved, 19 percent lower than the approved cost of \$17.27 per first-year Dth. Viewed over the lifetime of the achieved savings, the programs were even more cost-effective with an average of about \$1.29 per lifetime Dth saved. Further demonstrating CenterPoint Energy's ongoing commitment to helping its customers achieve cost-effective energy conservation is the fact that the Company's overall CIP portfolio, as well as the residential and commercial and industrial market sectors, was cost-effective from both the utility and societal perspectives.

In the residential market sector, the Company exceeded its energy savings goal by 36 percent (171,663 Dth), while residential expenditures were over budget by 14 percent (\$1,703,288). Similar to 2013, much of the success of the residential sector in 2014 was due to high participation in the Whole Home New Construction Project, a result of resurgence in new home construction relative to previous years. That project exceeded its participation goal by 337 percent and its savings goal by 565 percent. The Company also had higher than expected participation in the Low-Flow Showerhead and Faucet Aerator Project and the Residential Energy Efficiency Kits, as well as higher than expected savings in the Residential Heating Rebate Project.

The Company also exceeded its goals in the commercial and industrial (C&I) sector, achieving energy savings of 1,031,040 Dth (132,247 Dth or 15 percent above the goal), while finishing the year under budget by more than \$1.6 million (20 percent). As a result, the sector's cost per first-year Dth saved (\$6.12) was 31 percent lower than the approved cost of \$8.83 per first-year Dth. The C&I Prescriptive Heating and Water Heating Project was a very strong performer in the C&I sector (relative to goal), surpassing the 2014 program savings goal by 80 percent (352,401 Dth).

Minnesota statutes require gas utilities to spend at least 0.4 percent of gross operating revenue from residential customers on conservation programs that directly serve the needs of low-income customers. 2014 was a challenging year for the Company's low-income programs due in part to a disruption in services provided by the vendor of the Company's largest dedicated low-income program. Nevertheless, the Company spent \$2,604,092 on low-income customers in the overall 2014 CIP, which represents 0.46 percent of the Company's gross operating revenue from residential customers. More information on these efforts and dedicated low-income program results is included in the Low-Income Market Segment Projects discussion in the *CIP Program Results* section.

CenterPoint Energy is proud of its CIP accomplishments in 2014. The record-setting, yet highly cost-effective, energy savings achieved in 2014 illustrates the excellence of CenterPoint Energy's conservation program design and implementation. Helping its customers achieve cost-effective energy savings has become a key part of CenterPoint Energy's business in Minnesota. The Company believes that the success of the Company's 2014 CIP, described in detail in this Status Report, along with the Company's CIP results in previous years, shows the Company's sustained commitment to energy conservation. While there remain challenges in meeting Minnesota's aggressive energy efficiency goals, the Company looks forward to continuing to approach those

¹ Based on weather-normalized average sales to non-exempt customers, as reported on page 6 of the Company's updated CIP Triennial Plan.

challenges with same effort and dedication that has made it a recognized national leader in delivering natural gas energy efficiency programs.

Update of Program Modifications

The Deputy Commissioner's *Order* approving CenterPoint Energy's 2013-2015 CIP Triennial Plan required that the Company "submit modification updates annually in its Status Report to keep the Department and all other interested parties informed of any modifications to its CIP, including those modifications not requiring formal approval."² Accordingly, the Company provides the following information regarding various formal and informal modifications to the CIP Triennial Plan, as well as occurrences not anticipated in the Plan document or during the approval process.

Formal Modifications

Project Development Modification

The Company's approved 2013-2015 Triennial Plan initially contemplated updating the Minnesota Natural Gas Energy Efficiency study (completed in March 2009) during the 2014 CIP program year, and included funding for that work in the 2014 Project Development budget. Early in 2013, the Company realized that conducting the study earlier would allow more time for the findings to be incorporated into the 2016-2018 planning process, as well as potentially provide information for the Department's Energy Savings Goal stakeholder process and the 2014 legislative session. The Company worked with Navigant Consulting, who conducted the first study, to identify a project scope and cost estimate for the updated study. The Company then requested permission in 2013 to exceed its approved 2013 Project Development budget in order to fund an updated conservation potential study in 2013 (rather than 2014 as initially contemplated in the Triennial Plan).³ This request was approved with the provisions that the Company not exceed the combined two-year, 2013 and 2014, budget for Project Development and or the statutory research and development spending cap.⁴

Work on the study update occurred during 2013 and the first part of 2014. In moving the majority of the Potential Study work into 2013, the 2014 Project Development spending is under the budgeted amount. However, spending in 2013 and 2014 combined remains in compliance with the provisions described above, as demonstrated in the *Compliance Overview* and *CIP Program Results* sections of this filing.

Attic Weatherization Rebate and Wall Insulation Rebate Projects

On November 15, 2013, the Company filed a request to suspend its Attic Weatherization Rebate and Wall Insulation Rebate projects (the ASI Projects) in light of an identified need to revise the project delivery model to one that provided more control over the work performed under the program, the quantification of achieved energy savings, and the quality of data collected. In that filing, CenterPoint Energy offered to forgo all energy savings claims for these projects in 2013, though it believed recovery of program costs is reasonable. On February 28, 2014, the Deputy Commissioner issued an *Order* terminating the ASI Projects, directing the Company not to claim energy savings for the then-current ASI projects in 2013 or 2014,⁵ and confirming that the program costs

² Deputy Commissioner's *Decision* on October 19, 2012, in Docket No. G-008/CIP-12-564, p. 28, Decision Point 11.

³ See the Company's filing on August 18, 2013 in the current docket.

⁴ Deputy Commissioner's Letter on September 5, 2013 in the current docket.

⁵ The Deputy Commissioner's *Order* states that CenterPoint Energy "may not claim any energy savings from the current ASI Projects toward the Company's 2013 or 2014 CIP accomplishments." The Company interprets this to refer to the ASI Projects as originally approved in the 2013-2015 Triennial Plan, given that the ASI Projects remained active in 2014 while the Deputy Commissioner's *Order* was still pending. The Company plans to claim energy savings in 2014 for the new Residential Weatherization Rebate Program.

continue to be an eligible CIP expenditure.⁶ The *Order* also required CenterPoint Energy to file a proposal for one or more projects to promote air sealing and insulation measures within 60 days; the Company filed a proposal for the new Residential Weatherization Rebate Project in compliance with this requirement on March 31, 2014.

Consistent with the Deputy Commissioner's *Order* and its proposal in the initial *Petition* of November 15, 2013, the energy savings reported in this Status Report include no savings from the terminated ASI Projects. Program costs are included in the spending figures reported.

Residential Weatherization Rebate Project

In Compliance with the Deputy Commissioner's Order of February 28, 2014 in the current docket (discussed above), the Company filed a new CIP project proposal for the Residential Weatherization Rebate Project on March 31, 2014 to promote air sealing and insulation measures in the residential market. The Residential Weatherization Rebate Project was approved on July 7, 2014 in the current docket and results for the 2014 program year are included herein.

Modifications Not Requiring Formal Approval

Whole Home New Construction

In the process of reviewing the 2013 CIP Status Report results, it was brought to the Company's attention that the REM/Rate software used in the Whole Home New Construction Project used a default baseline furnace efficiency of 78 percent. This baseline was not consistent with the Company's residential new construction baseline furnace efficiency of 90 percent in the Residential Heating and Water Heating Rebate Project. To align the Whole Home New Construction Project with the rest of the Company's portfolio, the Company worked with the program vendor to develop a correction factor to adjust program savings to account for a 90 percent efficient baseline furnace. All energy savings figures throughout this document provided for the Whole Home New Construction Project reflect the 90 percent efficient baseline adjustment. This adjustment resulted in approximately 16 percent lower energy savings in 2014 as compared to a model based upon a 78 percent baseline furnace.

Residential Weatherization Rebate Project

In launching the new Residential Weatherization Project, the Company encountered two issues: one regarding rebate eligibility for customers who had previously received rebates for weatherization measures that were later determined to be inadequate or faulty and one regarding whether contractors who perform insulation and air sealing work for Community Action Partnership (CAP) agencies would be eligible for the "waive-in" quality assurance (QA) path in the new project. The Company discussed the issues with DER Staff and provided a courtesy notification documenting the Company's adopted policies in dealing with both issues.

In cases in which a customer received a rebate for weatherization through the old ASI Projects and discovered problems with the quality of the ASI work, the Company would pay a second rebate to those customers. However, the Company would not claim energy savings for weatherization work if energy savings had already been claimed for the prior rebate. Note that for 2013 and a portion of 2014, the Company did not claim energy savings for rebates under the ASI Projects; for these customers, the Company would claim energy savings for weatherization work rebated under the new program.

Concerning whether contractors for CAP agencies would be eligible to "waive-in" to the new project, the Company determined that it did not have enough information about the CAP agency QA process to determine whether it qualified as having a comparable QA requirement. As a result, these contractors are required to go through the standard onboarding process and are not eligible to "waive-in."

⁶ Deputy Commissioner's *Order* on February 28, 2014 in the current docket.

Trade Ally Incentives for C&I Prescriptive Rebates

In the 2014 program year, the Company decided to make changes to its trade ally incentives for C&I prescriptive rebates. All changes were consistent with the provision of Ordering Point 10 of the Deputy Commissioner's Decision approving the Company's Triennial Plan,⁷ which provides for flexibility in the size of customer and vendor rebates the Company offers so long as the flexibility is used in a non-discriminatory manner. The Company discussed the changes with DER Staff and provided a courtesy notification documenting the Company's adjustments to its trade ally incentives. The Company increased trade ally incentives for rebates submitted during the November 1 to December 19 timeframe in order to motivate contractors to submit rebate paperwork ahead of the Company's year-end deadline. The Company also increased the trade ally incentive for carbon monoxide sensors to \$10 per sensor, rather than the \$10 per carbon monoxide sensor project level as filed in the Company's Triennial Plan.

Low-Income Weatherization

The Company's 2013-2015 Triennial Plan established that participating homes in the Low-Income Weatherization Project must exhibit a Savings to Investment Ratio (SIR) of 1.0 or better in order to participate in the project. In 2014, the Company was notified by the program delivery vendor that this policy had become a significant barrier in delivering services. Therefore, the Company decided to waive that requirement for the remainder of the Triennial Period. The Company discussed the changes with DER Staff and provided a courtesy notification documenting the Company's waiver of the SIR requirement in the Low-Income Weatherization Project.

Steam Trap Surveys

In 2014, the Company saw significant customer and trade ally interest in CIP support for steam trap surveys, which identify failed steam traps to be replaced. The Company did not have an existing CIP offering specifically for steam trap surveys, but believed it was a valuable service to offer through CIP. The Company decided to support steam trap surveys through the existing Engineering Assistance Project, which pays up to 50 percent of the costs of a study. However, in the case of steam traps, the Company opted to pay a higher proportion of costs, 50 percent of the study cost up front and 50 percent if the customer follows through with trap replacement. The maximum payment was capped at \$10,000 for study funding. The Company discussed the changes with DER Staff and provided a courtesy notification documenting the Company's intentions to offer CIP support for steam trap surveys. In 2015, the Company filed a proposal for a new CIP project incentivizing steam trap surveys; that filing is currently under review.

⁷ Deputy Commissioner's *Decision* on October 19, 2012 in Docket No. G-008/CIP-12-564

Compliance Overview

Energy Savings Goals (Minnesota Statute §216B.241, subd. 1c.)

CenterPoint Energy's approved 2014 energy savings goal represents just over one percent of the Company's three-year average gross annual retail energy sales, in compliance with Minn. Statute 216B.241, subd. 1c. (d). The Company surpassed the approved 2014 energy savings goal by 280,599 MCF; achieving energy savings equivalent to 1.25 percent of CenterPoint Energy's approved three-year averaged weather normalized energy sales, net of energy sales to exempt customers.

Table 1. Compliance with Annual Energy Savings Goal

Average Weather-Normalized Energy Sales (2009-2011)	136,490,212 MCF
2014 Energy Savings Goal	1,421,117 MCF
2014 CIP Energy Savings Goal - Percent of Average Weather-Normalized Energy Sales	1.04%
2014 Actual Energy Savings	1,701,716 MCF
2014 CIP Energy Savings - Percent of Average Weather-Normalized Energy Sales	1.25%

Minimum Spending Requirements (MN Stat. §216B.241, subd. 1a; MN Rules 7690.1200, subp. 1a)

Minnesota Statutes §216B.241, subd. 1a, requires gas utilities to spend 0.5 percent of gross operating revenue on CIP; Minnesota Rules 7690.1200 subp. 1A(2) establishes the Gas Jurisdictional Annual Report as the source of data to be used for calculating this amount. In 2014, CenterPoint Energy spent a total of \$23,701,520 on CIP programs, which represents 2.67 percent of the Company's approved gross operating revenue, net of sales to CIP exempt customers.

Table 2. Compliance with Minimum Spending Requirement

2011 Total Gross Operating Revenue (GOR)*	\$918,707,700
Revenue from Exempt Customers**	\$30,723,563
2011 Net GOR***	\$887,984,137
Statutory Spending Factor	0.5%
Statutory Minimum CIP Spending	\$4,439,921
2014 CIP Program Spending	\$23,701,520
2014 CIP Program Spending as a Percent of Net GOR	2.67%

* From 2011 Gas Jurisdictional Report, Page G-39 (Total Revenue Corresponding to Sales).

** MN Statutes 216B.241, subd. 1a states that gross operating revenues do not include sales to customers exempt from CIP.

*** The 2011 Net GOR was filed and approved in the Company's 2013-2015 Triennial Plan in Docket No. G008/CIP-12-564.

Low-Income Spending Requirement (MN Stat. 216B.241, subd. 7)

As amended by HF 854, Minnesota Statutes §216B.241, subd. 7 requires a gas utility to spend at least 0.4 percent of its most recent three-year average residential gross operating revenue (GOR) annually on conservation programs that directly serve the needs of low-income customers. In 2014, CenterPoint Energy spent a total of \$2,604,092 on low-income customers participating in CIP, representing 0.46 percent of the Company's three-year average GOR from residential customers.⁸ As directed by the January 9, 2015 *Decision* in Docket No. G008/CIP-12-564.02, the Company calculated the minimum low-income spending amounts using the methodology proposed by DER Staff in the November 21, 2014 *Proposed Decision* in the same docket.

Table 3. Compliance with Low-Income Spending Requirement

2009 GOR from Residential Customers	\$603,917,000
2010 GOR from Residential Customers	\$551,982,300
2011 GOR from Residential Customers	\$555,038,100
2009-2011 Average GOR from Residential Customers*	\$570,312,467
Statutory Spending Factor	0.40%
Statutory Minimum Low-Income Spending	\$2,281,250
2014 Actual Low-Income Spending	\$2,604,092
Proposed Low-Income Spending as Percent of Residential GOR (2014)	0.46%

* Annual GOR from residential customers figures come from the Company's 2009-2011 Gas Jurisdictional Annual Report, Page G-38 (Revenue Corresponding to Sales for Residential With Heating and Residential Without Heating).

Research and Development Spending Cap (MN Stat. 216B.241, subd. 2c)

Minnesota Statutes §216B.241, subd. 2c establishes a maximum that utilities may spend on research and development through CIP. This cap is set at ten percent of the minimum spending requirement. The table below demonstrates CenterPoint Energy's compliance with the research and development spending cap.

Table 4. Compliance with Research and Development Spending Cap

Statutory Minimum CIP Spending	\$4,439,921
R&D Spending Cap	\$443,992
2014 R&D Spending in Project Development	\$169,933
2014 Total R&D Spending	\$169,933

Distributed and Renewable Generation Cap (Minnesota Statutes §216B.241 1, subd. 1(a))

Minnesota Statutes §216B.241 1, subd. 1(a) allows utilities to spend up to five percent of their minimum annual spending requirements on distributed and renewable generation (DRG) projects. CenterPoint Energy did not expend funds on any DRG projects in 2014.

⁸ Consistent with how CIP energy savings goals are calculated for Triennial Plan filings, the Company calculated its three-year average GOR from residential customers using the three most recent years prior to filing the 2013-2015 CIP Triennial Plan.

2014 CIP Program Results⁹

The information provided in the following tables is required by Department of Commerce Rules 7690.0550.

Program Summary

Summary	Budget	Participation	Energy Saved (MCF)	Demand Energy Saved (MCF)
Residential Market Segment				
2014 Goal	\$12,351,582	292,605	476,819	4,768
2014 Actual	\$14,054,870	310,878	648,482	6,485
Variance	\$1,703,288	18,273	171,663	1,717
Low-Income Market Segment				
2014 Goal	\$2,759,000	2,105	45,505	455
2014 Actual	\$2,207,285	1,498	21,986	220
Variance	(\$551,715)	(607)	(23,520)	(235)
C&I Market Segment				
2014 Goal	\$7,938,980	7,212	898,793	8,988
2014 Actual	\$6,314,013	8,006	1,031,040	10,310
Variance	(\$1,624,967)	794	132,247	1,322
Other Projects				
2014 Goal	\$1,500,200	0	0	0
2014 Actual	\$1,125,353	1	208	2
Variance	(\$374,847)	1	208	2
Total				
2014 Goal	\$24,549,762	301,922	1,421,117	14,211
2014 Actual	\$23,701,520	320,383	1,701,716	17,017
Variance	(\$848,242)	18,461	280,599	2,806

⁹ Tables included in this section may not sum to the exact totals provided due to rounding.

2014 Budget Summary

Project	Budget	Actual Spending	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	\$5,956,050	\$6,795,762	\$839,712	14.1%
Water Heater Rebate	\$940,875	\$956,474	\$15,599	1.7%
Low-Flow Showerhead & Aerator	\$574,000	\$519,980	(\$54,020)	-9.4%
Attic Insulation & Air Sealing (TERMINATED)	N/A	\$432,955	N/A	N/A
Wall Insulation (TERMINATED)	N/A	\$7,311	N/A	N/A
ASI (INTERIM)	N/A	\$47,317	N/A	N/A
Residential Weatherization Rebate	\$809,562	\$105,168	(\$704,394)	-87.0%
Electronic Ignition Hearth Rebate	\$255,000	\$295,699	\$40,699	16.0%
Residential Energy Audit	\$539,475	\$446,919	(\$92,556)	-17.2%
Home Energy Reports	\$1,478,120	\$1,513,994	\$35,874	2.4%
Home Energy Squad	\$975,000	\$756,675	(\$218,325)	-22.4%
Whole Home New Construction	\$705,000	\$2,065,739	\$1,360,739	193.0%
Residential Efficiency Kits	\$118,500	\$110,876	(\$7,624)	-6.4%
Subtotal:	\$12,351,582	\$14,054,870	\$1,215,705	13.8%
Low-Income Market Segment Projects				
Low-Income Weatherization	\$1,806,500	\$1,779,574	(\$26,926)	-1.5%
Non-Profit Affordable Housing	\$215,250	\$163,593	(\$51,657)	-24.0%
Low-Income Multifamily Buildings	\$287,250	\$118,839	(\$168,411)	-58.6%
Low-Income Heating System Tune-ups	\$200,000	\$79,283	(\$120,717)	-60.4%
Low-Income Rental Efficiency	\$250,000	\$65,996	(\$184,004)	-73.6%
Subtotal:	\$2,759,000	\$2,207,285	(\$551,715)	-20.0%
C/I Market Segment Projects				
Foodservice	\$526,711	\$576,362	\$49,651	9.4%
C&I Heating & Water Heating	\$2,901,997	\$3,538,546	\$636,549	21.9%
Custom	\$2,510,722	\$1,170,797	(\$1,339,925)	-53.4%
Commercial Energy Analysis	\$273,500	\$106,526	(\$166,974)	-61.1%
Energy Design Assistance	\$940,000	\$507,796	(\$432,204)	-46.0%
Process Efficiency	\$413,750	\$188,760	(\$224,990)	-54.4%
Training & Education	\$107,700	\$104,428	(\$3,272)	-3.0%
Engineering Assistance	\$84,691	\$46,435	(\$38,256)	-45.2%
Recommissioning	\$165,000	\$74,117	(\$90,883)	-55.1%
LEED Assistance	\$14,909	\$245	(\$14,664)	-98.4%
Subtotal:	\$7,938,980	\$6,314,013	(\$1,624,967)	-20.5%
Other Projects				
General Energy Efficiency Awareness	\$650,000	\$577,952	(\$72,048)	-11.1%
Project Development	\$400,000	\$169,933	(\$230,067)	-57.5%
Planning & Regulatory	\$150,000	\$89,776	(\$60,224)	-40.1%
EnerChange	\$300,200	\$287,692	(\$12,508)	-4.2%
Subtotal:	\$1,500,200	\$1,125,353	(\$374,847)	-25.0%
Total	\$24,549,762	\$23,701,520	(\$848,242)	-3.5%

2014 Energy Savings Summary

Project	Goal Energy Savings	Actual Energy Savings	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	218,983	236,425	17,442	8.0%
Water Heater Rebate	13,998	15,797	1,799	12.8%
Low-Flow Showerhead & Aerator	67,930	112,902	44,972	66.2%
Attic Insulation & Air Sealing (TERMINATED)	0	0	N/A	N/A
Wall Insulation (TERMINATED)	0	0	N/A	N/A
ASI (INTERIM)	0	0	N/A	N/A
Residential Weatherization Rebate	17,978	3,265	(14,714)	-81.8%
Electronic Ignition Hearth Rebate	6,570	10,849	4,279	65.1%
Residential Energy Audit	0	0	N/A	N/A
Home Energy Reports	99,000	96,990	(2,010)	-2.0%
Home Energy Squad	22,500	18,685	(3,815)	-17.0%
Whole Home New Construction	21,000	139,598	118,598	564.8%
Residential Efficiency Kits	8,860	13,972	5,112	57.7%
Subtotal:	476,819	648,482	171,663	36.0%
Low-Income Market Segment Projects				
Low-Income Weatherization	12,028	9,521	(2,508)	-20.8%
Non-Profit Affordable Housing	2,833	1,841	(992)	-35.0%
Low-Income Multifamily Buildings	27,000	9,165	(17,835)	-66.1%
Low-Income Heating System Tune-ups	1,800	1,352	(448)	-24.9%
Low-Income Rental Efficiency	1,844	107	(1,737)	-94.2%
Subtotal:	45,505	21,986	(23,520)	-51.7%
C/I Market Segment Projects				
Foodservice	46,040	48,515	2,475	5.4%
C&I Heating & Water Heating	438,753	791,154	352,401	80.3%
Custom	305,000	143,951	(161,049)	-52.8%
Commercial Energy Analysis	0	0	0	0.0%
Energy Design Assistance	84,000	29,308	(54,693)	0.0%
Process Efficiency	15,000	10,566	(4,434)	-29.6%
Training & Education	0	0	0	0.0%
Engineering Assistance	0	0	0	0.0%
Recommissioning	10,000	7,547	(2,453)	-24.5%
LEED Assistance	0	0	0	0.0%
Subtotal:	898,793	1,031,040	132,247	14.7%
Other Projects				
General Energy Efficiency Awareness	0	0	0	N/A
Project Development	0	208	208	N/A
Planning & Regulatory	0	0	0	N/A
EnerChange	0	0	0	N/A
Subtotal:	0	208	208	N/A
Total	1,421,117	1,701,716	280,599	19.7%

2014 Demand Energy Savings Summary

Project	Goal Energy Savings	Actual Energy Savings	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	2,190	2,364	174	8.0%
Water Heater Rebate	140	158	18	12.8%
Low-Flow Showerhead & Aerator	679	1,129	450	66.2%
Attic Insulation & Air Sealing (TERMINATED)	N/A	0	N/A	N/A
Wall Insulation (TERMINATED)	N/A	0	N/A	N/A
ASI (INTERIM)	N/A	0	N/A	N/A
Residential Weatherization Rebate	180	33	(147)	-81.8%
Electronic Ignition Hearth Rebate	66	108	43	65.1%
Residential Energy Audit	0	0	N/A	N/A
Home Energy Reports	990	970	(20)	-2.0%
Home Energy Squad	225	187	(38)	-17.0%
Whole Home New Construction	210	1,396	1,186	564.8%
Residential Efficiency Kits	89	140	51	57.7%
Subtotal:	4,768	6,485	1,717	36.0%
Low-Income Market Segment Projects				
Low-Income Weatherization	120	95	(25)	-20.8%
Non-Profit Affordable Housing	28	18	(10)	-35.0%
Low-Income Multifamily Buildings	270	92	(178)	-66.1%
Low-Income Heating System Tune-ups	18	14	(4)	-24.9%
Low-Income Rental Efficiency	18	1	(17)	-94.2%
Subtotal:	455	220	(235)	-51.7%
C/I Market Segment Projects				
Foodservice	460	485	25	5.4%
C&I Heating & Water Heating	4,388	7,912	3,524	80.3%
Custom	3,050	1,440	(1,610)	-52.8%
Commercial Energy Analysis	0	0	0	0.0%
Energy Design Assistance	840	293	(547)	0.0%
Process Efficiency	150	106	(44)	-29.6%
Training & Education	0	0	0	0.0%
Engineering Assistance	0	0	0	0.0%
Recommissioning	100	75	(25)	-24.5%
LEED Assistance	0	0	0	0.0%
Subtotal:	8,988	10,310	1,322	14.7%
Other Projects				
General Energy Efficiency Awareness	0	0	0	N/A
Project Development	0	2	2	N/A
Planning & Regulatory	0	0	0	N/A
EnerChange	0	0	0	N/A
Subtotal:	0	2	2	N/A
Total	14,211	17,017	2,806	19.7%

Low-Income Participation Summary

Project	Participation Goal	Actual Participation	Low-Income Participation Goal	Actual Low-Income Participation
Residential Market Segment Projects				
Heating System Rebate	45,230	45,467	3,257	1,126
Water Heater Rebate	7,225	7,675	896	237
Low-Flow Showerhead & Aerator	42,000	65,646	3,150	2,839
Attic Insulation & Air Sealing (TERMINATED)	N/A	592	N/A	23
Wall Insulation (TERMINATED)	N/A	24	N/A	2
ASI (INTERIM)	N/A	102	N/A	-
Residential Weatherization Rebate	1,100	217	49	-
Electronic Ignition Hearth Rebate	1,500	2,477	32	5
Residential Energy Audit	2,550	2,067	64	68
Home Energy Reports	188,000	178,794	9,776	5,893
Home Energy Squad	2,500	2,477	275	228
Whole Home New Construction	500	2,186	-	-
Residential Efficiency Kits	2,000	3,154	150	159
Subtotal:	292,605	310,878	17,648	10,580
Low-Income Market Segment Projects				
Low-Income Weatherization	650	511	650	511
Non-Profit Affordable Housing	100	75	100	75
Low-Income Multifamily Buildings	300	156	300	156
Low-Income Heating System Tune-ups	1,000	751	1,000	751
Low-Income Rental Efficiency	55	5	55	5
Subtotal:	2,105	1,498	2,105	1,498
C/I Market Segment Projects				
Foodservice	539	600	-	-
C&I Heating & Water Heating	5,247	5,909	-	-
Custom	125	61	-	-
Commercial Energy Analysis	225	63	-	-
Energy Design Assistance	48	106	-	-
Process Efficiency	10	2	-	-
Training & Education	1,000	1,236	-	-
Engineering Assistance	7	5	-	-
Recommissioning	10	24	-	-
LEED Assistance	1	0	-	-
Subtotal:	7,212	8,006	-	-
Other Projects				
General Energy Efficiency Awareness	0	0	-	-
Project Development	0	1	-	-
Planning & Regulatory	0	0	-	-
EnerChange	0	0	-	-
Subtotal:	0	1	-	-
Total	301,922	320,383	19,753	12,078

The methodologies used to determine low-income customer participation rates for applicable projects are contained in the individual market segment summaries that follow. The number of reported low-income participants is based on the following methodologies:

- Residential customers income-qualified for participation in low-income programs, as documented by third party agencies such as community action agencies and non-profits;
- Low-income multifamily housing customers providing documentation to CenterPoint Energy showing pre-qualification in the Department of Energy Weatherization Assistance Program (WAP), certification for the Minnesota Low Income Rental Classification (LIRC), and other documentation including (but not limited to) participation in the project-based Section 8 voucher program; and
- A cross-check of 2014 residential CIP participants against Low Income Home Energy Assistance Program (LIHEAP) recipients.

2014 Low-Income Spending Summary

Project	Total Spending	Low-Income Spending	Percent of Total
Residential Market Segment Projects			
Heating System Rebate	\$6,795,762	\$185,555	2.7%
Water Heater Rebate	\$956,474	\$30,787	3.2%
Low-Flow Showerhead & Aerator	\$519,980	\$22,488	4.3%
Attic Insulation & Air Sealing (TERMINATED)	\$432,955	\$16,929	3.9%
Wall Insulation (TERMINATED)	\$7,311	\$609	8.3%
ASI (INTERIM)	\$47,317	-	-
Residential Weatherization Rebate	\$105,168	-	-
Electronic Ignition Hearth Rebate	\$295,699	\$597	0.2%
Residential Energy Audit	\$446,919	\$14,703	3.3%
Home Energy Reports	\$1,513,994	\$49,901	3.3%
Home Energy Squad	\$756,675	\$69,650	9.2%
Whole Home New Construction	\$2,065,739	-	-
Residential Efficiency Kits	\$110,876	\$5,590	5.0%
Subtotal:	\$14,054,870	\$396,808	2.8%
Low-Income Market Segment Projects			
Low-Income Weatherization	\$1,779,574	\$1,779,574	100.0%
Non-Profit Affordable Housing	\$163,593	\$163,593	100.0%
Low-Income Multifamily Buildings	\$118,839	\$118,839	100.0%
Low-Income Heating System Tune-ups	\$79,283	\$79,283	100.0%
Low-Income Rental Efficiency	\$65,996	\$65,996	100.0%
Subtotal:	\$2,207,285	\$2,207,285	100.0%
C/I Market Segment Projects			
Foodservice	\$576,362	-	-
C&I Heating & Water Heating	\$3,538,546	-	-
Custom	\$1,170,797	-	-
Commercial Energy Analysis	\$106,526	-	-
Energy Design Assistance	\$507,796	-	-
Process Efficiency	\$188,760	-	-
Training & Education	\$104,428	-	-
Engineering Assistance	\$46,435	-	-
Recommissioning	\$74,117	-	-
LEED Assistance	\$245	-	-
Subtotal:	\$6,314,013	-	-
Other Projects			
General Energy Efficiency Awareness	\$577,952	-	-
Project Development	\$169,933	-	-
Planning & Regulatory	\$89,776	-	-
EnerChange	\$287,692	-	-
Subtotal:	\$1,125,353	-	-
Total	\$23,701,520	\$2,604,092	11.0%

2014 Renter Participation Summary

Project	Participation Goal	Actual Participation	Renter Participation Goal	Actual Renter Participation
Residential Market Segment Projects				
Heating System Rebate	45,230	45,467	226	2,439
Water Heater Rebate	7,225	7,675	29	511
Low-Flow Showerhead & Aerator	42,000	65,646	672	6,610
Attic Insulation & Air Sealing (TERMINATED)	N/A	592	N/A	N/A
Wall Insulation (TERMINATED)	N/A	24	N/A	N/A
ASI (INTERIM)	N/A	102	N/A	3
Residential Weatherization Rebate	1,100	217	10	7
Electronic Ignition Hearth Rebate	1,500	2,477	2	56
Residential Energy Audit	2,550	2,067	94	112
Home Energy Reports	188,000	178,794	7,332	4,666
Home Energy Squad	2,500	2,477	110	183
Whole Home New Construction	500	2,186	-	-
Residential Efficiency Kits	2,000	3,154	150	442
Subtotal:	292,605	310,878	8,625	15,029
Low-Income Market Segment Projects				
Low-Income Weatherization	650	511	45	32
Non-Profit Affordable Housing	100	75	25	-
Low-Income Multi-Family Building	300	156	-	22
Low-Income Heating System Tune-ups	1,000	751	-	3
Low-Income Renter Research	55	5	55	5
Subtotal:	2,105	1,498	125	62
C/I Market Segment Projects				
Foodservice	539	600	-	-
C&I Heating & Water Heating	5,247	5,909	-	312
Custom	125	61	-	7
Commercial Energy Analysis	225	63	68	8
Energy Design Assistance	48	106	-	6
Process Efficiency	10	2	-	-
Training & Education	1,000	1,236	-	-
Engineering Assistance	7	5	-	-
Recommissioning	10	24	-	-
LEED Assistance	1	0	-	-
Subtotal:	7,212	8,006	68	333
Other Projects				
General Energy Efficiency Awareness	0	0	-	-
Project Development	0	1	-	-
Planning & Regulatory	0	0	-	-
EnerChange	0	0	-	-
Subtotal:	0	1	-	-
Total	301,922	320,383	8,817	15,424

The methodologies used to determine renter participation rates for applicable projects are contained in the individual market segment summaries that follow.

2014 Cost-Benefit Analyses

Project	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test
Residential Market Segment Projects				
Heating System Rebate	0.63	2.76	1.44	2.10
Water Heater Rebate	0.48	1.17	0.67	1.22
Low-Flow Showerhead & Aerator	0.74	8.40	10.03	N/A
Attic Insulation & Air Sealing (TERMINATED)	N/A	N/A	N/A	N/A
Wall Insulation (TERMINATED)	N/A	N/A	N/A	N/A
Attic Insulation & Air Sealing (Interim)	N/A	N/A	N/A	N/A
Residential Weatherization Rebate	0.63	2.94	1.02	1.43
Electronic Ignition Hearth Rebate	0.63	2.76	2.06	3.27
Residential Energy Audit	N/A	N/A	N/A	N/A
Home Energy Reports	0.47	1.15	1.22	N/A
Home Energy Squad	0.46	1.08	1.13	9.76
Whole Home New Construction	0.72	6.39	1.98	2.92
Residential Efficiency Kits	0.69	4.88	5.82	N/A
Subtotal:	0.66	3.47	1.72	2.69
Low-Income Market Segment Projects				
Low-Income Weatherization	0.28	0.42	0.60	N/A
Non-Profit Affordable Housing	0.43	0.94	5.95	N/A
Low-Income Multi-Family Building	0.73	5.15	2.11	2.19
Low-Income Heating System Tune-ups	0.16	0.20	0.22	N/A
Low-Income Rental Efficiency	0.00	0.15	0.21	2.10
Subtotal:	0.38	0.71	0.91	5.69
C/I Market Segment Projects				
Foodservice	0.74	5.25	2.39	2.64
C&I Heating & Water Heating	0.83	9.77	4.45	4.93
Custom	0.91	8.74	3.38	3.10
Commercial Energy Analysis	N/A	N/A	N/A	N/A
Energy Design Assistance	0.75	5.46	1.03	0.88
Process Efficiency	0.92	4.21	1.89	1.66
Training & Education	N/A	N/A	N/A	N/A
Engineering Assistance	N/A	N/A	N/A	N/A
Recommissioning	0.80	3.94	0.56	0.58
LEED Assistance	N/A	N/A	N/A	N/A
Subtotal:	0.82	9.46	3.17	3.26
Other Projects				
General Energy Efficiency Awareness	N/A	N/A	N/A	N/A
Project Development	0.08	0.09	0.12	3.24
Planning & Regulatory	N/A	N/A	N/A	N/A
EnerChange	N/A	N/A	N/A	N/A
Subtotal:	0.01	0.01	0.02	3.24
Total	0.69	4.63	2.32	3.02

2014 Cost per MCF Saved Comparison

Project	Approved Cost per MCF Saved	Actual Cost per MCF Saved	Percent Difference
Residential Market Segment Projects			
Heating System Rebate	\$27.20	\$28.74	5.7%
Water Heater Rebate	\$67.21	\$60.55	-9.9%
Low-Flow Showerhead & Aerator	\$8.45	\$4.61	-45.5%
Attic Insulation & Air Sealing (TERMINATED)	N/A	N/A	N/A
Wall Insulation (TERMINATED)	N/A	N/A	N/A
ASI (INTERIM)	N/A	N/A	N/A
Residential Weatherization Rebate	\$45.03	\$32.22	-28.5%
Electronic Ignition Hearth Rebate	\$38.81	\$27.26	-29.8%
Residential Energy Audit	N/A	N/A	N/A
Home Energy Reports	\$14.93	\$15.61	4.5%
Home Energy Squad	\$43.33	\$40.50	-6.5%
Whole Home New Construction	\$33.57	\$14.80	-55.9%
Residential Efficiency Kits	\$13.37	\$7.94	-40.7%
Subtotal:	\$25.90	\$21.67	-16.3%
Low-Income Market Segment Projects			
Low-Income Weatherization	\$150.19	\$186.92	24.5%
Non-Profit Affordable Housing	\$75.98	\$88.84	16.9%
Low-Income Multifamily Buildings	\$10.64	\$12.97	21.9%
Low-Income Heating System Tune-ups	\$111.11	\$58.65	-47.2%
Low-Income Rental Efficiency	\$135.57	\$616.79	354.9%
Subtotal:	\$60.63	\$100.40	65.6%
C/I Market Segment Projects			
Foodservice	\$11.44	\$11.88	3.8%
C&I Heating & Water Heating	\$6.61	\$4.47	-32.4%
Custom	\$8.23	\$8.13	-1.2%
Commercial Energy Analysis	N/A	N/A	0.0%
Energy Design Assistance	\$11.19	\$17.33	54.8%
Process Efficiency	\$27.58	\$17.86	-35.2%
Training & Education	N/A	N/A	0.0%
Engineering Assistance	N/A	N/A	0.0%
Recommissioning	\$16.50	\$9.82	-40.5%
LEED Assistance	N/A	N/A	0.0%
Subtotal:	\$8.83	\$6.12	-30.7%
Other Projects			
General Energy Efficiency Awareness	N/A	N/A	N/A
Project Development	N/A	\$817.77	N/A
Planning & Regulatory	N/A	N/A	N/A
EnerChange	N/A	N/A	N/A
Subtotal:	N/A	N/A	N/A
Total	\$17.27	\$13.93	-19.4%

CenterPoint Energy's 2014 CIP projects in both the residential and commercial market achieved an improvement over the Department-approved cost per MCF targets. The achieved variations from the targets are as follows:

- Residential: 16.3 percent below;
- Commercial and Industrial: 30.7 percent below; and
- Overall: 19.4 percent below.

Residential Market Segment Projects

CenterPoint Energy's Residential Market Segment achieved 106 percent of the sector's participation goal and 136 percent of the energy savings goal, while being over budget by 14 percent.

CenterPoint Energy submits 2014 year-end information on the following residential projects:

- High-Efficiency Heating System Rebate Project;
- High-Efficiency Residential Water Heater Project;
- Low-Flow Showerhead and Faucet Aerator Project;
- Residential Attic Insulation & Air Sealing Project (Terminated);
- Residential Wall Insulation Project (Terminated),
- Residential Attic Insulation & Air Sealing Project (Interim);
- Residential Weatherization Rebate Project;
- Residential Electronic Ignition Hearth Project;
- Residential Energy Audit Project;
- Home Energy Report Project;
- Home Energy Squad Project;
- Whole Home Construction Project; and
- Residential Energy Efficiency Kits.

Residential Market Segment	Project Spending	Project Participation	Energy Savings	\$/MCF	BenCost Results (Societal Test)
Heating System Rebate	\$6,795,762	45,467	236,425	\$28.74	1.44
Water Heater Rebate	\$956,474	7,675	15,797	\$60.55	0.67
Low-Flow Showerhead & Aerator	\$519,980	65,646	112,902	\$4.61	10.03
Attic Insulation & Air Sealing (TERMINATED)	\$432,955	592	0	N/A	N/A
Wall Insulation (TERMINATED)	\$7,311	24	0	N/A	N/A
ASI (INTERIM)	\$47,317	102	0	N/A	N/A
Residential Weatherization Rebate	\$105,168	217	3,265	\$32.22	1.02
Electronic Ignition Hearth Rebate	\$295,699	2,477	10,849	\$27.26	2.06
Residential Energy Audit	\$446,919	2,067	0	N/A	N/A
Home Energy Reports	\$1,513,994	178,794	96,990	\$15.61	1.22
Home Energy Squad	\$756,675	2,477	18,685	\$40.50	1.13
Whole Home New Construction	\$2,065,739	2,186	139,598	\$14.80	1.98
Residential Efficiency Kits	\$110,876	3,154	13,972	\$7.94	5.82
Residential Total	\$14,054,870	310,878	648,482	\$21.67	1.72

Methodology Used to Determine Achievement of Low-Income and Renter Goals for the Residential Market Segment

The figures regarding low-income participation were established through a cross-check between CenterPoint Energy's CIP participation and LIHEAP recipient records. Renter participation was established through a cross-check of rental data in CenterPoint Energy's customer information system.

High-Efficiency Heating System Rebate Project

Discussion: The project achieved 101% of its participation and 108% of its energy savings goal, while project spending was over budget by 14.1%. Not only were there more participants than planned, but a greater-than-expected share of them installed heating equipment with higher efficiency ratings, which were eligible for higher incentive levels. Thus the total incentive spending was increased by both higher participation and higher spending per customer.

The total participation represents 45,467 measures installed by 38,722 customers. Customers who installed programmable thermostats in addition to their high-efficiency heating equipment were eligible for an additional rebate, according to the Company's Triennial Plan. 6,745 customers took advantage of this opportunity, in addition to installations of 1,173 92% efficient furnaces; 2,393 94% efficient furnaces; 524 95% efficient furnaces; 8,741 96% efficient furnaces; 613 83.5% efficient boilers; and 296 91% efficient boilers. 24,982 customers also received rebates for furnace or boiler tune-ups.

The following additional information is provided with regard to this project:

Equipment Type	Replacements	New Construction	1- and 2-Family	Townhouses
92% Furnace	401	772	1,112	26
94% Furnace	2,393	-	2,234	100
95% Furnace	-	524	507	17
96% Furnace	8,741	-	8,409	107
83.5 % Boiler	611	2	604	2
91% Boiler	256	46	282	9

High-Efficiency Water Heater Rebate Project

Discussion: The project achieved 106% of its participation and 113% of its energy savings goal, while project spending was 1.7% over budget.

Of the total of 7,436 natural gas storage tank water heaters rebated, 4,599 had an energy factor of 0.62, 97 had an energy factor of 0.64, and 2,740 had an energy factor of 0.67 or greater. An additional 196 tankless water heaters were rebated, 38 of which had an energy factor between .82 and .90 and 158 had an energy factor of .90 or above. Forty-three indirect water heaters (installed with 91% AFUE or greater condensing boilers) were rebated through the program.

The Company was requested to report in its Status Report filing any irregular dips in system pressure or other issues identified in the Company's routine system monitoring activities that are determined or believed to be the result of tankless water heaters.¹⁰ The Company is not aware of any dips in system pressure or other irregularities due to tankless water heaters.

¹⁰ From the October 19, 2012 *Decision* in Docket No. G008/CIP-12-564, page 15.

Low-Flow Showerhead Project

Discussion: The project achieved 156% of its participation and 166% of its energy savings goal, while project spending was 9.4% under budget. The 13,974 participating customers received 29,986 low-flow showerheads and 35,660 low-flow faucet aerators. There were 1,026 participating low-income customers, who received 1,265 low-flow showerheads and 1,574 low-flow faucet aerators.

Residential Attic Weatherization Rebate Project (Terminated)

Discussion: As discussed in the *Update of Project Modifications* section, the Company's Residential Attic Weatherization Rebate Project was terminated in early 2014.¹¹ Prior to termination, the project had 592 participating customers in 2014; 579 of whom received a rebate for attic insulation and air sealing and 13 of whom received a rebate for air sealing only. Consistent with the February 28, 2014 *Decision* in Docket No. G008/CIP-12-564, CenterPoint Energy will not claim energy savings for the Attic Weatherization Rebate Project in the 2014 program year due to inconsistencies in the data provided on rebate forms.

Residential Wall Insulation Rebate Project (Terminated)

Discussion: As discussed in the *Update of Project Modifications* section, the Company's Residential Wall Insulation Rebate Project was terminated in early 2014.¹² Prior to termination, the project had 24 participating customers who received rebates in the program. Consistent with the February 28, 2014 *Decision* in Docket No. G008/CIP-12-564, CenterPoint Energy will not claim energy savings for the Wall Insulation Rebate Project in the 2014 program year due to inconsistencies in the data provided on rebate forms.

Residential Attic Weatherization and Wall Insulation Rebate Project (Interim)

Discussion: As discussed in *Update of Project Modifications*, the Company's Residential Attic Weatherization Rebate Project and Residential Wall Insulation Rebate Project were terminated in early 2014.¹³ The Deputy Commissioner's *Decision* on February 28, 2014 approving suspension of these projects also required the Company to continue to offer air sealing and insulation rebates to customers that participated in the quality assurance services delivered by the Center for Energy and Environment.¹⁴ This offering was provided in the interim period between termination of the Attic Weatherization Rebate Project and the Residential Wall Insulation Rebate Project and the beginning of the new Residential Weatherization Rebate Project. There were 102 customers who received rebates through this interim offering. Ninety-five customers received rebates for attic insulation and air sealing; one participant received a rebate for air sealing only; and six customers received rebates for wall insulation.

Consistent with the February 28, 2014 *Decision* in Docket No. G008/CIP-12-564, CenterPoint Energy will not claim energy savings for the interim Attic Weatherization Rebate Project or Wall Insulation Rebate Project offerings in the 2014 program year due to inconsistencies in the data provided on rebate forms.

¹¹ February 28, 2014 *Decision* in Docket No. G008/CIP-12-564

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ Ordering Point 2, February 28, 2014 *Decision* in Docket No. G008/CIP-12-564

Residential Weatherization Rebate Project

Discussion: The Residential Weatherization Rebate Project was filed on March 31, 2014 as a replacement for the previously terminated Attic Weatherization Rebate Project and Residential Wall Insulation Rebate Project. The Residential Weatherization Rebate Project was approved on July 7, 2014¹⁵ and launched in October 2014 after selection of a quality assurance vendor.

The project achieved 20% of its 2014 participation goal and 18% of its energy savings goal. The project remained under budget by 87%. The Company believes that the achievements of this project in 2014 were affected by the fact that it is a new project offering and had only a few months' worth of participation after project approval and the quality assurance vendor selection process. The Company expects higher participation, energy savings and spending for this project in the 2015 program year.

Electronic Ignition Hearth Project

Discussion: The project achieved 165% of its participation goal and energy savings goal, while project spending was over budget by 16%.

Residential Energy Audit Project

Discussion: The project achieved 81% of its participation goal and project spending was under budget by 17.2%. A total of 91 Basic and 1,976 Standard energy audits were conducted. Fifty-two no-fee energy audits were conducted for low-income participants. As part of the Company's effort to increase CIP services to low-income customers, CenterPoint Energy offered both the standard audit and the basic audit for no-fee to low-income CenterPoint Energy customers.

Home Energy Report Project

Discussion: The project achieved 95% of its participation goal and 98% of its energy savings goal. The project spending was over budget by 2.4%.

Home Energy Squad Project

Discussion: The project achieved 99% of its participation goal and 83% of its energy savings goal, while project spending was under budget by 22.4%. The 2,477 participating customers installed 9,694 energy conservation measures through the program.

Whole Home New Construction Project

Discussion: The project achieved 437% of its participation goal and 665% of its energy savings goal,¹⁶ while project spending was over budget by 193%. Higher than expected participation in this project was due to high

¹⁵ July 7, 2014, *Decision* in Docket No. G008/CIP-12-564

¹⁶ This energy savings figure reflects a correction factor to adjust program savings to account for a 90 percent efficient baseline furnace. This adjustment resulted in approximately 16 percent lower energy savings in 2014 as compared to a model based upon a 78 percent baseline furnace. See the *Update of Project Modifications* section for more information.

rates of new construction in the residential market in 2014 and higher than anticipated rates of participation among home builders. Higher than expected overall energy savings was driven in part by high participation, but also a factor of larger than expected participating homes in the program. Larger homes have greater energy usage for space heating and cooling, and thus greater energy savings potential, than similar, but smaller homes. In estimating energy savings goals for the 2013-2015 Whole Home New Construction Project, the Company assumed an average home size of approximately 2,664 square feet, while the average participating home in 2014 was 3,798 square feet (43 % larger than assumed).

Residential Energy Efficiency Kits Project

Discussion: The project achieved 158% of its participation and energy savings goal, while project spending was under budget by 6.4%.

Low-Income Market Segment Projects

The Company's Low-Income Market Segment achieved 71 percent of the sector's participation goal, 48 percent of the energy savings goal, and was under budget by 20 percent. Total spending in the Low-Income Market Segment of programs represents 0.39 percent of the Company's three-year average gross operating revenue from residential customers.¹⁷ However, the Company served a number of low-income customers through projects included in the Residential Market Segment; low-income status for participants in the Residential Market Segment was verified through a cross-check of LIHEAP recipient records. As summarized in Table 3 of the *Compliance Overview* section, total CIP spending to directly serve low-income customers in the Company's overall 2014 CIP reached 0.46 percent of the Company's three-year average gross operating revenue from residential customers

CenterPoint Energy submits 2014 year-end information on the following low-income projects:

- Low-Income Weatherization Project;
- Non-Profit Affordable Housing Project;
- Low-Income Multifamily Building Rebate Project;
- Low-Income Heating System Tune-Ups; and
- Low-Income Rental Efficiency Project.

Low-Income Market Segment	Project Spending	Project Participation	Energy Savings	\$/MCF	BenCost Results (Societal Test)
Low-Income Weatherization	\$1,779,574	511	9,521	\$186.92	0.60
Non-Profit Affordable Housing	\$163,593	75	1,841	\$88.84	0.94
Low-Income Multifamily Buildings	\$118,839	156	9,165	\$12.97	2.11
Low-Income Heating System Tune-ups	\$79,283	751	1,352	\$58.65	0.22
Low-Income Rental Efficiency	\$65,996	5	107	\$616.79	0.21
Low Income Total	\$2,207,285	1,498	21,986	\$100.40	0.91

Methodology Used to Determine Achievement of Low-Income and Renter Goals for the Low-Income Market Segment

Low-income status of residential customer participants in the Low-Income Market Segment was verified and documented by third party agencies such as community action agencies and non-profits. Low-income multifamily housing customers provided documentation to CenterPoint Energy showing pre-qualification in the Department of Energy Weatherization Assistance Program (WAP), certification for the Minnesota Low Income Rental Classification (LIRC), and other documentation including (but not limited to) participation in the project-based Section 8 voucher program. Renter participation was established through a cross-check of rental data in CenterPoint Energy's customer information system.

¹⁷ The three-year average gross operating revenue (GOR) from residential customers figure is an average of 2009, 2010 and 2011. Annual GOR from residential customers comes from the Company's 2009-2011 Gas Jurisdictional Annual Reports.

Low-Income Weatherization Project

Discussion: The administrative agency for the Company's Low-Income Weatherization Project was no longer able to provide services for the later part of the 2014 program year. The Company worked closely with DER Staff to manage the disruption in services and transition the project to a new agency for the remainder of the program year. Though the project fell short of its goals, the project performed substantially better than in 2013, and the Company believes that the program performed well in 2014 considering the challenges it faced.

The Low-Income Weatherization Project achieved 79% of its participation goal and 79% of its energy savings goal and was under budget by 1.5%. In addition to the 511 weatherization recipients, 54 low-income participants benefited from the project through the replacement of defective furnaces with high-efficiency furnaces; four customers received high-efficiency boiler replacements; 72 participants received high-efficiency water heater replacements; and six customers received mechanical repairs on their existing heating systems.

The average weatherization cost was \$2,770.68. The average cost for the installation of 54 high-efficiency furnaces was \$3,201.83; the average cost of the four high-efficiency boiler replacements was \$4,780.25; the average cost of the 72 high-efficiency water heater replacements was \$1,876.05; and the average cost of the six heating system mechanical repairs was \$512.

Non-Profit Affordable Housing Project

Discussion: The project achieved 75% of its participation goal and 65% of its energy savings goal and was under budget by 24%.

Of the 75 participants, 68 installed a heating system, 50 installed a high efficiency water heater, 65 installed programmable thermostats, and ten installed heat recovery ventilation. Fifty-eight showerheads and 97 faucet aerators were installed through the program. In addition, 64 participants performed major air sealing, and 63 participants upgraded attic insulation.

The following additional information is also provided with regard to this project:

Equipment Type	Replacements	New Construction	1- and 2-Family	Townhouses
92% Furnace	39	25	64	0

Low-Income Multi-family Building Rebate Project

Discussion: The project achieved 52% of its participation goal, 34% of its energy savings goal and was under budget by 59%.

The 22 participating buildings had a total of 2,327 units, 2,162 of which were low-income occupied units. Of the 156 measures installed in this project, 85 were heating systems, 25 were high efficiency water heaters, one was a boiler control, 35 were boiler tune-ups, three were unit heaters, two were high efficiency convection ovens, and five were carbon monoxide sensors.

Low-Income Heating System Tune-Up Project

Discussion: The project achieved 75% of its participation and energy savings goals and was under budget by 60.4%. Participation in this project is determined by the level of response to outreach efforts of Community Action Program agencies.

Low-Income Rental Efficiency Project

Discussion: The project achieved 9% of its participation goal and 6% of its energy savings goal; project spending was 73.6% under budget. This was the first year for the Low-Income Rental Efficiency Project.

The Low-Income Rental Efficiency Project had five participating buildings in 2014: two single family homes and three duplexes. Of the participating buildings two received weatherization, four received an updated heating system, four received a programmable thermostat, and four received a health and safety measure. The participating landlords provided a total of \$8,726 in contributions toward these upgrades.

Commercial and Industrial Market Segment Projects

CenterPoint Energy's Commercial and Industrial (C&I) Market Segment achieved 111 percent of the sector's participation goal and 115 percent of the energy savings goal, while remaining under budget by 20 percent.

CenterPoint Energy submits 2014 year-end information on the following commercial and industrial projects:

- Foodservice Rebate Project;
- Commercial and Industrial Heating and Water Heating Project;
- Custom Rebate Project;
- Natural Gas Energy Analysis;
- Energy Design Assistance;
- Process Efficiency Project;
- Commercial and Industrial Education and Training;
- Engineering Assistance Project;
- Recommissioning Project; and
- LEED Certification Assistance Project.

C&I Market Segment	Project Spending	Project Participation	Energy Savings	\$/MCF	BenCost Results (Societal Test)
Foodservice	\$576,362	600	48,515	\$11.88	2.39
C&I Heating & Water Heating	\$3,538,546	5,909	791,154	\$4.47	4.45
Custom	\$1,170,797	61	143,951	\$8.13	3.38
Commercial Energy Analysis	\$106,526	63	0	N/A	N/A
Energy Design Assistance	\$507,796	106	29,308	\$17.33	1.03
Process Efficiency	\$188,760	2	10,566	\$17.86	1.89
Training & Education	\$104,428	1,236	0	N/A	N/A
Engineering Assistance	\$46,435	5	0	N/A	N/A
Recommissioning	\$74,117	24	7,547	\$9.82	0.56
LEED Assistance	\$245	0	0	N/A	N/A
C&I Total	\$6,314,013	8,006	1,031,040	\$6.12	3.17

Methodology Used to Determine Achievement of Low-Income and Renter Goals in the C&I Market Segment
 Commercial and industrial customers are not considered low-income participants in the C&I market segment. Renter participation was established through a cross-check of SIC codes in CenterPoint Energy's customer information system. Participants with SIC codes representing multifamily housing are considered "renter participants" in the C&I market.

Foodservice Rebate Project

Discussion: The project achieved 111% of its participation goal and 105% of its energy savings goal, while project spending was over budget by 9.4%. The 220 participating customers installed 600 energy conservation measures through the program.

C&I Heating and Water Heating Rebate Project

Discussion: The project achieved 113% of its participation goal and 180% of its energy savings goal, while project spending was over budget by 21.9%. The 1,222 participating customers installed 5,909 energy conservation measures through the program.

Custom Rebate Project

Discussion: The project achieved 49% of its participation goal and 47% of its energy savings goal, while project spending was under budget by 53.4%. Of the 61 projects rebated, 35 were efficiency projects related to heating and water heating systems and 26 were efficiency projects related to industrial processing.

The Company provides the following information regarding expenses related to large custom project energy savings measurement and verification (M&V) included in the Commercial and Industrial Project spending total:¹⁸

Labor	\$6,300
Equipment	\$0
Contracting Expenses	\$0
Total	\$6,300

Though the Company did not rebate any projects in 2014 that required M&V, there were expenses incurred in 2014 associated with M&V plans for projects in future years.

Natural Gas Energy Analysis Project

Discussion: The project achieved 28% of its participation goal and project spending was under budget by 61.1%. The Company believes that the low participation in the project for 2014 was due primarily to the low cost of gas. CenterPoint Energy will continue to work to promote participation in this project in 2015.

Energy Design Assistance Project

Discussion: The project achieved 221% of its participation goal and 35% of its energy savings goal, while project spending was under budget by 46%. Though there were 106 enrolled participants in the project, far more than the Company expected, only 11 participants received rebates for completed energy efficiency projects in 2014. In

¹⁸ In the Commissioner's *Order* on August 25, 2008, in Docket No. G008/CIP-06-789, the Company was ordered to "track all labor, equipment, and third-party contracting expenses associated with its Measurement and Verification activities and to report these expenses as separate line items in its annual CIP status reports."

2015, the third year of program delivery, the Company expects total enrollment to stabilize and completed projects to increase as many of the enrolled participants complete construction.

Process Efficiency Project

Discussion: The project achieved 20% of its participation goal and 70% of its energy savings goal, while project spending was under budget by 54.4%. This project paid two rebates in 2014, but had a total of four customers enrolled in the project.

C&I Education and Training Project

Discussion: The project achieved 124% of its participation goal and project spending was under budget by 3%. Of the 1,236 participants, 172 were participants in online webinars, 703 participated in the high efficiency foodservice equipment training, 130 participated in the Seasonal Energy Management Seminar, 148 in the CIP technology conference, 60 in the CIP trade ally meeting, and 23 in the high-efficiency boiler seminar.

Engineering Assistance Project

Discussion: The project achieved 71% of its participation goal and project spending was under budget by 45.2%.

Recommissioning Project

Discussion: The project achieved 240% of its participation goal and 75% of its energy savings goal, while project spending was under budget by 55.1%. Though the Recommissioning Project had higher than expected participation in 2014, most participants received study funding only. Two of the 24 participants in 2014 received rebates for completed energy efficiency projects.

LEED Certification Assistance Project

Discussion: This project had no participants in the 2014 program year and was under budget by 98.4%.

Other Projects

CenterPoint Energy submits 2014 year-end information on the following CIP projects:

- General Energy Efficiency Awareness
- Project Development;
- Planning and Regulatory Affairs; and
- EnerChange.

Other Projects Total	Project Spending	Project Participation	Energy Savings	\$/MCF	BenCost Results (Societal Test)
General Energy Efficiency Awareness	\$577,952	0	0	N/A	N/A
Project Development	\$169,933	1	208	\$ 817.77	0.12
Planning & Regulatory	\$89,776	0	0	N/A	N/A
EnerChange	\$287,692	0	0	N/A	N/A
Other Projects Total	\$1,125,353	1	208	\$5,415.56	0.02

Methodology Used to Determine Achievement of Low-Income and Renter Goals in the Other Projects Segment
 Low-income and renter participation is not applicable to projects this segment.

General Energy Efficiency Awareness

Discussion: The project expenditures were 11.1% under budget.

Expenditure Allocation and Activities:

Project Delivery:	\$1,185
Administrative:	\$34
Advertising and Promotion:	<u>\$576,734</u>
Total:	\$577,952

Marketing and promotional activities included general energy efficiency program awareness advertising on network and cable television and Twin Cities Public Television; advertising on commercial radio stations to promote energy efficiency and CenterPoint Energy's portfolio of CIP offerings; a Severe Weather sponsorship with WCCO radio and a Golden Baton sponsorship of Minnesota Public Radio with energy efficiency messaging; skyway advertising throughout the downtown Minneapolis skyway system; sports sponsorships with the Minnesota Twins, at the University of Minnesota and at the National Sports Center, where we advertised energy efficiency; as well as paid search and Facebook advertising. In addition, the Marketing and Promotions Project budget paid for the printing of energy efficiency brochures, such as an overview of all CenterPoint Energy's residential CIP offerings, an energy efficiency program overview January bill insert, energy efficiency articles in CenterPoint Energy's TouchPoint Customer Newsletter and CenterPoint Energy's participation in various events including the Eco Experience and Blue Flame Lodge at the Minnesota State Fair.

Project Development

Discussion: Project Development expenditures were under budget by 57.5%. The reason this project was under budget is because the Company moved the update to the Conservation Potential Study into the 2013 program year. However, the update was initially planned and budgeted for 2014. This project achieved 208 MCF of savings through a pilot project to study condensing rooftop units in the Minnesota market.

Expenditure Allocation and Activities:

Administrative:	\$17,118
Project Delivery:	<u>\$152,814</u>
Total:	\$169,933

Activities supporting the development of CIP projects included membership of the Gas Technology Institute's Emerging Technology Program; membership in the Midwest Energy Efficiency Alliance; and attendance at various energy efficiency conferences. Project development funds also supported funding for several pilot projects and research efforts, including:

- *Condensing Rooftop Unit Pilot*, conducted by the Gas Technology Institute with support from CenterPoint Energy. The pilot effort is analyzing the performance of condensing rooftop HVAC equipment in cold climates; this work is ongoing.
- *Conservation Potential Study Update*. As noted above, this work was originally planned for 2014 and moved forward to begin in 2013 with approval from the Department of Commerce. The work was conducted in the latter half of 2013 and the first half of 2014.

Other Project Development activity in 2014 included internal discussion and consideration of various project possibilities for future CIP plans as well as discussions with external consultants on potential future project options and opportunities.

Planning and Regulatory Affairs

Discussion: The project expenditures were 40.1% under budget.

Expenditure Allocation and Activities:

Project Delivery:	\$4,185
Administrative:	<u>\$85,591</u>
Total:	\$89,776

Planning and Regulatory Affairs project expenditures include staff salaries; benefits; and expenses (such as computers, printing, phones, and postage) associated with managing, tracking, and administering the CIP program.

EnerChange

Discussion: Project spending was 4.2% under the approved budget for 2014.

Expenditure Allocation and Activities:

Project Delivery:	<u>\$287,692</u>
Total:	\$287,692

The EnerChange project was proposed for inclusion in the Company's CIP by the National Initiative by Consumers of Energy (NICE). The Deputy Commissioner's December 29, 2012 *Decision*, in Docket No. G008/CIP-12-564, approved the EnerChange Project with a total budget of \$750,000 for each of the 2013-2015 program years to be split between CenterPoint Energy and Xcel Energy.¹⁹ In the December 19, 2014 *Decision* in Docket No. G008/CIP-12-564, the Deputy Commissioner of the Minnesota Department of Commerce approved a budget increase for the 2014 EnerChange project budget. This *Decision* increased CenterPoint Energy's portion of the EnerChange budget by \$15,200 in the 2014 program year, for a total 2014 budget of \$300,200.

The project is an indirect-impact conservation project for which no energy savings are claimed. NICE filed its Annual Program Status Report for 2014 on February 27, 2015 in Docket No. G008/CIP-12-564. Because EnerChange is an Alternative CIP proposed and managed by NICE, CenterPoint Energy asks that any requests for additional information regarding project activity be directed to NICE.

¹⁹ In Ordering Point 3 of the above cited *Decision*, the Deputy Commissioner allocated 38 percent of the EnerChange Project's annual budget to CenterPoint Energy, totaling \$285,000 per year.

Total Project Cost-Benefit Analysis

The following Bencosts provided below include the cost-benefit analyses for the Company's total 2014 CIP Program goals and actual results.²⁰

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
 Project: **Total CenterPoint Energy CIP 2014 Goal (Full Behavioral Savings)**

Input Data			First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.77	16 Utility Project Costs			
Escalation Rate =	4.28%	16 a) Administrative & Operating Costs =	-	13,489,746.000	-
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	-	11,060,016.000	-
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	-	\$24,549,762	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part.) =	-	154.78	-
3) Commodity Cost (\$/MCF) =	\$4.34	18) Participant Non-Energy Costs (Annual \$/Part.) =	-	-	-
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
4) Demand Cost (\$/UnitYr) =	\$109.11	19) Participant Non-Energy Savings (Annual \$/Part.) =	-	-	-
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	-	10.160	-
6) Variable O&M (\$/MCF) =	\$0.0500	21) Avg. MCF/Part. Saved =	-	5.363	-
Escalation Rate =	4.28%	22) Avg Non-Gas Fuel Units/Part. Saved =	-	-	-
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	-	-	-
Escalation Rate =	2.80%	23) Number of Participants =	-	301,922	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	-	1,619,117	-
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	#DIV/0!	\$36.63	#DIV/0!
Escalation Rate =	1.73%				
10) Non Gas Fuel Enviro. Damage Factor (\$/Uni	\$0.0123				
Escalation Rate =	1.73%				
11) Participant Discount Rate =	6.97%				
12) Utility Discount Rate =	6.97%				
13) Societal Discount Rate =	2.67%				
14) General Input Data Year =	2012				
15a) Project Analysis Year 1 =	2013				
15b) Project Analysis Year 2 =	2014				
15c) Project Analysis Year 3 =	2015				

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	#DIV/0!			Ratepayer Impact Measure Test	(\$43,637,910)	0.67
Cost per Participant per MCF =	#DIV/0!			Utility Cost Test	\$64,705,822	3.82
Lifetime Energy Reduction (MCF)	17,810,287			Societal Test	\$59,243,189	2.01
Societal Cost per MCF	3.29332935			Participant Test	\$74,996,559	2.72

²⁰ Behavioral energy savings are reported consistent with the Deputy Commissioner's *Decision* on April 26, 2012 in Docket No. G008/09-644. In accordance with the Average Savings Method, the full savings for behavioral programs are used for Bencost analyses; reduced savings are used elsewhere in the report.

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
 Project: **CenterPoint Energy CIP 2014 Total Actual (Full Behavioral Savings)**

Input Data		First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.76			
Escalation Rate =	4.28%			
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000			
Escalation Rate =	2.80%			
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh			
3) Commodity Cost (\$/MCF) =	\$4.34			
Escalation Rate =	4.28%			
4) Demand Cost (\$/Unit/Yr) =	\$109.11			
Escalation Rate =	4.28%			
5) Peak Reduction Factor =	1.00%			
6) Variable O&M (\$/MCF) =	\$0.0500			
Escalation Rate =	4.28%			
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027			
Escalation Rate =	2.80%			
8) Non-Gas Fuel Loss Factor	5.80%			
9) Gas Environmental Damage Factor =	\$0.3500			
Escalation Rate =	1.73%			
10) Non Gas Fuel Enviro. Damage Factor (\$/Uni	\$0.0123			
Escalation Rate =	1.73%			
11) Participant Discount Rate =	6.97%			
12) Utility Discount Rate =	6.97%			
13) Societal Discount Rate =	2.67%			
14) General Input Data Year =	2012			
15a) Project Analysis Year 1 =	2013			
15b) Project Analysis Year 2 =	2014			
15c) Project Analysis Year 3 =	2015			
16 Utility Project Costs				
16 a) Administrative & Operating Costs =		-	12,497,928	-
16 b) Incentive Costs =		-	11,203,592	-
16 c) Total Utility Project Costs =		-	\$23,701,520	\$0
17) Direct Participant Costs (\$/Part.) =		-	151.45	-
18) Participant Non-Energy Costs (Annual \$/Part.) =		-	-	-
Escalation Rate =		1.73%	1.73%	1.73%
19) Participant Non-Energy Savings (Annual \$/Part.) =		-	-	-
Escalation Rate =		1.73%	1.73%	1.73%
20) Project Life (Years) =		-	11	-
21) Avg. MCF/Part. Saved =		-	5.917	-
22) Avg Non-Gas Fuel Units/Part. Saved =		-	-	-
22a) Avg Additional Non-Gas Fuel Units/ Part. Used =		-	-	-
23) Number of Participants =		-	320,383	-
24) Total Annual MCF Saved =		-	1,895,696	-
25) Incentive/Participant =		#DIV/0!	34.97	

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	#DIV/0!			Ratepayer Impact Measure Test	(\$46,047,418)	0.69
Cost per Participant per MCF =	#DIV/0!			Utility Cost Test	\$80,472,243	4.63
Lifetime Energy Reduction (MCF)	20,852,652			Societal Test	\$78,604,730	2.32
Societal Cost per MCF	2.85014446			Participant Test	\$91,632,857	3.02

SECTION 2: 2014 DEMAND-SIDE MANAGEMENT FINANCIAL INCENTIVE

CenterPoint Energy submits this report in compliance with the Minnesota Public Utilities Commission's (Commission) Order Establishing Utility Performance Incentives for Energy Conservation and the Commission's Rules of Practice and Procedures.

The Company used the financial incentive mechanism as approved in the Commission's December 20, 2012 Order, in Docket No. E,G-999/CI-08-133, to calculate the requested financial incentive amount. Details of the calculation of the financial incentive are included in Attachment A of this filing. The calculations also rely on the results of the BENCOST cost-effectiveness analysis of the Company's 2014 CIP, which is also included in Attachment A.

On January 31, 2014, the Company filed its 2014 CIP DSM Financial Incentive Plan with the Department of Commerce.²¹ On January 12, 2015, the Department filed a letter stating that electric and natural gas utilities' 2014 Shared Savings DSM Financial Incentive Compliance Filings were fully compliant with Commission's Orders.²²

As the Company indicated in its January 31, 2014 Compliance Filing and as permitted by Commission Order, CenterPoint Energy has elected to exclude the third-party EnerChange project from its financial incentive calculations; the figures given here and in Attachment A reflect that election.²³ Assessments under Minnesota Statute §216B.241 and the Next Generation Energy Act of 2007 (NGEA) are also excluded from the calculation of the incentive per the Commission's Order.²⁴

The following tables summarize these adjustments to the Company's 2014 CIP spending:

Adjustments to Post-Year Spending:

Total Spending (from CIP Tracker Report)	\$24,352,083
Exclude NGEA Assessments	(\$650,562)
Exclude EnerChange	(\$287,692)
Total Post-Year Spending	\$23,413,829

As detailed in the *2014 CIP Status Report* section of this filing, the Company's total energy savings in 2014 were 1,701,716 MCF, or 120% of goal. As shown in the worksheets in Attachment A-1, this level of performance would qualify the Company for a financial incentive award of 15.9 percent of the benefits achieved, below the Commission-approved cap on incentives of 20% of net benefits. 15.9 percent times the achieved benefits of \$80,928,431 results in an incentive amount of \$12,843,491. However, the cap on the financial incentive of \$6.875 per MCF limits the 2014 financial incentive to \$11,699,298, representing 14.5 percent of net benefits achieved. The tables below illustrate the application of the caps to the Company's CIP financial incentive.

²¹ Docket No. E,G999/CI-08-133

²² Ibid

²³ The EnerChange Project was approved as a third-party CIP project in the Company's 2013-2015 CIP in the Director's December 29, 2012 *Decision*, in Docket No. G008/CIP-12-564. The Commission's January 27, 2010 *Order* in Docket No. E,G-999/CI-08-133 allows utilities to elect whether to include or exclude the spending and energy savings of third-party CIP projects in their financial incentive mechanisms.

²⁴ See the Commission's January 27, 2010 *Order* in Docket No. E,G-999/CI-08-133, Ordering Point 10.

CenterPoint Energy's 2014 Financial Incentive Cap on Net Benefits		
2014 Total Net Benefits Achieved	\$80,928,431	Net benefits achieved
Commission-approved Incentive Cap	20%	Of net benefits
Percent of Net Benefits Awarded	15.9%	Of net benefits at level of energy savings achieved
2014 Financial Incentive Eligibility Calculated as a Percent of Net Benefits	\$12,843,491	

CenterPoint Energy's 2014 Financial Incentive Cap on Dollar per MCF Saved		
2014 Dollar per MCF Saved Incentive Cap	\$6.875	Per MCF Saved
Requested 2014 Dollar per MCF Saved Financial Incentive	\$6.875	Per MCF Saved
2014 Financial Incentive Eligibility Calculated as Dollar per MCF Saved	\$11,699,298	

The Public Utilities Commission issued its *Order* approving the Company's 2013 CIP financial incentive on December 17, 2014, in advance of the Deputy Commissioner's final determination on the Company's Status Report and energy savings. The Deputy Commissioner's *Decision* of January 9, 2015, approved a reduced level of energy savings from that used to calculate the Company's 2013 financial incentive. Accordingly, the Company requests approval of a reduced 2014 financial incentive, calculated by netting the difference in the 2013 incentive between the original and approved savings levels against the 2014 incentive figure shown above. The table below summarizes this calculation.

Adjustment to CenterPoint Energy's 2014 Financial Incentive based on Reduction to 2013 Savings		
2014 Financial Incentive (calculated above)	\$11,699,298	
2013 Approved Financial Incentive	\$10,890,131	<i>Order</i> of December 17, 2014
2013 Adjusted Financial Incentive	\$10,799,319	
Difference	\$90,812	
2014 Financial Incentive net of Difference	\$11,608,486	

Calculation of the 2013 Adjusted Financial Incentive is illustrated in the worksheets in Attachment A-2 of this filing.

CenterPoint Energy's 2014 CIP efforts will result in approximately \$69,319,945 in net benefits after the incentive.

Summary of CenterPoint Energy's 2014 Requested Financial Incentive	
Requested 2014 Financial Incentive	\$11,608,486
Requested Incentive as a Percent of Net Benefits Achieved	14.5%
2014 Total Net Benefits Achieved	\$80,928,431
2014 CIP Net Benefit After Requested Incentive	\$69,319,945

The Company therefore respectfully requests that the Commission approve CenterPoint Energy's 2014 CIP financial incentive in the amount of \$11,608,486, to be entered in the Company's CIP tracker as of the issue date of the Commission's Order.

SECTION 3: CONSERVATION IMPROVEMENT PROGRAM TRACKER REPORT

CenterPoint Energy's CIP Tracker activity is presented in the table below this discussion.

The 2014 CIP Tracker beginning balance was an under-recovery of \$8,501,064.²⁵ The ending balance on December 31, 2014 is an under-recovery of \$2,285,733. The 2014 Tracker report reflects recovery using the Conservation Cost Recovery Charge (CCRC) rate in interim rates from the Company's 2013 rate case filing (Docket No. G008/GR-13-316) in January through November and the final approved CCRC rate in December.²⁶ December 2014 includes an interim rate true-up entry of \$300,846.²⁷ Similar to the CCRC recovery, the calculation of carrying charges in the 2014 CIP Tracker is based on the interest factor from interim rates and is restated at the implementation of final rates.

On October 18, 2013 the Minnesota Public Utilities Commission ("the Commission") approved a CIP adjustment factor (CCRA) of \$0.00659 per therm, which went into effect on November 1, 2013.²⁸ That CCRA amount remained in effect throughout 2014; see Section 4 of this filing for more discussion of the CCRA. The amount recovered via the CCRA is reflected in the report separately from the amount recovered through base rates.

Monthly CIP expenses are shown in the table as a single total. These deferred expense totals include assessments made by the Department of Commerce under Minnesota Statute §216B.241 and the Next Generation Energy Act of 2007 (the NGEA). These assessments have not been included in the total CIP program spending reported in Section 1 of this filing, but are included in the CIP Tracker because of the NGEA's provision for utilities to recover the assessment through the CIP Tracker mechanism.²⁹ As described in Section 1, total CIP program spending in 2014 was \$23,701,520; the assessments totaled \$650,652, resulting in total recoverable CIP expenses of \$24,352,083 in 2014. These assessments were also excluded from the calculation of the financial incentive requested in Section 2.³⁰

Miscellaneous Expenses

Included in the \$23,701,520 of CIP program expenses are various meals, travel, and miscellaneous CIP-related expenses.

²⁵ The Company's 2013 CIP Tracker ending balance of \$8,501,064 was approved in the Commission's *Order* on December 17, 2014 Docket No. G-008/M-14-368.

²⁶ On August 2, 2013, CenterPoint Energy filed a rate case in Docket No. G-008/GR-13-316. Interim rates went into effect on October 1, 2013 and continued until December 2014. In December 2014 final rates went into effect as approved in the June 9, 2014 *Order, Findings of Fact, Conclusions, and Order* in the same docket

²⁷ The Company uses the interim rate CCRC to track CIP recoveries in the beginning of a test year until final rates are determined. Once final rates are approved, the CIP tracker is restated by making an accounting entry at the time that final rates are implemented. The restatement of the CIP Tracker is consistent with the Commission Order on December 29, 1993 in Docket No. G008/GR-92-400.

²⁸ Minnesota Public Utilities Commission *Order* October 18, 2013 Docket No. G-008/M-13-373.

²⁹ MN Statutes §216B.241, subd. 1d, 1e, & 1f provide for assessments for technical assistance, research and development grants, and facilities energy efficiency; each subdivision states that the assessments "must be deposited in the state treasury and credited to the energy and conservation account;" the total of CenterPoint Energy's assessments under these three subdivisions for 2014 is \$650,562.

³⁰ The Commission's *Order Establishing Utility Performance Incentives for Energy Conservation* (January 27, 2010 in Docket No. G008/M-10-634), Ordering Point 10, states: "The costs of mandated, non-third party projects (e.g., Next Generation Energy Act assessment, University of Minnesota Institute for Renewable Energy and the Environment costs) shall be excluded from the calculation of net benefits awarded at specific energy savings levels (calculated before the CIP year begins) and in the post-CIP year calculation of net benefits and energy savings achieved and incentive awarded."

CenterPoint Energy believes it is necessary and reasonable to spend a modest amount of ratepayer funds on meals, travel, and miscellaneous expenses to encourage participation in the Company’s CIP program. In particular, expenses incurred educating customers and vendors, such as heating dealers, mechanical contractors, and architects and engineers, about available CIP offerings results in higher customer participation in CIP and greater energy savings. Other examples of reasonable and necessary expenses supporting CIP include employee participation in energy efficiency workshops and conferences, employee training, and a variety of miscellaneous expenses such as program related mileage and parking expenses for employees involved in delivering and promoting CIP.

These expenses (\$51,511.36) are 0.22 percent of the total CIP program expenses included for recovery in this docket (\$23,701,520). The total amount in each of category is as follows:

Meals:	\$7,980.57
Entertainment:	\$0
Miscellaneous:	\$36,444.27
Travel:	\$7,086.52

The various categories listed above are generally defined as follows:

“Meals expenses” – these are defined as meals taken with customers, vendors, or other employees where specific Company business discussions take place or as meals taken by the employee while away from his or her normal work location on a business day trip.

“Entertainment expenses” – includes outings with customers, clients, vendors or others who are seeking to do business with the Company to clubs, theaters, or sporting events, etc. when a business discussion takes place immediately before, during, or immediately after the event.

“Miscellaneous expenses” – pertain to other business-related expenses not specifically covered under another expense category. Examples would include items such as conference registration fees, organizational dues, employee professional dues and licenses, training courses and seminars, and parking for a specific off-site meeting or conference.

“Travel expenses” – defined as expenses incurred while on a business trip requiring an overnight stay, and would include items such as airfare, lodging, and travel meals for the employee.

CenterPoint Energy tracks CIP-related spending separately from other utility spending, using FERC account numbers to ensure that conservation-related expenses are not recorded in non-conservation accounts and vice-versa. This in turn ensures that ratepayers are not charged twice for a single expense; conservation expenses are approved through the annual CIP tracker filings while non-conservation expenses are addressed in other proceedings (e.g., utility rate cases). These expenses are incorporated into the Company’s CIP benefit/cost analysis through their inclusion in the Company’s total CIP spending for 2014.

CenterPoint Energy Minnesota Gas
CIP Tracker and Balance
2014 Actuals

Current Approved CCRA of \$0.659/Dth

CCRC (Includes Interim Rates through November, New CCRC in December and True-up For Carrying Charges)

	Jan 14 Actual	Feb 14 Actual	Mar 14 Actual	Apr 14 Actual	May 14 Actual	June 14 Actual	July 14 Actual	Aug 14 Actual	Sept 14 Actual	Oct 14 Actual	Nov 14 Actual	Dec 14 Actual	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	8,501,064	2,442,584	(2,687,960)	(6,628,910)	(9,184,206)	(10,822,507)	(10,814,580)	(10,425,171)	(9,939,529)	(10,111,427)	(9,975,600)	(10,101,529)	8,501,064
2	CIP Program Expenditures	1,471,242	1,555,166	2,280,921	1,734,258	1,129,416	1,522,582	1,525,724	1,543,647	943,134	1,654,593	2,372,855	6,618,545	24,352,083
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	10,890,131	10,890,131
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	9,972,306	3,997,750	(407,040)	(4,894,652)	(8,054,790)	(9,299,924)	(9,288,856)	(8,881,524)	(8,996,395)	(8,456,835)	(7,602,745)	7,407,148	35,543,060
Recovery														
5	Total Volumes (Dt)	33,488,800	29,112,856	26,368,771	18,738,838	12,228,258	8,833,451	6,832,687	6,034,168	7,278,461	7,821,220	12,869,848	24,139,293	193,746,651
6	Exemptions (Dt)	(3,616,201)	(2,691,929)	(1,868,592)	(1,945,706)	(1,497,026)	(3,064,670)	(2,554,011)	(2,055,311)	(3,077,406)	(2,018,333)	(3,188,373)	(2,440,381)	(30,017,938)
7	Volumes less Exemptions (Dt)	29,872,599	26,420,927	24,500,179	16,793,132	10,731,232	5,768,780	4,278,677	3,978,858	4,201,055	5,802,887	9,681,475	21,698,912	163,728,713
8	Base Rate Recovery (CCRC) (per Dt)	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1866	0.1849	
9	Base Rate Cost Recovery (\$)	(5,574,227)	(4,930,145)	(4,571,733)	(3,133,598)	(2,002,448)	(1,076,454)	(798,401)	(742,455)	(783,917)	(1,082,819)	(1,806,563)	(4,012,129)	(30,514,889)
10	CCRA (per Dt)	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	0.0659	
11	CCRA Recovery (\$)	(1,968,604)	(1,741,139)	(1,614,562)	(1,106,667)	(707,188)	(380,163)	(281,965)	(262,207)	(276,850)	(382,410)	(638,009)	(1,429,958)	(10,789,722)
12	Interim Rate True-up	-	-	-	-	-	-	-	-	-	-	-	300,846	300,846
13	Total Recovery (Line 9 + Line 11 + Line 12)	(7,542,831)	(6,671,284)	(6,186,295)	(4,240,265)	(2,709,636)	(1,456,617)	(1,080,366)	(1,004,662)	(1,060,767)	(1,465,229)	(2,444,572)	(5,151,826)	(41,014,350)
Carrying Charges														
14	Sub-Balance (\$) (Line 4 + Line 13)	2,429,475	(2,673,534)	(6,593,335)	(9,134,917)	(10,764,426)	(10,756,541)	(10,369,222)	(9,886,186)	(10,057,162)	(9,922,064)	(10,047,317)	2,255,322	(5,761,551)
15	Interim Rate True-up	-	-	-	-	-	-	-	-	-	-	-	18,787	
16	Sub-Balance after Interim True-up (Line 14 + Line 15)	2,429,475	(2,673,534)	(6,593,335)	(9,134,917)	(10,764,426)	(10,756,541)	(10,369,222)	(9,886,186)	(10,057,162)	(9,922,064)	(10,047,317)	2,274,109	
17	Accum. Deferred Tax (Line 14 x 41.37% x -1)	(1,005,074)	1,106,041	2,727,663	3,779,115	4,453,243	4,449,981	4,289,747	4,089,915	4,160,648	4,104,758	4,156,575	(940,799)	
18	Net Investment (Line 16 + Line 17)	1,424,401	(1,567,493)	(3,865,672)	(5,355,802)	(6,311,183)	(6,306,560)	(6,079,475)	(5,796,271)	(5,896,514)	(5,817,306)	(5,890,742)	1,333,310	
19	Carrying Charge Rate	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%	0.87%	
20	Monthly Carrying Charges (Line 18 x Line 19)	13,109	(14,426)	(35,575)	(49,289)	(58,081)	(58,039)	(55,949)	(53,343)	(54,265)	(53,536)	(54,212)	11,625	
21	Annual Carrying Charge (Line 15 + Line 20)	13,109	(14,426)	(35,575)	(49,289)	(58,081)	(58,039)	(55,949)	(53,343)	(54,265)	(53,536)	(54,212)	30,412	(443,194)
22	Ending Tracker Balance - Under / (Over) Recovered (Line 16 + Line 20)	2,442,584	(2,687,960)	(6,628,910)	(9,184,206)	(10,822,507)	(10,814,580)	(10,425,171)	(9,939,529)	(10,111,427)	(9,975,600)	(10,101,529)	2,285,733	

Footnotes to Tracker:

1. January beginning balance (line 1) is equal to the December 31, 2013 ending balance of \$8,501,064, approved in the Commission's *Order* on December 17, 2014 Docket No. G-008/M-14-368.
2. Interim rates (for which the CCRC was \$0.1866 per Dth) went into effect on October 1, 2013, as filed in Docket No. G008/GR-13-316.
3. The interest factor used to calculate carrying charges (line 19) from January 2014 through November 2014 is based on the rate of return included in interim rates; interim rates went into effect on October 1, 2013, in Docket No. G008/GR-13-316.
4. CCRA in the amount of \$0.0659 (line 10) was implemented November 1, 2013 as approved on October 18, 2013 Docket No. G008/M-13-373.
5. Final rates (in line 8), for which the CCRC was \$0.1849, went into effect in December 2014, as approved in the June 9, 2014 *Order* in Docket No. G008/GR-13-316.
6. The interest factor used to calculate carrying charges (line 19) in December 2014 is based on the Company's final approved rate of return. Final rates went into effect in December 2014, as approved in the June 9, 2014 *Order* in Docket No. G008/GR-13-316.
7. At the effective date of final rates (December 2014), the Company's Tracker Account was adjusted to reflect recovery under final rates. That adjustment, of \$300,846, is shown in line 12; the Tracker Account also includes an adjustment of \$18,787 in December to carrying charges (line 15) to reflect the amount of carrying charges that would have been applied with the final approved rate of return.
8. The 2014 Tracker Account includes an adjustment of \$10,584.61 to the December recovery entry (line 13) to account for the misalignment of the Company's billing cycle with the December 1st effective date of the new CCRC. CenterPoint Energy's firm customers are billed on one of 21 different billing cycles in each month. This means that most customers are billed for usage in the current billing month as well as usage in the previous month. Therefore, the Company must prorate bills during the first month of a new conservation recovery rate to account for usage that took place in the previous month and should therefore be subject to the previous rate.

Carrying Charges

Similar to CCRC recovery, the calculation of carrying charges in the 2014 CIP Tracker is based on the interest factor from interim rates and is restated at the implementation of final rates. The 2014 year-end CIP Tracker balance of \$2,285,733 includes \$443,194 in total carrying charges to be credited to the Tracker Account. The \$443,194 in total carrying charges includes the interim rate true-up calculation, which is detailed in the Company's December 10, 2014 compliance filing in Docket No. G008/GR-13-316 regarding the CIP Tracker. Calculation of the monthly carrying charge is shown in the table above; the calculation of the monthly interest factor for both the interim 2013 rate case figure and the approved 2013 rate case figure are shown below.

Interim Interest Factor from Filed 2013 Rate Case (January through November 2014):

$$\begin{aligned}\text{Annual Interest Factor} &= (\text{Overall Rate of Return} - (\text{Weighted Debt Cost} \times \text{Tax Rate})) / (1 - \text{Tax Rate}) \\ &= (0.0780 - (0.0238 \times 0.4137)) / (1 - 0.04137) \\ &= 0.1162 \\ &= 11.62\%\end{aligned}$$

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.1162)^{(1/12)}) - 1 \\ &= 0.0092 \\ &= 0.92\%\end{aligned}$$

Approved Interest Factor from 2013 Rate Case (December 2014):

$$\begin{aligned}\text{Annual Interest Factor} &= (\text{Overall Rate of Return} - (\text{Weighted Debt Cost} \times \text{Tax Rate})) / (1 - \text{Tax Rate}) \\ &= (0.0742 - (0.0238 \times 0.4137)) / (1 - 0.04137) \\ &= 0.1098 \\ &= 10.98\%\end{aligned}$$

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.1098)^{(1/12)}) - 1 \\ &= 0.0087 \\ &= 0.87\%\end{aligned}$$

SECTION 4: CONSERVATION COST RECOVERY ADJUSTMENT

Introduction and Summary

On October 18, 2013 in Docket No. G008/M-13-373, the Commission approved a new CCRA rate of \$0.00659, which was effective on November 1, 2013 and remained in effect for the duration of 2014.

The Commission has required CenterPoint Energy to file future adjustments with its CIP tracker and financial incentive filings on May 1 of each year.¹ Accordingly, the Company includes here its request to update the CCRA for the 2016 program year.

The purpose of the CCRA is to allow the Company to recover approved CIP expenses not recovered through the CCRC, which is included in base rates. In recent years, CenterPoint Energy's spending on CIP has increased significantly as the Company sought to achieve the aggressive energy-savings goals established in the Next Generation Energy Act (NGEA). As spending increased, the approved CCRC rate made up a smaller and smaller portion of the overall CIP recovery.

To more closely align base rate recovery with CIP budgets, the Company included a new CCRC amount in the Company's August 2013 rate case. However, due to the existing under-recovered Tracker balance, an increase in the CCRA is necessary to further reduce the under-recovered balance of the CIP Tracker account. The CCRA amount proposed below, along with the CCRC amount approved in the 2013 rate case, seeks to match CIP recovery to CIP spending and minimize the under-recovered or over-recovered balances in the CIP Tracker.

Based on the calculations presented in Attachment B, the Company respectfully requests Commission approval of a CCRA in the amount of \$0.01021 per therm, which the Company proposes to implement on January 1, 2016. This represents an increase of \$0.00145 per therm (15.6 percent) over the currently approved CCRA. In combination with the CCRC amount approved in the 2013 rate case, the proposed CCRA amount would result in a total CIP collection of approximately \$0.02877 per therm.

CCRA Calculations

In recent CCRA filings, the Company has attempted to collect the costs for ongoing CIP activity as well as mitigate growth of the under-recovered CIP Tracker balance through increased CCRA amounts. To avoid a sudden, potentially burdensome increase in rates with increasing CCRA amounts, the Company had not attempted to fully erase the CIP Tracker balance in a single year. However, the previous CCRA rate increases were successful in decreasing the under-recovered balance of the Company's CIP Tracker Account over time and the 2014 year-end under-recovered balance and 2015 projected year-end balance² are far lower than in recent years. Therefore, the Company proposes a 2016 CCRA amount that would bring the CIP Tracker balance to zero by the end of 2016.³

To determine the requested CCRA amount for 2016, the Company calculated the CCRA amount, assuming the approved CCRC rate and projected rate case volumes, that would result in a 2016 year-end CIP Tracker balance of zero (See Attachment B). Currently, the Company does not have an approved budget for 2016; the Company will file its 2016 CIP Plan on June 1, 2015. For calculating the CCRA amount in this filing, the Company used the 2016 budget amount it currently anticipates filing in the June 1, 2015 2016 CIP Plan filing. The CCRA amount required to fully recover the 2016 CIP Tracker Balance is \$0.01021 per therm (a 15.6 percent increase over the currently approved CCRA amount). The Company requests an increase in the CCRA to \$0.01021 per therm, for a total conservation recovery rate of \$0.02877 per therm to eliminate the CIP Tracker balance by the end of 2016.

¹ Commission *Order* on October 11, 2010 in Docket No. G008/M-10-634, Ordering Point 4.

² 2015 CIP Tracker Account projections are based on actual CIP spending through March 2015 and projected spending for April through December of 2015. The projected spending in 2015 includes pending modification requests with the filed budget amounts.

³ This projection is based on the 2013 rate case sales forecast volumes and a 2016 CIP program budget estimate of \$27,647,056.

CenterPoint Energy proposes an implementation date of January 1, 2016, based on experience with the Commission's procedural schedule. However, an earlier implementation date could allow an earlier recovery of the CIP Tracker balance.

Tracker projections for 2015, using the currently approved CCRA and CCRC, and projections for 2016, using the proposed CCRA recovery rate, are provided in Attachment B. A tariff sheet reflecting the proposed rate is provided in Attachment C. CenterPoint Energy respectfully requests that the Commission approve the revised tariff with the new CCRA amount of \$0.01021 per therm as described above, as well as the following bill message.

CenterPoint Energy's Proposed Bill Message:

The MPUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of \$0.01021 per therm. This charge is used to fund energy conservation activities and has been added to your delivery charge. For more information please call 1-800-245-2377 or visit our website at www.centerpointenergy.com.

SECTION 5: ATTACHMENTS

Attachment A-1: DSM Financial Incentive Mechanism -2014 Financial Incentive Calculations and Associated BENCOSTs

Attachment A-2: DSM Financial Incentive Mechanism -Revised 2013 Financial Incentive Calculations and Associated BENCOSTs

Attachment B: CIP Tracker and Balance Projections for 2015 with the 2015 Approved CCRA and CCRC and the proposed 2016 CCRA of \$0.01021 per therm

Attachment C: Revised Tariff

Attachment A-1: DSM Financial Incentive Mechanism – 2014 Financial Incentive Calculations and Associated BENCOSTs

The following pages contain the worksheets used to calculate the requested 2014 Financial Incentive, taken from the spreadsheet provided by the Minnesota Division of Energy Resources.

Year	Energy Savings Achieved	Single-year Weather-Normalized sales	Savings as percent of same-year sales
2007	825,030	149,874,067	0.55%
2008	827,340	149,641,416	0.55%
2009	938,978	136,579,996	0.69%
2010	1,300,228	134,603,482	0.97%
2011	1,488,231	138,287,158	1.08%

3-year Weather-Normalized Sales Average: 136,490,212
1.0% of Sales: 1,364,902 From Utility's Triennial filing

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: \$24,684,707 From Commissioner's Order approving Triennial Filing
Approved CIP Energy Goal: 1,439,003 From Commissioner's Order approving Triennial Filing
Estimated Net Benefits at Approved Goal: \$65,709,675 From Utility Triennial Filing.

Inputs:

Average Sales:	136,490,212
1.0% Energy Savings:	1,364,902
Historic Average Savings:	0.74%
Earning Threshold:	0.30% plus one unit of energy
Earning Threshold in Energy Savings:	409,472
Award zero point:	0.20%
Award zero point in Energy Savings:	272,980
Steps from zero point to 1.5%	13
Size of steps in Energy Savings:	136,490

Incentive Calibration:

Average Incentive per unit at 1.5%:	\$9.00	Set by Commission in approval of incentive mechanism & calibration
Incentive Cap:	\$6.875	per MCF
Energy savings at 1.5%:	2,047,353	
Targeted incentive at 1.5%:	\$18,426,179	
Multiplier:	1.51611%	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	\$0.00
0.1%	136,490	0.00000%	\$6,232,598	\$0	\$0.00
0.2%	272,980	0.00000%	\$12,465,195	\$0	\$0.00
0.3%	409,471	0.00000%	\$18,697,793	\$0	\$0.00
0.4%	545,961	3.03223%	\$24,930,391	\$755,946	\$1.38
0.5%	682,451	4.54834%	\$31,162,988	\$1,417,398	\$2.08
0.6%	818,941	6.06445%	\$37,395,586	\$2,267,838	\$2.77
0.7%	955,431	7.58057%	\$43,628,183	\$3,307,263	\$3.46
0.8%	1,091,922	9.09668%	\$49,860,781	\$4,535,675	\$4.15
0.9%	1,228,412	10.61279%	\$56,093,379	\$5,953,074	\$4.85
1.0%	1,364,902	12.12891%	\$62,325,976	\$7,559,459	\$5.54
1.1%	1,501,392	13.64502%	\$68,558,574	\$9,354,830	\$6.23
1.2%	1,637,883	15.16113%	\$74,791,172	\$11,260,442	\$6.88
1.3%	1,774,373	16.67724%	\$81,023,769	\$12,198,813	\$6.88
1.4%	1,910,863	18.19336%	\$87,256,367	\$13,137,183	\$6.88
1.5%	2,047,353	19.70947%	\$93,488,964	\$14,075,553	\$6.88
1.6%	2,183,843	20.00000%	\$99,721,562	\$15,013,923	\$6.88
1.7%	2,320,334	20.00000%	\$105,954,160	\$15,952,294	\$6.88
1.8%	2,456,824	20.00000%	\$112,186,757	\$16,890,664	\$6.88
1.9%	2,593,314	20.00000%	\$118,419,355	\$17,829,034	\$6.88
2.0%	2,729,804	20.00000%	\$124,651,953	\$18,767,404	\$6.88
2.1%	2,866,294	20.00000%	\$130,884,550	\$19,705,774	\$6.88

Actual CIP Results

Spending: \$23,701,520 From Utility Status Report
 Energy Saved: 1,701,716 From Utility Status Report
 Net Benefits Achieved: \$80,928,431 From Utility Status Report

Resulting Incentive:

Steps above Zero Point: 10.46768
 Percent of Net Benefits Awarded: 15.87018%
 Capped Net Benefit Award: 15.87018% (Lower of figure calculated above or 20%)

Financial Incentive Award:

\$11,699,298
 14.46% Requested Incentive as a Percent of Net Benefits

Modifications:

	Low-Income Rental Efficiency Project	Termination of Residential Attic Weatherization Project	Termination of Residential Wall Insulation Project	Residential Weatherization Rebate Project	Total Impact
Budget	\$250,000	(\$1,476,471)	(\$18,236)	\$809,562	(\$435,145)
Energy	1,844	(36,063.00)	(1,645.00)	17,978.00	(\$17,886)
Net Benefits					(\$842,109)

2014 Pre-Year BENCOST: 2014 CIP program excluding EnerChange project, Goal (used for pre-year inputs for financial incentive)

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
 Project: **2014 CIP Total Portfolio - Goal - Pre-Year**

Input Data			First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.76	16 Utility Project Costs			
Escalation Rate =	4.28%	16 a) Administrative & Operating Costs =	\$0	\$12,879,691	\$0
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	\$0	\$11,805,016	\$0
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	\$0	\$24,684,707	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part.) =	\$0	\$158	\$0
3) Commodity Cost (\$/MCF) =	\$4.34	18) Participant Non-Energy Costs (Annual \$/Part.) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
4) Demand Cost (\$/Unit/Yr) =	\$109.11	19) Participant Non-Energy Savings (Annual \$/Part.) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	-	10	-
6) Variable O&M (\$/MCF) =	\$0.0600	21) Avg. MCF/Part. Saved =	-	5.4	-
Escalation Rate =	4.28%	22) Avg Non-Gas Fuel Units/Part. Saved =	0 kWh	0 kWh	0 kWh
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0 kWh	0 kWh	0 kWh
Escalation Rate =	2.80%	23) Number of Participants =	-	303,317	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	0	1,637,003	0
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	#DIV/0!	\$38.92	#DIV/0!
Escalation Rate =	1.73%				
10) Non Gas Fuel Enviro. Damage Factor (\$/Uni	\$0.0213				
Escalation Rate =	1.73%				
11) Participant Discount Rate =	6.97%				
12) Utility Discount Rate =	6.97%				
13) Societal Discount Rate =	2.67%				
14) General Input Data Year =	2012				
15a) Project Analysis Year 1 =	2013				
15b) Project Analysis Year 2 =	2014				
15c) Project Analysis Year 3 =	2015				

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	#DIV/0!	\$81.38	#DIV/0!	Ratepayer Impact Measure Test	(\$43,593,219)	0.67
Cost per Participant per MCF =	#DIV/0!	\$44.37	#DIV/0!			
Lifetime Energy Reduction (MCF)	18,007,033			Utility Cost Test	\$65,709,675	3.85
Societal Cost per MCF	3.29016833			Societal Test	\$60,160,957	2.02
				Participant Test	\$75,514,603	2.68

2014 Post-Year BENCOST: 2014 CIP program excluding EnerChange project, Actual (used for post-year inputs for financial incentive)

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
 Project: **2014 CIP Total Portfolio - Post-Year**

Input Data			First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.76	16 Utility Project Costs			
Escalation Rate =	4.28%	16 a) Administrative & Operating Costs =	\$0	\$12,210,237	\$0
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	\$0	\$11,203,592	\$0
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	\$0	\$23,413,829	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part) =	\$0	\$151	\$0
3) Commodity Cost (\$/MCF) =	\$4.34	18) Participant Non-Energy Costs (Annual \$/Part) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
4) Demand Cost (\$/Unit/Yr) =	\$109.11	19) Participant Non-Energy Savings (Annual \$/Part) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	-	11	-
6) Variable O&M (\$/MCF) =	\$0.0600	21) Avg. MCF/Part. Saved =	-	5.92	-
Escalation Rate =	4.28%	22) Avg Non-Gas Fuel Units/Part. Saved =	0 kWh	0 kWh	0 kWh
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0 kWh	0 kWh	0 kWh
Escalation Rate =	2.80%	23) Number of Participants =	-	320,383	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	0	1,895,696	0
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	#DIV/0!	\$34.97	#DIV/0!
Escalation Rate =	1.73%				
10) Non Gas Fuel Enviro. Damage Factor (\$/Unit)	\$0.0213				
Escalation Rate =	1.73%				
11) Participant Discount Rate =	6.97%				
12) Utility Discount Rate =	6.97%				
13) Societal Discount Rate =	2.67%				
14) General Input Data Year =	2012				
15a) Project Analysis Year 1 =	2013				
15b) Project Analysis Year 2 =	2014				
15c) Project Analysis Year 3 =	2015				

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	#DIV/0!	\$73.08	#DIV/0!	Ratepayer Impact Measure Test	(\$45,591,230)	0.69
Cost per Participant per MCF =	#DIV/0!	\$37.95	#DIV/0!	Utility Cost Test	\$80,928,431	4.70
Lifetime Energy Reduction (MCF)	20,852,652			Societal Test	\$79,123,959	2.34
Societal Cost per MCF	2.83670687			Participant Test	\$91,632,857	3.02

Attachment A-2: DSM Financial Incentive Mechanism – Revised 2013 Financial Incentive Calculations and Associated BENCOSTs

The following pages contain the worksheets used to calculate the revised 2013 Financial Incentive, taken from the spreadsheet provided by the Minnesota Division of Energy Resources.

Year	Energy Savings Achieved	Single-year Weather-Normalized sales	Savings as percent of same-year sales
2007	825,030	149,874,067	0.55%
2008	827,340	149,641,416	0.55%
2009	938,978	136,579,996	0.69%
2010	1,300,228	134,603,482	0.97%
2011	1,488,231	138,287,158	1.08%

3-year Weather-Normalized Sales Average: 136,490,212
1.0% of Sales: 1,364,902 From Utility's Triennial filing

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: \$24,633,371 From Commissioner's Order approving Triennial Filing

Approved CIP Energy Goal: 1,367,966 From Commissioner's Order approving Triennial Filing

Estimated Net Benefits at Approved Goal: \$54,746,533 From Utility Triennial Filing.

Modifications:

Budget None

Energy None

Net Benefits None

Include the budget and energy goal changes for each modification included. A single entry for net benefits reflecting the combined impact of all included modifications is sufficient.

Inputs:

Average Sales:	136,490,212
1.0% Energy Savings:	1,364,902
Historic Average Savings:	0.74%
Earning Threshold:	0.30% plus one unit of energy
Earning Threshold in Energy Savings:	409,472
Award zero point:	0.20%
Award zero point in Energy Savings:	272,980
Steps from zero point to 1.5%	13
Size of steps in Energy Savings:	136,490

Incentive Calibration:

Average Incentive per unit at 1.5%:	\$9.00	Set by Commission in approval of incentive mechanism & calibration
Incentive Cap:	\$6.875	per MCF
Energy savings at 1.5%:	2,047,353	
Targeted incentive at 1.5%:	\$18,426,179	
Multiplier:	1.72989%	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	\$0.00
0.1%	136,490	0.00000%	\$5,462,391	\$0	\$0.00
0.2%	272,980	0.00000%	\$10,924,782	\$0	\$0.00
0.3%	409,471	0.00000%	\$16,387,173	\$0	\$0.00
0.4%	545,961	3.45978%	\$21,849,564	\$755,946	\$1.38
0.5%	682,451	5.18966%	\$27,311,955	\$1,417,398	\$2.08
0.6%	818,941	6.91955%	\$32,774,346	\$2,267,838	\$2.77
0.7%	955,431	8.64944%	\$38,236,737	\$3,307,263	\$3.46
0.8%	1,091,922	10.37933%	\$43,699,128	\$4,535,675	\$4.15
0.9%	1,228,412	12.10921%	\$49,161,519	\$5,953,074	\$4.85
1.0%	1,364,902	13.83910%	\$54,623,911	\$7,559,459	\$5.54
1.1%	1,501,392	15.56899%	\$60,086,302	\$9,354,830	\$6.23
1.2%	1,637,883	17.29888%	\$65,548,693	\$11,260,442	\$6.88
1.3%	1,774,373	19.02876%	\$71,011,084	\$12,198,813	\$6.88
1.4%	1,910,863	20.00000%	\$76,473,475	\$13,137,183	\$6.88
1.5%	2,047,353	20.00000%	\$81,935,866	\$14,075,553	\$6.88
1.6%	2,183,843	20.00000%	\$87,398,257	\$15,013,923	\$6.88
1.7%	2,320,334	20.00000%	\$92,860,648	\$15,952,294	\$6.88
1.8%	2,456,824	20.00000%	\$98,323,039	\$16,890,664	\$6.88
1.9%	2,593,314	20.00000%	\$103,785,430	\$17,829,034	\$6.88
2.0%	2,729,804	20.00000%	\$109,247,821	\$18,767,404	\$6.88
2.1%	2,866,294	20.00000%	\$114,710,212	\$19,705,774	\$6.88

Actual CIP Results

Spending:	\$22,829,710	From Utility Status Report
Energy Saved:	1,570,810	From Utility Status Report
Net Benefits Achieved:	\$88,349,823	From Utility Status Report

Resulting Incentive:

Steps above Zero Point:	9.50859
Percent of Net Benefits Awarded:	16.44879%
Capped Net Benefit Award:	16.44879% (Lower of figure calculated above or 20%)

Financial Incentive Award: \$10,799,319

\$	6.8750	Incentive \$/MCF Saved
\$77,550,504.66		Net Benefits after Incentive
\$17,669,964.68		20% of Net Benefits Achieved

Previously Approved 2013 Financial Incentive Award:	\$10,890,131
Revised 2013 Financial Incentive:	\$10,799,319
Difference:	\$90,812

2013 Pre-Year BENCOST: 2013 CIP program excluding EnerChange project, Goal (used for pre-year inputs for financial incentive)

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
Project: **Total CenterPoint CIP 2013-2015**

Input Data			First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.76	16 Utility Project Costs			
Escalation Rate =	4.28%	16 a) Administrative & Operating Costs =	\$13,172,060	\$0	\$0
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	\$11,461,311	\$0	\$0
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	\$24,633,371	\$0	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part.) =	\$149	\$0	\$0
3) Commodity Cost (\$/MCF) =	\$4.34	18) Participant Non-Energy Costs (Annual \$/Part.) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
4) Demand Cost (\$/Unit/Yr) =	\$109.11	19) Participant Non-Energy Savings (Annual \$/Part.) =	\$0	\$0	\$0
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	10	-	-
6) Variable O&M (\$/MCF) =	\$0.0500	21) Avg. MCF/Part. Saved =	5.0	-	-
Escalation Rate =	4.28%	22) Avg Non-Gas Fuel Units/Part. Saved =	0 kWh	0 kWh	0 kWh
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	0 kWh	0 kWh	0 kWh
Escalation Rate =	2.80%	23) Number of Participants =	310,634	-	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	1,553,298	0	0
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	\$36.90	#DIV/0!	#DIV/0!
Escalation Rate =	1.73%				
10) Non Gas Fuel Enviro. Damage Factor (\$/Uni	\$0.0123				
Escalation Rate =	1.73%				
11) Participant Discount Rate =	6.97%				
12) Utility Discount Rate =	6.97%				
13) Societal Discount Rate =	2.67%				
14) General Input Data Year =	2012				
15a) Project Analysis Year 1 =	2013				
15b) Project Analysis Year 2 =	2014				
15c) Project Analysis Year 3 =	2015				

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	\$79.30	#DIV/0!	#DIV/0!	Ratepayer Impact Measure Test	(\$43,122,320)	0.65
Cost per Participant per MCF =	45.7282925	#DIV/0!	#DIV/0!	Utility Cost Test	\$54,746,533	3.22
Lifetime Energy Reduction (MCF)	15,532,980			Societal Test	\$41,055,839	1.69
Societal Cost per MCF	3.83495982			Participant Test	\$62,933,871	2.36

2013 Revised Post-Year BENCOST: 2013 CIP program excluding EnerChange project, Actual (used for post-year inputs for financial incentive) – Includes revised energy savings for 2013 Whole Home New Construction Project

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

REVISED

Company: **CenterPoint Energy**
 Project: **Total Post-Year Financial Incentive**
CenterPoint CIP 2013-2015 -
Revised for WHNC Adjustment

<u>Input Data</u>			<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
1) Retail Rate (\$/MCF) =	\$6.77	16 Utility Project Costs			
Escalation Rate =	4.28%	16 a) Administrative & Operating Costs =	12,036,545.000	-	-
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	10,520,040.000	-	-
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	\$22,556,585	\$0	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part.) =	158.72	-	-
3) Commodity Cost (\$/MCF) =	\$4.34	18) Participant Non-Energy Costs (Annual \$/Part.) =	-	-	-
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
4) Demand Cost (\$/Unit/Yr) =	\$109.11	19) Participant Non-Energy Savings (Annual \$/Part.) =	-	-	-
Escalation Rate =	4.28%	Escalation Rate =	1.73%	1.73%	1.73%
5) Peak Reduction Factor =	1.00%	20) Project Life (Years) =	12.770	-	-
6) Variable O&M (\$/MCF) =	\$0.0500	21) Avg. MCF/Part. Saved =	5.077	-	-
Escalation Rate =	4.28%	22) Avg Non-Gas Fuel Units/Part. Saved =	-	-	-
7) Non-Gas Fuel Cost (\$/Fuel Unit) =	\$0.027	22a) Avg Additional Non-Gas Fuel Units/ Part. Used =	-	-	-
Escalation Rate =	2.80%	23) Number of Participants =	340,972	-	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	1,731,172	-	-
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	\$30.85		
Escalation Rate =	1.73%				
10) Non Gas Fuel Enviro. Damage Factor (\$/Uni	\$0.0123				
Escalation Rate =	1.73%				
11) Participant Discount Rate =	6.97%				
12) Utility Discount Rate =	6.97%				
13) Societal Discount Rate =	2.67%				
14) General Input Data Year =	2012				
15a) Project Analysis Year 1 =	2013				
15b) Project Analysis Year 2 =	2014				
15c) Project Analysis Year 3 =	2015				

<u>Cost Summary</u>	<u>1st Yr</u>	<u>2nd Yr</u>	<u>3rd Yr</u>	<u>Test Results</u>	<u>Triennial NPV</u>	<u>Triennial B/C</u>
Utility Cost per Participant =	\$66.15			Ratepayer Impact Measure Test	(\$48,541,517)	0.70
Cost per Participant per MCF =	44.2911859			Utility Cost Test	\$88,349,823	4.92
Lifetime Energy Reduction (MCF)	22,505,236			Societal Test	\$82,891,473	2.25
Societal Cost per MCF	2.93956575			Participant Test	\$93,292,304	2.72

Attachment B: CIP Tracker and Balance Projections for 2015¹ and 2016² with the 2015 Approved CCRA and CCRC and the proposed 2016 CCRA of \$0.1021 per Dth³

¹ 2015 CIP Tracker Account projections are based on actual CIP spending through March 2015 and projected spending for April through December of 2015. The projected spending in 2015 includes pending modification requests with the filed budget amounts.

² Currently, the Company does not have an approved budget for 2016; the Company will file its 2016 CIP Plan on June 1, 2015. 2016 CIP Tracker Account projections use the 2016 budget amount the Company currently anticipates filing in the June 1, 2015 2016 CIP Plan filing.

³ Sales volumes used in the 2015 and 2016 CIP Tracker projections are based on the approved 2013 rate case sales forecast.

CenterPoint Energy Minnesota Gas
CIP Tracker and Balance

2015 Forecast - Revised using 2015 Actual Volumes and CIP Expenditures through March

CCRC Rate approved June 9, 2014, Findings of Fact, Conclusions and Order, Docket No. G008/GR-13-316

CCRA Rate approved December 17, 2014, Order, Docket No. G008/M-14-368

	Jan 15 Actual	Feb 15 Actual	Mar 15 Actual	Apr 15 Forecast	May 15 Forecast	June 15 Forecast	July 15 Forecast	Aug 15 Forecast	Sept 15 Forecast	Oct 15 Forecast	Nov 15 Forecast	Dec 15 Forecast	Annual Summary
Expenses													
1 Beginning Tracker Balance (\$) - Under / (Over) Recovered	2,285,733	(2,579,136)	(7,677,548)	(12,096,887)	(13,789,239)	(14,149,659)	(14,120,936)	(13,605,281)	(12,819,743)	(12,135,976)	(11,671,003)	(11,744,563)	2,285,733
2 CIP Program Expenditures	1,562,628	996,375	2,087,001	1,459,458	1,642,485	1,358,533	1,592,252	1,824,627	1,743,647	2,087,717	2,679,514	7,079,744	26,113,980
3 Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$11,608,486	11,608,486
4 Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	3,848,362	(1,582,761)	(5,590,548)	(10,637,429)	(12,146,754)	(12,791,126)	(12,528,684)	(11,780,654)	(11,076,097)	(10,048,259)	(8,991,489)	6,943,667	37,722,466
Recovery													
5 Total Volumes (Dt)	26,917,296	25,278,714	27,476,162	13,363,176	9,250,737	6,886,559	6,823,345	6,484,562	5,784,696	7,858,141	12,079,398	19,327,973	167,530,759
6 Exemptions (Dt)	(3,392,241)	(2,974,766)	(3,668,638)	(1,835,400)	(1,928,554)	(2,028,100)	(2,891,400)	(2,689,400)	(1,913,000)	(1,925,878)	(2,009,811)	(2,324,577)	(29,581,765)
7 Volumes less Exemptions (Dt)	23,525,055	22,303,948	23,807,524	11,527,776	7,322,183	4,858,459	3,931,945	3,795,162	3,871,696	5,932,263	10,069,587	17,003,396	137,948,994
8 Base Rate Recovery (CCRC) (per Dt)	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	
9 Base Rate Cost Recovery (\$)	(4,349,783)	(4,124,000)	(4,402,011)	(2,131,486)	(1,353,872)	(898,329)	(727,017)	(701,725)	(715,877)	(1,096,876)	(1,861,867)	(3,143,928)	(25,506,771)
10 CCRA (per Dt)	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	0.0883	
11 CCRA Recovery (\$)	(2,077,262)	(1,969,439)	(2,102,204)	(1,017,903)	(646,549)	(429,002)	(347,191)	(335,113)	(341,871)	(523,819)	(889,145)	(1,501,400)	(12,180,898)
12 Total Recovery (Line 9 + Line 12)	(6,427,045)	(6,093,439)	(6,504,215)	(3,149,389)	(2,000,421)	(1,327,331)	(1,074,208)	(1,036,838)	(1,057,748)	(1,620,695)	(2,751,012)	(4,645,328)	(37,687,669)
Carrying Charges													
13 Sub-Balance (\$) (Line 4 + Line 12)	(2,578,683)	(7,676,200)	(12,094,763)	(13,786,818)	(14,147,175)	(14,118,457)	(13,602,892)	(12,817,492)	(12,133,845)	(11,668,954)	(11,742,501)	2,298,339	34,797
14 Accum. Deferred Tax (Line 13 x 41.37% x -1)	1,066,801	3,175,644	5,003,603	5,703,607	5,852,686	5,840,806	5,627,516	5,302,597	5,019,772	4,827,446	4,857,873	(950,823)	
15 Net Investment (Line 13 + Line 14)	(1,511,882)	(4,500,556)	(7,091,159)	(8,083,211)	(8,294,489)	(8,277,652)	(7,975,376)	(7,514,896)	(7,114,073)	(6,841,508)	(6,884,628)	1,347,516	
16 Carrying Charge Rate	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	
17 Carrying Charge (Line 15 x Line 16)	(453)	(1,348)	(2,124)	(2,421)	(2,484)	(2,479)	(2,389)	(2,251)	(2,131)	(2,049)	(2,062)	404	(21,787)
18 Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	(2,579,136)	(7,677,548)	(12,096,887)	(13,789,239)	(14,149,659)	(14,120,936)	(13,605,281)	(12,819,743)	(12,135,976)	(11,671,003)	(11,744,563)	2,298,743	

Approved Interest Factor from Short Term Debt (December 2014):¹

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.36)^{(1/12)}) - 1 \\ &= 0.0003 \\ &= 0.03\%\end{aligned}$$

¹In the December 17, 2014 *Order*, Docket No. G-008/M-14-368, the Commission modified the carrying charge on the CIP tracker-account balance to the short-term cost of debt set in the Company's last rate case, G-008/GR-13-316.

CenterPoint Energy Minnesota Gas

CIP Tracker and Balance

2016 Forecast

CCRC Rate approved June 9, 2014, *Findings of Fact, Conclusions and Order*, Docket No. G008/GR-13-316

Goal seek to zero year-end balance

	Jan 16 Forecast	Feb 16 Forecast	Mar 16 Forecast	Apr 16 Forecast	May 16 Forecast	June 16 Forecast	July 16 Forecast	Aug 16 Forecast	Sept 16 Forecast	Oct 16 Forecast	Nov 16 Forecast	Dec 16 Forecast	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	2,298,743	(2,871,496)	(7,367,112)	(10,730,010)	(12,546,161)	(12,967,768)	(12,973,053)	(12,472,914)	(11,695,357)	(11,022,597)	(10,588,785)	(10,736,378)	2,298,743
2	CIP Program Expenditures	1,480,390	2,090,936	2,086,280	1,494,909	1,682,382	1,391,533	1,630,929	1,868,948	1,786,001	2,138,429	2,744,601	7,251,717	27,647,056
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$8,365,204	8,365,204
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	3,779,133	(780,560)	(5,280,832)	(9,235,101)	(10,863,779)	(11,576,235)	(11,342,124)	(10,603,966)	(9,909,355)	(8,884,168)	(7,844,184)	4,880,543	36,012,260
Recovery														
5	Total Volumes (Dt)	25,432,627	24,823,532	21,089,339	13,363,176	9,250,737	6,886,559	6,823,345	6,484,562	5,784,696	7,858,141	12,079,398	19,327,973	159,204,086
6	Exemptions (Dt)	(2,264,156)	(1,881,050)	(2,111,431)	(1,835,400)	(1,928,554)	(2,028,100)	(2,891,400)	(2,689,400)	(1,913,000)	(1,925,878)	(2,009,811)	(2,324,577)	(25,802,757)
7	Volumes less Exemptions (Dt)	23,168,471	22,942,482	18,977,908	11,527,776	7,322,183	4,858,459	3,931,945	3,795,162	3,871,696	5,932,263	10,069,587	17,003,396	133,401,329
8	Base Rate Recovery (CCRC) (per Dt)	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	0.1849	
9	Base Rate Cost Recovery (\$)	(4,283,850)	(4,242,065)	(3,509,015)	(2,131,486)	(1,353,872)	(898,329)	(727,017)	(701,725)	(715,877)	(1,096,876)	(1,861,867)	(3,143,928)	(24,665,907)
10	CCRA (per Dt)	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	0.1021	
11	CCRA Recovery (\$)	(2,366,275)	(2,343,194)	(1,938,279)	(1,177,371)	(747,840)	(496,211)	(401,583)	(387,613)	(395,430)	(605,882)	(1,028,442)	(1,736,615)	(13,624,735)
12	Total Recovery (Line 9 + Line 11)	(6,650,125)	(6,585,259)	(5,447,294)	(3,308,857)	(2,101,712)	(1,394,540)	(1,128,600)	(1,089,338)	(1,111,307)	(1,702,758)	(2,890,309)	(4,880,543)	(38,290,642)
Carrying Charges														
13	Sub-Balance (\$) (Line 4 + Line 12)	(2,870,992)	(7,365,819)	(10,728,126)	(12,543,958)	(12,965,491)	(12,970,775)	(12,470,724)	(11,693,304)	(11,020,662)	(10,586,926)	(10,734,493)	0	(2,278,382)
14	Accum. Deferred Tax (Line 13 x 41.37% x -1)	1,187,730	3,047,239	4,438,226	5,189,435	5,363,824	5,366,010	5,159,138	4,837,520	4,559,248	4,379,811	4,440,860	(0)	
15	Net Investment (Line 13 + Line 14)	(1,683,263)	(4,318,580)	(6,289,900)	(7,354,522)	(7,601,667)	(7,604,765)	(7,311,585)	(6,855,784)	(6,461,414)	(6,207,115)	(6,293,633)	0	
16	Carrying Charge Rate	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	
17	Carrying Charge (Line 15 x Line 16)	(504)	(1,293)	(1,884)	(2,203)	(2,277)	(2,278)	(2,190)	(2,053)	(1,935)	(1,859)	(1,885)	-	(20,361)
18	Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	(2,871,496)	(7,367,112)	(10,730,010)	(12,546,161)	(12,967,768)	(12,973,053)	(12,472,914)	(11,695,357)	(11,022,597)	(10,588,785)	(10,736,378)	0	

Attachment C: Revised Tariff

CONSERVATION IMPROVEMENT PROGRAM ADJUSTMENT RIDER

Applicability:

Applicable to bills for gas and/or transportation service provided under the Company’s retail rate schedules.

Exemptions are as follows:

“Large Energy Facility”, as defined in Minn. Stat. 216B.2421 customers shall receive a monthly exemption from conservation improvement program (CIP) 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.

“Large Customer Facility” customers that have been exempted from the Company’s CIP charges pursuant to Minn. Stat. 216B.241, subd. 1a (b) shall receive a monthly exemption from CIP charges pursuant to Minn. Stat. 216B.16, subd. 6b Energy Conservation Improvement. Such monthly exemption will be effective beginning January 1 of the year following the grant of exemption. Upon exemption from the conservation program charges, the “Large Customer Facility” customers can no longer participate in CenterPoint Energy’s Energy Conservation Improvement Program.

Minnesota Stat. 216B.241, subd. 1a(c) which allows exemption of certain commercial gas customers does not apply to CenterPoint Energy because the Company’s customer count exceeds the 600,000 level set in statute.

Rate:

BASE CHARGE PER THERM (CCRC)	ADJUSTMENT (CCRA)
\$0.01849	\$0. 00883 <u>01021</u>

Rider:

A Conservation Improvement Program Adjustment which shall be included on each non-exempt customer’s monthly bill. The applicable factor shall be multiplied by the customer’s monthly billing in Therms for gas service before any adjustments, surcharges or sales tax.

Determination of Conservation Cost Recovery Charge (CCRC or Base Charge per Therm):

The CCRC is the amount included in base rates dedicated to the recovery of CIP costs as approved by the Minnesota Public Utilities Commission in the Company’s last general rate case. The CCRC is approved and applied on a per therm basis by dividing test-year CIP expenses by the test-year sales volumes (net of CIP-exempt volumes). All revenue received from the CCRC shall be credited to the CIP tracker account.