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August 13, 2025

VIA eFILING

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

RE: In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation
Docket No. E,G-999/CI-08-133

Comments

Dear Mr. Seuffert:

CenterPoint Energy Resources Corp.'s, d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") respectfully submits the following *Comments* regarding the Minnesota Public Utilities Commission's ("Commission") Notice of Comment Period ("Notice") issued July 16, 2025. The Notice was issued in response to the Center for Energy Environment ("CEE"), Minnesota Department of Commerce, Division of Energy Resources' (the "Department"), and Fresh Energy *Proposal for Modifications to the Shared Savings DSM Financial Incentive Mechanism for Implementation Beginning in 2027* (the "*Proposal*"), filed on June 26, 2025. In its Notice, the Commission requests comment on the *Proposal*.

CenterPoint Energy appreciates the opportunity to offer these *Comments* on the incentive mechanism. If you have questions, please contact me at (612) 321-4324 or ethan.warner@centerpointenergy.com.

Sincerely,

/s/ *Ethan Warner*

Ethan Warner
Regulatory Affairs Manager, Energy Conservation and Optimization Programs
CenterPoint Energy

Attachments

C: Service List

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Katie Sieben	Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation	Docket No. E,G-999/CI-08-133
	CENTERPOINT ENERGY'S COMMENTS ON THE <i>PROPOSAL</i>

CenterPoint Energy Resources Corp.'s, d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") respectfully submits the following *Comments* regarding the Minnesota Public Utilities Commission's ("Commission") Notice of Comment Period ("Notice") issued July 16, 2025. The Notice was issued in response to the Center for Energy Environment ("CEE"), Minnesota Department of Commerce, Division of Energy Resources' (the "Department"), and Fresh Energy *Proposal for Modifications to the Shared Savings DSM Financial Incentive Mechanism for Implementation Beginning in 2027* (the "*Proposal*"), filed on June 26, 2025. In its Notice, the Commission requests comment on the *Proposal*.

CenterPoint Energy appreciates the time and effort expended by CEE and Department Staff in the preparation of the *Proposal* for the gas utility financial incentive mechanism ("incentive mechanism") for the 2027-2029 Triennial period. The Company also appreciates the stakeholder engagement with the Company to review the proposal and address questions and concerns about the scope of the components of the *Proposal*.

The following *Comments* focus on the natural gas utility incentive mechanism. The Company has not undertaken careful consideration of the *Proposal* for the electric utility incentive mechanism.

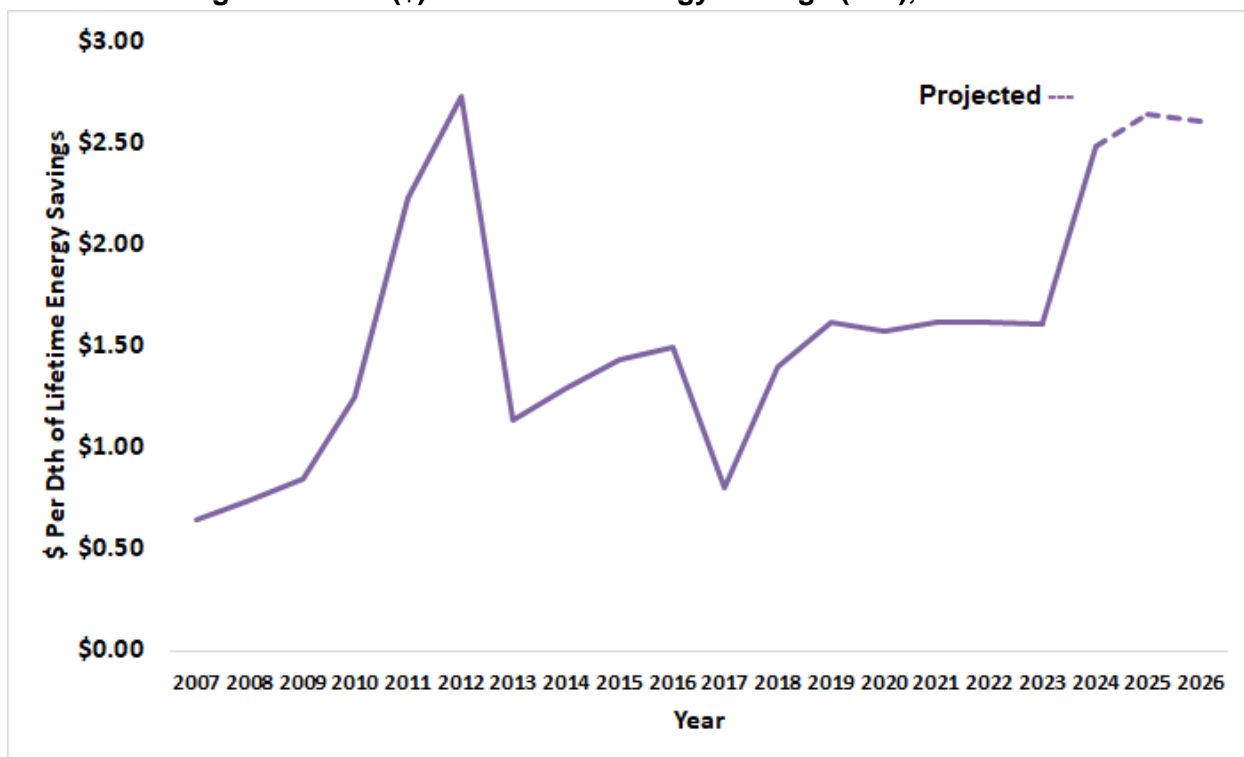
Background and Recent Achievements

Pursuant to Minnesota Statutes § 216B.241, subd. 1c, utilities are required to propose energy savings goals of at least 1.0 percent of average annual retail energy sales. CenterPoint Energy has exceeded its CIP portfolio-wide energy savings goals for sixteen consecutive years. The

Company also consistently exceeds energy savings of 1.2 percent of gross annual retail energy sales. In 2024, the Company's ECO programs saved 1,890,592 Dths or 1.29% of average sales even as codes and standards become more stringent.¹ These accomplishments are attributed to innovative program design, customer and trade ally incentives that help drive program participation, and robust partnerships with trade allies (e.g., dealers, distributors, and contractors), third-party program implementers, other utilities, and local governments across CenterPoint Energy's Minnesota service territory.

For the past decade, CenterPoint Energy's ECO expenditures relative to lifetime energy savings achieved average well below \$2.00 per dekatherm ("Dth"). These low cost-to-savings ratios illustrate the Company's ECO portfolio is cost-effectiveness. However, the Company's cost-to-savings ratios are expected to be higher during the 2024-2026 triennial period and were in 2024. The reasons include inflation, high residential rebate amounts, higher spending on low-income programs as shown in Figure 1 and Figure 2, new investments in the Minnesota Efficient Technology Accelerator with no associated energy savings expected for 2024-2026, and building code and equipment standard programs with savings delayed until the next triennial period.

Figure 1: Cost (\$) Per Lifetime Energy Savings (Dth), 2007-2026²



¹ In the Matter of CenterPoint Energy's Natural Gas Energy Conservation and Optimization 2024 Status Report & Associated Compliance Filings, Docket No. G-008/CIP-23-95, Compliance Filing (May 1, 2025).

² Costs per lifetime Dths saved increased significantly from 2010-2012 as many new programs were launched in the 2010-2012 triennial plan. In 2017, there was a large project with significant savings contributing to the decrease in costs per lifetime Dth saved.

Figure 2 illustrates how low-income spending has evolved since the last 2021-2023 Triennial Plan. Spending on low-income programs has increased to meet new statutory requirements.³ In 2024, the Company far surpassed this requirement by spending \$11,428,863 (or 18.2 percent of total ECO spending) and was equivalent to 1.57 percent of GOR from residential customers. The Low-Income segment still nearly achieved its energy savings goal with 36,652 Dth, or 97 percent of its savings goal.⁴ These achievements are the results of program improvements for the 2024-2026 Triennial Plan, including simplifying eligibility requirements, increasing incentives for rental properties, partnerships with local communities, and the new Low-Income Support and Awareness Program (“LISA”).⁵

Figure 2: Low-Income Program Spending and Savings, 2021-2024⁶

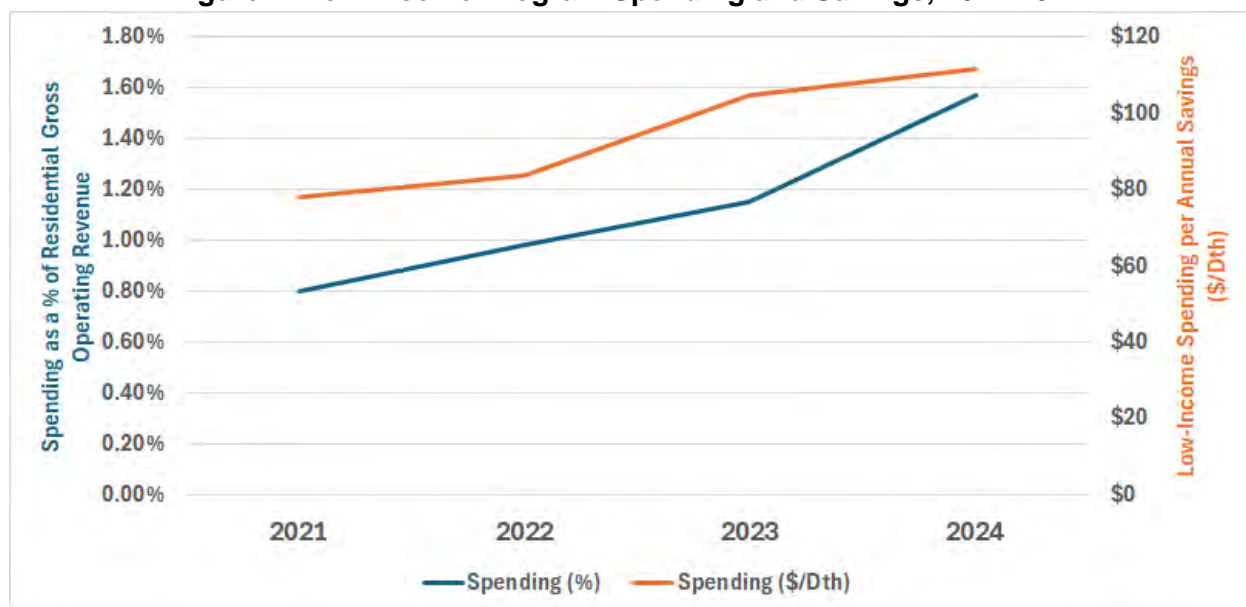


Figure 3 illustrates how the Home Insulation Rebates program performance has evolved since the last 2021-2023 Triennial Plan.⁷ In 2024, the Home Insulation Rebates program significantly exceeded energy savings goals. The Company attributes 2024 performance to increases in

³ Minnesota Statutes § 216B.241, subd. 7 requires natural gas utilities to spend at least 1.0 percent of their most recent three-year average annual gross operating revenue from residential customers in the state on conservation programs that directly serve the needs of low-income customers.

⁴ These achievements occurred even without the new program, Homeowner Efficiency Redo Opportunity Program (“HERO”), beginning operations until 2025. HERO is a new low-income program that engages with low- and moderate-income single-family homeowners who occupy their homes to encourage increased energy efficiency.

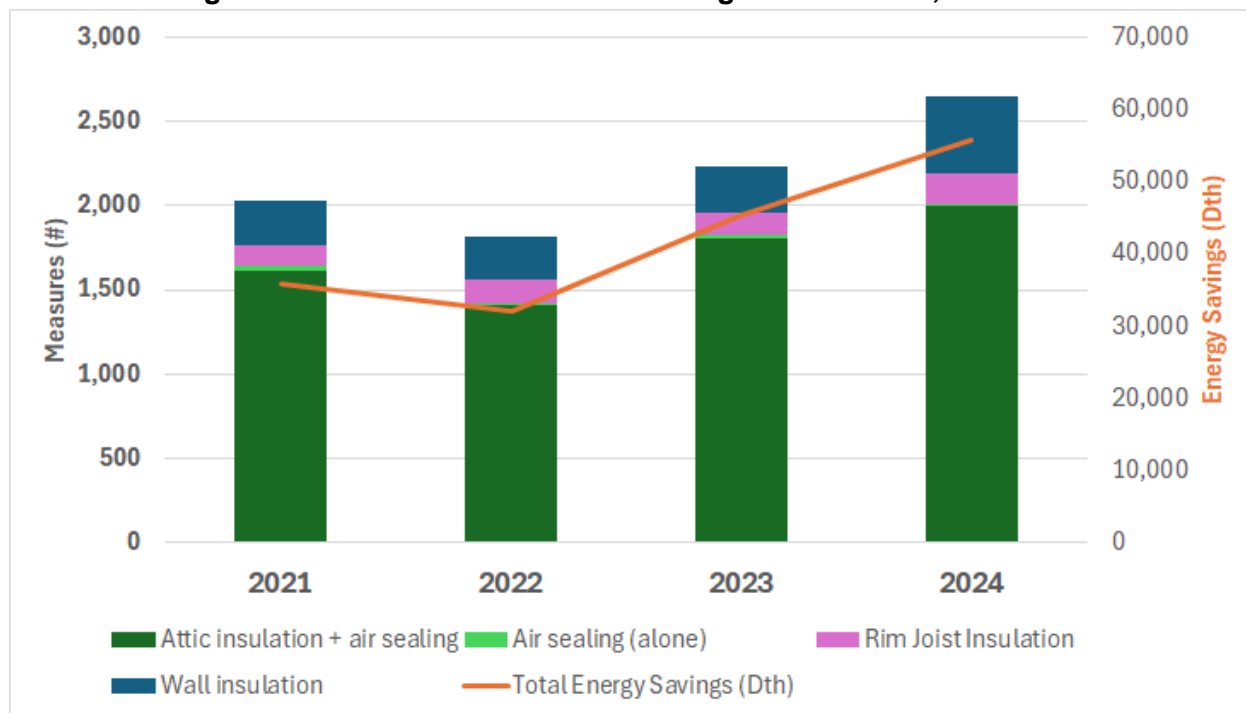
⁵ The LISA program seeks to increase participation in the Company’s other low-income programs by helping customers navigate the Company’s low-income offerings and partnering with non-profits and social services agencies.

⁶ See Annual Status reports for 2021-2024 in Docket No. G-008/CIP-20-478 (2021-2023) and G-008/CIP-23-95 (2024).

⁷ The Home Insulation Rebates program incentivizes customers to perform needed home weatherization upgrades of attic air sealing and insulation work.

rebates (from \$1,100 for all measures to \$3,000) and continued expansion of instant rebate services to reduce upfront capital costs in a customer's bill for the energy efficiency measure. Higher rebates have the largest effect on wall insulation. Wall insulation participation increased by 65 percent and air sealing and attic insulation increased by 10 percent relative to 2023.

Figure 3: Home Insulation Rebates Program Measures, 2021-2024



Should the Commission approve the proposed multi-factor Shared Savings DSM Financial Incentive Mechanism?

CenterPoint Energy reviewed the *Proposal* and, after careful consideration, is neutral on whether the Commission should approve the proposed multi-factor gas utility incentive mechanism. The *Proposal* may be in alignment with the public interest, state policy goals, and the Company's policy goals. However, the Company has some concerns about using a multi-factor financial incentive mechanism and what the *Proposal* states as realistically achievable for weatherization.

Historically, the basis of the incentive mechanism has been cost-effective annual energy savings. This approach provides utilities with significant program design flexibility to achieve those savings under shifting policy conditions (e.g., increasing codes) and evolving market conditions (e.g., fuel prices and customer priorities). The Company is concerned that aspects of a multi-factor financial incentive mechanism can increase complexity and difficulty of meeting policy goals.⁸

⁸ CenterPoint Energy acknowledge that this *Proposal* is simple as compared to some other state multi-factor incentive mechanisms and thanks CEE and the Department for starting off with a relatively incremental approach.

With regards to the proposed gas incentive mechanism, CenterPoint Energy is skeptical the *Proposal* will achieve the stated goals of significantly increasing weatherization relative to the current mechanism. The lifetime energy savings and associated net benefits of weatherization are already a significant benefit to the residential segment portfolio and influence our program design.

CenterPoint Energy is also concerned that CEE, the Department, and Fresh Energy believe that the main barriers to the performance of weatherization measures is primarily related to utility budgeting. For example, the *Proposal* states:⁹

- “Under the current incentive mechanism, insulation and air sealing measures are not prioritized as they tend to be less cost-effective due to higher upfront costs and generate long-term savings that are not highlighted by a first-year energy savings metric.”
- “As a result, these measures are typically not prioritized, and gas utilities allocate only a small portion of their ECO funding to them. Instead, a larger share of spending goes toward rebates for high-efficiency gas equipment.”

CenterPoint Energy’s budgeting is not zero-sum. Increasing budgets (or rebates) for equipment programs does not translate to decreasing budgets for weatherization programs or vice versa. The Company bases its program budgets (and rebates) on historical program performance adjusted for anticipated customer demand based on changes to programming (including rebates) and expectations about market conditions. Most of the spending in its equipment and weatherization programs is customer rebates.¹⁰

Furthermore, Table 1 below shows that CenterPoint Energy’s program design and performance in 2024 does not reflect a lower focus on weatherization. In terms of rebate dollars paid to customers, the equipment program (including heating systems) does pay out more rebates, but when normalized by energy savings or the number of customers the Home Insulation Rebates the program operates in line with the energy savings and associated quantified benefits.

⁹ Department, CEE, Fresh Energy, *Proposal for Modifications to the Shared Savings DSM Financial Incentive Mechanism for Implementation Beginning in 2027*. Docket No. E,G-999/CI-08-133, pg. 14-15 (June 26, 2025).

¹⁰ About 10 percent of program spending is trade ally incentives and administrative costs for each program.

Table 1. 2024 Market-Rate Equipment and Weatherization Program Performance¹¹

	Rebates (\$)	Rebate Customer Per	Rebates Per Annual Savings (\$/Dth)	Rebates Per Lifetime Savings (\$/Dth)
Home Insulation Rebates Program (Weatherization)	\$3,248,425	\$1,437	\$58.19	\$2.91
Home Efficiency Rebates Program (Equipment) ¹²	\$16,377,085	\$714	\$54.10	\$2.87

CenterPoint Energy has more direct control and flexibility to influence cost-effective energy savings as compared to the barriers to planning and completing weatherization projects. The Company sees market barriers in four main areas: customer priorities, customer education, non-financial customer costs, and economic constraints on project completion.

Customers have priorities other than weatherization when investing in their homes or rental properties. Compared to equipment, weatherization is often a discretionary energy efficiency investment. Customers are also more likely to invest in aspects of their home that are perceived to increase property values rather than reducing utilities bills. When heating and cooling systems need to be replaced due to performance issues, customers expect replacement and ECO programs influence the preference for the energy efficient option.

An additional challenge for focusing customers on weatherization improvements is major misconceptions about their home's weatherization needs. Some customers believe the most important weatherization measures for their homes is attic insulation or windows rather than more impactful measures like air sealing and wall insulation. Some customers still take a "do it yourself" approach to completing attic insulation while neglecting more impactful weatherization measures.

Even when customers are interested in weatherization, customers have non-financial costs to weatherization projects. Compared to equipment replacements, weatherization projects can be disruptive at the home or property and require more time and effort from the customer to complete.

There are broader economic constraints on the pipeline for completion of weatherization projects. There are limitations on the weatherization workforce but also the seasonality of installations stretching the available workforce. The number of companies interested in providing rebate eligible weatherization has not changed significantly even as demand appears to have grown.¹³

¹¹ *In the Matter of CenterPoint Energy's Natural Gas Energy Conservation and Optimization 2024 Status Report & Associated Compliance Filings*, Docket No. G-008/CIP-23-95, Compliance Filing (May 1, 2025).

¹² Please note this includes rebates for efficient fuel switching measures.

¹³ For example, the average increase in installers for the Home Insulation Rebates program has been 1-2 per year and for many of those recent installers, home weatherization hasn't been a business focus.

Finally, there are also costs for weatherization projects that are less applicable to equipment. Non-weatherization costs such as repairs to building structures and dealing with health and safety issues such as asbestos are common. These are cost barriers not addressed in ECO programs outside the low-income programs where statute supports the use of ECO program spending on non-energy building upgrades.¹⁴

CenterPoint Energy's ECO programs have marketing and program services to address many of these barriers. The Company believes there are opportunities to increase weatherization energy savings, but achieving the maximum benefits of weatherization savings of about 218,000 Dths (or tripling 2024 performance) seems unrealistic.¹⁵ If the *Proposal* is adopted, CenterPoint Energy will strive for more innovation in its weatherization programming to tackle non-cost barriers. However, these are still more difficult and complex market challenges to addressing through ECO programming than just "allocating ECO funding." Programs and services targeted increasing the rate of weatherization will be needed to target non-cost barriers and the impact of those services will take more time be realized and will be more uncertain in effectiveness. Some ways the Company would look to increase performance more immediately include:

- The Company's new HERO program expanding capacity to serve additional low- and moderate-income customers.
- The Company's tripling of rebates in the Home Insulation Rebates program did help improve 2024 participation (see Figure 3), in particular for wall insulation. There is potential opportunity for additional incremental improvements in 2027-2029.
- The Company is also exploring further encouragement of 5+ unit multi-family building insulation.

In summary, CenterPoint Energy considered if it could maintain or meet minimum performance for each factor of the gas incentive mechanism in the *Proposal* for 2027-2029. The Company believes that is potentially achievable (i.e., through HERO, wall insulation, and multi-family insulation) and therefore believes the proposed gas mechanism could be in the public interest and encourage greater achievements in alignment with state and the Company's goals. That said, the Company's assessment is that the potential upside is realistically more limited than described in the *Proposal* and therefore CenterPoint Energy is neutral on the *Proposal*.

Should modifications to the financial incentive take effect for utilities' 2027-2029 Energy Conservation and Optimization (ECO) Triennial Plans?

CenterPoint Energy thanks CEE and the DOC for initiating the process for determining the next gas utility incentive mechanism in 2025. The Company supports finalizing the incentive mechanism for future triennial periods as soon as is reasonable to do so in order to incorporate the upcoming mechanism into its planning processes. If the *Proposal* is adopted this will be

¹⁴ Minnesota Statutes § 216B.241, subd. 7 (f)

¹⁵ For context, these energy savings would require an increase in program participation of more than 8,000 customers. In addition to demand for weatherization, the capacity of insulation contractors for that amount of work is unlikely to be developed within the next several years.

especially important since the new factors in the mechanism will effectively require new program design.

If the *Proposal* is adopted, CenterPoint Energy recommends implementing the new mechanism in the next triennial at the earliest. The Company expects that program design and implementation to increase weatherization through non-cost barriers are unlikely to realize results for at least several years.

Are the proposed modifications consistent with the public interest and state policy goals for energy equity, conservation, and greenhouse gas reduction?

Please see CenterPoint Energy's response to the first question.

Are there other issues or concerns related to this matter?

CenterPoint Energy does not have other concerns with the *Proposal* but does note a potentially unintended effect of the proposal. The Company believes that spending-based policy requirements tend to have an impact on costs in the energy efficiency implementer market.

CenterPoint Energy makes significant efforts to ensure a competitive bidding process to ensure reasonable and prudent low-income programs spending. That said, the Company is concerned that the increased minimum spending requirement for low-income programs passed in 2021 likely indirectly increased program implementer administrative costs in the market for energy efficiency program services. The Company believes it is possible that the part of the incentive mechanism that is based on increasing low-income spending will also have similar effects in the energy efficiency market.

Conclusions

CenterPoint Energy is neutral on whether the Commission should approve of the *Proposal*. The Company believes it can innovate to meet the minimum requirements for each factor in the incentive mechanism. However, the Company's assessment is that the potential upside in the *Proposal* is realistically more limited than described, which is why the Company is neutral rather than supportive.

In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation	Docket No. E,G-999/CI-08-133
August 13, 2025	Comments

CERTIFICATE OF SERVICE

I, Ethan Warner, served the attached *Comments* of CenterPoint Energy on the attached service list for Docket No. E,G-999/CI-08-133 by electronic service.

/s/ Ethan Warner

Regulatory Affairs Manager, Energy Conservation and Optimization Programs
CenterPoint Energy

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22	James	Phillippo	james.phillippo@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)		PO Box 19001 Green Bay WI, 54307-9001 United States	Electronic Service		No	8-133Official
23	Lisa	Pickard	lseverson@minnkota.com	Minnkota Power Cooperative		5301 32nd Ave S Grand Forks ND, 58201 United States	Electronic Service		No	8-133Official
24	Scott	Reimer	reimer@federatedrea.coop	Federated Rural Electric Assoc.		77100 US Highway 71 PO Box 69 Jackson MN, 56143 United States	Electronic Service		No	8-133Official
25	Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us		Office of the Attorney General - Residential Utilities Division	1400 BRM Tower 445 Minnesota St St. Paul MN, 55101-2131 United States	Electronic Service		Yes	8-133Official
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