



505 Nicollet Mall
PO Box 59038
Minneapolis, MN 55459-0038

October 23, 2023

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

**RE: Commission Review of Utility Performance Incentives for Energy Conservation
Docket No. U-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 Department of Commerce, Division of Energy Resources' (the "Department") *Proposal for Modifications to the Shared Savings Demand-Side Management ("DSM") Financial Incentive Mechanism for Implementation Beginning in 2024 ("Proposal")*, filed on September 1, 2023. The Company appreciates the time and effort expended by Department Staff in the preparation of the *Proposal*.

In the *Proposal*, the Department recommends that the Commission approve a Shared Savings DSM financial incentive mechanism ("financial incentive mechanism") for utility Energy Conservation and Optimization ("ECO") plans for the 2024-2026 ECO triennial period. Specifically, the Department recommends for the calculation of the incentive that it use:

- The new Minnesota Cost-effectiveness Test ("MN Test") as the basis for calculating net benefits for the shared savings incentive.
- An expenditures cap of 15 percent with a maximum of 20 percent if gas utilities exceed energy savings of 1.2 percent of retail sales.
- A shared savings incentives of 1.9 percent starting at energy savings of 0.7 percent of retail sales and scaling linearly to the net benefits ("NB") cap at 1.2 percent of retail sales for gas utilities.
- Use a NB cap of 3.4 percent.

On September 13, 2023, Minnesota Public Utilities Commission (“PUC”) Staff issued a notice of comment period with the following topics:

- Do the proposed modifications to the 2024-2026 Shared Savings Financial Incentive Mechanism serve the public interest?
- Are there other issues or concerns parties may have related to this matter?

CenterPoint Energy disagrees that the NB cap proposed by Department Staff is in the public interest as the *Proposal* is not aligned with incentivizing utilities to treat energy efficiency as a least cost resource to meet customers’ needs. The Company agrees with the Department that the goal of the financial incentive is to incentivize the creation and delivery of cost-effective energy efficiency programs. The Company does not believe that the *Proposal* achieves this and is concerned that it may actively discourage utilities from pursuing maximization of NB of its energy efficiency programs through year-to-year program implementation improvements and longer-term program design innovation.

The following *Comments* focus particularly on natural gas utility energy efficiency. The Company has not undertaken a careful consideration of the same topics regarding electric utilities.

Recent Achievements and Future Estimates

CenterPoint Energy has exceeded its CIP portfolio-wide energy savings goals for fourteen consecutive years.¹ This successful track record can be 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. Every year the Company seeks to meet and exceed its goals.

Minnesota Statutes § 216B.241, subd. 1c, states that utilities are required to propose energy savings goals of at least one percent of gross annual retail energy sales. Leading up to the 2021-2023 triennial, CenterPoint Energy proposed goals of 1.23 percent of sales for 2021 (and achieved savings of 1.26 percent) and 1.26 percent for 2022 (1.35 percent achieved).² For years 2024, 2025, and 2026, the Company has proposed goals of 1.26 percent, 1.28 percent, and 1.34 percent of retail sales, respectively.³

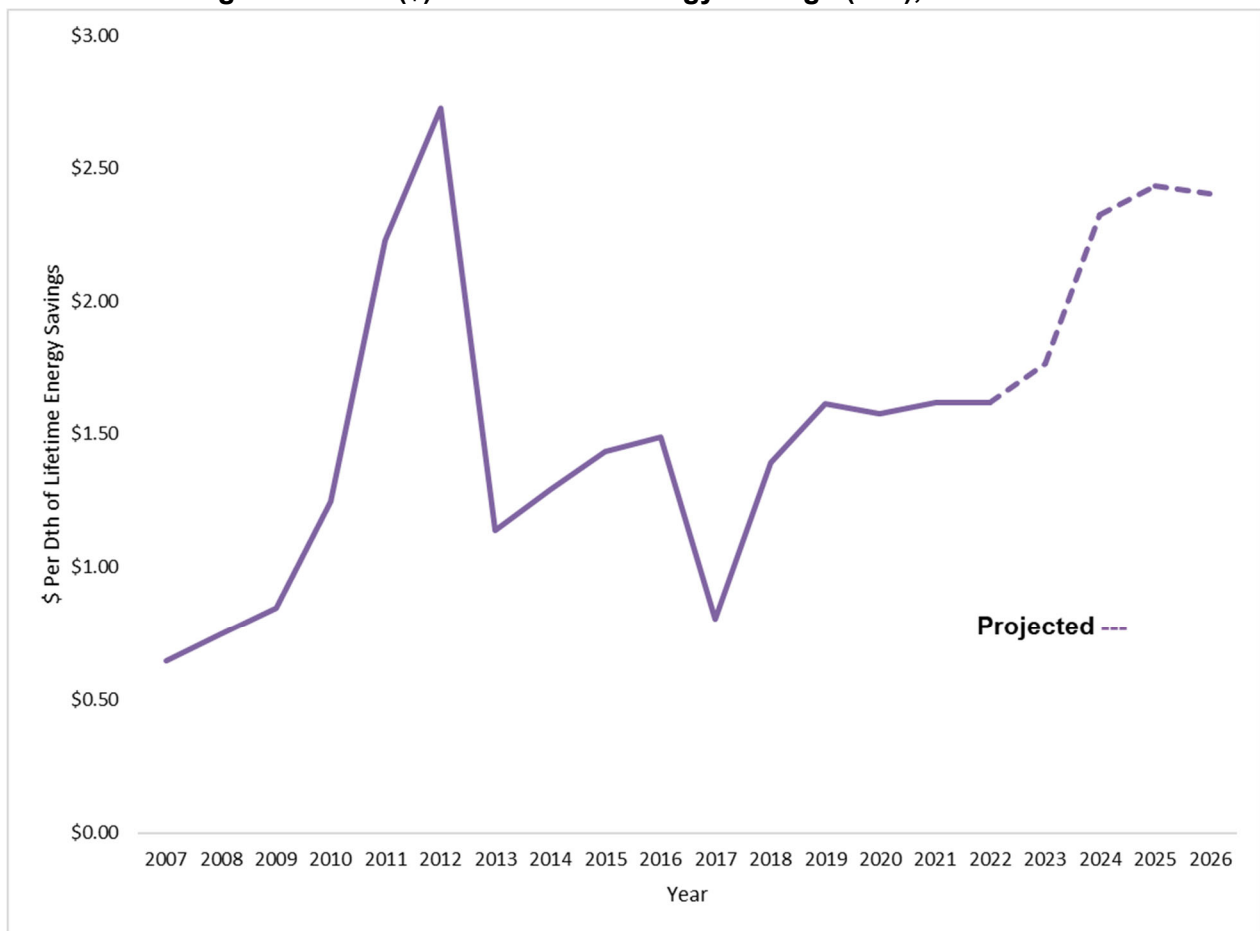
¹ See *In the Matter of Natural Gas Conservation Improvement Program 2022 Status Report & Associated Compliance Filings*, Docket No. G-008/CIP-20-478 (May 1, 2023).

² See *In the Matter of CenterPoint Energy’s 2021-2023 Natural Gas Conservation Improvement Program Triennial Plan*, Docket No. G-008/CIP-20-478, Compliance Filing (Jan. 20, 2021).

³ See *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, Compliance Filing (June 30, 2023). Please note that as with every triennial plan, changes in equipment codes the energy savings potential in 2024-2026 decreased.

For the past decade, CenterPoint Energy’s CIP expenditures relative to lifetime energy savings achieved have been well below \$2.00 per dekatherm (“Dth”). Notably, these costs fell below \$1.00 per Dth in 2017, as illustrated in Figure 1 below. These low costs-to-savings ratios are one reason why the Company’s CIP has been cost-effective. However, the Company’s 2024-2026 cost-to-savings ratios are forecast to be higher during the 2024-2026 triennial. The reasons include inflation, higher spending on low-income programs, new investments in the Minnesota Efficient Technology Accelerator with no associated energy savings expected for 2024-2026, building code and equipment standard updates resulting in fewer savings that can be claimed. Another factor is an anticipated decrease in commercial and industrial (“C&I”) projects due to higher interest rates, which may discourage some customers from investing in larger energy efficiency projects.

Figure 1: Cost (\$) Per Lifetime Energy Savings (Dth), 2007-2026



In CenterPoint Energy’s 2024-2026 triennial plan filing,⁴ among other program changes it proposed code compliance support programs, simplified rebate offerings, higher rebates for residential weatherization and heating measures, and commercial rebates. Specifically for

⁴ See *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, Compliance Filing (June 30, 2023).

residential heating systems, new efficient fuel-switching (“EFS”) air source pumps were added. New and modified low-income programs were proposed, accounting for low-income spending above 69 percent of the requirement by 2026. Along with recent changes to the Company’s multi-family building program, the portfolio is focused on reducing the cost of energy efficiency measures and energy for residential customers. The proposed EFS improvements are intended to provide new pathways to help customers save energy, money, and reduce greenhouse gas emissions. The Company’s proposed new and modified low-income programs and services would help ensure that income-eligible customers have access to energy conservation measures, in addition to meeting and exceeding its statutory low-income minimum spending requirement.⁵

In the upcoming 2024-2026 triennial, CenterPoint Energy’s ECO programs, especially its C&I programs and new construction market, will likely continue to be affected by market forces. Factors that may affect ECO programs in the next few years include but are not limited to continued lead times in supply chain, high interest rates, inflation, high building material and construction costs, and ongoing labor shortages (particularly a shortage of skilled trades professionals like auditors and HVAC installers). All these factors can affect customer energy use decisions; thus, the Company has tried to factor these into its proposed triennial plan along with supportive policy changes like the Inflation Reduction Act. For example, the Company has already proposed higher rebates in its commercial foodservice and C&I heating and water heating rebate programs to respond to these market changes.

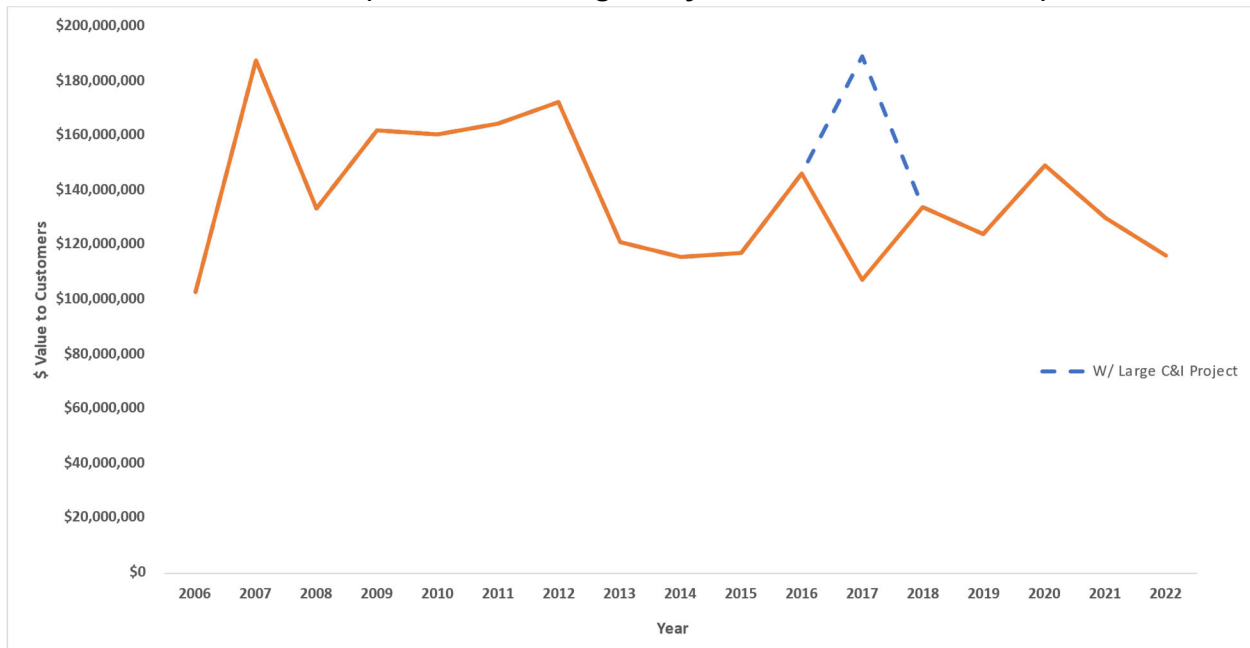
CenterPoint Energy is closely monitoring these developments and will adjust implementation or propose new programs and/or program modifications during the next triennial to adapt market changes with the goal to achieve performance of ECO programs above plan. The Company is consistently coming up with new and innovative ways to achieve higher energy savings more cost-effectively, including through process improvements in CIP implementation. For example, in recent years the Company has been piloting new programming such as point-of-sale rebates for weatherization and innovation in reducing customer burdens for low-income verifications. With regards to marketing, the Company has pursued innovative marketing strategies to reach customers such as the use of public data on rental license lists to reach multi-family property owners or C&I equipment data to customers who may need new energy efficient equipment.

CenterPoint Energy notes that current market conditions create significant uncertainty in program planning because some projects, particularly large custom-designed C&I projects, can take years of planning and design work by customers with support from the Company before coming to fruition. Specifically, some of these projects that started pre-Covid are only being commissioned in 2023. This is reflected in the Company’s history of program performance. For example, a project with unusually high energy savings was completed in 2017 after about 5 years of planning and development. This project is why 2017 was a high-water mark for the

⁵ 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.

Company’s energy efficiency programs. If the net economic benefits to customers from this project are excluded from Minnesota natural gas utilities’ 2017 total net benefits to customers, 2017 becomes a relative lower point for natural gas utilities’ CIP performance, as the graph below in Figure 2 shows.

Figure 2: Minnesota Natural Gas Utilities’ Utility Cost-Effectiveness Test Net Benefits to Customers (After Subtracting Utility Performance Incentives)⁶



Energy Efficiency in the National Context

In Section VI of the Proposal, the Department outlines Minnesota’s current standing in the American Council for an Energy Efficient Economy (“ACEEE”) annual State Energy Efficiency Scorecard (“Scorecard”). CenterPoint Energy is proud of Minnesota’s placement on the 2022 Scorecard and the role the Company played in gas energy efficiency performance. In the Scorecard, Minnesota received the highest score possible for 2021 natural gas savings by achieving 1 percent or greater savings as a percent of sales. Only three other states (California, Michigan, and Massachusetts) achieved this fully awarded points score.⁷

A robust performance incentive mechanism is needed to justify the pursuit of significant energy efficiency programs.⁸ ACEEE has identified one of the main impediments in improving efficiency in the Investor-Owned Utility sector to be a lack of incentive to spend money on programs to

⁶ Modified based on Department Workpapers for Fig 9, 10. The C&I project consisted of 897,618 Dth, a \$2,000,000 rebate, \$83,603,148 of net benefits, and -\$2,081,401 lower financial incentive.

⁷ ACEEE. *2022 State Energy Efficiency Scorecard*. 2022. pg. 36. Retrieved on October 19, 2023, from: <https://www.aceee.org/research-report/u2206>.

⁸ ACEEE. *Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency*. 2015. Retrieved on October 19, 2023, from <https://www.aceee.org/research-report/u1504>.

improve customer energy efficiency as compared to making investments in new utility facilities and equipment. The ACEEE publication *Beyond Carrots for Utilities: A National Review of Performance Incentives for Energy Efficiency* concluded that shareholder incentives influence utility behavior and are correlated with higher per person investment in efficiency programs by utilities.

CenterPoint Energy has several concerns with the Department's comparisons between Minnesota and other states in the *Proposal*. In the *Proposal*, a selection of states and utilities are used to compare average performance incentives. This selection includes utilities from Connecticut, Rhode Island, Massachusetts, Colorado, and California. The Company notes that Midwest states such as Illinois and Michigan achieved comparable scores comparable score for 2021 incremental natural gas and fuel savings. However, utilities from these potentially more applicable states were not considered in the *Proposal*.

In its state scorecard report, ACEEE offers a reminder that comparing the effectiveness of energy efficiency programs of different states is a complex undertaking. The report states on pg. 171 that *"the wide diversity of measurement approaches across states makes comparison less than straightforward. Also, several states require program administrators to pursue all cost-effective efficiency. Although some states have prioritized low acquisition costs and encouraged maximizing the degree of cost effectiveness, promoting larger amounts of marginally cost-effective energy savings is also another valid approach. We also did not adjust savings for variations in avoided costs of energy across states, as there are examples of achieving deep energy savings in both high- and low-cost states."*⁹

A review of the final state scores in the 2022 State Scorecard shows that Minnesota is ranked fourth in the country when only accounting for the utility and public benefits section of the Scorecard. Other states selected by the Department achieved higher overall standing in the Scorecard through scoring additional points based on transportation policies and building energy codes, rather than just energy efficiency programs. The various states provide energy efficiency performance incentives to utilities in a variety of forms and requirements.

- Some states do not set a minimum threshold for utilities to receive an incentive (California).
- States use different metrics to determine the amount such as net benefits, net savings, lifetime savings, and segment participation.
- Payout caps on incentives with varying metrics for different customer segments. This includes states that provide unequal portions of the total potential incentive based on C&I performance and Residential performance.¹⁰

⁹ ACEEE. *2022 State Energy Efficiency Scorecard*. 2022. Pg 171. Retrieved on October 19, 2023, from: <https://www.aceee.org/research-report/u2206>.

¹⁰ For example, Rhode Island sets a payout cap that results in the C&I segment accounting for over 70 percent of the potential maximum performance incentive.

- Northeastern states such as Massachusetts and Connecticut include unregulated fuels savings in their energy efficiency programs as the region has a sizeable number of customers using fuel oil or propane for heating.

CenterPoint Energy gathered data from the past three Scorecards published by ACEEE in Figure 3 below for program years 2019-2021. The bubble chart posted below contains a state comparison on average Energy Efficiency performance by state along with CenterPoint Energy broken out in its own dataset. This dataset contains the states selected for comparison in the *Proposal*, along with several midwestern states selected by CenterPoint Energy.¹¹

Figure 3: 2019-2021 Average Energy Efficiency Performance of Natural Gas Utilities, Average Annual Dth Savings (bubble size)¹²



An issue with state comparisons, besides the differences in policy, is that they can conflate “over rewarding” with “underperformance.” Taking 2019-2021 statewide gas spending divided by 2019-2021 statewide natural gas savings results in the \$/Dth number shown on the bubble chart’s x-axis. Many states included in Table 9 of the *Proposal* spend a higher amount per Dth

¹¹ Illinois, Iowa, Michigan, New Jersey, New York, South Dakota, and Wisconsin data added by CenterPoint Energy

¹² ACEEE applies a net-to-gross (“NTG”) factor of 0.906 to all states reporting only gross natural gas savings. For the most recent report, these states included Connecticut, Massachusetts, Wisconsin, and several other states not included in this comparison.

saved, with states like Massachusetts and Rhode Island spending around 3 times more per Dth saved than Minnesota. Massachusetts (\$209), Rhode Island (\$144), and Connecticut (\$96) spent the most \$ per residential customer in 2021 according to the ACEEE 2022 Scorecard report. Meanwhile, Minnesota spent about \$44 per residential customer in 2021. California is the only state higher than Minnesota on the y-axis on the above chart due to an outlier year in 2020 when the state achieved energy savings over 2 percent of sales. In 2019 and 2021, California gas utilities achieved energy savings of 1.05 percent and 1.22 percent of sales, respectively.

Historically, the financial incentive has been a major contributor to the highly cost-effective energy savings achievements in Minnesota. Other than Michigan, Minnesota overperforms other Midwestern states in part because of the strong policy framework incentivizing utilities to pursue energy efficiency. These achievements have resulted in the state's high standing in the annual ACEEE scorecard. This cost-effective approach to energy savings is preferable to the high-cost high savings states such as Connecticut and Rhode Island and the low-cost low savings states such as Wisconsin and Illinois. However, the Department's *Proposal* is likely to significantly reduce the benefits to the utility to attempt performance above its proposed triennial plan.

Assessment of the Department's Financial Incentive Mechanism Proposal

In reviewing the Department's *Proposal*, CenterPoint Energy is primarily concerned with the Department's reliance on historic performance as the basis for its analysis and design of the financial incentive mechanism. While historic performance is an important consideration in design of the Company's triennial plan, the Company argues that its own 2024-2026 ECO Triennial Plan proposal would not be robust without consideration of other factors as summarized in those plans and the "Recent Achievements and Future Estimates" section of these *Comments*.

The Department's *Proposal* assumes that historic performance is predictive of future performance. However, each triennial period occurs under different market and policy conditions as well as new minimum codes and standards that reduce energy savings potential. CenterPoint Energy would also argue that if one were considering recent history, inflation has also reduced the value of the financial incentive to the utility by about 14 percent since 2021.¹³

In the Department's analysis, Table 7 summarizes adjustment factors to be applied to the Company's 2024-2026 Triennial Plans to calculate forecasted "actual" performance. In the Department's *Proposal* on pg. 25, it states, "However, the triennial filings are not accurate most of the time: more specifically, utilities' estimates about their future energy savings and net benefits reported in their triennial plans end up being much lower than their actual energy savings and net benefits, respectively." The Company notes that the Department points to utilities' overperformance to argue for a reduction of the NB cap in part based on the expectation that further reductions to the financial incentive will not have significant effects on

¹³ See U.S. Labor Statistics CPI Inflation Calculator for Jan. 2021 to Jan. 2023.

energy savings as based on the utilities' historical performance. However, recent changes in interest rates and cost inflation have negative effects on large multi-year C&I projects and long-term development of innovative programming.¹⁴

An example showing the problems with reliance on historic performance is highlighted by examining what underlies the Company's actual performance as compared to planned performance used in the Department's analysis in Table 7 to produce the adjustment factors. In the Department's analysis of performance from 2017-2022, the Department compared actual program performance to originally filed triennial plans rather than final approved plans.¹⁵ This is an important distinction because the Company filed a program modification in 2017 to adjust budget and energy savings goals to account for a very large C&I project that had its completion delayed from 2016 to 2017.¹⁶ This single project required about 5 years of effort by the customer and utility staff support (including CIP spending) to complete the project, pay a \$2 million rebate, and claim over 800,000 Dths of energy savings in 2017. The Company calculates that with this one single program modification the difference between 2017-2019 triennial plan energy savings and net benefits compared to actuals decreases the Department's calculated 15 percent to 6 percent for energy savings and 28 percent to 13 percent for net benefits.¹⁷ In terms of use in forecasting, the Company is unaware of a project of this magnitude in the next three years. Also, due to current market conditions and high interest rates the Company believes it is unlikely that C&I projects of this size are going to be as common in the next few years.¹⁸

Therefore, CenterPoint Energy disagrees with the Department's characterization of its triennial plan and performance as "not accurate" and would characterize it as the intentional result of the financial incentive mechanism encouraging utilities to continually improve their programming beyond the filed plan and encourage engagement with multi-year projects. The company notes that part of its overachievement is based on actions taken by the utility based on the financial incentive. The Company is concerned the Department's *Proposal* makes similar achievements less likely in the future. The Company frequently seeks out new and innovative ways to improve its programs' cost-effective energy savings to deliver benefits to customers and financial incentive for the Company. The Company is concerned the Department's analysis takes these innovation efforts for granted and are a reason to reduce the Company's incentive. The Company believes this approach to analyze the historic record of the Company's overperformance is counter to the spirit of why the financial incentive is offered. The Department's approach effectively disincentivizes utilities from innovating to achieve energy

¹⁴ That is, investments in developing programming (e.g., audit programming and project financing) sometimes take several years to have an energy savings payoff.

¹⁵ That is, it did not account for approved program modifications.

¹⁶ See *In the Matter of CenterPoint Energy's 2013-2016 and 2017-2019 CIP Plan Budget Modification Request*, Docket No. G-008/CIP-16-119, (Feb. 17, 2017).

¹⁷ Please note that if all approved plans are used from 2017-2022, the Company's results would change slightly.

¹⁸ CenterPoint Energy does have multi-year projects in the pipeline, but completion dates are uncertain with some projects from 2019/2020 only completing this year.

savings higher than its filed plan on the basis it may be used to support lower financial incentives in the future.

Assessment of the Department's Analysis for PUC Ordering Point 4

The PUC's December 9, 2020, Order point 4 required the Department to evaluate ways of improving the financial incentive mechanism. The Department's *Proposal* provided analysis on the topics of:

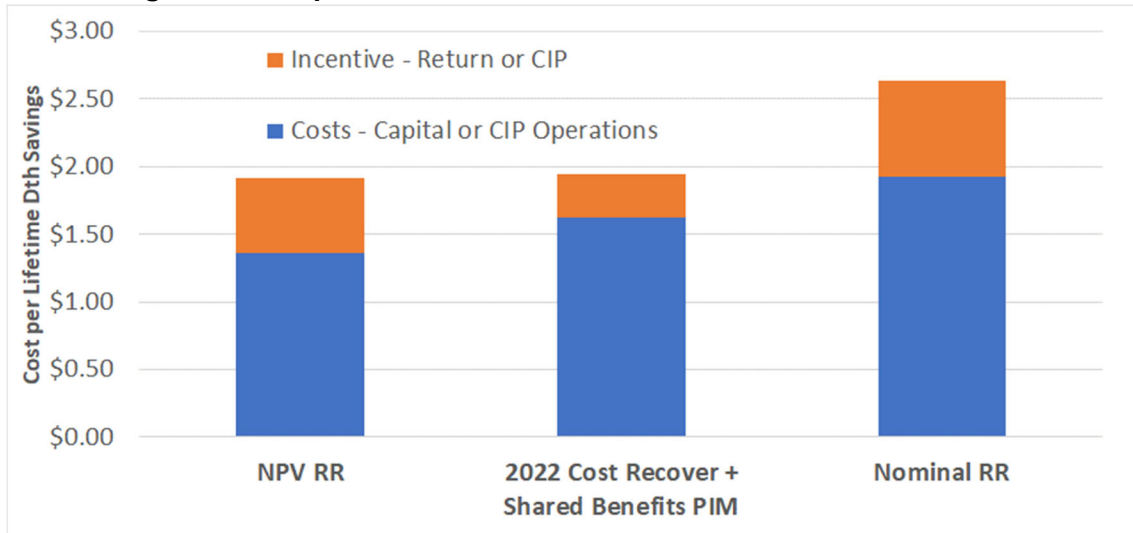
- Incorporation of lifetime energy savings into the financial incentive mechanism
- Incorporation of an incentive for utilities that achieve permanent peak reduction
- Comparing alternative mechanisms to the cost-of-service model
- Opportunities to support increased load flexibility

CenterPoint Energy disagrees with the conclusions of the Department's analysis addressing Ordering Point 4 part c.¹⁹ On pg. 33 of the *Proposal*, the Department states, "The fact that ratepayers are still paying an amount close to or often higher than the NPV RR [net present value revenue requirements] indicates that the Shared Benefits Financial Incentive Mechanism currently in place is extremely generous and lucrative for the utilities." The Company has recreated a version of the Department's figure 18 using the data the Company submitted to the Department but presents the information using lifetime energy savings. The underlying data is submitted as Exhibit A.²⁰ The Company believes it is important to note that the costs (capital or CIP programs) per Dth saved for the Nominal RR and NPV RR bars are scaled based on the 2022 cost recovery bar and financing through the cost-of-service model (NPV RR and Nominal RR) and discounting of costs (NPV RR).

¹⁹ The Company notes that there are other potential ways to approach this analysis that could be explored, but it intends to focus on the analysis as provided. For example, an underlying assumption of this analysis is that energy efficiency expenditures scale linearly with energy savings, which is unlikely to be true in practice.

²⁰ The Company appreciates the correction issued by the Department on September 26, 2023.

Figure 4. Comparison of 2022 CIP Model to Cost-of-Service Model



CenterPoint Energy does not believe the comparison the Department makes between 2022 CIP Performance and the NPV RR provides information about the comparable value to customers or financial awards to the utility of these options. The chart does not demonstrate whether a more conservative or generous financial incentive will maximize energy savings because all three bars are based on scaling the energy savings using average costs (i.e., Dths per dollar spent). A higher (or lower) incentive potentially encourages higher (or lower) energy savings and therefore even if those additional Dths saved are marginally more costly the overall per Dth saved would remain stable. However, the total energy savings would have increased and secured more benefits for customers.

CenterPoint Energy notes that it is by happenstance that customers are paying the same between the NPV RR finance model and “2022 Cost Recover + Shared Benefits PIM.” By design the Department’s analysis scaled energy savings based on program costs, so that was an underlying assumption of the analysis and not a conclusion that can be drawn. With regards to the reward for utilities, the Company believes, if anything, the revised chart leads to the opposite conclusion if one were aiming to incentivize energy efficiency investments in a manner comparable to infrastructure investments.

CenterPoint Energy agrees with the Department’s assessment that the current financial incentive mechanism and the *Proposal* incorporate long-term energy savings into its design (Order Point 4 part a). However, the Company would note that the relationship between lifetime energy savings and net benefits also means there is a relationship between an increasing incentive level and how it encourages utility focus on long-term energy savings.

CenterPoint Energy has not proposed a load management program, so it is neutral on the Department’s analysis (Order Point 4 parts b and d). That said, the Company does not currently have concerns with the overall net benefits approach to incorporating lifetime energy savings or load management.

CenterPoint Energy's Recommendations

CenterPoint Energy disagrees that the Department's analysis supports decreasing the NB cap. The Company believes that further reductions in the financial incentive utilities earn will potentially move utilities in the long-term to decreasing annual energy savings where risks are minimized, and long-term innovation is limited. The Company finds:

- Using historic performance to develop a financial incentive mechanism has important detrimental limitations.
- Using utility efforts to innovate in their program implementation and program development to exceed triennial plan goals as a baseline for assuming future performance under a reduced mechanism runs counter to the goals of the financial incentive mechanism.
- State comparisons of financial incentives that may represent underperformance in achieving cost-effective energy savings do not provide strong support that Minnesota has a "high" financial incentive mechanism.
- Comparisons of the financial incentive mechanism to a cost-of-service model as the basis for reducing the incentive is not demonstrated.

CenterPoint Energy argues that even operating under the assumption that historic performance is a good basis for developing a financial incentive mechanism forecast, the Department is already proposing a substantial change. The *Proposal* is based on analysis of a proposed change to model the financial incentive mechanism NBs cap on the MN Test is a significant change for the next triennial period with unclear effects on ECO program operation and development that are (reasonably) not substantially a part of the Department's *Proposal*. The Company believes that with other changes to cost-effectiveness, implementation of major policy changes from ECO, and the potential need for supporting more indirect energy efficiency programs (e.g., workforce development), it is prudent to not risk losing focus on energy efficiency by disincentivizing utilities to push for innovative programming under these new frameworks.

Therefore, **CenterPoint Energy recommends that the PUC approve a NB cap of 4.5 percent (response to Recommendation 1B).**²¹ The proposed 4.5 percent MN Test NB cap is based on the Department's analysis indicating that 4 percent is approximately similar to the 10 percent UCT NB cap.²² The Company agrees that based on its 2024-2026 Triennial Plan filing that these caps are similar in terms of the financial incentive without adjustment for inflation.²³ The

²¹ This accounts for 14 percent inflation since 2021.

²² See *In the Matter of Proposal for Modifications to the Shared Savings DSM Financial Incentive Mechanism for Implementation Beginning in 2024*, Docket No. G-008/CIP-08-133, pg. 24 (Sept. 1, 2023).

²³ CenterPoint Energy's 2024-2026 Triennial Plan was designed with a 10 percent UCT in mind. The Company would caution that while a switch to the MN Test may align utility plans with state goals in the long-term, the Company's 2024-2026 Triennial Plan was not developed with this policy change in mind. CenterPoint Energy was aware of the potential switch to the MN Test for the later part of its 2024-2026 Triennial Plan program design, but this was not specific enough information to meaningfully factor into the Company's program design.

Company believes that at minimum a NB cap of 4.5 percent represents relative consistency on how the Company is incentivized during the 2024-2026 period as compared to the 2021-2023 triennial period and therefore consistency in adaptation to recent policy changes. This approach would ensure incentives to continue to innovate at current levels and maintaining the state's national energy efficiency standing.

CenterPoint Energy also recommends that starting at 0.7 percent of retail sales a gas utility is awarded 2 percent of NB and for each additional 0.1 percent of retail sales that grows by 0.5 percent of NB to 4.5 percent of NB at 1.2 percent of retail sales (response to Recommendation 1F 1-4).

CenterPoint Energy believes at minimum the Department's *Proposal* to use a NB cap of 3.4 percent will disincentivize utilities to focus on achieving energy savings above proposed 2024-2026 ECO Triennial Plans and would further disincentivize focus on standing up or supporting innovative programming for long-term energy savings achievements. This would encourage less focus on lifetime energy savings and long-term program innovation in favor of focus on streamlining programs and annual energy savings. Conversely, CenterPoint Energy believes an increased NB cap of around 5.0 percent would encourage increased focus on lifetime energy savings and long-term program innovation. A higher financial incentive would encourage additional focus on programs and projects with potential long-term or indirect benefits such as supporting and expanding the potential for energy efficiency in the market.²⁴

CenterPoint Energy notes that the Department's *Proposal* for the financial incentive mechanism incorporates an approach to calculating NBs that itself incorporates the results of the financial incentive mechanism as a cost. The Company is neutral on this approach for calculating the financial incentive mechanism.²⁵ However, if the financial incentive mechanism itself is incorporated as a cost in the NBs calculation, the Company recommends that the PUC include this aspect of the mechanism as part of the provisions of its order on net benefits calculations.²⁶ Furthermore, the Company recommends that if the financial incentive is counted as a cost for the NB cap that it also be included as a cost for the expenditures cap to ensure symmetry in the caps.

CenterPoint Energy is neutral or supportive of other aspects of the financial incentive mechanism proposal. The Company believes as stated in previous regulatory filings in this docket that as a policy framework the use of expenditures as the basis of a financial incentive

²⁴ For example, some potential opportunities included increasing focused on education and training opportunities, building out more targeted community and non-profit organization engagement for market rate customers, increased support services for new markets (e.g., real-estate) and cities looking to decarbonize using energy efficiency. Please note that the Company is not saying that it would not undertake these activities in the next triennial, but the level of potential financial incentive can support or undercut the case for each effort.

²⁵ The Company notes that it makes analysis of the financial incentive mechanism marginally more complex and therefore less transparent.

²⁶ Minn. Stat. § 216B.241, subd. 6c.

mechanism cap is not well aligned with encouraging cost-effective energy savings. The Company would note that in part this is reflected in states with low expenditures caps and high program costs (e.g., Massachusetts, Connecticut, or Rhode Island). However, if there is going to be an expenditures cap the Company is neutral on the gas utilities' 15 percent cap and 20 percent cap when hitting 1.2 percent of retail sales (Recommendation 1C and 1F 5).

CenterPoint Energy supports the continuing provisions from the current financial incentive mechanism plan (Recommendation 2A-F). The Company also supports the provisions associated with the ECO Act, such as the inclusion of EFS measures and load management programs into net benefits calculations for gas utilities (Recommendation 3A-E).²⁷

Conclusion

CenterPoint Energy appreciates the opportunity to provide *Comments* on the financial incentive mechanism plan for 2024-2026. The Company also appreciates the time and effort by Department Staff to develop the *Proposal* and meet with and address the Company's questions about the *Proposal*.

On the matter of "Do the proposed modifications to the 2024-2026 Shared Savings Financial Incentive Mechanism serve the public interest?" the Company:

- Is neutral on the switch from the UCT to the MN Test (Recommendation 1A).
- Recommends a NBs cap of 4.5 percent (response to Recommendation 1B). With recent policy changes and a shift to the MN Test, this is the cap best suited to incentivize continuation of existing levels of long-term investments in innovative energy efficiency programs and projects.
- Is neutral on the expenditures cap and the societal discount rate (Recommendation 1C-D).
- Recommends changes to the implementation of the MN Test NB cap (response to Recommendation 1F 2-3) and neutral on other elements of implementation (Recommendation 1F 1, 4-5):
 - 2) For a gas utility that achieves energy savings of at least 0.7 percent of retail sales, the utility is awarded a share of the NBs of 2 percent.
 - 3) For each additional 0.1 percent of energy savings, the gas utility achieves, the share of NBs awarded to the utility is increased by an additional 0.5 percent until the utility achieves savings of 1.2 percent of retail sales.
- Supports recommended provisions for gas utilities in Recommendation 2A-F and 3A-E.

On the matter of "Are there other issues or concerns parties may have related to this matter?" CenterPoint Energy is neutral on whether the financial incentive is incorporated as a cost to

²⁷ The Company examined the potential for including a program but did not propose one in its triennial plan. The energy efficiency benefits of load management programs examined by the Company appear to be minimal. The Company might consider such a program in the future for other potential customer and system benefits.

calculate NBs. However, the Company recommends the PUC include a provision in its order about the financial incentive counting as a cost in NBs calculations for the purpose of calculating the financial incentive. If the financial incentive will count as a cost in the calculation of NBs, the Company also recommends that the financial incentive is similarly counted as a cost for the expenditures cap as well.

Please contact me at (612) 321-4324 or ethan.warner@centerpointenergy.com with any questions

Sincerely,

/s/ Ethan S. Warner

Ethan S. Warner
Regulatory Manager, Energy Conservation and Optimization Programs
CenterPoint Energy
C: Service List

CERTIFICATE OF SERVICE

Ethan S. Warner served the above *Comments* of CenterPoint Energy to all persons at the addresses indicated on the attached list by having the document delivered by electronic filing.

/s/

Ethan S. Warner
Regulatory Manger
CenterPoint Energy

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500 Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_8-133_Official
Anjali	Bains	bains@fresh-energy.org	Fresh Energy	408 Saint Peter Ste 220 Saint Paul, MN 55102	Electronic Service	No	OFF_SL_8-133_Official
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	60 S 6th St Ste 1500 Minneapolis, MN 55402-4400	Electronic Service	No	OFF_SL_8-133_Official
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_8-133_Official
Stacy	Dahl	sdahl@minnkota.com	Minnkota Power Cooperative, Inc.	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_8-133_Official
Justin	Fay	fay@fresh-energy.org	Fresh Energy	408 St. Peter St Ste 220 St. Paul, MN 55102	Electronic Service	No	OFF_SL_8-133_Official
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	Yes	OFF_SL_8-133_Official
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St Saint Paul, MN 55102	Electronic Service	No	OFF_SL_8-133_Official
Metric	Giles	metriccsp@gmail.com	Community Stabilization Project	501 Dale St N Saint Paul, MN 55101	Electronic Service	No	OFF_SL_8-133_Official
Jenny	Glumack	jenny@mrea.org	Minnesota Rural Electric Association	11640 73rd Ave N Maple Grove, MN 55369	Electronic Service	No	OFF_SL_8-133_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Laura	Goldberg	lgoldberg@nrdc.org	Natural Resources Defense Council	20 N. Upper Wacker Dr. Suite 1600 Chicago, IL 60606	Electronic Service	No	OFF_SL_8-133_Official
Jason	Grenier	jgrenier@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_8-133_Official
Jeffrey	Haase	jhaase@greenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369	Electronic Service	No	OFF_SL_8-133_Official
Tiana	Heger	theher@mnpower.com	Minnesota Power	30 W. Superior Street Duluth, MN 55802	Electronic Service	No	OFF_SL_8-133_Official
Joe	Hoffman	ja.hoffman@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_8-133_Official
Tina	Koecher	tkoecher@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_8-133_Official
Martin	Kushler	mngkushler@aceee.org		28003 Copper Creek Lane Farmington Hills, MI 48331	Electronic Service	No	OFF_SL_8-133_Official
Discovery	Manager	discoverymanager@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_8-133_Official
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_8-133_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Ted	Nedwick	tnedwick@nhtinc.org	National Housing Trust	1101 30th Street NW Ste 100A Washington, DC 20007	Electronic Service	No	OFF_SL_8-133_Official
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_8-133_Official
Audrey	Partridge	apartridge@mncee.org	Center for Energy and Environment	212 3rd Ave. N. Suite 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_8-133_Official
James	Phillippo	james.phillippo@wecenergygroup.com	Minnesota Energy Resources Corporation	PO Box 19001 Green Bay, WI 54307-9001	Electronic Service	No	OFF_SL_8-133_Official
Lisa	Pickard	lseverson@minnkota.com	Minnkota Power Cooperative	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_8-133_Official
Scott	Reimer	reimer@federatedrea.coop	Federated Rural Electric Assoc.	77100 US Highway 71 PO Box 69 Jackson, MN 56143	Electronic Service	No	OFF_SL_8-133_Official
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_8-133_Official
Michael	Sachse	michael.sachse@opower.com	OPOWER	1515 N. Courthouse Rd, 8th Floor Arlington, VA 22201	Electronic Service	No	OFF_SL_8-133_Official
Bruce	Sayler	bruces@connexusenergy.com	Connexus Energy	14601 Ramsey Boulevard Ransey, MN 55303	Electronic Service	No	OFF_SL_8-133_Official

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_8-133_Official
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_8-133_Official
Jeffrey	Springer	jeff.springer@dairylandpower.com	Dairyland Power Cooperative	3200 East Ave S La Crosse, WI 54601	Electronic Service	No	OFF_SL_8-133_Official
Grey	Staples	gstaples@mendotagroup.com	The Mendota Group LLC	1830 Fargo Lane Mendota Heights, MN 55118	Electronic Service	No	OFF_SL_8-133_Official
Analeisha	Vang	avang@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_8-133_Official
Robert	Walsh	bwalsh@mnvalleyrec.com	Minnesota Valley Coop Light and Power	PO Box 248 501 S 1st St Montevideo, MN 56265	Electronic Service	No	OFF_SL_8-133_Official
Ethan	Warner	ethan.warner@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_8-133_Official