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May 1, 2017

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 2016 Conservation Improvement Program Status Report, 2016 Demand-Side Management Financial Incentive Report, Conservation Improvement Program Tracker Report, and 2016 Conservation Cost Recovery Adjustment Proposal 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-17-___

Dear Mr. Wolf and Deputy Commissioner Grant:

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, ("CenterPoint Energy" or the "Company") respectfully submits to the Minnesota Public Utilities Commission (Commission) and the Minnesota Department of Commerce, Division of Energy Resources (Department), its aggregated compliance filing, which includes its *2016 Conservation Improvement Program Status Report; 2016 Demand-Side Management (DSM) Financial Incentive Report; Conservation Improvement Program Tracker Report* for the period of January 1, 2016 through December 31, 2016; and its request to maintain the current Conservation Cost Recovery Adjustment ("CCRA" or "CIP Adjustment"). This filing complies with the Commission's Orders in *In the Matter of the Commission Review of Utility Performance Incentives for Energy Conservation*,¹ Conservation Improvement Program (CIP) regulations requiring CenterPoint Energy to submit an annual CIP Status Report,² and the Commission's requirement that CenterPoint Energy submit its CIP Adjustment filing annually in conjunction with its CIP Tracker Report and DSM Financial Incentive filing.³

¹ Docket No. E,G-999/CI-08-133.

² Minn. R. § 7690.0550.

³ *In the Matter of a Petition by CenterPoint Energy, A Division of CenterPoint Energy Resources Corp., for Approval of its 2009 CIP Tracker Account and DSM financial incentive*, Docket Nos. G-008/M-10-416, G-008/M-10-634, Order, Ordering Point 4 (PUC, Oct. 11, 2010).

CenterPoint Energy's 2016 energy savings achievements surpassed the Company's approved savings goal for the year by 28.9 percent. At 2,006,014 dekatherms (Dth), 2016 energy savings are a record achievement for the Company's CIP, representing 1.47 percent of the Company's average sales.⁴ This is the fourth consecutive year in which CenterPoint Energy's CIP has surpassed one percent of its average sales.

The 2016 program expenditures were \$29,228,533 (\$1,148,727 above the 2016 approved budget), which represents 3.29 percent of 2011 gross operating revenues from non-exempt customers. Under the mechanism approved by the Commission,⁵ this level of performance qualifies the Company for a financial incentive of \$13,791,346.

In addition, CenterPoint Energy was assessed a total of \$668,744 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 2016 combined with the 2016 program expenditures result in total deferred expenses on the CIP Tracker account of \$29,897,277. The Company also requests approval of its 2016 CIP carrying charges. Because the Company's 2016 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 CIP Tracker account, reducing the total year-end under-recovered balance. \$8,953 in total annual carrying charges were credited to the 2016 CIP Tracker account, resulting in a year-end CIP Tracker balance of \$7,461,117.

In Docket No. G008/M-10-634, the Commission ordered CenterPoint Energy to file its CIP Adjustment with its annual CIP Tracker and DSM Financial Incentive filings.⁶ The Company takes the position that no change to the CCRA is necessary this year and describes the reasons for its position in this filing.

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 Nick Mark at nick.mark@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>.

⁴ The three-year average, weather-normalized, sales figure of 136,490,212 Dth excludes exempt customer sales volumes. See CenterPoint Energy's 2013-2015 Triennial Conservation Improvement Program Plan, Docket No. G008/CIP-12-564, p. 6 (Mar 29, 2013).

⁵ *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Adopting Modifications to Shared Savings Demand Side Management Financial Incentive (PUC, Dec. 20, 2012).

⁶ *In the Matter of a Petition by CenterPoint Energy, A Division of CenterPoint Energy Resources Corp., for Approval of its 2009 CIP Tracker Account and DSM financial incentive*, Docket Nos. G-008/M-10-416, G-008/M-10-634, Order, Ordering Point 4 (PUC, Oct. 11, 2010).

Please call me at (612) 321-4613 with any questions.

Sincerely,

/s/ Nick C. Mark

Nick C. Mark
Manager, Conservation & Renewable Energy Policy

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CENTERPOINT ENERGY
SUMMARY OF FILING
Rule 7829.1300, Subp. 1

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, (the “Company”) submits its *2016 Conservation Improvement Program Status Report* and associated filings. In addition to the Status Report, this filing includes a request for approval of the Company’s December 31, 2016 Conservation Improvement Program (CIP) Tracker balance of \$7,461,117; a request for approval of the 2016 CIP Financial Incentive in the amount of \$13,791,346 (to be credited to the CIP Tracker account upon receipt of approval from the Minnesota Public Utilities Commission); and a request to maintain the current Conservation Cost Recovery Adjustment factor of \$0.01553 per therm.

**CENTERPOINT ENERGY
SUMMARY OF 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:

Steven C. Clay, Senior Counsel
505 Nicollet Mall
Minneapolis, Minnesota 55402
(612) 321-4606

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

Date Filed:	May 1, 2017
Effective Dates:	January 1, 2018 (Conservation Cost Recovery Adjustment) ⁷ 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/
Nick C. Mark
Manager, Conservation & Renewable Energy Policy
(612) 321-4613

⁷ The Company is not requesting a modification to the Conservation Cost Recovery Adjustment (CCRA). However, if the Commission nonetheless chooses to modify the CCRA, the Company requests that the modification take effect on January 1, 2018.

AGGREGATED COMPLIANCE REPORTS OVERVIEW

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, (“CenterPoint Energy” or the “Company”) submits its *2016 Conservation Improvement Program Status Report* and associated compliance reports. The purpose of the filing is to report 2016 Conservation Improvement Program (CIP) project activity; to request approval to allocate the 2016 Financial Incentive to CenterPoint Energy’s CIP Tracker; to update CIP Tracker activity through December 31, 2016 and request approval of the CIP Tracker balance; and to request approval of the Company’s CIP Adjustment.

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

- Section 1. 2016 Conservation Improvement Program Status Report;
- Section 2. 2016 Demand-Side Management Financial Incentive Report;
- Section 3. Conservation Improvement Program Tracker Report;
- Section 4. Conservation Cost Recovery Adjustment Proposal; and
- Section 5. Attachments.

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SECTION 1: 2016 CONSERVATION IMPROVEMENT PROGRAM STATUS REPORT

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, (“CenterPoint Energy” or the “Company”) submits this Status Report on its Conservation Improvement Program (CIP) in compliance with Minnesota Department of Commerce (Department) Rules and the Commissioner’s Decisions. This report covers the 2016 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. 2016 CIP Results

Summary of Accomplishments

CenterPoint Energy's CIP achieved a new record level of energy savings in 2016, exceeding two billion cubic feet of natural gas savings for the first time. The total energy savings of 2,006,014 dekatherms (Dth) exceeded the approved goal of 1,556,160 Dth by 28.9 percent and represents 1.47 percent of sales.⁸

These results were achieved through program spending of \$29,228,533 – just 1.15 million dollars (4.1 percent) over the approved budget – resulting in highly cost-effective programs. The total portfolio cost of saved energy was \$14.57 per first-year Dth saved, 19.3 percent lower than the approved cost of \$18.04 per first-year Dth. Viewed over the lifetime of the achieved savings, the programs were even more cost-effective with an average of about \$1.37 per lifetime Dth saved. The Company's overall CIP portfolio, as well as each of the Residential and Commercial and Industrial (C&I) Market Sectors individually, was cost effective from the utility and societal perspectives, further demonstrating CenterPoint Energy's ongoing commitment to helping its customers achieve cost-effective energy conservation.

In the residential market sector, the Company exceeded its energy savings goal by 15.3 percent (89,278 Dth), while residential expenditures were over budget by 12.3 percent (\$1,920,406), resulting in a slight (2.6 percent) improvement over the approved cost per first-year Dth saved. Seven of the Company's nine direct-impact residential programs exceeded their energy savings goals. As described in more detail below, the Residential Market Sector above-budget spending was driven by a combination of higher-than-expected participation and Company expenses for the development of an online rebate submission portal.

The Company also exceeded its goals in the C&I sector, achieving energy savings of 1,312,399 Dth (384,617 Dth or 41.5 percent above the goal), while finishing the year under budget by \$531,518 (6.3 percent). As a result, the sector's cost per first-year Dth saved (\$6.00) was 33.8 percent lower than the approved cost of \$9.06 per first-year Dth. Among the successes of the C&I sector were Energy Design Assistance and the C&I Heating and Water Heating Project, which exceeded their energy savings goals by 218.7 and 80.3 percent (183,674 Dth and 339,087 Dth) respectively.

Minnesota statutes require gas utilities to spend at least 0.4 percent of gross operating revenue (GOR) from residential customers on conservation programs that directly serve the needs of low-income customers. The Company spent \$2,701,799 on dedicated low-income CIP programs within the low-income sector and a total of \$3,306,723 on low-income customers in the overall 2016 CIP, which represents 0.58 percent of the Company's GOR from residential customers. More information about dedicated low-income project results as well as low-income participation within the Residential and C&I Market Sectors is included in the *2016 CIP Results* section below.

CenterPoint Energy is proud of its 2016 CIP accomplishments. The record-setting, yet highly cost-effective, energy savings achieved in 2016 illustrate the continued 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 its 2016 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 challenges with the same effort and dedication that have made it a recognized national leader in delivering natural gas energy efficiency programs.

⁸ Based on weather-normalized average sales to non-exempt customers, as reported on page 3 of the Company's 2016 Conservation Improvement Plan, Docket No. G008/CIP-12-564 (June 1, 2015).

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 [CenterPoint Energy's] CIP, including those modifications not requiring formal approval."⁹ Accordingly, the Company provides the following information regarding various formal and informal modifications to the Company's 2016 Conservation Improvement Program Plan.

Formal Modifications

Residential Engagement Pilot

The Residential Engagement Pilot provided supportive services to customers receiving a Home Energy Squad visit to encourage those customers to follow through with recommended energy-saving improvements to their homes. The support offered included assistance prioritizing work, simplifying and streamlining the contractor selection process, and scheduling the installation of energy efficiency improvements beyond the direct install measures offered as part of a standard Home Energy Squad Project visit. The pilot focused on air sealing and insulation opportunities. A full project description can be found in the Residential Engagement Pilot modification request filed on October 31, 2014.¹⁰ The Deputy Commissioner approved the project on January 12, 2015.¹¹ The Company filed an additional modification on April 13, 2016, requesting an increase to the project's 2016 budget and participation goals, which was approved on May 4, 2016.¹² The Pilot concluded at the end of 2016 and results are discussed in Attachment C.

Large C&I Custom Rebate Project

In the Company's 2016 Conservation Improvement Program Plan, which extended the 2013-2015 Triennial Conservation Improvement Plan, CenterPoint Energy requested and received additional budget to cover an anticipated rebate payment, through the Company's Custom Rebate Project, to a customer planning a very large energy efficiency project. The customer's energy efficiency project was expected to be completed in 2016. The approved energy savings goal for the Company's Custom Rebate Project was also increased relative to the 2015 goal to account for the project.

In the Company's filing, it noted that "[a]s with any custom project, there is a possibility that project delays could occur, potentially delaying completion until 2017. Should this appear likely, the Company will work with Staff to determine how to handle any necessary adjustment to goals."¹³ Late in 2016, the customer informed CenterPoint Energy that there had

⁹ *In the Matter of CenterPoint Energy's 2013-2015 Triennial Conservation Improvement Program Plan*, Docket No. G-008/CIP-12-564, Deputy Commissioner Decision, p. 28, Ordering Point 11 (DOC, Oct. 19, 2012). In *In the Matter of Extending the 2013-2015 CIP Triennial Plans Through 2016*, Docket Nos. G008/CIP-12-564 et al., Deputy Commissioner Order, Ordering Point 1 (DOC, Aug. 1, 2014), the Deputy Commissioner ordered the Company to file a one-year extension of its 2013-2015 CIP Triennial Plan to cover the year 2016. The Company complied by filing its 2016 CIP (2016 Extension) in Docket No. G008/CIP-12-564 on June 1, 2015. In *In the Matter of CenterPoint Energy's Natural Gas Conservation Improvement Program Plan Extension*, Docket No. G008/CIP-12-564, Deputy Commissioner Order, Ordering Point 2 (DOC, Oct. 12, 2015), the Deputy Commissioner approved the Company's 2016 Extension and clarified that "the same spending flexibility and plan modification requirements that were approved for the Company's 2013-2015 Triennial plan," also apply to the 2016 Extension. When the Company's CIP Triennial Plan is referenced in this Status Report, it refers to the Triennial Plan as extended, unless otherwise stated.

¹⁰ Request to Modify CenterPoint Energy's 2013-2015 Triennial Conservation Improvement Program (CIP) Plan, Docket No. G008/CIP-12-564 (Oct. 31, 2014).

¹¹ *In the Matter of CenterPoint Energy's 2013-2015 CIP Plan: Addition of Residential Engagement Pilot Program*, Docket No. G008/CIP-12-564, Deputy Commissioner Decision (DOC, Jan. 12, 2015).

¹² Request to Modify CenterPoint Energy's 2016 Conservation Improvement Program Plan, Docket No. G008/CIP-12-564 (Apr. 13, 2016); Request to Modify CenterPoint Energy's 2016 Conservation Improvement Plan, Docket No. G008/CIP-12-564, Deputy Commissioner Order (DOC, May 4, 2016).

¹³ CenterPoint Energy 2016 Conservation Improvement Plan, Docket No. G008/CIP-12-564, p. 1 (June 1, 2015).

been delays that would result in the project not reaching completion until 2017. On January 16, 2017, in order to reflect the new expected completion date of the customer's energy efficiency project, the Company filed a modification request to reduce the budget and energy savings goal for the Custom Rebate Project in 2016 and increase the Project's 2017 budget and goal by the same amount. The Deputy Commissioner approved the modification on February 17, 2017.¹⁴ The budget and goals used in this filing reflect that modification.

Modifications Not Requiring Formal Approval

Natural Gas Energy Analysis Project

The Natural Gas Energy Analysis Project provides energy audits for commercial and industrial customers. Customers are given an in-depth audit report with efficiency recommendations. As originally proposed and implemented, customer engagement through the project ended once the customer was presented with audit results and recommendations. Starting in 2016, the project offering was expanded to include a follow-up meeting and assistance with project management, with the expectation that these follow-up services would drive greater energy savings. This modification was communicated to the Department via the Courtesy Notification process on March 14, 2016.

Energy Design Assistance

In June of 2015, new commercial building energy codes were implemented in the state of Minnesota. CenterPoint Energy uses the energy code as a baseline from which to calculate energy savings achieved by voluntary efficiency measures undertaken by customers participating in a number of the Company's CIP offerings, including the Energy Design Assistance (EDA) project.

Typically, when a change is made to energy codes, the Company updates its energy baselines effective as of the date that the code revisions come into effect, because the Company assumes that customers will be required to follow the updated version of code. However, EDA is a jointly-delivered project in which CenterPoint Energy partners with Northern States Power Company, d/b/a Xcel Energy, (Xcel Energy); the two companies use a single vendor to deliver the services offered to commercial customers through the project. Xcel Energy typically updates its baselines to reflect changes to code effective at the beginning of the year following the effective date of the new code version. Thus, following the Minnesota code update that took effect in June 2015, Xcel Energy did not update baseline for buildings entering the EDA project until January 1, 2016. Xcel Energy notified Department Staff of its intent to update its baseline on November 24, 2015.

In order to avoid the cost and complexity associated with modelling buildings against two different versions of the energy code, CenterPoint Energy adopted the approach used by Xcel Energy. Thus, CenterPoint Energy began applying the new version of code to buildings entering the program on or after January 1, 2016 and continued to apply the older code version to buildings entering the program prior to that date.

This modification was communicated to the Department as an Informal Modification on November 23, 2016; the Department approved the modification on December 15, 2016.

Multi-Family Building Efficiency and Home Energy Squad Projects

In July of 2016, the Company switched to installing 1.0 GPM bathroom faucet aerators through the Multi-Family Building Efficiency and Home Energy Squad Projects; prior to that point, the Company had been installing 1.5 GPM aerators. The Company made the change to be consistent with Xcel Energy's practice, because the Multi-Family Building Efficiency and

¹⁴ *In the Matter of CenterPoint Energy's 2013-2016 and 2017-2019 CIP Plan Budget Modification Request*, Docket Nos. G008/CIP-12-564, G008/CIP-16-119, Deputy Commissioner Decision (DOC, Feb. 17, 2017).

Home Energy Squad Projects are joint Xcel Energy/CenterPoint Energy projects with shared customers. In this Status Report, the Company is claiming the additional savings from the higher-efficiency (lower flow-rate) units.

The change was made only for direct-install projects and only for bathroom faucet aerators. The Company still installs 1.5 GPM kitchen faucet aerators as part of the Multi-Family Building Efficiency and Home Energy Squad Projects. Aerators distributed through the Low Flow Showerhead and Aerator Project (through which customers can request and self-install free equipment) were also unaffected.

This modification was communicated to the Department as an Informal Modification on December 21, 2016; the Department approved the modification on December 27, 2016.

Compliance Overview

Energy Savings Goals (Minn. Stat. § 216B.241, subd. 1c.)

CenterPoint Energy's approved 2016 energy savings goal represents 1.14 percent of the Company's three-year average gross annual retail energy sales, in compliance with Minnesota Statute § 216B.241, subd. 1c(d). The Company surpassed the approved 2016 energy savings goal by 449,854 Dth, achieving energy savings equivalent to 1.47 percent of CenterPoint Energy's approved three-year averaged weather normalized energy sales, excluding energy sales to CIP exempt customers.

Table 1. Compliance with Annual Energy Savings Goal

Average Weather-Normalized Energy Sales (2009-2011)	136,490,212 Dth
2016 Energy Savings Goal	1,556,160 Dth
2016 CIP Energy Savings Goal - Percent of Average Weather-Normalized Energy Sales	1.14%
2016 Actual Energy Savings	2,006,014 Dth
2016 CIP Energy Savings - Percent of Average Weather-Normalized Energy Sales	1.47%

Minimum Spending Requirements (Minn. Stat. § 216B.241, subd. 1a; Minn. R. 7690.1200, subp. 1(A))

Minnesota Statutes § 216B.241, subd. 1a, requires gas utilities to spend 0.5 percent of their gross operating revenue (GOR) on CIP; Minnesota Rules § 7690.1200, subp. 1(A)(2), establishes the *Gas Jurisdictional Annual Report* as the source of data to be used for calculating GOR. In 2016, CenterPoint Energy spent a total of \$29,228,533 on CIP, which represents 3.29 percent of the Company's approved GOR, excluding sales to CIP exempt customers.

Table 2. Compliance with Minimum Spending Requirement

2011 Total 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
2016 Program Spending	\$29,228,533
2016 Program Spending as a Percent of Net GOR	3.29 %

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

** Minn. Stat. § 216B.241, subd. 1a states that GOR do not include sales to customers exempt from CIP.

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

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

Minnesota Statutes § 216B.241, subd. 7, requires a gas utility to annually spend at least 0.4 percent of its most recent three-year average residential GOR on conservation programs that directly serve the needs of low-income customers. In

2016, CenterPoint Energy spent a total of \$3,306,723 on low-income customers participating in CIP, representing 0.58 percent of the Company's three-year average GOR from residential customers.¹⁵ As directed by the Deputy Commissioner,¹⁶ the Company calculated applicable minimum low-income spending amounts using the methodology proposed by Division of Energy Resources Staff on November 21, 2014.¹⁷

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
2016 Low-Income Spending	
2016 Spending in the Dedicated Low-Income Segment	\$2,701,799
2016 Low-Income Spending in the Multifamily Building Efficiency Project	\$44,955
2016 Low-Income Spending in the Residential Market Segment	\$310,799
2016 Spending on Low-Income Participants in the C&I Market Segment**	\$249,169
2016 Total Actual Low-Income Spending	\$3,306,723
Low-Income Spending as Percent of Residential GOR (2016)	0.58%

* 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).

** Excludes Low-Income Spending in the Multifamily Building Efficiency Project.

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

Minnesota Statutes § 216B.241, subd. 2(c), 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
2016 R&D Spending in Project Development	\$90,850
2016 Total R&D Spending	\$90,850

¹⁵ 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 Conservation Improvement Program Triennial Plan*.

¹⁶ *In the Matter of CenterPoint Energy's Conservation Improvement Program 2013 Status Report*, Docket No. G008/CIP-12-564.02, Deputy Commissioner Decision (DOC, Jan. 9, 2015).

¹⁷ *In the Matter of CenterPoint Energy's 2013 Conservation Improvement Program Status Report*, Docket No. G008/CIP-12-564.02, Staff Analysis, Recommendations, and Proposed Decision (DOC, Nov. 21, 2014).

Distributed and Renewable Generation Cap (Minn. Stat. § 216B.2411, subd. 1(a))

Minnesota Statutes § 216B.2411, 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 2016.

2016 CIP Results¹⁸

The information provided in the following tables satisfies the requirements of Minnesota Rules § 7690.0550.

Program Summary

Summary	Budget	Participation	Energy Saved (Dth)	Demand Energy Saved (Dth)
Residential Market Segment				
2016 Goal	\$15,626,015	289,991	582,706	5,827
2016 Actual	\$17,546,421	317,603	671,984	6,720
Variance	\$1,920,406	27,612	89,278	893
Low-Income Market Segment				
2016 Goal	\$2,789,000	2,110	45,672	457
2016 Actual	\$2,701,799	1,517	14,250	143
Variance	(\$87,201)	(593)	(31,422)	(314)
C&I Market Segment				
2016 Goal	\$8,404,791	7,048	927,782	9,278
2016 Actual	\$7,873,273	9,446	1,312,399	13,124
Variance	(\$531,518)	2,398	384,617	3,846
Other Projects				
2016 Goal	\$1,260,000	0	0	0
2016 Actual	\$1,107,040	1	7,381	74
Variance	(\$152,960)	1	7,381	74
Total				
2016 Goal	\$28,079,806	299,149	1,556,160	15,562
2016 Actual	\$29,228,533	328,567	2,006,014	20,060
Variance	\$1,148,727	29,418	449,854	4,499

¹⁸ Tables included in this section may not sum to the exact totals provided due to rounding.

2016 Budget Summary

Project	Budget	Actual Spending	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	\$6,116,300	\$7,869,047	\$1,752,747	28.7%
Water Heater Rebate	\$940,875	\$1,472,661	\$531,786	56.5%
Low-Flow Showerhead & Aerator	\$574,000	\$611,716	\$37,716	6.6%
Residential Weatherization Rebate	\$799,562	\$723,902	(\$75,660)	-9.5%
Electronic Ignition Hearth Rebate	\$255,000	\$244,623	(\$10,377)	-4.1%
Residential Energy Audit	\$578,700	\$232,929	(\$345,771)	-59.7%
Residential Engagement Pilot	\$322,000	\$210,147	(\$111,853)	-34.7%
Home Energy Reports	\$1,396,453	\$1,391,353	(\$5,100)	-0.4%
Home Energy Squad	\$975,000	\$784,520	(\$190,480)	-19.5%
Whole Home New Construction	\$3,530,625	\$3,884,709	\$354,084	10.0%
Residential Efficiency Kits	\$137,500	\$120,815	(\$16,685)	-12.1%
Subtotal:	\$15,626,015	\$17,546,421	\$1,920,406	12.3%
Low-Income Market Segment Projects				
Low-Income Weatherization	\$1,806,500	\$2,009,815	\$203,315	11.3%
Non-Profit Affordable Housing	\$215,250	\$261,267	\$46,017	21.4%
Low-Income Multifamily Buildings	\$287,250	\$109,951	(\$177,299)	-61.7%
Low-Income Heating System Tune-ups	\$200,000	\$83,688	(\$116,312)	-58.2%
Low-Income Rental Efficiency	\$280,000	\$237,078	(\$42,922)	-15.3%
Subtotal:	\$2,789,000	\$2,701,799	(\$87,201)	-3.1%
C&I Market Segment Projects				
Foodservice	\$545,954	\$643,009	\$97,055	17.8%
C&I Heating & Water Heating	\$2,927,337	\$3,525,532	\$598,195	20.4%
Custom	\$2,578,441	\$1,341,557	(\$1,236,884)	-48.0%
Natural Gas Energy Analysis	\$273,500	\$107,425	(\$166,075)	-60.7%
Energy Design Assistance	\$940,000	\$1,479,338	\$539,338	57.4%
Process Efficiency	\$370,000	\$364,269	(\$5,731)	-1.5%
Training & Education	\$107,700	\$29,546	(\$78,154)	-72.6%
Engineering Assistance	\$84,288	\$57,699	(\$26,589)	-31.5%
Recommissioning	\$165,000	\$76,074	(\$88,926)	-53.9%
LEED Assistance	\$14,730	\$4,131	(\$10,599)	-72.0%
Multifamily Building Efficiency	\$348,841	\$217,240	(\$131,601)	-37.7%
Steam Trap Audit	\$49,000	\$27,451	(\$21,549)	-44.0%
Subtotal:	\$8,404,791	\$7,873,273	(\$531,518)	-6.3%
Other Projects				
General Energy Efficiency Awareness	\$650,000	\$605,707	(\$44,293)	-6.8%
Project Development	\$175,000	\$90,850	(\$84,150)	-48.1%
Planning & Regulatory	\$150,000	\$137,357	(\$12,643)	-8.4%
EnerChange	\$285,000	\$273,125	(\$11,875)	-4.2%
Subtotal:	\$1,260,000	\$1,107,040	(\$152,960)	-12.1%
Total	\$28,079,806	\$29,228,533	\$1,148,727	4.1%

2016 Energy Savings Summary

Project	Goal Energy Savings (Dth)	Actual Energy Savings (Dth)	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	226,902	247,568	20,666	9.1%
Water Heater Rebate	13,998	23,714	9,716	69.4%
Low-Flow Showerhead & Aerator	67,930	143,979	76,049	112.0%
Residential Weatherization Rebate	17,978	22,656	4,678	26.0%
Electronic Ignition Hearth Rebate	6,570	7,293	723	11.0%
Residential Energy Audit	0	0	N/A	N/A
Residential Engagement Pilot	0	0	N/A	N/A
Home Energy Reports	94,333	84,346	(9,987)	-10.6%
Home Energy Squad	22,500	23,445	945	4.2%
Whole Home New Construction	121,420	104,918	(16,502)	-13.6%
Residential Efficiency Kits	11,075	14,065	2,990	27.0%
Subtotal:	582,706	671,984	89,278	15.3%
Low-Income Market Segment Projects				
Low-Income Weatherization	12,028	8,029	(3,999)	-33.2%
Non-Profit Affordable Housing	2,833	2,099	(734)	-25.9%
Low-Income Multifamily Buildings	27,000	1,221	(25,779)	-95.5%
Low-Income Heating System Tune-ups	1,800	1,811	11	0.6%
Low-Income Rental Efficiency	2,011	1,090	(921)	-45.8%
Subtotal:	45,672	14,250	(31,422)	-68.8%
C&I Market Segment Projects				
Foodservice	46,040	54,978	8,938	19.4%
C&I Heating & Water Heating	422,161	761,248	339,087	80.3%
Custom	305,000	168,256	(136,744)	-44.8%
Natural Gas Energy Analysis	0	0	N/A	N/A
Energy Design Assistance	84,000	267,674	183,674	218.7%
Process Efficiency	20,000	36,634	16,634	83.2%
Training & Education	0	0	N/A	N/A
Engineering Assistance	0	0	N/A	N/A
Recommissioning	10,000	11,524	1,524	15.2%
LEED Assistance	0	0	N/A	N/A
Multifamily Building Efficiency	7,081	6,800	(281)	-4.0%
Steam Trap Audit	33,500	5,284	(28,216)	-84.2%
Subtotal:	927,782	1,312,399	384,617	41.5%
Other Projects				
General Energy Efficiency Awareness	0	0	0	N/A
Project Development	0	7,381	7,381	N/A
Planning & Regulatory	0	0	0	N/A
EnerChange	0	0	0	N/A
Subtotal:	0	7,381	7,381	N/A
Total	1,556,160	2,006,014	449,854	28.9%

2016 Demand Savings Summary

Project	Goal Savings (Dth)	Actual Savings (Dth)	Difference	Percent Difference
Residential Market Segment Projects				
Heating System Rebate	2,269	2,476	207	9.1%
Water Heater Rebate	140	237	97	69.4%
Low-Flow Showerhead & Aerator	679	1,440	760	112.0%
Residential Weatherization Rebate	180	227	47	26.0%
Electronic Ignition Hearth Rebate	66	73	7	11.0%
Residential Energy Audit	0	0	N/A	N/A
Residential Engagement Pilot	0	0	N/A	N/A
Home Energy Reports	943	843	(100)	-10.6%
Home Energy Squad	225	234	9	4.2%
Whole Home New Construction	1,214	1,049	(165)	-13.6%
Residential Efficiency Kits	111	141	30	27.0%
Subtotal:	5,827	6,720	893	15.3%
Low-Income Market Segment Projects				
Low-Income Weatherization	120	80	(40)	-33.2%
Non-Profit Affordable Housing	28	21	(7)	-25.9%
Low-Income Multifamily Buildings	270	12	(258)	-95.5%
Low-Income Heating System Tune-ups	18	18	0	0.6%
Low-Income Rental Efficiency	20	11	(9)	-45.8%
Subtotal:	457	143	(314)	-68.8%
C&I Market Segment Projects				
Foodservice	460	550	89	19.4%
C&I Heating & Water Heating	4,222	7,612	3,391	80.3%
Custom	3,050	1,683	(1,367)	-44.8%
Natural Gas Energy Analysis	0	0	N/A	N/A
Energy Design Assistance	840	2,677	1,837	218.7%
Process Efficiency	200	366	166	83.2%
Training & Education	0	0	N/A	N/A
Engineering Assistance	0	0	N/A	N/A
Recommissioning	100	115	15	15.2%
LEED Assistance	0	0	N/A	N/A
Multifamily Building Efficiency	71	68	(3)	-4.0%
Steam Trap Audit	335	53	(282)	-84.2%
Subtotal:	9,278	13,124	3,846	41.5%
Other Projects				
General Energy Efficiency Awareness	0	0	N/A	N/A
Project Development	0	74	74	N/A
Planning & Regulatory	0	0	N/A	N/A
EnerChange	0	0	N/A	N/A
Subtotal:	0	74	74	N/A
Total	15,562	20,060	4,572	28.9%

Low-Income Participation Summary

Project	Participation Goal	Actual Participation	Low-Income Participation Goal	Actual Low-Income Participation
Residential Market Segment Projects				
Heating System Rebate	49,840	39,994	3,617	731
Water Heater Rebate	7,225	12,655	896	259
Low-Flow Showerhead & Aerator	42,000	83,782	3,150	3,879
Residential Weatherization Rebate	1,100	1,329	49	12
Electronic Ignition Hearth Rebate	1,500	1,665	32	5
Residential Energy Audit	2,600	949	65	11
Residential Engagement Pilot	976	827	107	79
Home Energy Reports	177,000	167,323	9,204	4,737
Home Energy Squad	2,500	2,464	275	133
Whole Home New Construction	2,750	3,440	0	0
Residential Efficiency Kits	2,500	3,175	188	143
Subtotal:	289,991	317,603	17,583	9,989
Low-Income Market Segment Projects				
Low-Income Weatherization	650	361	650	361
Non-Profit Affordable Housing	100	70	100	70
Low-Income Multifamily Buildings	300	44	300	44
Low-Income Heating System Tune-ups	1,000	1,006	1,000	1,006
Low-Income Rental Efficiency	60	36	60	36
Subtotal:	2,110	1,517	2,110	1,517
C&I Market Segment Projects				
Foodservice	539	594	0	0
C&I Heating & Water Heating	4,997	7,363	0	0
Custom	125	77	0	0
Natural Gas Energy Analysis	225	60	0	0
Energy Design Assistance	48	174	0	7
Process Efficiency	10	10	0	0
Training & Education	1,000	1,055	0	0
Engineering Assistance	7	19	0	0
Recommissioning	10	21	0	0
LEED Assistance	1	0	0	0
Multifamily Building Efficiency	66	70	17	16
Steam Trap Audit	20	3	0	0
Subtotal:	7,048	9,446	17	23
Other Projects				
General Energy Efficiency Awareness	0	0	0	0
Project Development	0	1	0	0
Planning & Regulatory	0	0	0	0
EnerChange	0	0	0	0
Subtotal:	0	1	0	0
Total	299,149	328,567	19,710	11,529

The methods used to determine low-income customer participation rates for applicable projects are described in the individual market segment summaries below. To determine the number of low-income participants, each project relied upon one or more of the following:

- Verification by third party agencies such as community action agencies and non-profits demonstrating residential customer income-qualification for participation in low-income programs;
- Documentation provided to CenterPoint Energy by low-income multifamily housing customers showing pre-qualification in the Department of Energy Weatherization Assistance Program (WAP), certification for the Minnesota Low Income Rental Classification (LIRC), participation in the project-based Section 8 voucher program, or other documentation consistent with Department of Commerce guidance; and
- A cross-check of 2016 residential CIP participants against Low Income Home Energy Assistance Program (LIHEAP) recipients.

2016 Low-Income Spending Summary

Project	Total Spending	Low-Income Spending	Percent of Total
Residential Market Segment Projects			
Heating System Rebate	\$7,869,047	\$138,326	1.8%
Water Heater Rebate	\$1,472,661	\$29,109	2.0%
Low-Flow Showerhead & Aerator	\$611,716	\$28,322	4.6%
Residential Weatherization Rebate	\$723,902	\$4,356	0.6%
Electronic Ignition Hearth Rebate	\$244,623	\$735	0.3%
Residential Energy Audit	\$232,929	\$2,700	1.2%
Residential Engagement Pilot	\$210,147	\$20,075	9.6%
Home Energy Reports	\$1,391,353	\$39,390	2.8%
Home Energy Squad	\$784,520	\$42,346	5.4%
Whole Home New Construction	\$3,884,709	\$0	0%
Residential Efficiency Kits	\$120,815	\$5,441	4.5%
Subtotal:	\$17,546,421	\$310,799	1.8%
Low-Income Market Segment Projects			
Low-Income Weatherization	\$2,009,815	\$2,009,815	100.0%
Non-Profit Affordable Housing	\$261,267	\$261,267	100.0%
Low-Income Multifamily Buildings	\$109,951	\$109,951	100.0%
Low-Income Heating System Tune-ups	\$83,688	\$83,688	100.0%
Low-Income Rental Efficiency	\$237,078	\$237,078	100.0%
Subtotal:	\$2,701,799	\$2,701,799	100.0%
C&I Market Segment Projects			
Foodservice	\$643,009	\$0	0%
C&I Heating & Water Heating	\$3,525,532	\$0	0%
Custom	\$1,341,557	\$0	0%
Natural Gas Energy Analysis	\$107,425	\$0	0%
Energy Design Assistance	\$1,479,338	\$249,169	16.8%
Process Efficiency	\$364,269	\$0	0%
Training & Education	\$29,546	\$0	0%
Engineering Assistance	\$57,699	\$0	0%
Recommissioning	\$76,074	\$0	0%
LEED Assistance	\$4,131	\$0	0%
Multifamily Building Efficiency	\$217,240	\$44,955	20.7%
Steam Trap Audit	\$27,451	\$0	0%
Subtotal:	\$7,873,273	\$294,124	3.7%
Other Projects			
General Energy Efficiency Awareness	\$605,707	\$0	0%
Project Development	\$90,850	\$0	0%
Planning & Regulatory	\$137,357	\$0	0%
EnerChange	\$273,125	\$0	0%
Subtotal:	\$1,107,040	\$0	0%
Total	\$29,228,533	\$3,306,723	11.3%

2016 Renter Participation Summary

Project	Participation Goal	Actual Participation	Renter Participation Goal	Actual Renter Participation
Residential Market Segment Projects				
Heating System Rebate	49,840	39,994	251	2,585
Water Heater Rebate	7,225	12,655	29	913
Low-Flow Showerhead & Aerator	42,000	83,782	672	12,796
Residential Weatherization Rebate	1,100	1,329	10	92
Electronic Ignition Hearth Rebate	1,500	1,665	2	40
Residential Energy Audit	2,600	949	96	62
Residential Engagement Pilot	976	827	43	82
Home Energy Reports	177,000	167,323	6,903	4,029
Home Energy Squad	2,500	2,464	110	289
Whole Home New Construction	2,750	3,440	0	0
Residential Efficiency Kits	2,500	3,175	190	508
Subtotal:	289,991	317,603	8,306	21,396
Low-Income Market Segment Projects				
Low-Income Weatherization	650	361	45	15
Non-Profit Affordable Housing	100	70	25	1
Low-Income Multifamily Building	300	44	300	44
Low-Income Heating System Tune-ups	1,000	1,006	70	75
Low-Income Rental Efficiency	60	36	60	36
Subtotal:	2,110	1,517	500	171
C&I Market Segment Projects				
Foodservice	539	594	0	7
C&I Heating & Water Heating	4,997	7,363	0	315
Custom	125	77	0	5
Natural Gas Energy Analysis	225	60	0	0
Energy Design Assistance	48	174	0	15
Process Efficiency	10	10	0	0
Training & Education	1,000	1,055	0	0
Engineering Assistance	7	19	0	0
Recommissioning	10	21	0	0
LEED Assistance	1	0	0	0
Multifamily Building Efficiency	66	70	66	70
Steam Trap Audit	20	3	0	0
Subtotal:	7,048	9,446	66	412
Other Projects				
General Energy Efficiency Awareness	0	0	0	0
Project Development	0	1	0	0
Planning & Regulatory	0	0	0	0
EnerChange	0	0	0	0
Subtotal:	0	1	0	0
Total	299,149	328,567	8,872	21,979

The methods used to determine renter participation rates for applicable projects are described in the individual market segment summaries below.

2016 Cost-Benefit Analyses

Project	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test
Residential Market Segment Projects				
Heating System Rebate	0.63	2.85	1.63	2.40
Water Heater Rebate	0.49	1.24	0.73	1.31
Low-Flow Showerhead & Aerator	0.75	9.91	11.80	N/A
Residential Weatherization Rebate	0.65	3.22	1.19	1.67
Electronic Ignition Hearth Rebate	0.61	2.44	2.00	3.51
Residential Energy Audit	N/A	N/A	N/A	N/A
Residential Engagement Pilot	N/A	N/A	N/A	N/A
Home Energy Reports	0.48	1.18	1.25	N/A
Home Energy Squad	0.49	1.26	1.32	13.13
Whole Home New Construction	0.63	2.78	1.02	1.56
Residential Efficiency Kits	0.69	4.90	5.83	N/A
Subtotal:	0.64	3.02	1.47	2.34
Low-Income Market Segment Projects				
Low-Income Weatherization	0.24	0.34	0.49	N/A
Non-Profit Affordable Housing	0.37	0.69	2.47	N/A
Low-Income Multifamily Building	0.38	0.70	0.84	3.08
Low-Income Heating System Tune-ups	0.21	0.28	0.30	N/A
Low-Income Rental Efficiency	0.30	0.47	0.52	2.20
Subtotal:	0.27	0.41	0.57	11.68
C&I Market Segment Projects				
Foodservice	0.75	5.80	2.43	2.66
C&I Heating & Water Heating	0.79	6.65	3.21	4.10
Custom	0.92	9.70	3.23	2.86
Commercial Energy Analysis	N/A	N/A	N/A	N/A
Energy Design Assistance	0.84	18.61	7.62	6.54
Process Efficiency	0.95	6.33	3.65	4.12
Training & Education	N/A	N/A	N/A	N/A
Engineering Assistance	N/A	N/A	N/A	N/A
Recommissioning	0.83	6.38	0.75	0.75
LEED Assistance	N/A	N/A	N/A	N/A
Multifamily Building Efficiency	0.55	1.49	1.54	6.70
Steam Trap Audit	0.99	7.03	3.99	4.46
Subtotal:	0.82	9.66	4.08	4.52
Other Projects				
General Energy Efficiency Awareness	N/A	N/A	N/A	N/A
Project Development	1.03	8.36	12.82	N/A
Planning & Regulatory	N/A	N/A	N/A	N/A
EnerChange	N/A	N/A	N/A	N/A
Subtotal:	0.40	0.60	0.93	N/A
Total	0.68	4.35	2.16	2.91

2016 Cost per Dth Saved Comparison

Project	Approved Cost per Dth Saved	Actual Cost per Dth Saved	Percent Difference
Residential Market Segment Projects			
Heating System Rebate	\$26.96	\$31.79	17.9%
Water Heater Rebate	\$67.21	\$62.10	-7.6%
Low-Flow Showerhead & Aerator	\$8.45	\$4.25	-49.7%
Residential Weatherization Rebate	\$44.47	\$31.95	-28.2%
Electronic Ignition Hearth Rebate	\$38.81	\$33.54	-13.6%
Residential Energy Audit	N/A	N/A	N/A
Residential Engagement Pilot	N/A	N/A	N/A
Home Energy Reports	\$14.80	\$16.50	11.4%
Home Energy Squad	\$43.33	\$33.46	-22.8%
Whole Home New Construction	\$29.08	\$37.03	27.3%
Residential Efficiency Kits	\$12.42	\$8.59	-30.8%
Subtotal:	\$26.82	\$26.11	-2.6%
Low-Income Market Segment Projects			
Low-Income Weatherization	\$150.19	\$250.32	66.7%
Non-Profit Affordable Housing	\$75.98	\$124.46	63.8%
Low-Income Multifamily Buildings	\$10.64	\$90.04	746.4%
Low-Income Heating System Tune-ups	\$111.11	\$46.22	-58.4%
Low-Income Rental Efficiency	\$139.23	\$217.48	56.2%
Subtotal:	\$61.07	\$189.60	210.5%
C&I Market Segment Projects			
Foodservice	\$11.86	\$11.70	-1.4%
C&I Heating & Water Heating	\$6.93	\$4.63	-33.2%
Custom	\$8.45	\$7.97	-5.7%
Natural Gas Energy Analysis	N/A	N/A	N/A
Energy Design Assistance	\$11.19	\$5.53	-50.6%
Process Efficiency	\$18.50	\$9.94	-46.3%
Training & Education	N/A	N/A	N/A
Engineering Assistance	N/A	N/A	N/A
Recommissioning	\$16.50	\$6.60	-60.0%
LEED Assistance	N/A	N/A	N/A
Multifamily Building Efficiency	\$49.26	\$31.95	-35.2%
Steam Trap Audit	\$1.46	\$5.20	255.2%
Subtotal:	\$9.06	\$6.00	-33.8%
Other Projects			
General Energy Efficiency Awareness	N/A	N/A	N/A
Project Development	N/A	\$12.31	N/A
Planning & Regulatory	N/A	N/A	N/A
EnerChange	N/A	N/A	N/A
Subtotal:	N/A	\$149.99	N/A
Total	\$18.04	\$14.57	-19.3%

CenterPoint Energy's 2016 Residential and C&I CIP Market Segments each achieved an improvement over the Department-approved cost per unit of energy savings targets. The achieved variations from the targets are as follows:

- Residential: 2.6 percent below;
- C&I: 33.8 percent below; and
- Total CIP Portfolio: 19.3 percent below.

Residential Market Segment Projects

CenterPoint Energy’s Residential Market Segment achieved 110 percent of the sector’s participation goal and 115 percent of the energy savings goal, while being over budget by 12.3 percent.

CenterPoint Energy submits 2016 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 Weatherization Rebate Project;
- Residential Electronic Ignition Hearth Project;
- Residential Energy Audit Project;
- Residential Engagement Pilot;
- Home Energy Report Project;
- Home Energy Squad Project;
- Whole Home New Construction Project; and
- Residential Energy Efficiency Kits.

Residential Market Segment	Project Spending	Project Participation	Energy Savings	\$/Dth	BenCost Results (Societal Test)
Heating System Rebate	\$7,869,047	39,994	247,568	\$31.79	1.63
Water Heater Rebate	\$1,472,661	12,655	23,714	\$62.10	0.73
Low-Flow Showerhead & Aerator	\$611,716	83,782	143,979	\$4.25	11.80
Residential Weatherization Rebate	\$723,902	1,329	22,656	\$31.95	1.19
Electronic Ignition Hearth Rebate	\$244,623	1,665	7,293	\$33.54	2.00
Residential Energy Audit	\$232,929	949	0	N/A	N/A
Residential Engagement Pilot	\$210,147	827	0	N/A	N/A
Home Energy Reports	\$1,391,353	167,323	84,346	\$16.50	1.25
Home Energy Squad	\$784,520	2,464	23,445	\$33.46	1.32
Whole Home New Construction	\$3,884,709	3,440	104,918	\$37.03	1.02
Residential Efficiency Kits	\$120,815	3,175	14,065	\$8.59	5.83
Residential Total	\$17,546,421	317,603	671,984	\$26.11	1.47

Online Rebate Portal

In 2016, the Company worked to develop an online portal to allow electronic submission of rebates for the residential High-Efficiency Heating System, High-Efficiency Water Heater, and Electronic Ignition Hearth Rebate Projects. The costs for development of this portal were allocated to the three projects as project delivery spending; allocation was based on participation goals. The online system has streamlined the rebate process for customers and trade allies and thereby will facilitate future participation.

Method 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 80 percent of its participation and 109 percent of its energy savings goals, while project spending was over budget by 28.7 percent. In 2016, project participants installed heating equipment with higher efficiency ratings than expected and were therefore eligible for higher incentive levels. For instance, 81.9 percent of all replacement furnaces rebated were 96% efficient and therefore earned the highest furnace incentive payment available. In addition, this project incurred one-time expenses associated with the development of the online rebate system, discussed above. Thus, the total spending in this project was higher than expected due to higher spending per customer and higher project delivery costs.

The total participation includes 39,994 measures installed by 31,783 customers. Through the project, 761 92% efficient furnaces, 1,959 94% efficient furnaces, 514 95% efficient furnaces, 10,556 96% efficient furnaces, 685 83.5% efficient boilers, and 411 91% efficient boilers were installed. Customers who installed programmable thermostats in addition to high-efficiency heating equipment were eligible for an additional rebate; 8,211 customers took advantage of this opportunity. In addition, 16,897 customers received rebates for furnace or boiler tune-ups.

High-Efficiency Water Heater Rebate Project

Discussion: The project achieved 175 percent of its participation and 169 percent of its energy savings goals, while project spending was 56.2 percent over budget. Higher than anticipated expenses were due, in part, to the development of the online rebate system, discussed above.

This project saw especially high participation relative to goal at the highest efficiency level; the Company rebated more than double its 2016 goal for 0.67 ENERGY STAR qualified water heaters. Of the total 12,293 natural gas storage tank water heaters rebated, 8,873 had an energy factor of 0.62, 161 had an energy factor of 0.64, and 3,259 had an energy factor of 0.67 or greater. An additional 324 tankless water heaters were rebated, 28 of which had an energy factor between 0.82 and 0.90, and 296 had an energy factor of 0.90 or above. 38 indirect water heaters (installed with 91% efficient 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.¹⁹ The Company is not aware of any dips in system pressure or other irregularities due to tankless water heaters.

Low-Flow Showerhead and Faucet Aerator Project

Discussion: The project achieved 199 percent of its participation and 212 percent of its energy savings goals, while project spending was 6.6 percent over budget. The 18,906 participating customers received 38,212 low-flow showerheads and 45,570 low-flow faucet aerators. There were 882 participating low-income customers, who received 1,711 low-flow showerheads and 2,168 low-flow faucet aerators.

¹⁹ *In the Matter of CenterPoint Energy's 2013-2015 Triennial Conservation Improvement Program Plan*, Docket No. G008/CIP-12-564, Deputy Commissioner Decision, p. 15 (DOC, Oct. 19, 2012).

Residential Weatherization Rebate Project

Discussion: The project achieved 121 percent of its 2016 participation goal and 126 percent of its energy savings goal. The project remained under budget by 9.5 percent. Of the 1,329 measures rebated, 31 were for air sealing only; 1,178 were for both attic insulation and air sealing; and 120 were for wall insulation.

Electronic Ignition Hearth Project

Discussion: The project achieved 111 percent of its participation and energy savings goals, while project spending was under budget by 4.1 percent. While overall spending remained under budget, the project experienced higher than anticipated project delivery expenses due, in part, to the development of the online rebate system discussed above.

Residential Energy Audit Project

Discussion: The project achieved 37 percent of its participation goal and project spending was under budget by 59.7 percent. A total of 68 Basic and 871 Standard energy audits were conducted. Ten no-fee energy audits were conducted for low-income participants.

Residential Engagement Pilot Project

Discussion: In 2016, the project achieved 85 percent of its participation goal, while project spending was under budget by 34.7 percent. A more detailed analysis of the Residential Engagement Pilot results can be found in Attachment C.

Home Energy Report Project

Discussion: The project achieved 95 percent of its participation goal and 89 percent of its energy savings goal. Project spending was under budget by 0.4 percent.

Home Energy Squad Project

Discussion: The project achieved 99 percent of its participation goal and 104 percent of its energy savings goal, while project spending was under budget by 19.5 percent. The 2,464 participating customers received 11,823 energy conservation measures through the program.

Whole Home New Construction Project

Discussion: The project achieved 125 percent of its participation goal and 86 percent of its energy savings goal, while project spending was over budget by 10.0 percent. 47.3 percent of total participating homes received incentives for achieving 20 percent or higher savings relative to baseline and meeting other project requirements. Lower than expected energy savings were due in large part to much lower than projected energy savings among participating homes that did not receive an incentive.

Residential Energy Efficiency Kits Project

Discussion: The project achieved 127 percent of its participation and energy savings goals, while project spending was under budget by 12.1 percent.

Low-Income Market Segment Projects

The Company's Low-Income Market Segment achieved 71.9 percent of the sector's participation goal, 31.2 percent of the energy savings goal, and was under budget by 3.1 percent. Total spending on the Low-Income Market Segment projects represents 0.47 percent of the Company's three-year average GOR from residential customers.²⁰ In addition, the Company served a number of low-income customers through projects included in the Residential and the C&I Market Segments. Low-income status for participants in the Residential Market Segment was verified through a cross-check of LIHEAP recipient records. Low-Income status for participants in the C&I Segment was verified through documentation showing pre-qualification in the Department of Energy WAP, certification for LIRC, and other documentation including (but not limited to) participation in the project-based Section 8 voucher program. As summarized in Table 3 of the *Compliance Overview* section, when low-income CIP spending in the Residential and C&I segments are included, the Company spent 0.58 percent of its three-year average GOR from residential customers to directly serve low-income customers.

CenterPoint Energy submits 2016 year-end information on the following low-income projects:

- Low-Income Weatherization Project;
- Non-Profit Affordable Housing Project;
- Low-Income Multifamily Buildings Project;
- Low-Income Heating System Tune-ups Project; and
- Low-Income Rental Efficiency Project.

Low-Income Market Segment	Project Spending	Project Participation	Energy Savings	\$/Dth	BenCost Results (Societal)
Low-Income Weatherization	\$2,009,815	361	8,029	\$250.32	0.49
Non-Profit Affordable Housing	\$261,267	70	2,099	\$124.46	2.47
Low-Income Multifamily Buildings	\$109,951	44	1,221	\$90.04	0.84
Low-Income Heating System Tune-ups	\$83,688	1,006	1,811	\$46.22	0.30
Low-Income Rental Efficiency	\$237,078	36	1,090	\$217.48	0.52
Low-Income Total	\$2,701,799	1,517	14,250	\$189.60	0.57

Method 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 WAP, certification for LIRC, or other documentation including (but not limited to) participation in the project-based Section 8 voucher program. Renter participation was established either through a cross-check of rental data in CenterPoint Energy's customer information system or, when available, through third party agency verification systems.

Low-Income Weatherization Project

Discussion: The Low-Income Weatherization Project achieved 55.5 percent of its participation goal and 66.8 percent of its energy savings goal and was over budget by 11.3 percent. In addition to the 361 weatherization recipients, 125 low-

²⁰ The three-year average 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.

income participants benefited from the project through the replacement of defective furnaces with high-efficiency furnaces; six customers received high-efficiency boiler replacements; 72 customers received programmable thermostats; 56 participants received high-efficiency water heater replacements; and 54 customers received mechanical repairs on their existing heating systems.

The average weatherization cost was \$3,291.98. The average cost for the installation of a high-efficiency furnace was \$3,788.52; the average cost of a high-efficiency boiler replacement was \$6,325.33; the average cost of a high-efficiency water heater replacement was \$2,153.84; and the average cost of a mechanical repair to an existing heating system was \$838.69.

Non-Profit Affordable Housing Project

Discussion: The project achieved 70 percent of its participation goal and 74.1 percent of its energy savings goal and was over budget by 21.4 percent.

Of the 70 participants, 65 installed a heating system, 59 installed a high efficiency water heater, 58 installed a programmable thermostat, and 45 installed heat recovery ventilation. 59 showerheads and 118 faucet aerators were installed through the program. In addition, 66 participants performed major air sealing, and 66 participants upgraded attic insulation.

Low-Income Multifamily Building Rebate Project

Discussion: The project achieved 14.7 percent of its participation goal, 4.5 percent of its energy savings goal and was under budget by 61.7 percent.

The 14 participating buildings had a total of 2,452 units, 2,435 of which were low-income occupied units. 44 measures were taken through the program: ten heating system installations, 26 high efficiency water heater installations, and eight boiler tune-ups.

Low-Income Heating System Tune-Up Project

Discussion: The project achieved 100.6 percent of its participation and energy savings goals and was under budget by 58.2 percent. Participation in this project is determined by the level of response to outreach efforts by Community Action Program agencies.

Low-Income Rental Efficiency Project

Discussion: The project achieved 60 percent of its participation goal and 54.2 percent of its energy savings goal; project spending was 15.3 percent under budget.

The Low-Income Rental Efficiency Project had 36 participating buildings in 2016: 18 single family homes, 14 duplexes, two three-unit buildings, and two four-unit buildings. Of the participating buildings, 27 received weatherization. 28 updated heating systems were installed, 14 high-efficiency water heaters were installed, 28 programmable thermostats were installed, and 15 health and safety measures were installed. The participating landlords provided a total of \$92,262.50 in contributions toward these upgrades.

Commercial and Industrial Market Segment Projects

CenterPoint Energy's C&I Market Segment achieved 134 percent of the sector's participation goal and 141 percent of its energy savings goal, while remaining under budget by 6.3 percent.

CenterPoint Energy submits 2016 year-end information on the following C&I 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;
- LEED Certification Assistance Project;
- Multifamily Building Efficiency Project; and
- Steam Trap Audit Project.

C&I Project	Project Spending	Project Participation	Energy Savings	\$/Dth	BenCost Results (Societal)
Foodservice	\$643,009	594	54,978	\$11.70	2.43
C&I Heating & Water Heating	\$3,525,532	7,363	761,248	\$4.63	3.21
Custom	\$1,341,557	77	168,256	\$7.97	3.23
Commercial Energy Analysis	\$107,425	60	0	N/A	N/A
Energy Design Assistance	\$1,479,338	174	267,674	\$5.53	7.62
Process Efficiency	\$364,269	10	36,634	\$9.94	3.65
Training & Education	\$29,546	1,055	0	N/A	N/A
Engineering Assistance	\$57,699	19	0	N/A	N/A
Recommissioning	\$76,074	21	11,524	\$6.60	0.75
LEED Assistance	\$4,131	0	0	N/A	N/A
Multifamily Building Efficiency	\$217,240	70	6,800	\$31.95	1.54
Steam Trap Audit	\$27,451	3	5,284	\$5.20	3.99
C&I Total	\$7,873,273	9,446	1,312,399	\$6.00	4.08

Measurement and Verification Expenses

The Company provides the following information regarding expenses related to energy savings measurement and verification (M&V) spending included in the C&I Sector spending total:²¹

2016 M&V Expenses

Labor	\$9,500
Equipment	\$0
Contracting Expenses	\$30,000
Total	\$49,500

Two customer projects requiring M&V were completed in 2016, one in the Custom Rebate Project and one in Energy Design Assistance. In addition, there were expenses incurred in 2016 associated with M&V plans for projects in future years.

Method Used to Determine Achievement of Low-Income and Renter Goals in the C&I Market Segment

Low-income participation in the C&I Market Segment is defined as verified low-income multifamily housing participants. Low-income multifamily housing customers provided documentation to CenterPoint Energy showing pre-qualification in WAP, certification for 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 Standard Industrial Classification (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 110 percent of its participation goal and 119 percent of its energy savings goal, while project spending was over budget by 17.8 percent. The 303 participating customers installed 594 energy conservation measures through the project.

C&I Heating and Water Heating Rebate Project

Discussion: The project achieved 147 percent of its participation goal and 180 percent of its energy savings goal, while project spending was over budget by 20.4 percent. The 1,623 participating customers installed 7,363 energy conservation measures through the project.

Custom Rebate Project

Discussion: The project achieved 62 percent of its participation goal and 55 percent of its energy savings goal, while project spending was under budget by 48.0 percent. 77 custom projects were rebated in 2016.

²¹ In *CenterPoint Energy's Request for Modification to its Commercial/Industrial Project for its 2008 CIP Program Year*, Docket No. G008/CIP-06-789, Commissioner Order, Ordering Point 2 (DOC, Aug. 25, 2008), 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."

Natural Gas Energy Analysis Project

Discussion: The project achieved 27 percent of its participation goal and project spending was under budget by 60.7 percent. CenterPoint Energy will continue to work to promote participation in this project in 2017.

Energy Design Assistance Project

Discussion: The project achieved 363 percent of its participation goal and 319 percent of its energy savings goal, while project spending was over budget by 57.4 percent. There were 174 enrolled participants in the project; however, only 50 participants completed energy efficiency projects in 2016. Of the 50 projects that were completed in 2016, seven qualified as low-income multifamily housing participants and received the highest approved rebate level.

Process Efficiency Project

Discussion: The project achieved 100 percent of its participation goal and 183 percent of its energy savings goal, while project spending was under budget by 1.5 percent. The project paid rebates to ten different customer accounts for 16 pieces of equipment in 2016. Each of the customers enrolled in the Process Efficiency Project received a rebate through the project in 2016.

C&I Education and Training Project

Discussion: The project achieved 106 percent of its participation goal and project spending was under budget by 72.6 percent. Of the 1,055 participants, 107 participated in the Combined Heat and Power webinar, 117 in the Commercial Water Heating webinar, 605 in high-efficiency foodservice equipment training, 68 in the Seasonal Energy Management Seminar, 89 in the Energy Efficiency and Technology Conference, 41 in the Trade Ally Kick Off, and 28 in the High-Efficiency Boiler Training Seminar.

Engineering Assistance Project

Discussion: The project achieved 271 percent of its participation goal and project spending was under budget by 31.5 percent. Of the 19 rebates paid through this program, 12 rebates were for engineering study funding and seven rebates were for energy-saving projects that resulted from an engineering study.

Recommissioning Project

Discussion: The project achieved 210 percent of its participation goal and 115 percent of its energy savings goal, while project spending was under budget by 53.9 percent. Although the Recommissioning Project had higher than expected participation in 2016, most participants received study funding only. Only eight of the 21 participants in 2016 received rebates for completed energy efficiency projects.

LEED Certification Assistance Project

Discussion: This project had no participants in the 2016 program year and was under budget by 72.0 percent.

Multifamily Building Efficiency Project

Discussion: The project achieved 106 percent of its participation goal and 96 percent of its energy savings goal, while project spending was under budget by 37.7 percent. Of the 70 buildings that participated, 16 buildings qualified as low-income. The participating buildings contained 3,930 total dwelling units. The participating low-income buildings contained 1,337 low-income occupied units.

Steam Trap Audit Project

Discussion: The project achieved 15 percent of its participation goal and 16 percent of its energy savings goal. Project spending was under budget by 44.0 percent.

Other Projects

CenterPoint Energy submits 2016 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	\$/Dth	BenCost Results (Societal Test)
General Energy Efficiency Awareness	\$605,707	0	0	--	N/A
Project Development	\$90,850	1	7,381	\$12.31	12.82
Planning & Regulatory	\$137,357	0	0	--	N/A
EnerChange	\$273,125	0	0	--	N/A
Other Projects Total	\$ 1,107,040	1	7,381	\$149.99	0.93

Method 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 in this segment.

General Energy Efficiency Awareness

Discussion: The project expenditures were 6.8 percent under budget.

Expenditure Allocation and Activities:

Administrative:	\$0
Project Delivery:	\$1,500
Advertising and Promotion:	\$604,208
Total:	\$605,707

Marketing and promotional activities included general energy efficiency program awareness advertising on network television; a Winter Weather radio sponsorship with WCCO; a Golden Baton sponsorship on Minnesota Public Radio; and sports sponsorships with the Minnesota Twins, the University of Minnesota Gophers, and the National Sports Center, all of which were used by the Company to advertise energy efficiency messages and websites. In addition, the Company advertised general energy efficiency program awareness in digital media (paid search, digital display, and streaming video), in print, and at events. The General Energy Efficiency Awareness project budget paid for energy efficiency promotions in broadcast, print, digital, sponsorships, and promotional items; an energy efficiency program overview bill insert; and the Company's participation in various events, including the Eco Experience and the Blue Flame Lodge at the Minnesota State Fair.

Project Development

Discussion: Project Development expenditures were under budget by 48.1 percent.

Expenditure Allocation and Activities:

Administrative:	\$24,785
Project Delivery:	\$6,291
Research and Evaluation:	<u>\$59,774</u>
Total:	\$90,850

Activities supporting the development of CIP projects included membership in 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 activity related to several pilot projects and research efforts including:

- *Housing Inspector Training*, conducted by the Center for Energy & Environment in an effort to determine whether education and training for home inspectors can increase awareness and understanding of residential energy efficiency;
- *Community Engagement Pilot*, in collaboration with the Minneapolis Clean Energy Partnership, exploring methods to increase local engagement and participation; and
- *High-efficiency Single Package Vertical Unit Research*, conducted by the Center for Energy & Environment to identify what (if any) market, technical, or other barriers are faced by multifamily builders considering this relatively new technology.

In addition, in 2016, the Company supported a Minnesota Conservation Applied Research and Development (CARD) Grant project. Associated expenses incurred by the Company and energy savings realized by the CARD Grant project are included in the Company's Project Development totals.

Planning and Regulatory Affairs

Discussion: The project expenditures were 8.4 percent under budget.

Expenditure Allocation and Activities:

Administrative:	\$120,255
Project Delivery:	<u>\$17,103</u>
Total:	\$137,357

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 CIP.

EnerChange

Discussion: Project spending was 4.2 percent under the approved budget for 2016.

Expenditure Allocation and Activities:

Project Delivery: \$273,125
Total: \$273,125

The EnerChange project was proposed for inclusion in the Company's CIP by the National Initiative by Consumers of Energy (NICE). The Deputy Commissioner 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.²² The Deputy Commissioner subsequently approved an extension of the EnerChange project and budget through the 2016 program year.²³

The project is an indirect-impact conservation project for which no energy savings are claimed. NICE filed its Annual Program Status Report for 2016 on March 1, 2017 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.

²² *In the Matter of NICE/EnerChange's Petition for Additional Funding*, Docket Nos. G002/CIP-12-447.04, G008/CIP-564.01, Deputy Commissioner Decision (DOC, Dec. 29, 2012) (*Decision*). In Ordering Point 3 of the *Decision*, the Deputy Commissioner allocated 38 percent of the EnerChange Project's annual budget to CenterPoint Energy, totaling \$285,000 per year.

²³ *See In the Matter of Extending the 2013-2015 CIP Triennial Plans Through 2016*, Docket No. G008/CIP-12-564, *et al.*, Commissioner Order, Ordering Point 3 (DOC, Aug. 1, 2014).

Total Program Cost-Benefit Analysis

The BenCosts provided below include the cost-benefit analyses for the Company's total 2016 CIP goals and actual results.²⁴

²⁴ Behavioral energy savings are reported consistent with *In the Matter of Inclusion of Behavioral Project Savings in Energy Conservation Improvement Programs and Shared Savings Demand-Side Management Financial Incentive Calculations*, Docket No. Docket No. G008/09-644, *et al.*, Deputy Commissioner Decision (DOC, Apr. 26, 2012). 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 2016 Goal (Full Behavioral Savings)**

Input Data		First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.77			
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 (\$/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 =	2016			
15b) Project Analysis Year 2 =	2017			
15c) Project Analysis Year 3 =	2018			
16 Utility Project Costs				
16 a) Administrative & Operating Costs =		16,121,531	-	-
16 b) Incentive Costs =		11,673,275	-	-
16 c) Total Utility Project Costs =		27,794,806	\$0	\$0
17) Direct Participant Costs (\$/Part.) =		182.18	-	-
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) =		12.140	-	-
21) Avg. MCF/Part. Saved =		5.833	-	#DIV/0!
22) Avg Non-Gas Fuel Units/Part. Saved =		-	-	-
22a) Avg Additional Non-Gas Fuel Units/ Part. Used =		-	-	-
23) Number of Participants =		299,149	-	-
24) Total Annual MCF Saved =		1,744,826	-	-
25) Incentive/Participant =		39	-	#DIV/0!

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	\$92.91			Ratepayer Impact Measure Test	(\$57,710,832)	0.69
Cost per Participant per MCF =	47.164457					
Lifetime Energy Reduction (MCF)	22,682,738			Utility Cost Test	\$98,962,095	4.56
Societal Cost per MCF	3.11340262			Societal Test	\$99,107,341	2.40
				Participant Test	\$113,847,237	3.09

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
 Project: **CenterPoint Energy CIP 2016 Total Actual (Full Behavioral Savings)**

Input Data		First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.75			
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 (\$/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 =	2016			
15b) Project Analysis Year 2 =	2017			
15c) Project Analysis Year 3 =	2018			
16) Utility Project Costs				
16 a) Administrative & Operating Costs =		15,607,254	-	-
16 b) Incentive Costs =		13,348,153	-	-
16 c) Total Utility Project Costs =		28,955,408	\$0	\$0
17) Direct Participant Costs (\$/Part.) =		176.44	-	-
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) =		9.780	-	-
21) Avg. MCF/Part. Saved =		6.619	-	#DIV/0!
22) Avg Non-Gas Fuel Units/Part. Saved =		-	-	-
22a) Avg Additional Non-Gas Fuel Units/ Part. Used =		-	-	-
23) Number of Participants =		328,567	-	-
24) Total Annual MCF Saved =		2,174,706	-	-
25) Incentive/Participant =		41	-	#DIV/0!

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	\$88.13			Ratepayer Impact Measure Test	(\$58,243,921)	0.68
Cost per Participant per MCF =	39.9716304					
Lifetime Energy Reduction (MCF)	21,747,059			Utility Cost Test	\$97,070,372	4.35
Societal Cost per MCF	3.38337186			Societal Test	\$85,572,179	2.16
				Participant Test	\$110,691,313	2.91

SECTION 2: 2016 DEMAND-SIDE MANAGEMENT FINANCIAL INCENTIVE REPORT

CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, (“CenterPoint Energy” or the “Company”) submits this report in compliance with the Minnesota Public Utilities Commission’s (Commission) Order Establishing Utility Performance Incentives for Energy Conservation²⁵ and the Commission’s Rules of Practice and Procedure.²⁶

The Company used the financial incentive mechanism approved in the Commission’s December 20, 2012 Order in Docket No. E,G-999/CI-08-133²⁷ 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 2016 Conservation Improvement Program (CIP), which are also included in Attachment A.

On February 1, 2016, the Company filed its *2016 Shared-Savings Demand-Side Management Financial Incentive Plan* with the Department of Commerce (Department) and the Commission.²⁸ On March 28, 2016, the Department filed a letter stating that electric and natural gas utilities’ 2016 Shared Savings Demand-Side Management (DSM) Financial Incentive Compliance Filings were fully compliant with Commission Orders.²⁹

As the Company indicated in its February 1, 2016 compliance filing and as permitted by Commission Order, CenterPoint Energy excluded the third-party EnerChange project from its financial incentive calculations; the figures given here and in Attachment A reflect that election.³⁰ Assessments under Minnesota Statute § 216B.241 and the Next Generation Energy Act of 2007 (NGEA) are also excluded from the calculation of the incentive in accordance with Commission Order.³¹

The following tables summarize these adjustments to the Company’s 2016 CIP spending:

²⁵ *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Adopting Modifications to Shared Savings Demand Side Management Financial Incentive (PUC, Dec. 20, 2012).

²⁶ Minn. R. Ch. 7830.

²⁷ *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Adopting Modifications to Shared Savings Demand Side Management Financial Incentive (PUC, Dec. 20, 2012).

²⁸ Docket Nos. E,G999/CI-08-133, G008/M-16-111.

²⁹ *Review of Utility Proposals for 2016 DSM Financial Incentive Compliance Filings*, Docket Nos. E,G999/CI-08-133, G008/M-16-111, *et al.*, Division of Energy Resources Letter (DOC, Mar. 28, 2016).

³⁰ The EnerChange project was approved as a third-party CIP project in the Company’s 2013-2015 CIP in *In the Matter of NICE/EnerChange’s Petition for Additional Funding*, Docket Nos. G002/CIP-12-447.04, G008/CIP-564.01, Deputy Commissioner Decision (Dec. 29, 2012). In *In the Matter of Extending the 2013-2015 CIP Triennial Plans Through 2016*, Docket No. G008/CIP-12-564, *et al.*, Deputy Commissioner Order, Ordering Point 3 (DOC, Aug. 1, 2014) the Deputy Commissioner extended the EnerChange program and budget through the 2016 program year. CenterPoint Energy elects to exclude the spending and energy savings associated with EnerChange’s program from its financial incentive calculations as permitted by *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Establishing Utility Performance Incentives for Energy Conservation (PUC, Jan. 27, 2010).

³¹ See *In the Matter of Commission Review of the Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Establishing Utility Performance Incentives for Energy Conservation, Ordering Point 10 (PUC, Jan. 27, 2010).

Adjustments to Post-Year Spending:

Total Spending (from CIP Tracker Report)	\$29,897,276.98
Exclude NGEA Assessments	(\$668,744.15)
Exclude EnerChange	(\$273,125.28)
Total Post-Year Spending	\$28,955,407.55

As detailed in the *2016 Conservation Improvement Program Status Report* section of this filing, the Company's total energy savings in 2016 were 2,006,014 dekatherms (Dth), or 129 percent of goal. As shown in the worksheets in Attachment A, this level of performance qualifies the Company for a financial incentive award of up to 16.6 percent of the benefits achieved, which is below the Commission-approved cap limiting incentives to 20 percent of net benefits. 16.6 percent of 2016 net benefits is \$16,145,345.57. However, the second Commission-approved cap on the financial incentive, which limits the incentive to no more than \$6.875 per Dth saved, reduces the 2016 financial incentive to \$13,791,346, representing 14.21 percent of the net benefits achieved. The tables below illustrate the application of the two caps in determining the Company's CIP financial incentive.

CenterPoint Energy's 2016 Financial Incentive Cap on Net Benefits		
2016 Total Net Benefits Achieved	\$97,070,372	Net benefits achieved
Commission-approved Incentive Cap	20%	Of net benefits
Percent of Net Benefits Awarded	16.6%	Of net benefits at level of energy savings achieved
2016 Financial Incentive Eligibility Calculated as a Percent of Net Benefits	\$16,145,346	

CenterPoint Energy's 2016 Financial Incentive Cap on Dollar per Dth Saved		
2016 Dollar per Dth Saved Incentive Cap	\$6.875	Per Dth Saved
Requested 2016 Dollar per Dth Saved Financial Incentive	\$6.875	Per Dth Saved
2016 Financial Incentive Eligibility Calculated as Dollar per Dth Saved	\$13,791,346	

CenterPoint Energy's 2016 CIP efforts will result in approximately \$83,279,026 in net benefits after the incentive.

Summary of CenterPoint Energy's 2016 Requested Financial Incentive	
Requested 2016 Financial Incentive	\$13,791,346
Requested Incentive as a Percent of Net Benefits Achieved	14.21%
2016 Total Net Benefits Achieved	\$97,070,372
2016 CIP Net Benefit After Requested Incentive	\$83,279,026

The Company therefore respectfully requests that the Commission approve CenterPoint Energy's 2016 CIP financial incentive in the amount of \$13,791,346, 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, a division of CenterPoint Energy Resources Corporation, (“CenterPoint Energy” or the “Company”) presents its Conservation Improvement Program (CIP) Tracker activity in the table at the end of this discussion.

The 2016 CIP Tracker beginning balance was an under-recovery of \$2,932,026.³² The ending balance on December 31, 2016 is an under-recovery of \$7,461,117. The 2016 CIP Tracker Report reflects recovery using the interim Conservation Cost Recovery Charge (CCRC) from the Company’s 2015 rate case filing in January through November and the final approved CCRC in December.³³ December 2016 includes an interim rate true-up entry of \$276,946.³⁴

On August 11, 2015, the Minnesota Public Utilities Commission (Commission) approved a Conservation Cost Recovery Adjustment (CCRA) of 0.1021 per dekatherm.³⁵ This rate went into effect January 1, 2016³⁶ and remained in effect throughout 2016; see Section 4 of this filing for more discussion of the CCRA. The amount recovered via the CCRA (lines 11 & 12) is reflected in the Report separately from the amount recovered through base rates (lines 9 & 13).

Monthly CIP expenses are shown in the table as a single total (line 2). 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 (NGEA). These assessments have not been included in the total CIP spending reported in Section 1 of this filing, but are included in the CIP Tracker because the NGEA provides for utilities to recover the assessment through the CIP Tracker mechanism.³⁷ As described in Section 1, total CIP spending in 2016 was \$29,228,533; the assessments totaled \$668,744, resulting in total recoverable CIP expenses of \$29,897,277 in 2016. These assessments were also excluded from the calculation of the financial incentive requested in Section 2 of this filing.³⁸

³² The 2015 CIP Tracker ending balance was approved in *In the Matter of CenterPoint Energy’s 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservative Cost Recovery Adjustment (PUC, Sept. 21, 2016).

³³ On August 3, 2015, the Company filed a rate case in Docket No. G-008/GR-15-424; associated interim rates went into effect on October 2, 2015 as approved in *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-15-424, Order Setting Interim Rates, Ordering Point 1 (PUC, Sept. 22, 2015). Interim rates continued until December 2016 when final rates went into effect as approved in *In the Matter of the Application of CenterPoint Energy Resources Corporation*, Docket No. G-008/GR-15-424, Order, Ordering Point 2 (PUC, Nov. 9, 2016).

³⁴ 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 *In the Matter of the Petition of Minnegasco, a Division of Arkla, Inc. for Authority to Increase Rates for the Natural Gas Service in Minnesota*, Docket No. G-008/GR-92-400, Order Rejecting Accounting Treatment in Compliance Filings (PUC, Dec. 29, 1993).

³⁵ *In the Matter of CenterPoint Energy’s (CenterPoint) 2014 Demand Side Management Financial Incentive, Conservation Improvement Program Tracker Report, and Conservation Cost Recovery Adjustment Compliance Filing*, Docket No. G-008/M-15-421, Order, Ordering Point 3 (PUC, Aug. 11, 2015).

³⁶ *Id.*

³⁷ Minn. Stat. § 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 the Company’s assessments under these three subdivisions for 2016 is \$668,744.

³⁸ *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Establishing Utility Performance Incentives for Energy Conservation, Ordering Point 10 (PUC, Jan. 27, 2010) 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.”

Miscellaneous Expenses

Included in the \$29,228,533 of CIP expenses are various meals, travel, and miscellaneous CIP-related expenses.

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 projects. In particular, expenses incurred educating customers and vendors (such as heating dealers, mechanical contractors, 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 (\$105,316.29) are 0.36 percent of the total CIP expenses included for recovery in this docket (\$29,228,533). The total amount in each of category is as follows:

Meals:	\$9,978.23
Entertainment:	\$0.00
Miscellaneous:	\$76,511.56
Travel:	\$18,826.50

The various categories listed above are generally defined as follows:

"Meals expenses" – expenses for meals taken with customers, vendors, or other employees at which specific Company business discussions take place or meals taken by the employee while away from his or her normal work location on a business day trip.

"Entertainment expenses" – expenses for 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" – 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 specific off-site meetings or conferences.

"Travel expenses" – expenses incurred while on a business trip requiring an overnight stay, including items such as airfare, lodging, and travel meals for the employee.

CenterPoint Energy tracks CIP-related spending separately from other utility spending, using Federal Energy Regulatory Commission 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). The CIP-related expenses are incorporated into the Company's CIP BenCost analysis through their inclusion in the Company's total CIP spending for 2016.

CenterPoint Energy Minnesota Gas

CIP Tracker and Balance

2016 Actuals

Current Approved CCRA of \$0.1021/Dth

CCRC Rate included in interim rates in the 2015 rate case (Docket No. G008/GR-15-424)

Expenses	Jan 16 Actual	Feb 16 Actual	Mar 16 Actual	Apr 16 Actual	May 16 Actual	June 16 Actual	July 16 Actual	Aug 16 Actual	Sept 16 Actual	Oct 16 Actual	Nov 16 Actual	Dec 16 Actual	Annual Summary
1 Beginning Tracker Balance (\$) - Under / (Over) Recovered	2,932,026	(1,427,230)	(6,912,025)	(9,430,879)	(11,922,033)	(12,303,180)	(12,239,849)	(11,328,208)	(10,331,569)	3,015,849	4,120,766	4,322,823	2,932,026
2 CIP Program Expenditures	1,909,406	1,243,481	2,929,186	1,295,996	2,051,106	1,636,069	2,120,228	2,223,177	1,860,694	2,517,100	2,610,912	7,499,921	29,897,277
3 Performance Incentive	-	-	-	-	-	-	-	-	12,732,019	-	-	-	12,732,019
4 Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	4,841,433	(183,749)	(3,982,839)	(8,134,883)	(9,870,927)	(10,667,111)	(10,119,621)	(9,105,031)	4,261,144	5,532,949	6,731,678	11,822,744	45,561,322
Recovery													
5 Total Volumes (Dt)	26,334,629	27,164,786	22,799,079	16,282,196	12,162,516	9,773,261	8,169,113	8,792,302	9,397,294	7,494,438	10,871,486	18,804,555	178,045,655
6 Exemptions (Dt)	(4,969,399)	(4,522,369)	(4,467,261)	(3,542,184)	(3,983,141)	(4,486,861)	(4,107,862)	(4,670,040)	(5,204,010)	(2,738,779)	(2,761,039)	(3,090,150)	(48,543,096)
7 Volumes less Exemptions (Dt) (Line 5 + Line 6)	21,365,230	22,642,417	18,331,818	12,740,012	8,179,375	5,286,400	4,061,251	4,122,262	4,193,284	4,755,659	8,110,447	15,714,404	129,502,559
8 Base Rate Recovery (CCRC) (per Dt)	0.195	0.195	0.195	0.195	0.195	0.195	0.195	0.195	0.195	0.195	0.195	0.1928	
9 Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(4,166,220)	(4,415,271)	(3,574,705)	(2,484,302)	(1,594,978)	(1,030,848)	(791,944)	(803,841)	(817,690)	(927,353)	(1,581,537)	(3,029,737)	(25,218,426)
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 (\$) (Line 7 x Line 10)	(2,181,390)	(2,311,791)	(1,871,679)	(1,300,755)	(835,114)	(539,741)	(414,654)	(420,883)	(428,134)	(485,553)	(828,077)	(1,604,441)	(13,222,213)
12 Adjustment for CCRA rate implementation	79,198												79,198
13 Adjustment for CCRC rate implementation												(6,757)	(6,757)
14 Interim rate true-up												276,946	276,946
15 Total Recovery (Line 9 + Line 11 + Line 12 + Line 13 + Line 14)	(6,268,412)	(6,727,062)	(5,446,384)	(3,785,057)	(2,430,092)	(1,570,589)	(1,206,598)	(1,224,724)	(1,245,825)	(1,412,906)	(2,409,614)	(4,363,989)	(38,091,252)
Carrying Charges													
16 Sub-Balance (\$) (Line 4 + Line 15)	(1,426,979)	(6,910,811)	(9,429,223)	(11,919,940)	(12,301,020)	(12,237,700)	(11,326,219)	(10,329,755)	3,015,320	4,120,043	4,322,064	7,458,755	7,470,070
17 Accum. Deferred Tax (Line 16 x 41.37% x -1)	590,341	2,859,003	3,900,870	4,931,279	5,088,932	5,062,737	4,685,657	4,273,420	(1,247,438)	(1,704,462)	(1,788,038)	(3,085,687)	
18 Net Investment (Line 16 + Line 17)	(836,638)	(4,051,809)	(5,528,353)	(6,988,661)	(7,212,088)	(7,174,964)	(6,640,562)	(6,056,335)	1,767,882	2,415,581	2,534,026	4,373,068	
19 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%	0.05%	
20 Carrying Charge (Line 18 x Line 19)	(251)	(1,214)	(1,656)	(2,093)	(2,160)	(2,149)	(1,989)	(1,814)	529	723	759	2,362	(8,953)
21 Ending Tracker Balance - Under / (Over) Recovered (Line 16 + Line 20)	(1,427,230)	(6,912,025)	(9,430,879)	(11,922,033)	(12,303,180)	(12,239,849)	(11,328,208)	(10,331,569)	3,015,849	4,120,766	4,322,823	7,461,117	7,461,117

Notes on the CIP Tracker Report:

1. Line 1: January beginning balance is equal to the December 31, 2015 ending balance of \$2,932,026, approved in *In the Matter of CenterPoint Energy's 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservative Cost Recovery Adjustment (PUC, Sept. 21, 2016).
2. Line 2: CIP expenditures include all program expenses as well as all assessments made by the Department of Commerce under Minnesota Statute § 216B.241 and the NGEA.
3. Line 3: The Company's 2015 CIP Financial Incentive, approved in *In the Matter of CenterPoint Energy's 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservative Cost Recovery Adjustment (PUC, Sept. 21, 2016).
4. Line 8: Interim rates, in which the CCRC was \$0.195 per Dth, went into effect in October 2015, pursuant to *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-15-424, Order Setting Interim Rates, Ordering Point 1 (PUC, Sept. 22, 2015). The interim CCRC remained in effect throughout November of 2016. The final CCRC rate of \$0.1928 per Dth approved in *In the Matter of the Application of CenterPoint Energy Resources Corporation*, Docket No. G-008/GR-15-424, Order, Ordering Point 2 (PUC, Nov. 9, 2016).
5. Line 10: The CCRA in the amount of \$0.1021 per Dth was implemented January 1, 2016 pursuant to *In the Matter of CenterPoint Energy's (CenterPoint) 2014 Demand Side Management Financial Incentive, Conservation Improvement Program Tracker Report, and Conservation Cost Recovery Adjustment Compliance Filing*, Docket No. G-008/M-15-421, Order, Ordering Point 3 (PUC, Aug. 11, 2015).
6. Line 12: Upon implementation of the current CCRA, the Company's CIP Tracker account was adjusted to account for the misalignment of the Company's billing cycle with the January 1st effective date of the new CCRA. 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 CCRC or CCRA to account for usage that took place in the previous month and should therefore be subject to the previous rate.
7. Line 13: Upon implementation of final rates from the Company's 2015 rate case, the Company's CIP Tracker was adjusted to account for the misalignment of the Company's billing cycle with the December 1st effective date of the new CCRC. See further description of the billing cycle misalignment in note 6 above.
8. Line 14: At the effective date of final rates (December 2016), the Company's CIP Tracker account was adjusted to reflect the restatement of the CIP tracker to reflect final rates. As discussed in the September 8, 2016 *Compliance Filing* in the 2015 rate case, the Company uses the interim rates CCRC to track CIP recoveries from the beginning of the test year until final rates are determined. When final rates are determined, the CIP Tracker is restated by making an accounting entry at the time that final rates are implemented.
9. Line 19: The interest factor used to calculate carrying charges is a monthly factor calculated from the annual rates specified in *In the Matter of CenterPoint Energy's 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservative Cost Recovery Adjustment (PUC, Sept. 21, 2016). The September 21, 2016 *Order* specified a carrying charge rate of 0.36% from October 2015 until the effective date of final rates from the Company's 2015 rate case (Docket No. G008/GR-15-424) and 0.65% beginning with the implementation of final rates from that rate case.

Carrying Charges

The calculation of carrying charges in the 2016 CIP Tracker is based on *In the Matter of CenterPoint Energy's 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservative Cost Recovery Adjustment Ordering Point 3 (PUC, Sept. 21, 2016), which states: "CenterPoint shall use a carrying-charge rate of 0.36% from October 2015 through the effective date of final rates in the Company's 2015 rate case and a carrying-charge rate of 0.65% beginning with the effective date of final rates in the Company's 2015 rate case."

The 2016 year-end CIP Tracker balance of \$7,461,117 includes \$8,953 in total carrying charges in the customers' favor. Calculation of the monthly carrying charge is shown in the table above; the calculation of the monthly interest factor is shown below.

Interest Factor, January - November:

$$\begin{aligned}\text{Annual Interest Factor} &= \text{Cost of Short Term Debt} \\ &= 0.36\%\end{aligned}$$

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.0036)^{(1/12)}) - 1 \\ &= 0.0003 \\ &= 0.03\%\end{aligned}$$

Interest Factor, December:

$$\begin{aligned}\text{Annual Interest Factor} &= \text{Cost of Short Term Debt} \\ &= 0.65\%\end{aligned}$$

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.0065)^{(1/12)}) - 1 \\ &= 0.0005 \\ &= 0.05\%\end{aligned}$$

SECTION 4: CONSERVATION COST RECOVERY ADJUSTMENT PROPOSAL

Background

On April 29, 2016, CenterPoint Energy, a division of CenterPoint Energy Resources Corporation, (“CenterPoint Energy” or the “Company”) filed a request for an updated Conservation Cost Recovery Adjustment (CCRA) for the 2017 program year.³⁹ The Minnesota Public Utilities Commission (Commission) approved the requested CCRA rate of \$0.1553 per dekatherm effective January 1, 2017,⁴⁰ which is currently in effect.

The purpose of the CCRA is to allow the Company to recover approved Conservation Improvement Program (CIP) expenses not recovered through the Conservation Cost Recovery Charge (CCRC), which is included in base rates. The Commission has required CenterPoint Energy to file its requests to modify the CCRA along with its CIP Tracker and Financial Incentive filings on May 1 of each year.⁴¹

With this filing, CenterPoint Energy does not propose an additional change to the CCRA. As detailed below, the Company’s projections indicate that maintaining, as opposed to increasing, the current CCRA will result in lower 2018-2019 monthly tracker balances and thus keep carrying charges closer to zero.

Detailed Discussion

To evaluate options for the CCRA, the Company projected CIP spending and recovery for 2017, 2018, and 2019. CIP spending was based on the currently-approved CIP budget for each year while sales volumes were those approved in the Company’s 2015 rate case,⁴² except for January, February, and March of 2017, which reflect actual spending and sales volumes.

In the Company’s projections for 2017 (see Attachment B-1), it is assumed that the Company will receive the Financial Incentive requested in this filing, which is determined by CenterPoint Energy’s 2016 performance and the mechanism approved by the Commission for the *2013-2015 Triennial Conservation Improvement Program Plan* and *2016 Conservation Improvement Program Plan*.⁴³ Projections for 2018 and 2019 estimate the Financial Incentive by applying the mechanism approved by the Commission for the *2017-2019 Conservation Improvement Program Triennial Plan* to the Company’s approved budgets for each year. The mechanism for the 2017-2019 triennium caps the Financial Incentive that a utility is eligible for to a specified percent of the utility’s CIP spending: 40 percent for the 2017 incentive and 35 percent for the 2018 incentive. Accordingly, the Company’s 2018 projections reflect an incentive of 40 percent of its 2017 CIP budget while the 2019 projected incentive is 35 percent of the 2018 budget (in each year, the incentive amount booked to the CIP Tracker reflects the incentive based on the prior year’s CIP performance). The incentives that

³⁹ CenterPoint Energy’s 2015 Conservation Improvement Status Report, E,G999/CI-08-133, *et. al*, p. 43-45 (Apr. 29, 2016).

⁴⁰ *In the Matter of CenterPoint Energy’s 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying Charge Rate, and Setting Conservation Cost Recovery Adjustment, Ordering Point 4 (PUC, Sept. 21, 2016).

⁴¹ *In the Matter of a Petition by CenterPoint Energy for Approval of its 2009 CIP Tracker Account and DSM Financial Incentive*, Docket Nos. G008/M-10-416, G008/M-10-634, Ordering Point 4 (PUC, Oct. 11, 2010).

⁴² *In the Matter of the Application of the CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Findings of Fact, G008/GR-15-424, Conclusions, and Order, p. 8 (PUC, June 3, 2016), the Commission adopted the administrative law judge’s (ALJ) findings regarding all matters not specifically discussed in the Commission’s Order, including the ALJ’s discussion of sales volumes in *In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*, Docket Nos. OAH 8-2500-32829, MPUC G-008/GR-15-424, Report of the Administrative Law Judge (OAH, Mar. 17, 2016).

⁴³ *In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation Pursuant to Minn. Stat. § 216B.241, Subd. 2c*, Docket No. E,G-999/CI-08-133, Order Adopting Modifications to Shared Savings Demand Side Management Financial Incentive (PUC, Dec. 20, 2012).

the Company actually realizes may differ from these estimates depending on the performance of the Company’s CIP in 2017 and 2018, but applying the mechanism’s spending cap to approved 2017 and 2018 CIP budgets seemed the best approach to developing the necessary projections. All of the projections referenced here are attached below.

Using the assumptions discussed above, the Company’s 2017 ending CIP Tracker balance is forecasted to be under-recovered by \$7,214,314. At current rates of recovery, and using the approved 2018 CIP budget, the Company projects that the CIP Tracker under-recovery would be reduced to \$3,917,889 by the end of 2018. In 2019, the Company’s projections indicate that the CCRA could be reduced slightly to \$0.01533 per therm to result in a zero year-end balance (see Attachment B-2).⁴⁴

An alternative approach would be to pursue a zero year-end balance in both 2018 and 2019. This could be accomplished by increasing the CCRA in January 2018 by 17 percent (to \$0.01822 per therm) followed by a reduction in 2019 of nearly 31 percent (to \$0.01263 per therm) (see Attachment B-3). However, the Company proposes to keep the rate constant at this time, in part because maintaining the current CCRA would reduce the fluctuations in rates for customers. More importantly, the Company’s proposed approach reduces the over-recovery of CIP costs and associated carrying charges by maintaining a lower average monthly balance.

While it may be counter-intuitive, the timing of CIP expenses and recovery results in lower carrying charges when the current CCRA is maintained than when a zero year-end balance is targeted. Chart 1 below shows the Company’s actual monthly CIP Tracker balance from 2015 through March 2017, and 2018-2019 projected CIP Tracker balances using (1) the Company’s proposed approach in which the current CCRA is maintained during 2018 and (2) the alternative in which the CCRA is set so as to result in an estimated CIP Tracker balance of zero at the end of both 2018 and 2019 (positive numbers indicate over-recovery while negative numbers indicate under-recovery).

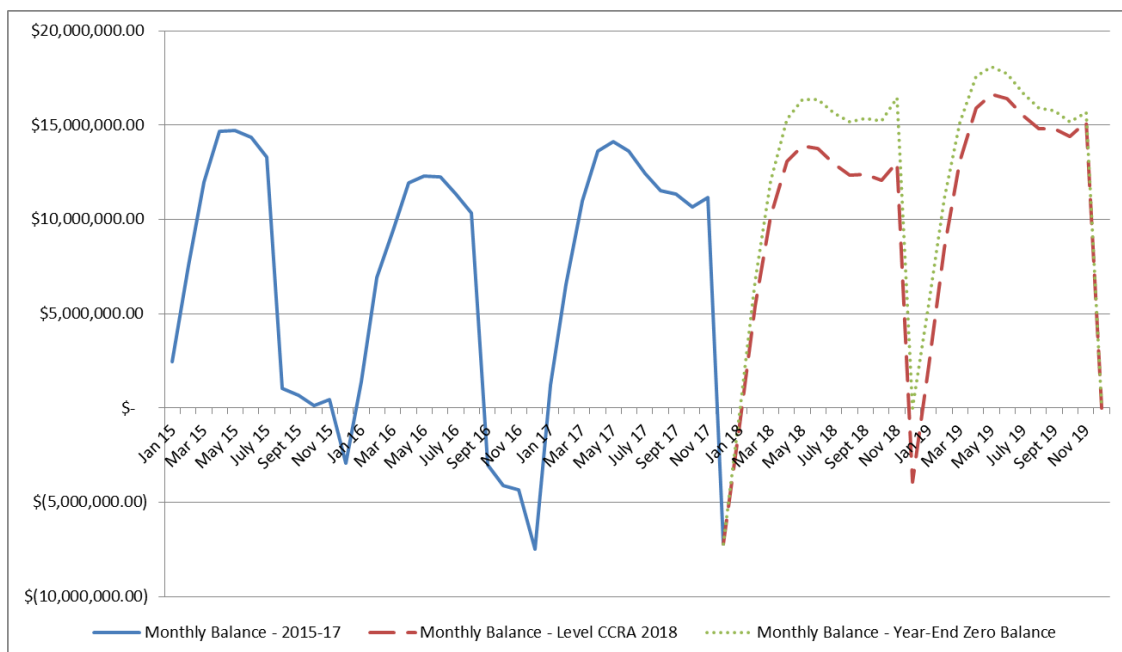


Chart 1: Actual and Projected CIP Tracker Balance 2015-2019

As can be seen, the CIP Tracker balance is over-recovered in most months of the year and drops at the end of the year due to entry of the Financial Incentive in the CIP Tracker and seasonal CIP spending (on average more than 40 percent of

⁴⁴ Note that projections will be updated in the Company’s May 2018 CIP filing and a separate review of costs and recovery will occur before any 2019 change in the CCRA.

the Company's CIP spending occurs in the fourth quarter of the year). This means that, in most months, carrying charges are accruing in the customers' favor. However, keeping the CCRA at its current level in 2018 results in lower over-recovery and thus carrying charges than the scenario where the balance is reduced to zero at year-end. This is illustrated further in Chart 2, which shows total annual carrying charges for 2018 and 2019 for the two scenarios (all figures are positive, indicating charges that would accrue to customers' benefit).

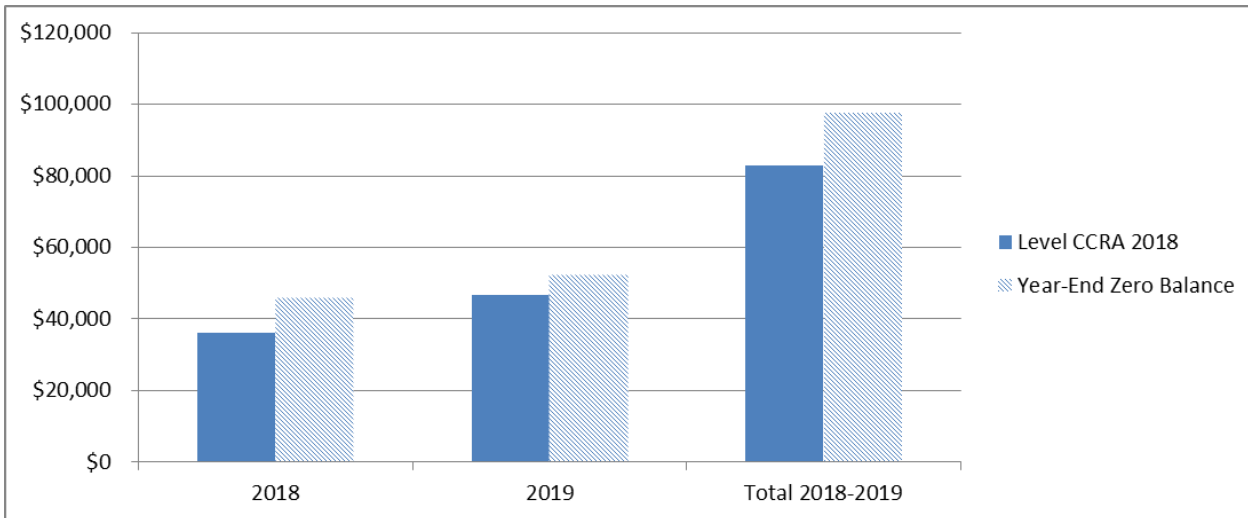


Chart 2: Total Carrying Charges 2018 and 2019

Based on the Company's projections and for the reasons articulated above, CenterPoint Energy does not request a change to the CCRA at this time. The Company will submit updated CIP Tracker information and new projections in its May 1, 2018 filing, which will provide an opportunity to update the rate of CIP recovery as appropriate. Because the Company is not proposing a change to the CCRA, no proposed tariff sheet or bill message language is included in this filing.

SECTION 5: ATTACHMENTS

Attachment A: DSM Financial Incentive Mechanism –2016 Financial Incentive Calculations and Associated BenCosts

Attachment B-1: CIP Tracker and Balance Projections for 2017

Attachment B-2: CIP Tracker and Balance Projections for 2018 and 2019 with CCRA rates that pursue a zero balance at year-end in both 2018 and 2019

Attachment B-3: CIP Tracker and Balance Projections for 2018 and 2019 with no change to the CCRA in 2018 and pursuing a zero year-end balance in 2019

Attachment C: Residential Engagement Pilot Analysis

Attachment A: DSM Financial Incentive Mechanism – 2016 Financial Incentive Calculations and Associated BenCosts

The following pages contain the worksheets used to calculate the requested 2016 Financial Incentive, taken from the spreadsheet provided by the Minnesota Department of Commerce.

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:	\$27,637,306	From Commissioner's Order approving Triennial Filing
Approved CIP Energy Goal:	1,556,160	From Commissioner's Order approving Triennial Filing
Estimated Net Benefits at Approved Goal:	\$82,242,879	From Utility Triennial Filing. ¹

¹ These figures reflect 2016 goals excluding a single large custom project, which was scheduled to be completed in late 2016. Anticipating that the project might be delayed, the Company's Shared-Savings Demand Side Management Financial Incentive Plan for 2016 set alternative goals for the case in which the project was not completed in 2016. See CenterPoint Energy's 2016 CIP Incentive Mechanism Plan, in Docket No. E,G-999/CI-08-133 (Feb. 1, 2016).

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:	1.30995%	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%	\$7,213,492	\$0	\$0.00
0.2%	272,980	0.00000%	\$14,426,983	\$0	\$0.00
0.3%	409,471	0.00000%	\$21,640,475	\$0	\$0.00
0.4%	545,961	2.61990%	\$28,853,966	\$755,946	\$1.38
0.5%	682,451	3.92985%	\$36,067,458	\$1,417,398	\$2.08
0.6%	818,941	5.23981%	\$43,280,949	\$2,267,838	\$2.77
0.7%	955,431	6.54976%	\$50,494,441	\$3,307,263	\$3.46
0.8%	1,091,922	7.85971%	\$57,707,932	\$4,535,675	\$4.15
0.9%	1,228,412	9.16966%	\$64,921,424	\$5,953,074	\$4.85
1.0%	1,364,902	10.47961%	\$72,134,915	\$7,559,459	\$5.54
1.1%	1,501,392	11.78956%	\$79,348,407	\$9,354,830	\$6.23
1.2%	1,637,883	13.09951%	\$86,561,899	\$11,260,442	\$6.88
1.3%	1,774,373	14.40947%	\$93,775,390	\$12,198,813	\$6.88
1.4%	1,910,863	15.71942%	\$100,988,882	\$13,137,183	\$6.88
1.5%	2,047,353	17.02937%	\$108,202,373	\$14,075,553	\$6.88
1.6%	2,183,843	18.33932%	\$115,415,865	\$15,013,923	\$6.88
1.7%	2,320,334	19.64927%	\$122,629,356	\$15,952,294	\$6.88
1.8%	2,456,824	20.00000%	\$129,842,848	\$16,890,664	\$6.88
1.9%	2,593,314	20.00000%	\$137,056,339	\$17,829,034	\$6.88
2.0%	2,729,804	20.00000%	\$144,269,831	\$18,767,404	\$6.88
2.1%	2,866,294	20.00000%	\$151,483,322	\$19,705,774	\$6.88

2016 CIP Results

Spending: \$28,955,408 From Utility Status Report
 Energy Saved: 2,006,014 From Utility Status Report
 Net Benefits Achieved: \$97,070,372 From Utility Status Report

Resulting Incentive:

Steps above Zero Point: 12.69713
 Percent of Net Benefits Awarded: 16.63262%
 Capped Net Benefit Award: 16.63262% (Lower of figure calculated above or 20%)

Financial Incentive Award: \$13,791,346 (including \$/Dth cap)

\$6.875 Requested incentive per Dth Saved
 14.21% Requested incentive as a percent of Net Benefits

Modifications:

	Residential Engagement Pilot Project				Total Impact
Budget	\$157,500				\$157,500
Energy	0				-
Net Benefits					(\$157,500)

2016 Pre-Year BenCost: 2016 CIP program excluding EnerChange project, Goal (used for pre-year inputs for financial incentive)²

Conservation Improvement Program (CIP)

BENEFIT COST FOR GAS CIPS-- Cost-Effectiveness Analysis

Company: **CenterPoint Energy**
Project: **2016 CIP Total Portfolio - Goal - Pre-Year**

<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 =	\$15,964,031	\$0	\$0
2) Non-Gas Fuel Retail Rate (\$/Fuel Unit) =	\$0.000	16 b) Incentive Costs =	\$11,673,275	\$0	\$0
Escalation Rate =	2.80%	16 c) Total Utility Project Costs =	\$27,637,306	\$0	\$0
Non-Gas Fuel Units (ie. kWh,Gallons, etc) =	kWh	17) Direct Participant Costs (\$/Part.) =	\$182	\$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) =	11	-	-
6) Variable O&M (\$/MCF) =	\$0.0500	21) Avg. MCF/Part. Saved =	5.8	-	-
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 =	298,673	-	-
8) Non-Gas Fuel Loss Factor	5.80%	24) Total Annual MCF Saved =	1,744,826	0	0
9) Gas Environmental Damage Factor =	\$0.3500	25) Incentive/Participant =	\$39.08	#DIV/0!	#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 =	2016				
15b) Project Analysis Year 2 =	2017				
15c) Project Analysis Year 3 =	2018				

<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 =	\$92.53	#DIV/0!	#DIV/0!	Ratepayer Impact Measure Test	(\$53,570,240)	0.67
Cost per Participant per MCF =	47.0244902	#DIV/0!	#DIV/0!	Utility Cost Test	\$82,242,879	3.98
Lifetime Energy Reduction (MCF)	19,193,086			Societal Test	\$71,124,067	2.01
Societal Cost per MCF	3.66675157			Participant Test	\$93,074,147	2.71

² These figures reflect 2016 goals excluding a single large custom project. See CenterPoint Energy's 2016 CIP Incentive Mechanism Plan, Docket No. E,G-999/CI-08-133 (Feb. 1, 2016).

2016 Post-Year BenCost: 2016 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: **2016 CIP Total Portfolio - Post-Year**

Input Data		First Year	Second Year	Third Year
1) Retail Rate (\$/MCF) =	\$6.75			
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 (\$/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 =	2016			
15b) Project Analysis Year 2 =	2017			
15c) Project Analysis Year 3 =	2018			
16 Utility Project Costs				
16 a) Administrative & Operating Costs =		\$15,607,255	\$0	\$0
16 b) Incentive Costs =		\$13,348,153	\$0	\$0
16 c) Total Utility Project Costs =		\$28,955,408	\$0	\$0
17) Direct Participant Costs (\$/Part.) =		\$176	\$0	\$0
18) Participant Non-Energy Costs (Annual \$/Part.) =		\$0	\$0	\$0
Escalation Rate =		1.73%	1.73%	1.73%
19) Participant Non-Energy Savings (Annual \$/Part.) =		\$0	\$0	\$0
Escalation Rate =		1.73%	1.73%	1.73%
20) Project Life (Years) =		10	-	-
21) Avg. MCF/Part. Saved =		7	-	-
22) Avg Non-Gas Fuel Units/Part. Saved =		0 kWh	0 kWh	0 kWh
22a) Avg Additional Non-Gas Fuel Units/ Part. Used =		0 kWh	0 kWh	0 kWh
23) Number of Participants =		328,567	-	-
24) Total Annual MCF Saved =		2,174,706	0	0
25) Incentive/Participant =		\$40.63	#DIV/0!	#DIV/0!

Cost Summary	1st Yr	2nd Yr	3rd Yr	Test Results	Triennial NPV	Triennial B/C
Utility Cost per Participant =	\$88.13	#DIV/0!	#DIV/0!	Ratepayer Impact Measure Test	(\$58,243,623)	0.68
Cost per Participant per MCF =	39.9721951	#DIV/0!	#DIV/0!	Utility Cost Test	\$97,070,372	4.35
Lifetime Energy Reduction (MCF)	21,747,059			Societal Test	\$85,570,951	2.16
Societal Cost per MCF	3.38342834			Participant Test	\$110,689,786	2.91

Attachment B-1: CIP Tracker and Balance Projections for 2017

CenterPoint Energy Minnesota Gas

CIP Tracker and Balance

2017 Forecast using 2015 rate case volumes

CCRC Rate reflects final rates

CCRA of \$0.1553/Dth (as approved)

	Jan 17 Actual	Feb 17 Actual	Mar 17 Actual	Apr 17 Forecast	May 17 Forecast	June 17 Forecast	July 17 Forecast	Aug 17 Forecast	Sept 17 Forecast	Oct 17 Forecast	Nov 17 Forecast	Dec 17 Forecast	Annual Summary
Expenses													
1 Beginning Tracker Balance (\$) - Under / (Over) Recovered	7,461,118	(1,210,843)	(6,548,018)	(10,976,689)	(13,627,055)	(14,124,119)	(13,638,166)	(12,450,037)	(11,544,805)	(11,356,583)	(10,665,022)	(11,148,607)	7,461,118
2 CIP Program Expenditures	18,943	1,650,323	1,979,021	1,931,619	2,532,597	2,393,411	2,778,435	2,419,608	1,788,065	2,794,170	3,322,801	10,947,136	34,556,129
3 Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$13,791,346	13,791,346
4 Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	7,480,061	439,480	(4,568,997)	(9,045,070)	(11,094,458)	(11,730,708)	(10,859,731)	(10,030,429)	(9,756,740)	(8,562,413)	(7,342,221)	13,589,875	55,808,593
Recovery													
5 Total Volumes (Dt)	28,976,419	23,857,557	20,803,589	15,646,010	11,618,370	8,279,476	8,281,537	7,742,537	7,162,033	8,318,550	13,334,696	21,616,217	175,636,992
6 Exemptions (Dt)	(2,960,553)	(3,790,263)	(2,405,954)	(2,495,560)	(2,927,792)	(2,812,253)	(3,724,327)	(3,402,630)	(2,576,431)	(2,288,004)	(2,410,086)	(3,294,345)	(35,088,197)
7 Volumes less Exemptions (Dt) (Line 5 + Line 6)	26,015,866	20,067,294	18,397,635	13,150,451	8,690,578	5,467,223	4,557,210	4,339,907	4,585,603	6,030,547	10,924,611	18,321,872	140,548,795
8 Base Rate Recovery (CCRC) (per Dt)	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	
9 Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(5,015,859)	(3,868,974)	(3,547,064)	(2,535,407)	(1,675,543)	(1,054,081)	(878,630)	(836,734)	(884,104)	(1,162,689)	(2,106,265)	(3,532,457)	(27,097,807)
10 CCRA (per Dt)	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	
11 CCRA Recovery (\$) (Line 7 x Line 10)	(4,040,264)	(3,116,451)	(2,857,153)	(2,042,265)	(1,349,647)	(849,060)	(707,735)	(673,988)	(712,144)	(936,544)	(1,696,592)	(2,845,387)	(21,827,230)
12 Adjustment for CCRA rate implementation	365,602												
13 Total Recovery (Line 9 + Line 11 + Line 12)	(8,690,521)	(6,985,425)	(6,404,217)	(4,577,672)	(3,025,190)	(1,903,141)	(1,586,365)	(1,510,722)	(1,596,248)	(2,099,233)	(3,802,857)	(6,377,844)	(48,559,435)
Carrying Charges													
14 Sub-Balance (\$) (Line 4 + Line 13)	(1,210,460)	(6,545,945)	(10,973,214)	(13,622,742)	(14,119,648)	(13,633,849)	(12,446,096)	(11,541,151)	(11,352,988)	(10,661,646)	(11,145,078)	7,212,031	7,249,158
15 Accum. Deferred Tax (Line 14 x 41.37% x -1)	500,767	2,708,057	4,539,619	5,635,728	5,841,298	5,640,323	5,148,950	4,774,574	4,696,731	4,410,723	4,610,719	(2,983,617)	
16 Net Investment (Line 14 + Line 15)	(709,693)	(3,837,888)	(6,433,595)	(7,987,014)	(8,278,349)	(7,993,526)	(7,297,146)	(6,766,577)	(6,656,257)	(6,250,923)	(6,534,359)	4,228,414	
17 Carrying Charge Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
18 Carrying Charge (Line 16 x Line 17)	(383)	(2,073)	(3,475)	(4,313)	(4,471)	(4,317)	(3,941)	(3,654)	(3,595)	(3,376)	(3,529)	2,284	(34,843)
19 Ending Tracker Balance - Under / (Over) Recovered (Line 14 + Line 18)	(1,210,843)	(6,548,018)	(10,976,689)	(13,627,055)	(14,124,119)	(13,638,166)	(12,450,037)	(11,544,805)	(11,356,583)	(10,665,022)	(11,148,607)	7,214,315	7,214,315

Approved Interest Factor from Short Term Debt:³

$$\begin{aligned}\text{Monthly Interest Factor} &= ((1 + \text{Annual Interest Factor})^{(1/12)}) - 1 \\ &= ((1 + 0.0065)^{(1/12)}) - 1 \\ &= 0.0005 \\ &= 0.05\%\end{aligned}$$

³In *In the Matter of CenterPoint Energy's 2015 Demand-Side Management Financial Incentive and Annual Filing to Update the CIP Rider*, Docket No. G-008/M-16-366, Order Approving Tracker Account, Approving Financial Incentive, Setting Carrying-Charge Rate, and Setting Conservation Cost Recovery Adjustment, Ordering Point 3 (PUC, Sept. 21, 2016) the Commission states that "CenterPoint shall use a carrying-charge rate of 0.36% from October 2015 through the effective date of final rates in the Company's 2015 rate case and a carrying-charge rate of 0.65% beginning with the effective date of final rates in the Company's 2015 rate case." Final rates went into effect in December 2016.

**Attachment B-2: CIP Tracker and Balance Projections for 2018 and 2019 with
CCRA Rates that Pursue a Zero Balance at Year-End in Both 2018 and 2019**

CenterPoint Energy Minnesota Gas
CIP Tracker and Balance

2018 Forecast

CCRC Rate reflects final rates

CCRA Determined by 2018 year-end goal- seek to zero

	Jan 18 Forecast	Feb 18 Forecast	Mar 18 Forecast	Apr 18 Forecast	May 18 Forecast	June 18 Forecast	July 18 Forecast	Aug 18 Forecast	Sept 18 Forecast	Oct 18 Forecast	Nov 18 Forecast	Dec 18 Forecast	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	7,214,315	214,746	(6,736,004)	(12,028,183)	(15,290,909)	(16,360,840)	(16,342,598)	(15,649,301)	(15,185,252)	(15,360,556)	(15,205,987)	(16,429,078)	7,214,315
2	CIP Program Expenditures	2,225,582	1,866,702	2,530,909	1,673,533	2,194,214	2,073,624	2,407,205	2,096,321	1,549,159	2,420,837	2,878,837	9,484,475	33,401,400
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$13,822,452	13,822,452
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	9,439,898	2,081,448	(4,205,095)	(10,354,650)	(13,096,695)	(14,287,216)	(13,935,393)	(13,552,980)	(13,636,093)	(12,939,719)	(12,327,149)	6,877,849	54,438,167
Recovery														
5	Total Volumes (Dt)	27,280,645	26,261,734	23,642,704	15,646,010	11,618,370	8,279,476	8,281,537	7,742,537	7,162,033	8,318,550	13,334,696	21,616,217	179,184,510
6	Exemptions (Dt)	(2,680,058)	(2,754,214)	(2,791,288)	(2,495,560)	(2,927,792)	(2,812,253)	(3,724,327)	(3,402,630)	(2,576,431)	(2,288,004)	(2,410,086)	(3,294,345)	(34,156,987)
7	Volumes less Exemptions (Dt) (Line 5 + Line 6)	24,600,587	23,507,520	20,851,416	13,150,451	8,690,578	5,467,223	4,557,210	4,339,907	4,585,603	6,030,547	10,924,611	18,321,872	145,027,523
8	Base Rate Recovery (CCRC) (per Dt)	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	
9	Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(4,742,993)	(4,532,250)	(4,020,153)	(2,535,407)	(1,675,543)	(1,054,081)	(878,630)	(836,734)	(884,104)	(1,162,689)	(2,106,265)	(3,532,457)	(27,961,306)
10	CCRA (per Dt)	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	0.1822	
11	CCRA Recovery (\$) (Line 7 x Line 10)	(4,482,227)	(4,283,070)	(3,799,128)	(2,396,012)	(1,583,423)	(996,128)	(830,324)	(790,731)	(835,497)	(1,098,766)	(1,990,464)	(3,338,245)	(26,424,015)
12	Total Recovery (Line 9 + Line 11)	(9,225,220)	(8,815,320)	(7,819,281)	(4,931,419)	(3,258,966)	(2,050,209)	(1,708,954)	(1,627,465)	(1,719,601)	(2,261,455)	(4,096,729)	(6,870,702)	(54,385,321)
Carrying Charges														
13	Sub-Balance (\$) (Line 4 + Line 12)	214,678	(6,733,872)	(12,024,376)	(15,286,069)	(16,355,661)	(16,337,425)	(15,644,347)	(15,180,445)	(15,355,694)	(15,201,174)	(16,423,878)	7,147	52,846
14	Accum. Deferred Tax (Line 13 x 41.37% x -1)	(88,812)	2,785,803	4,974,484	6,323,847	6,766,337	6,758,793	6,472,067	6,280,150	6,352,651	6,288,725	6,794,558	(2,957)	
15	Net Investment (Line 13 + Line 14)	125,865	(3,948,069)	(7,049,892)	(8,962,222)	(9,589,324)	(9,578,632)	(9,172,281)	(8,900,295)	(9,003,043)	(8,912,448)	(9,629,320)	4,190	
16	Carrying Charge Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
17	Carrying Charge (Line 15 x Line 16)	68	(2,132)	(3,807)	(4,840)	(5,179)	(5,173)	(4,954)	(4,807)	(4,862)	(4,813)	(5,200)	2	(45,697)
18	Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	214,746	(6,736,004)	(12,028,183)	(15,290,909)	(16,360,840)	(16,342,598)	(15,649,301)	(15,185,252)	(15,360,556)	(15,205,987)	(16,429,078)	7,149	7,149

CenterPoint Energy Minnesota Gas

CIP Tracker and Balance

2019 Forecast

CCRC Rate reflects final rates

CCRA Determined by 2019 year-end goal-seek to zero

	Jan 19 Forecast	Feb 19 Forecast	Mar 19 Forecast	Apr 19 Forecast	May 19 Forecast	June 19 Forecast	July 19 Forecast	Aug 19 Forecast	Sept 19 Forecast	Oct 19 Forecast	Nov 19 Forecast	Dec 19 Forecast	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	7,149	(5,536,736)	(11,105,742)	(15,139,684)	(17,606,123)	(18,109,632)	(17,709,493)	(16,672,721)	(15,888,741)	(15,750,525)	(15,169,280)	(15,674,949)	7,149
2	CIP Program Expenditures	2,307,915	1,935,759	2,624,537	1,735,444	2,275,386	2,150,335	2,496,256	2,173,872	1,606,469	2,510,393	2,985,337	9,835,342	34,637,046
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$11,690,490	11,690,490
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	2,315,064	(3,600,977)	(8,481,205)	(13,404,241)	(15,330,737)	(15,959,296)	(15,213,237)	(14,498,848)	(14,282,273)	(13,240,131)	(12,183,944)	5,850,884	46,334,685
Recovery														
5	Total Volumes (Dt)	27,280,645	26,261,734	23,642,704	15,646,010	11,618,370	8,279,476	8,281,537	7,742,537	7,162,033	8,318,550	13,334,696	21,616,217	179,184,510
6	Exemptions (Dt)	(2,680,058)	(2,754,214)	(2,791,288)	(2,495,560)	(2,927,792)	(2,812,253)	(3,724,327)	(3,402,630)	(2,576,431)	(2,288,004)	(2,410,086)	(3,294,345)	(34,156,987)
7	Volumes less Exemptions (Dt) (Line 5 + Line 6)	24,600,587	23,507,520	20,851,416	13,150,451	8,690,578	5,467,223	4,557,210	4,339,907	4,585,603	6,030,547	10,924,611	18,321,872	145,027,523
8	Base Rate Recovery (CCRC) (per Dt)	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	
9	Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(4,742,993)	(4,532,250)	(4,020,153)	(2,535,407)	(1,675,543)	(1,054,081)	(878,630)	(836,734)	(884,104)	(1,162,689)	(2,106,265)	(3,532,457)	(27,961,306)
10	CCRA (per Dt)	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	0.1263	
11	CCRA Recovery (\$) (Line 7 x Line 10)	(3,107,054)	(2,969,000)	(2,633,534)	(1,660,902)	(1,097,620)	(690,510)	(575,576)	(548,130)	(579,162)	(761,658)	(1,379,778)	(2,314,052)	(18,316,976)
12	Total Recovery (Line 9 + Line 11)	(7,850,047)	(7,501,250)	(6,653,687)	(4,196,309)	(2,773,163)	(1,744,591)	(1,454,206)	(1,384,864)	(1,463,266)	(1,924,347)	(3,486,043)	(5,846,509)	(46,278,282)
Carrying Charges														
13	Sub-Balance (\$) (Line 4 + Line 12)	(5,534,983)	(11,102,227)	(15,134,892)	(17,600,550)	(18,103,900)	(17,703,887)	(16,667,443)	(15,883,712)	(15,745,539)	(15,164,478)	(15,669,987)	4,375	56,403
14	Accum. Deferred Tax (Line 13 x 41.37% x -1)	2,289,822	4,592,991	6,261,305	7,281,347	7,489,583	7,324,098	6,895,321	6,571,092	6,513,929	6,273,545	6,482,673	(1,810)	
15	Net Investment (Line 13 + Line 14)	(3,245,161)	(6,509,236)	(8,873,587)	(10,319,202)	(10,614,316)	(10,379,789)	(9,772,122)	(9,312,621)	(9,231,609)	(8,890,934)	(9,187,313)	2,565	
16	Carrying Charge Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
17	Carrying Charge (Line 15 x Line 16)	(1,753)	(3,515)	(4,792)	(5,573)	(5,732)	(5,606)	(5,278)	(5,029)	(4,986)	(4,802)	(4,962)	1	(52,027)
18	Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	(5,536,736)	(11,105,742)	(15,139,684)	(17,606,123)	(18,109,632)	(17,709,493)	(16,672,721)	(15,888,741)	(15,750,525)	(15,169,280)	(15,674,949)	4,376	4,376

Attachment B-3: CIP Tracker and Balance Projections for 2018 and 2019 with No Change to the CCRA in 2018 and Pursuing a Zero Year-End Balance in 2019

CenterPoint Energy Minnesota Gas
 CIP Tracker and Balance
 2018 Forecast
 CCRC Rate reflects final rates
 CCRA of \$0.1553/Dth

	Jan 18 Forecast	Feb 18 Forecast	Mar 18 Forecast	Apr 18 Forecast	May 18 Forecast	June 18 Forecast	July 18 Forecast	Aug 18 Forecast	Sept 18 Forecast	Oct 18 Forecast	Nov 18 Forecast	Dec 18 Forecast	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	7,214,315	876,712	(5,441,276)	(10,171,965)	(13,080,244)	(13,915,625)	(13,749,494)	(12,932,748)	(12,351,059)	(12,402,074)	(12,084,295)	(13,012,433)	7,214,315
2	CIP Program Expenditures	2,225,582	1,866,702	2,530,909	1,673,533	2,194,214	2,073,624	2,407,205	2,096,321	1,549,159	2,420,837	2,878,837	9,484,475	33,401,400
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$13,822,452	13,822,452
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	9,439,898	2,743,414	(2,910,367)	(8,498,432)	(10,886,030)	(11,842,001)	(11,342,289)	(10,836,427)	(10,801,900)	(9,981,237)	(9,205,457)	10,294,494	54,438,167
Recovery														
5	Total Volumes (Dt)	27,280,645	26,261,734	23,642,704	15,646,010	11,618,370	8,279,476	8,281,537	7,742,537	7,162,033	8,318,550	13,334,696	21,616,217	179,184,510
6	Exemptions (Dt)	(2,680,058)	(2,754,214)	(2,791,288)	(2,495,560)	(2,927,792)	(2,812,253)	(3,724,327)	(3,402,630)	(2,576,431)	(2,288,004)	(2,410,086)	(3,294,345)	(34,156,987)
7	Volumes less Exemptions (Dt) (Line 5 + Line 6)	24,600,587	23,507,520	20,851,416	13,150,451	8,690,578	5,467,223	4,557,210	4,339,907	4,585,603	6,030,547	10,924,611	18,321,872	145,027,523
8	Base Rate Recovery (CCRC) (per Dt)	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	
9	Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(4,742,993)	(4,532,250)	(4,020,153)	(2,535,407)	(1,675,543)	(1,054,081)	(878,630)	(836,734)	(884,104)	(1,162,689)	(2,106,265)	(3,532,457)	(27,961,306)
10	CCRA (per Dt)	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	0.1553	
11	CCRA Recovery (\$) (Line 7 x Line 10)	(3,820,471)	(3,650,718)	(3,238,225)	(2,042,265)	(1,349,647)	(849,060)	(707,735)	(673,988)	(712,144)	(936,544)	(1,696,592)	(2,845,387)	(22,522,776)
12	Total Recovery (Line 9 + Line 11)	(8,563,464)	(8,182,968)	(7,258,378)	(4,577,672)	(3,025,190)	(1,903,141)	(1,586,365)	(1,510,722)	(1,596,248)	(2,099,233)	(3,802,857)	(6,377,844)	(50,484,082)
Carrying Charges														
13	Sub-Balance (\$) (Line 4 + Line 12)	876,434	(5,439,554)	(10,168,745)	(13,076,104)	(13,911,220)	(13,745,142)	(12,928,654)	(12,347,149)	(12,398,148)	(12,080,470)	(13,008,314)	3,916,650	3,954,085
14	Accum. Deferred Tax (Line 13 x 41.37% x -1)	(362,581)	2,250,344	4,206,810	5,409,584	5,755,072	5,686,365	5,348,584	5,108,016	5,129,114	4,997,690	5,381,540	(1,620,318)	
15	Net Investment (Line 13 + Line 14)	513,853	(3,189,211)	(5,961,935)	(7,666,520)	(8,156,148)	(8,058,777)	(7,580,070)	(7,239,133)	(7,269,034)	(7,082,779)	(7,626,775)	2,296,332	
16	Carrying Charge Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
17	Carrying Charge (Line 15 x Line 16)	278	(1,722)	(3,220)	(4,140)	(4,405)	(4,352)	(4,094)	(3,910)	(3,926)	(3,825)	(4,119)	1,240	(36,195)
18	Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	876,712	(5,441,276)	(10,171,965)	(13,080,244)	(13,915,625)	(13,749,494)	(12,932,748)	(12,351,059)	(12,402,074)	(12,084,295)	(13,012,433)	3,917,890	3,917,890

CenterPoint Energy Minnesota Gas

CIP Tracker and Balance

2019 Forecast

CCRC Rate reflects final rates

CCRA Determined by 2019 year-end goal- seek to zero

	Jan 19 Forecast	Feb 19 Forecast	Mar 19 Forecast	Apr 19 Forecast	May 19 Forecast	June 19 Forecast	July 19 Forecast	Aug 19 Forecast	Sept 19 Forecast	Oct 19 Forecast	Nov 19 Forecast	Dec 19 Forecast	Annual Summary	
Expenses														
1	Beginning Tracker Balance (\$) - Under / (Over) Recovered	3,917,890	(2,289,183)	(8,492,065)	(13,088,346)	(15,909,310)	(16,647,002)	(16,394,061)	(15,479,955)	(14,812,813)	(14,798,106)	(14,379,436)	(15,179,913)	3,917,890
2	CIP Program Expenditures	2,307,915	1,935,759	2,624,537	1,735,444	2,275,386	2,150,335	2,496,256	2,173,872	1,606,469	2,510,393	2,985,337	9,835,342	34,637,046
3	Performance Incentive	-	-	-	-	-	-	-	-	-	-	-	\$11,690,490	11,690,490
4	Total Expenses & Incentive (Line 1 + Line 2 + Line 3)	6,225,805	(353,424)	(5,867,528)	(11,352,903)	(13,633,924)	(14,496,666)	(13,897,805)	(13,306,082)	(13,206,345)	(12,287,712)	(11,394,100)	6,345,920	50,245,426
Recovery														
5	Total Volumes (Dt)	27,280,645	26,261,734	23,642,704	15,646,010	11,618,370	8,279,476	8,281,537	7,742,537	7,162,033	8,318,550	13,334,696	21,616,217	179,184,510
6	Exemptions (Dt)	(2,680,058)	(2,754,214)	(2,791,288)	(2,495,560)	(2,927,792)	(2,812,253)	(3,724,327)	(3,402,630)	(2,576,431)	(2,288,004)	(2,410,086)	(3,294,345)	(34,156,987)
7	Volumes less Exemptions (Dt) (Line 5 + Line 6)	24,600,587	23,507,520	20,851,416	13,150,451	8,690,578	5,467,223	4,557,210	4,339,907	4,585,603	6,030,547	10,924,611	18,321,872	145,027,523
8	Base Rate Recovery (CCRC) (per Dt)	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	0.1928	
9	Base Rate Cost Recovery (\$) (Line 7 x Line 8)	(4,742,993)	(4,532,250)	(4,020,153)	(2,535,407)	(1,675,543)	(1,054,081)	(878,630)	(836,734)	(884,104)	(1,162,689)	(2,106,265)	(3,532,457)	(27,961,306)
10	CCRA (per Dt)	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	0.1533	
11	CCRA Recovery (\$) (Line 7 x Line 10)	(3,771,270)	(3,603,703)	(3,196,522)	(2,015,964)	(1,332,266)	(838,125)	(698,620)	(665,308)	(702,973)	(924,483)	(1,674,743)	(2,808,743)	(22,232,720)
12	Total Recovery (Line 9 + Line 11)	(8,514,263)	(8,135,953)	(7,216,675)	(4,551,371)	(3,007,809)	(1,892,206)	(1,577,250)	(1,502,042)	(1,587,077)	(2,087,172)	(3,781,008)	(6,341,200)	(50,194,026)
Carrying Charges														
13	Sub-Balance (\$) (Line 4 + Line 12)	(2,288,458)	(8,489,377)	(13,084,203)	(15,904,274)	(16,641,733)	(16,388,872)	(15,475,055)	(14,808,124)	(14,793,422)	(14,374,884)	(15,175,108)	4,720	51,400
14	Accum. Deferred Tax (Line 13 x 41.37% x -1)	946,735	3,512,055	5,412,935	6,579,598	6,884,685	6,780,076	6,402,030	6,126,121	6,120,039	5,946,890	6,277,942	(1,953)	
15	Net Investment (Line 13 + Line 14)	(1,341,723)	(4,977,322)	(7,671,268)	(9,324,676)	(9,757,048)	(9,608,796)	(9,073,025)	(8,682,003)	(8,673,383)	(8,427,995)	(8,897,166)	2,767	
16	Carrying Charge Rate	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	
17	Carrying Charge (Line 15 x Line 16)	(725)	(2,688)	(4,143)	(5,036)	(5,269)	(5,189)	(4,900)	(4,689)	(4,684)	(4,552)	(4,805)	1	(46,679)
18	Ending Tracker Balance - Under / (Over) Recovered (Line 13 + Line 17)	(2,289,183)	(8,492,065)	(13,088,346)	(15,909,310)	(16,647,002)	(16,394,061)	(15,479,955)	(14,812,813)	(14,798,106)	(14,379,436)	(15,179,913)	4,721	4,721

Attachment C: Residential Engagement Pilot Analysis

The Residential Engagement Pilot (Pilot) provided supportive services to customers in Minneapolis who received a Home Energy Squad (HES) visit to encourage those customers to follow through with recommended energy-saving improvements to their homes, particularly air sealing and insulation opportunities. The support offered included assistance prioritizing work, simplifying and streamlining the contractor selection process, and scheduling the installation of energy efficiency improvements beyond the direct install measures offered as part of a typical HES visit. The additional services were provided only to customers in Minneapolis, allowing HES participants outside Minneapolis to serve as a control group for evaluation (the terms “Pilot” and “control HES” are used here to distinguish between the two groups of HES participants). A full project description can be found in the Residential Engagement Pilot modification request filed on October 31, 2014.⁴ The Deputy Commissioner approved the project on January 12, 2015.⁵ The Company filed an additional modification on April 13, 2016, requesting an increase to the project’s 2016 budget and participation goals, which was approved on May 4, 2016.⁶ Several aspects of the Pilot have been incorporated into the program design for the HES Project in the Company’s *2017-2019 CIP Triennial Plan*; the discussion below is intended to present some of the quantitative information that convinced the Company that the Pilot services were effective. This analysis is an abbreviated version of a paper presented at the 2016 American Council for an Energy Efficient Economy Summer Study on Energy Efficiency in Buildings⁷ (updated to incorporate additional data) focusing on the Pilot results and cost-effectiveness analysis.

Results

The goal of the Pilot was to determine whether additional customer engagement could successfully and cost-effectively increase the HES conversion rate, defined as the percentage of customers who received a home visit and then went on to perform energy upgrades. As summarized in Table 1, the Pilot achieved a significantly higher conversion rate than the Residential Energy Audit Project (REA) and more than three times that of the control HES.

Table 1: Pilot, control HES, and REA participation and conversion rates

	Pilot	2015 & 2016 Control HES	2015 & 2016 REA
Total Participants	1,560	4,519	2,563
Rebates Paid	203	200	279
Work Scheduled*	29	n/a	n/a
Total Rebates**	232	200	279
Conversion Rate***	14.9%	4.4%	10.9%
Significance****		10.98	3.65

*Scheduled work for which rebate has not yet been paid.

**Total Rebates = Rebates Paid + Work Scheduled

***Conversion Rate = Total Rebates / Total Participants

****Significance = z-statistic for the increased conversion rate of the Pilot compared to HES or REA

⁴ Request to Modify CenterPoint Energy’s 2013-2015 Triennial Conservation Improvement Program (CIP) Plan, Docket No. G008/CIP-12-564 (Oct. 31, 2014).

⁵ *In the Matter of CenterPoint Energy’s 2013-2015 CIP Plan: Addition of Residential Engagement Pilot Program*, Docket No. G008/CIP-12-564, Deputy Commissioner Decision (DOC, Jan. 12, 2015).

⁶ Request to Modify CenterPoint Energy’s 2016 Conservation Improvement Program Plan, Docket No. G008/CIP-12-564 (Apr. 13, 2016); *Request to Modify CenterPoint Energy’s 2016 Conservation Improvement Plan*, Docket No. G008/CIP-12-564, Deputy Commissioner Order (DOC, May 4, 2016).

⁷ Mark et. al., *Bridging the Gap Between Direct Install and Whole House Programs: Minneapolis Home Energy Squad Residential Engagement Pilot*, (ACEEE 2016), http://aceee.org/files/proceedings/2016/data/papers/2_662.pdf.

Of the 1,560 Pilot participants, 1,091 (69.9%) received recommendations for upgrade work while the remaining 469 did not. Arguably, the 469 Pilot participants that did not receive a recommendation for upgrade work should be excluded from the conversion rate calculation, which would cause the conversion rate for the Pilot to be slightly higher (21.3 percent) than shown in Table 1. However, the number of control HES and REA participants who were not candidates for upgrades is not known, so for comparison purposes it is reasonable to use the full number of participants for each program. In addition, Pilot services were provided to all 1,560 participants, so the higher number should be used in considering the program’s cost-effectiveness.

Energy Savings

Energy savings for insulation and air sealing are based on the initial R-value consistent with the approved deemed values for CenterPoint Energy’s Residential Weatherization Rebate (RWR) Project.⁸ Energy savings from the direct install component of the HES visit are not included in the consideration of the incremental savings driven by the Pilot. Because the additional Pilot services were not marketed to participants, it is assumed that direct install savings would be the same with or without the Pilot and that those savings can be ignored when evaluating the increase (if any) in savings driven by additional Pilot services.

For Pilot participants, both completed upgrades and those scheduled for completion (corresponding to the “Total Rebates” line in Table 1) are included in this analysis and discussion. Their inclusion reflects a simplifying assumption that all scheduled work will be completed. Table 2 shows the air sealing and insulation savings for Pilot participants, control HES participants, and REA participants.

Table 2: Air sealing and insulation savings realized by Pilot, control HES, and REA program participants

	Pilot	2015 & 2016 Control HES	2015 & 2016 REA
Total Participants	1,560	4,519	2,563
Participants pursuing upgrades	232	200	279
Savings (Dth)	5,222.9	4,143.5	4,637.6
Average Savings per Participant (Dth)	3.4	0.92	1.7
Average Savings per Upgrade (Dth)	22.5	20.7	15.7

Incremental Savings. Incremental savings are defined as the increase in average savings per participant for the Pilot relative to the rebated savings for participants in the control HES and the REA. The incremental average savings for the Pilot was 2.43 Dth relative to the control HES and 1.64 Dth relative to the REA.

Cost-Effectiveness

The average cost of providing additional services through the Pilot was \$272.43 per visit. Cost effectiveness was evaluated by comparing the incremental \$272.43 (which must be spent for each Pilot participant) against the incremental savings (2.43 Dth and 1.64 Dth) using the Utility and Societal tests.

⁸ Note that while the RWR rebate is considered a separate project for regulatory purposes, and all insulation savings driven by the HES and REA programs are claimed, if at all, through RWR, from the customer’s standpoint RWR is not delivered as a separate project; *e.g.*, the insulation contractors fill out the RWR rebate forms for the customer, regardless of which program the customer came through, and customers may be unaware that they are participating in multiple projects. Also worth noting is that the deemed savings values for attic insulation in Table 2 include savings from air sealing.

The analysis followed the methodology approved for CenterPoint Energy’s 2013-2016 energy efficiency programs, and assumed that the incremental services from the Pilot could be added to the REA for the same cost (\$272.43 per visit). The resulting cost-effectiveness ratios are shown in Table 3.

Table 3: Pilot incremental cost-effectiveness⁹

	Utility Test Ratio	Societal Test Ratio
Pilot vs. control HES	0.88	1.35
Pilot vs. REA	0.60	0.91

These results suggest that, compared to the control HES, the additional Pilot services provided resulted in a sufficient increase in energy savings to justify their cost from the societal perspective, but fell somewhat short on the Utility test. Compared to the REA, the services were somewhat less cost-effective on both tests. This could be caused by the slightly higher conversion rate of the REA compared to control HES. Speculatively, this may be because REA participants are already predisposed to complete energy upgrades while those requesting an HES visit are initially interested primarily in free direct-install measures. Going forward, service akin to those offered in the Residential Engagement Pilot will be targeted to participants most likely to benefit from them,¹⁰ increasing the cost-effectiveness of the additional services.

It is worth noting the presence of some confounding variables which complicate this analysis of the Residential Engagement Pilot. In 2014, CenterPoint Energy, Xcel Energy, and the City of Minneapolis (City) came together to form a city-utility Clean Energy Partnership (Partnership) with the intent of collaborating to promote energy efficiency, increase the use of renewable energy, and reduce greenhouse gas emissions in Minneapolis. As one of the efforts of this Partnership, at times during the course of the Pilot the City contributed funding to provide zero-interest financing for homeowners to complete insulation upgrades and to pay HES copays for customers that self-identified as having a household income below 300 percent of the Federal Poverty Level. The Company does not have access to data that would allow it to fully understand the impact, if any, of the City’s financing on the rate at which Pilot participants followed through on HES recommendations. Similarly, it is difficult to determine with the data available whether the City-provided zero-interest loans or the Pilot services had a greater impact on customers’ decisions to move forward with upgrades.

CenterPoint Energy and the Center for Energy and Environment are currently working to conduct a qualitative assessment of the pilot, surveying participants to better understand which aspects of the engagement services were most important in their decision to move forward with upgrades (or not). The Company will review the findings from this effort and consider integrating them into HES in the future.

⁹ For purposes of calculating the values in this table, it was assumed that all Pilot participation occurred in 2015. Specifically, the values in the table were generated by using 2015 BenCost sheets provided by the Minnesota Department of Commerce. Total 2015-2016 participation and incremental savings figures were entered as if all project activity had occurred in 2015.

¹⁰ CenterPoint Energy’s 2017-2019 Conservation Improvement Program Triennial Plan Filing, Docket No. G008/CIP-16-119, p. 43 (June 1, 2016).