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February 4th, 2022

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place E., Suite 350
St. Paul, MN 55101

In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On Bill Pilot Program (Docket No. G-008/M-21-377).

Community Power respectfully submits the following Comment into the record on behalf of our Board and Staff, holding in mind the many people, communities, movements, technical experts, and local global conditions that have informed our analysis.

Organizational Background and Experience

Community Power is an energy democracy organization located in Minneapolis, focused on the Twin Cities metro area, and a partner to community-based organizations across the state seeking to support their community members to have decision-making power in local energy systems so that they may have a clean, local, equitable, affordable, and resilient energy future. We seek to bridge the divide between those spaces where decisions are made, and the communities in which their impacts are felt and whose interests are spoken about. We believe expertise lies in both places, but often perspectives and knowledge of the latter are too often not present, invited, or given authority. Our greatest accountability is to bring about process and outcomes in which the perspectives and needs of more and more people - in particular those of Black, Indigneous, and People of Color and working class and moderate income communities - drive energy decisions-making, reversing a long and still present trend of those communities bearing risk and cost but not authorization to decide.

After years of vetting the tool of Inclusive Financing ourselves and in small groups with others locally, watching the continued expanding successes of it nationally, and witnessing the City of Minneapolis and other Minnesota jurisdictions begin to do their own due diligence, we are grateful for the opportunity to submit our comments in **support of piloting Inclusive Financing in Minnesota and with key changes in Centerpoint's proposal.** This is a key step for the state to take in opening up access to all Minnesotans and mitigating the greatest financial, health, social inequities, and climate risks of continuing at current levels of energy efficiency access.

TABLE OF CONTENTS

Why Tariffed On-Bill Financing?

This mechanism - as designed in the Pay-As-You-Save model - is emerging nationally as a foundational tool to addressing decades-long barriers for the majority of people who are not on either end of the income spectrum. It uses this form of "targeted universalism" to meet the dual needs of households who have not been reached by existing energy programs and of an inefficient energy system. Targeted universalism focuses on first and foremost fitting the specific needs of those underserved by existing options, but not excluding anyone who can benefit from it and who chooses it. The size of cost-effective energy improvements in the dwelling, not the financial situation of the occupant, is the primary qualifier. Importantly, this does not replace existing programs but works in tandem with them - through outreach and programmatic collaboration - to meet the "missing middle" who are neither poor enough nor cash/credit rich enough to access capital or the public pools of money collected from Minnesotans through taxes and utility bills.

Extensive field-testing nationally demonstrates robust built-in consumer protections, tangible savings and bill stability, and pent up demand for this type of access:

In a PAYS program, the utility covers the upfront cost of cost effective upgrades – without requiring either the building owner or the renter to qualify for a lease or a loan to take on debt – and it recovers those costs on the utility bill with a charge that is significantly less than the savings. Specifically, several key components build in strong consumer protections:

1. a utility tariff that links bill-payment responsibility for program cost recovery to a specific meter, not to an individual customer. It is not an individual loan to a person nor a lien or an encumbrance to the building.
2. the protection and tangible benefits of the "80/20 rule" - where no cost recovery charges can be applied *unless* the savings exceed costs using only at or below 80% of the savings over 80% of the lifespan of the improvement

3. extended consumer protections in program delivery in which the work is scoped by an independent program operator (not a contractor) and incentivized to deliver the greatest energy savings at the least cost, leaving no opportunity for contractor up-selling, and mandatory home-specific independent measurement and verification.
4. on-bill cost-recovery, streamlining the participant experience because costs and savings are added together in the same place rather than accumulated from/to different entities on different bills.
5. compatible and works in concert with other rebate options available, leveraging those same offers available to others who have cash or credit access
6. not a replacement or displacement of tax-payer and rate-payer funded assistance programs - program implementers partner with assistance programs to offer referrals to no-cost income-eligible programs

National Testimonies about Inclusive Financing

EPA Administrator, Michael Regan,[1] *White House Roundtable on Accelerating Building Decarbonization as part of Day One of the Department of Energy Better Building Summit,* June 2021:

*"I'll conclude with a new program that I am particularly excited about. EPA is developing a new ENERGY STAR program offering to accelerate energy efficiency and electrification retrofits in existing homes. The ENERGY STAR Home Upgrade will focus on measures that offer the greatest potential to reduce residential fossil fuel use and deliver significant energy savings.This effort will serve as a platform for the vast network of ENERGY STAR partners to leverage to quickly scale up effective programs.This package is exciting both for what it can deliver, and for whom it can deliver it to. A key focus of this effort will be underserved households that suffer the greatest from high energy bills. We are working on accelerating emerging models of success at expanding the scale of efficiency deployment in underserved and overburdened communities, such as BlocPower and **inclusive utility investment approaches with robust consumer protections like the Pay As You Save® (PAYS®) model**. Everyone deserves to be part of climate solutions: to access the benefits of safe, healthy, efficient, non-polluting homes, powered by clean energy, with access to clean transportation."*[2]

NAACP, "Lights Out in the Cold" Report, [3] March 2017

[1] Regan began his career as an environmental regulator for the Environmental Protection Agency during the Clinton administration and Bush administration from 1998 to 2008. In 2017, North Carolina governor Roy Cooper selected Regan to serve as the secretary of the North Carolina Department of Environmental Quality.[10] During his tenure, he launched the state's Environmental Justice and Equity Board with a charter to advise the Secretary on how best to advance environmental justice and promote community engagement, particularly across historically underserved and marginalized communities. In January 2020, Regan secured an agreement with Duke Energy for the largest coal ash contamination cleanup in United States history. Regan is the first Black EPA Administrator in US history.
[2] https://betterbuildingssolutioncenter.energy.gov/sites/default/files/transcript/Accelerating%20Building%20Decarbonization%20A%20White%20House%20Roundtable%20with%20Government%20-%20Industry.pdf
[3] https://naacp.org/resources/lights-out-cold

"Inclusive financing programs use a utility tariff rather than a loan to finance cost effective energy upgrades, and they break down the barriers to access so that these savings can be realized. These models are providing an avenue for access for utility customers who may not qualify for direct install programs for low-income customers yet still struggle to make ends meet and keep the lights on. With these savings, inclusive financing models have the express potential to reduce and eliminate utility disconnections and provide critical services to vulnerable populations. No utility offering inclusive financing based on the Pays As You Save®(PAYS®) system has reported a single disconnection for non-payment among program participants."

Marshall Cherry[4] COO of Roanoke Electric Cooperative, March 2020:

"It's made a big impact from a member satisfaction standpoint. We're reaching more member-owners and making them more comfortable in their homes. We have a found a methodology to address some of the barriers like landlords, individuals not wanting to take on additional debt, or those with credit issues. That has given us a high impact tool to place in our kit that we can use to respond to high bill concerns and helps us do additional outreach. It has also really supported our operating costs. We're learning that in many cases, our users are high contributors to our peak demand. We are experiencing savings during peak events. It's showing an internal rate of return. Although we're selling fewer kwh, we're experiencing lower demand on the system. The more we can bring the demand down, the more we can flatten our energy sales through any given month and our price point is cheaper and we're in a better position to sell affordable energy to our member-owners."

Mark Cayce[5] General Manager of Ouachita Electric Cooperative, March 2020:

"By cutting peak demand, we can reduce new plants being built. We're looking at two coal plants being shut down in the next 7-8 years that don't have to be replaced. That's a good thing; that keeps costs down. I think there's a lot of reluctance and fear with other utilities to jump in the way we have. It's tough to change. But I'm seeing that a lot of co-ops are considering things now they wouldn't have four years ago. I think the demand from the consumers is driving that. We've gone from an attitude of selling as much electricity as we can to an attitude of serving our customers as best we can. They get lower bills, we get lower costs, everyone wins.

[...] We could use our cost of capital, which isn't available to individuals, to create the tariff. It's not a loan, it's an investment we're making. The NC Sustainable Energy Foundation also added

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[4] Marshall Cherry has served the members of Roanoke Electric Cooperative for 22 years and currently serves as the organization's Chief Operating Officer. He is currently a board member of The Support Center, a statewide Community Development Financial Institution, and chairs their small business lending committee.

[5] Mark Cayce is General Manager and CEO for Ouachita Electric Cooperative headquartered in Camden Arkansas since January of 2002, holding over 39 years of experience in the electric utility industry. Ouachita Electric Cooperative was recently recognized by the Smart Electric Power Alliance for one of its Power Player Awards, 2017 Electric Cooperative of the Year.
https://www.seealliance.org/blog/a-tale-of-two-tariffs-ouachita-electric-cooperative-and-roanoke-electric-cooperative/

a $50,000 loan loss reserve. We haven't had to collect on any of it, but knowing that we have that backing, made starting the program feel less risky. We wrote a tariff to collect on-bill, sent that to the public service commission in the fall of 2015, and it was approved in 2016 without any changes. After the first year, we had invested almost $3 million in local member homes. With weatherization and HVAC, we're averaging an 18% reduction in demand across all members. Some are as high are as 30-40%. Adding solar moves the savings up to 70-80%.

Overall, our cost of power has decreased. For every residential project completed, we're seeing a 1.5 to 2 MW reduction for peak demand. Because we've done 700 projects and added solar, we've reduced our summer peak by about 30%. These, and other factors, all contributed to OEC implementing a 4.5% rate decrease on February 1, 2020."

Dr. Anthony Kinslow II, ACEEE Finance Forum, May 2021:

"Today we are here to talk about inclusive utility investments. I am personally excited to introduce a model that is smart business for the utility and an equitable solution for customers. In fact, I introduce this solution as antiracist. Yes, even at the energy efficiency financing forum we are going to bring up systemic racism. Racist policies and strategies in the U.S. financing sector from predatory lending to redlining have resulted in racially marginalized groups being forced to live in areas with inefficient housing and higher levels of pollution. Moreover, black and brown and indigenous households are spending significantly more of their income on energy. This is referred to as an energy burden. They have less income and wealth relative to a white household. So how does this relate to today's session? Simply put, today we are discussing a solution that does not exacerbate these realities. Unlike the debt-based solutions such as loans and rebates that are pervasive in the clean energy community, eligibility for tariffed on-bill (TOB) doesn't rely on credit score, it doesn't rely on customers owning the property, and it doesn't depend on the household being rich enough or poor enough to be eligible. The only criterion is cost effectiveness which, in this case, is whether the suggested upgrades to the house will result in enough savings to pay back the investment with a sufficient buffer so that the savings are immediately realized by the customer. We know due to historic and current disproportionate investment into racially marginalized communities, these are the communities that have the highest savings potential and are most cost effective. As such, TOB is not just a solution that presents a good business opportunity for utilities, but by implementing it we are also combatting the systemic and historical injustices that persist today."[6]

Persistent and Wide Gaps in Existing Programs

While Minnesota already has many rate-payer and publicly funded energy efficiency programs that meet the needs of some on either end of the income spectrum, the design of these programs maintains vast gaps in accessibility and high barriers to participation for *functionally* low-income/low-wealth (not income-eligible at state, utility, or federal measures), moderate income households, renter households, which all particularly impact communities of color.

[6]https://www.forbes.com/sites/melinawalling/2021/05/27/bridging-the-energy-efficiency-divide/?sh=6995afa63fa2

For the income-eligible programs (WAP & LI-CIP), income-testing for assistance was not established because proving one's income is a desirable use of time for people with low-incomes in some way.[7] It is a costly time and paperwork burden put in place *because* we do not have enough money dedicated to weatherization that everyone can participate in a program where the cost is paid as a grant upfront on the participants behalf from a pool of public funds. Therefore: we must ensure that those who need it *most* receive it (in Minnesota this would be the ~500,000 people who are eligible for WAP and even more if we include LI-CIP, which uses expanded guidelines based on state median income).[8] This becomes necessary policy in order to steward and prioritize limited resources.

So, what does everyone else do because we have not yet valued universal weatherization as a public necessity or a least cost option? In a place like Minneapolis/St. Paul, where ~74% in a sample size of 12,000 are under-insulated[9] (e.g. attic or wall insulation needed), we are still relying on individuals to carry the burden of *accessing* cash or debt for something that is clearly at the scale of a collective problem.

There's multiple key reasons why our programs "for everyone else" (e.g. not income-eligible programs) cannot be reliant on *personal* debt or upfront cash as our primary vehicle for cost-saving programs:

- Even with 0% interest options, the individually-based obligation of personal loans for efficiency do not align with project or personal realities:
    - Average time in residence does not align with loan payback periods – the Average American moves ~every 8.5 years[10] and many move far more frequently especially households with lower wealth. This does not align with the average payback period of a loan for an efficiency upgrade ~10-15 years, so the loan recipient is disincentivized to seek one out if they will be obligated beyond the time it will benefit them
    - Existing debt burdens make additional loans unworkable or undesirable – the average debt in the US is $90,000, with the youngest generations showing a marked increase in average student loan debt[11]

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[7] *"A common image of the poor is that they have 'nothing but time,' but this is a stereotype. Many people living in poverty actually face extreme time pressure because money and time are linked resources. Society is remarkably unsympathetic to the pressure faced by people living in poverty. Polly Toynbee [...] found that 'poor people's time is regarded as valueless. Measuring poverty matters because it determines who deserves assistance. Actually getting assistance is another issue – it takes time. We don't have to look any further than the lengthy processes required to qualify for assistance and the regular renewal requirements needed to keep it. Our assistance programs often don't realize that time is a valuable commodity. It has been over 35 years since academics first pointed out that time is an important dimension of poverty. Yet, blatantly and latently we continue to ignore how time-consuming poverty is and that poor people's time is valuable.'* https://stateofopportunity.michiganradio.org/post/time-poverty https://books.google.com/books?id=fJzBMnDPh7EC&pg=PA51&source=gbs_toc_r&cad=4#v=onepage&q&f=false

[8] Importantly - we are also still missing most income-eligible households - most noticeably via WAP which still hasn't served ~91% of income-eligible households since 2005 due to to chronic under-funding. At that rate it would take 291 years to meet that need with weatherization alone. Even with enhanced LI-CIP and WAP dollars we are not close to meeting that need within even 50 years https://www.cleanenergyresourceteams.org/under5

[9] Centerpoint Response Information Request #6 - Community Power

[10] https://fivethirtyeight.com/features/how-many-times-the-average-person-moves/

[11] https://www.experian.com/blogs/ask-experian/research/consumer-debt-study/

    - Roughly 50% of Americans have "bad" or "no credit," disqualifying them from loan options[12]
    - ~30% of Minnesotans are renters and over 50% of Minneapolis/St. Paul are renters, which means they do not have incentives to take out loans on a property they don't own, and are at the mercy of the landlords' willingness/ability to do so.
    - Many small landlords, even with high levels of interest in energy efficiency, either do not have the ability to take out a loan, or need to safeguard their credit and access to capital for other critical improvements (roof replacements, repairs, etc).[13]
- Current utility rebate and incentive programs (other than publicly funded low-income programs and direct installations) are regressive - transferring wealth from the lower wealth/moderate income to the wealthy, who have time and resources to purchase energy efficient equipment and apply for rebates, an incentive that minorly reduces the upfront cost. Most households can't or won't (eg. renters, many landlords, low-credit folks, unbanked people) be able to access the remaining capital to cover the upfront costs:
    - CIP programs - including both LI-CIP and CIP - are paid into by all residents who pay an energy bill (or by proxy through rent paid if no utility bill is assigned to the renter) except those who apply for and receive assistance-based exemptions. Though no start-up costs or later year expansion costs could be located by the Company due to the age of the program, the Responses to our Information Requests[14] show that there is a net bill impact on all non-exempt residents for these programs. An ongoing wealth transfer is at play for those with no mechanism to meaningfully access those pooled funds.
    - As one example of the uptake of personal debt-based programs, according to Centerpoint, only ~24 loans have been administered in the first two years of the program despite a start-up cost of ~$1.9 million.[15] Further information about range interest rates and origination fees, paperwork requirements, minimum credit scores, demographics served are known only to the vendors of the program - currently only the Center for Energy and Environment - and could be explored to identify who is being served and at what thresholds.

The reality of the racialized wealth divide - most deeply impacting Black Americans, and particularly acute in Minnesota – also means that reliance on loans disproportionately excludes Minnesotans of color, particularly Black Minnesotans:

- 1 in 4 Black Minnesotans own a home as compared to roughly 3 in 4 white Minnesotans[16]

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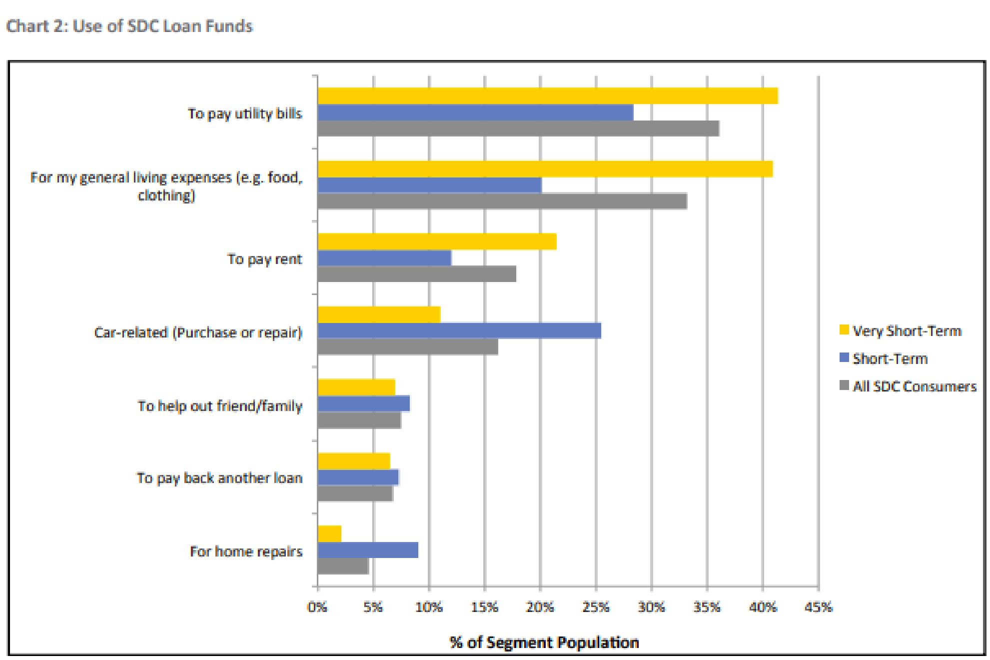
[12] https://www.urban.org/sites/default/files/publication/78591/2000652-Comparing-Credit-Profiles-of-American-Renters-and-Owners.pdf
[13] 2017 Minneapolis Renters Efficiency Study, conducted by the Minneapolis Renters Coalition
[14] Response to Information Request #5, 11, 12 - Community Power
[15] Centerpoint Response to Information Request #5, OAG
[16] https://www.minneapolisfed.org/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota

- 16% of Black applicants were denied mortgages last year, compared to 7% of white borrowers. The most common reason lenders cited, by far, was the ratio of a borrower's debt to income[17]
- A higher proportion of Black and LatinX households are "unbanked," which often necessitates use of alternatives like payday lending, pawn shops, and other small credit options.[18] Utility bills are the first most cited reason for the use of these types of high interest, small credit options[19] (see Figure 1)
- Black-owned businesses - a key feature of wealth-building in the US alongside home ownership - are denied loans more frequently than other applicants and when approved receive on average lower amounts and higher interest rates[20]
- Due to persistent marginalizing policies, regulations, and marginalization (both purposeful and unintentional), the wealth divide between the average household of color, again particularly Black households, and white households has grown. This means that not only are incomes stratified by race, but so, too, are safety nets, financial cushion to adapt to unforeseen circumstances.[21]

Figure 1



*Respondents could select up to three options. Additional information on the question provided in the appendix.

[17] https://www.marketplace.org/2020/06/26/black-applicants-more-likely-be-denied-mortgages/
[18] A higher proportion of Black and LatinX households are "unbanked," which often necessitates use of alternatives like payday lending, pawn shops, and other small credit options
[19] https://www.fdic.gov/news/events/consumersymposium/2012/A%20Complex%20Portrait.pdf
[20] https://www.forbes.com/sites/forbesfinancecouncil/2018/01/22/why-minorities-have-so-much-trouble-accessing-small-business-loans/#6f87546055c4
[21] https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/

We face two even bigger collective problems if we fail to address our deeply inefficient energy system, which includes the end uses (e.g. homes, businesses) of which 22%[22] is driven by residential uses:

1. producing, maintaining, and paying for an overbuilt energy system (no matter if it's solar and wind or fracked gas and coal);
2. adapting to a rapidly destabilizing climate that produces (of particular relevance to Minnesota) hotter, wetter summers; volatile unpredictable winter cold snaps locally and nationally like in February of 2021; more frequent long duration wildfires with smoke that lingers for weeks like summer of 2021, and massive national and global migration towards climates that are habitable and have abundant access to fresh water.

We all face the consequences of failing to find scalable solutions to this problem, but actually those who are hit hardest are lowest income ("income-eligible" and low wealth alike) and communities of color who face both higher energy burdens and the highest risks from climate change. Addressing "low-income"/equity issues is both about individual access for deeply low-income (e.g. "income-eligible" households) to receive direct household level benefits through public funds, ***and*** of equal priority is to enable universal action by individuals to match the scale of the problem of inefficiencies and associated costs and emissions. Solutions are only scalable *because* they are grounded in these realities of crushing individual debt and growing expectations to take on more for essential things (medical, educational, mortgages, etc) and systemic racism in individually-focused financing.

In 2018, Intergovernmental Panel on Climate Change said we have 12 years to cut our emissions in half, which of course means switching to clean energy but it also means *everyone must be able to participate in cutting their emissions* not just those who are income-eligible. Efficiency reduces these "frontline communities'" climate vulnerability to extreme heat and cold caused by climate change and economic vulnerability to energy price spikes caused by climate change, as well as improving home health and air quality that helps improve resilience to bad outdoor air quality (e.g. from wildfire smoke), and global disruptions like COVID-19 where people are by mandate isolated inside indoor spaces they live in. Accessible efficiency fuels not just mitigation in an equitable and thorough way, but also fuels long-term resilience for those most vulnerable.

Energy efficiency and conservation are low cost resources that we must enable widespread investment in to avoid overbuilding expensive energy infrastructure. And we know that large, financially-stable institutions like utilities, credit unions, and philanthropic institutions can leverage access to capital with rates that are unparalleled to what could be achieved - unsubsidized - by individuals, and dramatically lowers the time burden of navigating (e.g. one institution accessing $15 million in capital compared to hundreds of thousands of people - and the associated financing workers to match - navigating that same process for small fractions of that capital).

[22] https://www.eia.gov/state/?sid=MN#tabs-2

Replies to Observed Concerns about TOB - Addressed through Case Studies

1. “Inclusive Financing Will Block People From Accessing Income-Eligible Programs”
There is no evidence to suggest that Tariffed On-Bill programs have funneled income-eligible households away from “no-cost” (ratepayer-taxpayer funded) programs. The commitment and obligation to discuss with participants their tax-payer and ratepayer-funded options and refer those interested to is a practice across TOB programs as it is in current non-income-qualified CIP programs like Home Energy Squad.

We believe more touch points for these referrals to raise awareness is actually ancillary benefit to a program that is widely participated in because the outreach efforts match that underserved middle group, but act as active collaborators and partners with CAP, WAP, and LI-CIP operators to spread the word. We strongly support that Centerpoint has reaffirmed in its Information Requests[23] this practice of active notification of income-eligible programs and collaboration with CAP/WAP agencies as well as in its filing, and would caution against the Commission removing this provision. As mentioned in our recommendation, we also hope that the Commission directs Centerpoint to increase funding for outreach/engagement for LI-CIP so that the essential follow up support, application processing, and scheduling for program implementation that CAP/WAP/LI-CIP operators perform can happen within weeks rather than languishing for months due to underinvestment.

Inclusive Financing is not targeted toward income-eligible participants - it is targeted for those who are still *functionally* low-income (e.g. not quite meeting 60% State Median Income threshold, nor 200% FPL, nor any other accepted methods of official verification for energy programs) and moderate income households. Those income-eligible programs perform a vital role to serve deeply low-income folks. These programs must be expanded by actions from utilities, legislators, and state agencies to meet real-time demand and eligibility.

2. “Financing isn’t the main reason people aren’t doing energy efficiency.” Financing is by no means the only barrier but it is a fundamental piece. In fact, we see it as one of four key changes needed to make efficiency virtually universal:

- Stable, at-scale funding for those who the state and federal government define as low-income including pre-weatherization, and the associated time-intensive outreach and follow up that will reach all ~500,000 income-eligible households by 2030, and create stronger tools for pre-qualification to offload the time, follow up, and administrative burden from the individual applicant

[23] Centerpoint Response Information Request #5, Energy Cents Coalition

- Community-based and culturally appropriate community engagement that engages whole communities in energy efficiency solutions that meets needs and guides them through the process
- Streamlined program design that proactively integrates across program offerings and funding streams and supports sector-by-sector, community-by community implementation of energy solutions as opposed to waiting for individual initiative. Programs should help walk people through a tailored, narrowed set of options rather than depend on them to figure out each step.
- Universally accessible financing that does not require debt or upfront payments

As long as energy efficiency is seen as a significant upfront cost, as opposed to, like power plants and transmission lines, a necessary service that people pay for over time, the fact that non-income-qualified individuals (whether homeowners, landlords, or renters) have to take out thousands of dollars in debt or upfront costs will remain a major barrier to meaningful investment as if efficiency were the least-cost resource and climate mitigating tool that it is.

3. "Stretching out the timeframe of repayment to match monthly savings results in greater overall interest charges." Surely - if every homeowner could take out one year mortgages to pay for their homes, they would pay a lot less interest, too. However, nearly no one would own a home if you have to pay off the mortgage in five years because the monthly payments would be far above their budget. The same is true with energy efficiency and clean energy. Additionally, unlike a home, these energy improvements do in fact *save money* and result in monthly payments that are less than the energy savings - a positive cash flow that results in no net additional costs to the customer. Further, transaction costs are avoided since the individual doesn't have to credit check or do complex documentation with an individual loan to reduce the upfront cost in an inclusive financing model as compared to a loan. And all the while, your monthly expenditure for energy services has been reduced.

What happens for renters? While it may be noted that they don't receive equity in the building if they or their landlords elect to do Inclusive Financing with cost-recovery through the person on the energy bill, they don't receive equity in the building by paying their rent that goes toward their landlords mortgage or other revenues every month, nor do they receive a discounted rent bill for those ongoing payments. When landlords pay the energy bill, landlords pay the cost recovery charge and tenants receive comfort benefits and remain without control over whether or not the landlord passes savings to them (just as would happen if the landlord took out a personal loan). When renters pay the energy bill, they receive ~20% reduction in their cost of living directly along with the comfort.

For projects and additions that don't pencil out as cost-effective to qualify as PAYS-approved upgrades, optional copays can be added. In PAYS examples across the country, co-pays are paid by the landlord. Gas has historically been both relatively cheap in Minnesota with well-documented volatile price spikes that are passed onto customers. With climate instability, we are likely to witness more disruptive events like the February 2021 event in Texas, not fewer that are both ecologically and jurisdictionally beyond our direct control in Minnesota. Energy efficiency investments have continually proven to save system costs and disruptions for all customers. The UMN and Cadmus Feasibility study for Inclusive Financing in Minnesota showed wide-reaching applicability of the tool in Minnesota across 4 distinct utility service territories particularly for insulation and air sealing, even *without* factoring in rising or spiking gas prices.[24]

4. "**Because we have so much worse winter, we have been doing energy efficiency much longer than in the South so the opportunity for further energy savings is much lower."** From any review of the widespread base of Minnesota housing stock, it can be concluded that there are abundant improvements that have not been made yet. Some estimates suggest that 25% of Minneapolis homes still have no wall insulation at all and another 60-70% are substantially below current insulation standards. While a substantial amount of upgrades have been made, they are mostly being made by upper income households and larger businesses. At current rates, we are insulating/upgrading less than 3% of our building stock per year, which would take over 100 years to get to where we need to go. Our twin energy burden and climate destabilization crises won't wait that long, and while we are waiting we will continue to overbuild and over pay for our energy system. Further, while the South has a high cooling load, it has no significant heating load, which means we have substantial opportunities that they do not.

Centerpoint's Proposal: Our Key Recommendations And Changes

For the above reasons, we believe Inclusive Financing is an essential tool to add to Minnesota to address long-felt gaps in access and urgent goals. We see Centerpoint's proposal as an important step towards a robust piloting of this mechanism, and therefore recommend that the Commission approve the Tariff, but with the following changes to ensure that it matches field-tested best practices and lowest-cost options available to the utility:

1. **Allow Centerpoint for the duration of this pilot to suspend its Debt-To-Equity Ratio requirement in order to enable the use of low-cost third party capital (3%) OR to use its own lowest internal cost of capital 2-5-3.16% *without* the additional rate of return (4.92%). Also direct the Company to report on the near term pathways it will pursue towards a long-term low cost of capital[25] -** We have included attached as appendices Centerpoint's responses to our Information Requests about their exploration of lowest cost third party capital at the behest of the City of Minneapolis and following the best practices of successful PAYS programs. Included are the named barriers that the Company needs support and direction to address, and the pathways the plan to explore. Of note, rural Electric Utilities who have participated have only applied their cost of capital (between 0.5% and 4%) to participants (no additional rate of return) and investor-owned gas utility Spire has recently agreed to a PAYS program that will assign only 3% rate of return to participants,

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[24] http://energytransition.umn.edu/wp-content/uploads/2019/08/Minnesota-TOB-Financing-FINAL_AH-1.pdf
[25] Centerpoint Response to Information Request #8 - Community Power

and only track additional expenses. It is of critical importance that ratepayers of investor-owned utilities have the same tools available to them.

2. **Remove the $100 upfront charge** - any upfront cost to receiving information will replicate the problems with existing programs. All scoping and initial visit charges for customers in PAYS programs are either rolled into participant charges if they move forward or recovered through the ongoing program costs, and it should remain that way. PAYS programs nationally have high adoption rates, and so this is most often a participant charge paid by the participating energy customer once they have decided to move forward with energy improvements. We recommend that the $100 upfront charge is removed from the TOB pilot either entirely or by rolling it into the participant cost.
3. **Use the $15 million budget as the limitation on annual participation in the pilot** rather than the artificial ceiling of $5 million per year. It is important to allow a pilot to be used at the pace that meets demand, using the pilot budget and mechanism's built-in guardrails about cost effectiveness to determine the scope. Mixed messages about availability of funding will recreate barriers in existing programs that fuel disinterest and slow participation for both the contractor and outreach workers involved and participants. A pilot can only demonstrate strength and scalability in uptake only without artificial caps.
4. **Create a mid-point evaluation with the option to extend/expand and make permanent the pilot if successful -** This pilot period of three years is longer than needed to indicate the utility's ability to implement a program model that other utilities have already implemented successfully. The pilot proposes to deliver a constant 500 upgrades per year for three years, instead of growing geometrically by 3x or 4x in each successive year. The pilot design needs to pilot how to scale, in addition to piloting the mechanics of the program.
5. **Align Centerpoint's proposal with the PAYS Tariff and User Agreements** - Direct Centerpoint to align the Proposed Tariff language, Participant Agreements, and Successor Notices with longstanding Pay-As-You-Save language, including if necessary any confidential conversations between Commissioners, existing PAYS implementers, Centerpoint, and ratepayer and low-income advocates. We are aware that some key consumer protections have been removed from Centerpoint's version which is an adaptation not a direct use of the model PAYS tariff that is widely available for access and use. Several groups including representatives from the Southern Environmental Law Center, the NAACP, and the Illinois legislature[26] have all evaluated this and found the consumer protections built-into those documents are fundamental and refined based off of years of field experience.
6. **Direct Centerpoint to engage in focus-group-based stakeholder development of a user-friendly quick-reference version of the Participant and Successor Agreement that discusses benefits, responsibilities and who to call with questions or problems.** While we appreciate that a legal language version is a necessity in the world we live in, we know in practice that most people, when handed a long consent agreement, can experience more confusion and apprehension than is warranted. This stakeholder development of a user-friendly, multi-lingual (representing any predominant languages spoken within

[26] https://ilga.gov/legislation/ilcs/fulltext.asp?DocName=022000050K16-111.10

Centerpoint territory) should be coupled with direction in the RFP for Program Operator that linguistic and 1-1 or small group walk-through of the agreements are required for occupants and property owners.

7. **Ensure no double counting of CIP incentives where CIP dollars are leveraged for TOB projects -** We recommend that financial incentives are awarded on the CIP side as usual, but that no finance charge is collected on the portion of TOB project costs from CIP leveraged funds. In the evaluation stage of *both* CIP (via Triennial Planning) and the TOB pilot however, the energy and cost savings for participants must be counted in both places to ensure value is assigned to both CIP and TOB accurately.[27] The tariffed on-bill program is simply a new payment option the customer can exercise for the non-CIP portion of the cost of the upgrade, and the tariff assures the utility full cost recovery.

Conclusions

The barriers we face can and must be addressed with persistent collaboration and active inclusion of those who are underserved and also most impacted. We ask that the Commission recognize the merits of introducing a pilot program that creates a new, *additional* option for customers who currently have few to no options by approving a tariff with terms that are consistent with the field-tested mechanism of tariffed on-bill investment using the Pay As You Save system. We call on the Commission to also recognize the ways in which Centerpoint's proposal needs to be modified programmatically to follow best practices in the field. N

Given the deeply entrenched community realities and the scale of inefficiencies, we do not see a plausible alternative solution with the potential to be as inclusive and scalable in addressing the poorly insulated, inefficiently heated/cooled homes. We note that the Clean Energy Partnership formed by the City of Minneapolis and both utilities - Xcel and Centerpoint - serving its residents have also not identified another alternative that would meet the criteria of an inclusive and highly scalable financial solution. All three have committed to piloting this important tool. The State should assure that CenterPoint (and Xcel) can proceed in partnership with the City, continuing the constructive and extensive community and other stakeholder engagement that has led to this point so that implementation will also incorporate continued input from residents who have the most at stake in an inclusive clean energy economy.

/s/ Alice Madden
alice@communitypowermn.org
On behalf of Community Power

[27] A calculation about overlapping energy savings can be included in both evaluations to ensure that when totalling statewide emissions, however, the energy savings are accounted for just once.

Appendices for Reference

INFORMATION REQUESTS: We learned about the opt-in Information Requests in mid-December, and were grateful to receive a short extended window to submit additional questions and review many important questions being discussed through this process. We have since heard from several different stakeholders who similarly were unaware of the IRs being shared, and given the relatively small number of requests and density of relevant information and clarifications, we are attaching all Information Requests for this docket into the record. We understand that this adds more content for PUC staff to synthesize, and are deeply grateful for Staff's labor in processing these for the record. We believe that the discussion and public transparency for all parties - whether opted into the IR process or as of yet on the sidelines - are both served through this addition.

UMN and CADMUS FEASIBILITY STUDY ON INCLUSIVE FINANCING: This study provides important initial context for both the stakeholder engagement, types of measures and levels of viability, costs of capital explored, and assumptions.

TESTIMONY FROM #19-524: We commend the direction by Public Utilities Commissioner Chair Katie Sieben to transfer public comments on the issue of Inclusive Financing to this docket #21-377 from the original docket #19-524 in which this issue was surfaced so as to include community members who took their time - even during the onset of COVID-19 - to comment before a separate docket was opened. The testimonies that most gave also included testimony about the 2020 rate increase, and for the purposes of length and relevance to the subject docket #21-377 those pieces of each comment have been excluded. When these comments were submitted we learned from Centerpoint lawyers, OAG, and the OAH, that typically between 0-8 comments on average are received across 1-4 public hearings even on dockets like rate cases. The video testimony option allowed for 72 people to show up to the public hearing and speak directly to the Commission and the OAH, and additional tens of commenters chose to write-in. Both formats (video transcriptions, and in writing) will be included between now and March 4th as appendices, to follow through on that transfer of issue-specific comments.

Source for transcribed video comments: https://flipgrid.com/55c254d1
Source for transcribed written comments: edockets #19-524