April 5th, 2022
Via Electronic Filing

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

State of Minnesota
Public Utilities Commission

Katie J. Sieben Chair
Valerie Means Commissioner
Matt Schuerger Commissioner
Joseph K. Sullivan Commissioner
John A. Tuma Commissioner

Reply Comments on behalf of the “Energy Access Commenters” - North American Water Office, Minnesota Interfaith Power & Light, the EcoFaith Network of the Minneapolis Area Synod ELCA, Cooperative Energy Futures, Native Sun, Solar United Neighbors, Solar Bear, MN350, Institute for Local Self-Reliance, HOMELine, Clean Up the River Environment, MN Renewable Now, Minneapolis Climate Action, Vote Solar, SoularScenes, the Just Solar Coalition, 8th Fire Solar, Honor the Earth, Lutheran Advocacy of Minnesota, and Comunidades Organizando el Poder y la Acción Latina.

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)

The below-signed organizations are submitting Reply Comments on Docket #21-377. Since the original time of writing, several other groups have had time to review and join us in Reply Comments. We add to the authors of this letter: **8th Fire Solar, Honor the Earth, Lutheran Advocacy of Minnesota (LAMN), and Comunidades Organizando el Poder y la Acción Latina (COPAL)**. In Exhibit A at the bottom of our letter you can read the descriptions of newly signed organizations. We have not included InquilinXs for this Reply, because at the time of writing they had not had capacity to co-author due to emergent legal fights alongside tenants.

Our organizations are energy justice, faith-based, local self-determination, and clean energy groups that seek to advance energy efficiency and clean energy in ways that are deeply accessible to all Minnesota residents, regardless of property ownership, income, or access to capital, and urgently address community-wide and systemic problems.

We strongly encourage the Commission to adopt the proposal with the critically important modifications that will both address shared and unique concerns raised by other commenters and put this pilot program on a path to successfully enabling participation in energy efficiency solutions for a broad range of Minnesota energy users who currently have few viable options. By adopting these changes, the Commission can ensure that the program best meets the needs of participants while serving its intended purpose for all energy users - greater resiliency, affordability, and long-term stability of the system.

Above all, we wish to emphasize that the Commission is being asked to approve a <u>pilot</u> program, itself an opportunity to refine and study the strategy of inclusive financing. All commenters share a purpose of more effectively serving <u>underserved</u> communities that are currently paying in but not benefiting from existing programs. We ask that the Commission advance this collective purpose by approving a pilot with modifications.

Our Reply Comments focus on this purpose. In particular, we highlight the crucial unmet needs this program will fill and address perspectives of other commenters, which we see falling into four basic categories:

1. Confusions caused by CenterPoint Energy's inexact language around "low-income" participation.
2. Unfamiliarity with actual PAYS program design and protections for participants and non-participants.
3. Issues that need to be evaluated within the context of how this program compares to other options available.
4. Important program improvement needs to align CenterPoint's proposal with the best practices of Pay-As-You-Save (PAYS) programs that reflect our recommendations and we believe the Commission should require as modifications to the program.

The IPCC report released this spring makes it crystal clear - we are entering into the territory of no return and our actions must be immediate and transformative. The burden of enabling action is on city and local governing authorities to act and to hold themselves and companies accountable to allowing us all to move swiftly:

> *"Having <u>the right policies, infrastructure and technology in place to enable changes to our lifestyles and behaviour</u> can result in a 40 to 70 per cent reduction in greenhouse gas emissions by 2050. This offers significant untapped potential," said IPCC Working Group III Co-Chair Priyadarshi Shukla. "The evidence also shows that these lifestyle changes can improve our health and wellbeing. "*
>
> *"We do have a lot of potential [to reduce our emissions], said distinguished Professor Xuemei Bai. "Cities have a higher responsibility. <u>Cities are the place where innovation happens and we have the power to shape culture. It doesn't mean the individual is responsible, it means cities and national governments need to put in structures that make those choices easier for individuals."</u>*[1]

[1] https://www.smh.com.au/environment/climate-change/un-offers-new-solutions-to-limit-global-warming-20220405-p5aaua.html

The City of Minneapolis has stepped up to ask (in direct response to the request of community members) and done the uncommonly hard work of bringing its utility to the table for bold action above and beyond the status quo. It is up to the state, now, to ensure the utilities take action on a clear and deeply felt gap in conservation and efficiency. As in any docket, directing changes to align what the utility is *willing* to offer with what *must be done* is part of that process.

Why We Need a Tariffed On-Bill Program, Starting with This Pilot:

As has been documented in our prior comments and by other commenters, this pilot program is intended to add to the growing, but still insufficient, pool of energy efficiency programs trying to address the climate crisis in a timely and equitable fashion.

The remaining gaps mean that energy burdens in thousands of households cause energy insecurity, poor home health and comfort, and financial trade-offs between energy and other obligations like rent, food, education, or medical costs. The access gaps also mean continued inequality in conservation program financing, where all customers - *including* income-eligible customers because CIP is baked into rates and only a few large commercial/industrial users are exempt - pay for rebates and incentives, and though some are used for income-eligible customers a disproportionate share of funds go to businesses and households that have capital and credit access.[2]

We are encouraged by and applaud new measures to reach underserved populations: auto qualification for income-eligible conservation programs in Minneapolis' Green Zones starting this year, addition of auto-designation for Areas of Concentrated Poverty in 2023, as well as historic funding for the federal Weatherization Assistance Program from federal stimulus infusions. However, funding is still insufficient to serve all of the newly qualified residential properties including at least some pre-weatherization and electrification, measures now allowed up to a point in non-LI and income-eligible conservation programs. Further, these publicly-funded programs are persistently subject to unstable funding and program requirements due to changing political winds.

Key barriers that remain in existing programs:

- Remaining rebate-driven CIP programs that are not for income-eligible residents still require access to capital, credit, and willingness to take on multi-year personal debt
- Weatherization Assistance is still application-only, still requires a social security number or equivalent documentation, and funding is likely to continue varying with the push-pull of political will as it has historically[3] (and even for those that are able to overcome the application process, MN Weatherization Assistance would take 291 years to serve all

[2] See the ALJ report from the rate case docket highlighting how the Minnesota Legislature has explicitly said utilities and the Commission should include but not limit energy conservation to programs under CIP to facilitate energy efficiency broadly.

[3] https://www.aceee.org/blog-post/2020/07/weatherization-cuts-bills-and-creates-jobs-serves-only-tiny-share-low-income

eligible households accordion to the recent WAP factsheet)[4]. This doesn't mean we shouldn't fight for it more than ever, but it also means it is impractical to wait or count on it. Often the fight for expanding federal low-income program founding entails staving off cuts rather than gaining permanent ground.

- Geographic targeting for ratepayer-funded grants, newly added EcoAct provisions of pre weatherization and electrification are helpful, yet these improvements mean that those dollars will now be stretched further across way more people and many more tasks. Even with sufficient funding in the future, these programs will still leave out large numbers of underserved residents who must struggle through income-testing barriers. However, because these are public, ratepayer-funded grants - not funds repaid over time - all ratepayers (including those who receive these "no cost" upgrades) would be paying higher cumulative costs for CIP on their bills if these programs were sufficiently expanded in eligibility and scope to meet the need. Those who don't qualify for "no cost" upgrades will face higher costs with no way to access the rebates or upgrades they fund.

Minnesotans underserved by current efficiency programs who stand to benefit from inclusive financing:

- Residents without access to or with reluctance to get a loan due to poor/no credit, being unbanked or undocumented, wariness of personal debt, without sufficient savings to bankroll improvements, or who have other pressing obligations for the cash/credit they do have.
- Communities of color and low (but *not* income-eligible) and moderate income folks (often intertwined) due to historical discrimination in access to capital and credit.[5]
- Low and moderate income residents who do not meet state or federal definitions of "income-eligible" nor geographical designations.
- Renters of any income who live in buildings that do not meet the geography or majority income-eligible definitions and therefore cannot receive benefits.
- Any of the above who does want to experience a waitlist that is unacceptable to them where funding for these programs is not sustained and/or ramped up to match the actual need (not due to lack of trying, advocacy, strong support and clear need, but rather lack of political will, decades of delay, and private interest obstruction).

The Pay-As-You-Save model has worked very well to help anyone access both energy efficiency programs and thereby any publicly-funded incentives, but it has especially helped lower-and-moderate income households (including renters) in other states get immediate improved comfort as well as reductions in their utility bills. *The programs have done so without causing disconnections.* In fact, the NAACP and other groups have cited Pay-As-You-Save as a method to reduce risk of disconnection.[6]

[4] https://www.cleanenergyresourceteams.org/under5

[5] For extensive documentation of the role of federal and state governments in creating this income and wealth imbalance, we recommend *The Color of Money* by Mehrsa Baradaran.

[6] https://naacp.org/resources/lights-out-cold

There are several comments in this docket that seem oriented around uncertainty. We agree that there remain unanswered program implementation questions for Minnesota - those are answerable only after Centerpoint has engaged a qualified program implementer responsible for those details. Many stakeholders have requested proactive engagement to flesh out those details, which is a good next step in this process. The field experience of PAYS shows robust consumer protections, satisfaction, and access. This is precisely why we need a Minnesota pilot: to locally ground and gather data on a model that has worked well at addressing the key problem (access to all) elsewhere.

Responses to Commenter Concerns that Relate to Confusion Created by Centerpoint's language about the Program:

This is not an income-eligible program. Instead, like Social Security,[7] it is a program available to any resident but that has a disproportionate benefit for currently underserved residents. As noted above and in our prior comments, income-eligible programs do not successfully serve more than a fraction of income-eligible residents. Even if all paperwork and income-testing barriers were removed in favor of geographic prequalification and programs funded in full (to level of need and to include the important and recently EcoAct-enabled pre-weatherization and electrification measures), there are many residents who would be paying in without a financially realistic or appealing mechanism to receive the upgrades, in particular the insulation, air sealing themselves.

Several parties (CEE, CUB, Commerce, Energy Cents, Legal Aid) raised concerns about the interface between this proposed pilot and income-eligible programs. We strongly support income-eligible energy efficiency programs including the important recent state-wide expansions, and one-time injections for federal programs. This program already explicitly refers all customers to income-eligible energy efficiency programs with support on guidelines to evaluate eligibility. This program should increase resident awareness and referrals to income-eligible efficiency programs, adding evidence for increased funding not decreasing it while also catching everyone else who does *not* qualify but has a drafty living space.

Responses to Commenter Concerns that Relate to Newness of the PAYS Program:

We are aware that Tariffed On-Bill is a new design to many commenters. This is understandable - there are, as of yet, no PAYS-experienced program operators nor any program operators who specifically focus on the segment of underserved people considered here (non-income-eligible folks who can't or choose not to take out a personal loan or dedicate upfront cash to these upgrades) currently engaged as stakeholders in this docket. We are concerned that because the

[7] Romig, Kathleen. Social Security Lifts More Americans Above Poverty Than Any Other Program. (Center on Budget and Policy Priorities, 2/20/2020). https://www.cbpp.org/research/social-security/social-security-lifts-more-americans-above-poverty-than-any-other-program

Company has yet to fully align its proposal with strong program design of (Pay-As-You-Save) either of its own volition or by future direction from the state, that some feedback received about this program is due to a lack of understanding of the actual model, as evidenced by several of the studies referenced in Initial Comments that were inaccurate. We are aware that many commenters have deep, well-founded discomfort and past professional experience with tools that create a customer debt obligation either attached to the customer or the building (like PACE)[8] and believe several of these concerns are being transposed onto this program despite clear design differences.

This PAYS program has gone through extensive stakeholder and community discussions for several years prior to this process, followed by a formal feasibility study, and the original filing in the 2020 CenterPoint Energy rate case. Perhaps an oversight of the Company-led official stakeholder processes and even the feasibility study process, was the degree to which more fundamental discussion about common conflation or misconceptions was not had. This departs from the community-driven conversations that focused primarily on differences and similarities across programs. Thus, several misunderstandings about the program design persist on the record.

Costs of Equipment Failure

Concerns about the costs of equipment failure being passed on to ratepayers (CUB, SRA, Legal Aid) are unfounded, assuming a PAYS model is used, because the contractor and program operator are liable in the instance of modeling or installation error along with the associated equipment warranties. The work warranty remains in place for the life of the program-charges. The participating customer is *already* protected by the program design in that they do not pay any tariff charges if their equipment fails.

A Utility Rate or Service

Several parties expressed concern that this program is “not a utility rate or service” (Legal Aid, Commerce, OAG, ECC) despite strong and abundant precedent for utilities making infrastructure investments and recovering costs through tariffs. Examples include: utilities running unregulated home equipment repair and maintenance programs that collect costs via the utility bill of customers that voluntarily opt-into them. Xcel Energy’s recent Electric Vehicle tariff uses a similar tariff structure (although notably it is a somewhat non-inclusive use of this tariff function as it predicated on the possession of an EV which can safely assume excludes most income-eligible, low and moderate income participants given the current purchase price of EVs). Commissions in multiple states have approved similar tariffed on-bill programs and found them in alignment with existing utility statutory authority.

Property Transactions

MN Realtors have suggested that a utility tariff would pose some barrier to property transactions by creating an obligation to pay for property improvements. However, they overlook several mitigating factors:

- Unlike PACE financing or loans, there is no lien on the property or encumbrance to title.

[8] https://energynews.us/2018/04/23/critics-say-bill-to-authorize-pace-in-minnesota-contains-a-fatal-flaw/

- Property buyers regularly inherit from property sellers various prior decisions about their utility billing relationship, such as whether the building is master-metered or sub-metered for tenant accounts, or other utility rate structures pilots like the (Time of Use pilot, or the EV tariff pilot) that the building qualifies for or is opted into. Some of these prior owner decisions may be changed at the new owner's discretion, but others are determined by the utility and are not subject to owner approval.
- By design, the tariff does not create a net cost to the property owner (due to program design, energy bill reductions due to energy savings should exceed added tariff costs). Therefore, the fact that the tariff obligations would transfer to a new buyer should not be a concern or in any way dissuade a new buyer. We note that should the Commission approve a pilot with a disconnection freeze, this pilot will not only offer *access* to this upgrades but *relief from disconnection* for the duration of the charges, which is usually only afforded during Cold Weather Periods or customers with special protections.
- Unlike any other improvements to a property, the seller and the buyer have more protections than personal loan-based programs using the PAYS approach because they can discontinue payment if equipment fails or savings do not materialize.

There may be specific legal language identified by MN Realtors as concerning in CenterPoint's proposed disclosure documents, modified in significant ways from standard Pay-As-You-Save documents. We again recommend that actual Pay-As-You-Save disclosures and documents be used in the pilot to ensure protections and compliance. From our review, it seems like the most significant concerns raised by MN Realtors stem from proposed consequences to failure to disclose aspects of the program to future owners or tenants. While there may be specific proposed consequences that should be revised, we do think it is important to highlight that requirements to properly disclose conditions of a property before sale or rent are standard expectations included in virtually every transaction and should not pose a substantial burden.

Responses to Commenter Concerns that Need to Be Viewed in Context with How This Program Compares With Existing Options:

Several other issues commenters have highlighted are technically accurate, but need to be viewed in the context of the existing alternatives and larger energy sector dynamics.

Improvement and Financing Feasibility (e.g. Requiring a Copay)

Several commenters (CEE, CUB, Legal Aid, ECC) were concerned that energy savings may not be realized or that projects may require a copay. This concern was thoroughly analyzed in the 2019 UMN Cadmus Feasibility study in which the percentage of total costs (and for essential home equipment, the percentage of incremental costs of energy efficient models) can be repaid from its savings. The feasibility study conducts this analysis at a wide range of different costs of capital, natural gas prices, and savings potentials; and identifies a large number of measures whose total or incremental costs can be fully or mostly repaid from their savings. Here is a the quote from the study, leaving in the full context:

> *"The greatest opportunity for TOB financing is in envelope measures. This is consistent with participation records from prior PAYS programs, where envelope improvements have accounted for the bulk of program participation. In homes heated by electricity or propane, financing for envelope improvements is attractive in a home with standard insulation levels, and dramatically so in a home with poor insulation levels. The low cost of gas heat makes applicability more difficult, but there are still ample opportunities for financing envelope improvements (especially wall insulation in poorly insulated homes). In several cases, envelope improvements may be combined with other measures that are cost effective but not fully financeable to develop an attractive financing package. It should be noted that there is a wide range in the costs and savings of home envelope measures, which is demonstrated in program data from current utility CIPs, and so evaluating the specific opportunity for cost-effective energy improvements in a given home is critical."*[9]

The study emphasizes the need to ensure all costs are efficient and prudent (capital, start-up, and delivery costs) which we and others have echoed and made specific requests to rein in from Centerpoint's original requests. The feasibility study also assesses cost-effectiveness of the program under a range of assumptions. Fundamentally, concerns about whether a co-pay is needed and the cost-effectiveness of improvements are addressed in the program design (required net savings) and that participation is *voluntary*.

The relevant question is not "does this model solve all barriers" but rather "does this model enable greater participation by lowering barriers in comparison to existing options."
For example:

- Without this new proposed pilot program, if a customer could achieve energy savings for a $5,000 home insulation and air sealing improvement and qualifies for $1,000 in rebates, they still face a $4,000 cost requiring access to capital or debt. This is not a viable option for many.
- Alternatively - under this proposed program - the same set of improvements would still qualify for the same rebates, and then be fully or partially financed on bill with no personal customer debt. The Feasibility study showed that insulation and air sealing had a high degree of financeability even for gas utilities when homes are as under-insulated as households are across the state and specifically in the Twin Cities. Even if the measures cannot be fully covered through their savings, and a customer copay (eg. $20-$1,000+) remains, the upfront cost barrier has been substantially reduced. Remaining cost barriers may still dissuade some from participating, but field testing shows there is still significant adoption even in scenarios with copays, indicating that occasional copays are not a reason not to offer an option that has much lower upfront cost barriers.

We are especially concerned that one stakeholder, CEE, proposes what appears to be an entirely *different* set of cost-effectiveness tests, whose assumptions are unclear and seem

---

[9] UMN Cadmus Study (2019).
https://energytransition.umn.edu/projects/inclusive-finance-for-residential-efficiency/

strikingly different from those included in the Cadmus Feasibility Study. Inflation will certainly impact costs (across all existing and new programs), but not to the extent to which these outcomes differ. Part of this may be due to the conversations raised and discussed in the Feasibility Study, in which cost of installation varies based on how the program is implemented, how modeling is done, and how the work is structured. We echo our recommendation for the next stage of this process to be the engagement of a qualified PAYS operator to dig into a more accurate cost comparison that is neither based on non-MN PAYS industry averages or non-PAYS but MN-specific loan programs.

Amount of Savings / Maximizing Savings

Similarly, in response to several commenters raising concerns about the existence of savings (Legal Aid, ECC, CEE, Commerce), we respond that this program model, unlike other Minnesota programs, has an additional level of protection for the consumer. Customers implementing home energy upgrades through Conservation Improvement Programs, relying on "deemed savings," do not have program operator accountability for actual bill reductions. Under the PAYS model, measures are selected based on a home energy analysis and savings are verified with a post-measures assessment of energy bills with a 20% buffer to address any variation between calculated usage and actual home dynamics.

Some parties have expressed interest that the timeframe for repayment means that customers may pay more in interest (CEE, CUB). The key to this statement is "then what alternative?" Consider a home mortgage: when the question is being able to own a home with a 30-year mortgage versus minimizing interest payments with a shorter term (but at an unaffordable monthly cost), most people prefer to be able to own a home via a long-term mortgage. Maximizing long-term savings is an important aim, but not at the cost of access to a more comfortable and efficient home. Further, under this program participants will already be receiving a lower interest rate (~2.5%) than what is available but not universally accessible under Centerpoint's loan-based program (5.25%).[10]

Measuring Program Costs

Concerns that the per-participant cost of improvements is much higher than with CIP (CEE's societal test/participant test analysis, CUB) illustrate an important and intentional programmatic difference: **Current conservation programs consider participant costs as an externality on most cost tests because they are financed privately**. For example, CEE states that the program "costs are noteworthy considering that the [tariffed on-bill] program provides no funding to offset the costs of energy efficiency improvements, so participants continue to pay the full cost of energy efficiency measures, minus CIP rebates." This might be noteworthy were it not true of every other program offering. For improvements offered and financed by Centerpoint's On-Bill loan program, for example, the participant pays the *full cost* of measures (as well as interest to private lenders, at rates higher than proposed by this program) minus rebates. Current energy efficiency program costs never show up in CIP filings, because the individual

[10] Interest rate from Department of Commerce initial Comments.

must pay for them entirely outside of a utility program offering, based on their own ability to secure debt and pay it, whether or not it results in a cash flow positive situation for them. We cannot be surprised at how hard to reach customers are when we ask them to shoulder such immense complexity and financial cost individually.

Gas Prices

To the concern about the impact of natural methane gas prices (CEE), we respond that whether gas prices allow projects to pencil may be a reason to preclude specific projects within a program (if they do not pencil), but *not* to deny the proposed pilot program (with recommended changes). The 2019 UMN Cadmus feasibility study showed that a number of improvements can either be fully financed by their savings or can have a significant portion of the cost financed by savings, dramatically lowering the cost thresholds. **The original feasibility study evaluated cost effectiveness under both "current" gas prices (in 2019 at $6.94/Dtherm) and at "inflated" prices ($10.41/Dtherm). The February 2022 retail rate for gas is around $9.54/Dtherm (variable costs divided by volume), 37% higher than in 2019.** Full analysis of which sorts of measures pencil under "current" (ie. 2019) and "inflated" (slightly above today) gas prices and different types of utility capital as well as what percentage of the incremental cost of the more efficient product can be financed are included in Feasibility Analysis, which is part of the record.

Disconnection Risk

Several parties expressed concern over disconnection risk (CEE, SRA, CUB, ECC, Commerce, Legal Aid). There is no evidence nationwide that participation in PAYS programs nationwide has caused any disconnections. As one might expect with a program that lowers utility costs, disconnection rates for PAYS participants are the same or *lower* as they are for PAYS non-participants.

Even so, for the pilot we support CUB and CEO's recommendations that CenterPoint track any disconnections of customers participating in the program to verify that the disconnection rate for participants is lower than the rate for customers in general, as well as other tracking principles listed for the pilot evaluation such as amounts invested by zip code, types of upgrades made, etc. The only measurement from that list that is unlikely to offer useful insights is the "hesitancy to rent or purchase," which is not a result or metric unless more explicitly defined so it is not based on assumption, and many other sources that might cause discomfort to rent or purchase due to the property or person selling/leasing.

Responses to Commenter Concerns that Affirm the Need for Recommended Program Changes:

From the beginning, we have raised several concerns about the deviations of CenterPoint's proposal from the standard design of a Pay-As-You-Save program. These deviations may impact pilot viability as well as fairness for participants and non-participants. **Many commenters have highlighted similar concerns, and we want to amplify our agreement**

with these concerns and identify the key modifications that the Commission should direct Centerpoint to make to resolve these issues:

Utility Rate of Return
There is near universal alignment among parties on one of our core concerns that CenterPoint has proposed to collect its normal rate of return from this program - with 2.5% collected from participants and the rest from ratepayers as a whole.

The cost-effectiveness of many efficiency measures relies on the cost of capital. Third-party capital providers have offered capital for this program in the 2.5%-3.5% range; this is a fair rate and below-market-rate to charge to participants, with no additional costs assessed to non-participants. We do not believe CenterPoint's case for a rate of return (based on the debt-to-equity ratio) aligns with the structure of other conservation programs nor does it make financial sense.

We recommend that the Commission:
- Exempt this pilot program from the utility's debt-to-equity ratio calculation
- Directing CenterPoint to secure capital for this program from low-cost debt (below 3.5%) and either assessing this cost directly to participants without adding additional rates of return to non-participants, or dividing it between participants and the rate base (e.g. 2% to participants and 1.5%/1%/0.5% to ratepayers).

If the Commission believes that some utility return is appropriate, the Commission should delay the addition of a utility rate of return until after the pilot period is completed and structure utility returns similarly to the extra utility financial incentives paid under CIP.

The Upfront $100 Assessment Fee
Our concern about this fee is also widely shared by CUB, MCEA, ECC, CEOs, Cohort, and Community Power about adding a $100 upfront cost at the assessment stage of the program. This directly contradicts the goal of creating participant obligations only when a participant chooses to adopt cost-effective upgrades (with a customer copays only if needed and only if the customer chooses to proceed). This also directly contradicts the design of PAYS programs. The assessment fee should be eliminated or rolled into participant costs if it is not a duplicative audit cost to what the program operator will already perform when a participant chooses to proceed with implementation.

Boom and Bust Cycles
We share the concern of CEOs, the Energy Cohort, and Community Power about CenterPoint's proposal to break the $15 million pilot budget into 3 annual budgets of $5 million. This creates an artificial annual program limit that would act as an additional impediment to program uptake. As demonstrated by the Cohort's observations about community engagement, one of the biggest existing barriers to communities being able to access energy efficiency upgrades is a lack of consistency around what programs are available when. A program design that fuels substantial interest only to have to pause operations until the beginning of the next annual cycle

for lack of funds will make promotion and engagement less efficient, hurting program outcomes. Instead, the PUC should authorize the full pilot capital budget on an ongoing basis and require CenterPoint to file a progress report within 12-18 months of program launch. If funds are being utilized more quickly than expected along with other quality metrics, the pilot should be evaluated for early expansion.

Conclusion:

Even with expansions to low-income conservation programs, weatherization assistance, and broader conservation programs, the current options for energy efficiency leave out thousands of Minnesotans from the benefits while still including them in the costs. The many public comments received and active participation from dozens of community-based organizations in this docket demonstrates an expansive and persistent gap in utility energy efficiency program offerings. We're concerned by the degree to which this extensive Minnesota-specific research and local community engagement seems to be deprioritized or discounted.

This pilot program model based on a PAYS tariff has been proven to offer a viable path to expand access to most residential customers, and especially for serving the underserved. It has been widely used across the country with substantial benefits to customer access, consumer protections, and accelerated energy efficiency. This model has also been vetted by the University of Minnesota's Feasibility Study - which identified substantial cost-effective opportunities for under-insulated homes, which match the large extent to which current CIP programs have not successfully widely insulated the Twin Cities region envelope measures as well as through multiple rounds of stakeholder engagement.[11] The study showed that an investor-owned gas utility is only the floor of what can be achieved through this mechanism.

This is also a proposal brought forward by a unique partnership - guided by a 15-member citizen advisory board of local residents - between a municipal government seeking to create greater energy access for its residents and those of similar municipalities, and a utility agreeing to step up to adopt innovation in equity and program design.

Finally, this is a pilot; its purpose is to test a new-to-*Minnesota* concept, assess its viability, and create experiential context with the appropriate guardrails to criteria for a potential full-fledged program. Questions about a potential new program are understandable and expected. Such questions are a good basis for evaluation while proceeding with a pilot that will help answer them, not a reason to avoid piloting the program.

We agree with other commenters on a few key changes needed to bring CenterPoint's proposal back into alignment with PAYS best practices and rein in excessive costs to non-participants. We ask that the Commission *approve the pilot project with the following modifications*:

---

[11] The extent of housing that remains with little to no insulation - just within the Minneapolis City limits alone - is demonstrated by the Minneapolis' Truth in Sale of Housing data provided in the Information Requests in this docket, which is part of the current record.

1. Direct Centerpoint to engage a PAYS program operator and adjust its proposal using that guidance including the use of PAYS tariff language and documents, which are vetted and tested and include substantial protections for participants.
2. Align program costs with the actual cost of available capital by:
    a. Exempting this program from CenterPoint Energy's required debt-to-equity ratio.
    b. Directing CenterPoint to secure capital for this program from low-cost debt (below 3.5%) and either assessing this cost directly to participants without adding additional rates of return to non-participants, or dividing it between participants and the rate base (e.g. 2% to participants and 1.5%/1%/0.5% to ratepayers).
    c. If the Commission wishes to consider shareholder returns to further incentivize the utility, do so at a later date when the program moves from pilot stage into full operation and base the structure of such returns as a performance-based incentive similar to but no more than the financial incentives utilities currently earn from CIP programs.
3. Remove the upfront $100 assessment fee altogether, or if it is *not* a duplicative audit service, fold the costs into the participant cost recovery charge once a participant has approved energy upgrades. Do not collect financing charges on this if it is included. This removes a barrier for residents who cannot pay for an assessment that does not lead to cost-effective upgrades and aligns the program with PAYS best-practices.
4. Direct Centerpoint to explicitly include requirements in its RFP for a program operator to resource a robust community-based outreach strategy that coordinates with LI-CIP and WAP program operators to ensure that residents eligible for low-income programs (including areas geographically defined as eligible) are first referred to such programs.
5. Authorize the pilot to continue until the $15 million cap for upgrades is reached without an artificial $5 million per year cap that could lead to expensive starts and stops in outreach and marketing.
6. Direct CenterPoint to conduct an initial program evaluating after 12 to 18 months of program operation and file a report in this docket demonstrating:
    a. Rates of participation by zipcode
    b. Type and number of measures installed
    c. Number of households in each category: 1) received cost-effective offers w/out copay 2) received cost-effective offers with a copay 3) visited but were referred income-eligible program 4) visited but deferred due to prohibitive structural/maintenance issues
    d. Number of households who 2) accepted offers without copay 3) accepted offers with copay (and average size of co-pays accepted and rejected) 4) declined + any reason listed
    e. Actual administrative, marketing, community outreach, and operational costs
    f. CIP funds leverages and financial rewards received by Centerpoint shareholders
    g. # of customers connected to income-eligible CIP programs through program outreach
    h. Average monthly reduction in bills

i. Total # of instances (if any) of 1) equipment failure and resolutions sought 2) modeling failure and resolutions sought 3) customer behavior change and range of bill impact 4) unsolved bill increases and total dollar amount socialized
j. Total # of uncollectible payments (if any) and a comparison to average ratepayer uncollectibles Centerpoint across the same time period
k. (Regardless of if the Commission freezes disconnections for participants for the duration of the pilot program) Rates of TOB participant would-be disconnection (if any) with comparison to average ratepayer disconnection for Centerpoint across the same time period
l. Frequent comments or concerns from participants, contractors, Program Operator, partner organizations, local jurisdictions or the Company

We very much appreciate the opportunity to comment on this important matter and look forward to the Commission's engagement in enabling innovative solutions like this one that local governments, utilities, and community-based organizations are developing to make energy efficiency accessible to all.

Signed,

North American Water Office
/s/ George Crocker and Lea Foushee

Minnesota Interfaith Power & Light
/s/ Julia Nerbonne

EcoFaith Network of the Minneapolis Area Synod, ELCA
/s/ Emilie Bouvier

Cooperative Energy Futures
/s/ Timothy DenHerder-Thomas

Native Sun
/s/ Robert Blake

Solar United Neighbors
/s/ Bobby King

Solar Bear
/s/ Robert Blake

MN350
/s/ Ulla Nilsen

Institute for Local Self-Reliance
/s/ John Farrell

HOME Line

/s/ Eric Hauge

Clean Up the River Environment (CURE)
/s/ Erik Hatlestad

Minneapolis Climate Action
/s/ Kyle Samejima

Vote Solar
/s/ Jenna Warmuth

SoularScenes
/s/ Erika Schlaeger dos Santos

Lutheran Advocacy - Minnesota (LA-MN)
/s/ Tamela K. Walhof

Comunidades Organizando el Poder y la Acción Latina (COPAL)
/s/ Leslee Gutiérrez

Contact for Group:
/s/ Sam Benson
sam@mnipl.org

Exhibit A: Background Statement from New Co-Signers

8TH FIRE SOLAR
8th Fire Solar is the work of Akiing, a non-profit community development corporation and a project of Honor the Earth. Akiing, the Ojibwe word for "the land to which the people belong," works to restore a culturally based Anishinaabeg economy focused on food, energy, and sustainable production; one that restores health and economic opportunities for Anishinaabeg in the Great Lakes region.

HONOR THE EARTH
Our mission is to create awareness and support for Native environmental issues and to develop needed financial and political resources for the survival of sustainable Native communities. Honor the Earth develops these resources by using music, the arts, the media, and Indigenous wisdom to ask people to recognize our joint dependency on the Earth and be a voice for those not heard. As a unique national Native initiative, Honor the Earth works to a) raise public awareness and b) raise and direct funds to grassroots Native environmental groups. We are the only Native organization that provides both financial support and organizing support to Native environmental initiatives. This model is based on strategic analysis of what is needed to forge change in Indian country, and it is based deep in our communities, histories, and long-term struggles to protect the earth.

LUTHERAN ADVOCACY - MINNESOTA (LAMN)

Lutheran Advocacy - Minnesota (LA-MN) is a state public policy office of the Evangelical Lutheran Church in America (ELCA). We advocate for justice in the areas of hunger, poverty, and care of God's creation, which in recent years has included foci on both clean energy and affordable housing. We see Tariffed On-Bill Financing as a valuable tool for advancing sustainability and expanding access to energy efficiency options, including low-to-moderate-income households who don't qualify for existing programs.

COMUNIDADES ORGANIZANDO EL PODER Y LA ACCIÓN LATINA (COPAL)

COPAL is a grassroots organization that seeks to impact the quality of life for Latinos in MN through working on public policy, leadership, and community service. COPAL aims to create an environmental future that is sustainable for frontline communities. COPAL sees Tariffed On-Bill financing as a tool to address energy burden by creating wider accessibility to energy efficiency upgrades, improving the lives of residents and reducing carbon emissions.