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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

Supplemental 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, 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 Supplemental Comments on Docket #21-377 in response to the revised proposal submitted by CenterPoint Energy and the City of Minneapolis on May 16th, 2022. 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 revised proposal and authorize the proposed Tariffed-On-Bill Financing Pilot Program. We believe that the modifications proposed by CenterPoint Energy and the City of Minneapolis to date are sufficient to address the most significant concerns we have raised about the original proposal. While we believe there is still room for improvement, we believe the remaining issues can be effectively vetted and addressed in a pilot format and/or further clarified in the PUC Order. We appreciate the consistent effort that CenterPoint Energy and City of Minneapolis have displayed to address stakeholder concerns throughout the process.

The remainder of our comment directly responds to the questions posed by the Commission in the Notice of Supplemental Comment period issued May 31st, 2022.

1. Do CenterPoint and the City's Table and Exhibits A-Q include and accurately reflect our comments on the original Tariff On-Bill (TOB) pilot program petition?

CenterPoint and the City's Table and Exhibits A-Q[1] include and accurately reflect our comments on:

1. The originally proposed $100 energy assessment cost. The revised proposal eliminates this cost, a key change to ensuring the program avoids unnecessary barriers to participation.
2. The treatment of the $475 participant charge. The revised proposal better reflects the nature of the program by shifting this charge from a capital cost earning a rate of return to an operating cost.
3. The start-and-stop nature of their original proposed program that included an annual budget cap, which would have created major obstacles for workforce development and community engagement. The revised proposal partially addressed these concerns by creating a continuous program with a 12-18 month engagement focus period, followed by an evaluation phase that could lead to program revision or expansion as directed by the Commission.
4. Identifying that we believe the program must meaningfully evaluate third-party capital.
5. Identifying our concerns around the proposed utility rates of return.

While our concerns expressed in prior comments have been somewhat clearly reflected, there are a few areas where we feel like the revised proposal does not fully reflect the full significance of our comments. These discrepancies do not block our support for the pilot as we believe they can resolved through clear PUC order and/or through pilot implementation, but we feel it is important to make them clear for the record:

Third Party Capital and Rate of Return

While our general comments around the need to explore third-party capital and concerns about the proposed utility rates of return assessed to non-participants have been documented, CenterPoint and the City's revised proposal only partially reflects these concerns and does not fully disclose opportunities we have pointed to in our comments. CenterPoint continues to argue that it should be able to claim its full utility rate of return from TOB financed improvements due to utility capital being at risk. Their proposed amendments identify a commitment to "attempt to

[1] Note: The signers of the EAC listed in the Petitioners' Exhibit A also includes additional signers for the Reply Comment and Supplemental Comment including: the Just Solar Coalition, 8th Fire Solar, Honor the Earth (Reply only), Lutheran Advocacy of Minnesota, and Comunidades Organizando el Poder y la Acción Latina

locate no- or low-cost sources of capital, and report on their efforts to do so" which is a valuable amendment and key to our support. However, in several places in the revised proposal, the petitioners identify that "at this point no such alternative sources of capital have been identified."

The Energy Access Commenters (EAC) have already alluded in our prior comments to financial partners willing to provide low-cost capital to this program. Some of our parties have been directly involved in raising these opportunities to CenterPoint and the City. To our knowledge, the only reasons that these partners have not been deemed viable by the CenterPoint is that the parties rely on a utility repayment guarantee (much like any other lending to CenterPoint or any utility) to maintain a low interest rate - meaning if any number of households don't complete the repayment charges the utility would repay it. This has, as we have stated in our Initial Comments and Reply, is still an exceedingly low risk (<0.1% on average)[2]

To our understanding, CenterPoint sees such third party capital partners as *utility debt* and therefore subject to the PUC-required "debt-to-equity" ratios that CenterPoint must maintain, thereby implicating CenterPoint's investor capital on which a rate of return is assessed. The EAC's have already in our comments pointed this out in our comments and also identified a recommendation that the PUC allow an exemption on the debt-to-equity ratio for capital provided to CenterPoint by low-cost capital providers for the TOB pilot. There is a strong basis for our recommendation of an exemption because 1) the improvements involved are repaid by specific participating customers and not the rate base as a whole, and 2) there is strong evidence from similar programs nationwide regarding the limited repayment risk of tariffed investments.

It is reasonable for CenterPoint to collect some similarly limited margin on 3rd party provided capital to protect the utility from any losses due to non-payment by participating customers. For example, if Centerpoint engaged a third party they could a similar model as Ouachita Electric Cooperative, which collected a 0.5% margin from customers participating in its TOB program when it received a $8 million 0% Rural Energy Savings Program (RESP) loan from USDA. Notably, to date Ouachita *has not had to write off/charge-off any of its PAYS investments*, which confirms the low risk to the utility of the utility repayment guarantee under PAYS investments with third parties. There are also several examples in which utilities using PAYS financing have success attracting low-cost third party capital providers by offering a "loss reserve"[3] fund to reduce perceived risk, and is triggered for either extended vacancy (24 consecutive months +) or a condemned property. As again field experience shows the "risk" is largely *perceived,* not significant - those loss reserves have not been tapped, but largely function to allay *fears* about risk.

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[2] This average rate is only slightly exceeded in areas of rural, impoverished communities. Coop programs serving poorer rural communities have had very slightly larger rates with Roanoke Electric Cooperative whose program is of similar duration and scale as Ouchita's is 0.22% as of the end of 2021 and How$mart KY's lifetime charge-off rate was 0.36%. Both are still dramatically below Centerpoint's own default rate of 4%, which is informing the Company's sense of risk and based on customers who are largely uninsulated from price spikes and drafty homes.

[3] The Arkansas Energy Office was the first outfit to provide a Loss Reserve for a PAYS program and the second was offered by NC Sustainable Energy Association, which started the ESRF (Energy Solutions Reserve Fund) using philanthropic dollars.

The Petitioners did not clarify or highlight these detailed comments in their response, nor did they disclose the availability of interested low-cost financing providers for this program under these conditions, nor the specific stated obstacles (among which is the Debt-To-Equity ratio). We do not believe that this omission is a reason to block the current pilot specifically because the proposal includes a regular reporting and evaluation process for identifying how to reduce ratepayer costs before expanding the pilot. **It is critical, however, that the Commission and other stakeholders understand that low-cost capital providers have been identified and have offered to provide capital on terms that ought to allow the utility to reasonably mitigate risk to its own capital, especially with PUC authorization.** Since a primary driver of ratepayer cost in CenterPoint's proposal is the continued insistence on using the utility's standard rate of return, the presence of pathways to avoid these ratepayer costs through lower-cost third party capital is highly salient. The financial benefits to CenterPoint's shareholders ought not to have such a significant influence on TOB pilot program design. The public interest in expanding energy efficiency (with both specific and systemwide benefits) far outweighs the Company's desire to earn its typical rate of return, especially if clear pathways exist to mitigate risk to shareholder capital.

Start-and-Stop Nature of Annual Caps

While the Petitioners correctly identified our concern with creating a 3-year program with annual caps, their proposed solution of an 18-month period followed by evaluation is somewhat ambiguous as to how it resolves the concern. The revised proposal identified that the first 1.5 years will be focused on recruiting participants and installing upgrades and that the second 1.5 years will be focused on "evaluating the results from that initial group of participants while continuing to enroll participants if early TOB Pilot experience (i.e. energy savings and financial performance) is meeting program objectives." This description could mean that deployment will be continuous over the 3 year period if customer interest is sufficient and improvements are delivering projected savings, which would address our concern, especially if additional capital is deployed if demand is sufficient and savings goals are being achieved. On the other hand, it could imply a pause (even in the face of continued customer interest and successful achievement of savings) for evaluation and assessment or due to utility disinterest in further deployment. This latter interpretation would not alleviate our concern.

Co-Payments in Rental Properties

We did want to note one item where our name appears in the May 16th filing erroneously, or at least in a misleading way. On the Table on page 11 of the revised filing under "Co-payments", "EACs" are listed as a commenter next to the topic "Require landlords rather than tenants to make any co-payments. Alternatively, seek copayment first from landlords and if not possible, limit tenant co-payment to $1,500." While we do believe that it is valuable and appropriate to give property owners the ability to cover copay costs for improvements offered to rental properties where the tenant pays the utility bill (since the co-pay costs covers the portion of improvement costs that are not offset by tenant energy cost savings), we do not believe that it should be required of landlords, nor have we commented suggesting that a $1,500 co-payment limit should apply. Energy users should always have choice as to whether to proceed on an offered energy upgrade, and both property owners and residents should have the ability to invest in the quality of their housing when doing so makes sense to them.

Use of a PAYS Program Operator:

The Petitioners did not address our recommendation that the next step be engagement of a PAYS program operator to modify the pilot based on guidance from that operator including the use of PAYS tariff language and documents, which are vetted and tested and include substantial protections for participants. We believe that this is a key next step to launching an effective program following pilot approval.

2. Modifications that are essential to our recommendation that the Commission approve the TOB Pilot program.

We support the revised TOB pilot program as proposed by the Petitioners in their May 16th, 2022 filing and believe it should be approved.

These modifications proposed by the Petitioners are essential to our recommendation that the Commission approve the TOB Pilot program:

- Faster evaluation of pilot after 18-month initial deployment allowing modification at an earlier point.
- Commitment to establishing strong pathways to utilizing Low-income CIP and WAP for income-eligible households.
- Elimination of the $100 upfront fee paid by the participants for energy assessments.
- Exploration of low-cost and no-cost third party capital sources and clear reporting as to these efforts (though we believe the requirements for transparency need to be strengthened).

We also support these modifications proposed by the Petitioners, though they are not a condition of whether we would recommend the Commission approve the pilot:

- Enhanced pathways to define and identify potential participants using data analysis and stakeholder engagement.
- Removal of the $475 participant charged as a financed capital cost and moving this cost to an Operating Expense that does not earn a rate of return.
- Reduction of Initial start-up costs by using existing utility systems (though we do not understand what has changed and why this lower-cost approach was not originally proposed in the original pilot; it seems implausible that a lower number of participants would meaningfully reduce start-up costs).
- Customers will not be disconnected due to nonpayment. While we believe the equivalent treatment of a TOB charge to any other utility cost is ultimately needed for TOB to scale

(and that TOB should reduce disconnections, not increase them), this change seems like a valuable consumer protection for a pilot.

We would also support these modifications that extend beyond what was proposed by the Petitioners, but they are not a condition of whether we would recommend approval:

- **Clarify that the second 18-month phase of the pilot focused on evaluation should include continued delivery of upgrades and engagement of interested customers** as long as initial results show expected savings while deeper evaluation and program modifications are developed. This 2-phase structure of the pilot should explicitly not allow for a pause or a slow-down in program deployment (and corresponding community engagement and workforce development efforts) unless explicitly caused by a lack of customer interest or a failure to deliver expected savings. Explicitly authorize the pilot to expand capital deployment during the second 18-months of the pilot period if customer engagement and savings goals are being met.
- **Clarify reporting process on efforts to engage and negotiate with third-party capital providers** to include annual identification of efforts made (direct parties contacted, responses, dialogues) and a detailed list of any reasons that the Petitioners determined that a third-party capital source was a viable or non-viable option, as well as any concerns or requirements such providers posed. Other stakeholders should be formally invited to suggest third party capital providers of which they are aware as options for consideration by the Commission in a comment period in response to these annual reports.
- **Engage an approved PAYS program operator to operate the pilot**, including the use of PAYS tariff language and documents, which are vetted and tested and include substantial protections for participants.
- **Allow direct collection of the 2.5% rate of return from participants, but defer collection of and require a determination of prudency to after the pilot of the proposed ratepayer portion of the rate of return (~4.92%**) based on demonstrated risk to utility capital, and analysis of available capital sources that meaningfully mitigate risk to utility shareholder capital. Direct CenterPoint to use deferred accounting to track these rate of return costs without prejudice as to whether cost recovery of this rate of return is prudent for the pilot. This would allow the Commission to evaluate the available capital options and risk mitigation mechanisms to identify if the company has effectively pursued a lower-cost of capital approach appropriate for a permanent program. Alternatively, the Commission could proceed to directly:
    a. Exempt this program from CenterPoint Energy's required debt-to-equity ratio.
    b. Direct 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.

Please list your final recommendations or decision options for the Commission.

We request that the Commission approve the petitioners revised TOB Financing Pilot program as filed on May 16th, 2022.

While not a condition of our support, we would additionally recommend that the Commission include the following decision options to improve the Pilot:

1. Direct CenterPoint to ensure programmatic continuity throughout the 3-year pilot by continuing to both A) engage interested customers and deliver cost-effective improvements during the second 18-month phase of the pilot unless initial evaluation suggests lack of customer interest or that savings are not being achieved, and B)expand capital deployment to cost-effective upgrades if needed to meet customer demand.
2. Require detailed annual reports of efforts to engage no-cost and low-cost third party capital providers including:
   a. Identification by CenterPoint of efforts made (direct parties contacted, responses, dialogues);
   b. Any reasons that the Petitioners determined that an evaluated third-party capital source was a viable or non-viable option;
   c. Any concerns or requirements such capital providers posed to CenterPoint in their offers/negotiations;
   d. Invitation to other stakeholders to offer or suggest other third party capital providers of which they are aware as options for consideration by the Commission in a comment period in response to these annual reports.
3. Engage an approved PAYS program operator to operate the pilot, including the use of PAYS tariff language and documents, which are vetted and tested and include substantial protections for participants.
4. Allow direct collection of the 2.5% rate of return from participants, but defer collection of and require a determination of prudency to after the pilot of the proposed ratepayer portion of the rate of return (~4.92%) based on demonstrated risk to utility capital, and analysis of available capital sources that meaningfully mitigate risk to utility shareholder capital. Direct CenterPoint to use deferred accounting to track these rate of return costs without prejudice as to whether cost recovery of this rate of return is prudent for the pilot. Alternatively, the Commission could proceed to directly:
   d. Exempt this program from CenterPoint Energy's required debt-to-equity ratio.
   e. Direct 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).

f. 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.

As always, as community-based organizations representing a wide range of local residents who have historically faced barriers to participating in existing energy efficiency programs, we appreciate the opportunity to speak up to advance energy justice and protect the energy rights of our communities. We trust that the Commission will understand the historic importance of this pilot as a step to making sure that an affordable and clean energy future is available to everyone. We look forward to seeing this pilot get underway, and to refining it to ensure affordability and fairness for all energy users.

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

MN Renewable Now
/s/ Kristel Porter

Minneapolis Climate Action
/s/ Kyle Samejima

Vote Solar
/s/ Jenna Warmuth

SoularScenes
/s/ Erika Schlaeger dos Santos

Just Solar Coalition
/s/ Delaney Russell

8th Fire Solar
/s/ Marie Kills-Warrior

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

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

<u>Contact for Group:</u>
/s/ Jack Hurbanis
jhurbanis@mpls-synod.org