MINNESOTA
PUBLIC UTILITIES COMMISSION

Staff Briefing Papers

Meeting Date	October 13, 2022		Agenda Item **4
Company	CenterPoint Energy		
Docket No.	G-008/ M-21-377		
	In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On-Bill Financing Pilot Program		
Issues	Should the Commission approve the 3-year Tariffed On-Bill Financing Pilot program proposed by CenterPoint Energy and the City of Minneapolis?		
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✓ **Relevant Documents**	**Date**
Initial Filing and Progress Report, CenterPoint Energy and the City of Minneapolis	June 1, 2021
Petition –Tariffed On-Bill Pilot Program, CenterPoint Energy and the City of Minneapolis. Filed September 1, 2021. (Pilot Version 1)	September 2, 2021
Errata Filing, CenterPoint Energy	January 10, 2022
Reply Comment, CenterPoint Energy and the City of Minneapolis – filed on May 13, 2022 (Pilot Version 2).	May 16, 2022
Comments	
City of St. Louis Park	December 17, 2021
Minnesota Realtors	January 11, 2022

✓ **Relevant Documents**	**Date**
PUC, six comments: A. Blumenshine, D. Trajano, J. Hurbanis, L. Tooker-Kirkevold, P. Thomsen, R. Sauer	January 31, 2022
Renew Missouri	January 31, 2022
Climate and Energy Project	January 31, 2022
PUC, comment: J. Pedersen	February 1, 2022
PUC, comment: M. Troutman	February 2, 2022
Department of Commerce, Division of Energy Resources	February 3, 2022
Community Power, Comments and Appendix 1	February 4, 2022
Peer Learning Energy Efficiency Energy Cohort	February 4, 2022
Energy Access Commenters	February 4, 2022
Clean Energy Organizations and the Community Stabilization Project	February 4, 2022
Suburban Rate Authority	February 4, 2022
Office of the Attorney General, Residential Utilities Division	February 4, 2022
Mid-Minnesota Legal Aid / Legal Services Advocacy Project	February 4, 2022
Citizens Utility Board of Minnesota	February 4, 2022
Center for Energy and the Environment	February 4, 2022
Energy CENTS Coalition	February 4, 2022
Community Power, Appendix 2	February 7, 2022
PUC, comment: R. Thompson	February 9, 2022
PUC, comment: A. Green	February 9, 2022
PUC, nine comments: A. Campbell, A. Ness, C. Shanley, D. Hulme, D. Vandegrift, R. Kean, R. Shedd, S. Desai, S. Dragsten	February 23, 2022
PUC, comment: J. Ross	February 24, 2022
PUC, comment: A. Larsson	February 24, 2022
PUC, three comments: I. Hedberg, J. Holub, K. Cooper	February 28, 2022
PUC, three comments: K. Anderson, K. Murphy, B. Wolff	March 2, 2022
Reply Comments	
Reply Comment, Energy CENTS Coalition, Center for Energy and Environment, Legal Service Advocacy Project (Joint Commenters)	March 4, 2022
Reply Comment, Resilient Cities and Communities	March 4, 2022
PUC, six comments: E. Fetherston, E. Cardenas, S. Benson, M. Harrington, J. McBride, M. Bull from MN Rural Electric Association	March 8, 2022
Testimony from Docket No. 19-524, Community Power	March 28, 2022
Reply Comment, Energy Access Commenters	April 5, 2022

Relevant Documents	**Date**
Comment, Peer Learning Energy Efficiency Energy Cohort	April 6, 2022
PUC, comment: L. Samelson	May 3, 2022
Reply Comment, Suburban Rate Authority	May 13, 2022
Reply Comment, Clean Energy Orgs. and the Community Stabilization Project	May 13, 2022
Reply Comment, Department of Commerce	May 16, 2022
Reply Comment, Community Power and Apparatus Legal Analysis	May 16, 2022
Supplemental Comments on Modified Petition (Pilot Version 2)	
Former NHPUC Commissioner Brockway, N.	July 6, 2022
Center for Energy and the Environment	July 26, 2022
Suburban Rate Authority	August 8, 2022
Department of Commerce	August 8, 2022
Office of the Attorney General	August 8, 2022
Energy Access Commenters	August 8, 2022
Fresh Energy, Sierra Club, Minnesota Center for Environmental Advocacy, and the Community Stabilization Project	August 8, 2022
Center for Energy and the Environment, Energy CENTS Coalition, and Legal Services Advocacy Project	August 8, 2022
Community Power (supplemental comments and exhibits)	August 8, 2022
Relevant Orders and Rate Case Materials	
Order ACCEPTING AND ADOPTING AGREEMENT SETTING RATES, AND INITIATING DEVELOPMENT OF CONSERVATION PROGRAMS FOR RENTERS, Docket No. G-008/GR-19-524	March 1, 2021
Order Accepting and Adopting Agreement Setting Rate, Docket No. G008/GR-21-435	September 23, 2022

Contents

I. Statement of the Issues

Should the Commission approve the 3-year Tariffed On-Bill Financing Pilot program (TOB or Pilot) proposed by CenterPoint Energy and the City of Minneapolis as filed on May 13, 2022 and entered into the record on May 16, 2022?

a) Should the Commission allow deferred accounting for costs to be incurred to develop and operate the 3-year TOB pilot program as requested by CenterPoint Energy (CPE or the Company) /the City of Minneapolis (City)? If deferred accounting is approved, who should bear the cost burden?

b) Should the Commission approve the tariff language, agreements, and other exhibits to implement the pilot offered in the proposal?

c) Is the CPE/City TOB pilot proposal a program that
  (1) Is likely to facilitate substantial energy savings,
  (2) Is efficient at delivering energy savings,
  (3) Is operationally sound, and
  (4) Is consistent with Minnesota law?

d) What other factors could be relevant to the Commission's inquiry?

II. Background

On June 15, 2020, a Tariffed On-Bill (TOB) financing pilot program (referred to as TOB or Pilot) was proposed during the City of Minneapolis' (the City) direct testimony[1] in CenterPoint Energy's (CPE or the Company) September 2019 rate case (Docket No. G-008/GR-19-524).

On March 1, 2021, the Commission (PUC or Commission) rejected the TOB Pilot proposal without prejudice[2] and declined to adopt the City and CPE's TOB financing program, cost recovery limited to customers residing in Minneapolis, and the Administrative Law Judge's memorandum related to the TOB program.[3] The Commission required CPE and the City to initiate a new docket and consult with stakeholders to further develop and file a TOB pilot.[4] Additionally, the Order required the Company to develop or expand its existing Conservation Improvement Program (CIP) to focus on renters (see section III, below).[5]

On September 1, 2021, CPE and the City jointly filed their petition for a three-year TOB Pilot to encourage homeowners and renters to invest in home energy efficiency (TOB or Pilot Version

[1] Direct Testimony of Kim Havey and of Tammy Agard both filed July 15, 2020 and both supporting the City's proposed TOB pilot. See also Letter, City of Minneapolis, filed into Docket No. G-008/GR-19-524 on September 2, 2020 affirming agreement on TOB pilot between City and CPE as well as City of Minneapolis Petition to Intervene filed June 15, 2020.

[2] Order in Docket No G-008/GR-19-524, March 1, 2021, Ordering Paragraph 2.

[3] Order in Docket No G-008/GR-19-524, March 1, 2021, Ordering Paragraph 3C. 1), 2), and 3).

[4] Order in Docket No G-008/GR-19-524, March 1, 2021, Ordering Paragraph 8A-M.

[5] Order in Docket No. G-008/GR-19-524, March 1, 2021, Ordering Paragraph 9. On June 1, 2021 CenterPoint's Update on CIP Low-Income Proposals was filed into Docket No. G-008/GR-19-524.

1). This petition followed a June 1, 2021 Initial Filing and Progress Report which requested time to continue meeting with stakeholders during Summer 2021. On January 10, 2022 CPE's errata filing amended values presented in two areas of Version 1 as well as removed Peer Learning Energy Efficiency Energy Cohort as a Pilot partner.

By February 4, 2022, initial comments had been filed by eight members of the public and 14 groups as well as Community Power's first appendix, sharing the Cadmus TOB feasibility study.[6]

After February 4, 2022, 19 additional public comments were filed as well as Community Power's second appendix, sharing all information requests filed by Community Power, the Office of the Attorney General (OAG), Department of Commerce, Center for Energy and the Environment (CEE), Citizens Utility Board (CUB), and Energy CENTS Coalition (ECC).

By May 16, 2022, eight groups and seven members of the public had filed reply comments as well as Community Power's filing of an external legal analysis and transfer of 105 public comments referencing inclusive financing from CPE's 2019 rate case into the instant docket.

On May 16, 2022, CPE and the City's modified version of the September 1, 2021 petition was entered into the record (TOB or Pilot Version 2); CPE filed Pilot Version 2 on May 13, 2022.

By August 8, 2022, eight groups' and one former NHPUC Commissioner's supplemental comments as well as exhibits from Community Power were filed in response to TOB Version 2.

III. Required Update to CPE's CIP

During the same time period as the TOB pilot development, the Commission required CPE, with input from interested participants, to develop a new (or expand an existing) low-income CIP proposal under Minn. Stat. § 216B.241, subd. 7, focusing on renters.[7] On June 1, 2021 the Company filed a CIP update.[8] CPE identified four barriers to CIP participation: renter / owner split incentive; energy efficiency is a low priority; unaware / don't know how to engage; and high upfront costs. Due in part to the ECO Act[9], CPE explained their increased focus and funding for low-income renters in CIP:

- 2020 launching of EZPAY, an on-bill loan repayment program for homeowners and multi-family building owners. Note, rental properties may access CIP loans if the building owner is a customer of CenterPoint Energy.[10]
- Expanding outreach and leveraging partnerships to streamline enrollment

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[6] Cadmus (2018), Tariffed On-Bill Financing Feasibility Assessment of Innovative Financing Structures for Minnesota. Filed in Docket No. G008/M-21-377 by Community Power as Appendix 1 on February 4, 2022.

[7] Order ACCEPTING AND ADOPTING AGREEMENT SETTING RATES, AND INITIATING DEVELOPMENT OF CONSERVATION PROGRAMS FOR RENTERS. ISSUED: March 1, 2021 DOCKET NO. G-008/GR-19-524, para.9.

[8] Compliance Filing- Update on CIP for income-qualified renters. June 1, 2021 Docket No. G-008/GR-19-524.

[9] The Energy Conservation & Optimization ("ECO") Act. 2021. HF 0164, 92nd Legislature (2021 - 2022).

[10] June 1, 2021 CenterPoint's Update on CIP Low-Income Proposals filed into Docket No. G-008/GR-19-524, p3.

- Excluding income-qualified buildings from cost-effectiveness testing to expand income-eligible bonus rebate eligibility thresholds
- Using 15% of total low-income CIP funds to address remediation needed prior to weatherization as directed by ECO Act
- Addressing landlord/renter “split incentive” by examining, with stakeholders, covering up to 75% of energy efficiency project costs for landlords who make upgrades in 1-4 unit rental affordable housing
- Prequalifying households in certain geographic areas: CPE proposed and the Department approved[11], expanding LIRE eligibility by automatically qualifying rental properties as low-income if the property is located within Minneapolis Green Zones and Areas of Concentrated Poverty; CPE expanded its Low-Income Weatherization (LIW) eligibility in the same manner.[12]

On June 29, 2022, CPE filed a request to modify CIP programs and services for 5+ unit multi-family buildings (see Table 1 blue box, programs jointly offered with Xcel Energy) to align the programs with services offered to 1-4 unit properties to better serve low-income properties. Program changes resulted in a large increase in the low-income multi-family building efficiency budget from $67,262 to $500,198 but a net decrease over two years for the multi-family building efficiency program.[13] Modifications include a 100% bonus incentive for prescriptive and custom rebates and dropping the requirement for a pre-bonus energy audit.

Table 1a. CPE CIP[14] Offerings

[11] *In the Matter of CenterPoint Energy’s 2021-2023 CIP Modification Request,* DECISION OF THE MINNESOTA DEPARTMENT OF COMMERCE, Docket No. G008/CIP-20-478, issued November 1, 2021.
[12] *In the Matter of CenterPoint Energy’s 2021-2023 CIP Modification Request*, DECISION OF THE MINNESOTA DEPARTMENT OF COMMERCE, Docket No. G008/CIP-20-478, issued January 31, 2022

[13] Request to Modify CenterPoint Energy’s Conservation Improvement Programs filed June 29, 2022. Docket No. G-008/CIP-20-478.

[14]Decision, Department of Commerce, November 25, 2020. Docket Nos. G-008/CIP-20-478, G7034,E7032/CIP-20-483, G7033,E7031/CIP-20-481, see p28-31. CPE Update June 1, 2021 Docket No. G-008/M-19-524, Table p9.

	Type of Property		Who Should Enroll in the Program?				Services/Benefits Provided	
Program	1-4 Unit Properties	Multi-Family 5+ Units	Home-owners	Renters (who are Center-Point Energy Customers)	Property Owner/ Building Managers	Affordable Housing Agency	Energy Audit	Energy Efficiency Measures (Weatherization, heating & water heating equipment, appliances, thermostats, showerheads, faucet aerators, tune-ups)
Home Energy Squad[13]	✔		✔	✔	✔		✔	No cost direct install (e.g., showerheads, faucet aerators, and weatherstripping)
Low Income Weatherization	✔		✔	✔			✔	No cost for income-eligible Local agency determination of cost split with rental property owners
Low Income Rental Efficiency	✔				✔		✔	No cost for income-eligible 50/50 cost split with rental property owners
Non-Profit Affordable Housing Rebates	✔					✔	✔	Rebates/incentives
Multi-Family Building Efficiency		✔			✔		✔	No cost direct install Bonus incentives
Low-Income Multi-Family Housing Rebates		✔			✔			Bonus incentives
Low Income Heating System Tune Up[14]	✔		✔	✔				No cost for income-eligible

Home Energy Squad offers a no cost audit for self-identified income-eligible customers. Home Energy Squad will refer income-eligible customers to the appropriate program low-income program.

Table 1b. Additional Residential CPE CIP

Rebate Programs for Builders and Buildings	Programs for Residential Customers
• New home construction rebates • Building design recommendations	• Rebates for appliances and insulation • Free materials for DIY home efficiency • Education- Neighborhood comparisons, Home Energy Squad audit, Educational kits for school distribution

Staff notes that CEE filed comments in the instant docket regarding the modifications to CPE's multi-family offerings.[15] CEE found the proposed modifications useful to improve access to CIP for renters but added that CPE should also increase the budget for their Low Income Multi-Family Building Efficiency program, including for pre-weatherization measures, and should continue expanding CIP offerings, rather than via a TOB Pilot, to serve renters.[16] Also, CEE, as part of the Joint Commenters, found the Pilot Version 2 shows, "the opportunity to address the needs of low- to moderate-income renters through improved program design and expanded services in the Company's CIP and underscores the questionable wisdom of creating a brand new program at ratepayer expense."[17] See Table 1b for additional CIP offerings.

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[15] July 26, 2022. Comments. CEE. Docket Numbers G-008/CIP-20-478, G-008/21-377

[16] July 26, 2022. Comments. CEE. Docket Numbers G-008/CIP-20-478, G-008/21-377, p2.

[17] August 8, 2002. Supplemental Comments of the Energy CENTS Coalition, Center for Energy and Environment, and Legal Services Advocacy Project. Docket No. G-008/M-21-377, p4.

On June 29, 2022, CPE also requested to modify its Low-Income Weatherization program to offer a highly efficient tankless, instantaneous water heater to low-income customers replacing a tankless, instantaneous water heater. More, CPE requested to increase its 2022 and 2023 marketing budgets for low-income programs by $280,000 to increase participation, meet ECO Act spending requirements, and achieve the Company's energy savings goals.[18]

IV. Staff Overview of the Issues

TOB creates a mechanism for energy efficiency upgrades to be paid for through a monthly charge tied to a homeowner or renter's meter.

CPE and the City filed their initial TOB pilot (Version 1) on September 2, 2021 and, in response to stakeholder feedback, modified the Pilot (TOB Version 2) and filed on May 13, 2022. TOB Version 2 removed both disconnection as a penalty for nonpayment and some mandatory program fees. TOB Version 2 also reduced the number of Pilot participants and shifted the Pilot focus away from low-income customers. Despite these changes, commenters in the record are still split on whether or not the Commission should approve the modified Pilot.

Eight disputed issues remain: 1) Commission Authority, 2) Need for TOB given the existing Conservation Improvement Program (CIP); 3) Pilot cost-effectiveness; 4) rate of return and alternate cost recovery; 5) the 80/20 rule; 6) landlord v. tenant responsibilities and then; 7) debt and property transfer; 8) deferred accounting.

A first consideration is the Department's understanding of TOB such that, "it would be a conservation program that would exist in parallel to the suite of existing CIP. However, the Department believes that establishing an entirely separate conservation program process within the state is inappropriate. If allowed, this would create a disjointed process where utilities are allowed to bypass CIP and create CIP-like programs through the Commission, eliminating the ability of the Department's CIP staff to evaluate the totality of conservation programs offered in Minnesota. This would be serious under any circumstance, but especially serious as the Department's CIP staff is currently implementing new standards and programs under the recently passed ECO Act."[19]

If the Commission determines it has the authority and a TOB offering is needed, the six remaining issues relate to TOB pilot design and cost recovery.

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[18] June 29, 2022. Request to Modify CenterPoint Energy's Conservation Improvement Programs. CPE. Docket No. G-008/CIP-20-478, p5-6

[19] Supplemental comments, Department of Commerce, filed August 8, 2022, Docket No. G008/M-21-377 p4-5.

V. CenterPoint Energy and the City's TOB Pilot Petition

A. Introduction

CPE and the City, members of the Clean Energy Partnership, proposed a TOB Pilot to provide a mechanism by which homeowners as well as renters will be able to make energy efficiency upgrades. The City and CPE contend that the Pilot Version 2 "has potential to fill a gap in addressing Minnesotans' energy needs" and address barriers to energy upgrades for renters, those unable or unwilling to take out loans, and those with income exceeding low-income thresholds.[20] In filing TOB Version 1, the City and CPE argued that though the Pilot would be open to all Minnesota customers, Minneapolis homes have a unique need for upgrades as 65% of homes were built before insulation was required and many of these older homes are rental units. More, the number of renters in Minneapolis is also growing, rising to 53% in 2019.[21] Access to efficient rental housing raises questions of equity as nationally, Black and Hispanic households are twice as likely as white households to rent their homes.[22]

According to the petition and the Company's Errata filing, renters have been underserved[23] by the Conservation Improvement Program (CIP), an existing method by which energy upgrades might be realized for renters.[24] An average of about 2,000 customers per year participate in the Company's CIP insulation rebate program of which only an estimated 7% (130) are renters or rental property owners. The Company's Low-Income Weatherization and Rental Efficiency programs together serve on average 1,025 customers a year, with about 25% (255) of those participants being renters or rental property owners.[25]

According to the City and CPE, barriers to making energy upgrades may also be addressed by the "inclusive financing" offered through the TOB pilot. The Pilot would leverage CPE funding,

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[20] Reply Comments, CenterPoint Energy and the City of Minneapolis, Re: Petition to Introduce a Tariffed on Bill Pilot Program. Dated May 13, 2022. Filed May 16, 2022 into Docket No. G008/M-21-377, p2. (**Pilot Version 2**)

[21] U.S. Census Bureau, 2015-2019 American Community Survey 5-Year Estimates

[22] Anthony Cilluffo, et al., More U.S. Households are Renting than at any Point in 50 Years, https://www.pewresearch.org/fact-tank/2017/07/19/more-u-s-households-are-renting-than-at-any-pointin-50-years/

[23] Errata Filing by CenterPoint Energy and the City of Minneapolis in Docket No. G-008/M-21-377 made 10 Jan 2022, p1 stated, "The Company's Low-Income Weatherization and Rental Efficiency programs together serve an average 1,025 participants a year, with about 25% (255) of those participants being renters or rental property owners" (average participation 2018-2020).

[24] Update Filed Docket No. G-008/M-19-524 June 1, 2021, identified barriers to CIP participation which, is very low across Minneapolis rental units. Barriers found: renter / owner split incentive; energy efficiency is a low priority; unaware / don't know how to engage; and high upfront costs. Strategies for increasing low-income participation include: marketing, education and outreach with partner organizations and governments; increasing incentives like rebates and funding for pre-weatherization health and safety measures which, if not addressed, often prevent weatherization projects; and expanded income eligibility thresholds. Proposals are being drafted. Also note, Docket No. G008/CIP-20-478 addresses near-term efforts to modify the Company's CIP to accommodate more low-income and renter participation.

[25] Based on rounded three-year average CIP participation 2018-2020. Errata Filing by CPE and City made 10 Jan 2022 Docket No. G008/M-21-377

as well as technical and personnel resources, for CPE customers to make energy efficiency upgrades and pay for upgrades on their utility bill. The Pilot could eliminate the need for customers to take out a personal loan or pay for the entire cost of upgrades up-front. Pilot costs, including the utility's rate of return, would be funded by participants and ratepayers. CPE is requesting to track and defer Pilot costs until recovered in a later rate case.

In its March 1, 2021 Order, the Commission specified evaluation criteria for CPE's eventual Pilot proposal.[26] Staff follows the Order's outline to present TOB Version 2 here.

B. Participants

The Pilot was modified to serve fewer participants, 250- 500 total over three years, decreased from the original 1,500 total participants. The Pilot will be available to residential and multifamily customers throughout CenterPoint Energy service area in Minnesota.[27] To enroll participants, the engagement strategy was modified to target high energy users who may reside in under-insulated properties, renters and rental property owners, and moderate-income level customers who may not qualify for low-income programs. This is a shift from the original focus on customers who were considered highly energy-burdened and the City of Minneapolis' Green Zones, defined as communities deeply impacted by injustices including pollution and racism.[28] Staff understands the petition to mean that outreach efforts will be undertaken by CPE in collaboration with the program operator, community-based organizations, and trusted local partners.[29]

C. Program Costs

Pilot costs were decreased by limiting the number of participants, targeting potential participants by using tools like CPE's Community Profile Dashboard, and by leveraging existing CPE systems rather than building new vendor, internal, and customer communication and processing systems (Table 2). The Company will notify the PUC if total TOB Pilot spending reaches $4 million during the first year of the Pilot.[30] Note, Staff is unclear if this will occur when the annual report is filed or at *any* time spending reaches $4 million.

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[26] Order in Docket No G-008/GR-19-524, March 1, 2021, pp. 11-12.

[27] Petition –Tariffed On-Bill Pilot Program, CenterPoint Energy and the City of Minneapolis. Filed September 1, 2021. Entered into the record for Docket No. G008/M-21-377 on September 2, 2021 (**Pilot Version 1**), p13. Commissioner's may wish to ask for clarification as the petition was not definitive as to whether the Pilot would serve all customers or would be delimited to the city of Minneapolis.

[28] Pilot version 1, p10.

[29] Errata Filing by CPE and City made 10 Jan 2022. Note, Commission's March 1, 2021 Order asked for specific information on outreach and education to Indigenous, Black, Latinx, and Asian American people. Prior to the Errata Filing, Minneapolis and the Company planned to partner with the Peer Learning Efficiency Cohort to lead outreach efforts; according to the Errata Filing a partner for outreach efforts has not been specified. According to TOB Version 2, Exhibit N p7, the program operator "will support community-based marketing and outreach activities as agreed upon with the Companies."

[30] Reply Comments CenterPoint Energy and the City of Minneapolis (referred to as Pilot Version 2) dated May 13, 2022 filed May 16, 2022 into Docket No. G008/M-21-377, p5.

Table 2. Pilot Cost Reductions

Cost Description	Version 1 Estimate	Version 2 Estimate	Version 2 Reduction
Business System	$1,000,000	$300,000	Now, 11.5% of estimated budget; Original 6.7% of total budget
Total Pilot Cost	$14,817,000 ($25,700,000 cap)	$2,608,525 ($5,151,825 cap)	

Table 3. Total Program Costs[31]

Cost Description	Version 1 Estimate	Version 2 Low-Spend Estimate	Version 2 High-Spend Estimate
Energy Upgrades- Capital Investment	$7,500,000	$1,250,000	$2,500,000
Rate of Return – Participants (2.50%)	$1,125,000	$187,500	$375,000
Start-Up Activities	$1,756,500	$283,475	$566,950
Pilot Delivery	$2,221,500	$518,550	$971,875
Rate of Return – Ratepayers (4.92%)	$2,214,000	$369,000	$738,000
TOTAL PROGRAM COST	$14,817,000	**$2,608,525**	**$5,151,825**
Recovered from Participants	$9,180,000	$1,380,000	$2,760,000
Recovered from Ratepayers	$5,637,000	$1,228,525	$2,391,825
Recovered from Ratepayers with 100% unrealized savings		$2,608,525	$5,151,825
2021 CIP spending (for comparison)	*$38,439,620*		
Potential avoided costs for gas, electric, and social benefit of carbon avoidance	*$3.4 - $10.9 million*	*$690,000 (normal baseline, 250 participants) - $4.1 million (poor efficiency baseline, 500 participants).*	

*Green highlight shows costs born by participants; Blue highlight shows costs born by ratepayers.

Participants. Unchanged from Version 1, participants will pay a monthly charge based on 80% of weather-normalized estimated savings, to recover the total cost of the customer's energy upgrade (estimated at $5,000/participant), the Company's rate of return (ROR). Customers may also be required to make a copay if a chosen upgrade would not comply with TOB's 80/20 rule. Prepayment remains prohibited, "[a]ny payment made to the Utility in excess of current charges will be held as a credit on the appropriate customer account and applied to charges as they become due."[32] In explanation of this practice, CPE stated, "[t]he TOB charge is not a debt, but is instead a tariffed charge."[33]

[31] Table data from Pilot Version 2 as shown on p6, "Table 2 – Updated TOB Pilot Spending Estimates, May 13, 2022;" avoided costs and social benefits Exhibit M, p1-2. Data from Pilot Version 1 from Sept. 1 filing, Exhibit L p1. CIP spending Docket No. G008/M-22-215.

[32] Pilot Version 1, Exhibit G- Participant Owner Agreement, p2. Position maintained in TOB Version 2, p12.

[33] Pilot Version 2, Exhibit A, p8.

Changes were made to Version 1 such that the penalty of disconnection for nonpayment has been removed. More, the Pilot was modified to no longer charge participants a $100 copay nor a $475 pilot administration fee.[34] These costs are now proposed to be recovered in the utility's O&M expense from all ratepayers and will not accrue a return on investment. Table 4 offers a summary of the budget categories and spending responsibilities in Pilot Version 2.

Table 4. Budget Categories and Spending Responsibilities (low-spend estimate)

Ratepayer Funded		Participant Funded
Start Up Costs	Pilot Delivery Costs	Energy Upgrade Costs
• Modify existing systems for customers to interact with TOB • Internal and vendor information exchange systems • O&M including call center training and contracts	• Energy Assessment • Energy Modeling • Program Operator services • Utility Administration • Marketing, Outreach, Education • Outside Evaluation • Leverage some CIP funds[35]	Assumes $5,000/project based on the average cost of the attic and wall insulation projects rebated by the Company's residential Air Sealing and Insulation CIP project.
Total Budget: $283,475	**Total Budget:** $518,550	**Total Budget:** $1,250,000

Ratepayers. The SRA and OAG noted while Pilot Version 2 reduced overall costs (Tables 2 and 3), it placed a greater burden on ratepayers (Table 4).[36] Indeed, while startup costs decreased in Pilot Version 2 through the repurposing of existing utility systems, CPE proposed that in Version 2, ratepayers would continue to fund all Pilot startup costs, the Company's ROR beyond the 2.5% contribution by participants,[37] costs associated with the 4% of Pilot participants who are estimated to default, and all delivery costs. Version 2 contrasts with Version 1, in which participants and ratepayers split pilot delivery costs.

CPE offered a rate impact analysis for a residential customer which is estimated at $0.90 - $1.74 total with a monthly bill impact of less than $0.02/month over the 15 years of cost recovery.[38]

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[34] Costs now be recovered as utility O&M and will not accrue the Company's return on investment. Version 2, p7

[35] Leveraging Home Energy squad services assumes a savings to ratepayers of $300/participant or $93,600-$187,500 total. TOB Version 2, Exhibit L, p6. Home energy squad services are delivered by Center for Energy and the Environment to CPE and Xcel Energy through CIP which is funded through the Company's Conservation Cost Recovery Adjustment ("CCRA") on a per therm basis as part of ratepayers' gas delivery charge. In 2021, "[t]he program achieved 59% of its participation goal and 46% of its energy savings goal while program spending was 61% of budget. There were 3,218 unique customer accounts served through squad visits, 344 of which were provided to self-identified low-income customers for no fee." CPE Natural Gas Conservation Improvement Program 2021 Status Report & Associated Compliance Filings Docket No. G-008/M-22-215 filed May 2, 2022.

[36] SRA supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p4.

[37] Pilot Version 2, p8

[38] Reply Comments CenterPoint Energy and the City of Minneapolis (Pilot / TOB Version 2) dated May 13, 2022 filed May 16, 2022 into Docket No. G008/M-21-377, p2 and Exhibit L, p3.

The Company and City designed the TOB pilot to "hold the participant harmless"[39] if participants do not realize bill savings after upgrading. This means that the "worst-case scenario" assumes a 100% participant default in which ratepayers would absorb all costs (see Staff's Table 3 above). However, Community Power found the worst-case scenario "absurd."[40]

Tables 5a&b. Staff notes a disagreement in Version 2 in the allocation of funding between participants and ratepayers. In CPE and the City's Version 2 Exhibit L, p2, below Table 5a, Participants are shown to be funding 100% of the Pilot Delivery cost (line 2):

Table 5a.

Exhibit L - Pilot Cost Estimate Details with Modifications
Page 2 of 7

Participant Cost Recovery Amount

	Item	Details	Spending Estimate Low ($)	Spending Estimate High ($)
1	Energy Upgrades	Capital Investment	1,250,000	2,500,000
2	Pilot Delivery	See Table 6	518,550	971,875
3	Utility Rate of Return	2.5% Participant Portion	187,500	375,000
4		Total	1,956,050	3,846,875
5		**Total Less Defaults[2] (4%)**	**1,380,000**	**2,760,000**

Meanwhile, the filing's, "Updated TOB Pilot Spending Estimates May 13, 2022," shown below, on Version 2 page 6, participants are shown to be funding the cost of energy upgrades and a portion of CPE's ROR only while ratepayers fund start-up costs and 100% of delivery costs (below, table 5b). The Commission may wish to ask for a clarification on this matter.

Table 5b.

– Updated TOB Pilot Spending Estimates, May 13, 2022

Category	Low Spending Estimate		High Spending Estimate	
	Participant Cost	*Ratepayer Cost*	*Participant Cost*	*Ratepayer Cost*
Energy Upgrades	$1,250,000		$2,500,000	
Start-Up Activities:		$283,475		$566,950
Pilot Delivery Costs		$518,550		$971,875
Utility Rate of Return	$187,500	$369,000	$375,000	$738,000
4% Est. Default	($57,500)	$57,500	($115,000)	$115,000
Total Program Cost	$1,380,000	$1,228,525	$2,760,000	$2,391,825

Rate of Return. Stakeholders suggested that Pilot funding be borrowed from a third-party with lower interest rates, as opposed to using CPE funds and associated rate of return (ROR). As of

[39] TOB Version 2 petition, Exhibit L p4.

[40] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p5

their May 16, 2022 filing in the current docket, CPE did not see path forward with a third party but remained interested in continuing to explore options.[41] Thus, CPE proposes ratepayers (4.92%) and participants (2.5%) share provision of the petition's hypothetical 7.42% ROR.

CPE acknowledged an "unusual" circumstance in the Pilot where "CenterPoint Energy would be making investments in upgrades that would be owned by customers or building owners rather than the Company."[42] The Company does not own upgrades but does share upkeep with building owner and program manager. Pilot Version 2 continues to include CPE earning an ROR on TOB upgrades not owned by the Company.

Staff Note, the Department's information request (DOC IR No. 12 – Attachment A)[43] found that if, following a rate case decision, adjustments to the authorized ROR were needed, then the participant ROR would remain at 2.5% with ratepayers absorbing any increase or decrease from the current 7.42%. Staff also notes that the Commission's September 23, 2022 Order Accepting and Adopting Agreement Setting Rate (Docket No. G008/GR-21-435) accepted a 6.65% ROE.

D. Interaction with CIP

Before enrolling in the Pilot, the program operators and participants would discuss whether that participant might be better served by CIP and / or Energy Assistance than the Pilot. In response to comments, Pilot Version 2 expressly stated the Company and Program Operator "will work to establish strong pathways to Low Income CIP and WAP [Weatherization Assistance Program]" early in process.[44] However, the details of such pathways were not explained.

If Pilot participation is determined as the best strategy for a CPE customer to upgrade their home, the customer pursues a course similar to CIP. First, the program operator or the Home Energy Squad, which conducts audits through CIP, will undertake a home energy audit. Then, if appropriate, any direct-install energy savings measures like low-flow faucets and shower heads, caulking, and window film would be applied using CIP funds. The Company estimates leveraging about $93,600 - $187,500 of CIP Home Energy Squad services or about $300 per participant.

The CIP program also makes available rebates for energy upgrades on items like high-efficiency heating, cooling, and water-heating appliances. However, while the extent of the CIP program is making these rebates *available*, the Pilot and specifically the program operator would *apply* the rebates to the purchase and installation of energy upgrades, estimated $500 - $1,000 per participant. Then, remaining upgrade cost would then be included on a participant's monthly bill. Thus, the Pilot is a mechanism for customers to pay for upgrade costs not covered by CIP.

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[41] Pilot Version 2, p7

[42] Pilot Version 2, Exhibit A, p4

[43] CenterPoint Energy Rate Case Docket No. G008/GR-21-435

[44] Pilot Version 2, p6

E. Cost Recovery

Despite opposition from the Department of Commerce (Department) and OAG, CPE requests approval for deferred accounting for Pilot costs. The Company argued that their Pilot meets the Commission's requirements[45] for deferred accounting. CPE stated:

> The purpose of deferred accounting is to "hold utilities harmless when they incur out-of-test year expenses that, because of their nature or size, should be eligible for possible rate recovery as a matter of public policy. Deferred accounting is also sometimes permitted when utilities incur sizeable expenses to meet important public policy mandates. The Commission has stated that to be eligible for deferred accounting, costs should be: (1) related to the utility operations for which ratepayers have incurred costs or received benefits; (2) significant in amount; (3) unforeseen, unusual, or extraordinary items; and (4) subject to review for reasonableness and prudence. Each of these four criteria is met here and the TOB pilot would serve the important public policy mandate of achieving energy savings.[46]

CPE further argued that the Commission has permitted deferred accounting when utilities incur sizeable expenses to meet important public policy mandates[47] and that the Pilot meets a public policy mandate for energy efficiency as outlined in Minnesota Statute § 216B.2401[48] which would also make the Pilot eligible for deferred accounting. In TOB Version 2, CPE likened the TOB Pilot to Xcel Energy's electric vehicle pilots in which deferred accounting was granted.[49]

The Company requested authorization to defer and track ongoing operations and maintenance (O&M) costs, depreciation expense, and return on investment *less* any costs recovered from pilot participants; Fig. 1, from Exhibit Q TOB Version 2 shows a potential tracker format. CPE would add qualifying project costs to the tracker as they are completed. Additional O&M, unrecoverable participant expenses will be added to the tracker with other ratepayer funded Pilot costs and collected from ratepayers on a per therm charge. Participants will pay their share of the Pilot as a monthly charge on their gas bill. The Company proposed a rider for cost

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[45] Requirements: (1) related to the utility operations for which ratepayers have incurred costs or received benefits; (2) significant in amount; (3) unforeseen, unusual, or extraordinary items; and (4) subject to review for reasonableness and prudence. As described *In the Matter of a Petition for Approval of Deferred Accounting Treatment of Costs Related to the 2016 Storm Response and Recovery*, Docket No. E015/M-16-648, Order Denying Petition for Deferred Accounting Treatment at 2 (Jan. 10, 2017).

[46] Pilot Version 1, p22

[47] Pilot Version 1, p22, citing *In the Matter of the Petition of Northern States Power Company for Deferred Accounting Treatment of Costs Relating to Identifying and Eliminating Sewer/Natural Gas Line Conflicts*, Docket No. G-002/M-10- 422, Order Granting Deferred Accounting Treatment Subject to Conditions and Reporting Requirements, at 1 (Jan. 12, 2011).

[48] Minnesota Statute § 216B.2401, "cost-effective energy savings are to be preferred over all other energy resources" and "the legislature further finds that cost-effective energy savings should be procured systematically and aggressively."

[49] Pilot Version 2 (May 16, 2022). Exhibit a p5-6. Referencing In the Matter of Xcel Energy's Petition for Approval of Electric Vehicle Pilot Programs, Docket No. E002/M-18-643 (Minnesota P.U.C. July 17, 2019), aff'd No. A19-1785, A20-0116, 2020 WL 5626040 (Minn. Ct. App. September 21, 2020).

recovery after one year of Pilot, based on tracker balance and forecasted costs. Apart from the overall budget reduction and participants no longer funding a portion of O&M costs, Staff is unaware of any significant changes to cost recovery from the Pilot from Version 1 to Version 2.

Figure 1.

	Participant TOB Tracker				
	Item	**Definition**	**Year 1**	**Year 2**	**Year 3**
1	Beg Bal		$ -	$ 726,975	$ 1,164,999
2	Program Assets Adds		$ 750,000	$ 500,000	
3	Participant Return	(Row 1 + (Row2/2))*.025	$ 9,375	$ 24,424	$ 29,125
4	Ratepayer Return	(Row 1 + (Row2/2))*.0492	$ 18,450	$ 48,067	$ 57,318
5					
6	Program Participant O&M	Schedule J			
7	Program Ratepayer O&M	Schedule J	$ 342,243	$ 176,307	
8					
9	Particpant Revenue	Revenue Collected	$ (32,400)	$ (86,400)	$ (108,000)
10					
11	Participant Uncollectible Expense				
12					
13	Ratepayer Revenue	Row 20 * -1	$ (360,693)	$ (224,374)	$ (57,318)
14					
15	End Balance		$ 726,975	$ 1,164,999	$ 1,086,124
16					
17					
18	Ratepayer Current Costs	Row 4 + Row 7 + Row 11	$ 360,693	$ 224,374	$ 57,318
19	Ratepayer Over/Under	Actual Over/Under Collection			
20	Total Ratepayer Expense	Row 18 + 19	$ 360,693	$ 224,374	$ 57,318

F. Customer Agreements

The property owner and, in the case of renters, all impacted units will be required to sign a participation agreement before installation of upgrades.[50] Should the property change ownership, or should a unit have a change of tenants, the Participant Owner Agreement (TOB Version 2, Exhibit G), states that the building owner agrees to provide notice to future renters or owners of the TOB obligations, and to allow renters out of lease agreements or future owners out of purchase agreements if notice is not provided. The terms of that agreement are reiterated in the tariff.[51] As proposed, any remaining costs associated with Pilot upgrades would pass to the new tenant or property owner. Thus, the upgrades are tied to the *meter*, not the owner or renter who chose to make the upgrades.

The Company also provided its Participant Renter Agreement for renters (Exhibit H). Like the Participant Owner Agreement, it included:

- Renter confirming
  - status as a CPE customer
  - property owner signed the Participant Owner agreement (renter only)
- Acknowledgement Utility will pay for upgrades, recover costs from current and subsequent gas customers, and can access property for install, repair, and inspection
- Authorization and list of upgrades, cost, any co-pay, and term of repayment

[50]Pilot Version 1, p11

[51]Pilot Version 2, Exhibit A p12.

- Estimation of potential costs and savings
- Payment obligation tied to location
- No prepayment
- Requirement for signatures from future owners and/or tenants (owner responsibility)
- Broken equipment reviewed by program operator
  - If NOT the fault of the participant, then service charges suspended until repair is made or agreement is terminated
  - If the fault of the participant, Utility may seek to recover costs from the owner
- Audit conducted by program operator 1-2 years after install to confirm energy savings as well as at any time as requested by owner
- Disagreements with Program Operator may be appealed; includes Utility contact
- Termination (see Ensuring Energy Savings, below)

Successor Notice and Acknowledgement for Owners (Exhibit I) and for Renters (Exhibit J) were also included in Pilot Version 2. Both require signatures acknowledging upgrades were made and that the tariff will automatically be applied to the customer account tied to that location.

G. Program Operator

In consultation with the City, CPE will select a third-party program operator via a competitive RFP process. The program operator will:

- Support CPE's outreach efforts
- Facilitate planning meetings with CPE
- Conduct participant education, e.g., eligibility for LIHEAP, and communication before and during the installation process
- Coordinate with the Home Energy Squad to share data when either party conducts home audits
- Model building site data from home audit to select appropriate energy upgrades[52] and estimate energy savings
- Arrange for installation of upgrades and payment of contractors
- Conduct a quality review / bill audit and if needed, arrange for repairs.
- Report progress metrics to CPE monthly or quarterly[53]

H. Ensuring Energy Savings

Eligible efficiency upgrades[54] must pass an "80/20 rule," meaning a participant's total annual payment would not exceed 80% of the weather-normalized estimated savings and for a period

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[52] Eligible measures per Pilot Version 1, Exhibit P and include any residential or multi-family application of natural gas saving measures listed in the Minnesota Technical Resource Manual or CPE's CIP Triennial Plan.

[53] Pilot Version 1, Exhibit N p7-8. Progress reports will describe: participation including for low-income participants, measures installed, energy savings / month, referrals, and project costs.

[54] Pilot Version 2, Exhibit P, List of Eligible Measures pp1-2.

not to exceed 80% of estimated life of upgrades, capped at 12 years.[55] A measure's gas and electricity savings will be included in cost effectiveness calculations for determining project eligibility; however, measures that do not save gas are ineligible. Should a participant seek an upgrade that would not pass the 80/20 cost-effectiveness test, the participant can make an up-front co-payment in the amount necessary so that the upgrade's remaining cost is cost-effective, compared to estimated savings.[56]

After one year of participation, the program operator will review a participant's bills "to confirm that the upgrades are resulting in at least 80% of the estimated cost savings, on a weather-normalized basis" though bill analyses can be requested at any time.[57] If savings of at least 80% did not occur, the program operator will investigate the cause and may arrange for repairs, suspending service charge until repairs are complete. The repairs are undertaken through partnerships with verified installers / contractors to repair any upgrades at no cost to customer. If there is a change in participant behavior or property use, the services charge would continue to be assessed. Termination and requirement for the owner to pay full cost recovery may occur if upgrades are deliberately damaged.

Tables 6a&b. Exhibit O includes two tables (copied below) which cover associated energy savings, upgrade costs, and CIP incentives for various upgrades; as well, as an example participant cost-effectiveness calculation.[58]

Table 6a.

	TOB Pilot Project Details	Useful life (years)	Base Details	Upgrade Details	Natural Gas Savings (Dth/yr)	Natural Gas Saving ($/yr)	Electric Savings (kWh/yr)	Electric Cost Savings ($/yr)	Project Value ($)	CIP Incentive ($)
1	On-Site Energy Assessment	0	0	0	0.00	0	0	0	700	250
2	Bathroom aerators (0.5 GPM)	10	0	2	0.98	7	0	0	15	15
3	Showerheads (1.5 GPM)	10	0	2	3.52	25	0	0	30	30
4	Kitchen aerator (1.5 GPM)	10	0	1	0.56	4	0	0	10	10
5	Water heater piping insul.	13	0	6ft	1.22	9	0	0	10	10
6	Water heater blanket	7	0	1	1.07	7	~~245~~99[2]	~~32~~13	20	20
7	Tier 3 Thermostat w/ DI	10	Unknown	Tier 3	3.80	27	64	8	170	50
8	Air sealing + attic insulation	20	R=18.9	R=51.8	17.00	126	119	24	2,200	500
9	Wall insulation	20	R=.9	R=15.2	41.00	350	287	31	2,900	500
10	Program Operator Admin								$475	0
	Totals				69.15	484	~~631~~485	~~82~~63	**6,530**	**1,385**

[1] The $475 Program Operator Charge was added to this table.
[2] Correction to input error filed Sept. 1 2022.

Bracketed items (7-9) are meant to show the upgrades that are not direct installs, and thus the only upgrades on the list in Table 6a that staff understands would not be available during a CIP visit.

[55]Pilot Version 1, p18.

[56]Pilot Version 1, p 11, footnote 22.

[57]Pilot Version 1, Exhibit D- Proposed Tariff; Exhibit G- Participant Owner Agreement, p4; Exhibit H- Participant Renter Agreement, p3. Note, customer consent will be sought to access customer energy use data.

[58] Pilot Version 2, Exhibit O, Petition filed May 13, 2022 and filed May 16, 2022 to Docket no. G008/M-21-377. Modifications from September 1, 2021 Version 1 shown in red.

Table 6b.

Table 2: Example TOB pilot participant cost-effectiveness calculation

1	Natural Gas Savings ($/yr)	$484
2	Electric Savings ($/yr)	$~~82~~63
3	Total Energy Cost Savings ($/yr)	$~~566~~547
4	TOB Pilot Participation Charge cap	80%
5	Total TOB Pilot Payment Amount ($/yr)	$~~453~~438
6	Average Monthly TOB Pilot Payment Amount ($/month)	$~~38~~36

The Example TOB pilot participant is eligible for a $~~38~~36/month TOB payment charge for a maximum term of 12 years or $~~5,434~~5,252 total.

I. Pilot Design and Evaluation

Pilot Design

CPE and the City reviewed existing TOB-type programs: On-Bill Loans, Pay-As-You-Save (PAYS) programs, specifically as run by Ameren in Missouri, and Property Assessed Clean Energy (PACE) programs. Notably, the PAYS program was the only of the three models to allow renters to participate and the only that does not require customers to: sign a promissory note to accept a debt obligation, be subject to a credit check, or tie the financing to their property and accept risk to that property if defaulting on payments. Findings from this review were used to create the Pilot. Appendix 2 compares Pilot Version 2 to PAYS. In addition to reviewing existing TOB programs, CPE and the City held three stakeholder meetings (see Table 7) and conducted a survey to assist in their Pilot development.[59]

Table 7. Stakeholder Meeting Dates and Participants

Participant Type	Participants	April 2021	July 2021	August 2021
Hosts	City & CPE	X	X	
Environmental Advocate	Center for Energy & Env; Clean Energy Works; MNCEA; Sierra Club; Mpls. Energy Vision Advisory Committee (EVAC)	X	X	+ Cooperative Energy Futures; Solar United Neighbors
Rate Payer Advocate	CUB; Community Power; SRA; Energy CENTS; ILSR; Legal Aid	X	All but ILSR	+ Esperanza United; Lao Assistance Center; Mpls Area Synod; Nokomis E. Neighborhood Asscn, Unidos MN
PAYS Expert	EEtility; Renew Missouri	X	0	0
Agency	Department; OAG	X	X	X
Utility	Xcel	X	X	X
Supported Living Services	Liberty Homes	X	X	0
Association	Building Owners and	0	0	X

[59] Note, per Commission Order, "At a minimum, CenterPoint Energy must consult the City, the Department, the Office of Attorney General, the Energy Cents Coalition, Minnesota Community Action Partnership and Legal Services Advocacy Project, the Clean Energy Organizations, Community Power, and the Suburban Rate Authority." March 1, 2021 Order in Docket No. G-008/GR-19-524, p11.

	Managers			
	TOTAL NUMBER	**24**	**21**	**31**

Pilot Version 2 Timeline:
October 2022 – March 2023: Begin start up activities: acquire staff resources; leverage existing processes for customer interface and communication with vendors / internal; share RFP for program operator; conduct Call Center training; develop Marketing, Education, and Outreach plans and resources; engage community partners to work on outreach and communications.

April 2023 – September 2024: Marketing and Outreach
April 2023 – September 2024: Enroll 1st round of participants and deliver participation services including repairs, bill reviews, and tracking customer payments

October 2023: First Annual Report shared with PUC

October 2024 – December 2025: Enroll 2nd round of participants, deliver participation services
October 2024: Second Annual Report shared with PUC

October 2025: Third Annual Report shared with PUC

January 2025 – June 2025: RFP for third-party program evaluator
July 2025 – December 2025: Conduct third-party evaluation

2026 - 2037: Deliver participation services
October 2025 - October 2037: Annual Report shared with PUC

Pilot Evaluation
After the first year and half, the Company will review the Pilot and then, after the third year an independent reviewer, different from the program operator, will evaluate the Pilot.

The Company's evaluation will focus on:

1) participation by location, race/ethnicity, and renter/owner
2) referrals to income-qualified CIP services
3) program spending
4) # participants enrolled, # plans completed, # signed agreements, # completed and # initiated projects as well as associated costs (per project, participant, and measure), average cost per measure installed, and examination of those who could not be served
5) greenhouse gas emissions avoided
6) gas and electric saved in year one and over life of installed measures. CPE will analyze weather-normalized energy use five years before Pilot and year after.
    a. participants' median and range of energy bill amounts before and after upgrades[60]

[60] Staff notes, CPE and the City does not specify if gas and / or electric bills.

b. how situations of increased bills were addressed

7) disputes and dispute resolution
8) viable alternatives to TOB structure
9) efforts to locate and secure low or no-cost capital

The third-party will evaluate how the pilot is serving renters and under-resourced customers, reducing energy burdens, referring qualified customers to CIP, and leveraging CIP services.

VI. Comments

Four groups supported the September 1, 2021 Pilot without modifications and did not comment on the Pilot Version 2: the City of St. Louis Park; Resilient Cities and Communities, as the Pilot would create jobs and confront barriers to making energy upgrades; Climate + Energy Project, a Kansas advocacy group citing success of local PAYS programs; and the advocacy group Renew Missouri, citing personal experience and evidence of success of PAYS, recently approved for every major gas and electric IOU in Missouri. Others either supported modifying Pilot Version 2 or recommended denying the proposal (Table 8).

Table. 8 Commenter Position on Pilot and Acronyms

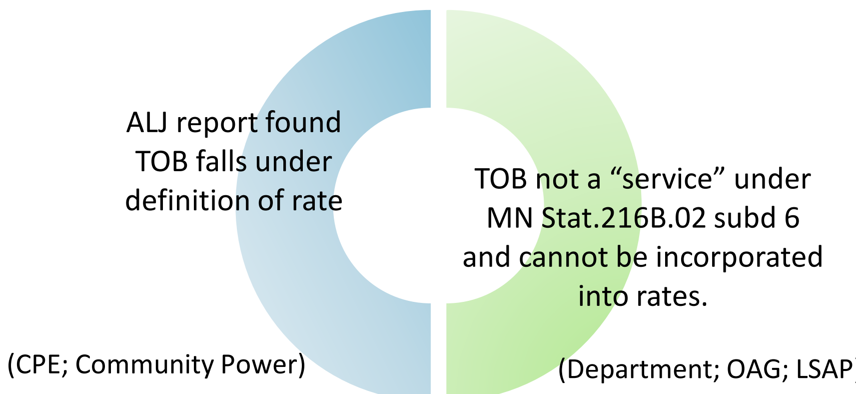
Acronym Defined	September 1, 2021 Petition Version 1	Responses to May 16, 2022 Petition Version 2
	APPROVE	
	City of St. Louis Park	No Comment.
Resilient Cities and Communities	Resilient	No Comment.
	Climate + Energy Project (Kansas)	No Comment.
	Renew Missouri	No Comment.
	MODIFY	
Peer Learning Energy Efficiency Energy Cohort	PLEEEC	PLEEEC recommends approval with modifications
31 Members of the Public	Public	No Comment.
Energy Access Commenters	EAC	EAC recommends approval
Community Power		Recommends approval
The Community Stabilization Project & Clean Energy Orgs (MN Center for Env. Advocacy, Fresh Energy, and Sierra Club)	CSP&CEOs	CSP&CEOs recommend approval with three modifications
		Former NHPUC Commissioner Brockway explained PAYS features
	DENY	
The Department of Commerce	Department	Department recommends denial
Office of the Attorney General	OAG	OAG recommends denial and focus on CIP improvements but if approved, should only do so with modifications

Center for Energy and the Environment	CEE	CEE recommends denial and focus on CIP improvements
Energy CENTS	ECENTS	ECENTS recommends denial
Citizen's Utility Board	CUB	No Comment.
Legal Services Advocacy Project	LSAP	LSAP recommends denial
Suburban Rate Authority	SRA	SRA likely to support if modified
Minnesota Realtors	MN Real	No Comment.
MN Rural Electric Association	MNREA	No Comment.

The outstanding issues are explained below.

First Issue: Authority to Approve the TOB Pilot

Figure 2.



[61]

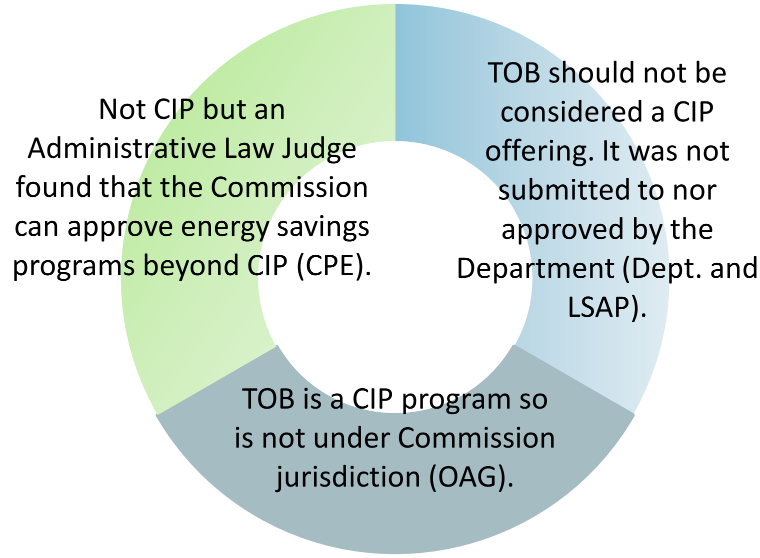
The Department supported their position, Figure 2, by explaining, "these definitions [service and rate] created by the Legislature do not allow rate recovery of costs not directly associated with delivering utility service. In this instance, the contemplated TOBF charges are not recoverable in 'rates' because they are neither collected for natural gas costs nor the costs of 'equipment or facilities for delivering or measuring' natural gas."[62] More, "Over the past 35 years, the Legislature has created express exceptions for specific programs to overcome this limitation rather than amend the definitions of 'service' and 'rate.'"[63]

[61] Findings of Fact, Conclusions of Law, and Recommendation to Approve the Parties' Settlements, OAH Docket No. 8-2500-36579/PUC Docket No. G-008/GR-19-524 at 22-25 (Minn. OAH November 20, 2020). Pilot Version 2, Exhibit A, p11.

[62] Department Comments Docket No. G008/M-21-377, filed February 3, 2022, p5-6.

[63] Minn. Stat. § 216B.16, subd. 6b.

Figure 3.



The Department continued, "Minnesota's CIP program statute overcomes this limitation, for example, by treating energy efficiency investments and expenses "*as if* . . . [they] were directly made or incurred by the utility in furnishing utility service."[64] The Legislature also has expressly authorized other energy efficiency programs like the PACE program and On-Bill Repayment program in statute.[65] The upshot of these definitions, court decisions, and past Legislative action is that the Legislature likely needs to expressly authorize the TOBF pilot program too."[66] Explaining that in some instances the Legislature may not need to name specific programs, former NHPUC Commissioner Nancy Brockway noted that in her jurisdiction, "New Hampshire's utility commission, for example, grounded its authority to approve PAYS on the general legislative mandate to foster energy efficiency."[67]

In supplemental comments, the Department underscored that evaluating CIP programs, including program costs and benefits and need for the program in the context of the entire CIP portfolio, is a Department responsibility. The Commission approves CIP budgets and recovery from ratepayers, usually with deference to prior analysis by the Department.[68] As such, the instant TOB Pilot is "fundamentally flawed" in that it has not passed through the Department's review process and been considered alongside the suite of conservation programs in the State; instead, and as echoed by CEE,[69] bypasses the Department's expertise and authority and creates a parallel process for conservation via the Commission that would not count towards CIP accomplishments.[70] See Figure 3 for visual of arguments regarding Commission authority and consideration of TOB as a CIP offering.

[64] Minn. Stat. § 216B.16, subd. 6b.

[65] Minn. Stat. § 216C.437; Minn. Stat. § 216B.241, subd. 5d(b).

[66] Department Comments Docket No. G008/M-21-377, filed February 3, 2022, p6.

[67] Reply Comments, Brockway, N. Docket No. G008/M-21-377, filed July 6, 2022, p4.

[68] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p2-3.

[69] July 26, 2022. Comments. CEE. Docket Numbers G-008/CIP-20-478, G-008/21-377, p2.

[70] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p4-5.

In contrast, the SRA did postulate that approval of a TOB pilot could provide data to show how TOB might coexist with or duplicate the efforts of CIP. However, echoing others' concerns, "[t]he SRA is troubled by the legal and operational conflicts that TOB has with CIP and its advocates," could not "recall a previous pilot with as many legal objections as have been raised on TOB," and conditioned their support of the Pilot on resolution of "of legal objections of the Department, OAG and LSAP to material components of TOB."[71]

Second Issue: Need for TOB, considering existence of CIP

Table 9. Staff outlines groups' arguments surrounding need for TOB

Groups Opposing TOB & their Arguments		Groups Supporting TOB & their Arguments		CPE Response in Petition Version 2
Dept., OAG, CEE, LSAP, ECENTS, MREA	**Existing CIP programs have increased funding and better serve low-income customers.**	**TOB fills a gap in existing CIP offerings, especially for households that do not meet income or documentation criteria and for those without upfront cash**	*PLEEEC, EAC, Community Power, CSP&CEOs, Resilient, Public*	**Focus shift to moderate-income customers, low-insulation homes, and renters**
Dept., EAC, CSP&CEOs, LSAP, OAG, CEE, ECENTS	**Customers who qualify for low-income programs would errantly and detrimentally be directed to TOB.**			**Pathway to CIP but no limits to participation for customers qualifying for low-income CIP**
ECENTS, Dept., CEE, LSAP	**TOB shifts the burden of building upgrades to tenant, away from owner. CPE's LIRE program better addresses split incentives.**	**TOB addresses the split-incentive by allowing access to upgrades for renters that go beyond what is statutorily required for landlords.**	*CPE*	

Double Counting Benefits. The OAG, Community Power, and CEE were concerned that in earning its ROR, CPE would duplicate the shared savings incentive earned for its CIP performance. CPE assured that, "no rate of return will be recovered from that portion of project cost that is covered by CIP. As discussed above, the investment required for operation of a TOB program is significantly more than is required for CIP. The Company will use both CIP and TOB to encourage pilot program savings and incur costs under both CIP and TOB. We seek to recover separately and appropriately for both our CIP and TOB costs."[72]

However, staff notes that the Joint Commenters were unsatisfied with this response and stated in their supplemental comments:

[71] SRA Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, first quote p2, all others p4.

[72] TOB Pilot Version 2, Exhibit A p4

> A utility earns a CIP incentive on the utility net benefits (cost minus benefits) for each project in a utility portfolio. They do not earn a separate rate of return on the investment itself. That is true whether they make a minimal investment in a project (like a furnace rebate), or a major investment in a project (like a low-income customer's home weatherization). In the case of the proposed TOB program, CenterPoint Energy would continue to earn a CIP incentive on program net benefits due to the customer's participation in their CIP program and they will earn a rate of return for an upfront investment in the full cost of that project. The Company's cost-recovery proposal represents a double return on TOB projects and is not reasonable.[73]

Given the conflicting understandings, the Commission may wish to ask the Company to clarify how TOB will impact any earned CIP incentives.

Need for TOB. A larger issue for commenters, however, hinged on arguments that there is no need for TOB because existing CIP programs have increased funding and better target low-income customers than TOB. For example, Joint Commenters observed that TOB "[i]mposes unnecessary debt on renters for improvements that can be and are already incented through the Company's CIP programs."[74] However, CPE noted that the Pilot, "is designed to tackle full measure costs rather than the incremental costs addressed by most CIP programs."[75]

In supplemental comments, the Department offered that, "[a]side from TOBF Pilot being proposed directly through CIP, the Department presumes that the City of Minneapolis could create a grant program directly for landlords interested in conservation improvements. Thus, the rejection of this program would not mean an end of such projects, it would merely direct them to more appropriate venues."[76]

Also, argue commenters like Energy CENTS, other programs altogether would be a more appropriate option to address split incentives (discussed below), like CPE's Low Income Rental Efficiency (LIRE) CIP program.[77]

Finally, a member of the Public noted that TOB has only been tested in southern climates and is not suitable for Minnesota.[78] Community Power introduced Cadmus' study into the record; this study examined TOB in the context of PAYS programs but with the caveat, "[a]s neither of these data sources [two rural electric cooperatives in the southern US] is fully analogous to a large-scale TOB program implemented by an IOU in Minnesota, the participation and administrative

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[73] Supplemental comments, Energy CENTS, Center for Energy and the Environment (CEE), and Legal Services Advocacy Project (LSAP; collectively, Joint Commenters). Docket No. G008/M-21-377, filed August 8, 2022, p9-10.

[74] Supplemental comments, Energy CENTS, Center for Energy and the Environment (CEE), and Legal Services Advocacy Project (LSAP; collectively, Joint Commenters). Docket No. G008/M-21-377, filed August 8, 2022, p2.

[75] TOB Version 2, CPE & City, May 16, 2022. Docket No. G-008/M-21-377, Exhibit A –Page 6 of 13.

[76] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p8.

[77] Comments, Energy CENTS, filed February 4, 2022 in Docket No. G-008/M-21-377, p10.

[78] M. Bull, MN Rural Electric Association, reply comments filed March 8, 2022 Docket No. G008/M-21-377

costs projections in this section must be interpreted as being subject to a degree of uncertainty." The Cadmus study concluded that the most beneficial measures were envelope upgrades for electric heat and with below-average insulation. "While a majority of homes in Minnesota and the targeted LMI and rental household customer segments are heated by natural gas, electric heat is disproportionately common among these customer segments." Participants benefit from a low cost of capital; thus, "the optimal source of capital for a TOB program may be a partnership with an institutional partner that is able to access low-cost financing and deploy it for a TOB program without the need for a subsidy."[79]

Shift in Pilot Focus. Perhaps in response to concerns that CPE's CIP offered many low-income programs, CPE's TOB Version 2 shifted the Pilot focus to moderate-income customers, high-energy users, low-insulation homes, and renters. CPE's shift in outreach, as well as a newly dedicated commitment to establish a pathway to Low-Income CIP offerings, is proposed by CPE and the City to help address concerns that customers who qualify for low-income programs would errantly and detrimentally be directed to TOB, rather than low-income programs.[80]

Pathway to Low-Income CIP. CPE committed to a pathway to CIP for low-income customers but declined to accept the OAG's modification to prevent customers who qualify for no-cost offerings from participating in the TOB pilot. In supplemental comments, the OAG maintained that customers qualifying for no-cost services should be excluded from the Pilot.[81] In agreement, the Joint Commenters found that CPE's TOB Version 2 had not gone far enough to guarantee those qualifying for free or lower-cost services would receive those, rather than participate in TOB and more, drive customers away from CIP offerings in favor of TOB.[82]

In contrast, Community Power viewed it as important to never exclude people from a program and felt that pathways to CIP should be developed along with the chosen Program Operator.[83] Similarly, former NHPUC Commissioner Brockway explained that sometimes limiting participation may not protect customers but keep them from realizing upgrades, "if there is a waiting list, or the existing programs do not cover the kinds of upgrades covered by a PAYS system, customers should not be denied the opportunity to choose and pay for upgrades that are designed to save them money."[84]

Missing Middle. The shift in Pilot focus also appears to align with what Community Power described as the "missing middle," CPE customers not reached by existing energy upgrade programs who are "functionally low income" i.e., not quite at the low-income

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[79] Cadmus (2018), Tariffed On-Bill Financing Feasibility Assessment of Innovative Financing Structures for Minnesota. Filed in Docket No. G008/M-21-377 by Community Power as Appendix 1 on February 4, 2022. First quote p53, last two quotes p68.

[80] Version 2, CPE & City, filed May 16, 2022. Docket No. G-008/M-21-377, May 13, 2022 Exhibit A –p2-3.

[81] OAG supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p2.

[82] Supplemental comments, Joint Commenters. Docket No. G008/M-21-377, filed August 8, 2022, p3.

[83] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p2.

[84] Reply Comments, Brockway, N. Docket No. G008/M-21-377, filed July 6, 2022, p4.

threshold of 60% of the State Median Income.[85] In agreement the PLEEEC stated, "[t]his kind of program is necessary to complement CIP and WAP programs for many households that do not meet the income or documentation guidelines, or that have unstable incomes that can cause them to fall out of the low-income programs during the process."[86] Many of the public comments filed spoke to a need for a program that would allow them to make energy efficiency upgrades and repairs. Indeed, Community Power explained that the Pilot is unique in removing barriers of personal eligibility paperwork, required credit checks, SSN [social security number] or documentation disclosure, and income threshold tests.[87]

Rather than initiate a new program outside of CIP, the Department noted that if needs are currently unaddressed by the CIP portfolio then the Department would be happy to collaborate with CPE and the City to "to address community conservation needs outlined in the Petition, either through the establishment of a new program or through the redesign of an existing one. Once a program has been established or modified, CPE and the City could return to the Commission at a later date to seek cost recovery and/or rate approval."[88]

Third Issue: Cost Effectiveness of Pilot

CEE did not file an updated analysis on TOB Version 2. However, CEE's analysis[89] showed that Pilot Version 1 was not cost effective. TOB Version 1 did not pass (received a score below one) the Participant, Utility (system), nor Societal cost tests and scored lower on each test compared to CIP market rate and CIP low income programs.

CEE explained that a score below one means that participants receive fewer benefits than costs required to participate. CEE stated,

> … [W]e do not believe that energy efficiency programs should always be required to pass any single cost-effectiveness test. There are valid and important policy reasons to elevate the cost-effectiveness of one perspective over another. Programs for low- to moderate-income Minnesotans are great examples of this… the proposed TOB program is not even close to cost-effective from the perspective of the participant, the utility system, or society as a whole. Failing, markedly, all of the cost-benefit analyses used to evaluate ratepayer-funded energy efficiency programs in Minnesota should be disqualifying. We believe the proposed TOB program would be an inappropriate and unjustifiable use of ratepayer funds, especially when there are other ways to achieve greater benefits for low- to moderate-income renters and homeowners at lower costs.[90]

[85] Initial comments, Community Power, February 4, 2022 in Docket No. G-008/M-21-377, PDF pp 2, 10.

[86] Initial comments, Peer Learning Energy Efficiency Energy Cohort, February 4, 2022 in Docket No. G-008/M-21-377, PDF p5.

[87] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p2.

[88] Supplemental comments, Department. Docket No. G008/M-21-377, filed August 8, 2022, p8.

[89] Comments. CEE. February 4, 2022. Docket No. G-008/21-377, pp6-10.

[90] Comments. CEE. February 4, 2022. Docket No. G-008/21-377, pp9-10.

CEE noted "that there are some differences between how CIP programs and the proposed TOB model are administered and costs recovered that are not captured by cost-effectiveness testing. Nonetheless, we believe that the cost-effectiveness analysis and comparisons are informative and valid."[91]

In response to CEE's analyses and CEE's interpretation of the results, CPE stated that the analysis was unsuited for the Pilot, as the Pilot is designed,

> … to tackle full measure costs rather than the incremental costs addressed by most CIP programs. For example, in the Company's Home Efficiency Rebates program, which is available to market rate residential customers, the Company provides $400 rebates for 96% efficient natural gas furnaces. We expect that most participating customers are replacing their furnace when it fails or is near the end of its life, and accordingly will incur a large expense to replace their furnace whether they select an efficient or less efficient model. We estimate that a 96% efficient furnace costs $950 more than an 80% efficient furnace, so a $400 rebate along with energy cost savings of the efficient model is a significant incentive to encourage a customer to opt for the more efficient model. The cost/benefit analysis for the Home Efficiency Rebates program reflects this incremental $950 cost rather than full furnace cost. This is simply not a like-to-like comparison. It is more appropriate to compare TOB to CenterPoint Energy's low-income programs, but even in this case, the comparison is not entirely reasonable. Many of the CenterPoint Energy low income programs are supported by other funding that is not reflected in the cost/benefit results for those programs. For example, the Low-Income Weatherization program utilizes both utility funding and funding from the Weatherization Assistance Program. Because TOB does not leverage such funds, the Company and participants would bear the full costs of the proposed pilot.[92]

The Joint Commenters pointed out that Low Income Rental Efficiency (LIRE), another CIP offering, does not use weatherization funding and is fully funded through CIP and more-cost-effectively serves low-income customers.[93]

The Joint Commenters also explained that despite modification, "many of the drivers for TOB's cost-ineffectiveness are due to program design choices such as 12-year payment periods, high administrative and start-up costs, and the high cost of capital. While the company has reduced start-up costs in its Revised Proposal [TOB Version 2], it also estimates reduced participation and savings. Thus, costs on a per participant and per dekatherm basis remain very high."[94]

Continuing to examine cost-per-participant, Community Power voiced concern that startup costs were reduced linearly alongside a reduction in participant numbers and concluded that

[91] Comments. CEE. February 4, 2022. Docket No. G-008/21-377, p6.

[92] Version 2, CPE & City, filed May 16, 2022. Docket No. G-008/M-21-377, May 13, 2022 Exhibit A –Page 6 of 13.

[93] Supplemental comments, Joint Commenters. Docket No. G008/M-21-377, filed August 8, 2022, p5.

[94] Supplemental comments, Joint Commenters. Docket No. G008/M-21-377, filed August 8, 2022, p6.

despite reducing participation, the cost per participant was in fact higher in TOB Version 2 than in earlier iterations.[95] However, the decrease in participants does not diminish Community Power's support as they note the participant figures are goals, not caps.

Fourth Issue: Rate of Return and Alternate Capital Sources

The Company will provide its own funding for the Pilot. Included in Pilot Version 2 budget is a 7.42% ROR on the money that CPE has invested in the Pilot; however, the Company notes it will use the approved ROR from its rate case.[96] It appears to Staff that CPE seeks to earn its ROR on all Pilot budget items. Staff's reproduced table 4, below, explained each Pilot budget category and who, ratepayers vs. participants, would fund each category. Commenters took issue with CPE earning its rate of return on the items in each category.

Reproduced Table 4. Budget Categories and Spending Responsibilities (low-spend estimate)

Ratepayer Funded		**Participant Funded**
Start Up Costs	Pilot Delivery Costs	Energy Upgrade Costs
Total Budget: $283,475	**Total Budget:** $518,550	**Total Budget:** $1,250,000

PLEEEC believed that it is fair for CPE to earn its full ROR. Also, Community Power did not object to earning a full ROR as doing so incentivizes the utility to prioritize conservation rather than building new infrastructure.[97] However, some groups opposed participants funding 2.5% of the ROR, and all ratepayers (including the participants) funding the remainder. SRA explained:

> … while the TOB Modifications have reduced estimated pilot costs, CPE still intends to recover its full ROR (as it may increase or decrease over a 15-year cost recovery period), a TOB condition objected to by nearly every party, including the SRA. The TOB Modification [Version 2] also shifts costs from to participants to ratepayers placing a likely greater percentage of TOB's cost on ratepayers, without any change in CPE's ROR position or apparent prospect of non-utility third party financing.[98]

Table 10. Commenters suggested limits to Pilot aspects on which CPE would collect its ROR

Start Up Costs	Delivery Costs	Energy Upgrade Costs[99]

[95] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p3.

[96] TOB Version 2, p7 footnote 8. Note, rate case G008/GR-21-435, recently concluded, CPE *requested* a 7.06% ROR. In the global settlement, CPE *agreed* to a 6.65% ROE.

[97] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p7.

[98] Supplemental comments, SRA. Docket No. G008/M-21-377, filed August 8, 2022, p7.

[99] Energy upgrades may not be totally paid for by participants. Ratepayers pay a portion of CPE's ROR and balances for an estimated 4% of participants who would defaulted, up to 100% defaults for "worst case scenario."

Treat as O&M. Should recover but not earn ROR on start up costs or delivery costs	Program operator fee not capital but an expense. Eliminate from calculation of participant ROR	Only collect ROR from participants	Reduce ROR by only collecting 3% from participants and none from ratepayers	CPE should not collect ROR on assets [the energy upgrades] CPE does not own
CSP&CEOs	*Dept.*	*EAC, CUB*	*CSP&CEOs*[100]	*Dept., SRA, OAG Community Power, CUB, CEE, CSP&CEOs*

Color scheme mirrors Table 4.

CPE responded to ROR concerns:

> Utilities operating TOB programs in other states are using utility resources to fund them, and where the utility is investor owned, they are recovering their rate of return. Start-up costs that include technology modifications will be treated as capital, as would any other technology related investment made by the Company. The TOB Petitioners are seeking Commission approval to move forward with the TOB Pilot using utility capital, including recovery of the Company's approved rate of return on that capital.[101]

However, Ameren Missouri, which CPE cited as a model for cost recovery, Community Power commented that Ameren's petition for full ROR was disputed and is yet unsettled.[102]

With respect to another Missouri On-Bill program, a PAYS program for Spire, that state's Public Service Commission ordered: "[t]he parties also agreed that the Spire PAYS® program charge shall be designed to collect Spire's investment plus 3% interest. The Spire PAYS® program charge shall only be imposed on customers and meter users who participate in the Spire PAYS® OnBill Financing Program. The parties agreed that Spire PAYS® program costs will be tracked and deferred into a regulatory asset until Spire's next general rate case and the parties will retain the right to recommend future adjustments to those deferrals."[103]

The OAG remained firm that CPE should not earn a rate of return on assets it does not own but if allowed, it should only be following pursing lower cost lenders and accepting "a lower rate of return commensurate with the minimal investment risks presented by the pilot."[104] These stipulations were echoed in other comments and are discussed in greater detail below.

[100] CEOs&CSP Supplemental Comments filed August 8, 2022, Docket No. G-008/M-21-377, p4.

[101] Pilot Version 2, p13. Cites Missouri's Ameren earning ROR in their TOB programs.

[102] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p6.

[103] Community Power, Response to Reply Comments- Exhibits for Supplemental Comments. Docket No. G008/M-21-377, filed August 8, 2022. "ORDER APPROVING UNANIMOUS STIPULATION AND AGREEMENT AND REJECTING TARIFFS issued May 26, 2021 by Missouri Public Service Commission, p2-3."

[104] OAG supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p2.

With respect to lower cost capital, many commenters, including members of the public, Community Power, OAG, and EAC, asked that CPE continue seeking lower-cost sources of capital. As of TOB Version 2, CPE had not yet identified a low- or no-cost source of capital.[105] CEOs&CSP shared an Information Request in which CPE stated it had only approached one third-party lender; CEOs&CSP speculated that CPE has no incentive to do such scouting, when it could instead earn its full ROR.[106] To the point of other available sources of capital, EAC noted that some of their own parties were willing to provide capital and offered insights as to why CPE has yet to pursue these options and offered ideas as to how to leverage such capital.[107] To track the search for alternative sources of capital, EAC recommended reporting negotiations with third-party capital providers.[108]

EAC and Community Power also recommended CPE secure capital from low-cost debt (less than 3.5%) and assess cost to participants only or shared with ratepayers with ratepayers covering 1.5% or less.[109] To pursue other funding mechanisms and sources, Community Power, CEOs&CSP, and EAC asked that CPE suspend its 3% debt-to-equity ratio.[110] However, staff understands that the Pilot budget, compared to total CPE expenditures, is too small to require modifying the debt-to-equity ratio and more, the ratio is flexible around the 3% amount.

Rather than pay CPE its full ROR or seek external sources of capital, the CSP& CEOs posited that ratepayer funds could be used as start-up capital and considered 0% cost of capital. While 0% would functionally create a subsidy for participants, 0% could be used for the Pilot while performance data were gathered. Alternatively, citing the Cadmus study,[111] a 3% cost of capital would be reasonable, like CPE's long-term cost of debt.[112] CSP& CEOs reasoned that a 3% cost of capital allocated to participants would be cheaper than loan rates. Or, the commenter's preferred option, ratepayers fund the entire 3% as this would still be less than the currently proposed 4.92% and could ease the barrier of entry for participants.[113]

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[105] Pilot Version 2, filed May 13, 2022, Docket No. G-008/M-21-377, p7.

[106] CEOs&CSP Supplemental Comments filed August 8, 2022, Docket No. G-008/M-21-377, p4.

[107] Energy Access Commenters (EAC) Supplemental Comments filed August 8, 2022, Docket No. G-008/M-21-377, p2-4. EAC comprised of: 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.

[108] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p6.

[109] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p6. Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p9.

[110] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p6. Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p5.

[111] Cadmus (2018), Tariffed On-Bill Financing Feasibility Assessment of Innovative Financing Structures for Minnesota. Filed in Docket No. G008/M-21-377 by Community Power as Appendix 1 on February 4, 2022.

[112] Staff notes, the September 23, 2022 Order accepted CPE's LT debt cost at 4.09% (Docket No. G008/GR-21-435)

[113] Initial comments, CSP&CEOs, February 4, 2022, Docket No. G-008/M-21-377, p35-36

Considering the "worse-case scenario budget" shown in staff's Table 3, above, which assumes a 100% participant default in which ratepayers would absorb all costs, the OAG, Department, CEE, CUB, and Energy CENTS believed if that default were to occur, CPE should not be compensated with its full ROR because this Pilot investment is less risky than other investments. However, CPE contended that the Pilot represented just as much as risk as other investments and declined to change seeking its full ROR.[114]

Participant Charges. Commenters, including members of the public, CUB, and EAC, requested that the $100 charge for the on-site energy assessment be waived for all participants. CPE agreed; CPE also removed the $475 pilot administration charge for all participants. Both charges will now be covered using utility O&M and recovered from ratepayers. However, as discussed by the Joint Commenters, this modification shifts the burden of payment to ratepayers.[115] EAC and Community Power supported the $475 participant charge being considered O&M but one for which CPE should not earn its ROR.[116]

For comparison, the Department explained that, for CIP programs and the mechanisms by which CIP costs are recovered, the Conservation Cost Recovery Adjustment and Rider, "the Commission treats CIP expenses essentially as an O&M expense to be recovered on a one-to-one basis. In other words, no CIP investments are added to rate base or are considered capital expenditures, with two exceptions noted below. This is because CIP investments are typically not owned by the utility; if they are physical assets, they are owned by either the customer or customer's landlord."[117]

Fifth Issue: The 80/20 rule

PLEEEC and EAC agree that the 80/20 rule, in which participants make monthly payments that are no greater than 80% of their projected energy savings, is an important customer protection. In contrast, the Department, SRA, and LSAP argued that the 80/20 rule may be burdensome for current and subsequent tenants or owners such that the point in time at which energy use estimates were made and monthly payments set, may not reflect future increases or decreases in their energy use. More, the SRA was concerned by the Pilot design wherein, if monthly TOB payments became burdensome, ratepayers would absorb the costs (as in CPE's "worst-case scenario" shown in staff's Table 3 above).

CUB, Energy CENTS, EAC, and CSP&CEOs were concerned about an additional component of the 80/20 rule- the large upfront co-pays that may be necessary for some projects to comply with

[114]Pilot Version 2, Exhibit A p5.

[115] Joint Commenters Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p8.

[116] EAC Supplemental Comments Docket No. G008/M-21-377, August 8, 2022, p2. Support not conditional on this modification. Community Power Supplemental Comments Docket No. G008/M-21-377, August 8, 2022, p3.

[117] Department supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p3. The two exceptions are 1) CIP upgrades to utility facilities considered as "Electric Utility Infrastructure" which eventually become part of the rate base and Otter Tail Power's Street and Area Lighting Program.

the rule.[118] CUB captured some commenters' concern, "portraying Program costs as being spread out over the useful lifetime of the upgrade fails to capture the cost of entry required for participation. The magnitude of up-front co-pay amounts undermines the purpose of the Program and may prevent renters or rental property owners from participating."[119]

Beyond the example cost-effectiveness calculations included by CPE,[120] CEE requested cost-effectiveness calculations for additional energy upgrades from the Company. CPE's IR response showed, dependent on Program Operator and their modeling software, expected gas and electric savings and allowable Pilot charges. The difference would be required as an upfront co-pay for participants (Table 11). Staff notes the Pilot's capped 12 years repayment period, based on estimated life of the upgrade, is used for all of the upgrades with the exception of 8 years for the water heater. Staff could not recreate the calculation with the information provided but has concern that the upfront copay has CPE's ROR included.

Table 11. Efficiency and Payment Expectations for Some Energy Upgrades (in dollars)

Upgrade	Gas Savings per Year	Electric Savings per Year	Upgrade Cost	CIP Incentive	Allowable TOB Service Charge (x80%)	Estimated Participant Gas Utility Bill Savings (x20%)	Net Cost incl. ROR*	**Upfront Co-Pay**
96% Efficient Furnace	$159	$94	$5,333	$650	$202/ yr	$51/ yr	$5,490	**$3,066**
96% Efficient Furnace + 16 SEER AC	159	129	10,966	1,100	230/ yr	58/ yr	10,719	**$7,958**
90%+ AFUE Boiler	161	-	9,200	550	129	32	9,336	**$7,791**
Air seal, attic & wall insulation	127	779	6,134	750	183	46	6,159	**$3,964**
Water Heater	29	-	2,700	500	23	6	3,247	**$3,063**

118 Pilot Version 1, footnote 22, p11.

119 CUB, comments filed February 4, 2022 in Docket No. G-008/M-21-377, p3

120 Pilot Version 2, CPE, Exhibit O. See also Center for Energy and the Environment, comments filed February 4, 2022 in Docket No. G-008/M-21-377. Information Request no. 16 sent November 1, 2021.

*Net Cost= (on-site assessment flat fee, new physical equipment/ measure, program operator services flat fee, ROR at 2.5%) less CIP Incentives.

In response to TOB Version 2, the Joint Commenters continued to voice concern that TOB has a fatal flaw due to its high upfront costs which are caused, in part, by the 80/20 rule.[121]

Sixth Issue: Landlord v. Tenant Responsibilities

The TOB Pilot is proposed to address the "split-incentive" in which neither landlords (who do not pay energy bills) nor renters (who are not likely to live long-term at a property) are incentivized to make energy upgrades. Opponents say that TOB instead shifts the burden of building upgrades to tenants, away from landlords who under Minn. Stat. § 504B.161, subd. 1. must maintain their properties, including reasonable energy efficiency measures, improvements for which tenants cannot be asked to pay.[122] Supporters argued that TOB addresses the split-incentive in part by allowing access to upgrades for renters that go beyond what is statutorily required for landlords.

To confront the 80/20 rule and share upgrade responsibility between renters and property owners / landlords, the OAG suggested that renters use a 60/40 rule with a large, upfront co-pay made by the landlord or local government.[123] CPE responded that, "[t]he OAG has offered no reason why a larger cushion is necessary, and a larger cushion will exclude potential participants from participation."[124] Staff notes, if the split incentive is between landlords and renters, the OAG may wish to clarify the role for local government.

CUB, Energy CENTS, and CSP&CEOs similarly suggested that CPE could require landlords, not tenants, to make any co-payments and if not possible, the CEOs would limit tenant co-payment to $1,500.[125] Though still advocating for landlord responsibility, the CEOs&CSP revised their original position asking that CPE first approach landlords and *ask* if they would make the copayment, rather than require, and record replies.[126]

CPE stated that "[t]he TOB Pilot is intended to address the renter/owner split incentive by giving renters more agency in making energy efficiency improvements to their home. [Should landlords be required to contribute to copayments] This provision may create an additional barrier to participation for some renters."[127]

[121] Joint Commenters supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p5.

[122] Comments, Legal Services Advocacy Project / Mid-MN Legal Aid, filed February 4, 2022. Docket No. G-008/M-21-377, p11.

[123] OAG supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p2.

[124] Pilot Version 2, p12.

[125] CEOs&CSP Comments filed February 4, 2022, Docket No. G-008/M-21-377, p43-44

[126] CEOs&CSP Supplemental Comments filed August 8, 2022, Docket No. G-008/M-21-377, p5.

[127] TOB Version 2, p11.

Seventh Issue: Responsibility Concerning Debt and Property Transfer

Table 12. Groups' Stances on Responsibility Concerning Debt and Property Transfer

<table>
<tr><th>Commenter</th><th>Concern</th><th>Response / Argument</th><th>Commenter</th></tr>
<tr><td rowspan="2">LSAP, SRA, MN Realtors</td><td rowspan="2">Future resident should not take on debt of current customer nor be bound to a contract current tenant signs</td><td>No debt is created; instead, CPE tariffed charge at a meter</td><td>CPE, CSP&CEOs</td></tr>
<tr><td>Taking on former tenant's/owner's debt is acceptable, to pay a fair share of energy-saving upgrades. Transfer of savings, not debt.</td><td>CSP&CEOs</td></tr>
<tr><td>CEE, LSAP, SRA, MN Realtors</td><td>TOB debt, as outstanding financial obligation, may harm resale and interferes with property law, including lease agreements.</td><td rowspan="2">Building owner will sign Owner Agreement with CPE. Owner discloses TOB to future renters or owners. Allows future tenant or purchaser out of sale if TOB not disclosed[128]</td><td rowspan="2">CPE</td></tr>
<tr><td>CEE, LSAP, SRA, MN Realtors</td><td>Current customer should not bear responsibility to inform future resident</td></tr>
</table>

Contract Termination. The SRA's comments illustrated one way in which commenters took issue with tenant responsibilities, "in one short tariff provision, CPE has created by "contract" (if the Commission approves) a conceded damage exposure to the TOB Participant (or present Successor who signed the Acknowledgment) of unquantified "consequential damages" for failing to provide the notice of Upgrade obligation, and broad contract termination rights to a future CPE customer to a real estate transaction, plus the right to sue the neglecting predecessor CPE customer for consequential damages."[129] Further, on this same issue, LSAP stated, "Minnesota's governing landlord-tenant law is found at Minnesota Statutes, Chapter 504B ("Chapter 504B"). Under Chapter 504B, there are only two ways a tenant can legally break a lease: (1) upon the tenant's death; or (2) if the tenant is a victim of domestic or sexual violence. Neither a tariff nor the Commission has the power to create the right to break a lease for failure to give the TOB notice. Thus, the proposed tariff which, without legal authority, attempts to grant a successor tenant the right to break a lease if the landlord does not disclose the existence of the TOB debt, is illegal and unenforceable."[130] Finally, the Joint Commenters referenced a MN Supreme Court case which declared, "[in] absence of lien or contract, [a] utility may not impose obligation of payment for utility services on someone other than one who actually incurred debt."[131]

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[128]Pilot Version 2, Exhibit G p3, "C. Failure to obtain the signature on a Successor Renter Acknowledgment or failure to obtain the signature on a Successor Owner Acknowledgment from a successor if required by the Utility will constitute the Owner's acceptance of consequential damages in any action by a successor renter or owner related to [Program Name] and permission for a tenant or purchaser to break their lease or purchase agreement without penalty."

[129] Comments, Suburban Rate Authority filed February 4, 2022 in Docket No. G-008/M-21-377, p4.

[130] Comments, Legal Services Advocacy Project / Mid-MN Legal Aid, Feb. 4, 2022, Docket No. G-008/M-21-377, p9.

[131] Joint commenters supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p7 referencing

Taking on Debt. CSP & CEOs argued that, "because the program is implemented through a tariff and not a loan, the monthly bill charge is not recorded in property records and does not encumber the property title, as evidenced by the fact that the monthly bill charge stays with the meter, even if there is a mortgage foreclosure or property vacancy."[132] In contrast, CEE stated that usually a property is clear of pending charges before sale, but this Pilot has no option to do so as there is no option to pay off debt early.

Customer of Record. The OAG requested that all tenant participants must be CPE customers of record.[133] CPE declined this request so to not exclude single-metered building residents.[134] However, all tenants and owners will need to sign agreement forms.[135]

Last Issue: CPE Seeks Deferred Accounting

The Department and the OAG argued that the Pilot did not meet criteria for deferred accounting, despite CPE and the City's assertion that the Pilot met the Commission's four-pronged criteria and contributed to an important public policy mandate such that deferring and tracking O&M, depreciation, and return on investment, less costs recovered from participants, would be appropriate.

In considering the appropriateness of deferred accounting, the Department argued that CPE's TOB Version 2, with decreased participation, would likely not meet criteria for deferred accounting as the impact on CPE's financial condition would likely be smaller.[136] The OAG offered a reminder that deferred accounting has been used sparingly and more, explained the Pilot does not represent an unforeseen event, like a natural disaster, nor is TOB a response to a public policy *mandate.* To this extent, the OAG acknowledged State energy-efficiency *goals*, but noted that, "neither the Legislature nor the Commission has mandated tariffed on-bill financing. In fact, as discussed in these Comments, tariffed on-bill financing is in many ways inconsistent with Legislative policies on conservation programs."[137]

In considering what should be tracked and potentially deferred, the Department questioned how CPE would, "determine and demonstrate that all the deferred costs are incremental costs, and not already reflected in base rates, the Company responded, "since the TOB pilot is a

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Cascade Motor Hotel, Inc. v. City of Duluth, 348 N.W.2d 84, 84 (1984).

[132] Initial comments, CSP&CEOs, February 4, 2022 Docket No. G-008/M-21-377, p6

[133] OAG supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p2.

[134] Pilot Version 2, p13-14.

[135] Pilot Version 2, Tariff Exhibit D states, "Before a new location may be enrolled in the TOB program, the owner of the property must agree to require any successive owner, or any future tenant who will be a Customer at the location, to sign a Successor Owner Notice and Acknowledgment or Successor Renter Notice and Acknowledgement, as applicable, providing notice to successor customers of that location's enrollment in the TOB program."

[136] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p7-8.

[137] OAG Comments January 14, 2022, DOCKET NO. G-008/M-21-377, p21

proposed new program any costs charged to this Internal Order [to track costs associated with the TOBF Pilot] would be incremental to what we are already incurring in FERC Account 923.""[138] The Department also added that CIP investments are not added to rate base so they do not earn a ROR and are ineligible for deferred accounting.[139]

Community Power supported deferred accounting as a method to support innovative Pilots as well as to increase utility focus on customers' access to conservation following the Pandemic.[140] The EAC also supported deferred accounting but in conjunction with limits to CPE's ROR.[141]

If deferred accounting were approved, the Department requested that the Commission limit deferred accounting to true net incremental costs and not allow any labor costs. Such a limitation is appropriate since a representative level of labor costs is reflected in the base rates of CenterPoint's current rate case proceeding and is consistent with past Commission decisions including most recently in Xcel's Load Flexibility Pilot Program in Docket No. E002/M-21-101.[142] The Company agreed that deferred accounting should be limited to incremental costs but requested the Commission not prejudge and instead, allow CPE to justify the inclusion of labor costs in its deferred accounting request when seeking recovery."[143]

Issues Taken Up by Fewer Commenters or Partially Addressed in Pilot Version 2

Align PAYS and PACE. Commenters requested CPE add protections seen in PACE (Department and EAC); align with PAYS Tariff and User Agreements (members of the public and EAC); use PAYS-qualified program operator (Community Power). CPE explained how it would comply with PACE protections when possible[144] and that the Company may seek a program operator with PAYS experience.[145] EAC reiterated support for a PAYS Program Operator and felt that without

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[138] DOC IR No. 17 from Dept comments p10 Feb 3, 2022.

[139] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p2-3.

[140] Community Power supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p6-7.

[141] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p6.

[142] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p8.

[143]Pilot Version 2, Exhibit A p6.

[144]Pilot Version 2, Exhibit A p7 Table 1. CPE includes all PACE protections or would be willing to include if Ordered, apart from ability to prepay. With respect to PAYS protections, CPE's and the City's June 1, 2021 petition included Exhibit B, Ameren Missouri's approved on-bill electric (PAYS) tariff. Staff's reading of the petition includes customer protections: energy analysis includes customer education; owner agreements; property notice; Project cost, including Program Partner pricing and Program fees, is equal to or less than 80% of the estimated post upgrade cost savings over 80% of the upgrade Estimated Life; ownership transferred to building owner once payments completed; participant maintains upgrades and Company repairs during length of service charge or ends charge; cost recovery tied to location. However, commenters did not write at length on specific PAYS tariff and user agreements they would like to see incorporated into TOB but in May 13, 2022 replies, Community Power continued to request that CPE, "Match program to field-tested, consumer protected PAYS program (p26)."

[145]Pilot Version 2, p12.

this provision, TOB Version 2 did not address their original concern.[146] Appendix 2 compares Pilot Version 2 to PAYS and lists PACE customer protections.

NHPUC former Commissioner Nancy Brockway: "[t]he relationship between gas prices and efficiency costs in Minnesota was such in February that it may not have been possible to identify many upgrades that satisfy the 80% rule. The point should not be to adjust the cost-benefit requirement in order to approve a program and call it PAYS. The entire purpose of PAYS is to allow customers to have installed measures on terms that produce positive cash flow." The former Commissioner noted areas in which the CPE Pilot diverges from PAYS including, "[t]he upfront charges violate an essential provision of PAYS, in that they require out-of-pocket payments from a customer before there can be any savings." More, "[t]he customer must never pay more than they save."[147]

Bill Neutrality. LSAP quoted the January 14, 2021 Commission Meeting, stating, "Chair Sieben made it crystal clear at the January 14th meeting that 'net bill neutrality' is 'important to achieve approval.'" However, Staff notes that bill neutrality was not listed in the CSP&CEO's filing listing the National Consumer Law Center's (NCLC) seven TOB consumer protections. NCLC stated that no PAYS programs guarantee bill neutrality, in which costs equaled estimated savings, as PAYS cannot dictate customer behavior.[148]

Prepayment of Energy Upgrade Costs, beyond a Co-Payment. Beyond any required co-payments, the OAG, CEE, and CUB requested that participants be able to pre-pay portions of their upgrade costs, to reduce their principal. CPE declined this request stating that, "TOB does not create a debt that can be prepaid but a tariffed charge;" further, CPE added the protection in which participants will not be disconnected for nonpayment (see Issues Addressed section below).[149] In supplemental comments, the OAG found CPE's response unsatisfactory and stated that the TOB Pilot should only be approved if allowing prepayment of TOB charges as well as partial payment which is applied to energy charges before TOB charges.[150] The Joint Commenters agreed that partial payments should be allowed.[151]

Issues Possibly Clarified with a Decision Option

Evaluation. PLEEEC, Community Power, EAC, members of the public, and CUB requested input from local stakeholders in evaluation criteria and for additional evaluation at the midpoint of the Pilot; CPE agreed and updated criteria, though not all of CUB's recommended metrics, and added a midpoint evaluation. In supplemental comments, CEOs&CSP offered another metric

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[146] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p5

[147] Reply Comments, Brockway, N. Docket No. G008/M-21-377, filed July 6, 2022, all quotations p3.

[148] Attachment to initial comments, CSP&CEO, filed February 4, 2022, Docket No. G008/M-21-377, p8

[149]Pilot Version 1, p12.

[150] OAG supplemental Comments filed August 8, 2022, Docket No. G008/M-21-377, p2.

[151] Joint Commenters Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p10.

comparing estimated and realized savings; this is reflected in decision options.[152] Also, EAC noted their support was contingent upon a modification that would require evaluation prior to the 18-month mark, as proposed by CPE and the City, a recommendation which would allow beneficial changes to be made earlier in the Pilot. More, a budget increase should be allowed during the second half of the Pilot, if savings and engagement goals are met.[153]

Community Power supported EAC and the clarification that CPE could continue to enroll participants during the second half of the Pilot.[154] To this final point, staff does note that TOB Version 2 stated that the second half of the Pilot, "would 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."[155]

Spending Cap. Members of the public, Community Power, and the EAC, among others, asked that a yearly cap on Pilot spending be removed in favor of an overall spending cap. CPE responded by removing the yearly cap. CPE will now alert the Commission if spending reaches $4million and evaluate the program midway through. In supplemental comments, EAC clarified that the program should not be paused halfway through for assessment and evaluation, as is proposed after 1.5 years but should have three years of continuous deployment.[156] The Joint Commenters also inspected this issue, noting that CPE only stated it would advise the Commission once it reached $4million in spending but that additional spending could be undertaken by issuing a notice. The Joint Commenters referenced previous Commission discussions and interpreted those to mean there should be an explicit spending cap.[157]

Modeling Software. CEE inquired as to how modeling software would be chosen and how results would be reviewed, especially if savings did not materialize. More, CEE noted that in the aggregate modeling software may be useful but has been noted to have a 10-30% margin of error in predicted energy savings or energy consumption.[158] In their September 1, 2021 petition, CPE said that the software would belong to the Program Operator but did not elaborate. The Joint Commenters drew attention to TOB Version 2's lack of a plan to address any inaccuracies that may result in calculations of savings.[159]

Ratepayers Funding a Geographically Limited Program. The SRA argued that ratepayers should not fund program aimed only at Minneapolis residents. CPE's TOB Version 2 asserted that the

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[152] CEOs&CSP Supplemental Comments filed August 8, 2022, Docket No. G-008/M-21-377, p6.

[153] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p5-6.

[154] Supplemental comments, Community Power. Docket No. G008/M-21-377, filed August 8, 2022, p8.

[155] TOB Version 2, p5.

[156] EAC Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p4.

[157] Joint Commenters Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p8.

[158] Initial comments, CEE, filed February 4, 2022. Docket No. G008/M-21-377, IR#13 PDF p43.

[159] The Joint Commenters, Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p9.

Pilot will be open to residential and multifamily dwelling customers throughout the Company's service area.[160] In supplemental comments, the SRA felt that the substantially lengthened sign-up period for the Pilot would allow greater geographic and ownership status diversity; however, were still concerned that, "[t]he TOB modified plan continues with a lack of assurance of balanced group and geographical participation opportunity to provide a broader base of information on the strengths and weaknesses of TOB."[161]

Issues Addressed in TOB Version 2

Disconnection. Numerous groups, including the OAG, Department, SRA, CEE, LSAP, and CSP&CEOs, asked that CPE not disconnect Pilot participants for nonpayment. CPE agreed and in TOB Version 2, had removed the penalty of disconnection for nonpayment.

Dispute Resolution. The SRA and CUB argued that CPE should not be the mediator for disputes, as doing so may be intimidating to customers. CPE responded that a third-party mediator would be an additional cost which, the SRA also noted. Instead, CPE will monitor disputes and resolutions and report data in their evaluations. However, Staff consulted the Commission's Consumer Affairs Office and was cautioned that a utility should not handle disputes.

Easy to Understand Documents. In response to comments from Community Power and PLEEEC, CPE created reader-friendly Description of TOB Rights and Obligations, CIP, and Income-Qualified Offerings (see TOB Version 2 Exhibit F).

Reduce Administrative and Software Costs. In response to comments from SRA, CSP&CEOs, CEE, CUB, and Energy CENTS, CPE reduced costs by limiting Pilot participation; targeting specific customers; and leveraging existing software, as opposed to a new purchase.

VII. Staff Analysis

The Commission is tasked with deciding approval of the 3-year Tariffed On-Bill Financing Pilot program proposed by CenterPoint Energy and the City of Minneapolis in TOB Version 2.

Staff notes that all commenters agreed upon the need to serve low-to moderate-income renters and owners with energy efficiency services and upgrades. However, doing so with the proposed TOB Pilot remains contentious, especially with respect to:

- Commission authority over energy conservation programs
- Need for TOB given the existence of CIP
- TOB Pilot Cost Effectiveness
- Applying a ROR and alternative sources of capital
- Use of the 80/20 rule,
- Responsibilities for landlords, including making upgrades, and tenants, including debt and property transfers

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[160] TOB Version 2, p4.

[161] SRA Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p3.

- Use of deferred accounting

With respect to additional questions before the Commission, the record offered the following:

Does the Commission have authority to approve the TOB Pilot and should it, given the Department's Oversight of CIP?

Consistent with Minnesota law. The commenters made arguments about whether TOB as proposed is consistent with MN law. Staff defers to the Commission's legal counsel on these matters.

Department's Oversight of CIP. The Department does not support and will not oversee the TOB Pilot if approved.[162] Staff is hesitant to recommend the Commission become responsible for oversight of a financial tool on which staff has considerably less experience than the Department. Further, staff is hesitant to initiate a second track of conservation programming, outside the CIP portfolio, which would fall outside the holistic analysis given to the CIP portfolio. Though many decision options can be used to modify the Pilot to align with recommendations of those supporting the Pilot, even with modifications, the Pilot would remain unacceptable to many commenters.

If the Commission chooses to deny the Pilot, doing so could potentially have the impact of signaling that additional CIP investments should be made. Indeed, the OAG as well as the Joint Commenters of CEE, Energy CENTS, and LSAP, believed the focus of TOB efforts should be redirected to CIP programs. The groups offered the Commission a path forward by either excluding customers qualified for low-income services from the Pilot (OAG) or by denying the Pilot and instead, focusing on CIP (Joint Commenters). Staff believes the record has not been sufficiently developed to make CIP determinations; further, that doing so would usurp Department jurisdiction. However, the Department offered a decision option to further the examination of existing CIP offerings, which could be prioritized rather than a new TOB Pilot (see Tables 13 & 14 showing current CIP offerings).[163]

With or without a focus on CIP, and as mentioned by the Department, increased funding through the ECO Act should perhaps be given time to "settle" into CIP, allowing ways in which CIP could be bolstered to support additional customers or upgrades to manifest before taking on a new program.[164]

Table 13. CIP Spending and Participation

Residential Market Segment	Spending	% of Gross Operating Revenue	# Participants
2021 Actual	$22,103,005		268,973
Low-Income Market Segment			

[162] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p6.

[163] Data retrieved from the summary of CIP outreach and offerings (19-524 compliance filing made June 1, 2021). Natural Gas Conservation Improvement Program 2021 Status Report & Associated Compliance Filings (Docket Nos. G008/M-22-215; G-008/CIP-20-478; Docket No. G-008/CI-10-111) Filing May 2, 2022. Note, CPE's 2021 CIP expenditures totaled $38,439,620 and yielded energy savings representing 1.26% of CPE's average retail sales.

[164] Supplemental comments, Department. Docket No. G008/M-21-377, filed August 8, 2022.

2021 Actual	$4,278,865 (12% of total)	0.71% (0.4% required)	2,162
Total (Includes C&I and Other)			
2021 Actual	$38,439,620		280,905

Table 14. CIP Participation by Project Type

Project	Total # Participants	Total # Low-Income Participants	% of Total Residential Customers	% of LIHEAP Customers
Residential Market Segment Projects				
Home Efficiency Rebates	32,801	387	4.0%	
DIY Home Efficiency	11,486	558	1.4%	
Home Insulation Rebates	2,034	13	0.2%	
Home Energy Reports	193,665	5,114	23.3%	
Home Energy Squad	3,218	130	0.4%	
High-Efficiency Home	4,690	10	0.6%	
New Home Construction Rebates	6,037	25	0.7%	
School Kits	*15,042*	0	XXXX	
Subtotal:	268,973 (*253,931 school kits excluded*)	6,237	30.6% (excluding school kits)	
Low-Income Market Segment Projects				
Low-Income Weatherization	1,186	1,186		5.6%
Low-Income Rental Efficiency	71	69		0.3%
Low-Income Free Heating System Tune-Up	629	629		3.0%
Non-Profit Affordable Housing Rebates	233	233		1.1%
Low-Income Multi-Family Housing Rebates	43	43		0.2%
Subtotal:	2,162	2,160		10.2%
Other				
Multi-Family Building Efficiency (C&I)	236	43		
EZ Pay On-Bill Loan	21	0		

Table 14 shows highest participation in Home Energy Reporting, a program in which an external implementer provides customers with customized information about how their gas use compares with that of their neighbors and give suggestions about simple ways to save money and energy. Table 14 also shows few participants in CPE's new EZ Pay program. This is a loan program available for property owners only; however, rental properties may access loans if the building owner is a customer of CenterPoint Energy.[165]

Should the Commission approve CPE's TOB Pilot Version 2 including associated tariff language, agreements, etc.?

If the Commission determines CPE's TOB Pilot complements, rather than oversteps, the Department's oversight over CPE's CIP and is within the Commission's authority, then the

[165] June 1, 2021 CenterPoint's Update on CIP Low-Income Proposals filed into Docket No. G-008/GR-19-524, p3.

Commission should consider the merits of Pilot Version 2. In this consideration should be how to address double counting and other concerns related to CIP given the Department's position.

Pilot Design. Staff found it helpful to attempt to define the set of upgrades Pilot Version 2 aims to make accessible. Like Community Power defined the "missing middle" of customers proposed to be served by the Pilot, Staff seeks to understand which "missing" set of upgrades are NOT covered by CIP and would NOT require an unreasonable (subject to each participant's discretion) upfront copayment. Staff thinks this set of upgrades is very important to make accessible, in terms of affordability; shopping and buying; installation; repairs; and availability to renters and homeowners. However, staff is unsure what set of TOB upgrades falls into this bucket. If the TOB pilot is the only way to make such a set of upgrades accessible, not CIP, staff sees benefit to the TOB Pilot Version 2. Such an offering would align with what members of the public filed in their comments, they wanted to make energy efficiency upgrades to their homes and needed help to afford those upgrades.

Evaluation. Staff finds that the evaluation schedule, questions, and use of an external evaluation team would provide an incredibly thorough picture of the TOB operation and customer impacts that mirrors a research study. With such evaluation, Pilot Version 2 could provide a set of data from which TOB could be assessed. However, this is assuming an expert in program evaluation could review those data. As the Department has stated that if the Commission were to approve CIP, "the Commission would need to develop new expertise concerning all elements of conservation program design, including outreach, savings measurement, cost effectiveness evaluation, and installation verification and quality assurance, all of which are already performed by the Department"[166] Thus, an additional expert may need to be contracted to examine TOB performance data.

Tariff. Second, if approving the Pilot, the Commission was also tasked with approving the tariff language, agreements, and other exhibits to implement the Pilot offered in the proposal. Commenters took issue here with the responsibilities placed on future tenants as well as properties. As tariff language outlines these responsibilities, the legality of tariff language remains in question. Staff defers to the Commission's legal counsel on this matter.

<u>Commenters were asked to consider if the CenterPoint/City TOB pilot would be:</u>

Likely to facilitate substantial energy savings. On its face, the Pilot does seem to allow access to energy saving measures, especially larger ticket items, that would take significant upfront funds to install without the Pilot. More, the nature of the Pilot assures that participants will not pay any more for their upgrades than they realize in savings on their energy bills. However, in reviewing the filings showing upfront costs necessary to realize many of the energy upgrades, staff is concerned about the sizeable costs required for some upgrades to comply with the 80/20 rule and thus for the Pilot to function and "facilitate substantial energy savings." To this extent, CEE's IR shown in Table 11, indicated that some upgrades would require an upfront copay greater than the original cost of the upgrade itself. This does not sound like a reasonable offering for CPE's customers.[167]

[166] Department Supplemental Comments Docket No. G008/M-21-377, filed August 8, 2022, p5.

[167] See also CEE comments February 4, 2022 Docket No. G008/M-21-377, Table 6 p13.

Efficient at delivering energy savings. Staff is pleased at the repurposing of existing CPE systems for Pilot administration. However, perhaps the failed Cost Benefit Analyses (see Third Issue) test scores indicate that other CIP programs can more efficiently offer conservation improvements for CPE customers. More, Staff wonders if the purposeful ignoring of cost-effectiveness scores for certain low-income programs, favoring instead an understanding of the under-reflected-in-analyses benefits to customers in need, may no longer apply to the Pilot given its shift to service of moderate-income customers.

Operationally sound. A great deal of faith is placed on the Program Operator who, at this time, remains unknow to the Commission. The ability to accurately predict energy usage and determine fault for energy equipment malfunction as well as negotiate across various property owners, renters, and equipment sales teams appears to require a broad skillset. Commenters have called for a verified PAYS operator to be hired in this role; staff agrees this stipulation is key but still places much responsibility outside the Company or City.

Staff does note that for some customers, having an expert to help select, purchase, install, and maintain upgrades may overcome a barrier to owning energy upgrades and is an important component of the "accessibility" of energy upgrades discussed above. These functions of the TOB Program Operator appear in part, to be fulfilled by CIP's Home Energy Squad (HES), which also works with TOB participants. However, HES does not appear to provide the long-term repairs and audits nor negotiation with contractors provided in TOB. Understanding how CIP serves customers compared to what TOB proposes could help to identify areas where each program could be strengthened.

Should the Commission grant deferred accounting?

The Commission was also tasked with determining if deferred accounting should be approved and then, if approved, who should bear the cost burden.

CPE argued that TOB meets the Commission's four-pronged criteria for deferred accounting as well as addresses an important public policy mandate. Comments positioned Pilot alignment with the Commission's criteria against the ability of deferred accounting to spur innovation and customers' access to energy conservation. Staff wishes to note that, and as was also pointed out by the OAG, while greenhouse gas reductions, per MN Statute § 216H.02, and energy savings, in general, per MN Statute § 216B.2401, are policy goals, a TOB program in particular is not. Thus, the argument that TOB is key to meeting important public policy *mandates* may not hold. However, the use of a program *like* TOB could be useful to help the State meet its conservation goals.

Commenters consistently took issue with allowing CPE to earn its full ROR on use of its capital to finance the Pilot as CPE would not own energy upgrades (in contrast to other physical infrastructure like power lines), that the Pilot "risk" was minimal compared to other endeavors, and that alternative capital sources had not been aggressively pursued.

In considering what should be tracked and potentially deferred, the Department questioned how CPE would separate incremental deferred costs from those already reflected in the rate case. Staff is concerned that reductions in startup costs as, "the Company plans to modify existing utility systems to service the billing and tracking functions needed for the TOB Pilot rather than building out new systems"[168] may lead to tracking and deferral of costs already reflected in the rate base. Staff concerns are underscored in consideration of Figure 1 above as ratepayer O&M was included in CPE's example tracker and also, because CPE's changes to startup activities were discussed as a "reduction to utility O&M expenses."[169] Thus, CPE appears to be attempting to re-recover costs already recovered in base rates because the repurposing of utility systems implies that such systems would have already been purchased.

Staff believes that the Commission has two paths forward.
One, pursue a TOB Pilot, as proposed in CPE and the City's TOB Version 2. This path would provide a tool that attempts to address climate change through higher-price tag energy upgrades and include more customers, regardless of income or housing status, in those efforts. On this first path, the Commission might choose to adopt one or more of several proposed modifications. Modifications are required for the support of the CEOs& CSP, OAG, and SRA. Other groups offered modifications, but their support is not contingent upon adoption of their modifications. The following tables list the required elements for these groups' support.

All parties with support contingent on modifications were adamant that CPE should earn a decreased ROR and offer various pathways for that limitation. These recommendations are found in Decision Options 9 and 12-18.

Required Decision Options	**CEOs & CSP**	**OAG**	**SRA**
Regarding ROR	12b, 14, 15a	12a&b, 15	15

By following the path of modifications recommended by CEOs&CSP you also get a requirement for CPE to seek lower-cost sources of capital. Additionally, reporting on efforts to secure lower-cost source(s) of capital are also a requirement for CEOs&CSP's support of the Pilot.

Required Decision Options	**CEOs & CSP**	**OAG**	**SRA**
Regarding Third-Party Capital	18	X	X

These three groups conditioned their support of the Pilot on inclusion of additional modifications that were not a priority for other groups:

Required Decision Options	**CEOs & CSP**	**OAG**	**SRA**
Regarding low-income customers		10, 11	
Regarding the 80/20 Rule	19	X	X
Regarding Landlord Responsibilities	X	20a&b	X
Regarding Pre & Partial Payment	X	22, 23	X
Regarding Geographic Limitations	X	X	24

[168] Version 2 Exhibit A p3

[169] Version 2 Exhibit A p3

VIII. Decision Options

APPROVE (Option #1, skip to 6 or 8)**, DENY** (2-3, skip to 5)**, or MODIFY** (4, skip to 6-8)

1. Approve the modified 3-year Tariffed-On-Bill Pilot Program, as submitted on May 13th, 2022 into Docket No. G008/M-21-377 (CenterPoint Energy and the City of Minneapolis; Community Power; Energy Access Commenters (EAC)).

[OR]

2. Deny CenterPoint's request for a Tariffed-On-Bill Pilot Program (Department preferred; OAG preferred; CEE; Energy CENTS; LSAP)

[AND, 3 may be selected only if 2 is also selected, but 2 does not require 3]

3. Find that the Tariffed-On-Bill Pilot Program is not in the public interest (CEE; Energy CENTS; LSAP)

[OR]

4. Approve a modified version of the Company and City's TOB Tariffed-On-Bill Pilot Program, as submitted on May 13th, 2022 into Docket No. G008/M-21-377, with the following changes (SRA; CEOs&CSP- The Community Stabilization Project & Clean Energy Organizations (MN Center for Env. Advocacy, Fresh Energy, and Sierra Club); OAG prefers denial but finds acceptable with modifications).

IF DENYING PILOT, COMMISSION MAY

5. Accept the Department's offer to work with CPE and the City to address community conservation needs outlined in the Petition, either through the establishment of a new CIP program or through the redesign of existing program(s). Discussion could include: (Staff modified Department suggestion)

   a) File a proposed low-income CIP program (in Q2 2022) for 5-20 unit buildings with an annual budget of at least $1,000,000. (CEE; Energy CENTS; LSAP)
   b) Work with interested parties to develop and file, no later than December 31, 2022, CIP offerings to target and better serve low- and moderate-income homeowners and renters. (CEE; Energy CENTS; LSAP; also, SRA would support if Pilot denied)
   c) Propose, no later than December 31, 2022, an expansion of the Low-Income Rental Efficiency program of at least an additional $1 million each year for one-to-four-unit rental properties. (CEE; Energy CENTS; LSAP)
   d) Increase targeted marketing of its CIP services in Minneapolis Green Zones, with specific focus on increasing customer awareness of geographic eligibility for free CIP services through the company's LIW and LIRE programs. (CEE; Energy CENTS; LSAP)

e) Increase targeted marketing of its CIP services in Minneapolis Green Zones, with specific focus on increasing property-owner awareness of geographic eligibility for the company's LIRE program. (CEE; Energy CENTS; LSAP)

IF APPROVING OR APPROVING WITH MODIFICATIONS, ADDRESS DEFERRED ACCOUNTING

6. Approve the Company's request for deferred accounting (CPE; City; EAC; Community Power)

[OR]

7. Deny the Company's request for deferred accounting (Department preferred)

[OR]

8. Limit deferred accounting to true net incremental costs and not allow any labor costs, both CenterPoint's and outside service costs (Department alternative)

[If Decision Options 6 or 8 are adopted, consider]

9. Direct CenterPoint to use deferred accounting to track rate of return costs, without prejudice as to whether cost recovery of their full rate of return from ratepayers, less 2.5% recovered from participants, is prudent for the pilot. Suspend collection of any rate of return from ratepayers until such a determination of prudency is made (Community Power, EAC with staff addition [if adopted, include Decision Option 15b]

IF APPROVING WITH MODIFICATIONS, COMMISSION MAY ALSO DECIDE ON:

Modifications to Participant Eligibility

10. Exclude from the pilot properties owned or rented by customers who meet the criteria for no-cost Low-Income Weatherization services under CIP. (OAG, if approved support conditional on this modification).

11. If, after the first year of pilot operation, there has been a documented demand by low-income customers for weatherization services that cannot be met under CenterPoint's current Low Income Weatherization budget, that budget must be increased. Direct that if, after two years of pilot operation, there is a documented demand by low-income customers for weatherization services that cannot be met even with an increased CIP budget, parties who participated in these proceedings may petition the Commission to reconsider whether participation by low-income customers is in the public interest. (OAG, with staff addition; if approved support conditional on this modification).

Modifications to CPE's Rate of Return and Funding

Allow Company or Shareholders to Earn ROR Only After Additional Evaluation

12. Preclude CenterPoint from earning a return on energy conservation improvements that are not owned by the Company,
    a. unless the Commission determines, in a generic docket, that it is appropriate to expand the shared savings incentive [staff's understanding, like the Demand Side

Management Financial Incentive awarded in CIP]. (OAG if approved support conditional on this modification)

b. unless it can demonstrate why a lower cost of capital cannot be reasonably secured (CEOs&CSP and OAG support both contingent on this modification; Community Power). [Reasonable to be accompanied by Alternative Capital Reporting, Decision Option 18]

13. Suspend consideration of shareholder's earning CPE's rate of return until the Pilot moves 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. (EAC)

Allow Company to Earn a Reduced ROR, using its Own Funds for Pilot

The OAG and SRA both conditioned their support for a modified TOB Pilot on reducing CPE's rate of return, with the SRA further specifying reduced recovery from general ratepayers. However, neither group offered the Commission a specific amount by which to reduce the rate of return. SRA and OAG may support 15a or 15b.

14. Establish a zero percent cost of capital for the duration of this Pilot in order to test the TOB concept and remove barriers to participation (CEOs and CSP support contingent on this modification OR 15a)
[OR]

15. Authorize CenterPoint to receive a rate of return of
    a. 3% or lower, (CEOs&CSP support contingent on this modification)
    [OR]
    b. 2.5% from participants only (Community Power; EAC)

If DENYING, EVALUATING, or LIMITING Deferred Accounting, Consider Requiring the Company to Seek Low-Cost Third-Party Capital and Report on its Efforts

16. Exempt this program from CenterPoint Energy's required debt-to-equity ratio. (EAC, as an alternative to CPE using its own funds and earning an ROR; Community Power;)
[AND]
    a. Require CenterPoint to seek low-cost third-party capital
        i. up to 3% interest rate (Community Power)
        [OR]
        ii. below 3.5% (EAC)

[AND]

17. Allow CenterPoint
    a. Up to an additional 0.5% margin to cover any utility-capital-guarantees (allowing up to 2.5% to be borne by participants exclusively and any margin by ratepayers, or split both between participants and ratepayers) (Community Power)

   b. To assess the third-party interest cost directly to participants or divide it between participants and the rate base (e.g. 2% to participants and 1.5%/1%/0.5% to ratepayers). (EAC)

18. Require detailed annual reports of efforts to engage no-cost and low-cost third party capital providers (EAC; Community Power; CEOs&CSP support contingent on this modification). Reporting shall include:
    a. Identification by CenterPoint of efforts made (direct parties contacted, responses, dialogues) (EAC; CEOs&CSP)
    b. Any reasons that the Petitioners determined that an evaluated third-party capital source was a viable or non-viable option (EAC; CEOs&CSP; Community Power)
    c. Any concerns or requirements such capital providers posed to CenterPoint in their offers/negotiations (EAC; Community Power)
    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. (EAC)
    e. Profile of provider: This must, to the extent allowable by Non-Disclosure Agreements, include both those that have been recommended to the Company by others or identified by the Company itself (name, location, type of capital provider, internal/external recommendation) (Community Power)
    f. Point people accountable for following up and vetting: 1) CenterPoint staff person(s) who are accountable for following up on and vetting 3rd party capital and their role) 2) City staff or other non-utility staff present for scoping conversation and their role (Community Power)
    g. Dates on which key contact happened: provider was recommended/identified; contact initiated; term sheet shared; go/no-go established (Community Power)
    h. Stage of negotiations by time of report: achieved with each provider and level of contact with each (e.g. no contact initiated and reason why not; provider not interested; met with; received term sheet; partnership under exploration, etc.) (Community Power)
    i. Efforts, if any, made by both provider and CenterPoint to address barriers (e.g. conversation with existing loss reserves; approached philanthropic entities and results of conversations) (Community Power)
    j. Any enabling support CenterPoint needs from state agencies to pursue each third party provider (e.g. engagement from state energy office to create local loss reserve) (Community Power)

Modifications Supported by One Commenter Only

The 80/20 Rule

19. Require CenterPoint to first approach landlords for co-payment, if needed for a unit to meet the 80/20 Rule and participate in the TOB Pilot, and report on how many landlords

willingly paid the co-pay upon such request. (CEOs&CSP support contingent on this modification).

Landlord responsibilities for upgrades

20. Restrict participation of rental properties unless:
    a. the tenant is a CenterPoint customer
    [AND]
    b. the on-bill charge for a rental property is no larger than 60 percent of the estimated average monthly savings, with any necessary upfront copayments to be contributed by the landlord and/or local government. (OAG, if approved support conditional on this modification)

Align PACE and PAYS

21. 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. (EAC)

Prepayment

22. Partial payments should be applied first to the balance due for utility service, with any remaining amount applied toward pilot charges. (OAG, if approved support conditional on this modification; Joint Commenters)

23. Pilot participants should be allowed to prepay upgrade costs not yet billed. (OAG, if approved support conditional on this modification)

Geographic Limitations

24. Specify that suburban participants of low income, moderate income or "high users" of energy in under-insulated dwellings will have a fair and proportionate opportunity to participate rather than be too late to the "first come-first served" (SRA- support conditional on this modification)

Evaluation

25. Direct CenterPoint to ensure programmatic continuity throughout the 3-year pilot by continuing to 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 (EAC; Community Power)
    [AND]
    a. Expand capital deployment to cost-effective upgrades if needed to meet customer demand. (EAC)

26. Direct CenterPoint to include the information shown in Appendix 1 Table 1 to staff briefing papers in Pilot evaluation reports. (Staff understanding of Community Power; CEOs and CSP, regarding if a landlord were to fund a portion of participant's copay)

Appendix 1. Evaluation Criteria Proposed by CPE

Evaluation of Pilot will be undertaken during the second year by a third-party reviewer, different from the program operator, and who has experience in energy program evaluation. The Company acknowledged that it would make this report.[170] Evaluation will focus on:

1) participation by low-income consumers;

Referrals to alternative Income-Qualifying CIP Services, • Participant Renter/Owner status, • Participant race/ethnicity, • Participant location in Minneapolis Green Zones or Areas of Concentrated Poverty (ACP), • Participation by city, zip-code, and/or census tract, AND income status.

2) the costs of the program to date;

Program Marketing & Outreach, • Program Delivery, • Program Evaluation, • Energy Efficiency Project Cost, • Total/Average Utility Capital Investment for energy efficiency projects, • Participant Costs, including energy efficiency co-payments, admin fee, and interest paid, • External funding leverage, including customer co-pays, CIP incentives, external incentives, or financing, • Any unforeseen costs including repairs.

3) the number of participants served and the average cost per pilot measure installed;

Count of enrollments, completed Energy Efficiency Plans, and signed Participant/Owner Agreements, • Count and cost of initiated and completed energy efficiency projects by participant, by project, and by measure, • Count and description of any customers that could not be served by the TOB pilot.

4) the greenhouse gas emissions avoided;

The Company will calculate and report the total and average participant metric tons of carbon dioxide equivalent avoided both by first-year and over the life of the measures.

5) the energy saved;

The Company will calculate and report the total and average participant gas and electric pilot savings both by first-year and over the life of the measures. The Company will analyze and report customers weather-normalized energy use in the five years before the energy efficiency project and the year following the project.

6) the cost-effectiveness of the pilot program in achieving these reductions and savings; and

The Company will analyze and report customers weather-normalized energy costs in the five years before the energy efficiency project and the year following the project. The Company will track and report the participants median and range of energy bill amounts before and after the energy efficiency project. The Company will describe whether any participants saw increased bills and how their situations were addressed, including the number of projects by type and costs of any associated repairs. The Company will also report any complaints received regarding the TOB pilot and the nature of the complaint.

7) viable alternatives that may have become available during the course of the pilot program.

Appendix 1 Table 1. Evaluation Criteria Proposed by Community Power, with some inclusions from CUB	Incl. in TOB Version

[170] Pilot Version 2, May 13, 2022 filing in Docket No. G-008/M-21-377 Exhibit B- TOB Pilot Metrics

	2?
The number, if any, of participants who would have had service disconnected if not for the pilot's disconnection freeze, AND the number, if any, of the would-be-disconnected of those participants above the Company's average rate of disconnection for nonpayment to evaluate what is could or could not statistically be attributed to the pilot (Also proposed by CUB, if pilot was approved); data on the number of would-be-disconnections in other pilots (run by CenterPoint or otherwise) that have used disconnection freezes and any discussion about patterns on how those freezes impact a household's frequency of payments toward utility bills	No
Details from program operator about what of any equipment and installation costs were able to leverage volume-based-pricing or economies of scale, barriers to doing so, and opportunities to enable that in the future; how do the barriers and frequency of leveraging economies of scale compare to existing programs	No
Narrative explanation of information shared and methods by which tenants and separately property owners were educated about the benefits and responsibilities of participation	No
Any evidence that prospective renters or buyers were hesitant to rent or purchase properties with TOB tariffs attached to utility bills (Proposed by CUB, if pilot was approved)	No
Narrative explanation of how pilot went from program operator and any outreach partners who wish to comment (Also proposed by CUB, if pilot was approved)	No
Any feedback from participants - positive, negative/constructive - offered to outreach partners, program operators, or utility throughout (Also proposed by CUB, if pilot was approved); including for participants questions about comfort, foregoing purchases of food, medicine or other essentials to pay utility bills during intake.	No
Average duration of time for prospective participants on waitlist due to backlog of interest and/or oversubscribed funds and date at which backlog/oversubscription began	No
Data on which locations had a change in primary account holder	No
Proportion of participants reducing their peak load, and by how much on average	No
How accurate are energy savings estimates at the individual location level; how accurate at the portfolio level (**also supported by CEOs&CSP)	No
Forward-looking calculation of pilot's cost-effectiveness adjusting for variables including: if the total program operator charges ($475 per project) were collected a program cost versus collected from participants via the cost recovery charged (and not included in program cost)	No
# of dwellings upgraded made by 9-digit zip-code and/or census tract, and average upgrade investment per dwelling (Also proposed by CUB, if pilot was approved); and how do these numbers compare to existing programs	Yes, but not grey text
# of upgrades made by measure including direct install measures (e.g. wall insulation, LEDs, air sealing, attic insulation, HVAC, etc) (Also proposed by CUB, if pilot was approved); how do these numbers compare to types of measures for existing programs; and a list of any measures excluded from the pilot that the program operator recommends be added to future programs in order to achieve	Yes, but not grey text

upgrade packages with greatest savings	
# of prospective participants that 1) were referred to another program before or after receiving a TOB assessment based on income eligibility for another program 2) were put on waitlist due to deferred maintenance 2) received an assessment 2) signed up for TOB without a copy 3) signed up for TOB with a copay 4) declined to participate with reason cited if offered and/or didn't respond 5) are on a waitlist due to oversubscription of funds (Also proposed by CUB, if pilot was approved, but focused on # of potential participants that underwent (1) on-site energy assessments or (2) cost-effective modeling that ultimately did not participate in Pilot)	Yes
In tracking # of applicants referred to LI-CIP or WAP programs, include two types of referrals 1) anyone receiving referral who chose to accept referral and not continue in the TOB Pilot 2) anyone who explicitly states they are likely qualified but do not chose to participate in LI-specific programs due to waitlist times. Count those as "referred" to ensure that they are counted among the demand for those programs.	Yes
Total range of copays offered; total range of copays accepted; median copay offered and/or accepted (Also proposed by CUB, if pilot was approved, with preference to provide data by ZIP); as well as amount of utility investment, and rebates/incentives applied per project	Yes, but not grey text
The number of participating customers whose bills experienced changes in their bills post-upgrade (using all fuel and electricity data for all participating homes (from at least 24 months pre upgrade and ongoing post upgrade), and separated into the following categories: ○ Reduced by 25% ○ Reduced by 15-25% ○ Reduced 5-15% ○ Bill neutral to reduced by 5% ○ Increased by up to 5% ○ Increased by 5-15% ○ Increased by 15-25% ○ Increased over 25% (Also proposed by CUB, if pilot was approved); Note how these ranges of savings compare to similar, existing programs, including if there is not data collected post-upgrade to measure savings	Yes, but not grey text
Marketing and engagement spending by entity to evaluate methods of information spreading: ○ Utility marketing (materials, ads, labor etc.) if any ○ Program operator (materials, ads, labor, etc) if any ○ Community-based outreach (materials, labor, etc) if any (Also proposed by CUB, if pilot was approved)	Yes
The median monthly customer bill amounts both before and after upgrades are completed (Proposed by CUB, if pilot was approved)	Yes

Black Text is Community Power Evaluation Criteria from Reply Comments filed May 13, 2022 Exhibit II, p29.
Blue Text is CUB's Additional Evaluation Criteria from Comments filed February 4, 2022, p8. Note, CUB recommend denial of original pilot but did not comment on May 16, 2022 modified Pilot.
Grey Text is from Community Power's Exhibit II, 8 Aug 2022 additions responding to CPE's modified petition.

Appendix 2. Comparison of TOB Version 2 to PAYS and PACE programs

Appendix 2 Table 1. PACE Customer Protections[171]

PACE	TOB
Setting a maximum interest rate	Rate set at 2.5%
Protections for vulnerable adults	Would be willing to add this
Protections from unscrupulous building contractors	Overseen by Program Operator
PACE program administrator must file a surety bond with the Department	CPE ultimately responsible
Prepayment of investment balance	No.
Ensure participants understand key terms/scope of work	Participant agreements (Exhibits G-J) and Exhibit F
Right to rescind prior to construction/installation	Would be willing to add this
Prohibition on construction cost inflation	Program Operator will negotiate prices with contractors
Prohibition on false, unfair, unlawful, deceptive, abusive, or misleading statements	Participant agreements (Exhibits G-J) and Exhibit F
Prohibition on claims that improvements will pay for themselves or offset or exceed the investment amount.	80/20 rule and audits after 1-2 years and then by request
Screen potential participants for referral to other relevant no-or low-cost programs known to the administrator or contractor	CPE will establish pathways to CIP and weatherization programs
Plain language disclosures	Exhibit F
Compliance with state and federal laws, rules, and regulations to lending practices and consumer protection	TOB is not a loan so need not comply.
Prioritization of partial payments to utility service	No.

Appendix 2 Table 2. Elements of PAYS programs compared to TOB Version 2

Essential Elements of a PAYS program[172]	Ameren Missouri Tariffed On-Bill Electric Tariff[173] (Approved)
1. A fixed monthly tariffed charge assigned to a location, not to an individual customer;	Terms of the tariff are bound on the metered structure and any future customer receiving service at that location
2. Payment on the utility bill with utility cost recovery on the same terms as their other essential utility services;	Service charge includes costs of upgrades, 4% cost of capital for financing, fees, taxes, and some repairs.
3. Independent certification that products are appropriate and savings estimates exceed payments in near and long terms.	Company hires a program administrator whose duties include initial energy assessment and annual energy savings review.
Offers to Customers	
a. The offer to customers is not burdened with customer risk. PAYS upgrades and the associated monthly charge must not	

[171] Pilot Version 2, Exhibit A p7-10.

[172] Comments of Nancy Brockway on Proposal in Docket No. G-008/M-21-377

[173] Approved Tariff dated November 18, 2020 included as Exhibit B in June 1, 2021 Initial Filing by CenterPoint Energy and the City of Minneapolis To Introduce a Tariffed On Bill Pilot Docket No. G-008/M-21-377

entail new debt or liens for the participant.	
b. PAYS offers will not be forced to compete with other utility offers.	Participants will be offered incentives available through the Company's demand-side management plan.
Upgrades	
a. PAYS upgrades must use properly installed, reliable technologies that are proven to produce savings.	All upgrades must have energy star certification and included in TRM
b. Once the utility has recovered all of its investment in upgrades at a location, ownership of the upgrades will transfer to the building owner.	The company will own upgrades until the time at which repayment is complete; ownership then transfers to customer
c. Monthly charges stop with upgrade failure or vacancy.	In event of vacancy, service charge suspended until new customer moved in
d. The amount of the monthly charge will not change for an upgraded location for the duration of utility cost recovery unless an upgrade fails.	Following annual review, service charge may be decreased or eliminated for participant to continue to realize savings
e. Repair costs or deferred collections from vacancy costs may be recovered, but not beyond when the upgrades are functioning and producing savings.	Company investigates failure of upgrades and suspends or reduces service charge until repairs are made. Customer tasked with daily maintenance. If customer caused damage, company will seek to recover all costs and addtl. Fees. Repayment capped at 80% lifespan of upgrade or 12 years.
Cost-Effective Analyses	
a. Cost effectiveness must be based on site- and building-specific analysis at a location, use actual installation costs, and include no inflation rate.	Program administrator conducts energy assessment. Participant consents to disclose energy usage history
b. When calculating the monthly charge and copay amount, utilities must use estimates of all significant annual resource savings the participant will receive (e.g., water, sewer, electricity, gas, and oil) from upgrades installed.	Gas and electric may be combined when assessing energy savings.
c. Utility subsidies and state and federal credits may be included in cost-effectiveness analyses only if they lower the payment to the installing contractor, assuring a fair monthly charge is passed along to successor customers.	
On-Bill Charges	
a. The monthly charge is not more than 80% of the upgrades' estimated annual savings based on current retail rates and the payment term is not more than 80% of the estimated life of the shortest-life measure of an upgrade package or the term of a full parts and labor warranty/insurance policy on the upgrades.	Qualifying project costs are no more than 80% of estimated savings over 80% of upgrade life.
b. Charges are binding on the participant and all successor customers at the upgraded location until they are no longer a customer at the location or until utility cost recovery is complete.	Company recovers cost of its investment through monthly service charge to customer or successor customer
c. Each month, the utility must pay the capital provider(s) the amount billed to PAYS customers, regardless of the utility's collections, and treat PAYS uncollectibles the same as it treats all other uncollectibles.	Analysis fees part of Administration costs
d. Pre-payment prohibited because the participant will not yet have the savings to cover this payment.	No prepayment allowed

e. If possible, the implementing utility must file notice with the property records for the upgraded location.	Property Notice attached to property records stating benefits and obligations of upgrades
	Participants may make copayments on upgrades not passing the 80/20 test
Disconnection	
	Company may disconnect participants for non-payment
Contracts	
	Failure to obtain the signature on the Property Notice form, of a successor customer who is renting the premises or a purchaser, in jurisdictions in which the Company cannot attach the Property Notice to the property records, indicating that the successor customer received Property Notice will constitute the owner's acceptance of consequential damages and permission for a tenant or purchaser to break their lease or sales agreement without penalty.
	Owner's Agreement signed by building owner if they or their tenants wish to participate
	Participants must sign Efficiency Upgrade Agreement
	Property Notice form must be signed by a subsequent renter or purchaser of a rental property

Yellow highlight shows where TOB aligns with the PAYS model. Lack of yellow highlight means certain details of TOB Version 2 leave staff unable to determine if TOB aligns with PAYS. Red "X" means there is no alignment of TOB Version 2 to PAYS.

- Note, in the Tariff example shared, staff is unclear if a tenant must also be a utility customer, in addition to the property owner.
- Note, while CPE and the City stated, "[t]ariffed on-bill investments by a utility to lower the energy costs at a site do not involve making a loan to a customer or placing a senior lien on the property to secure such a loan, as do Property Assessed Clean Energy (PACE) loans and some personal loans. The Hennepin County Recorder's Office conferred with the City of Minneapolis and concluded that utility investments to upgrade energy performance do not encumber the property, and therefore, notices of the upgrades would not be filed with property records"[174] it seems to staff that the consulted party was not representative of all realtors (see Comments).

[174] City & CPE Pilot Version 1, Sept 1, 2021 filing Exhibit C, p5.