MINNESOTA DEPARTMENT OF COMMERCE

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June 28, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-16-366

Dear Mr. Wolf:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department), in the following matter:

> CenterPoint Energy's 2015 Conservation Improvement Program Status Report, 2015 Demand Side Management Financial Incentive, Conservation Improvement Program Tracker Report, and 2015 Conservation Cost Recovery Adjustment Aggregated Compliance Filing (Petition).

The *Petition* was filed on April 29, 2016 by:

> Audrey C. Partridge
> Senior Regulatory Analyst, Conservation Improvement Program
> CenterPoint Energy, a Division of CenterPoint Energy Resources Corp.
> 505 Nicollet Mall
> PO Box 59038
> Minneapolis, Minnesota 55402

As discussed in greater detail in the attached *Comments*, the Department recommends that the Minnesota Public Utilities Commission **approve CenterPoint's *Petition* with modifications.** The Department is available to answer any questions that the Commission may have in this matter.

Sincerely,

/s/ DANIELLE WINNER
Rates Analyst

DW/ja
Attachment

MINNESOTA DEPARTMENT OF COMMERCE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE
DIVISION OF ENERGY RESOURCES

DOCKET NO. G008/M-16-366

I. SUMMARY OF THE UTILITY'S FILING

On April 29, 2016, CenterPoint Energy, a Division of CenterPoint Energy Resources Corporation (CenterPoint, CPE, or the Company), submitted a filing in the present docket entitled *CenterPoint Energy's 2015 Conservation Improvement Program Status Report, 2015 Demand-Side Management Financial Incentive, Conservation Improvement Program Tracker Report and 2015 Conservation Cost Recovery Adjustment Aggregated Compliance Filing* (*Petition*) to the Minnesota Public Utilities Commission (Commission, MPUC, or PUC). The Company's *Petition* included:

- a proposed 2015 Demand Side Management (DSM) financial incentive of $12,732,019;
- a report of proposed recoveries and expenditures in the Company's Conservation Improvement Program (CIP) tracker account during 2015; and
- a proposed change to the Conservation Cost Recovery Adjustment (CCRA).

In addition, Section I of the *Petition* contained the Company's 2015 *Status Report*. Since the *Status Report* does not require Commission approval, that portion of the *Petition* has been assigned a separate docket number.[1]

The Minnesota Department of Commerce, Division of Energy Resources (Department or DOC) provides its analysis and recommendations below.

[1] See Docket No. G008/CIP-12-564.04.

II. COMMISSION'S 2015 ORDER

On August 11, 2015, the Commission issued its Order in Docket No. G008/M-15-421 approving CenterPoint's 2014 DSM financial incentive, CIP tracker account, and CCRA as follows:

1. Approved CenterPoint's proposed 2014 DSM financial incentive of $11,608,486 to be included in the Company's CIP tracker account no sooner than the issue date of this Order.
2. Approved CenterPoint's 2014 CIP tracker account, as summarized in Table 1 of the Department's comments.
3. Approved the Department's proposed CCRA of $0.1021/Dth, to be effective on January 1, 2016.
4. Approved the following bill message:

> The MPUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of $0.01021 per therm. This charge is used to fund energy conservation activities and has been added to your delivery charge. For more information please call 1-800-245-2377 or visit our website at www.centerpointenergy.com.

On December 15, 2015, CenterPoint filed an updated published tariff page to agree with the approved recovery rate. The Department filed a compliance sign-off form on December 22, 2015. CenterPoint's approved rate went into effect January 1, 2016.

III. THE DEPARTMENT'S ANALYSIS

The Department's analysis of CPE's *Petition* is presented below in the following sections:

- in Section III.A, CenterPoint's proposed 2015 DSM financial incentive;
- in Section III.B, CenterPoint's proposed 2015 CIP tracker account;
- in Section III.C, CenterPoint's CCRA proposal; and
- in Section III.D, a review of CenterPoint's CIP activities for the period 2008 through 2015.

A. CPE'S PROPOSED 2015 DSM FINANCIAL INCENTIVE

1. Background and Summary of CPE's Proposed 2015 DSM Financial Incentive

The Shared Savings DSM financial incentive plan was approved by the Commission in Docket No. E,G999/CI-08-133 on January 27, 2010. On December 20, 2012, the Commission issued its *Order Adopting Modifications to Shared Savings Demand Side Management Financial Incentives* (Modification Order). The Shared Savings approach emphasizes a 1.5 percent energy savings goal, and ties the incentive earned by the utility to pursuit of the 1.5 percent savings goal. The incentive mechanism sets a specific dollar amount per unit of energy saved that each utility will earn at energy savings equal to 1.5 percent of annual non-CIP-exempt retail sales. That dollar amount is referred to as the incentive calibration. The higher the calibration, the higher the incentive will be at all energy savings levels; however, the incentive calibration does not take effect until a specified savings threshold is reached. Each electric utility's incentive is calibrated so that when the utility achieves energy savings equal to 1.5 percent of retail sales, electric utilities will earn an incentive equal to $0.07 per kWh saved and gas utilities will earn $9 per thousand cubic feet (Mcf) saved. The Commission's Modification Order stated, in part:

> *The Commission hereby adopts the Department's proposal for the continuation of the new shared savings financial incentive with the following:*
>
> A. A threshold set at half of the utility's average achievements from 2007 to 2011 for utilities with triennial CIPs beginning in 2013, removing both the maximum and minimum achievements, or at 0.4 percent of retail sales, whichever is lowest. For utilities with triennial Conservation Improvement Programs beginning in 2014, the threshold shall be set at half of the utility's average achievements from 2008 to 2012, removing both the maximum and minimum achievements, or at 0.4 percent of retail sales, whichever is lowest.
> B. The calibration at 1.5 percent of retail sales for each utility set as follows: (1) $9.00 per Mcf for natural gas utilities, and (2) $0.07 per kWh for electric utilities.
> C. A utility may not modify its incentive to correct for non-linear benefits.
> D. The incentive shall be capped at 20 percent of net benefits for all utilities except for Minnesota Power. The Commission will defer a decision on the application of the 20 percent cap of net benefits for Minnesota Power until 2013 to allow for the consideration of updated avoided cost information for this utility.
> E. The existing cap of 125 percent of a utility's 1.5 percent calibration level for the electric utilities ($0.0875 per kWh) and a cap of 125 percent of the 1.0 percent target calibration for gas utilities ($6.875) per Mcf are continued.
> F. The percentage of net benefits to be awarded to each utility at different energy savings levels will be set at the beginning of each year.
> G. The CIP-Exempt Class shall not be allocated costs for the new shared savings incentive. Sales to the CIP-Exempt Class shall not be included in the calculation of utility energy savings goals.

H. If a utility elects not to include a third-party CIP project, the utility cannot change its election until the beginning of subsequent years.
I. If a utility elects to include a third-party project, the project's net benefits and savings will be included in calculation of the percentage of net benefits awarded at specific energy savings levels (calculated before the CIP year begins) and in the post CIP year calculations of net benefits and energy savings achieved and incentive awarded. In any case, the energy savings will count toward the 1.5 percent savings goal.
J. The energy savings, costs, and benefits of modifications to non-third-party projects will be included in the calculation of a utility's DSM incentive, but will not change the percent of net benefits awarded at different energy savings levels.
K. The costs of any mandated, non-third-party projects (*e.g.*, Next Generation Energy Act assessment, University of Minnesota Institute for Renewable Energy and the Environment costs) shall be excluded from the calculation of net benefits awarded at specific energy savings levels (calculated before the CIP year begins) and in the post-CIP year calculations of net benefits and energy savings achieved and incentive awarded.
L. Costs, energy savings, and energy production from Electric Utility Infrastructure Projects (EUIC), solar installation and biomethane purchases shall not be included in energy savings for DSM financial incentive purposes.
M. The Department shall file a recommendation with the Commission on the application of a net benefits cap for Minnesota Power's incentive by October 1, 2013. The recommendation should be filed in Docket No. E,G-999/CI-08-133.
N. No adjustment will be made at this time to the calibration of the incentive mechanism for utilities that have Commission-approved decoupling mechanisms.
O. The new shared savings DSM incentive shall be in operation for the length of each utility's triennial CIP plan.

Further, the Commission approved a net benefits cap of 30 percent for Minnesota Power on November 19, 2013.

With respect to net benefits, CenterPoint provided in its *Petition* the benefit-cost results of the revenue requirements test associated with the Company's 2015 CIP. According to the Company, CPE's 2015 CIP activities resulted in an estimated $75,451,306 of net benefits before the requested incentive.[2] CenterPoint also stated that its CIP activities achieved energy savings in 2015 of 1,851,930 Mcf. Based on the terms and conditions of its approved DSM incentive plan, CenterPoint requested approval of a 2015 financial incentive of $12,732,019.

2. The Department's Review of CPE's Proposed 2015 DSM Financial Incentive

The Department's CIP Engineering Staff review of the Company's claimed demand and energy savings that underpin CenterPoint's proposed DSM financial incentive is on-going. In all likelihood, it will not be completed before the fall of 2016. This lag between the Company's request for recovery of the incentive and completion of the Department CIP Engineering Staff review is a recurring phenomenon.

As was done last year, the Department's analysis assumes that CenterPoint's claimed 2015 energy savings are correct as filed. If the Deputy Commissioner of the Department subsequently approves changes to CenterPoint's energy savings claims that impact either recovery of CIP budgets or levels of Shared Savings DSM financial incentives, those changes can be incorporated in the Company's 2016 filing that will be made by May 1, 2017.

In its 2015 *Petition*, CenterPoint reported gas energy savings of 1,851,930 Mcf, and so the Department used this figure in reviewing the present docket.[3]

According its *Petition*, the Company receives approximately 1.55036 percent of the net benefits created by its 2015 CIP investments for every 0.1 percent of sales saved above 0.2 percent.[4] CenterPoint estimated that it achieved energy savings of 1.36 percent of its non-CIP-exempt retail sales goals. This results in a financial incentive of 18 percent of net benefits achieved, for a total of $13,532,095. However, this incentive yields a cost per Mcf savings of $7.307/Mcf, violating the approved $6.875/Mcf saved cap. Thus, the Company must use the $/Mcf saved cap to calculate its financial incentive, and so proposed an incentive of $12,732,019. This figure equates to 16.87 percent of net benefits achieved.

The Department verified the calculation of the financial incentive and recommends that the Commission approve CenterPoint's proposed 2015 DSM financial incentive of $12,732,019 to be included in the Company's CIP tracker account no sooner than the issue date of the Commission's *Order* in the present docket.

[2] *Petition*, page 37.
[3] Average sales are based on the three-year average presented in CenterPoint's 2013-2015 Triennial Plan. *Petition*, Cover Letter, page 1, footnote 1.
[4] *Petition*, Attachment A, page 49.

B. CENTERPOINT'S 2015 CIP TRACKER ACCOUNT

1. The Department's Review of CPE's 2015 CIP Tracker Account

In its *Petition*, CenterPoint requested approval of its report on recoveries and expenditures in the Company's tracker account during 2015. Table 1 below provides a summary of the activity in the Company's CIP tracker account during 2015.

Table 1: Summary of CenterPoint's CIP Tracker Account in 2015[5]

Description	Time Period	Amount
Beginning Balance	January 1, 2015	$2,285,733
CIP Expenditures[6]	January 1 through December 31, 2015	$26,394,800
Recovery via Base Rates (CCRC)	January 1 through December 31, 2015	($25,425,782)
Recovery via CCRA	January 1 through December 31, 2015	($11,917,436)
Carrying Charges[7]	January 1 through December 31, 2015	($13,773)
2014 DSM Financial Incentive	December 2015	$11,699,298
2013 DSM Financial Incentive Adjustment	January 2015	($90,812)
Ending Balance (Over)/Under[8]	December 31, 2015	$2,932,026

The Company's CIP Tracker reflects the Commission's final 2014 DSM financial incentive of $11,608,486, approved August 9, 2015 as part of Docket No. G008/M-15-421. This figure comes from the initial 2014 financial incentive of $11,699,298, booked in August 2015, and the 2013 financial incentive adjustment of ($90,812), booked in January 2015.[9]

CenterPoint's CIP tracker also includes two adjustments due to misalignment of billing dates with new and interim rate implementation dates. The Company's consumption data collection methods result in the Company having 21 different billing cycles; yet new and interim rates go into effect on the first of the month. Therefore, when a new rate goes into effect, rather than charging every customer two different rates in one billing cycle, CenterPoint instead prorates the bills, charges customers a single rate and, for the purposes of CIP, records an adjustment in the CIP tracker. The two billing-date-related adjustments in the 2015 CIP tracker are for the Conservation Cost Recovery Charge (CCRC), for which interim rates went into effect in October 2015 as part of the Company's rate case, and for

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[5] *Petition*, pages 40-41.
[6] CIP Expenditures include Next Generation Energy Act of 2007 (NGEA) assessments of $501,182 (*Petition*, Cover Letter, Page 2) and travel, meal, and miscellaneous expenses of $86,667 (*Petition*, pages 38-39).
[7] Because the Company's 2015 CIP Tracker Account was over-recovered for the majority of the year, total annual carrying charges accrued in the favor of ratepayers. *Petition*, Cover Letter, page 2.
[8] Ending balance reflects CenterPoint's calculation in Company spreadsheet rather than the sum of the column figures; the difference is due to rounding.
[9] The initial 2013 incentive of $10,890,131 was approved on December 17, 2014 in Docket No. G008/M-14-368, and booked in December 2014. After the Deputy Commissioner of the Minnesota Department of Commerce's Decision to reduce CenterPoint's 2013 CIP Savings on January 9, 2015 in Docket No. G008/CIP-12-564.02, the financial incentive was reduced to $10,799,319. The Commission approved this reduction by adjusting CenterPoint's 2014 DSM financial incentive of $11,699,298 by $90,812.

the CCRA, for which new rates went into effect in January 2015 as part of last year's CCRA rate increase. The CCRC adjustment is included in "Recovery via Base Rates" in Table 1, and is for $25,204. The CCRA adjustment is included in "Recovery via CCRA" in Table 1, and is for $104,383.

The Department recommends that the Commission approve CenterPoint's 2015 CIP tracker account activity as provided in the Company's Petition and summarized in Table 1 above, resulting in a December 31, 2015 tracker balance of $2,932,026.

2. CenterPoint's Interim Carrying Charge Rate

In addition to approval of its 2015 CIP Tracker Account, CenterPoint requested that the Commission authorize the Company to update the carrying charge to be consistent with the Company's most current short-term cost of debt. The Company also requested approval to make an adjustment of $1,430 to the 2016 CIP Tracker Account to reflect the difference in carrying charges had the interest factor been updated in the month that interim rates became effective.

The Company's interim rates approved October 2, 2015 reflected a short-term cost of debt of 1.62 percent annually, which corresponds to a monthly interest factor of .13 percent. For the 2016 CIP Tracker Account Forecast, the Company assumed a carrying charge equal to its short-term cost of debt as reflected in interim rates. However, for the 2015 CIP Tracker Account, the Company used the previous short-term cost of debt (0.36 percent annually, 0.03 percent monthly). This meant that the Company used the old rate in the last three months of 2015, the period during which interim rates were in effect. CenterPoint requested that it be allowed to make an adjustment of $1,430 to be booked in 2016 to account for the difference in short-term cost of debt rates; the Department has verified the adjustment reflects this difference.

However, the Commission rejected CenterPoint's proposed 1.62 percent short-term cost of debt in its June 3, 2016 *Findings of Fact, Conclusions, and Order* in Docket No. G008/GR-15-424, and instead approved a short-term cost of debt of 0.65 percent. The Department recommends that the Commission deny CenterPoint's request to adjust its 2015 CIP tracker to reflect an annual 1.62 percent carrying charge for October through December, and requests that CenterPoint adjust its 2016 tracker to reflect use of an annual 0.65 percent carrying charge (0.05 percent monthly) beginning June 2016. The Department notes that this update is not likely to materially affect CenterPoint's CCRA calculations.

C. CENTERPOINT'S PROPOSED CCRA

Minnesota law states in relevant part that the Commission "may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements."[10] This annual CIP recovery mechanism is generally referred to as the Conservation Cost Recovery Adjustment.

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[10] See Minn. Stat. §216B.16, subd. 6b(c).

In its *Petition*, CenterPoint proposed an increase in the CCRA, from $0.1021/Dth in 2016 to $0.1553/Dth in 2017. The CCRA rate was $0.0883/Dth for 2015. In addition, the CCRC recovered through base rates during 2015 of $0.1849/Dth was increased to an interim rate of $0.195/Dth in October 2015; this interim CCRC rate was used in the present docket to calculate the CCRA.[11]

The Company noted that the Deputy Commissioner of the Department of Commerce has approved a large conservation project for 2016 that was not accounted for in last year's CCRA calculation. This project will result in a one-time spike in net benefits, which may increase the proposed DSM financial incentive in next year's filing, which in turn will have an impact on the CCRA. To mitigate this impact, CenterPoint proposed to set the CCRA at a rate that zeros out the tracker balance at the end of 2018, rather than 2017.

Tables 2 and 3 present the two scenarios.

Table 2: Summary of CenterPoint's CCRA, based on Forecasting a Zero-Ending Tracker Balance at Year-End in both 2017 and 2018[12]

Description	2017 Amount	2018 Amount
Forecasted Beginning Balance as of January 1	$6,762,159	$1
CIP Expenditures January-December[13]	$30,000,000	$30,000,000
Estimated Base Rate Recoveries January-December	($26,013,258)	($26,013,258)
Estimated Carry Charges January-December	($125,630)	($112,198)
Estimated DSM Financial Incentive[14]	$16,869,724	$10,000,000
Sub Balance	$27,492,995	$13,874,545
Less Forecasted Year-End Balance as of December 31	$1	$1
Total Estimated CCRA Recovery	$27,492,994	$13,874,544
Projected Sales less CIP-exempt Sales (Dth)	133,401,329	133,401,329
Proposed CCRA ($/Dth)	0.2061	0.1040

[11] On August 3, 2015, the Company filed a general rate case in Docket No. G008/GR-15-424, and interim rates went into effect on October 2, 2015. The Commission's June 3, 2016 Order did not approve specific CCRC rates, but did approve a sales forecast that is different than the forecast CPE originally filed (which was the forecast upon which the interim CCRC was based). In emails with the Department, CenterPoint stated that by their calculations, the approved sales forecast will result in a CCRC rate of $0.1928/Dth, slightly lower than the interim CCRC rate. This lower CCRC rate will impact both the CIP tracker and the CCRA, but due to the timing of final CCRC approval in relation to the present docket, the Department concludes that CPE's CCRC recovery estimates are sufficient for the purposes of calculating its proposed CCRA. Any over- or under-recovery will be factored into the CCRA calculation in CenterPoint's next annual DSM financial incentive filing.
[12] *Petition*, Attachment B-2, pages 57-58.
[13] The Company noted that it does not currently have an approved budget for 2017 or 2018, and based its CIP spending on figures from the 2017-2019 CIP Triennial Plan. *Petition*, page 44.
[14] At the time of the Company's filing, the Commission had not yet approved a new DSM financial incentive calculation as part of Docket No. E,G999/CI-08-133. The Company based the 2017incentive estimate on the most recently proposed calculation by the Department at the time. The Department's proposed methodology was approved by the Commission at its May 25, 2016 Agenda Meeting.

Table 3: Summary of CenterPoint's CCRA, based on Forecasting a Zero-Ending Tracker Balance at Year-End in 2018[15]

Description	2017 Amount	2018 Amount
Forecasted Beginning Balance as of January 1	$6,762,159	$6,818,375
CIP Expenditures January-December[16]	$30,000,000	$30,000,000
Estimated Base Rate Recoveries January-December	($26,013,258)	($26,013,258)
Estimated Carry Charges January-December	($84.393)	($89,260)
Estimated DSM Financial Incentive[17]	$16,869,724	$10,000,000
Sub Balance	$27,492,995	$20,715,857
Less Forecasted Year-End Balance as of December 31	$6,818,375	$0
Total Estimated CCRA Recovery	$20,715,857	$20,715,857
Projected Sales less CIP-exempt Sales (Dth)	133,401,329	133,401,329
Proposed CCRA ($/Dth)	0.1553	0.1553

For the CIP tracker balance to zero out in 2017, the CCRA rate would be set at $0.2061/Dth, or double the current rate. If the CCRA rate were based on the Tracker balance zeroing out in 2018 instead, the CCRA would only increase to $0.1553/Dth, a 52% increase over the current rate. To reduce potential rate shock, CenterPoint indicated that it prefers to pursue the second option of a zero-ending tracker balance in 2018. The Company noted that it does not wish to "lock in" that rate for two years, but rather, file a new CCRA adjustment request after one year. CenterPoint requested Commission approval of a CCRA of $0.1556/Dth, to be effective January 1, 2017.

While appreciating the Company's rate shock concerns, the Department prefers that the Company set the CCRA based upon the goal of reducing the 2017 year-end tracker balance to zero. Avoiding rate shock is a goal that must be balanced with the goal of recovering charges as close to the incurred date as possible. This latter goal not only helps ensure that current ratepayers are the ones paying current costs, but it also avoids imposing these costs on future ratepayers not yet on the system. Further, the goal of maintaining an end-of-year tracker balance of as close to zero as possible minimizes carrying charges imposed on ratepayers (assuming an under-recovered tracker balance).

In this case, the Department recommends giving more weight to the goals of recovering charges as close to the incurred date as possible and minimizing customer carrying costs.

The Department notes that CenterPoint has carried a relatively large tracker balance in the past, which results in increased costs for ratepayers due to the added carrying charges.

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[15] *Petition*, Attachment B-3, pages 60-61.
[16] The Company noted that it does not currently have an approved budget for 2017 or 2018, and based its CIP spending on figures from the 2017-2019 CIP Triennial Plan. *Petition*, page 44.
[17] At the time of the Company's filing, the Commission had not yet approved a new DSM financial incentive calculation as part of Docket No. E,G999/CI-08-133. The Company based the 2017incentive estimate on the most recently proposed calculation by the Department at the time. The Department's proposed methodology was approved by the Commission at its May 25, 2016 Agenda Meeting.

CenterPoint's CIP tracker balance ranged between 8 million and 14 million in the six years prior to 2014. In the past two years, by contrast, the tracker balance was closer to 2.5 million. As the Company has been relatively successful at bringing the year-end balance closer to zero, the Department would prefer that the Company attempt to maintain this trend.

The Department has verified that other figures in the CCRA calculation are reasonable (with the exception of the carrying charge, as noted in Section III.B above), and that assumptions made regarding CIP spending and the DSM financial incentive are reasonable. The Department recommends that the Commission approve a CCRA of $0.2061/Dth to go into effect on January 1, 2017.

The Department also recommends that the Commission approve the CenterPoint's proposed customer bill message:[18]

> The MPUC has approved a Conservation Cost Recovery Adjustment (CCRA) factor of $0.02061 per therm. This charge is used to fund energy conservation activities and has been added to your delivery charge. For more information please call 1-800-245-2377 or visit our website at www.centerpointenergy.com.

D. REVIEW OF CENTERPOINT'S CIP ACHIEVEMENTS AND FINANCIAL INCENTIVES (2008-2015)

In Attachment A, Table 1, the Department presents a historical comparison of CenterPoint's DSM and CIP activities during the period 2008 through 2015. Attachment A, Table 1 provides an indication of how the Company's DSM financial incentives, carrying charges, year-end tracker balances, CIP expenditures, and energy savings have changed during that period.

An analysis of Attachment A, Table 1 indicates that, between 2008 and 2015, the Company's energy savings grew 123.8 percent, the Company's expenditures grew 208.6 percent, and the Company's incentives grew 2,529.6 percent. CenterPoint's tracker balance was $2,932,026 at the end of 2016; this compares with a high of $14,225,552 in 2012 and a low of $2,285,733 in 2014. In the last seven years, CenterPoint's carrying charges have ranged from $507,115 to ($13,773).

The Company and the Department have been engaged in discussions as to how to revise the incentive mechanism with the goal of mitigating both its amount and growth. A final incentive mechanism has been approved by the Commission and will be implemented in the Company's 2018 filing for the 2017 incentive.

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[18] *Petition*, page 46.

IV. THE DEPARTMENT'S RECOMMENDATIONS

The Department requests that CenterPoint provide revised forecasted CIP Tracker Account summaries and accompanying spreadsheets for 2016 and 2017 using a carrying charge, beginning June 2016, equal to the short-term cost of debt approved in Docket No. G008/GR-15-424. The Department requests that the Company provide a revised proposed CCRA if necessitated by the carrying charge revision.

At this time, the Department recommends that the Commission:

1) approve CenterPoint's proposed 2015 DSM financial incentive of $12,732,019 to be included in the Company's CIP tracker account no sooner than the issue date of the Commission's *Order* in the present docket;

2) approve CenterPoint's 2015 CIP tracker account, as summarized in Table 1 above, resulting in a December 31, 2015 tracker balance of $2,932,026;

3) deny CenterPoint's request to adjust its 2015 CIP tracker to reflect an annual 1.62 percent carrying charge for October through December, and require CenterPoint, beginning June 2016, to set the carrying charge on the CIP Tracker Account balance to the short-term cost of debt set in the Company's most recent rate case, G008/GR-15-424;

5) approve CenterPoint's proposed bill message language; and

6) allow CenterPoint to implement a Conservation Cost Recovery Adjustment of $0.2061/Dt beginning January 1, 2017, conditional on the Company submitting, within 10 days of the issue date of the Order in the present docket, a compliance filing with tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.

/ja

Table 1: A History of CenterPoint Energy's DSM and CIP Activities (2008-2015)[19]								
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
DSM Financial Incentive	$484,182	$1,394,200	$3,493,921	$4,590,392	$3,207,411	$10,890,131	$11,608,486	$12,732,019
Incentive/CIP Expenditures	5.8%	13.8%	21.1%	24.5%	16.3%	46.9%	47.7%	48.2%
Carrying Charges	N/A	$507,115	$296,465	$450,945	$418,624	$344,598	($443,194)	($13,773)
Carrying Charges/CIP Expenditures	N/A	5.0%	1.8%	2.4%	2.1%	1.5%	1.8%	0.05%
Year-End Tracker Balance	$8,147,421	$6,879,416	$10,216,655	$9,248,025	$14,225,552	$8,501,064	$2,285,733	$2,932,026
Year-End Tracker Balance/CIP Expenditures	97.09%	67.99%	61.64%	49.42%	72.3%	36.6%	9.39%	11.11%
CIP Expenditures[20]	$8,391,297	$10,117,898	$16,574,737	$18,713,923	$19,680,178	$23,222,379	$24,352,083	$26,394,800
Achieved Energy Savings (Dth)	827,340	938,978	1,300,228	1,488,231	1,330,518	1,584,019	1,701,716	1,851,930
Avg. Cost/Dth Saved	$10.14	$10.78	$12.75	$12.57	$14.79	$14.66	$14.31	$14.25

[19] These figures are as initially proposed by CenterPoint and are not adjusted for later decisions.
[20] These figures include NGEA Assessments and EnerChange Project costs. However, these costs are excluded from CPE's financial incentive calculations. *Petition*, page 36.

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Comments

Docket No. G008/M-16-366

Dated this 28th day of June 2016

/s/Sharon Ferguson

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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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