

October 23, 2023

Michelle Gransee
Deputy Commissioner
Minnesota Department of Commerce, Division of Energy Resources
85 7th Place East, Suite 500
St. Paul, Minnesota 55101-2198

RE: CenterPoint Energy's 2024-2026 Energy Conservation and Optimization Triennial Plan
Docket No. G008/CIP-23-95, G7033,E7031/CIP-23-100, G7034,E7032/CIP-23-101

Dear Deputy Commissioner Gransee:

Pursuant to Minnesota Statutes §216B.241 and Administrative Rules Chapter 7690, enclosed are the Analysis, Recommendations, and Proposed Decision (Proposed Decision) of the Staff of the Minnesota Department of Commerce, Division of Energy Resources (Staff) in the following matter:

CenterPoint Energy's 2024-2026 Energy Conservation and Optimization Triennial Plan (Triennial Plan).

CenterPoint Energy's Triennial Plan was filed on June 30, 2023, by:

Ethan S. Warner
Regulatory Manager, Energy Conservation and Optimization Programs
505 Nicollet Mall
Minneapolis, MN 55459-0038

As discussed in greater detail herein, Staff recommend that the Deputy Commissioner approve CenterPoint Energy's Triennial Plan with the proposed determinations outlined in "[Summary of Staff Recommendations](#)" section of this Proposed Decision.

Staff also recommend that the Conservation Improvement Program be renamed as the "Energy Conservation and Optimization" (ECO) program to better reflect the multifaceted nature and focus of these programs brought about by the passage of the 2021 Energy Conservation and Optimization Act (ECO Act). As such, Staff use the new nomenclature in this Proposed Decision. Staff are available to answer any questions that the Deputy Commissioner may have.

The Department of Commerce will accept comments on Staff's Proposed Decision through **Monday, November 6, 2023**.

Sincerely,

/s/ ADAM Y. ZOET
Energy Planner, Director
Minnesota Department of Commerce, Division of Energy Resources

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**ANALYSIS, RECOMMENDATIONS, AND PROPOSED DECISION OF THE
STAFF OF THE
MINNESOTA DEPARTMENT OF COMMERCE,
DIVISION OF ENERGY RESOURCES**

DOCKET NO. G008/CIP-23-95, G7033,E7031/CIP-23-100, G7034,E7032/CIP-23-101

I. INTRODUCTION

A. OVERVIEW OF THE ENERGY CONSERVATION AND OPTIMIZATION PROGRAM

The ECO program is a utility-administered program with regulatory oversight provided by the Minnesota Department of Commerce (the Department). Utility ECO portfolios promote energy-efficient technologies and practices by providing rebates, marketing, and technical assistance to utility customers. Energy conservation programs help Minnesota households and businesses lower their energy costs by using electricity and natural gas more efficiently. The Department reviews and approves utility ECO regulatory filings to ensure that energy savings are calculated accurately, statutory requirements are met, and programs meet cost-effectiveness standards.

As summarized in Figure 1, ECO type programs began in Minnesota in the 1980s with the intention of motivating utility spending on energy efficiency. The passage of the 2007 Next Generation Energy Act established Minnesota's Energy Efficiency Resource Standard (EERS), which required utilities, beginning in 2010, to develop plans to achieve energy savings equal to 1.5% of average annual retail sales each year, unless adjusted by the Department's Commissioner to no less than 1.0%.

On May 25, 2021, the ECO Act was signed into law by Governor Tim Walz.¹ The ECO Act primarily serves to modernize what was the Conservation Improvement Program (CIP) to provide a more holistic approach to energy efficiency programming. Notable highlights of the ECO Act include:

- Providing participating electric and natural gas utilities the opportunity to optimize energy use and delivery through the inclusion of load management² and efficient fuel-switching (EFS) programs.³
- Raising the energy savings goals for the state's electric investor-owned utilities (IOUs).⁴

¹https://www.revisor.mn.gov/bills/text.php?number=HF164&type=bill&version=2&session=ls92&session_year=2021&session_number=0

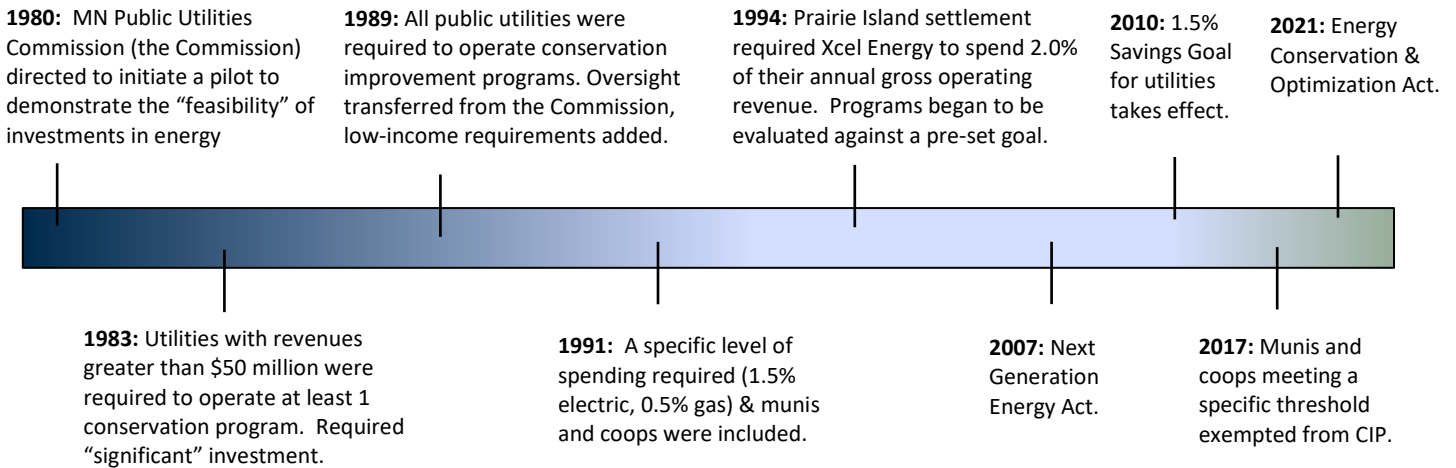
² See Minn. Stat. § 216B.241, subd. 13.

³ See Minn. Stat. § 216B.2403, subd. 8.

⁴ Minn. Stat. § 216B.241, subd. 1c(b).

- More than doubling the low-income spending requirement for all IOUs.⁵
- Providing greater planning flexibility for participating municipal and cooperative utilities.⁶
- Including activities to improve energy efficiency for public schools.⁷

Figure 1. CIP/ECO Program History



B. STAFF'S ANALYTICAL APPROACH

Pursuant to Minnesota Statutes §216B.241 and Administrative Rules Chapter 7690, Staff present their Proposed Decision based on an analysis of CenterPoint Energy's (CPE or the Company) proposed 2024-2026 Triennial Plan. Staff's overall approach to evaluating CPE's Triennial Plan as presented in this Proposed Decision relies on two primary analytical perspectives:

- 1) A regulatory compliance review to ensure that the Triennial Plan complies with Minnesota Statutes, Minnesota Rules, and Department policy guidance.
- 2) A technical review examining program design and measures, with the goal of ensuring that energy savings are met cost-effectively and are measurable and verifiable.

Staff's overall analytical approach stems both from the primacy of Minnesota's EERS in the statutes governing ECO as well as the Department's role to ensure that the public interest is served by striving to maximize the benefits that result from ECO investments.

Figure 2 illustrates the individual components of a utility's Triennial Plan. Staff also provide the following general description of each component for context:

- **"Measures"** refer to the individual measures offered through utility programs. ENERGY STAR certified air-source heat pumps, light bulbs, refrigerators, washers, and dryers are examples of individual measures that might be incentivized through utility ECO programs.

⁵ Minn. Stat. § 216B.241, subd. 7(a).

⁶ Minn. Stat. § 216B.2403, subd. 3.

⁷ See Minn. Stat. §§ 216B.2403, subd 3(j) and 216B.241, subd. 2(i).

- **“Programs”** refer to the individual customer-facing programs offered by a utility. For example, a residential customer might choose to replace an inefficient air conditioning system with an air source heat pump and receive a rebate through one of the utility’s residential programs.
- **“Segments”** refer to the various market segments that make up a utility’s ECO portfolio. For example, a utility might have a residential segment, a commercial/industrial segment, and a low-income segment. A utility’s individual programs are organized into these broader market segment buckets.
- **“Portfolio”** refers to a utility’s overall ECO portfolio. The portfolio includes all of the rolled-up measures, programs, and market segments that make up a utility’s ECO related offerings.

Figure 2. Components of Triennial Plans

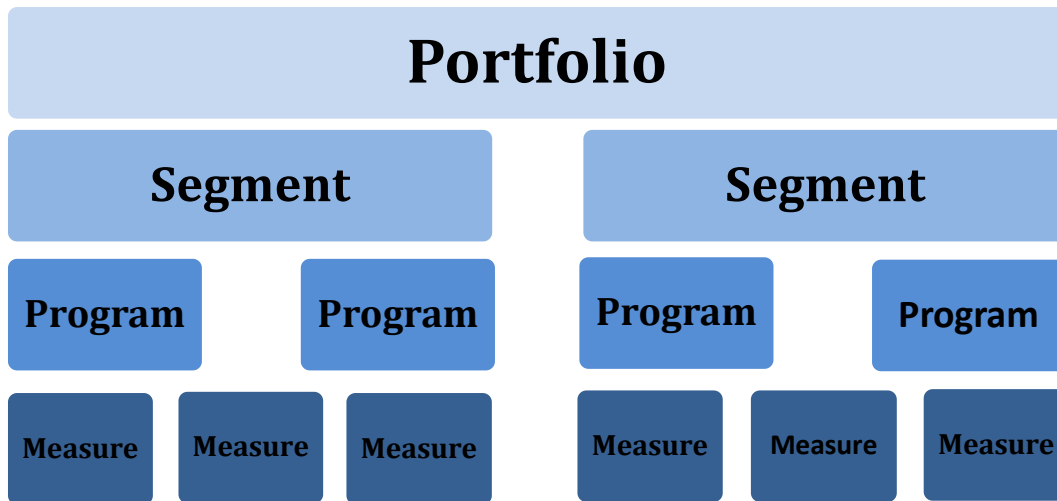
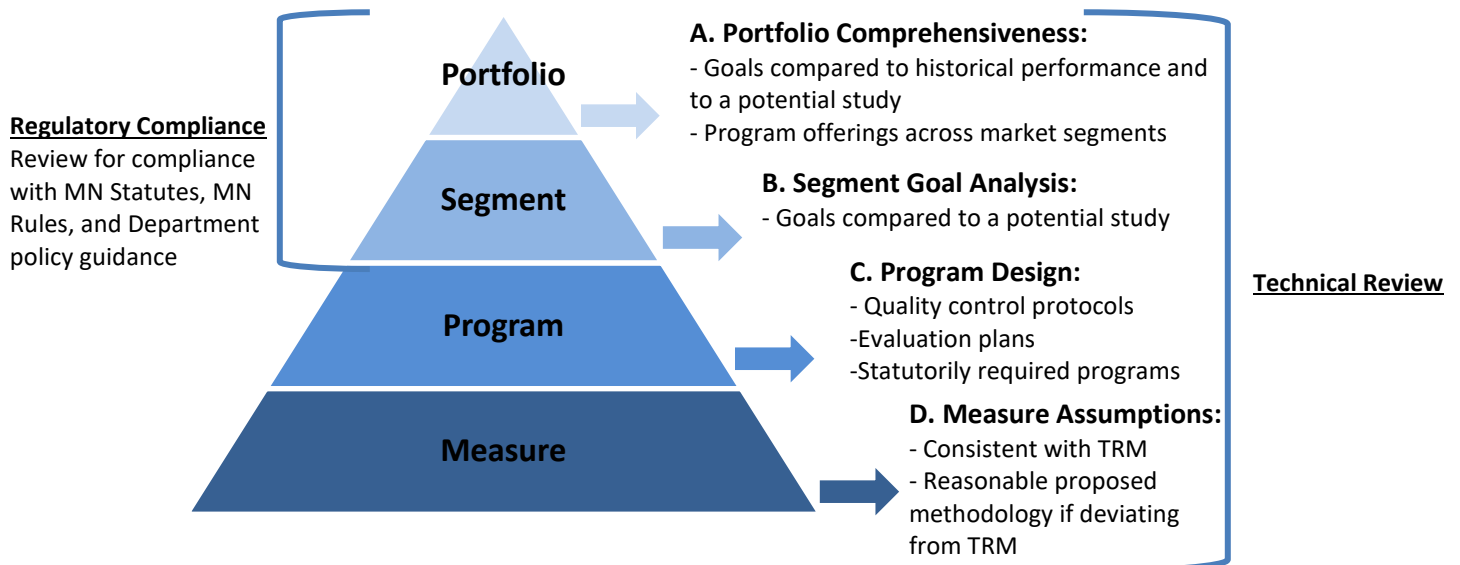


Figure 3 summarizes the components of the Company’s Triennial Plan as well as Staff’s general approach to analyzing each component, which are addressed in subsequent sections of this Proposed Decision.

Figure 3. Staff’s Analytical Approach



C. SCOPE OF APPROVAL

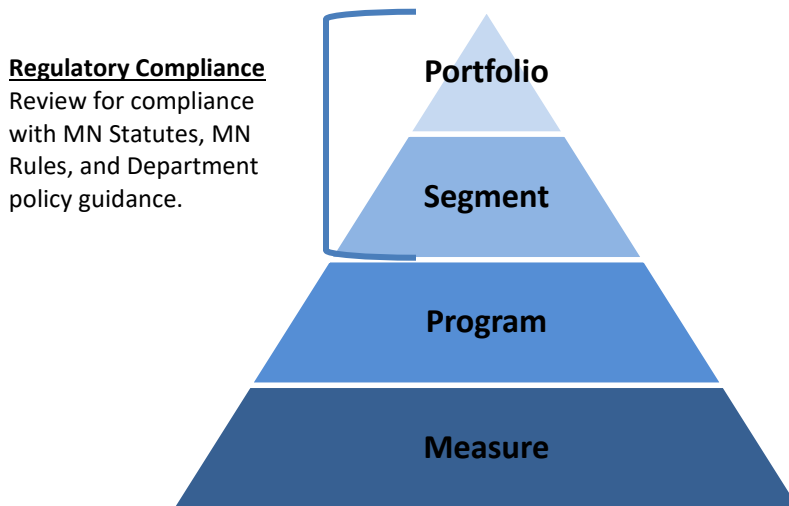
For the 2024-2026 Triennial Plans, Staff recommend that the Deputy Commissioner continue to approve budgets and goals at the segment-level, as was done for the 2021-2023 Triennial Plans for all of the IOUs. Approving at the segment-level recognizes that individual programs are often linked together and not intended to operate in isolation. For example, energy audit projects are intended to identify conservation opportunities and drive participation to equipment rebate programs.

Thus, while Staff review each utility’s proposed Triennial Plan from the measure-level to the portfolio-level, IOUs will be accountable for achieving segment-level goals in their annual status reports, rather than individual program-level goals. However, this approach would in no way relieve the IOUs of meeting specific statutory requirements such as the low-income minimum spending requirement.

Utilities should also report energy savings, spending, participation, and cost-effectiveness results at the program, segment, and portfolio-level in their annual status reports so that overall performance can be monitored by Staff.

II. REGULATORY COMPLIANCE REVIEW

Figure 4. Regulatory Compliance Review Components



A. COMPLIANCE WITH MINNESOTA RULES, STATUTES, AND DEPARTMENT POLICY GUIDANCE

The following sections present Staff’s Regulatory Compliance review of the Company’s proposed 2024-2026 Triennial Plan to ensure that it is in compliance with Minnesota Statutes, Rules, and the Department’s policy guidance.

Leading up to the submission of the 2024-2026 Triennial Plans, the Department issued several policy guidance filings related to implementing key provisions of the ECO Act. Below is a list of the Department’s policy guidance, which include requirements that apply to the utility Triennial Plans:

- 2024-2026 ECO Cost-Effectiveness Methodologies for Electric and Gas IOUs⁸
- Technical Reference Manual 4.0⁹
- Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures¹⁰
- Determining Eligible Electric Vehicle Charging Sales¹¹
- Low-Income Programming in Multifamily Buildings with 5+ Units¹²
- Measurement and Verification Protocols for Large Custom ECO Projects¹³
- Energy Savings Carry Forward Provision¹⁴
- Claiming Energy Savings from Electric Utility Infrastructure Projects^{15 16}

For reference, Staff provide a summary of statutory and policy guidance requirements in Table 1.

⁸ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

⁹ “Deputy Commissioner’s Decision: In the Matter of Technical Reference Manual Version 4.0.” Minnesota Department of Commerce. February 16, 2023. Docket No. CIP-18-694. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={70485B86-0000-C836-AC7F-9187E01A5872}&documentTitle=20232-193216-02>

¹⁰ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

¹¹ “Deputy Commissioner’s Decision: In the Matter of Technical Guidance to Determine Eligible Electric Vehicle Charging Sales to be Deducted from Utility Gross Annual Retail Energy Sales.” Minnesota Department of Commerce. December 30, 2021. Docket No. CIP-21-837. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={70AE0C7E-0000-CE17-8D33-2BB0C26177D4}&documentTitle=202112-181101-01>

¹² “Commissioner’s Decision: In the Matter of Update to CIP Policy Guidance for Low-Income Programming in Multifamily Buildings with 5+ Units.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-22-41. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={80178F7F-0000-C61E-8DA3-208021A52726}&documentTitle=20223-183808-01>

¹³ “Measurement and Verification Protocols for Large Custom CIP Projects, Version 1.0.” Minnesota Department of Commerce. April 2008. <http://mn.gov/commerce-stat/pdfs/cip-mv-protocols-large-project.pdf>

¹⁴ “Deputy Commissioner’s Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision” Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

¹⁵ “Deputy Commissioner’s Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision” Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

¹⁶ “Deputy Commissioner’s Decision: In the Matter of Determining Normal Maintenance Activities and CIP Review Process for Electric Utility Infrastructure Projects.” Minnesota Department of Commerce. October 22, 2018. Docket No. CIP-18-543. <https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bB0849C66-0000-C310-A767-92B206A5993B%7d&documentTitle=201810-147198-01>

Table 1. Gas IOU Requirements: Statutory and Department Policy Guidance

Category	Requirement	Metric	Baseline Year(s)	Citation
Energy Savings	Energy Savings (Dth)	<ul style="list-style-type: none"> Annual energy savings goal equal to 1.0% of 3-year average weather-normalized retail sales at the generator, less sales to exempt customers and eligible electric vehicle charging sales. <ul style="list-style-type: none"> 1.0% of goal must be met with energy conservation improvements. Proposed programs that offer gas-to-electric efficient fuel-switching improvements will be considered energy conservation improvements and can count toward the utility’s energy savings goal. May carry forward energy savings in excess of 1% for a year to the succeeding 3 calendar years. A particular energy savings can only be used to meet one year's goal. 	2020-2022	<p>Minn. Stat. §216B.241 subd. 1c(b), subd. 1c(d), subd. 12(a), subd. 12(b)</p> <p>Technical Guidance: Energy Savings Carry Forward Provision¹⁷</p>
	Lifetime Energy Savings	<ul style="list-style-type: none"> Utilities must estimate the lifetime energy savings and cumulative lifetime energy savings projected to be achieved under the Triennial Plan. 	NA	Minn. Stat. §216B.241 subd. 2(b)
Spending	Low-Income Spending (\$)	<ul style="list-style-type: none"> Gas utilities must spend a minimum of 1.0% of average residential gross operating revenue on low-income programs. 	2020-2022	Minn. Stat. §216B.241 subd. 7(a)
	Pre-Weatherization Spending Cap (\$)	<ul style="list-style-type: none"> Up to 15% of low-income program spending may be spent on pre-weatherization measures. Prohibited from claiming energy savings from pre-weatherization measures toward the energy savings goal. 	NA	<p>Minn. Stat. §216B.241 Subd. 7(f)</p> <p>Technical Guidance: Efficient Fuel-Switching, Load Management, and Pre-Weatherization in CIP¹⁸</p>

¹⁷ “Deputy Commissioner’s Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision” Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

¹⁸ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

Category	Requirement	Metric	Baseline Year(s)	Citation
Spending	Healthy AIR Account Funds for Pre-Weatherization	<ul style="list-style-type: none"> Utilities may contribute money to the Healthy AIR account to provide pre-weatherization measures to households eligible for weatherization assistance. Funds count toward the minimum low-income spending requirement and the pre-weatherization spending cap. 	NA	Minn. Stat. §216B.241 Subd. 7(h)
	Efficient Fuel-Switching Spending Cap (\$)	<ul style="list-style-type: none"> Until July 1, 2026, spending on efficient fuel-switching improvements must not exceed 0.35% per year, averaged over three years, of the utility's gross operating revenue from non-exempt customers. Efficient fuel-switching spending in IOU plans is to be prorated for January 1 - June 30, 2026. Spending cap applies to electric utilities implementing electric end use efficient fuel-switching improvements through Minn. Stat. § 216B.241, subd. 11 and natural gas utilities implementing electric end use efficient fuel-switching improvements through Minn. Stat. § 216B.241, subd. 12. Spending cap applies to utility-administered programs. Efficient fuel-switching spending from Alternative ECO programs and from the Minnesota Efficient Technology Accelerator does not count toward a utility's spending cap. 	2020-2022	Minn. Stat. §216B.241 subd. 1c(g) Technical Guidance: Efficient Fuel-Switching, Load Management, and Pre-Weatherization in CIP ¹⁹
	Research & Development Spending Cap (\$)	<ul style="list-style-type: none"> Up to 10% of total energy conservation improvement spending may be spent on R&D projects. 	NA	Minn. Stat. §216B.241, subd. 2(e)
	Distributed and Renewable Generation Project Spending Cap (\$)	<ul style="list-style-type: none"> 5-10% of total energy conservation improvement spending may be spent on qualified distributed and renewable generation projects. Cost-effectiveness of qualifying solar energy projects may be determined by a different standard if it is in the public interest to do so. Energy savings from qualifying solar energy projects can only be claimed above the 1% percent that must be met with energy conservation improvements. 	NA	Minn. Stat. §216B.2411, subd. 1(a), subd. 1(b), and subd. 1(c) Minn. Stat. §216B.241, subd. 5a(a)

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

¹⁹ "Commissioner's Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP." Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

Category	Requirement	Metric	Baseline Year(s)	Citation
Spending	Biomethane Purchases Spending Cap	<ul style="list-style-type: none"> 5% of total energy conservation improvement spending may be spent on biomethane purchases. Cost-effectiveness may be determined by a different standard if it is in the public interest to do so. Energy savings can only be claimed above the 1% percent that must be met with energy conservation improvements. 	NA	Minn. Stat. §216B.241, subd. 5b
Required Program Offerings	Support Goals Consistent with Sustainable Buildings 2030 Performance Standards	<ul style="list-style-type: none"> Utilities must include a program offering that is designed to achieve goals consistent with Sustainable Building 2030 performance standards. 	NA	Minn. Stat. §216B.241, subd. 9(e)
	Facilitate Professional Engineering Verification to Qualify a Building for Green Building Certification	<ul style="list-style-type: none"> Utilities must include a program offering that facilitates professional engineering verification to qualify a building as Energy Star-labeled, Leadership in Energy and Environmental Design certified, or Green Globes-certified. 	NA	Minn. Stat. §216B.241, subd. 1f(c)
	Energy Efficiency Activities for Public Schools	<ul style="list-style-type: none"> Utilities must include activities to improve energy efficiency in public schools served by the utility. 	NA	Minn. Stat. §216B.241, subd. 2(i)
	Low-Income Programs	<ul style="list-style-type: none"> Utilities must provide energy conservation and efficient fuel-switching programs to low-income customers. 	NA	Minn. Stat. §216B.241, subd. 7(a)
Optional Program Offerings	On-Bill Repayment Program	<ul style="list-style-type: none"> Utilities can offer an on-bill repayment program to enable a customer to finance eligible projects with installment loans originated by an eligible lender. An eligible project is one that is either an energy conservation improvement, or a project that uses an eligible renewable energy source. Energy savings from energy conservation improvements may be counted toward a utility's energy savings goals. 	NA	Minn. Stat. §216B.241, subd. 5d

Category	Requirement	Metric	Baseline Year(s)	Citation
Optional Program Offerings	Efficient Fuel-Switching	<ul style="list-style-type: none"> • Utilities may include programs for efficient fuel-switching improvements and load management. A program may combine elements of energy conservation, load management, or efficient fuel-switching. • An efficient fuel-switching program used to achieve the utility's energy savings goal must demonstrate by a comparison of greenhouse gas emissions between the fuels that the requirements of subdivisions 11 or 12 are met, as applicable, using a full fuel-cycle energy analysis. • Programs proposed by a gas utility that offer gas-to-electric efficient fuel-switching improvements will be considered energy conservation improvements and can count toward the gas utility's energy savings goal. These programs must meet the following criteria: <ul style="list-style-type: none"> ○ Net reduction in source energy consumed. ○ Net reduction of statewide greenhouse gas emissions. ○ Cost-effective. • Utilities are required to include the following information in their Triennial Plans: <ul style="list-style-type: none"> ○ Demonstration that the overall portfolio and designated segments are cost-effective based on the Minnesota Test²⁰; ○ Presentation of portfolio, segment, and program cost-effectiveness results based on the Minnesota Test and the following secondary tests – Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), Ratepayer Impact Test (RIM); ○ Creation of an efficient fuel-switching segment that contains only efficient fuel-switching measures; 	NA	<p>Minn. Stat. §216B.241 subd. 2(b), subd. 2(k), subd. 12(a), subd. 12(b)</p> <p>Technical Guidance: Efficient Fuel-Switching, Load Management, and Pre-Weatherization in CIP²¹</p> <p>Department Approved 2024-2026 Cost-Effectiveness Methods²²</p>

²⁰ The Low-Income segment is excluded from this requirement. Utilities need not demonstrate that the segment is cost-effective. See third bullet related to the EFS segment.

²¹ "Commissioner's Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP." Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

²² "Deputy Commissioner's Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities." Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

Category	Requirement	Metric	Baseline Year(s)	Citation
		<ul style="list-style-type: none"> ○ For efficient fuel-switching improvements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, and the PCT (natural gas utilities also include RIM); ○ For load management programs and programs that include load management elements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, PCT, and RIM; ○ Methods for allocating costs for efficient fuel-switching, load management, and energy efficiency measures to programs that include multiple program types; ○ How the utility evaluated cost-effectiveness for programs that include load management and energy efficiency or efficient fuel-switching elements based on each of the program types associated with the program. 		
Optional Program Offerings	Load Management	<ul style="list-style-type: none"> ● Utilities may include programs for efficient fuel-switching improvements and load management. ● Individual programs may combine elements of energy conservation, load management, or efficient fuel-switching. ● Program must be cost-effective. ● Utilities required to include the following information in their Triennial Plans: <ul style="list-style-type: none"> ○ Demonstration that the overall portfolio and designated segments are cost-effective based on the Minnesota Test²³; ○ Presentation of portfolio, segment, and program cost-effectiveness results based on the Minnesota Test and the following secondary tests – Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), Ratepayer Impact Test (RIM); ○ Creation of an efficient fuel-switching segment that contains only efficient fuel-switching measures; 	NA	Minn. Stat. §216B.241, subd. 2(b) and subd. 13(b) Department Approved 2024-2026 Cost-Effectiveness Methods ²⁴

²³ The Low-Income segment is excluded from this requirement. Utilities need not demonstrate that the segment is cost-effective. See third bullet related to the EFS segment.

²⁴ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

Category	Requirement	Metric	Baseline Year(s)	Citation
		<ul style="list-style-type: none"> ○ For efficient fuel-switching improvements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, and the PCT (natural gas utilities also include RIM); ○ For load management programs and programs that include load management elements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, PCT, and RIM; ○ Methods for allocating costs for efficient fuel-switching, load management, and energy efficiency measures to programs that include multiple program types, and ○ How the utility evaluated cost-effectiveness for programs that include load management and energy efficiency or efficient fuel-switching elements based on each of the program types associated with the program. 		
3 rd Party Program Offerings	Alternative ECO Programs	<ul style="list-style-type: none"> • The commissioner shall consider and may require a public utility to undertake an energy conservation program suggested by an outside source, including a political subdivision, a nonprofit corporation, or community organization. 	NA	Minn. Stat. §216B.241, subd. 2(f)
	Minnesota Efficient Technology Accelerator (META)	<ul style="list-style-type: none"> • Each public utility with over 30,000 customers must participate in the program and contribute to the approved budget of the program. • Other utilities may elect to participate in the accelerator program. • Participating utilities must contribute an amount that is proportional to the utility's gross operating revenue, excluding revenues to exempt customers. • Participating utilities must not be required to contribute more than the following percentages of the utility's spending approved in its Triennial Plan: <ul style="list-style-type: none"> ○ 2% for 2023-2024 ○ 3.5% for 2025-2026 ○ 5% for 2027 	2022	Minn. Stat. §216B.241, subd. 14(h)
Statutory Definitions	Cumulative Lifetime Savings	<ul style="list-style-type: none"> • The total electric energy or natural gas savings in a given year from energy conservation improvements installed in that given year and energy conservation improvements installed in previous years that are still in operation. 	NA	§216B.2402 subd. 3
	Efficient Fuel-Switching Improvement	<ul style="list-style-type: none"> • A project that: 1) replaces a fuel used by a customer with electricity or natural gas delivered at retail by a utility; 2) results in a net increase in the use of electricity or natural gas and a net decrease in source energy consumption on a fuel-neutral basis; 3) otherwise meets the criteria established under section 216B.241, subd. 11 and subd. 12; 	NA	Minn. Stat. §216B.2402 subd. 4

Category	Requirement	Metric	Baseline Year(s)	Citation
		4) requires the installation of equipment that utilizes electricity or natural gas, resulting in a reduction or elimination of the previous fuel used.		
Statutory Definitions	Energy Conservation	<ul style="list-style-type: none"> An action that results in a net reduction in electricity or natural gas consumption. Does not include an efficient fuel-switching improvement. 	NA	Minn. Stat. §216B.2402 subd. 5
	Energy Conservation Improvement	<ul style="list-style-type: none"> A project that results in energy efficiency or energy conservation. May include waste heat that is recovered and converted into electricity or used as thermal energy. Does not include electric utility infrastructure projects approved by the commission under section 216B.1636. 	NA	Minn. Stat. §216B.2402 subd. 6
	Energy Efficiency	<ul style="list-style-type: none"> Measures or programs, including energy conservation measures or programs, that: <ul style="list-style-type: none"> target consumer behavior, equipment, processes, or devices; are designed to reduce the consumption of electricity or natural gas on either an absolute or per unit of production basis; and do not reduce the quality or level of service provided to an energy consumer. 	NA	Minn. Stat. §216B.2402 subd. 7
	Fuel	<ul style="list-style-type: none"> Energy, including electricity, propane, natural gas, heating oil, gasoline, diesel fuel, or steam, consumed by a retail utility customer. 	NA	Minn. Stat. §216B.2402 subd. 8
	Fuel Neutral	<ul style="list-style-type: none"> An approach that compares the use of various fuels for a given end use, using a common metric. 	NA	Minn. Stat. §216B.2402 subd. 9
	Gross Annual Retail Energy Sales	<ul style="list-style-type: none"> A utility's annual electric sales to all Minnesota retail customers, or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota. Does not include: <ul style="list-style-type: none"> Gas sales to a large energy facility, a large customer facility whose natural gas utility has been exempted by the commissioner, and a commercial gas customer facility whose natural gas utility has been exempted by the commissioner. Electric sales to a large customer facility whose electric utility has been exempted by the commissioner. 	NA	Minn. Stat. §216B.2402 subd. 10

Category	Requirement	Metric	Baseline Year(s)	Citation
		<ul style="list-style-type: none"> ○ The amount of electric sales prior to 12/31/2032 that are associated with a utility's program, rate, or tariff for electric vehicle charging. After 12/31/2032, incremental sales to electric vehicles must be included in calculating a utility's gross annual retail sales. 		
Statutory Definitions	Investments and Expenses of a Public Utility	<ul style="list-style-type: none"> • The investments and expenses incurred by a public utility in connection with an energy conservation improvement. 	NA	Minn. Stat. §216B.2402 subd. 11
	Large Customer Facility	<ul style="list-style-type: none"> • All buildings, structures, equipment, and installations at a single site that in aggregate: <ul style="list-style-type: none"> ○ impose a peak electrical demand on an electric utility's system of at least 20,000 kilowatts; or ○ consume at least 500,000,000 cubic feet of natural gas annually. 	NA	Minn. Stat. §216B.2402 subd. 12
	Large Energy Facility	<ul style="list-style-type: none"> • Has the meaning given in section 216B.2421, subdivision 2, clause (1). 	NA	Minn. Stat. §216B.2402 subd. 13
	Lifetime Energy Savings	<ul style="list-style-type: none"> • The amount of savings a particular energy conservation improvement is projected to produce over the improvement's effective useful lifetime. 	NA	Minn. Stat. §216B.2402 subd. 14
	Load Management	<ul style="list-style-type: none"> • An activity, service, or technology that changes the timing or the efficiency of a customer's use of energy that allows a utility or a customer to: <ul style="list-style-type: none"> ○ respond to local and regional energy system conditions; or ○ reduce peak demand for electricity or natural gas. • Load management that reduces a customer's net annual energy consumption is also energy conservation. 	NA	Minn. Stat. §216B.2402 subd. 15
	Low-Income Household	<ul style="list-style-type: none"> • A household whose household income: <ul style="list-style-type: none"> ○ is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by the United States Department of Housing and Urban Development; or ○ meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department. 	NA	Minn. Stat. §216B.2402 subd. 16

Category	Requirement	Metric	Baseline Year(s)	Citation
	Low-Income Programs	<ul style="list-style-type: none"> Energy conservation improvement and efficient fuel-switching programs that directly serve the needs of low-income households, including low-income renters. 	NA	Minn. Stat. §216B.2402 subd. 17
Statutory Definitions	Member	<ul style="list-style-type: none"> Has the meaning given in section 308B.005, subdivision 15. 	NA	Minn. Stat. §216B.2402 subd. 18
	Multifamily Building	<ul style="list-style-type: none"> A residential building containing five or more dwelling units. 	NA	Minn. Stat. §216B.2402 subd. 19
	Prewaterization Measure	<ul style="list-style-type: none"> An improvement that is necessary to allow energy conservation improvements to be installed in a home. 	NA	Minn. Stat. §216B.2402 subd. 20
	Qualifying Utility	<ul style="list-style-type: none"> A utility that supplies a customer with energy that enables the customer to qualify as a large customer facility. 	NA	Minn. Stat. §216B.2402 subd. 21
	Waste heat Recovered and Used as Thermal Energy	<ul style="list-style-type: none"> Capturing heat energy that would be exhausted or dissipated to the environment from machinery, buildings, or industrial processes, and productively using the recovered thermal energy where it was captured or distributing it as thermal energy to other locations where it is used to reduce demand-side consumption of natural gas, electric energy, or both. 	NA	Minn. Stat. §216B.2402 subd. 22
	Waste Heat Recovery Converted Into Electricity	<ul style="list-style-type: none"> An energy recovery process that converts to electricity energy from the heat of exhaust stacks or pipes used for engines or manufacturing or industrial processes, or from the reduction of high pressure in water or gas pipelines, that would otherwise be lost. 	NA	Minn. Stat. §216B.2402 subd. 23

1. MN Rules

Minnesota Rules 7690 contains the requirements and procedures for utility plans. As reported in Staff's July 10, 2023, Notice of Completion, the Company met all the requirements for completeness outlined by Minnesota Rules part 7690.0500.

2. Annual Energy Savings Goal

a. Key Statutory Language

Minnesota Statutes §216B.241, subd. 1c establishes the annual energy savings goals for electric and natural gas public utilities. Additionally, Minnesota Statutes §216B.241, subd. 12 outlines the requirements applicable to gas utilities who propose programs that offer EFS improvements. Staff provide a summary of key requirements from subd. 1c and subd. 12 below as it relates to evaluating the Company's proposed Triennial Plan:

- Annual energy savings goal equal to 1.0% of 3-year average weather-normalized retail sales at the generator, less sales to exempt customers and eligible electric vehicle charging sales.
 - 1.0% of goal must be met with energy conservation improvements.
 - Proposed programs that offer gas-to-electric EFS improvements will be considered energy conservation improvements and can count toward the utility's energy savings goal.
- May carry forward energy savings in excess of 1% for a year to the succeeding 3 calendar years. A particular energy savings can only be used to meet one year's goal.

Based on a reading of statute, Staff also clarify that gas IOUs may include energy savings from additional energy conservation improvements, EFS measures, and combined heat and power projects above the 1.0% annual energy savings that must be met with energy conservation improvements.

b. Department Policy Guidance

In Appendix C, Staff provide a summary of the Department's February 20, 2018, Technical Guidance²⁵ that outlines the use and parameters for carrying forward annual energy savings to succeeding years. **Staff point out that this Technical Guidance was issued prior to the ECO Act's passage.** While Staff believe the Technical Guidance remains largely applicable, some of the new statutory language introduced by the ECO Act will require an updated interpretation of certain metrics/thresholds described in the Technical Guidance. **Utilities are encouraged to contact Staff if there are questions regarding how to interpret the Technical Guidance considering the statutory updates contained in the ECO Act.**

The Deputy Commissioner's December 30, 2021, Decision provides approved technical guidance required for determining electric vehicle charging sales that are eligible not to be included in a utility's

²⁵ "Deputy Commissioner's Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision" Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

gross annual retail energy sales.²⁶ The Decision states that “the first year in which eligible electric vehicle charging sales would be backed out of gross annual retail energy sales would be 2022.”

c. Staff Analysis

Related to calculating a utility’s minimum annual energy savings goal, Minnesota Statutes §216b.2402, subd. 10 provides the definition of “gross annual retail energy sales,” summarized as follows:

- A utility's annual electric sales to all Minnesota retail customers, or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota.
- It does not include the following:
 - Gas sales to a large energy facility, a large customer facility whose natural gas utility has been exempted by the commissioner, and a commercial gas customer facility whose natural gas utility has been exempted by the commissioner.
 - Electric sales to a large customer facility whose electric utility has been exempted by the commissioner.
 - The amount of electric sales prior to December 31, 2032, that are associated with a utility's program, rate, or tariff for electric vehicle charging.

Additionally, Minnesota Rules 7690.1200, subpart 1 (A) provides guidance for selecting the base year for the determination of a reasonable spending level. Consistent with this approach, the 3 years preceding the calendar year in which the filing is submitted are used to calculate energy savings goals. Sales for 2020-2022 are used as the baseline period to calculate the energy savings goal for the Company’s proposed Triennial Plan.

CPE's average weather-normalized retail sales over 2020-2022, excluding ECO-exempt customers, is equal to 146,689,037 Dth.²⁷ Therefore, CPE's minimum 1.00% annual savings goal is equal to 1,466,890 Dth.

Table 2 and Table 3 summarize CPE's annual energy savings that the Company proposes to count toward meeting the energy savings requirement. Staff find it reasonable for the Company to count the proposed energy savings toward meeting the Company’s savings requirement as it meets the requirements outlined in Minnesota Statutes §216B.241, subd. 1c and follows the Department’s policy guidance.

As illustrated in Table 2, overall, the Company’s proposed 2024-2026 annual energy savings goals meet the minimum 1.00% savings requirement. Additionally, as shown in Table 3, the Company’s proposed savings meet the statutory minimum thresholds by savings type.

²⁶ “Deputy Commissioner’s Decision: In the Matter of Technical Guidance to Determine Eligible Electric Vehicle Charging Sales to be Deducted from Utility Gross Annual Retail Energy Sales.” December 30, 2021. Docket No. E,G999/CIP-21-837.

²⁷ Annual total weather normalized sales are reported on Page G-37 (Total Actual Monthly Sales corrected for Billing Errors, Weather-Normalized) of CPE’s 2020, 2021, and 2022 Gas Jurisdictional Annual Reports. Docket numbers 21-04, 22-04, 23-04.

Table 2. Energy Savings Goals as a Percentage of Adjusted Retail Sales

Year	Energy Savings Goal (Dth)	Adjusted Avg. 2020-2022 Baseline Sales	Savings as % of Adjusted Sales
2024	1,852,393	146,689,037	1.26%
2025	1,882,462	146,689,037	1.28%
2026	1,964,996	146,689,037	1.34%

Table 3. Proposed Energy Savings by Category (Savings in Dth)

Energy Savings Category	2024	% of Adjusted Sales	2025	% of Adjusted Sales	2026	% of Adjusted Sales	Minimum % Savings Thresholds
Energy Conservation Improvements	1,844,978	1.26%	1,867,329	1.27%	1,941,436	1.32%	1.00%
Efficient Fuel-Switching Improvements	7,415	0.01%	15,133	0.01%	23,560	0.02%	NA
Total Energy Conservation Improvement Savings	1,852,393	1.26%	1,882,462	1.28%	1,964,996	1.34%	1.00%

Minnesota Statutes §216B.241, Subd. 2(b) requires that the Triennial Plan “must estimate the lifetime energy savings and cumulative lifetime energy savings projected to be achieved under the plan.”^[28] On pages 15 and 16 of the Company’s Triennial Plan, CPE provides projected lifetime energy savings across its ECO portfolio. The Company’s total lifetime and cumulative lifetime energy savings are included in Table 4. Staff find that the Company has met the requirement of Minnesota Statutes §216B.241, Subd. 2(b).

Table 4. Total Lifetime and Cumulative Energy Savings (Savings in Dth)

Year	Total Lifetime Energy Savings
2024	21,523,986
2025	21,987,225
2026	23,521,598
Total Cumulative Lifetime Energy Savings	67,032,809

²⁸ Minnesota Statutes §216b.2402, subd. 3 and subd. 14 provide the definitions of “cumulative lifetime savings” and “lifetime energy savings”, summarized as follows:

- Cumulative Lifetime Savings: The total electric energy or natural gas savings in a given year from energy conservation improvements installed in that given year and energy conservation improvements installed in previous years that are still in operation.
- Lifetime Energy Savings: The amount of savings a particular energy conservation improvement is projected to produce over the improvement’s effective useful lifetime.

3. Annual Investment Levels

a. Key Statutory Language

Prior to the ECO Act's passage, Minnesota Statutes §216B.241, subd. 1a(a) required a utility that furnishes natural gas service to spend and invest 0.5% of its gross operating revenues (GOR) from service provided in the state on energy conservation improvements, excluding revenues from large customer facilities exempted by the Commissioner under subd. 1a(b).

b. Staff Analysis

While the ECO Act removed the IOUs' statutory minimum spending requirement, Staff still find it informative to track the Company's annual total budget and examine how it compares to the minimum spending requirement thresholds that were in place prior to the ECO Act's passage. Staff believe that the minimum spending thresholds represent a reasonable recommended minimum total budget, even though not statutorily required.

Minnesota Rules 7690.1200, subpart 1 (A) provided guidance for selecting the base year for the determination of a reasonable spending level. This rule directed utilities to calculate the required spending level by using the GOR in the year preceding the calendar year in which the filing is submitted, and defines GOR as the total Minnesota jurisdictional assessable operating revenue as reported in each gas utility's Minnesota jurisdictional report on pages P-38 and P-39, Sales and Revenues (actual data), line (B) Total Revenues Corresponding to Sales Volume. 2022 GOR is the appropriate baseline period to use for calculating the annual minimum recommended budget for the Company's Triennial Plan.

CPE's 2022 GOR, excluding revenues from sales to exempt customers, equals \$1,611,629,099.²⁹ Therefore, Staff's minimum 0.5% recommended total annual budget is \$8,058,145. As demonstrated in Table 5, overall, CPE's proposed 2024-2026 annual budgets meet Staff's minimum recommended investment level.

Table 5. Budget as a Percentage of GOR

Year	Budget	Adjusted 2022 Total GOR	Budget as % of Adjusted GOR
2024	\$50,043,051	\$1,611,629,099	3.11%
2025	\$53,505,854	\$1,611,629,099	3.32%
2026	\$56,601,797	\$1,611,629,099	3.51%

4. Low-Income Spending Requirements

a. Key Statutory Language

As background, Staff begin this section with a summary of statutory definitions that outline key requirements governing ECO low-income programs and the low-income spending requirement.

²⁹ 2022 total gross operating revenue is reported on Page G-39 (Total Revenue Corresponding to Sales) of CPE's 2022 Gas Jurisdictional Annual Report. Docket number 23-04.

- Minnesota Statutes §216B.241, subd. 7(a) requires that a natural gas public utility “must spend at least one percent of its most recent three-year average gross operating revenue from residential customers in the state on low-income programs.”
- “Low-income programs” are defined in Minnesota Statutes §216B.2402 subd. 17 as “energy conservation improvement and efficient fuel-switching programs that directly serve the needs of low-income households, including low-income renters.”
- “Low-Income Household,” is defined by Minnesota Statutes §216B.2402, subd. 16 as “a household whose household income:
 - (1) is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by the United States Department of Housing and Urban Development; or
 - (2) meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department.

b. Department Policy Guidance

When reviewing whether utilities are meeting the low-income spending requirement, the Department has historically looked at the sum of spending from programs that:

1. Determine income eligibility using a reasonable standard.
2. Directly serve the needs of income-qualified customers. Typically, this is accomplished by greatly reducing financial barriers to energy efficiency investments.
3. Exclusively serve income-qualified customers.

The Department refers to such programs as “dedicated” low-income programs. Generally, recognized standards for determining income-eligibility are based on federal poverty income guidelines, state median income amounts, or area median income amounts. Low-income programs typically include a method of income verification in their program design. In some cases, such as for the delivery of no-cost/low-cost measures, the Department has allowed utilities to accept informal self-identification by customers (e.g., indicating the range or threshold of household income on a rebate or participation intake form). However, for more substantial measures, such as weatherization and equipment upgrades, utilities must use a more rigorous method for determining income-qualification. The Department has established policy guidance for low-income programming in multifamily buildings³⁰ with 5+ units (LI Multifamily Policy Guidance) that outlines certain circumstances where utilities may include affordable multifamily housing as meeting part of their low-income spending requirement.³¹ The Department has also historically considered incentives to developers of new and retrofitted single family homes that will be sold through a low-income homeownership program (e.g. Habitat of Humanity homes) to be low-income spending.

³⁰ Minnesota Statutes §216B.2402 subd. 19 defines “multifamily building” as a residential building containing five or more dwelling units.

³¹ “Commissioner’s Decision: In the Matter of Update to CIP Policy Guidance for Low-Income Programming in Multifamily Buildings with 5+ Units.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-22-41. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={80178F7F-0000-C61E-8DA3-208021A52726}&documentTitle=20223-183808-01>

The Department recognizes that utilities may offer “hybrid programs” that serve a mix of low-income and non-low-income customers. One example are programs for the multifamily market that target commercial property owners and offer enhanced incentives for affordable housing properties that are verified according to the low-income LI Multifamily Policy Guidance. The Department considers these investments in affordable housing properties to be low-income spending because eligibility is determined according to a reasonable standard, the LI Multifamily Policy Guidance, and affordable housing properties are “directly served” through the enhanced incentives. These types of programs meet the first two criteria in the list above. A similar approach in the residential market would be acceptable to the Department.

2023 Minnesota Regular Session Law Chapter 60—House File 2310 was signed by Governor Tim Waltz on May 24, 2023, and became effective on May 25th. The law included a change to the definition of low-income household to be used in the ECO program. With this change, “Low-income household” means a household whose household income:

- (1) is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by the United States Department of Housing and Urban Development; or
- (2) meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

To determine whether a utility’s planned low-income spending meets the low-income spending requirement, the Department reviews spending for dedicated low-income programs. The Department will also include the planned spending in “hybrid programs” when the utility:

- proposes a reasonable low-income spending goal within the program,
- develops an acceptable method to identify the low-income portion of total program spending, and
- tracks and clearly reports the low-income and non-low-income portions of the program spending in annual status reports.

The Department does not include anticipated spending associated with participation by low-income customers in a utility’s market rate programs because these programs do not contain an element intended to directly serve the needs of low-income persons.

For the purposes of determining whether a utility has met the low-income spending requirement, the Department will accept spending associated with affordable multifamily housing properties as outlined in the LI Multifamily Policy Guidance whether or not the utility has established a low-income spending goal within the relevant program. The Department will not accept spending associated with

participation by low-income customers in utility market rate programs when these programs do not contain a method of determining income-eligibility and an element intended to directly serve the needs of low-income customers.

Due to ongoing interest by the Department and interested parties in understanding utility investments to support low-income customers and under-resourced communities, Staff recommend that the Deputy Commissioner continue to require that utilities clearly report the following metrics in their annual status reports:

- the estimate of anticipated and actual low-income residential customer participation levels for each program as required in Minnesota Rules 7690.0550,
- the estimate of anticipated and actual residential rental customer participation levels for each program as required in Minnesota Rules 7690.0550,
- the planned and actual low-income spending and energy savings for each program, including dedicated low-income programs, as required in Minnesota Rules 7690.0550,
- for programs that make use of the LI Multifamily Policy Guidance, the anticipated and actual spending and energy savings achieved for the program, and from market-rate versus affordable housing participants, through the program,
- for programs that make use of the LI Multifamily Policy Guidance, the number of buildings and units served by market-rate versus affordable housing through the program, and
- for programs that make use of the LI Multifamily Policy Guidance, the cumulative number and amount of incentives by measure type for market-rate versus affordable housing delivered through the program (e.g., total number and total value of incentives for boilers installed in market-rate and in affordable housing buildings through a multifamily program).

Optionally, utilities may also track and report the participation of income-qualified customers in market rate programs (e.g., via cross-referencing participation against enrollment in the Low Income Home Energy Assistance Program). Utilities that do so are encouraged to also report the program delivery costs that can be directly linked to the measures delivered to these customers (e.g., rebates for efficiency investments, delivery costs for individual energy audits) and the savings associated with these measures. Staff appreciate utilities' efforts to better understand their customer population and recognize that there is a fraction of income-qualified customers that may participate in broader market rate programs. Staff are also interested in this information, as well as whether income-qualified customers participate in market rate programs in the same manner as non-income-qualified customers.

c. Staff Analysis

For consistency, Staff use a three-year average of GOR from residential customers to calculate the low-income spending requirement for both gas and electric IOUs. The minimum low-income spending requirement for public (*i.e.*, investor-owned) gas utilities is equal to 1.0% of a three-year average of their residential GOR. The specific three-year period is derived from Minn. Rules 7690.1200, implying that annual minimum low-income expenditures during CPE's Triennial Plan are based on 2020-2022 average GOR from residential customers, equal to \$726,349,333.³² Therefore, the Company's 2024-2026 1.0% low-income spending requirement is \$7,263,493.

³² Annual residential customer gross operating revenues are reported on Page G-38 (Revenue Corresponding to Sales for Residential With Heating and Residential Without Heating) of CPE's 2020, 2021, 2022 Gas Jurisdictional Annual Reports. Docket numbers 21-04, 22-04, 23-04.

Table 6 and Table 7 summarize CPE's annual low-income spending that the Company proposes to count toward meeting the low-income spending requirement.

Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department’s policy guidance stated above related to ECO low-income programs.

As illustrated in Table 6, overall, the proposed 2024-2026 spending levels meet the 1.0% low-income spending requirement.

Table 6. Low-Income Budget as a Percentage of Residential GOR

Year	Low-Income Budget	Avg. 2020-2022 Res GOR	Budget as % of Res GOR
2024	\$8,983,195	\$726,349,333	1.24%
2025	\$10,641,757	\$726,349,333	1.47%
2026	\$12,272,406	\$726,349,333	1.69%

Table 7. Low-Income Budget by Program

Dedicated Low-income Programs	2024	2025	2026
Low-Income Weatherization	\$3,962,192	\$4,164,930	\$4,405,094
Low-Income Rental Efficiency	\$1,089,758	\$1,080,836	\$1,100,894
Homeowner Efficiency Lift Program	\$1,413,092	\$2,770,412	\$4,052,731
Low-Income Free Heating System Tune-Up	\$163,563	\$167,842	\$172,121
Non-Profit Affordable Housing Rebates	\$703,373	\$695,592	\$697,954
Low-Income Multi-Family Housing Rebates	\$650,234	\$754,772	\$829,847
Low-Income Support and Awareness	\$323,125	\$329,235	\$335,345
Hybrid Programs (Low-Income Spending ONLY)			
Home Energy Reports	\$416,364	\$416,467	\$416,570
Energy Design Assistance	\$261,495	\$261,672	\$261,848
Total Low-Income Spending	\$8,983,195	\$10,641,757	\$12,272,406

5. Pre-Weatherization Spending Cap

a. Key Statutory Language

Staff provide a summary of the key statutory references related to offering pre-weatherization measures through low-income ECO programs, as follows:

- Minn. Stat. §216B.241 Subd. 7(f) states that “Up to 15 percent of a public utility's spending on low-income programs may be spent on preweatherization measures. A public utility is

prohibited from claiming energy savings from preweatherization measures toward the public utility's energy savings goal.”

- Minn. Stat. §216B.241 Subd. 7(h) allows utilities to contribute money to the Healthy AIR account to provide pre-weatherization measures to households eligible for weatherization assistance. Funds contributed to the Healthy AIR account count toward the minimum low-income spending requirement and the pre-weatherization spending cap.
- Minn. Stat. §216B.2402 Subd. 20 provides a definition of a pre-weatherization measure, as “an improvement that is necessary to allow energy conservation improvements to be installed in a home.”
- Minn. Stat. §216B.241 Subd. 7(g) directs the Department to establish a list of pre-weatherization measures eligible for inclusion in ECO low-income programs by March 15, 2022.

b. Department Policy Guidance

The Commissioner’s March 15, 2022, Decision provides technical guidance for the inclusion of efficient fuel-switching, load management, and pre-weatherization measures in ECO.³³ In the Decision, the Commissioner approved the following list of pre-weatherization measures as eligible for inclusion in low-income energy conservation programs:

- Ventilation repairs or replacement
- Remediation of vermiculite and presumed asbestos containing materials related to the energy efficiency upgrade
- Mold and moisture related mitigation
 - Structural repair (foundation, walls, roofing, windows/doors, repair or replacement)
 - Grading for seepage control
 - Gutters/downspouts repair, replacement, or addition
 - Sump pumps – repair, replacement, or addition
 - Black mold removal
- Radon mitigation
- Structural repair or replacement (non-moisture related) – foundation, roofing, windows/doors, walls
- Plumbing leaks/sewer problems, including red-tagged plumbing
- Major and minor electrical repair and upgrading related to the energy efficiency upgrade
 - Replace knob and tube wiring, upgrading panel, etc.
 - Upgrading electrical panel, outlets, junction boxes
 - Repairing loose and damaged wiring
- Inaccessible crawl spaces
- Remediation of excessive clutter or hoarding
- Addressing improper or ineffective HVAC venting (e.g., chimney liners)
- Integrated pest management (bugs and vermin remediation and blocking)
- Carbon monoxide and smoke detectors

³³ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” March 15, 2022. Docket No. E,G999/CIP-21-837.

- Repairing or replacing unsafe dryer venting
- Flue repair
- Gas valve repair
- Sensor repair

This list is meant to be comprehensive but not exhaustive, and utilities may propose additional measures for the Department to consider, including other health and safety related repairs that are preventing energy efficiency upgrades or installations.

c. Staff Analysis

On September 28, 2023, Staff emailed CPE a clarification about the Company’s program-level pre-weatherization spending included in the Triennial Plan. The Company clarified that there was a typo in the footnote that includes the Homeowner Efficiency Lift Program’s pre-weatherization budget. CPE provided Staff the corrected pre-weatherization budget for the program, which is incorporated into Table 9.

CPE’s Triennial Plan notes that the Low-Income Weatherization, Low-Income Rental Efficiency, Homeowner Efficiency Lift, and Non-Profit Affordable Housing Rebates programs will offer pre-weatherization measures that are approved as part of the Commissioner’s March 15, 2022, Decision³⁴ in cases that are necessary to allow energy conservation improvements to be installed in a home.

Overall, Staff find the pre-weatherization measures that the Company proposes to offer align with the March 15, 2022, Decision’s guidance.

Table 8 and Table 9 summarize CPE's proposed spending on pre-weatherization measures. As shown in Table 8, overall, CPE's planned pre-weatherization budget as a percent of the Company’s total low-income budget is below the pre-weatherization spending cap of 15%.

Table 8. Pre-Weatherization Budget as a Percentage of Low-Income Budget

Year	Pre-Weatherization Budget	Low-Income Budget	% of Low-Income Budget
2024	\$555,000	\$8,983,195	6.18%
2025	\$680,000	\$10,641,757	6.39%
2026	\$730,000	\$12,272,406	5.95%

Table 9. Pre-Weatherization Budget by Program

Program	2024	2025	2026
Low-Income Weatherization	\$200,000	\$250,000	\$300,000
Low-Income Rental Efficiency	\$230,000	\$230,000	\$230,000

³⁴ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” March 15, 2022. Docket No. E,G999/CIP-21-837.

Homeowner Efficiency Lift Program	\$75,000	\$150,000	\$150,000
Non-Profit Affordable Housing Rebates	\$50,000	\$50,000	\$50,000
Total Pre-Weatherization Spending	\$555,000	\$680,000	\$730,000

6. *Research and Development Spending Cap*

a. *Key Statutory Language*

Minnesota Statutes §216B.241 subd. 2(e) states that up to 10% of an IOU’s total energy conservation improvement spending may be spent on research and development (R&D) projects that meet the definition of an energy conservation improvement.

Minnesota Statutes §216B.2402 subd. 6 defines an energy conservation improvement as “a project that results in energy efficiency or energy conservation. Energy conservation improvement may include waste heat that is recovered and converted into electricity or used as thermal energy, but does not include electric utility infrastructure projects approved by the commission under section 216B.1636.

b. *Staff Analysis*

Pages 10-11 of the Company’s Triennial Plan summarize the Company’s proposed compliance with the R&D spending cap, as follows:

CenterPoint Energy’s Plan proposes one program that has budget for research and development activities, the Analysis, Evaluation, & Program Development program. The Company also participates in the Minnesota Efficient Technology Accelerator (“ETA”). Staff participation in ETA coordination and collaboration will be budgeted through the specific project or the Analysis, Evaluation, & Program Development program.

Table 5 in the Triennial Plan outlines the Company’s calculation of its R&D spending cap. Staff believe that the 2024-2026 “ECO Budget” listed in Table 5 of the Triennial Plan is what the Company considers its total energy conservation improvement spending used to calculate CPE’s 10% R&D spending cap. Comparing Table 5 with Tables 12, 13, and 14 in the Triennial Plan, Staff note that CPE’s Table 5 “ECO Budget” includes spending from both traditional CIP programs and from EFS programs.

Staff note that the Company does not include the spending from the Minnesota Efficient Technology Accelerator as part of the “ECO Budget” (i.e. CPE’s total energy conservation improvement spending) in Table 5 of the Triennial Plan. CPE does, however, include Minnesota Efficient Technology Accelerator spending as part of the Table 5’s proposed annual “Total R&D Spending.” Staff believe it is reasonable (and more consistent) to **not include** Minnesota Efficient Technology Accelerator spending as part of CPE’s total energy conservation improvement spending used to calculate the 10% R&D spending cap and also **not include** it toward CPE’s annual R&D total spending. This is consistent with Staff’s overall approach in calculating the ECO spending caps (i.e. the EFS, R&D, DRG, and biomethane spending caps) where the spending caps only apply to utility-administered programs, and spending from Alternative ECO programs and from the Minnesota Efficient Technology Accelerator does not count toward a utility’s spending caps.

Comparing Table 5 with Tables 12, 13, and 14 in the Triennial Plan, Staff also note that CPE is counting spending from “indirect ECO programs” that do not have savings associated with them as part of the Company’s total energy conservation improvement spending. Staff believe it is reasonable to count indirect program spending as energy conservation improvement spending, since they can be defined as programs that support and ultimately result in energy efficiency or energy conservation through CPE’s “direct ECO programs.”³⁵

CPE’s Analysis, Evaluation, and Program Development program includes an annual \$400,000 budget for R&D activities. As stated on page 201 of the Triennial Plan, “The proposed research budget is intended to support research on new technologies or ECO offerings. Spending for research will be counted toward the statutory cap on research and development.” Additionally, as demonstrated in the budget table on page 201, the Company only considers spending specifically for research, and not evaluation or other budget categories, when evaluating compliance with the statutory limit on R&D spending. Staff believe CPE’s proposal is reasonable to only count spending specifically from research activities and to not count spending from evaluation of programs toward the R&D spending cap.

CPE also provides a general overview of the program’s product development and R&D activities on page 198 of its Triennial Plan, as follows:

The Analysis, Evaluation, & Project Development program provides funding for the internal and external costs associated with researching, developing, testing, and integrating new offerings in the Company’s ECO portfolio. These offerings can include both new technologies and new or revised project designs.

In the previous triennium, CenterPoint Energy expanded its project development and research efforts. New initiatives funded by this project included, for example, study on consumer behavior and pricing/discounting theory as it relates to rebates and other services; exploring how to integrate energy efficiency and healthcare services to serve income-qualified families; study the impact of energy disclosure requirements at the time of home sales; develop and evaluate highly efficient home designs for use in affordable single-family housing construction; a field pilot exploring the potential of carbon capture technologies that use waste heat from commercial heating systems; and research into promising new efficiency technologies such as gas powered heat pumps. In addition, the Company engaged in customer surveys and evaluation efforts, including the Company’s third-party evaluations of some of its ECO offerings.

³⁵ *Energy Conservation Improvement*: A project that results in energy efficiency or energy conservation. May include waste heat that is recovered and converted into electricity or used as thermal energy. Does not include electric utility infrastructure projects approved by the commission under section 216B.1636. Source: Minn. Stat. §216B.2402 subd. 6.

Energy Conservation: An action that results in a net reduction in electricity or natural gas consumption. Does not include an efficient fuel-switching improvement. Source: Minn. Stat. §216B.2402 subd. 5.

Energy Efficiency: Measures or programs, including energy conservation measures or programs, that: target consumer behavior, equipment, processes, or devices; are designed to reduce the consumption of electricity or natural gas on either an absolute or per unit of production basis; and do not reduce the quality or level of service provided to an energy consumer. Source: Minn. Stat. §216B.2402 subd. 7.

In this next triennium, CenterPoint Energy proposes to continue its focus on project development and research efforts. The Company continues to believe that the best opportunity to keep achieving cost effective energy savings for its customers is to find more effective ways to motivate ECO participation. The Company plans to continue its evaluation and customer survey work, including continued evaluations of a subset of projects each year by a third-party evaluator. The Company also plans to keep its levels of investment in promising new technologies and project delivery concepts. Accordingly, the Company has proposed to continue the budget for the project at approximately the same level with just a gradual inflation of project delivery costs.

Generally, Staff believe the R&D-specific activities CPE describes in the summary are reasonable program activities to count toward the R&D cap. Staff recommend that the Deputy Commissioner require that the Company include a narrative summary of its R&D activities and the corresponding dollar amounts for each R&D activity as part of the Company’s annual Status Reports. Staff will evaluate reported R&D spending and determine compliance with the ECO R&D spending cap.

As demonstrated in Table 10, overall, the Company’s proposed 2024-2026 R&D budget is below the R&D spending cap. Additionally, Staff note that the \$400,000 annual R&D budget is \$50,000 greater than the annual budget previously approved 2021-2023 Triennial Plan, which seems reasonable.

Table 10. R&D Budget as a Percentage of Energy Conservation Improvement Spending

Year	R&D Budget	Energy Conservation Improvement Spend	R&D Budget as % of Conservation Spend
2024	\$400,000	\$49,195,913	0.81%
2025	\$400,000	\$51,944,402	0.77%
2026	\$400,000	\$54,953,488	0.73%

7. Distributed and Renewable Generation Spending Cap

a. Key Statutory Language

Minnesota Statutes §216B.2411, subd. 1(a), allows, but does not require, a utility to spend up to 5% of its total energy conservation improvement spending on qualified distributed and renewable generation (DRG) projects.

Minnesota Statutes §216B.2411 subd. 1(b) permits utilities to request authority from the Department’s Commissioner to increase the 5% limit to 10% for qualifying solar energy projects.

Minnesota Statutes §216B.241 subd. 5a(a) states that energy savings from qualifying solar energy projects can only be claimed above the 1% percent that must be met with energy conservation improvements.

b. Staff Analysis

Staff note that none of CPE’s programs include DRG spending. As shown in Table 11, CPE's proposed 2024-2026 DRG spending is below the DRG spending cap.

Table 11. DRG Budget as a Percentage of Energy Conservation Improvement Spending

Year	DRG Budget	Energy Conservation Improvement Spend	DRG Budget as % of Conservation Spend
2024	\$0	\$49,195,913	0.00%
2025	\$0	\$51,944,402	0.00%
2026	\$0	\$54,953,488	0.00%

8. Biomethane Purchases Spending Cap

a. Key Statutory Language

Minnesota Statutes §216B.241, subd. 5b allows, but does not require, a gas utility to spend 5% of its total energy conservation improvement spending on biomethane purchases, and the statute allows associated energy savings to be claimed above the 1% that must be met with energy conservation improvements.

Minnesota Statutes §216B.241, subd. 5b(b) defines biomethane as “biogas produced through anaerobic digestion of biomass, gasification of biomass, or other effective conversion processes, that is cleaned and purified into biomethane that meets natural gas utility quality specifications for use in a natural gas utility distribution system.”

b. Staff Analysis

Staff note that none of CPE’s programs include spending for biomethane purchases. As shown in Table 12, the Company’s proposed 2024-2026 biomethane spending is below the spending cap.

Table 12. Biomethane Budget as a Percentage of Energy Conservation Improvement Spending

Year	Biomethane Budget	Energy Conservation Improvement Spend	Biomethane Budget as % of Conservation Spend
2024	\$0	\$49,195,913	0.00%
2025	\$0	\$51,944,402	0.00%
2026	\$0	\$54,953,488	0.00%

9. Efficient Fuel-Switching Spending Cap

a. Key Statutory Language

Minnesota Statutes §216B.241 subd. 1c(g) directs that until July 1, 2026, spending on EFS improvements must not exceed 0.35% per year, averaged over three years, of the utility's gross operating revenue from non-exempt customers.

Additionally, in the March 15, 2022, Decision "Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP,"³⁶ the Commissioner outlines technical guidance to determine if an EFS improvement meets required statutory criteria and the following guidance concerning the EFS spending cap:

- Spending Cap Calculation - Consistent with other ECO spending caps and requirements, spending on EFS improvements must not exceed 0.35 percent per year, averaged over three years, of the IOU's gross operating revenue from non-exempt customers. EFS spending in IOU plans is to be prorated for January 1 - June 30, 2026.
- Utilities Subject to EFS Spending Cap - This spending cap applies to electric IOUs implementing electric end use EFS improvements through Minn. Stat. § 216B.241, subd. 11 and natural gas IOUs implementing electric end use EFS improvements through Minn. Stat. § 216B.241, subd. 12.

b. Department Policy Guidance

It is Staff's assertion that based on a reading of Statute and the March 15, 2022, Decision, the EFS spending cap only applies to utility-administered programs. EFS spending for Alternative ECO programs and for the Minnesota Efficient Technology Accelerator does not count toward a utility's EFS spending cap.

c. Staff Analysis

Staff note that CPE's Triennial Plan includes an EFS market segment that includes programs with proposed EFS goals (i.e. EFS savings, spending, and participation goals). The EFS market segment includes the following programs: Home Efficiency Rebates, Home Energy Squad, High Efficiency Home, and the Homeowner Efficiency Lift Program.

Staff note that CPE's Triennial Plan also has programs where the Company proposes to include EFS measures, but the programs do not have associated EFS goals. Staff believe this is the case for the following programs: New Home Construction Rebates, Low-Income Weatherization, Low-Income Rental Efficiency, Non-Profit Affordable Housing Rebates, C&I Custom and Engineering Assistance Rebates, and Energy Design Assistance. CPE's general justification for this approach is that the Company does not expect EFS participation in these programs, but would still like the flexibility to rebate EFS measures within the programs' proposed budget should any EFS projects arise. Staff note that the EFS measures include ASHPs that use the same measure technical assumptions as CPE's other programs that do explicitly include EFS goals (i.e. CPE's EFS segment programs). CPE says the Company will follow the Department's EFS reporting guidance (e.g. track and report EFS separately and apply cost-effectiveness testing to EFS separately) and report installation of any EFS measures in its Status Reports. Staff finds

³⁶ "Commissioner's Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP." Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPopup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

CPE’s EFS approach reasonable provided actual EFS spending stays under the EFS spending cap, that CPE follows the Department’s EFS reporting guidance in its annual ECO status reports, and recognizing that the Department may require CPE to file a formal modification to its Triennial Plan with updated EFS goals if Staff find that there is significant EFS participation within these programs when reviewing CPE’s annual ECO status reports.

As shown in Table 13, overall, the Company’s proposed 2024-2026 EFS spending is below the 0.35% EFS spending cap.

Table 13. EFS Budget as a Percentage of GOR

Year	EFS Budget	Avg. 2020-2022 Adjusted Total GOR	EFS Budget as % of Total GOR
2024	\$437,688	\$1,210,079,346	0.04%
2025	\$774,926	\$1,210,079,346	0.06%
2026 (prorated: ½ of EFS budget subject to EFS cap)	\$576,707	\$1,210,079,346	0.05%

10. Cost-Effectiveness

a. Department Policy Guidance

In the March 31, 2023, Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs” the Deputy Commissioner approved the cost-effectiveness methodologies and assumptions that IOUs are required to use for their 2024-2026 Triennial Plans.³⁷ Below is a summary of some of the key Deputy Commissioner determinations from the Decision:

Minnesota Cost Test as ECO’s Primary Cost-Effectiveness Test

- The Deputy Commissioner approves the Minnesota Cost Test (MCT) as ECO’s primary cost-effectiveness test that the gas and electric IOUs shall use to screen their energy efficiency, load management, and efficient fuel-switching programs. The Deputy Commissioner also requires that ECO custom projects should be screened using the MCT as the primary test.
- The Deputy Commissioner will allow approval of cost-effectiveness at the segment-level, so that the IOUs are responsible for ensuring that each segment, rather than individual program, is cost-effective by ECO standards.
- The Deputy Commissioner approves the following general guidelines regarding cost-effectiveness and program design decisions:

³⁷ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

- Cost-effectiveness and program design are separate, but related concepts. Program design and portfolio development involve many considerations;
- Cost-effectiveness evaluations can help inform program design but should not be the primary basis for program design;
- Just because a program is cost-effective does not mean that the utility should include it in its portfolio and, by extension, just because a program is not cost-effective does not mean that it should be automatically eliminated; and
- It is the utility's responsibility to design a program (including measure mix, incentives, etc.) that is attractive to customers, is deliverable in a practical sense, and (generally) is cost-effective under the primary test used to evaluate programs.

Secondary Cost-Effectiveness Tests and Program Design

- The Deputy Commissioner approves the Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), and Ratepayer Impact Measure Test (RIM) as ECO's secondary cost-effectiveness tests.
- The Deputy Commissioner approves the following approach to primary and secondary cost-effectiveness tests:

The primary test is the main determinant of whether a program should be included in the Triennial Plan. Secondary tests can be developed to help enhance the overall understanding of energy efficiency impacts. The additional information from a secondary test can help to prioritize energy efficiency programs and to inform decisions regarding marginally cost-effective programs and allocation of resources. The secondary test is not intended to undermine the purpose of the primary test and may include a subset of the impacts included in the primary test or additional impacts.

Low-Income Programs

- The Deputy Commissioner will not require that low-income programs pass ECO's primary cost-effectiveness test. Many ECO low-income programs (most of which, by design, are intended to exclusively serve the needs of low-income customers) have, historically, not been cost-effective. However, in recognition of their importance in serving this customer group, the Department has allowed non-cost-effective low-income programs to be included in utility ECO portfolios. This practice is based on the premise that the benefits of offering low-income programs outweigh the costs.

Utility Reporting Requirements

- Triennial Plans:
 - Utilities run cost-effectiveness estimates based on the MCT, SCT, UCT, RIM, and PCT.
 - Utilities report their cost-effectiveness results at the program, segment, and portfolio level.
 - Cost-effectiveness will be reviewed/approved by the Department at the segment-level based on the MCT.
 - Utilities should also report secondary test results for informational purposes.

- Cost-Effectiveness Ratios Table:
 - The filings should include a summary table that provides the calculated cost-effectiveness ratios for programs, segments, and portfolio.
- Narrative Details:
 - The filings should include narrative accompanying the cost-effectiveness ratios table that describes:
 - The cost-effectiveness results by program using the MCT.
 - Any key cost-effectiveness issues that were considered in program design.
 - Any programs where secondary tests played a role in decision-making.
- Methods and Impacts Reporting:
 - The filings should (either in the main body of the filing or as part of a technical appendix) clearly show where and how IOUs incorporated the required cost-effectiveness impacts and methods into their cost-effectiveness calculations.

b. Information Requests

On August 28, 2023, Staff submitted several Information Requests to CPE. On September 7, 2023, CPE submitted responses to Staff’s Information Requests. Staff’s Information Requests, the Company’s responses, and Staff’s recommendation are summarized below.

BENCOST Excel Spreadsheet

Staff requested that CPE provide a copy of its completed BENCOST Excel spreadsheet that contains the Company’s 2024-2026 Triennial Plan cost-effectiveness calculations at the program, segment, and portfolio level.

CPE responded to Staff’s Information Request and filed program, segment, and portfolio level Bencost calculations as Exhibit D.

Staff appreciate CPE’s Information Request response.

Exhibit A Spreadsheet: Efficient Fuel-Switching Review of Air Source Heat Pump (ASHP)

Staff requested that CPE clarify the following questions related to the Company’s “Exhibit A-Efficient Fuel-Switching, BENCOST EFS Segment” spreadsheet:

- Staff Information Request: How does the BENCOST sheet factor the increased electricity usage associated with EFS measures?
 - CPE’s Response: CenterPoint Energy used increased electricity usage in Bencost input 22a (e.g., 3,608 kWh in the Home Efficiency Rebates Bencost). The Company’s understanding is that this introduces a non-gas cost based on the non-gas fuel retail rate as described on pg. 35 of the Triennial Plan. CenterPoint Energy did not examine all individual ASHP measures in Bencost spreadsheets. However, the Company has provided information it has available in a revised Exhibit A. This includes all ASHP configurations included in the Home Efficiency Rebates program.

- Staff's Recommendation: Staff find CPE's response to be reasonable.
- Staff Information Request: Can CPE provide the individual BENCOST sheets for the measures that make up your EFS Segment?
 - CPE's Response: The Company has filed program, segment, and portfolio level Bencost calculations as Exhibit D.
 - Staff's Recommendation: Staff appreciate the Company's response. Staff had a couple follow up Information Requests related to this issue. Please see Staff's September 15, 2023, Information Requests "Efficient Fuel-Switching Cost-Effectiveness Estimates" below for additional details.

Staff requested that CPE clarify the following questions related to the Company's "Exhibit A-Efficient Fuel-Switching, BENCOST Home Efficiency" spreadsheet:

- Staff Information Request: Is CPE reporting therm savings associated with EFS measures based on site-based BTU savings converted into therms per Section C of Appendix A - Additional Considerations (Commissioner's Decision, p. 47)?
 - CPE's Response: CenterPoint Energy reported site-based BTU savings more explicitly in columns I, K, L, and X of the "Results_TRM 4.0" tab in the revised Exhibit A.
 - Staff's Recommendation: Staff find CPE's response to be reasonable.

Efficient Fuel-Switching Cost-Effectiveness Estimates

On September 15, 2023, Staff submitted the following Information Requests to CPE:

Staff have the following clarification requests related to the "Exhibit D" BENCOST spreadsheet that CenterPoint Energy (CPE or the Company) submitted as part of its September 7, 2023, Information Request response:

- Staff request that CPE describe how the Company calculated the 6,707 term savings in cell Q36 of the BenCost Program Inputs worksheet. Please also provide any additional calculation spreadsheets that would help address Staff's question.
- Staff request that CPE describe how the value in cell Q42 of the BenCost Program Inputs worksheet, which is repeated on page 29 of the Company's Triennial Plan filing, incorporates negative kWh associated with fuel-switching measures. Please also provide any additional calculation spreadsheets that would help address Staff's question.

On September 25, 2023, CPE submitted a response to Staff's Information Request, as follows:

To help address the Department's questions, the Company provides Exhibit E which documents Efficiency Fuel-Switching ("EFS") program planning assumptions used in calculation of program and segment energy savings.

Exhibit E shows that the 6,707 dekatherm (“Dth”) net energy savings in cell Q36 is calculated based on multiplying EFS measure net energy savings with program participation assumptions on the “EFS Program Measures” tab. Measure specific energy savings are calculated in the “Res Measure Inputs” tab. Similarly, the 7,415 Dth net energy savings for the EFS segment in Q42 is calculated using the same methods. These energy savings represent net gas energy savings as documented on the “Res Measure Inputs” tab.

Staff appreciate CPE’s Information Request response. Staff find the Company’s explanation to be reasonable.

c. Staff Analysis

On page 161 of the Triennial Plan, Staff note that it appears CPE will require custom projects to pass the UCT, SCT, PCT, and MCT to qualify for a rebate through the C&I Custom and Engineering Assistance Rebates program. Per the determinations outlined in the March 31, 2023, Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs,” Staff note the Deputy Commissioner requires that ECO custom projects are screened using the MCT as the primary test.³⁸ Staff recommend that CPE incorporate this change into the C&I Custom and Engineering Assistance Rebates program, so that custom projects are screened using the MCT as the primary test.

On page 35 of the Triennial Plan, Staff note that the electric retail rate for residential air-source heat pumps is \$0.04487/kWh in the Company’s BENCOST model. CPE references Xcel Energy’s energy-controlled service rate for interruptible electric heating loads as this input’s source. Staff recommend that CPE instead use the same value as Xcel Energy’s Triennial Plan for residential EFS measures, which is equal to \$0.1147/kWh. For commercial and industrial EFS projects, Staff recommend that CPE’s BENCOST model use Xcel’s \$0.09/kWh. Staff recommend that CPE incorporate these updated values as part of its 2024-2026 ECO status report filings. For additional context that may be instructive to CPE, Staff point to the following Information Request response from Xcel Energy:

The Company has not assumed participants would be on the Energy-Controlled Service (Non-Demand Metered) for our Residential ASHP application. The Energy- controlled service rate is only for qualifying loads such as storage space heating and water heating and is not applicable to the average residential customer. This rate requires that the interruptible load be separately served (ie, with a second meter). Given these requirements there is no expectation for participants to switch to this rate and there are only approximately 3,400 residential customers on this rate.

The Company used the electric space heating adjustment found on page 2 of the rate schedule. The Company also applies additional riders to this rate to arrive at a fully loaded rate of \$0.1147/kWh rate. This rate is escalated using the chained price index to develop a nominal stream of costs. The nominal costs are then discounted using the Societal discount rate (for residential customers) and the present values are then summed to result in a single dollar-per-kWh value that represents the lifetime rate impact for an electric space heating measure based

³⁸ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

on the lifetime and year of installation. The nominal stream final dollar-per-kWh values can be found in our Proposed 2024-2026 ECO Triennial Plan in Attachment A. The nominal stream is on the sheet titled “Bill Reduction by Shape” which links back to the sheet titled “NSP Rates (Day Type)”. The final dollar-per-kWh values are found on the sheet titled “Bill Impacts by Lifetime”.

The bill impacts of most measures can be determined based on their savings or added kWh, but for space heating EFS the math is a little bit different. Since ASHPs will allow a customer to change to the electric space heating rate, and the electric space heating rate will apply to all of the customer’s usage, all of the existing usage will be discounted resulting in further bill savings from switching to a heat pump. These bill savings are estimated in the Company’s plan by looking at the average usage of a non- electric space heating residential customer and applying the discounted rate to that usage. Just as with the rate itself we also escalate these savings and discount them to determine a single dollar-per-year value that represents the lifetime rate impact from the rate switch based on the lifetime and year of installation. This can be found in our Proposed 2024-2026 ECO Triennial Plan in Attachment A on the sheet titled “Other Bill Adjustments”.

Table 14 shows the cost-effectiveness results for the Company’s Triennial Plan at the program, segment, and portfolio-level. Programs are considered cost-effective when the benefit/cost ratio is greater than 1.0.

Staff find that the Company’s Triennial Plan complies with the Deputy Commissioner’s “Utility Reporting Requirements” that are outlined above from the March 31, 2023 Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs.”

Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness:

- At the segment-level, Staff find the Company’s Residential, Commercial/Industrial, and Efficient Fuel-Switching segments are cost-effective according to the MCT, UCT, SCT, and PCT. Staff recommend approval of these market segments.
- Staff find that the Company’s Low-Income segment is cost-effective according to the PCT but not from the other cost-effectiveness tests. Per the guidance provided in the Deputy Commissioner’s March 31, 2023, Decision, Staff recommend approval of the Low-Income segment in recognition of these programs’ importance in serving this customer group and as they are not required to be cost-effective.
- Staff note that none of CPE’s market segments are cost-effective from the RIM test, which is typical for most utility ratepayer-funded demand-side management programs.

Table 14. Cost-Effectiveness Results from Triennial Plan

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Home Efficiency Rebates	0.59	2.33	2.27	2.78	4.26
DIY Home Efficiency	0.60	2.55	4.40	N/A	4.40
Home Insulation Rebates	0.54	1.65	1.07	1.30	3.04
Home Energy Reports	0.46	1.09	1.79	N/A	1.79
Home Energy Squad	0.36	0.68	1.00	5.76	1.17
High Efficiency Home	0.51	1.44	1.16	1.50	2.66
New Home Construction Rebates	0.55	1.84	1.82	2.48	3.32
Energy Efficiency Kits	0.58	2.20	3.72	N/A	3.72
Residential Code Support	0.60	2.47	4.61	N/A	4.61
Residential Segment	0.56	2.00	1.85	2.47	3.47
Low-Income Weatherization	0.26	0.39	0.72	N/A	0.72
Low-Income Rental Efficiency	0.20	0.26	0.43	3.03	0.48
Homeowner Efficiency Lift Program	0.27	0.40	0.58	2.51	0.72
Low-Income Free Heating System Tune-Up	0.12	0.14	0.23	N/A	0.23
Non-Profit Affordable Housing Rebates	0.26	0.39	0.71	1.82	0.71
Low-Income Multi-Family Housing Rebates	0.43	0.74	1.27	3.73	1.27
Low-Income Support and Awareness	N/A	N/A	N/A	N/A	N/A
Low-Income Segment	0.33	0.52	0.83	3.41	0.94
Commercial Foodservice Equipment Rebates	0.81	3.68	3.11	2.73	6.44
C&I Heating and Water Heating Rebates	0.88	6.19	5.68	5.65	10.40
C&I Custom Rebates	0.84	4.36	3.41	3.09	7.75
C&I Audit Services	0.40	0.64	0.99	4.98	1.10
EDA	0.88	5.74	2.27	1.57	10.59
Commercial Code Support	0.95	10.87	20.02	N/A	20.02
C&I Process Efficiency	0.73	2.49	3.72	7.45	4.29
C&I Training and Education	0.25	0.34	0.51	2.57	0.56
Benchmarking Services and Certification Assistance	N/A	N/A	N/A	N/A	N/A
Recommissioning Study & Rebates	0.73	2.45	5.76	17.45	4.12
Multi-Family Building Efficiency	0.66	1.81	2.03	2.71	3.05
Commercial/Industrial Segment	0.85	4.79	3.54	3.20	8.24
Analysis, Evaluation, & Program Development	N/A	N/A	N/A	N/A	N/A
Energy Efficiency Marketing & Awareness	N/A	N/A	N/A	N/A	N/A
Planning & Regulatory Affairs	N/A	N/A	N/A	N/A	N/A
EZ Pay On-Bill Loan	N/A	N/A	N/A	N/A	N/A
Other Programs Segment	N/A	N/A	N/A	N/A	N/A
Total CIP Portfolio	0.66	2.26	2.17	2.74	3.92
Home Efficiency Rebates	0.62	3.09	1.02	1.36	1.37

Home Energy Squad	N/A	N/A	N/A	N/A	N/A
High Efficiency Home	0.53	1.60	1.16	1.70	1.52
Homeowner Efficiency Lift Program	0.44	0.99	0.79	1.61	0.92
Efficient Fuel-Switching Segment	0.60	2.65	1.03	1.42	1.36
Total CIP and EFS Portfolio	0.66	2.25	2.12	2.68	3.81
Minnesota Efficient Technology Accelerator	N/A	N/A	N/A	N/A	N/A
Total ECO Portfolio	0.66	2.25	2.12	2.68	3.81

11. Staff Conclusions

Table 15 provides a summary of Staff’s regulatory compliance review of the Company’s Triennial Plan, and whether or not it meets the requirements of Minnesota Statutes. Overall, Staff find that the Company has met the relevant requirements outlined in Minnesota Statutes §216B.241.

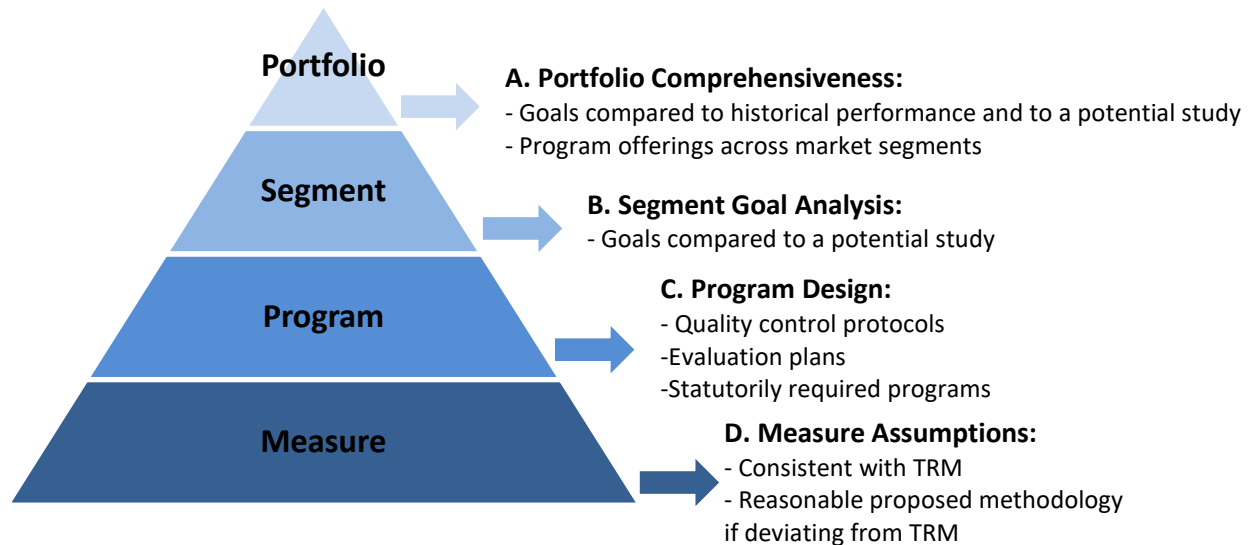
Table 15. Summary of Regulatory Compliance Findings

Requirement	Pass/Fail
Overall Energy Savings Goal	Pass
Energy Savings Thresholds By Savings Type	Pass
Lifetime and Cumulative Energy Savings Figures Provided	Pass
Total Spending	Pass
Low-Income Spending	Pass
Pre-Weatherization Spending Cap	Pass
R&D Spending Cap	Pass
10% DRG Spending Cap	Pass
Biomethane Purchases Spending Cap	Pass
EFS Spending Cap	Pass
Cost-Effectiveness	Pass

III. TECHNICAL REVIEW

This section presents Staff's Technical Review, examining programs and proposed measures, with the goal of ensuring that energy savings are met cost-effectively and are measurable and verifiable. Figure 5 outlines the components of Staff's Technical Review of the four levels of the Company's Triennial Plan.

Figure 5. Technical Review Components



A. PORTFOLIO-LEVEL ANALYSIS

With the passage of the Next Generation Energy Act, which established the 1.5 percent EERS for Minnesota, and later the ECO Act, which served to modernize CIP to provide a more holistic approach to energy efficiency programming, ECO is an outcome-focused program based on maximizing energy savings while ensuring that programs are cost-effective.

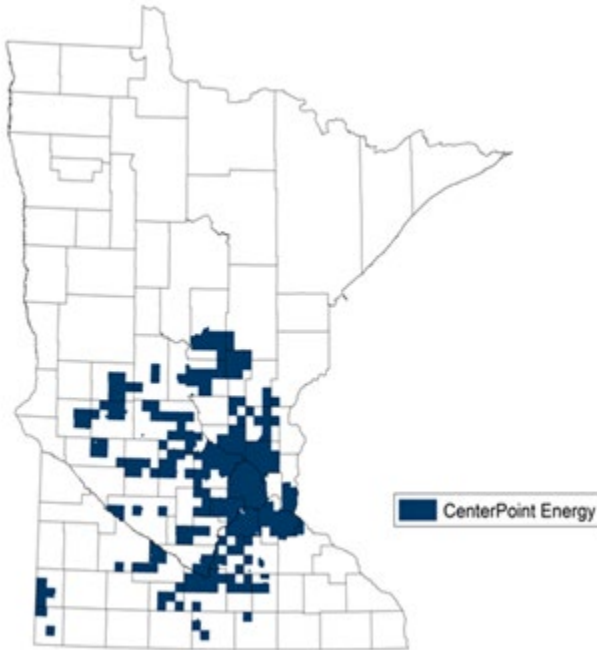
This objective must be balanced with the need to ensure that all customers that pay into ECO have the opportunity to participate in ECO programs. For example, while commercial/industrial (C/I) programs are generally significantly more cost-effective than residential programs, the Department would not approve of an ECO plan that allocates 100 percent of its budget in C/I programs, even though it could potentially achieve similar savings at less cost than an ECO plan with both residential and C/I segments.

Furthermore, Staff recognize that long-term, successful ECO portfolios require a variety of program types and measures to sustain energy savings achievement. Given the significant marketing and training efforts that are typically required to launch a new program, utilities need a broad portfolio of programs and measures in operation so that budgets can be reallocated to respond quickly to changing market conditions.

1. Portfolio Comprehensiveness

CPE is the largest natural gas utility in Minnesota – and provides about 54% of the retail natural gas in the state. CPE provides natural gas across central and southern Minnesota, concentrated in the Twin Cities metro area.³⁹ Staff note that CPE’s relatively concentrated territory allows the Company to more efficiently engage its customers in program offerings when compared to utilities with more dispersed, disconnected territories.

Figure 6. Map of the Company’s Service Territory⁴⁰



Staff evaluated the comprehensiveness of CPE's overall portfolio through a comparison of goals and budgets across each segment. Figure 7 and Figure 8 illustrate how the Company’s total energy savings and expenditures compare across its 3 market segments.

³⁹ “Appendix B Detailed Model Results: Minnesota Energy Efficiency Potential Study: 2020–2029.” *Center for Energy and Environment*. <https://www.mncee.org/sites/default/files/2021-06/Appendix-B_Detailed-Model-Results_2019-03-27_FINAL.pdf>.

⁴⁰ “Appendix B Detailed Model Results: Minnesota Energy Efficiency Potential Study: 2020–2029.” *Center for Energy and Environment*. <https://www.mncee.org/sites/default/files/2021-06/Appendix-B_Detailed-Model-Results_2019-03-27_FINAL.pdf>.

Figure 7. Spending Goals by Segment and Year

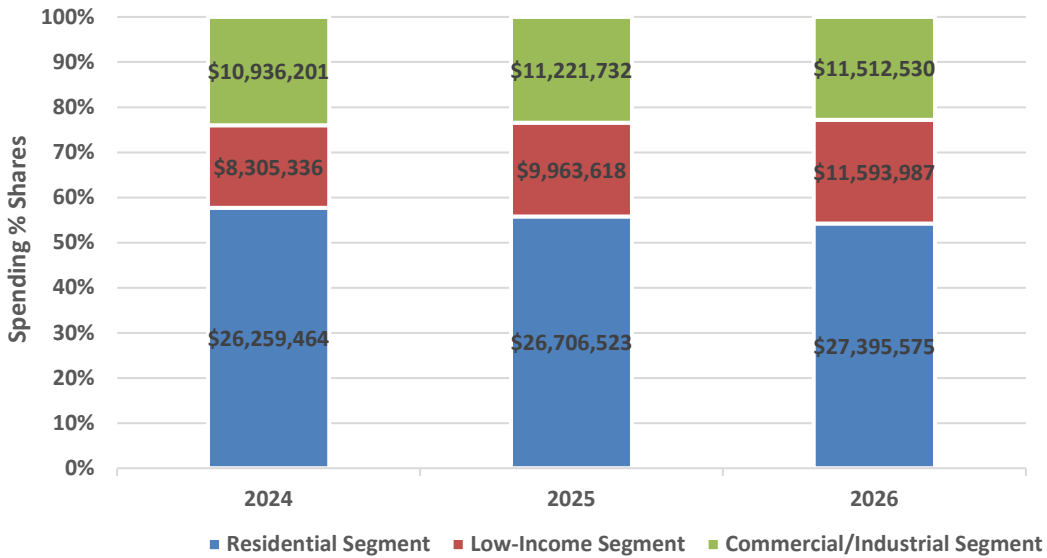
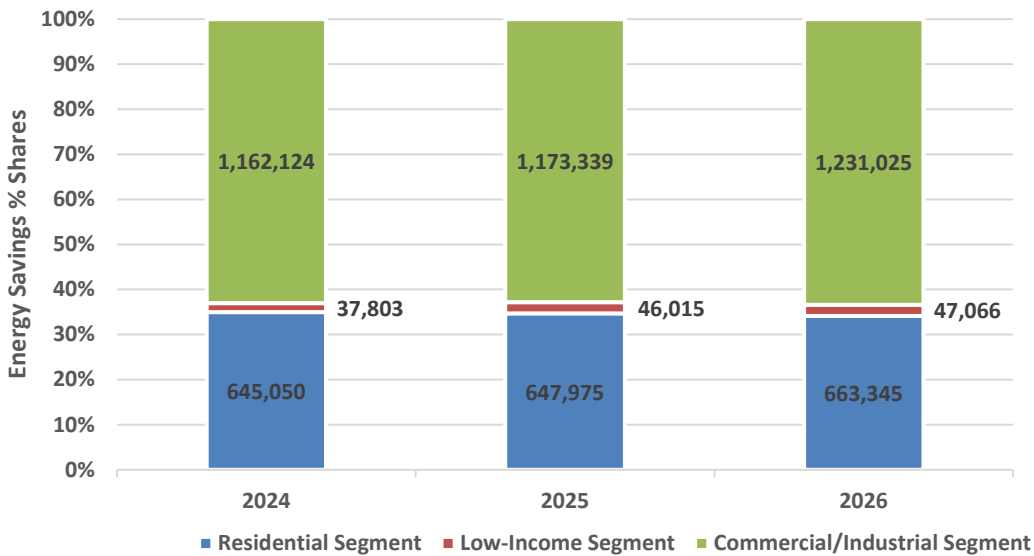


Figure 8. Savings Goals by Segment and Year



Examining Figure 7 and Figure 8, Staff make the following observations regarding the overall composition of the Company’s ECO portfolio:

- Residential Segment** – CPE proposes to offer 9 residential programs as part of its portfolio that represent approximately 34-35% of Total ECO Portfolio savings and 48-52% of Total ECO Portfolio expenditures.

- **Commercial/Industrial Segment** – CPE proposes to offer 11 C/I programs as part of its portfolio that represent 62-63% of Total ECO Portfolio savings and 20-22% of Total ECO Portfolio expenditures over the course of the Triennial Plan.
- **Low-Income Segment** – CPE proposes to offer 7 low-income programs as part of its portfolio. These programs represent about 2% of Total ECO Portfolio savings and 17-20% of Total ECO Portfolio expenditures over the course of the Triennial Plan.

2. Portfolio Goals Compared to a Potential Study and Historical Performance

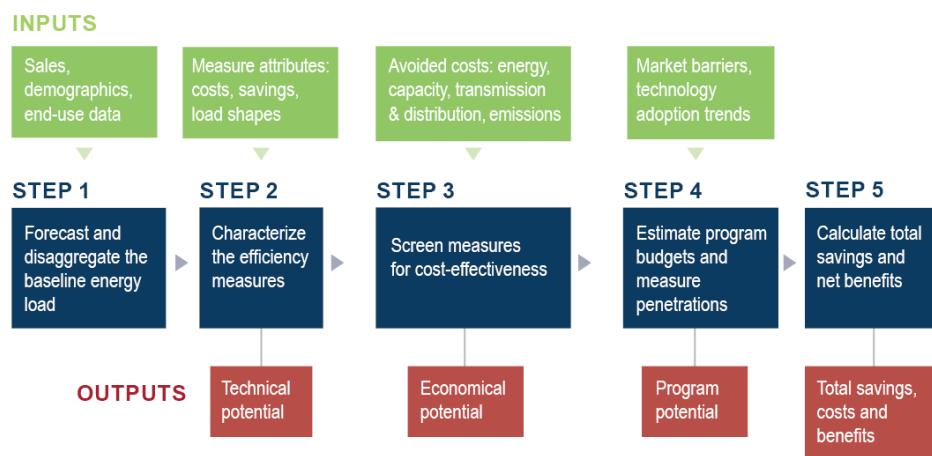
Portfolio Goals Compared to a Potential Study

The Department commissioned a statewide energy efficiency potential study to estimate the next decade of Minnesota’s gas and electric energy savings potential. Completed in 2018, the “Minnesota Energy Efficiency Potential Study: 2020-2029” is based on independent research and analysis, with participation from a broad range of energy stakeholders in the state.⁴¹ The project team, consisting of Center for Energy and Environment, Optimal Energy and Slipstream, was commissioned to:

- Estimate statewide electric and natural gas energy efficiency and carbon-saving potential for 2020-2029;
- Produce data-driven and stakeholder-informed resources defining market segments, end uses, measures, and programs that could be targeted in the decade ahead to realize the state’s cost-effective energy efficiency potential; and
- Engage stakeholders in order to help advance robust energy policies and energy efficiency programs in the state, and to inform future efficiency portfolio goals.

As outlined in Figure 9, the modeling approach to estimate potential savings followed best practices for conducting energy efficiency potential studies and involved 5 distinct steps. Separate models were created for seven different analysis regions of the state and aggregated to provide statewide potential.

Figure 9. Modeling Approach Used in the Minnesota Energy Efficiency Potential Study



⁴¹ “Final Report: Minnesota Energy Efficiency Potential Study: 2020–2029.” Center for Energy and Environment. <<http://mn.gov/commerce-stat/pdfs/mn-energy-efficiency-potential-study.pdf>>.

In addition to total economic potential (i.e., the total potential if all possible measures were installed that meet cost-effectiveness criteria), 2 program scenarios were calculated:

- **Maximum achievable potential:** This is the subset of economic potential that is achievable considering market barriers, given the most aggressive program scenario possible. This study assumed financial incentives would cover 100% of the incremental cost of each measure, along with very aggressive marketing and program designs to achieve maximum market penetration of the measures.
- **Program potential:** The program potential is a subset of the maximum achievable, given constraints in implementation. This study assumed that financial incentive levels are dropped to 50% of the incremental cost of each measure, which is a typical scenario used for planning purposes in Minnesota, and a good benchmark for aggressive programs nationally. The project team still assumed aggressive marketing and program designs for this scenario.

The outputs of this study represent the study team’s best effort to identify statewide energy efficiency potential, if all utilities in the state employed the best practices in program implementation discussed in the study’s final report, and provided incentives at the levels specified in the 2 program scenarios for the study.

Table 16 summarizes CPE's incremental annual energy savings potential according to the maximum achievable potential and program potential scenarios as estimated in the “Minnesota Energy Efficiency Potential Study.”⁴²

Table 16. Incremental Annual Energy Savings Potential (Dth Savings and by % Sales)

Year	Maximum Achievable Ptnl: Energy Savings	Maximum Achievable Ptnl: % of Sales	Program Ptnl: Energy Savings	Program Ptnl: % of Sales
2020	2,100,000	1.30%	1,300,000	0.80%
2021	2,500,000	1.50%	1,600,000	1.00%
2022	3,100,000	1.80%	2,000,000	1.20%
2023	3,600,000	2.10%	2,300,000	1.30%
2024	4,100,000	2.40%	2,600,000	1.50%
2025	4,300,000	2.40%	2,700,000	1.50%
2026	4,400,000	2.40%	2,700,000	1.50%

⁴² “Appendix B Detailed Model Results: Minnesota Energy Efficiency Potential Study: 2020–2029.” *Center for Energy and Environment*. <https://www.mncee.org/sites/default/files/2021-06/Appendix-B_Detailed-Model-Results_2019-03-27_FINAL.pdf>.

2027	4,500,000	2.50%	2,800,000	1.50%
2028	4,700,000	2.50%	2,900,000	1.60%
2029	4,800,000	2.50%	2,900,000	1.60%
10-year average	3,800,000	2.10%	2,400,000	1.30%

Staff find that the average of CPE's 2024-2026 proposed savings goals (1,899,950 Dth) represents 45% of the average 2024-2026 maximum achievable potential results (4,266,667 Dth) and 71% of the average 2024-2026 program potential (2,666,667 Dth). Thus, CPE's 2024-2026 overall energy savings goals are not completely aligned with the results from the "Minnesota Energy Efficiency Potential Study."

As part of CPE's comments on this Proposed Decision, Staff request that the Company describe the key factors that contribute to the difference between CPE's 2024-2026 goals compared to the Potential Study's estimates.

Portfolio Goals Compared to Historical Performance

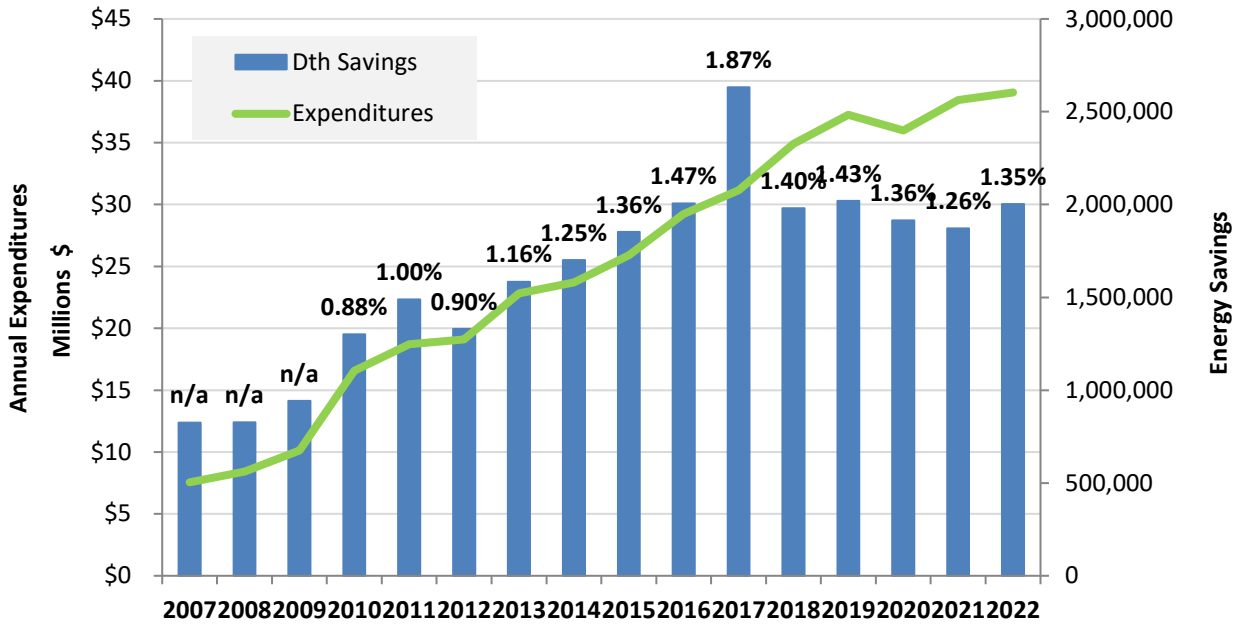
CPE's annual ECO performance since the Next Generation Energy Act was passed in 2007 is shown below. As can be seen examining Table 17 and Figure 10 from 2010 to 2022, CPE has met the ECO Act's minimum 1.00% savings requirement 11 out of 13 years. Staff find that the average of CPE's 2024-2026 proposed savings goals (1,899,950 Dth) represents 104% of the Company's average savings performance from 2010-2022 (1,821,987 Dth). Thus, CPE's 2024-2026 overall energy savings goals are generally aligned with the Company's historical performance.

Table 17. Historical ECO Performance

Year	Expenditures	Dth Savings	% of Retail Sales
2007	\$7,553,362	825,030	n/a
2008	\$8,422,819	827,339	n/a
2009	\$10,117,898	942,699	n/a
2010	\$16,574,774	1,300,228	0.88%
2011	\$18,713,923	1,488,231	1.00%
2012	\$19,091,800	1,330,518	0.90%
2013	\$22,829,710	1,584,019	1.16%
2014	\$23,701,520	1,701,716	1.25%
2015	\$25,893,618	1,851,930	1.36%
2016	\$29,228,533	2,006,014	1.47%
2017	\$31,140,094	2,632,545	1.87%
2018	\$34,888,321	1,980,534	1.40%
2019	\$37,252,502	2,020,149	1.43%
2020	\$35,993,594	1,915,114	1.36%

2021	\$38,439,620	1,871,509	1.26%
2022	\$39,057,099	2,003,321	1.35%

Figure 10. Historical ECO Performance



3. Staff Conclusions

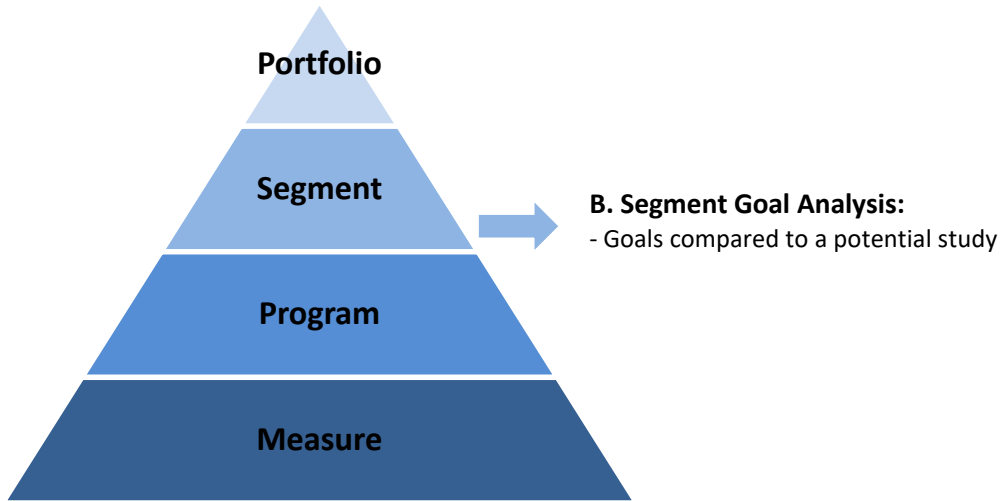
Examining the breadth of the Company’s overall proposed ECO portfolio, Staff conclude that residential, C/I, and low-income customers all appear to have opportunity to participate in the Company’s ECO programs. Furthermore, as discussed in more detail in the Program and Measure-level analysis sections of this Proposed Decision, the Company proposes a variety of program delivery approaches and measures that should provide participation opportunities across market segments.

Staff also note that even though the low-income segment represents a small share of the Company’s overall energy savings in other market segments, CPE’s proposed low-income program spending exceeds the minimum spending requirements outlined in Minnesota Statutes §216B.241, subd. 7(a). The Company is, therefore, in compliance with what is required to be spent on ECO low-income programs.

Lastly, Staff find that even though CPE’s 2024-2026 overall energy savings goals are not completely aligned with the results from the “Minnesota Energy Efficiency Potential Study,” they are in line with the Company’s historical ECO performance. As part of CPE’s comments on this Proposed Decision, Staff request that the Company describe the key factors that contribute to the difference between CPE’s 2024-2026 goals compared to the Potential Study’s estimates.

B. SEGMENT-LEVEL ANALYSIS

Figure 11. Segment-Level Review Components



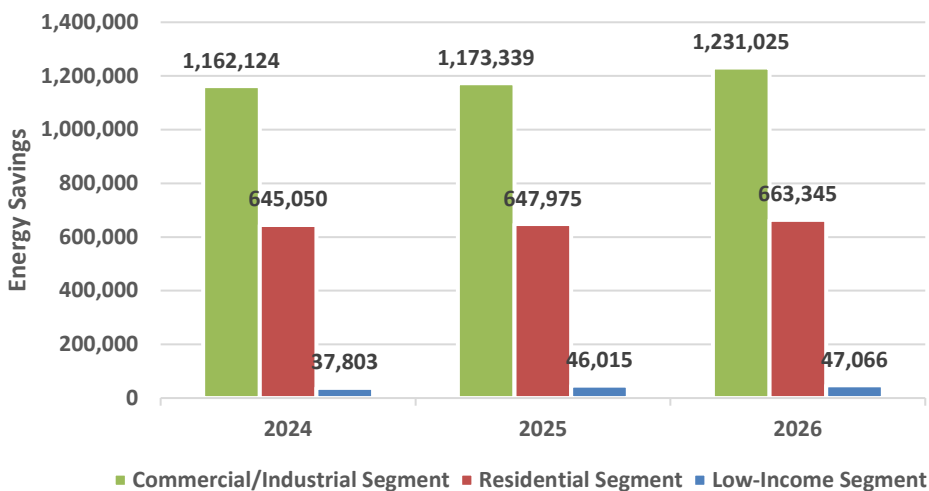
Staff evaluated CPE's proposed Triennial Plan at the segment-level by comparing the Company's proposed goals to its program and maximum achievable potential as estimated in a reputable energy efficiency potential study.

1. Segment Goals Relative to a Potential Study

Figure 12 shows the Company's segment-level goals from 2024-2026. Staff note that each of the segments' energy savings targets increase over the course of the Triennial Plan:

- The residential segment's energy savings goals increase 2.8% from 2024 to 2026.
- The C/I segment's energy savings goals increase by 5.9% from 2024 to 2026.
- The low-income segment's energy savings goals increase by 24.5% from 2024 to 2026.

Figure 12. Savings Goals by Segment and Year (Savings in Dth)



CPE's segment-level annual incremental energy savings potential is shown in Table 18, as estimated under the program potential scenario from the "Minnesota Energy Efficiency Potential Study."

Table 18. Segment-Level Annual Incremental Energy Savings Potential (Program Potential, Dth)⁴³

Segment	2024	2025	2026	Average
Residential	1,130,746	1,151,929	1,170,557	1,151,078
C/I	1,444,446	1,525,042	1,566,887	1,512,125
Low-Income	207,666	210,985	213,556	210,736

Comparing the Company's program potential to its 2024-2026 segment-level goals, Staff make the following observations:

- The C/I segment savings averages 1,188,829 Dth and represents 78.6% of the segment's average savings potential.
- The residential segment averages 652,123 Dth and represents 56.7% of the segment's average savings potential.
- The low-income segment averages 43,628 Dth and represents 20.7% of the segment's average savings potential.

2. Staff Conclusions

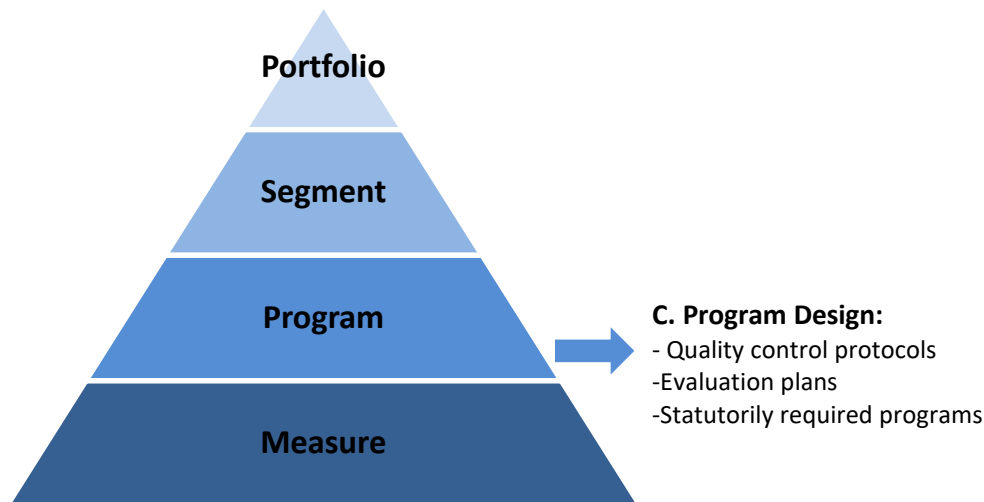
Overall, Staff conclude that the Company's segment-level savings goals are not completely aligned with its estimated savings potential, but (as noted previously) they are in line with the Company's historical ECO performance. As part of CPE's comments on this Proposed Decision, Staff request that the Company describe the key factors that contribute to the difference between CPE's 2024-2026 goals compared to the Potential Study's estimates.

Staff note that if the Deputy Commissioner approves the parameters included in the "ECO Budget Flexibility and Plan Modification Considerations" section of this Proposed Decision, the Company would have flexibility to meet increased customer demand in each of its market segments if there turns out to be greater than forecasted.

⁴³ Utility Reporting Tools." *Center for Energy and Environment*. <<https://www.mncee.org/minnesota-potential-study?utility-reporting-tool>>. Please see the reporting tool link for more detail about what is included in each of the market segments. For example, in Table 18, there is overlap between the residential segment's potential and the low-income segment's potential. Residential segment potential = low income + non-low income residential potential. Low-income segment potential = Only low-income residential potential.

C. PROGRAM-LEVEL ANALYSIS

Figure 13. Program-Level Review Components



In this section, Staff present their analysis of the Company’s proposed programs, policies, and incentive structures along with the proposed annual program-level goals. Staff reviewed a selection of CPE’s program designs in order to ensure that the savings reported are accurate to the extent practicable and that there are proper quality control protocols and evaluation plans in place. Staff also reviewed the Triennial Plan to determine whether it includes programs that are required by statute.

1. Summary of Proposed Programs

Table 19 summarizes CPE’s proposed 2024-2026 program-level annual budgets, participation, and energy savings goals. Additionally, below is a description of the services provided by each of CPE’s programs.

a. Residential Programs Summary

Pages 37-38 of the Company’s Triennial Plan provides an overview of CPE’s residential segment programs. For the 2024-2026 Triennial Plan, the Company focused on “expanding and streamlining its residential offerings. The Company proposes to add new measures and services (e.g., high performance windows, additional DIY measures), increase rebate amounts in order to further incentivize customers to purchase and install highly efficient appliances, streamline rebates for administrative simplicity and customer ease of use in accessing rebates, and update program goals based on historic program performance and expectations for the 2024-2026 triennial. In addition, [CPE] will begin offering [EFS] measures (e.g., air-source heat pump with furnace back-up) in its residential segment, as permitted under the ECO Act.” The Company also provides a brief description of the residential programs, summarized as follows:

- **Home Efficiency Rebates:** This program is aimed at customers who seek to replace or upgrade their home appliances. The program continues to offer incentives for high-efficiency heating and water heating systems, programmable thermostats, pilotless hearth, ENERGY STAR® gas dryers, and combination space heating and water heating appliances.

- **DIY Home Efficiency:** This continuing program provides no- and low-cost materials for customers to install themselves. Customers select measures they want from an online portal. Available measures include low-flow showerheads and faucet aerators, caulk, weather stripping, pipe insulation, window film, and more.
- **Home Insulation Rebates:** Aimed at the residential building envelope, this continuing program encourages professional weatherization upgrades by offering rebates for air sealing and insulation work performed by qualified contractors and dealer incentives for offering and installing high-performance windows and storm windows.
- **Home Energy Reports:** The Company will continue to work with an implementer to provide customers with customized information about how their gas use compares with that of nearby residents in similar-sized homes with similar characteristics and give suggestions about simple ways to save money and energy. The Home Energy Reports program also provides specialized services to qualifying low-income customers.
- **Home Energy Squad:** Through this program, customers can receive everything from basic information about how their home uses energy to customized recommendations and assistance scheduling contractors to perform upgrades. During the same visit, they can start saving immediately through direct installation of energy savings measures.
- **High-Efficiency Homes:** This program helps connect builders with home rating services for building design recommendations, and it provides incentives for going above and beyond the efficiency requirements of the Minnesota Residential Energy Code.
- **New Home Construction Rebates:** For those builders who choose not to take advantage of the more comprehensive services offered by the High-Efficiency Homes program, this program will continue to offer prescriptive rebates for individual appliances to encourage the installation of high-efficiency equipment.
- **Energy Efficiency Kits:** This program will engage schools, community and non-profit organizations, and renters in 1-4 unit buildings by providing them with energy saving direct install measures, such as showerheads, aerators, water heater setback (gauge), wool dryer balls, and other measures. This program is a continuation and evolution of the School Kits program from the 2021-2023 Triennial Plan.
- **Residential Code Support:** This new program will proactively support communities across Minnesota seeking to improve residential building energy code compliance. Communities will be provided the tools to improve compliance with new building codes in new construction and help reach their energy performance and economic development goals.

b. Commercial/Industrial Programs Summary

Pages 144-145 of the Company's Triennial Plan provides an overview of CPE's C/I segment programs, as follows:

As in the past, programs in this segment will support business customer energy efficiency by

providing:

- Targeted market and sub-market segmentation to increase market penetration and promote increased energy savings;
- Continued trade ally involvement through the offering of financial incentives and participation in related trade associations, tradeshow, and industry organizations;
- Site-specific energy analysis to educate customers on recommended energy-saving retrofits or installations;
- Reimbursement to customers for technical advice and assistance regarding the installation of energy-efficient natural gas technologies;
- Financial incentives to buy down the up-front cost of installation of energy efficient technologies; and
- Training and educational opportunities for end-users of equipment and trade allies such as consulting engineers, mechanical contractors, and dealers.

While offerings in this segment are mostly the same as in previous years, the Company would like to highlight a few proposed changes in this Plan:

- New measures for C&I Heating and Water Heating and Commercial Foodservice Equipment.
- Expanding Process Efficiency and Commercial Efficiency to include services for support in becoming ISO 50001 Ready as well as ISO 50001 Certified.
- Increased rebates and Trade Ally incentives for C&I Foodservice Equipment in response to economic conditions.
- Streamlining and reclassifying measures in accordance with the Minnesota Technical Reference Manual 4.0.

The Company also notes that it substantially modified the Multi-Family Building Efficiency (MFBE) program via a formal modification in 2022 and will continue with the modified program format in this Triennial.

The Company is also proposing to enhance its Commercial Code Support offering into a reworked program by coordinating with four other Minnesota gas and electric utilities to improve compliance with new building codes in new construction and help them reach their energy performance and economic development goals. This includes the Third-Party support currently included in the 2021-2023 Triennial Plan's Code Compliance program being rolled into the newly updated list of activities.

The Company also provides a brief description of its C/I programs, summarized as follows:

- **Commercial Foodservice Equipment Rebates:** Provides financial incentives for high-efficiency natural gas foodservice equipment. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan. The Company added several new measures to this program for the 2024-2026 Plan. Participation goals have been increased due to higher rebates, but energy savings goals have decreased due to higher equipment standards (page 146).
- **Commercial & Industrial Heating and Water Heating Rebates:** Provides financial incentives for high-efficiency natural gas heating and water heating equipment for C&I customers. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 153).

- Commercial & Industrial Custom and Engineering Assistance Rebates: designed to target large C&I customers and provide financial incentives for complex, custom energy efficiency projects. These efficiency projects may pertain to natural gas consumption in a manufacturing process or for heating and water heating. The Company's C&I customers are eligible for participation in this program's services. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 161).
- Commercial & Industrial Audit Services: Offers three audit services: 1) The Natural Gas Energy Analysis ("NGEA") Audit service will evaluate natural gas use of participating C&I customers and identify energy savings opportunities. 2) The Steam Trap Audit service will offer rebates to encourage customers to identify and replace failed steam traps in their steam distribution system. 3) The Scoping Audit rebate helps fund scoping audit services to help customers with more complex systems identify opportunities for major energy efficiency improvements and prioritize those opportunities. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 165).
- Energy Design Assistance: CenterPoint Energy's Energy Design Assistance (EDA) program takes a whole-building approach to achieve energy savings in C&I new construction and major renovation. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 171).
- Commercial Code Support: program is a redesigned program for this 2024-2026 Triennial Plan. After inclusion in CenterPoint Energy's 2021-2023 Triennial Plan, the Company has taken what was learned and worked with the joint implementer Xcel Energy and other utilities to evolve the program. This proposed expansion to the program will continue to proactively support communities across Minnesota seeking to improve commercial building energy code compliance. The Company, in coordination with four other utilities, Xcel Energy (electric and gas), Minnesota Energy Resources (gas), Ottertail Power Company (electric), and Minnesota Power (electric) (the Companies), will give those communities the tools to improve compliance with the new building codes in new construction and help them reach their energy performance and economic development goals. This includes the Third-Party support currently included in the Code Compliance program being rolled into the newly updated list of activities. The collaborating utilities will work with the Department of Commerce to determine the policy for adding other interested utilities. The cadence of future expansion is likely to align with Triennial CIP/ECO Plans (page 175).
- Commercial & Industrial Process Efficiency: targets customers and provides funding for an energy efficiency study to identify, scope, and ultimately lead to the implementation of energy-saving opportunities. This program approaches each facility as a system, taking advantage of all applicable CIP programs in addition to providing financial support for comprehensive studies. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 179).
- Commercial & Industrial Training and Education: provides energy efficiency training and education opportunities for C&I customers and trade allies through technical seminars and the Commercial Foodservice Learning Center. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 182).

- **Benchmarking Services & Certification Assistance:** focuses on assisting building owners in analyzing their buildings' energy usage and offering ENERGY STAR® certification assistance for high performing buildings. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 185).
- **Recommissioning Study & Rebates:** focuses on the energy-efficient operation of mechanical systems within existing buildings. This program will encourage energy-efficient building operation by providing funding for recommissioning studies, which identify energy savings opportunities as well as rebates for the implementation of study recommendations. In order to address each facility's comprehensive energy needs, the program will be delivered collaboratively with the customer's electric utility whenever possible. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 187).
- **Multi-Family Building Efficiency:** a joint CIP offering from CenterPoint Energy and Xcel Energy (the Companies) intended to help market rate multi-family property owners understand their buildings' energy use, achieve immediate energy savings through low-cost/no-cost improvements, and move beyond initial measures to achieve deep energy savings. It will accomplish this through a building assessment/direct install phase to engage building owners and achieve early savings and project support and encourage further improvements in the building through bonus incentives. The program will also provide base rebates, consistent with prescriptive and custom rebate programs, and bonus incentives for all multi-family projects completed. This program is jointly delivered with its low-income counterpart Low-Income MFBE (LI MFBE) This Plan continues the 2024-2026 Triennial Plan program as modified and approved on November 11, 2022 (page 191).

c. Low-Income Programs Summary

Pages 94-96 of the Company's Triennial Plan provides an overview of CPE's low-income segment programs. For the 2024-2026 Triennial Plan, CPE states it plans to "expand upon the low-income offerings it delivered in the 2021-2023 period, with more investment as a percentage of residential gross operating revenue ("GOR") than previously budgeted. . . . The Company has not dramatically changed overall program designs but has updated the expected energy savings, participant goals, and program budgets to reflect results from the last triennial. In addition, like with its residential segment, CenterPoint Energy will begin offering to cover the costs of efficient fuel-switching measures ("EFS") (e.g., air-source heat pump with furnace back-up) in its low-income segment starting in the 2024-2026 triennial, as permitted under the ECO Act." The Company also provides a brief description of the low-income programs, summarized as follows:

- **Low-Income Weatherization (LIW):** leverages federal Weatherization Assistance Program dollars to provide no-cost energy efficiency services to low-income renters and homeowners. The services provided include a home energy audit, direct-install measures, heating system replacement, repair, and tune-up, water heating system replacement, and air sealing and insulation. Program participants will generally live in 1- 4 unit buildings but may also be renters in 5+ unit buildings.

- Low-Income Rental Efficiency (LIRE): offers incentives for comprehensive energy efficiency improvements to rental property owners with 1-4 unit buildings that are occupied by low-income households. In general, building owners are expected to contribute a portion of project costs unless they are able to demonstrate financial hardship.
- Homeowner Efficiency Lift Program: is a new program that engages with low- and moderate-income single-family homeowners who occupy their homes to encourage increased energy efficiency in their homes. Participants are eligible for more generous incentives than in the market-rate residential prescriptive rebate programs.
- Low-Income Free Heating System Tune-Up (SSSW): offers free furnace and boiler tune-ups and safety checks to income-eligible customers in 1-4 unit buildings. These services may be provided to qualifying residential customers every two years.
- Non-Profit Affordable Housing Rebates (NPAH): offers incentives to non-profit affordable housing agencies to install energy efficiency improvements in new home construction and retrofit projects. The program pathways include a prescriptive pathway where rebate amounts are based on the specific measures installed, and a performance pathway where incentives are tied to the levels of energy savings achieved above code.
- Low-Income Multi-Family Building Efficiency (LI MFBE): is jointly administered with CenterPoint Energy's market-rate MFBE program and is functionally the same program delivered by the same external implementer. The program offers incentives for comprehensive energy efficiency upgrades to rental property owners with 5+ unit buildings that are occupied by low-income households. The services provided include a building energy audit, direct-install measures, and prescriptive and custom rebates for additional energy savings measures.
- Low-Income Support and Awareness (LISA): is a new low-income offering and an indirect impact program. It is intended to increase participation in the Company's other low-income programs by helping customers navigate the Company's low-income offerings. The program will also help build relationships with community organizations that serve low-income populations in order to raise customer awareness of CenterPoint Energy's low-income programs and energy savings opportunities.

d. Other Programs Summary

Page 197 of the Company's Triennial Plan provides an overview of CPE's Other Programs segment, which "includes CIP programs that do not directly result in energy savings but do support the overall success of the Company's ECO portfolio." The Company also provides a brief description of the Other Projects programs, summarized as follows:

- Analysis, Evaluation, & Program Development: provides funding for the internal and external costs associated with researching, developing, testing, and integrating new offerings in the Company's ECO portfolio. These offerings can include both new technologies and new or revised project designs (page 198).

- Energy Efficiency Marketing & Awareness: provides funding to create general awareness marketing campaigns and promotions of the entire energy efficiency portfolio of programs and services activities, along with the benefits of energy efficiency and natural gas conservation. The program will focus on messaging directed at residential and business mass markets to reach as many customers as possible. The spending is expected to result in increased participation in the Company's ECO offerings by creating and raising awareness about the importance and benefits of energy efficiency improvement programs (page 202).
- Planning & Regulatory Affairs: provides for the recovery of expenses that are not program-specific, but apply to the overall ECO portfolio, such as regulatory reporting, budget tracking, and regulatory compliance filings. Along with the portion of other program budgets allocated to Utility Administration, the Planning & Regulatory Affairs program funds the staff salaries, benefits, expenses, and other administrative overhead associated with managing, tracking, and reporting on the Company's ECO portfolio. These expenses and the activities they support are essential for CenterPoint Energy to meet its regulatory obligations related to ECO and to participate in ongoing policy and regulatory discussions related to energy efficiency (page 204).
- EZ Pay On-Bill Loan: provides eligible residential customers with easy access to financing from authorized program lenders, for the purchase of qualifying home energy efficiency improvements that will help them conserve natural gas, and to conveniently pay for the financed improvements on their monthly [CPE] natural gas bill. Customers seeking financing for eligible products will work through authorized, participating trade allies. Once a customer is approved for a loan the customer will be billed for monthly loan installments on their natural gas bill. Customer payments will be transmitted to the lender(s) through the implementation partner. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan (page 205).
- Minnesota Efficient Technology Accelerator: The 92nd Minnesota Legislature (2021-2022) passed the Minnesota Efficient Technology Accelerator (ETA) which includes changes to the statutes governing CIP to allow for a nonprofit within Minnesota to run a market transformation program. On August 13, 2021, the Center for Energy and Environment (CEE) was approved to file a market transformation proposal. CEE filed a 5-year ETA plan that was approved by the Department on July 1, 2022, to begin implementing in 2023. This initial plan included 4 starter initiatives for gas or hybrid-fuel applications: 1) Hybrid Air-Source Heat Pumps, 2) High-Performance Windows, 3) High-Performance Roof-top Units, 4) Gas Heat Pump Technologies. [CPE] participates in ETA through coordination committees as well as collaboration through ad hoc means on specific starter initiatives. CEE will track and report the details of program performance in its annual reports. The Company will focus on reporting spending and energy savings in its annual ECO Status Reports (page 210).

Table 19. Proposed Annual Budgets, Participation, and Energy Savings Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Home Efficiency Rebates	\$10,612,750	\$10,930,884	\$11,454,208	290,428	292,526	295,356	31,075	31,315	31,565
DIY Home Efficiency	\$929,285	\$988,661	\$1,048,038	44,483	44,638	44,792	15,300	16,100	16,900
Home Insulation Rebates	\$1,840,375	\$1,850,681	\$1,868,487	31,752	32,015	32,540	2,400	2,900	3,900
Home Energy Reports	\$1,652,238	\$1,652,647	\$1,653,056	101,481	101,481	101,481	241,200	241,200	241,200
Home Energy Squad	\$2,965,151	\$2,977,231	\$2,989,312	34,960	34,960	34,960	7,500	7,500	7,500
High Efficiency Home	\$7,031,750	\$7,057,293	\$7,082,836	105,370	105,370	105,370	3,675	3,675	3,675
New Home Construction Rebates	\$650,620	\$695,109	\$739,598	14,843	15,253	15,663	4,550	4,575	4,600
Energy Efficiency Kits	\$426,313	\$428,618	\$430,923	21,733	21,733	21,733	17,500	17,500	17,500
Residential Code Compliance Support	\$150,982	\$125,399	\$129,118	0	0	11,449	1	1	1
Residential Segment	\$26,259,464	\$26,706,523	\$27,395,575	645,050	647,975	663,345	323,201	324,766	326,841
Low-Income Weatherization	\$3,962,192	\$4,164,930	\$4,405,094	16,285	16,285	16,285	2,276	2,276	2,276
Low-Income Rental Efficiency	\$1,089,758	\$1,080,836	\$1,100,894	2,846	2,846	2,846	325	325	325
Homeowner Efficiency Lift Program	\$1,413,092	\$2,770,412	\$4,052,731	6,746	13,511	13,511	837	1,674	1,674
Low-Income Free Heating System Tune-Up	\$163,563	\$167,842	\$172,121	1,828	1,828	1,828	1,200	1,200	1,200
Non-Profit Affordable Housing Rebates	\$703,373	\$695,592	\$697,954	2,708	2,708	2,708	465	465	465
Low-Income Multi-Family Housing Rebates	\$650,234	\$754,772	\$829,847	7,389	8,837	9,888	123	143	163
Low-Income Support and Awareness	\$323,125	\$329,235	\$335,345	0	0	0	800	1,600	1,650
Low-Income Segment	\$8,305,336	\$9,963,618	\$11,593,987	37,803	46,015	47,066	6,026	7,683	7,753
Commercial Foodservice Equipment Rebates	\$791,191	\$795,305	\$799,495	49,005	49,005	49,005	552	552	552
C&I Heating and Water Heating Rebates	\$3,360,212	\$3,385,802	\$3,411,393	718,081	723,672	729,263	5,929	5,984	6,039
C&I Custom Rebates	\$1,915,416	\$1,932,008	\$1,948,600	135,005	135,005	135,005	43	43	43
C&I Audit Services	\$701,962	\$779,148	\$852,640	8,538	8,538	8,538	246	266	286
Energy Design Assistance	\$1,778,875	\$1,780,078	\$1,781,282	155,772	155,772	155,772	68	68	68
Commercial Code Compliance Support	\$40,861	\$33,776	\$86,563	0	3,774	54,008	1	1	1

C&I Process Efficiency	\$324,515	\$325,729	\$326,943	14,326	14,326	14,326	15	15	15
C&I Training and Education	\$143,295	\$147,683	\$152,071	1,612	1,612	1,612	945	945	945
Benchmarking Services and Certification Assistance	\$173,371	\$179,375	\$185,379	0	0	0	1,320	1,420	1,520
Recommissioning Study & Rebates	\$237,057	\$237,531	\$238,006	15,730	15,730	15,730	26	26	26
Multi-Family Building Efficiency	\$1,469,447	\$1,625,295	\$1,730,158	64,055	65,904	67,766	571	581	591
Commercial/Industrial Segment	\$10,936,201	\$11,221,732	\$11,512,530	1,162,124	1,173,339	1,231,025	9,716	9,901	10,086
Analysis, Evaluation, & Program Development	\$1,487,000	\$1,495,089	\$1,503,178	0	0	0	0	0	0
Energy Efficiency Marketing & Awareness	\$1,002,000	\$1,002,000	\$1,002,000	0	0	0	0	0	0
Planning & Regulatory Affairs	\$250,000	\$260,000	\$270,000	0	0	0	0	0	0
EZ Pay On-Bill Loan	\$518,224	\$520,514	\$522,803	0	0	0	200	400	600
Other Programs Segment	\$3,257,224	\$3,277,603	\$3,297,981	0	0	0	200	400	600
Total CIP Portfolio	\$48,758,225	\$51,169,476	\$53,800,074	1,844,978	1,867,329	1,941,436	339,143	342,750	345,280
Home Efficiency Rebates	\$305,750	\$565,797	\$825,844	6,707	13,414	20,121	250	500	750
Home Energy Squad	\$60,563	\$60,704	\$60,846	0	0	0	375	375	375
High Efficiency Home	\$51,313	\$113,275	\$216,487	607	1,518	3,035	10	25	50
Homeowner Efficiency Lift Program	\$20,063	\$35,150	\$50,237	101	202	403	4	8	16
Efficient Fuel-Switching Segment	\$437,688	\$774,926	\$1,153,414	7,415	15,133	23,560	639	908	1,191
Total CIP and EFS Portfolio	\$49,195,913	\$51,944,402	\$54,953,488	1,852,393	1,882,462	1,964,996	339,782	343,658	346,471
Minnesota Efficient Technology Accelerator	\$847,138	\$1,561,452	\$1,648,309	0	0	0	0	0	0
Total ECO Portfolio	\$50,043,051	\$53,505,854	\$56,601,797	1,852,393	1,882,462	1,964,996	339,782	343,658	346,471

2. Programs Required by Statute

a. Facilitate Professional Engineering Verification to Qualify Buildings for Green Building Certification

Minnesota Statutes §216B.241 subd. 1f(c) requires utilities to include programs that facilitate professional engineering verification to qualify a building as Energy Star-labeled, Leadership in Energy and Environmental Design (LEED) certified, or Green Globes-certified. CPE proposes to offer rebates for LEED certification and Energy Star certification through its Energy Design Assistance and Benchmarking Services and Certification Assistance program. Staff conclude that the Company has met the requirement of Minnesota Statutes §216B.241 subd. 1f.

b. Support Goals Consistent with Sustainable Buildings 2030 Performance Standards

Minnesota Statutes §216B.241, subd. 9(e) requires utilities to implement ECO programs that are designed to achieve energy efficiency goals consistent with Sustainable Building 2030 (SB2030) performance standards. These programs must include design assistance and modeling, financial incentives, and the verification of the proper installation of energy-efficient design components in new and substantially reconstructed buildings. A utility's design assistance program must consider the strategic planting of trees and shrubs around buildings as an energy conservation strategy for the designed project. CPE supports SB2030 through the Company's Energy Design Assistance program, which provides "building design consultation, energy modeling services, design team cost reimbursement, and financial incentives toward implemented energy efficiency measures. A contracted external implementer will deliver the EDA program by working collaboratively with the design team and building owner to identify, quantify, and implement energy saving strategies." Staff conclude the Company has met the requirement of Minnesota Statutes §216B.241, subd. 9e.

c. Energy Efficiency Activities for Public Schools

Minnesota Statutes §216B.241, subd. 2(i) requires utilities to include activities to improve energy efficiency in public schools served by the utility. The activities must include programs to increase the efficiency of the school's lighting and heating and cooling systems, and to provide for building recommissioning, building operator training, and opportunities to educate students, teachers, and staff regarding energy efficiency measures implemented at the school. CPE proposes to include these required activities through the Company's commercial/industrial market segment programs (e.g., C&I Heating and Water Heating Rebates and C&I Training and Education) and through the Company's Energy Efficiency Kits residential program. Staff conclude the Company has met the requirement of Minnesota Statutes §216B.241, subd. 2(i).

d. Low-Income Energy Conservation and Efficient Fuel-Switching Programs

Minnesota Statutes §216B.241, subd. 7(a) requires that utilities provide energy conservation and EFS programs to low-income customers.

The Company proposes to offer the following energy conservation programs to low-income customers:

- Low-Income Weatherization (LIW): leverages federal Weatherization Assistance Program dollars to provide no-cost energy efficiency services to low-income renters and homeowners. The services provided include a home energy audit, direct-install measures, heating system replacement, repair, and tune-up, water heating system replacement, and air sealing and insulation. Program participants will generally live in 1- 4 unit buildings but may also be renters in 5+ unit buildings.
- Low-Income Rental Efficiency (LIRE): offers incentives for comprehensive energy efficiency improvements to rental property owners with 1-4 unit buildings that are occupied by low-income households. In general, building owners are expected to contribute a portion of project costs unless they are able to demonstrate financial hardship.
- Homeowner Efficiency Lift Program: is a new program that engages with low- and moderate-income single-family homeowners who occupy their homes to encourage increased energy efficiency in their homes. Participants are eligible for more generous incentives than in the market-rate residential prescriptive rebate programs.
- Low-Income Free Heating System Tune-Up (SSSW): offers free furnace and boiler tune-ups and safety checks to income-eligible customers in 1-4 unit buildings. These services may be provided to qualifying residential customers every two years.
- Non-Profit Affordable Housing Rebates (NPAH): offers incentives to non-profit affordable housing agencies to install energy efficiency improvements in new home construction and retrofit projects. The program pathways include a prescriptive pathway where rebate amounts are based on the specific measures installed, and a performance pathway where incentives are tied to the levels of energy savings achieved above code.
- Low-Income Multi-Family Building Efficiency (LI MFBE): is jointly administered with CenterPoint Energy's market-rate MFBE program and is functionally the same program delivered by the same external implementer. The program offers incentives for comprehensive energy efficiency upgrades to rental property owners with 5+ unit buildings that are occupied by low-income households. The services provided include a building energy audit, direct-install measures, and prescriptive and custom rebates for additional energy savings measures.
- Low-Income Support and Awareness (LISA): is a new low-income offering and an indirect impact program. It is intended to increase participation in the Company's other low-income programs by helping customers navigate the Company's low-income offerings. The program will also help build relationships with community organizations that serve low-income populations in order to raise customer awareness of CenterPoint Energy's low-income programs and energy savings opportunities.

The Company also proposes to offer air source heat pump rebates to low-income customers through some of CPE's low-income programs. For example, Staff note that the Homeowner Efficiency Lift Program includes EFS-specific proposed savings, spending, and participation goals. Pages 117-119 of the Company's Triennial Plan outline the Homeowner Efficiency Lift Program's EFS goals and supporting assumptions, such as:

The Company would offer the fuel-switching measures (i.e., ASHPs) listed in the Home Efficiency Rebates program through this program. Installing an ASHP for heating often can reduce gas use and increases electricity use with a net decrease in energy use. EFS would be subject to the same requirements as the rest of [the Homeowner Efficiency Lift Program] and the Company would cover the measure costs in the same way as described above. CenterPoint follow the Department’s EFS reporting guidance, for example, track and report EFS expenses separately and apply cost-effectiveness testing to EFS separate from the rest of [Homeowner Efficiency Lift Program].

Staff conclude that the Company has met the requirement of Minnesota Statutes §216B.241, subd. 7(a).

e. Summary of Staff Conclusions

Table 20 provides a summary of Staff’s conclusions regarding whether the Triennial Plan includes programs required by statute. Overall, Staff find that the Company has met the relevant requirements outlined in Minnesota Statutes §216B.241.

Table 20. Summary of Required Program Findings

Requirement	Pass/Fail
Green Building Certification	Pass
SB2030 Support	Pass
Energy Efficiency for Public Schools	Pass
Lighting Use and Recycling Programs	N/A
Low-Income Conservation and EFS Program Offerings	Pass

3. Optional Programs Mentioned in Statute

a. On-Bill Repayment Programs

Key Statutory Language

Minnesota Statutes §216B.241, subd. 5d allows, but does not require, utilities to include an on-bill repayment program as part of their Triennial Plan. The statute outlines specific requirements that such programs must adhere to, summarized as follows:

(a) For the purposes of this subdivision:

....

(2) "on-bill repayment program" means a program in which a utility collects on a customer's bill repayment of a loan to the customer by an eligible lender to finance the customer's investment

in eligible energy conservation or renewable energy projects, and remits loan repayments to the lender.

(b) A utility may include as part of its conservation improvement plan an on-bill repayment program to enable a customer to finance eligible projects with installment loans originated by an eligible lender. An eligible project is one that is either an energy conservation improvement, or a project installed on the customer's site that uses an eligible renewable energy source as that term is defined in section 216B.2411, subdivision 2, paragraph (b), but does not include mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste. An eligible renewable energy source also includes solar thermal technology that collects the sun's radiant energy and uses that energy to heat or cool air or water, and meets the requirements of section 216C.25. To be an eligible lender, a lender must:

- (1) have a federal or state charter and be eligible for federal deposit insurance;
- (2) be a government entity, including an entity established under chapter 469, that has authority to provide financial assistance for energy efficiency and renewable energy projects;
- (3) be a joint venture by utilities established under section 452.25; or
- (4) be licensed, certified, or otherwise have its lending activities overseen by a state or federal government agency.

The commissioner must allow a utility broad discretion in designing and implementing an on-bill repayment program, provided that the program complies with this subdivision.

....

(d) A public utility that implements an on-bill repayment program under this subdivision must enter into a contract with one or more eligible lenders that complies with the requirements of this subdivision and contains provisions addressing capital commitments, loan origination, transfer of loans to the public utility for on-bill repayment, and acceptance of loans returned due to delinquency or default.

....

(i) Energy savings from energy conservation improvements resulting from this section may be counted toward satisfying a utility's energy-savings goals under subdivision 1c.

(j) This subdivision does not require a utility to terminate or modify an existing financing program and does not prohibit a utility from establishing an on-bill financing program in which the utility provides the financing capital.

Program Description Summary

Within CPE's Other Programs segment, CPE proposes to offer the EZ Pay On-Bill Loan program (EZ Pay). CPE provides a description of the EZ Pay program on page 205 of its Triennial Plan, as follows:

CenterPoint Energy’s EZ Pay On-Bill Loan program provides eligible residential customers with easy access to financing from authorized program lenders, for the purchase of qualifying home energy efficiency improvements that will help them conserve natural gas, and to conveniently pay for the financed improvements on their monthly CenterPoint Energy natural gas bill. Customers seeking financing for eligible products will work through authorized, participating trade allies. Once a customer is approved for a loan the customer will be billed for monthly loan installments on their natural gas bill. Customer payments will be transmitted to the lender(s) through the implementation partner. This program continues the one approved in the previous 2021-2023 CIP Triennial Plan.

Proposed Goals and Cost-Effectiveness

Table 21 summarizes CPE’s proposed goals for the EZ Pay program. Staff note that these goals are similar to what were approved as part of CPE’s 2021-2023 Triennial Plan. Staff find the proposed goals to be reasonable.

Table 21. EZ Pay Program Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Analysis, Evaluation, & Program Development	\$1,487,000	\$1,495,089	\$1,503,178	0	0	0	0	0	0
Energy Efficiency Marketing & Awareness	\$1,002,000	\$1,002,000	\$1,002,000	0	0	0	0	0	0
Planning & Regulatory Affairs	\$250,000	\$260,000	\$270,000	0	0	0	0	0	0
EZ Pay On-Bill Loan	\$518,224	\$520,514	\$522,803	0	0	0	200	400	600
Other Programs Segment	\$3,257,224	\$3,277,603	\$3,297,981	0	0	0	200	400	600

Generally, indirect ECO programs “indirectly” support participation in other programs that promote the installation of equipment with “direct” savings. The EZ Pay On-Bill Loan program is categorized as an indirect program within CPE’s Other Programs segment. As such, traditional energy efficiency cost-effective analysis is not calculated as specified in Table 22. Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 22. EZ Pay Program Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Analysis, Evaluation, & Program Development	N/A	N/A	N/A	N/A	N/A
Energy Efficiency Marketing & Awareness	N/A	N/A	N/A	N/A	N/A
Planning & Regulatory Affairs	N/A	N/A	N/A	N/A	N/A

EZ Pay On-Bill Loan	N/A	N/A	N/A	N/A	N/A
Other Programs Segment	N/A	N/A	N/A	N/A	N/A

Eligible Customers

On page 205 of CPE’s Triennial Plan, the Company states that eligible customers include:

The program is available for the following types of active residential natural gas customers.

- Owner-Occupied property (primary residence)
- Non-resident owners of rental properties and the gas account is in the owner’s name

The gas account needs to be in good standing at the time of application.

- No more than \$50 in arrears
- If a customer has more than three past due payments within the past twelve months, CenterPoint Energy will review the payment history for that gas account. The lender will determine if the customer is eligible based on all loan requirements.

In addition, customers may need to meet other criteria as specified by program lenders, such as credit score or income criteria.

Eligible Trade Allies

On page 206 of CPE’s Triennial Plan, the Company states that eligible trade allies must meet the following criteria:

Participating trade allies may be HVAC dealers, home insulation/air sealing contractors or other trade ally companies that participate in the CenterPoint Energy’s residential rebate programs. Trade allies must be a licensed entity and in good standing as required by state law and local regulations, building codes and the Company’s Rebate Center and Air Insulation Rebate Program.

- All trade allies participating in EZ Pay On-Bill Loan will be required to sign a participation agreement and complete formal project training.
- Equipment funded by the EZ Pay On-Bill Loan program must be installed within 120 days of the issuance of the loan.
- The Company may establish additional trade ally requirements, as needed, that are aligned with reasonable lending requirements and consumer protections.

Eligible Lenders

On pages 206-207 of CPE’s Triennial Plan, the Company states that participating lenders must meet the following criteria:

- Have a federal or state charter and be eligible for federal deposit insurance;
- Be a government entity that has authority to provide financial assistance for energy efficiency and renewable energy projects; or
- Be licensed, certified, or otherwise have its lending activities overseen by a state or federal government agency.

- Program lenders will be required to comply with all applicable federal and state laws, rules, and regulations related to lending practices and consumer protection; to conform to reasonable and prudent lending standards; to provide loans on a non-discriminatory basis, and to adhere to all applicable program rules.

Loans

On pages 206-207 of CPE's Triennial Plan, the Company outlines the following information regarding the EZ Pay program's loan requirements:

Loans are funded by program lenders, not CenterPoint Energy.

- Maximum principal loan(s) amount may not exceed \$20,000 or the cost of eligible equipment or services, whichever is less
- Maximum loan term may not exceed 10 years
- Lenders will work with customers to determine the loan terms based on the cost of the project and meet the needs of the customers to repay the loan.

Lenders may also charge modest document preparation and credit report fees, which may be rolled into the loan financing package.

Customer payments for the EZ Pay On-Bill Loan program will be processed according to CenterPoint Energy Remittance/Settlement Processing protocols, which specify that payments are first applied to the utility portion of the bill and any other CenterPoint Energy charges. In addition, customers can direct additional loan principal payments or make early loan payoff through the Company's implementation vendor.

A customer may be removed from enrollment in the EZ Pay On-Bill Loan program if they:

- Are disconnected for non-payment of their natural gas bill;
- Fall three billing cycles in arrears on their EZ Pay On-Bill loan installment payments; or
- Move out of the property for which the loan was initially associated.

When customers are removed from the EZ Pay On-Bill Loan program, they will be notified and directed to the lender to establish an alternate payment method for future loan installments. Responsibility for the loan will remain with the customer/borrower, even if they move away from the property where the energy efficient equipment was installed; loan responsibility does not transfer to the new owner/occupant.

Staff Conclusions

Staff have reviewed the Company's proposed on-bill repayment program and conclude that the Company has met the requirements of Minnesota Statutes §216B.241, subd. 5d. Staff recommend the Deputy Commissioner approve the EZ Pay program.

b. Market Rate Efficient Fuel-Switching Programs

Key Statutory Language

Minnesota Statutes §216B.241, subd. 12 outlines the requirements applicable to gas utilities who propose programs that offer EFS improvements,⁴⁴ as follows:

(a) As part of a public utility's plan filed under subdivision 2, a public utility that provides natural gas service to Minnesota retail customers may propose one or more programs to install electric technologies that reduce the consumption of natural gas by the utility's retail customers as an energy conservation improvement. The commissioner may approve a proposed program if the commissioner, applying the technical criteria developed under section 216B.241, subdivision 1d, paragraph (e), determines that:

(1) the electric technology to be installed meets the criteria established under section 216B.241, subdivision 11, paragraph (d), clauses (1) and (2); and

Staff provide Minnesota Statutes §216B.241, subd. 11, paragraph d, clauses (1) and (2) below for reference:

(1) results in a net reduction in the amount of source energy consumed for a particular use, measured on a fuel-neutral basis;⁴⁵[⁴⁶]

(2) results in a net reduction of statewide greenhouse gas emissions as defined in section 216H.01, subdivision 2, over the lifetime of the improvement.

⁴⁴ Minnesota Statutes §216B.2402, subd. 4 provides a definition of an "efficient fuel-switching improvement," as follows:

"Efficient fuel-switching improvement" means a project that:

(1) replaces a fuel used by a customer with electricity or natural gas delivered at retail by a utility subject to section 216B.2403 or 216B.241;

(2) results in a net increase in the use of electricity or natural gas and a net decrease in source energy consumption on a fuel-neutral basis;

(3) otherwise meets the criteria established for . . . public utilities under section 216B.241, subdivisions 11 and 12; and

(4) requires the installation of equipment that utilizes electricity or natural gas, resulting in a reduction or elimination of the previous fuel used.

An efficient fuel-switching improvement is not an energy conservation improvement or energy efficiency even if the efficient fuel-switching improvement results in a net reduction in electricity or natural gas use. An efficient fuel-switching improvement does not include, and must not count toward any energy savings goal from, energy conservation improvements when fuel switching would result in an increase of greenhouse gas emissions into the atmosphere on an annual basis.

⁴⁵ Minnesota Statutes §216B.2402, subd. 9 provides a definition of "fuel neutral" as meaning "an approach that compares the use of various fuels for a given end use, using a common metric."

⁴⁶ Minnesota Statutes §216B.2402, subd. 8 provides a definition of "fuel" as meaning "energy, including electricity, propane, natural gas, heating oil, gasoline, diesel fuel, or steam, consumed by a retail utility customer."

(2) the program is cost-effective, considering the costs and benefits to ratepayers, the utility, participants, and society.

(b) If a program is approved by the commission under this subdivision, the public utility may count the program's energy savings toward its energy savings goal under section 216B.241, subdivision 1c. Notwithstanding section 216B.2402, subdivision 4, efficient fuel-switching achieved through programs approved under this subdivision is energy conservation.

Department Policy Guidance

In the March 15, 2022, Decision “Technical Guidance for the Inclusion of [EFS], Load Management, and Pre-Weatherization Measures in CIP,”⁴⁷ the Commissioner provides a statutory summary relating to EFS elements of the ECO Act, a discussion of general concepts related to EFS, step-by-step guidance to utilities to assess and qualify EFS improvements, and additional considerations. For reference, in Appendix A of this Proposed Decision, Staff provide a summary of the March 15 Technical Guidance as it relates to the step-by-step process that utilities are required to use to assess measures and projects for qualification as EFS improvements.

Additionally, the March 15, 2022, Technical Guidance provided an interim custom process for assessing the cost-effectiveness of EFS programs (Step 6 in Appendix A of this Proposed Decision). In the March 31, 2023, Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs,”⁴⁸ the Deputy Commissioner approved the cost-effectiveness methodologies and assumptions that IOUs are required to use for their 2024-2026 Triennial Plans, which included an expanded methodology for evaluating EFS program cost-effectiveness. Staff have included the March 31, 2023, EFS cost-effectiveness guidance in Appendix B of this Proposed Decision. Staff also provide a brief summary below of key requirements from the March 31, 2023, guidance regarding EFS cost-effectiveness information that utilities are required to submit with their Triennial Plans:

- Demonstration that the overall portfolio and designated segments are cost-effective based on the Minnesota Test⁴⁹;
- Presentation of portfolio, segment, and program cost-effectiveness results based on the Minnesota Test and the following secondary tests – Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), Ratepayer Impact Test (RIM);
- Creation of an EFS segment that contains only EFS measures;
- For EFS improvements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, and the PCT (natural gas utilities also include RIM);

⁴⁷ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

⁴⁸ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

⁴⁹ The Low-Income segment is excluded from this requirement. Utilities need not demonstrate that the segment is cost-effective. See third bullet related to the EFS segment.

- For LM programs and programs that include LM elements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, PCT, and RIM;
- Methods for allocating costs for EFS, LM, and EE measures to programs that include multiple program types, and
- How the utility evaluated cost-effectiveness for programs that include LM and EE or EFS elements based on each of the program types associated with the program.

Proposed Goals

On pages 28-33 of the Triennial Plan, CPE includes the proposed savings, spending, and participation goals for the Company’s EFS segment and the EFS segment’s goals contain only EFS measures. The EFS segment’s goals are summarized in Table 23. Staff note that all four of the individual programs within the EFS segment are also included in CPE’s other non-EFS segments (i.e. as part of the Residential and Low-Income segments), meaning the customer-facing services offered through these programs will include a mixture of EFS and non-EFS measures.

Table 23. Proposed EFS Program Goals

Program and Segment	Proposed Spending			Proposed Savings (Dth)			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Home Efficiency Rebates	\$305,750	\$565,797	\$825,844	6,707	13,414	20,121	250	500	750
Home Energy Squad	\$60,563	\$60,704	\$60,846	0	0	0	375	375	375
High Efficiency Home	\$51,313	\$113,275	\$216,487	607	1,518	3,035	10	25	50
Homeowner Efficiency Lift Program	\$20,063	\$35,150	\$50,237	101	202	403	4	8	16
EFS Segment	\$437,688	\$774,926	\$1,153,414	7,415	15,133	23,560	639	908	1,191

Staff also note that CPE’s Triennial Plan has programs where the Company proposes to include EFS measures, but these programs do not have associated EFS goals (i.e. EFS savings, spending, or participation goals). Staff believe this is the case for the following programs:

- New Home Construction Rebates
- Low-Income Weatherization
- Low-Income Rental Efficiency
- Non-Profit Affordable Housing Rebates
- C&I Custom and Engineering Assistance Rebates
- Energy Design Assistance.

CPE’s general justification for this approach is that the Company does not expect EFS participation in these programs, but would still like the flexibility to rebate EFS measures within the programs’ proposed budget should any EFS projects arise. Staff note that the EFS measures include ASHPs that use the same measure technical assumptions as CPE’s other programs that do explicitly include EFS goals (i.e. CPE’s EFS segment programs). CPE says the Company will follow the Department’s EFS reporting guidance (e.g. track and report EFS separately and apply cost-effectiveness testing to EFS separately) and report installation of any EFS measures in its Status Reports. Staff finds CPE’s EFS approach reasonable provided actual EFS spending stays under the EFS spending cap, that CPE follows the Department’s EFS reporting guidance in its annual ECO status reports, and recognizing that the Department may require

CPE to file a formal modification to its Triennial Plan with updated EFS goals if Staff find that there is significant EFS participation within these programs when reviewing CPE’s annual ECO status reports.

Program Descriptions and Eligible Measures

Drawing from the narrative included on pages 37-38 and Pages 94-96 of the Company’s Triennial Plan, Staff provide a summary description of programs within the EFS segment, as follows:

- Home Efficiency Rebates: This program is aimed at customers who seek to replace or upgrade their home appliances. The program continues to offer incentives for high-efficiency heating and water heating systems, programmable thermostats, pilotless hearth, ENERGY STAR® gas dryers, and combination space heating and water heating appliances.
- Home Energy Squad: Through this program, customers can receive everything from basic information about how their home uses energy to customized recommendations and assistance scheduling contractors to perform upgrades. During the same visit, they can start saving immediately through direct installation of energy savings measures.
- High-Efficiency Homes: This program helps connect builders with home rating services for building design recommendations, and it provides incentives for going above and beyond the efficiency requirements of the Minnesota Residential Energy Code.
- Homeowner Efficiency Lift Program: is a new program that engages with low- and moderate-income single-family homeowners who occupy their homes to encourage increased energy efficiency in their homes. Participants are eligible for more generous incentives than in the market-rate residential prescriptive rebate programs.

Within these four EFS segment programs, CPE proposes to offer rebates for ASHPs as an EFS measure:

- Home Efficiency Rebates (pages 45-46 of Triennial Plan):
 - Measures rebated through this program will include the following ducted ASHP configurations:
 - ASHP with existing furnace: The program will provide rebates for an ASHP replacing the existing cooling system and configured to provide at least shoulder month home heating. To qualify for a rebate, the heat pump must have a minimum heating seasonal performance factor 2 (“HSPF2”) of 7.8. The Company will require information about the existing back-up furnace along with the installed ASHP.
 - ASHP with a gas back-up (replacement or new construction): The program will provide rebates for an ASHP replacing the existing cooling system and configured to provide at least shoulder month home heating along with a high-efficiency back-up furnace. To qualify for a rebate, the heat pump must have a minimum heating seasonal performance factor 2 (“HSPF2”) of 7.8 and the furnace must have an AFUE of 92 percent or greater.
- Home Energy Squad (page 68 of Triennial Plan):

- The Company proposes here budget to cover the costs of developing and implementing changes to the Home Energy Squad program to incorporate ASHP as a part of audits and reports.
- High Efficiency Home (page 75 of Triennial Plan):
 - CenterPoint Energy proposes to begin allowing ASHP measures in High-Efficiency Homes projects.
- Homeowner Efficiency Lift Program (page 117 of Triennial Plan):
 - The Company would offer the fuel-switching measures (i.e., ASHPs) listed in the Home Efficiency Rebates program through this program.

Staff provide additional detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section of this Proposed Decision.

Cost-Effectiveness

CPE included the cost-effectiveness results for its EFS programs and segment on page 20 of the Triennial Plan. Staff have summarized the EFS segment’s cost-effectiveness results in Table 24.

Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. Staff find the Company’s EFS segment is cost-effective according to the MCT, UCT, SCT, and PCT.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 24. EFS Segment Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Home Efficiency Rebates	0.62	3.09	1.02	1.36	1.37
Home Energy Squad	N/A	N/A	N/A	N/A	N/A
High Efficiency Home	0.53	1.60	1.16	1.70	1.52
Homeowner Efficiency Lift Program	0.44	0.99	0.79	1.61	0.92
EFS Segment	0.60	2.65	1.03	1.42	1.36

Information Requests

Below are program design Information Requests that Staff submitted to CPE, the Company’s responses, and Staff’s recommendations. Staff also submitted several Information Requests related to EFS measure technical assumptions. Please see the “Measure-Level Analysis” section in this Proposed Decision for Staff’s findings and recommendations related to those Information Requests.

Potential Double Counting of Savings from EFS Measures Rebated in Overlapping Service Territories Information Request

On September 15, 2023, Staff submitted the following Information Request to CPE:

Staff request that CenterPoint Energy (CPE or the Company) discuss how both CPE and Xcel Energy (Xcel) will avoid double counting energy savings generally and also specifically in cases where Xcel would apply its “geographic consistency” proposal and offer incremental rebates to non-gas customers for air source heat pumps.

For context, Xcel’s “geographic consistency” proposal is described on page 200 of Xcel’s 2024-2026 Triennial Plan, as follows:

CenterPoint Energy, and possibly other natural gas utilities, may offer their gas customers a smaller gas EFS rebate than the amount proposed here. To ensure that all Xcel Energy customers – natural gas, electric, or combination – are able to receive the same rebate amount for the same measure, the Company proposes a “Geographic Consistency” policy. Through this policy, the Company will use electric EFS funding to make up the difference between the incentive paid by a customer’s gas utility for a given EFS measure and the amount the customer would have received if they received natural gas service from Xcel Energy.

On September 25, 2023, CPE responded to Staff’s Information Request, as follows:

CenterPoint Energy is not completely clear on what the Department means by avoiding double counting of energy savings generally from EFS measures because it only has control over its own programs. The Company is interpreting this part of the question to be asking how it will raise awareness that it is offering a rebate for and claiming heating system savings, including from electric measures like ASHPs. The Company’s residential equipment programs are primarily administered by trade allies and it will work with trade allies to ensure they are aware that their customers are potentially eligible for rebates from both the gas and electric utility for heating and cooling savings, respectively. Regarding raising awareness with other electric utilities, the Company plans to reach out to the major electric utilities (mainly co-ops) in the communities served by the Company to ensure they are aware of the Company’s heating rebate. The Company will be monitoring program participation for potentially other relevant electric utility service territories.

That said, the majority of CenterPoint Energy customers interested in ASHPs are in joint Xcel Energy areas and double counting of energy savings in communities served by the Company and Xcel Energy is unlikely to occur. The Company’s understanding is that Xcel Energy is not claiming gas heating energy savings when it is not the gas heating provider. The Company plans to claim net gas savings (i.e., gross gas savings minus increased electricity use) from its system.

Staff appreciate CPE’s Information Request response and provide some additional context below around the potential double counting issue. A single measure (or project) could include multiple measure elements. Take, for example, an air-source heat pump measure that switches from gas to electric and has load control capabilities. Per the Commissioner’s March 15, 2022, Technical Guidance,⁵⁰ utilities

⁵⁰ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” March 15, 2022. Docket No. E,G999/CIP-21-837.

would convert this measure's BTU savings into the sponsoring utility's fuel designation (i.e. gas utilities convert BTUs to therms and electric utilities convert BTUs to kWh). The potential problem arises because this same air-source heat pump measure could include up to three categories of savings:

1. EFS savings associated with converting the measure's overall net BTU reductions into the utility's primary fuel.
2. Energy conservation savings associated with cooling efficiency improvements (e.g., similar to a traditional electric utility rebate for a 16 SEER air conditioner which saves energy compared to the baseline 13 SEER air conditioner).
3. Load management savings (if the equipment will be controlled as part of enrollment in a utility program).

Staff believe that there could be potential double counting of energy savings from EFS measures that are rebated in overlapping utility service territories. For example, when CPE and Xcel Energy both pay part of an air-source heat pump rebate, there is a possibility that both utilities might both claim the cooling electric efficiency savings. Staff recommend that when multiple utilities provide rebates for the same EFS measure, the utilities should coordinate with one another to make sure there is no double counting of energy conservation savings from the EFS measure's total savings claim.

Home Efficiency Rebates Information Request

On August 28, 2023, Staff submitted the following Information Request to CPE:

On pages 39-49 of CenterPoint Energy's (CPE or the Company) 2024-2026 Triennial Plan, the Company provides a description of its proposed Home Efficiency Rebates program.

Related to the air source heat pump (ASHP) efficient fuel-switching measure that the Company proposes to offer in the program, on page 45 CPE notes that the Company "has collaborated with Xcel Energy with the goal of establishing similar technical assumptions, program policies, and incentive levels for ASHPs. . . . However, the two companies could not reach agreement on the appropriate level of incentive for ASHP. This is primarily related to a difference in objectives. The Company's understanding is that Xcel Energy is interested in pursuing a market transformation approach based on their experiences in Colorado. The Company's approach has been to treat ASHPs as typical energy efficiency in its program design of rebate tiers and supporting services (e.g., audits and loans) for customers interested ASHPs."

Staff request that CPE discuss in more detail the Company's approach to setting the level of incentive for ASHPs offered through this program and why CPE believes its level of incentive is appropriate. Staff also request that CPE expand upon how CPE's and Xcel Energy's different objectives led to differences in the level of incentives for this measure.

On September 7, 2023, CPE submitted a response to Staff's Information Request, as follows:

CenterPoint Energy's main approach for developing its rebate schedule for ASHPs is based on feedback from local trade allies on what amount would be effective in moving receptive customers to install a hybrid heating system (i.e., ASHP with gas furnace back-up) for shoulder

month heating. Responses ranged, but the company chose a round number in the middle of \$1,000 for the ASHP with a 97 percent AFUE furnace. The Company also evaluated this amount in the context of its other heating system offerings to ensure reasonableness relative to its other rebate offerings. For example, for retrofit equipment:

- The proposed rebate for heating systems with ASHPs ranges from \$21-37 per dekatherm (Dth) of net energy savings. This is compared to \$16-40 per Dth for gas furnaces.

- The incremental costs covered by the heating and cooling systems with ASHPs ranged from 37 percent to 46 percent. This is compared to 28 percent to 57 percent for gas furnaces.

CenterPoint Energy can't speak on behalf of Xcel Energy in explaining the specifics of its approach. However, the Company's general understanding is that Xcel Energy began offering ASHP measures in its Colorado market with some market uptake, but less than expected or desired. That performance forms the basis of Xcel Energy's rebate proposal for achieving its goals in the Minnesota market.

CenterPoint Energy prefers to rely on input from its trade ally network in beginning to offer this measure in its ECO portfolio. Other considerations in the Company's approach included the availability of the EZ Pay On-Bill Loan program for financing heating and cooling systems as well as recent federal policy incentivizing heat pumps. However, as noted in Reply Comment the Company is willing to reconsider rebate levels as it gains experience in the Minnesota market under conditions in 2024-2026.

Staff appreciate CPE's Information Request response. There is additional discussion and recommendations about improving the alignment between Xcel Energy's and CPE's air source heat pump rebates in the "Comments by Interested Parties" section of this Proposed Decision. Staff's recommendation about this issue can also be found in the "Comments by Interested Parties" section.

Home Energy Squad Information Request

On August 28, 2023, Staff submitted the following Information Request to CPE:

On pages 64-70 of CenterPoint Energy's (CPE or the Company) 2024-2026 Triennial Plan, the Company provides a description of its proposed Home Energy Squad program.

On page 68, CPE proposes to use some of the program's "budget to cover the costs of developing and implementing changes to the Home Energy Squad program to incorporate [air source heat pumps] as a part of audits and reports."

Staff request that the Company describe what it has in mind in terms incorporating air source heat pumps as a part of audits and reports. How would this interact with CPE's other programs? Will candidates for ASHP installation be directed to CPE's other programs to potentially receive a rebate for installing an air source heat pump?

On September 7, 2022, CPE submitted the following response to Staff's Information Request:

Where feasible for the home, CenterPoint Energy, would incorporate ASHPs into its existing home audit and report processes as a potential measure for shoulder month heating. The Company intention is to provide information on potential heating system configurations along with estimates of energy and bill savings and greenhouse gas emission reductions in a customer's report.

As part of program delivery, CenterPoint Energy would also provide information and answer questions regarding ASHPs for customers that are interested in purchasing. Along with information on ASHPs, the Company will provide information on rebate programs and aid the customer in finding energy efficiency improvements that will help them to reduce and manage their energy usage. In particular, the Company expects to recommend customers to complete weatherization measures before installing ASHPs and support customers in doing so through Home Energy Squad (e.g., loan products and advisory services) and Home Insulation Rebates.

As part of program delivery, CenterPoint Energy would direct the program implementor to include ASHPs information and recommendations as part of their monthly reporting. The Company would also evaluate Home Energy Squad participants participation in its other programs.

Staff appreciate CPE's Information Request response. Staff find the Company's explanation to be reasonable.

Staff Conclusions

Staff have reviewed the Company's proposed EFS programs and conclude that the Company has met the requirements of Minnesota Statutes §216B.241, subd. 12 and the Department's required policy guidance outlined above. Staff recommend that the Deputy Commissioner approve the Company's EFS segment programs.

c. Load Management Programs

Key Statutory Language

Minnesota Statutes §216B.241, subd. 13 outlines the requirements applicable to utilities who propose to offer load management⁵¹ programs, summarized as follows:

(a) A public utility may include in the utility's plan required under subdivision 2 programs to implement load management activities, or combinations of energy conservation improvements, fuel-switching improvements, and load management activities. For each program the public

⁵¹ Minnesota Statutes §216B.2402 subd. 15 defines "load management" as follows:

- An activity, service, or technology that changes the timing or the efficiency of a customer's use of energy that allows a utility or a customer to:
 - respond to local and regional energy system conditions; or
 - reduce peak demand for electricity or natural gas.
- Load management that reduces a customer's net annual energy consumption is also energy conservation.

utility must provide a proposed budget, cost-effectiveness analysis, and estimated net energy and demand savings.

(b) The commissioner may approve a proposed program if the commissioner determines the program is cost-effective, considering the costs and benefits to ratepayers, the utility, participants, and society.

Department Policy Guidance

Ultimately, load management program cost-effectiveness determines eligibility for inclusion in ECO. In the March 15, 2022, Decision “Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP,”⁵² the Commissioner provided an interim custom process for the implementation of cost-effective load management programs as described in Minn. Stat. § 216B.241, subd. 13. In the March 31, 2023, Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs,”⁵³ the Deputy Commissioner approved the cost-effectiveness methodologies and assumptions that IOUs are required to use for their 2024-2026 Triennial Plans, which included a detailed methodology for load management program cost-effectiveness. Staff have included the March 31, 2023, load management cost-effectiveness guidance in Appendix B of this Proposed Decision. Staff also provide a brief summary below of key requirements from the March 31, 2023, guidance regarding load management program cost-effectiveness information that utilities are required to submit with their Triennial Plans:

- Demonstration that the overall portfolio and designated segments are cost-effective based on the Minnesota Test⁵⁴;
- Presentation of portfolio, segment, and program cost-effectiveness results based on the Minnesota Test and the following secondary tests – Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), Ratepayer Impact Test (RIM);
- Creation of an EFS segment that contains only EFS measures;
- For EFS improvements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, and the PCT (natural gas utilities also include RIM);
- For LM programs and programs that include LM elements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, PCT, and RIM;
- Methods for allocating costs for EFS, LM, and EE measures to programs that include multiple program types, and
- How the utility evaluated cost-effectiveness for programs that include LM and EE or EFS elements based on each of the program types associated with the program.

⁵² “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

⁵³ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

⁵⁴ The Low-Income segment is excluded from this requirement. Utilities need not demonstrate that the segment is cost-effective. See third bullet related to the EFS segment.

Staff Conclusions

Staff find that CPE did not propose including a load management program as part of its 2024-2026 Triennial Plan. Should the Company later determine that inclusion of these technologies would be beneficial, Staff encourage the company to propose adding them through a program modification.

4. Third-Party Program Offerings

a. Alternative ECO Programs

Key Statutory Language

Minn. Stat. §216B.241, subd. 2(f) provide that “[t]he commissioner shall consider and may require a public utility to undertake an energy conservation program suggested by an outside source, including a political subdivision, a nonprofit corporation, or community organization.”

Department Policy Guidance

Minnesota Rules 7690.0200 states that:

the purpose of [ECO Rules] is to specify procedures to be followed by public utilities in submitting, and by the department in analyzing and selecting, proposals for [ECO programs] and to provide for the participation of other interested persons in developing conservation improvement programs.

Minnesota Rules 7690.1430 allows that “[...] political subdivisions and nonprofit and community organizations, may submit alternative projects for inclusion in a utility's conservation improvement program at any time.” In practice, the Department previously referred to these alternative projects as “alternative conservation improvement programs” or “alternative CIPs.” They are now referred to as “Alternative ECO programs.” Minnesota Rules 7690.1430 references the following items listed in Minnesota Rules 7690.0500 as the required contents of a proposal for an alternative ECO program:

1. a comprehensive description of the proposed program, including a description of each project making up the program;
2. for each individual project, a completed project information sheet that will be provided by the department;
3. for each project making up the program, a description of the expected effect of each project on peak demand and energy consumption with supporting assumptions, including a list of each conservation technology or process to be promoted and the energy- and demand-savings assumptions associated with each identified technology;
4. an estimate of the expected cost-effectiveness of each project to the utility, to the project's participants, to the utility's ratepayers, and to society;
5. for each project targeted at residential consumers, an estimate of the anticipated percentage of use of each project among:
 - low-income participants; and
 - renters;
6. a detailed budget for each project for the next two years;

7. a description of the utility's ratemaking treatment and cost-recovery method⁵⁵;
8. an estimate of participation in each project;
9. an explanation of how the proposed projects provide for the involvement of community energy organizations when appropriate;
10. an outline of the proposed plan for evaluating the effectiveness of each proposed project;
11. for each renewable energy project, an estimate of the net energy and capacity to be produced by each project and the projected reliability of the technology that would be used; and
12. additional information that the department determines is necessary as a result of its review or evaluation of previous projects of the particular utility.

Minnesota Rules Chapter 7690 (Rules) was adopted in 1998⁵⁶ and has been minimally updated since then. However, the Rules continue to serve as a major component of the ECO policy framework even though there have been significant changes to the ECO Statutes since the Rules were adopted. For practical purposes, all alternative ECO programs to date contain a single project. Also, while the Rules clearly state that an alternative ECO program may be submitted at any time, a consensus has developed among all interested parties to date that submitting alternative ECO program proposals at the same time that utilities submit their ECO Triennial Plans makes the process of reviewing alternative ECO programs more efficient.

The majority of alternative ECO programs to date have been put forward by nonprofit organizations that have ties to a specific audience of utility customers (e.g., small businesses, nonprofit organizations). The alternative ECO program administrator in effect conducts outreach and assistance to its audience in order to increase the participation by this audience in other existing programs contained in the utilities' ECO Plans. Therefore, alternative ECO programs have the potential to deliver innovative programs, reach difficult market segments, and achieve additional energy savings that would not happen without them. However, since the energy savings actions that a program participant ultimately makes is typically attributed to prescriptive utilities rebate programs, the alternative ECO programs are referred to as "indirect" programs. They are "indirect" programs because the administrator does not "directly" deliver energy savings but rather "indirectly" supports participation in other programs that promote the installation of equipment with "direct" savings. Traditional energy efficiency cost-effective analysis is not calculated for indirect programs as specified in number 4 on the list of proposal contents; because the energy savings attributed to indirect programs is zero, there is no meaningful cost-benefit ratio.

The Department, utilities, and interested parties are generally confident that alternative ECO programs, like indirect programs administered by utilities, have value. These parties also share a concern that ratepayer funds be used effectively. While traditional cost-effectiveness analysis is not appropriate for most alternative ECO programs, the Department has discussed with utilities and alternative ECO program administrators ideas about how to feasibly demonstrate the impact of alternative ECO programs.⁵⁷

⁵⁵ Staff note that some third parties may not have sufficient information or knowledge of utility regulation to provide this information. However, third parties should have a general knowledge of what ratepayer funded utility energy efficiency program are and be aware that funding for CIP programs originates from fees paid by utility customers.

⁵⁶ Minnesota State Registrar Vol 22, No 33, page 1402. This issue of the State Registrar was published on Tues February 17, 1998.

⁵⁷ Staff held a meeting with alternative CIP administrators to discuss evaluation criteria to measure the performance of alternative CIPs on April 26, 2017.

Using the Department’s authority listed in Minnesota Rules 7690.0500 to require additional information that the Department determines is necessary as a result of its review or evaluation, Staff propose that the Deputy Commissioner adopt a list of additional information to be included in future alternative ECO program proposals and associated annual status reports. Staff believe that tracking and reporting this information will maintain or improve the quality of alternative ECO programs and increase the understanding by all parties of the program design of each alternative ECO program.

Staff recommend that the Deputy Commissioner require the following a list of additional information to be included in future alternative ECO program proposals and associated annual status reports. The annual status report for each alternative ECO program should include, at a minimum, a statement addressing each of the following topics⁵⁸:

- Does the program fill in a programmatic gap or address a market segment that is not effectively covered by other utility programs?
- Does the provider have unique capabilities, bring in new partnerships that can advance ECO participation, or reside in a unique position in the marketplace that allows them to deliver programs that the utility could not effectively deliver?
- Does the program or the proposer have a successful track record of reaching customers and getting them to take energy savings actions (through other utility programs) that would not have otherwise happened?
- Does the program have the support of the host utility?
- Can the program clearly demonstrate impact?
- Does the program test an innovative approach that could advance ECO programs more generally?
- Does the proposer have the capabilities to deliver the program?
- Is there an evaluation plan in place that will ensure the program continues to provide the best value for Minnesota ratepayers?

Staff welcome and encourage comments from interested parties on any of the proposed topics listed above. Staff also invite interested parties to submit additional topics for the Deputy Commissioner’s consideration.

Energy Smart Alternative ECO Program (Docket Number: 23-100)

On June 30, 2023, Minnesota Waste Wise Foundation (MWWF) filed a proposal to include the Energy Smart Alternative ECO program as part of CPE’s 2024-2026 Triennial Plan.⁵⁹ The program is described on page 4 of MWWF’s proposal:

⁵⁸ During the review of 2017-2019 CIP Plans and alternative CIPs in 2016, Center for Energy and Environment suggested these criteria as a starting point for developing a list of topics to be used for evaluating an alternative CIP proposal in response to comments made by CenterPoint Energy. These Reply Comments by CEE were filed July 28, 2016 in dockets 16-115.04, 16-119.01, 16-119.02.

⁵⁹ “The Minnesota Waste Wise Foundation Alternative CIP Proposal for Energy Smart Program Inclusion in CenterPoint Energy’s 2024-2026 ECO Program Plans.” Minnesota Waste Wise Foundation. June 30, 2023. Docket No. CIP-23-100.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={E0CC0D89-0000-C818-AC53-1A5CF40E5B1F}&documentTitle=20236-197139-01>

Energy Smart is a business energy consultation program developed by the Minnesota Waste Wise Foundation (MWWF), a 501(c)3 affiliate of the Minnesota Chamber of Commerce. The goal of Energy Smart is to motivate small and medium sized businesses to participate in existing utility Energy Conservation and Optimization (ECO) programs by leveraging business community connections through the Minnesota Chamber of Commerce and other strategic partners. . . .

Energy Smart has been included in CenterPoint Energy’s triennial filings since 2017. Through this most recent and challenging triennial, which included a global pandemic and civil unrest, Energy Smart continued to provide consultations to 498 CenterPoint Energy customers. The program showed its ability to react quickly to changing needs by enrolling 15 businesses in CenterPoint Energy’s “rebuild” rebate program. This program offered enhanced incentives for businesses damaged during civil unrest in 2020.

Throughout the program’s history, Energy Smart has met with over 4,400 businesses to conduct energy consultations. These have been offered at no cost since the program’s inception to evaluate a business’s energy efficiency goals and identify opportunities. Energy Smart offers implementation assistance to complete energy efficiency improvements and earn utility rebates. When another utility program, such as an in-depth energy audit may be a better fit, Energy Smart works to enroll the business in this service. Our goal is to be knowledgeable of all host utility ECO program offerings, identify a business’s best opportunities, and motivate them to act.

Page 5 of the proposal summarizes Energy Smart’s 2020-2023 ECO achievements in CPE’s service area:

- Number of New Businesses Directly Contacted: 3,925
- Number of Follow Up Communication Attempts: 2,966
- Number of On-Site Energy Consultations Completed: 547
- Number of Behavioral Change Recommendations Made: 627
- Number of Specific CIP Recommendations Made: 1,196
- Number of Natural Gas Upgrades Completed: 77
- Dekatherm Savings: 27,707
- Program Cost Per Dth Saved: \$17.19 average

For the 2024-2026 triennium, MWWF states that the Energy Smart program will focus on providing the following key services to CPE commercial customers:

- On-site energy consultations
- Ongoing technical assistance
- Strategic follow-up: overcoming barriers
- Referral to key account manager
- Behavioral change assistance

Based on an examination of the Energy Smart program’s design, below are Staff’s recommendations to the Deputy Commissioner regarding the Energy Smart Alternative ECO program:

- Staff believe that the Energy Smart program provides services that are useful in assisting small and medium-sized business customers to identify, prioritize, and implement energy efficiency measures.
- Staff find that MWWF has provided the information that is required as part of a proposal for an alternative ECO program.

- Staff recommend that the Deputy Commissioner approve the continuation of the Energy Smart program for CPE’s 2024-2026 Triennial Plan, according to the goals outlined in Table 25.

Table 25. Proposed Energy Smart Goals

Proposed Budget			Proposed Energy Savings (Dth) ⁶⁰			Proposed Participation		
2024	2025	2026	2024	2025	2026	2024	2025	2026
\$199,000	\$208,400	\$218,260	7,960	8,336	8,730	205	205	205

EnerChange Alternative ECO Program (Docket Number: 23-101)

On June 28, 2023, EnerChange filed a proposal to include the EnerChange Alternative ECO program as part of CPE’s 2024-2026 Triennial Plan.⁶¹ A description of the program’s focus is included on page 12 of the proposal:

As a general rule, nonprofits tend to have less expertise in facility management than their corporate counterparts. Very often, organization executives or staff members are designated facility management responsibilities that are added to their primary job description. . . . EnerChange’s ability to offer our services at no cost to the nonprofit sector allows us to spend the significant amount of time and the level of education that it takes to recruit and nurture program participants. . . .While nonprofit leaders intellectually understand the value of efficiency, the sweet spot of their focus is understandably program delivery. As budgets are stressed – now more than ever after the impact of the pandemic – that focus is even more prominent. That’s why EnerChange’s promise to “take over the process for them” as soon as permission to access their energy usage is granted, plays so well with these clients. We take the hassle out of the process for them, and program participants like and appreciate that very much.

Page 25 of EnerChange’s proposal summarizes the total number of rebated projects that EnerChange’s CPE clients implemented during the 2021-2023 triennial period. However, it was later discovered that the data contained errors. Staff report the corrected statistics below that EnerChange submitted as part of its September 20, 2023, reply comments:

- Total Dekatherms Saved: 4,453.5
- Total Rebate Count: 35
- Total Rebate Amount: \$24,475

⁶⁰ As noted on page 5 of the proposal, as an indirect Alternative ECO Program, “Energy Smart does not capture energy savings directly, but makes all efforts to document influenced projects that receive utility rebates. All reported savings are received directly from CenterPoint Energy.” Energy Smart focuses on providing implementation assistance by directing businesses to CPE’s ECO programs, but Energy Smart does not directly claim energy savings.

⁶¹ “Triennial Funding Request for EnerChange.” EnerChange. June 28, 2023. Docket No. CIP-23-101. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90F80789-0000-C01C-A22D-0482D1E6EA8A}&documentTitle=20236-196996-01>

In EnerChange’s initial proposal, it included two “bonus” additional services that it proposed to implement for CPE clients during the 2024-2026 triennial period. This included a “Scorecards” service and another activity for “Elementary Installation Corps.”

As part of its August 12, 2023, written comments, CPE raised several concerns about EnerChange’s proposed “bonus” services, summarized as follows:

- The proposed Scorecard program service in its current state presents a vague method for influencing energy usage for participating customers.
- The proposed Elementary Installation Corps program service may overlap with existing programs including NGEA. Larger energy users that could be customers of the Elementary Installation Corps also require more in-depth implementation and verification. This would be a much heavier lift than specifically targeting smaller non-profits.
- The Company suggests an approach that results in collaboration between EnerChange and the Company. This would ensure continued engagement with non-profit organizations in CIP.

As part of its reply comments submitted on September 20, 2023, EnerChange responded to the concerns raised by CPE, summarized as follows:

- EnerChange apologizes for the late reply comments submission.
- Having reviewed the Comments from both CPE and Xcel Energy, EnerChange respectfully withdraws its request for pursuing the 3 “Bonus” opportunities described in EnerChange’s Application document.
- The budget summary in EnerChange’s Application does not include any of the 3 Bonus Opportunities. Withdrawing the request for those programs, therefore, has no impact on the submitted base Triennial Budgets.
- Regarding discrepancies with some statistics that were identified, CPE correctly identified a mistake on page 25 of EnerChange’s filed Application. EnerChange provides the corrected data with updated grand totals in these reply comments.

Based on an examination of EnerChange’s program design, below are Staff’s recommendations to the Deputy Commissioner regarding the EnerChange Alternative ECO program:

- Staff believe that the EnerChange program provides an in-depth level of engagement to non-profit customers to help them identify and implement energy efficiency opportunities.
- Staff find that EnerChange has provided the information that is required as part of a proposal for an alternative ECO program.
- Staff recommend that the Deputy Commissioner reject the two “bonus” additional services that EnerChange proposed to implement for CPE clients during the 2024-2026 triennial period. This included a “Scorecards” service and another activity for “Elementary Installation Corps.” Staff, CPE, and EnerChange agree that these additional services should not be pursued at this time.
- As part of its comments on this Proposed Decision, Staff request that EnerChange provide total annual participation goals for 2024, 2025, and 2026 that are associated with the CenterPoint portion of its program activities.
- Staff recommend that the Deputy Commissioner approve the continuation of the EnerChange program for CPE’s 2024-2026 Triennial Plan, according to the goals outlined in Table 26.

Table 26. Proposed EnerChange Goals

Proposed Budget			Proposed Energy Savings (Dth) ⁶²			Proposed Participation		
2024	2025	2026	2024	2025	2026	2024	2025	2026
\$375,440	\$386,703	\$398,304	12,810	13,194	13,590	-	-	-

b. Minnesota Efficient Technology Accelerator

Key Statutory Language and Department Policy Guidance

The legislation authorizing the Minnesota Efficient Technology Accelerator (META) program was signed into law by Governor Tim Walz on June 12, 2021, and enacted the next day. Minnesota Statutes 216B.241 subdivision 14, specifies that a qualified nonprofit organization may file a proposal with the Department for a program to “accelerate deployment and reduce the cost of emerging and innovative efficient technologies and approaches.” Staff provide the following summary of pertinent determinations from the July 1, 2022, Deputy Commissioner’s Decision approving Center for Energy and Environment’s (CEE) Proposal to implement the META program.⁶³

Minnesota 216B.241, subd. 14(c) requires that the proposed energy savings attribution, evaluation, and allocation for the META program include “a method for calculating net benefits from activities under the program.” Furthermore, it requires that “energy savings and net benefits from activities under the program must be allocated to participating utilities and be considered when determining cost-effectiveness of achieved energy savings and related incentives.”

The META program’s approved three-stage process to measure and allocate savings and net benefits from META initiatives with Department review and approval at each stage based on a report produced by CEE is outlined in Table 27.

⁶² As an indirect ECO program, EnerChange focuses on providing implementation assistance by directing businesses to CPE’s ECO programs, but EnerChange does not directly claim energy savings.

⁶³ “Deputy Commissioner’s Decision: In the Matter of Center for Energy and Environment’s Proposal to Implement the META.” Minnesota Department of Commerce. July 01, 2022. Docket No. CIP-21-548. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={703FBA81-0000-C910-A628-35547DDCB63F}&documentTitle=20227-187142-01>

Table 27. Savings and Evaluation Reports Requiring Department Approval for Each META Initiative

Report	Initiative Stage	Relevant Elements
Energy Savings and Market Progress Evaluation Plan	Program Development	<ul style="list-style-type: none"> Proposed method to estimate savings Proposed Market Progress Indicators Method to allocate savings Data collection plan
Energy Savings and Market Progress Measurement Report	Market Development	<ul style="list-style-type: none"> Total sales of product Total savings Allocate savings to funding utilities Market Progress Indicators
Long-Term Energy Savings and Market Progress Measurement Report	Long-Term Monitoring and Tracking	<ul style="list-style-type: none"> Total sales of product Total savings Allocate savings to funding utilities Market Progress Indicators

The META program’s overall five-year approved budget is provided below in Table 28.⁶⁴ CEE will prepare a required annual work plan and budget for review and approval by the Department and funding utilities.

Table 28. Approved META Five-Year Budget

Program Year	Annual Budget
2023	\$3,300,000
2024	\$4,500,000
2025	\$7,100,000
2026	\$8,200,000
2027	\$11,300,000

Minnesota Statutes 216B.241 subd. 14(h) provides the following budget caps for the five years of the META program plan based on a percentage of the ECO budgets of those utilities required to participate:

(h) Upon approval, each public utility with over 30,000 customers must participate in the program and contribute to the approved budget of the program by depositing annually in the energy and conservation account under subdivision 2a an amount that is proportional to the utility's gross operating revenue from sales of gas or electric service in Minnesota, excluding revenues from large customer facilities exempted under subdivision 1a. A participating utility must not be required to contribute more than the following percentages of the utility's spending approved by the commission in the plan filed under subdivision 2: (1) two percent in the

⁶⁴ The Deputy Commissioner approved CEE’s five-year proposed budget with the caveat that the approved budget may be reduced in future years if it is above the statutory cap.

program's initial two years; (2) 3.5 percent in the program's third and fourth years; and (3) five percent thereafter. Other utilities may elect to participate in the accelerator program.

Program Description Summary

On page 210 of the Triennial Plan, it appears that CPE intends to support all, or a combination of, the following natural gas-related initiatives included in the META program:

- Hybrid Air-Source Heat Pumps
- High-Performance Windows
- High-Performance Roof-top Units
- Gas Heat Pump Technologies

Proposed Goals

CPE’s funding contributions to the META program are summarized in Table 29. As a statewide indirect program, no participation or energy savings goals were provided. CPE notes that if the META program does lead to energy savings, the Company would report them as part of its annual ECO Status Reports.

Table 29. META Program Proposed Goals

Program	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Minnesota Efficient Technology Accelerator	\$847,138	\$1,561,452	\$1,648,309	0	0	0	0	0	0

Cost-Effectiveness

As a statewide indirect program, no cost-effectiveness results were provided.

Table 30. META Program Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Minnesota Efficient Technology Accelerator	N/A	N/A	N/A	N/A	N/A

Staff Conclusions

Staff recommend the Deputy Commissioner approve CPE’s funding contributions toward the META program. Staff note that the META program’s approved three-stage process to measure and allocate savings and net benefits from META initiatives will include Department review and approval at each stage. Staff look forward to reviewing these required deliverables produced by CEE.

5. *Additional New or Modified Programs*

a. *New Programs*

Staff offer comments and recommendations concerning the following additional new programs that are proposed in the Company’s Triennial Plan.

Energy Efficiency Kits Program

Program Description Summary

On page 86 of the Triennial Plan, CPE provides a description of the Energy Efficiency Kits program, as follows:

The CenterPoint Energy’s new Energy Efficiency Kits program directly engages schools, community, and non-profit organizations, as well as renters in 1-4 unit buildings by providing them with energy saving direct install measures, such as showerheads, aerators, water heater setback (gauge), wool dryer balls, and other measures. This program is a continuation and evolution of the School Kits program from the 2021-2023 Triennial Plan.

The Company will have three kit types available through this program: Schools Kits, Community/Non-Profit Kits, and Renter Kits.

Proposed Goals

Table 31 summarizes the proposed goals for the Energy Efficiency Kits program. Staff find the proposed goals to be reasonable.

Table 31. Energy Efficiency Kits Program Proposed Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Home Efficiency Rebates	\$10,612,750	\$10,930,884	\$11,454,208	290,428	292,526	295,356	31,075	31,315	31,565
DIY Home Efficiency	\$929,285	\$988,661	\$1,048,038	44,483	44,638	44,792	15,300	16,100	16,900
Home Insulation Rebates	\$1,840,375	\$1,850,681	\$1,868,487	31,752	32,015	32,540	2,400	2,900	3,900
Home Energy Reports	\$1,652,238	\$1,652,647	\$1,653,056	101,481	101,481	101,481	241,200	241,200	241,200
Home Energy Squad	\$2,965,151	\$2,977,231	\$2,989,312	34,960	34,960	34,960	7,500	7,500	7,500

High Efficiency Home	\$7,031,750	\$7,057,293	\$7,082,836	105,370	105,370	105,370	3,675	3,675	3,675
New Home Construction Rebates	\$650,620	\$695,109	\$739,598	14,843	15,253	15,663	4,550	4,575	4,600
Energy Efficiency Kits	\$426,313	\$428,618	\$430,923	21,733	21,733	21,733	17,500	17,500	17,500
Residential Code Compliance Support	\$150,982	\$125,399	\$129,118	0	0	11,449	1	1	1
Residential Segment	\$26,259,464	\$26,706,523	\$27,395,575	645,050	647,975	663,345	323,201	324,766	326,841

Cost-Effectiveness

Table 32 provides the cost-effectiveness results for the Energy Efficiency Kits program. The Energy Efficiency Kits is cost-effective according to the MCT, UCT, and SCT. Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. At the segment-level, Staff find the Company’s Residential segment is cost-effective according to the MCT, UCT, SCT, and PCT. Staff note that the Residential segment is not cost-effective from the RIM test, which is typical for most utility ratepayer-funded demand-side management programs. Staff recommend approval of the Residential market segment.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 32. Energy Efficiency Kits Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Home Efficiency Rebates	0.59	2.33	2.27	2.78	4.26
DIY Home Efficiency	0.60	2.55	4.40	N/A	4.40
Home Insulation Rebates	0.54	1.65	1.07	1.30	3.04
Home Energy Reports	0.46	1.09	1.79	N/A	1.79
Home Energy Squad	0.36	0.68	1.00	5.76	1.17
High Efficiency Home	0.51	1.44	1.16	1.50	2.66
New Home Construction Rebates	0.55	1.84	1.82	2.48	3.32
Energy Efficiency Kits	0.58	2.20	3.72	N/A	3.72
Residential Code Support	0.60	2.47	4.61	N/A	4.61
Residential Segment	0.56	2.00	1.85	2.47	3.47

Eligible Measures

On page 89 of the Triennial Plan, CPE outlines a list of the measures that will be included in the energy savings kits, which Staff provide in Table 33. As described on pages 86-87 of the Triennial Plan, Company proposes to offer three kit types, as follows:

- Schools Kits: “The Company partners with Xcel Energy to help teachers educate their students about energy conservation. . . . As part of the curriculum, students will be given ‘Take Action Kits’ that include a variety of electric and natural gas direct install measures, including showerheads, aerators, furnace filter whistles, wool dryer balls, LEDs, and digital thermometers (for water heater setback).”
- Community/Non-Profit Kits: “CenterPoint Energy will offer ‘Community Kits’ to Neighborhood Community groups, non-profits, and government agencies operating within the Company’s service area. . . . The intent is to work with these organizations that provide services and support for the Company’s customers to create easy opportunities to receive energy efficiency measures and facilitate those customers to learn about significant energy efficiency opportunities. A basic kit would generally include a showerhead, aerators, dryer balls, and digital thermometer (for water heater setback).”
- Renter Kits: “CenterPoint Energy will offer ‘Renter Kits’ to renters living in 1-4 unit market rate rental properties within CenterPoint Energy’s service area. . . . Renters can request a renter kit of direct install measures. CenterPoint Energy will claim savings for the measures included in the Kits distributed to renters within CenterPoint Energy’s service territory. A basic kit would generally include a showerhead, aerators, window film, dryer balls, rope caulk, outlet gaskets, and digital thermometer (for water heater setback).”

Table 33. Energy Efficiency Kits Measure Savings Assumptions

Measure	Estimated Energy Savings (Dth per Unit)	Application Factors Assumed
Low-flow (1.5 GPM) showerhead (Schools)	0.49	49%
Low-flow (1.5 GPM) kitchen faucet aerator (Schools)	0.13	40%
Low-flow (0.5 GPM) bathroom faucet aerator (Schools)	0.12	44%
Water heater setback (Schools)	0.22	38%
Wool dryer balls (Schools) *	0.18	62%
Low-flow (1.5 GPM) showerhead (Community)	0.49	49%
Low-flow (1.5 GPM) kitchen faucet aerator (Community)	0.13	40%
Low-flow (0.5 GPM) bathroom faucet aerator (Community)	0.12	44%
Water heater setback (Community)	0.22	38%
Wool dryer balls (Community) *	0.18	62%
Low-Flow (1.5 GPM) Showerhead (Renter Kit)	1.46	83%
Low-flow (1.5 GPM) kitchen faucet aerator (Renter Kit)	0.35	62%
Low-flow (0.5 GPM) bathroom faucet aerator (Renter Kit)	0.30	62%

Window film (Renter Kit)	0.10	68%
Wool dryer balls (Renter Kit) *	0.31	62%
Rope caulk (Renter Kit)	0.10	68%
2 Outlet gaskets (Renter Kit)	0.19	68%
Water Heater Setback (Renter Kit)	0.13	13%

Staff understand that the main purpose of Energy Efficiency Kits program is to provide energy efficiency education and the distribution of DIY kits to different types of customers. In general, with DIY kit measures, Staff expect utilities to only count measures that have been verified to have been installed (e.g. through a follow-up survey), or to discount the total number of kits distributed by a reasonable realization rate. Staff also believe that measures in kits have a higher realization rate when they are installed with the assistance of a technician.

Overall, Staff find the Energy Efficiency Kits program’s measure technical assumptions to be reasonable. Staff provide a more detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section of this Proposed Decision.

Staff Conclusions

Staff have reviewed the Energy Efficiency Kits program and recommend that the Deputy Commissioner approve it.

Residential Code Support Program

Program Description Summary

On pages 90-91 of the Triennial Plan, CPE provides a description of the Residential Code Support program, as follows:

This proposed program will proactively support communities across Minnesota seeking to improve residential building energy code compliance. The Company, in coordination with four other utilities, Minnesota Energy Resources (gas), Minnesota Power (electric), Ottertail Power Company (electric), and Xcel Energy (electric and gas) (“the Companies”), will give those communities the tools to improve compliance with new building codes in new construction and help them reach their energy performance and economic development goals. . . .

The Residential Code Support program will consist of several different support services that will provide comprehensive support:

- Program Planning and Coordination: Includes coordinating communication to the market, program activities, and resources with entities working to support code compliance and adoption outside the utility and other utility programs, if applicable, to support code compliance and adoption goals and attempt to mitigate this barrier.
- Code Compliance Improvement/Support: Includes activities that aim to improve compliance with existing codes and address barriers to compliance. Examples of the primary activities within this category are training, development of technical materials, purchasing and distribution of code publications, and participation in industry meetings.

- Building Code Advocacy/Adoption: Includes efforts related to supporting the state to adopt higher performance building energy codes and providing technical support, such as providing technical data on energy savings or costs.
- Proactive Outreach: Includes outreach to the community on a regular basis to better understand how Minnesota utilities can support industry stakeholders, primarily through:
 - A circuit rider who acts as a consultant to proactively train and resolve issues around building code
 - Marketing and outreach materials are intended to increase awareness and provide easy to understand basic information on the products and services utilities are providing to support code compliance and adoption.
- Third-Party Support: For example, this includes assisting jurisdictions with plan reviews for the highest energy savings portion of the code, most commonly the performance path project.

Eligible Measures

Pages 92-93 of CPE’s Triennial Plan includes the savings assumptions for the Residential Code Support program. The programs savings goals are included in Table 34. As noted on page 92 of the Triennial Plan, “since it is a statewide program, there are no specific participant goals and assumes a participant of one state program. Due to the delay between code support and energy savings, the Company is also not expecting that energy savings will be realized until 2026.”

Table 34. Residential Code Support Proposed Savings Assumptions

Year	Demand Savings (Dth)	Energy Savings (Dth)
2024	0	0
2025	0	0
2026	114	11,449

On page 92 of the Triennial Plan, CPE mentions its plans to evaluate the effectiveness of this program including that “Although TRC research behind the design of the Residential Code Support program provides some good indication of what this project might achieve, there is still uncertainty about actual energy savings realized in future years. For this reason, the Companies will also conduct an ongoing evaluation of the program during the 2024-2026 triennial period.” Additionally, on page 93, CPE anticipates needing to file “updated savings calculations for the 2025 and 2026 program years will be filed in the compliance section of the 2024 status report. This proposal allows for the evaluation of the first year of activities to inform future year program effects, including changes in gross technical savings, compliance, and attribution, which would need to be reflected in a program that supports accelerated code adoption.”

On August 28, 2023, Staff submitted an Information Request to CPE asking that the Company describe what activities the ongoing evaluation will include and whether the utilities intend to file updated savings technical assumptions, or if they intend to file updated 2025-2026 savings goals.

On September 7, 2023, CPE provided a response to Staff’s Information request, as follows:

Related to evaluation activities, the collaborating utilities (“CenterPoint Energy, Minnesota Energy Resources, Minnesota Power, Ottertail Power Company, and Xcel Energy”) expect that ongoing evaluation will include some or all the following activities as deemed appropriate by an evaluator jointly selected by the collaborating utilities.

- Code compliance studies
- Review of program processes and documentation (including participant surveys)
- Review of program assumptions, including effects of changes in the adopted energy code
- Review of other market actors’ efforts and modifications to program design in response

Regarding the updated savings calculations in the 2024 status report, the utilities intend to provide an overview of:

- the effects of changes in the applicable building energy codes,
- distribution of construction activity among different sectors, and
- results from evaluation activities.

The utilities expect to work with the Department of Commerce to determine whether adjustments in savings technical assumptions through a program modification may be necessary. It is worth noting that the Company does not anticipate that a change in housing units (residential) or square feet constructed (non-residential) will require a modification. The utilities expect to apply a construction adjustment factor that functions similar to a unit count for prescriptive measures. This will account for any changes in overall construction volume that are outside of the participating utilities’ control.

Staff appreciate CPE’s response to the Information Request. Overall, Staff find the Residential Code Support’s savings assumptions to be reasonable. Staff provide a more detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section of this Proposed Decision.

Proposed Goals

Table 35 summarizes the proposed goals for the Residential Codes Support program. Staff find the proposed goals to be reasonable.

Table 35. Residential Code Support Program Proposed Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Home Efficiency Rebates	\$10,612,750	\$10,930,884	\$11,454,208	290,428	292,526	295,356	31,075	31,315	31,565
DIY Home Efficiency	\$929,285	\$988,661	\$1,048,038	44,483	44,638	44,792	15,300	16,100	16,900
Home Insulation Rebates	\$1,840,375	\$1,850,681	\$1,868,487	31,752	32,015	32,540	2,400	2,900	3,900

Home Energy Reports	\$1,652,238	\$1,652,647	\$1,653,056	101,481	101,481	101,481	241,200	241,200	241,200
Home Energy Squad	\$2,965,151	\$2,977,231	\$2,989,312	34,960	34,960	34,960	7,500	7,500	7,500
High Efficiency Home	\$7,031,750	\$7,057,293	\$7,082,836	105,370	105,370	105,370	3,675	3,675	3,675
New Home Construction Rebates	\$650,620	\$695,109	\$739,598	14,843	15,253	15,663	4,550	4,575	4,600
Energy Efficiency Kits	\$426,313	\$428,618	\$430,923	21,733	21,733	21,733	17,500	17,500	17,500
Residential Code Compliance Support	\$150,982	\$125,399	\$129,118	0	0	11,449	1	1	1
Residential Segment	\$26,259,464	\$26,706,523	\$27,395,575	645,050	647,975	663,345	323,201	324,766	326,841

Cost-Effectiveness

Table 36 provides the cost-effectiveness results for the Residential Code Support program. The Residential Code Support is cost-effective according to the MCT, SCT, and UCT. Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. At the segment-level, Staff find the Company’s Residential segment is cost-effective according to the MCT, UCT, SCT, and PCT. Staff note that the Residential segment is not cost-effective from the RIM test, which is typical for most utility ratepayer-funded demand-side management programs. Staff recommend approval of the Residential market segment.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 36. Residential Code Support Program Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Home Efficiency Rebates	0.59	2.33	2.27	2.78	4.26
DIY Home Efficiency	0.60	2.55	4.40	N/A	4.40
Home Insulation Rebates	0.54	1.65	1.07	1.30	3.04
Home Energy Reports	0.46	1.09	1.79	N/A	1.79
Home Energy Squad	0.36	0.68	1.00	5.76	1.17
High Efficiency Home	0.51	1.44	1.16	1.50	2.66
New Home Construction Rebates	0.55	1.84	1.82	2.48	3.32
Energy Efficiency Kits	0.58	2.20	3.72	N/A	3.72

Residential Code Support	0.60	2.47	4.61	N/A	4.61
Residential Segment	0.56	2.00	1.85	2.47	3.47

Staff Conclusions

Staff have reviewed the Company’s Residential Code Support program and recommend that the Deputy Commissioner approve it. Staff recommend that CPE, in coordination with the other participating utilities, submit the summary results of the Residential Code Support’s evaluation activities for Staff review. Additionally, Staff recommend that CPE, in coordination with the other participating utilities, communicate to Staff any proposed updates to the Residential Code Support’s savings technical assumptions, and Staff will determine whether a program modification is needed.

Homeowner Efficiency Lift Program

Program Description Summary

On page 112 of the Triennial Plan, CPE provides a description of the Homeowner Efficiency Lift Program, as follows:

This program will engage with low- and moderate-income single-family homeowners who occupy their homes to encourage increased energy efficiency in their homes. By receiving major weatherization services, equipment replacements, or repairs, the homeowners reduce their energy consumption and costs. The costs of energy efficiency measures implemented through this program will be split between CenterPoint Energy and the homeowners.

An energy audit of the building will be conducted to identify opportunities for energy efficiency improvements and quantify savings for each measure. The program implementer will work with the homeowner to choose measures for implementation. The implementer will also ensure proper installation and operation of installed energy efficiency measures and/or equipment. An energy auditor, professional engineer, or other credentialed professional will conduct the site visit to determine the building’s needs.

The program will be delivered by a select group of contractors throughout CenterPoint Energy’s Minnesota service area. The Company will contract with a single vendor to function as implementer to facilitate reporting and invoicing from the select group of contractors throughout the Company’s service area.

Proposed Goals

Table 37 outlines the proposed goals for the Homeowner Efficiency Lift Program. Staff find the proposed goals to be reasonable.

Table 37. Homeowner Efficiency Lift Program Proposed Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Low-Income Weatherization	\$3,962,192	\$4,164,930	\$4,405,094	16,285	16,285	16,285	2,276	2,276	2,276
Low-Income Rental Efficiency	\$1,089,758	\$1,080,836	\$1,100,894	2,846	2,846	2,846	325	325	325
Homeowner Efficiency Lift Program	\$1,413,092	\$2,770,412	\$4,052,731	6,746	13,511	13,511	837	1,674	1,674
Low-Income Free Heating System Tune-Up	\$163,563	\$167,842	\$172,121	1,828	1,828	1,828	1,200	1,200	1,200
Non-Profit Affordable Housing Rebates	\$703,373	\$695,592	\$697,954	2,708	2,708	2,708	465	465	465
Low-Income Multi-Family Housing Rebates	\$650,234	\$754,772	\$829,847	7,389	8,837	9,888	123	143	163
Low-Income Support and Awareness	\$323,125	\$329,235	\$335,345	0	0	0	800	1,600	1,650
Low-Income Segment	\$8,305,336	\$9,963,618	\$11,593,987	37,803	46,015	47,066	6,026	7,683	7,753

Cost-Effectiveness

Table 38 provides the cost-effectiveness results for the Homeowner Efficiency Lift Program. The Homeowner Efficiency Lift Program is cost-effective according to the PCT but not under the other cost-effectiveness tests. Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. Staff find the Company’s Low-Income segment is cost-effective according to the PCT but not according to the other cost-effectiveness tests. Staff recommend approval of the Low-Income segment in recognition of these programs’ importance in serving this customer group and as they are not required to be cost-effective.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 38. Homeowner Efficiency Lift Program Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Low-Income Weatherization	0.26	0.39	0.72	N/A	0.72
Low-Income Rental Efficiency	0.20	0.26	0.43	3.03	0.48
Homeowner Efficiency Lift Program	0.27	0.40	0.58	2.51	0.72

Low-Income Free Heating System Tune-Up	0.12	0.14	0.23	N/A	0.23
Non-Profit Affordable Housing Rebates	0.26	0.39	0.71	1.82	0.71
Low-Income Multi-Family Housing Rebates	0.43	0.74	1.27	3.73	1.27
Low-Income Support and Awareness	N/A	N/A	N/A	N/A	N/A
Low-Income Segment	0.33	0.52	0.83	3.41	0.94

Customer Eligibility

On page 113 of the Company’s Triennial Plan, CPE provides a description of the Homeowner Efficiency Lift Program’s customer eligibility requirements, as follows:

Eligible properties are single-family homes occupied by households with incomes that are 80 percent of area median income or less, scaled for household size. Alternative eligibility methods (e.g., categorical eligibility) are allowed for this program.⁶⁵ The contracted delivery implementer will be responsible for verifying customer eligibility.

Participating homeowners must provide 50 percent of the total energy efficiency measures cost, unless the home is located in particular geographic areas of need, in which case the homeowner only needs to provide 25 percent of the total energy efficiency measures cost. Homes in the Minneapolis Green Zones can self-identify as income-qualified to enroll in the HELP.⁶⁶ Alternatively, homeowners can qualify if they live in areas with high-poverty rates, including but not limited to Census tracts that exhibit a high degree of social vulnerability, Census tracts that have been designated as Opportunity Zones, and Qualified Census Tracts. These geographic-based eligibility criteria reduce barriers to participating in the Moderate- Income Rental Efficiency program while establishing reasonable safeguards to ensure that moderate-income services are helping moderate-income households.

Alternative means of demonstrating eligibility will be considered on a case-by-case basis and in consultation with the Department.

Staff find the program’s customer eligibility requirements to be reasonable as it uses a mixture of acceptable methods (e.g. =<80% area median income, approved categorical eligibility programs, and previously approved geographic proxy methods).

Eligible Measures

Page 116 of CPE’s Triennial Plan includes a list of eligible measures along with their per unit savings estimates, which Staff have included in Table 39.

⁶⁵ “Alternative eligibility methods include but are not limited to categorical eligibility for participants in selected means-tested public assistance programs (e.g., the Women, Infants and Children program, the Supplemental Nutrition Assistance Program). Any public assistance program considered for categorical eligibility must align with CenterPoint Energy’s low-income program guidelines. Categorical eligibility is currently being piloted with a limited number of public assistance programs.”

⁶⁶ “Green Zones Initiative - City of Minneapolis (minneapolismn.gov)”

Table 39. Homeowner Efficiency Lift Program Eligible Measures

Measure	Estimated Energy Savings (Dth per Unit)
Weatherization	21.44
92% AFUE furnace	11.97
96% AFUE furnace	14.00
97% AFUE furnace	14.67
85% efficient boiler	1.65
91% efficient boiler	15.30
Programmable thermostat	3.15
Combination unit (.87 UEF tankless water heater + air handling unit, boilers rated as combination boilers in AHRI, forced air systems rated as combination system)	19.71
.64/.68 UEF tank water heater (<55 gallons)	2.07
Indirect water heater	4.47
.87 UEF tankless water heater	4.80
Furnace Tune-up	1.52
Boiler Tune-up	2.32
Pipe Wrap	1.47
Water Heater Blanket	0.39
Low-Flow (1.5 GPM) Showerhead (Renter Kit)	1.46
Low-flow (1.5 GPM) kitchen faucet aerator (Renter Kit)	0.35
Low-flow (0.5 GPM) bathroom faucet aerator (Renter Kit)	0.30
Window film (Renter Kit)	0.10
Wool dryer balls (Renter Kit)	0.31
Rope caulk (Renter Kit)	0.10
2 Outlet gaskets (Renter Kit)	0.19
Water heater setback (Renter Kit)	0.26

Overall, Staff find the Homeowner Efficiency Lift Program’s measure technical assumptions to be reasonable. Staff provide a more detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section of this Proposed Decision.

Staff Conclusions

Overall, Staff find that CPE’s Homeowner Efficiency Lift Program represents a positive step forward that will further enable the Company’s ECO programs in meeting the needs of under-resourced customers in Minnesota. Staff believe that the program will help low-income eligible customers complete more energy efficiency projects and potentially also increase program participation as customers become aware of higher incentives for eligible properties. Staff find the program’s customer eligibility requirements to be reasonable as it uses a mixture of acceptable methods (e.g. =<80% area median

income, approved categorical eligibility programs, and previously approved geographic proxy methods). Staff recommend that the Deputy Commissioner approve the Homeowner Efficiency Lift Program.

Low-Income Support and Awareness (LISA) Program

Program Description Summary

On page 141 of the Triennial Plan, CPE provides a description of the LISA program, as follows:

This program is designed to remove barriers to participating in the Company’s low-income programs, create general awareness of low-income energy efficiency programs, and share energy saving tips with customers in need. This indirect impact program is expected to result in increased participation in the company’s low-income offerings and ultimately result in the implementation of energy efficiency improvements for income-eligible customers.

LISA will focus on developing and supporting access points (e.g., website, call-in, email) as well as be supportive of eligibility verification processes to assist customers who may be eligible for income-qualified energy efficiency services. The program’s main purpose will be to assist income-qualified customers in determining program eligibility and routing them to the appropriate programs for their circumstances. . . .

This program will also help build relationships and identify opportunities to collaborate with nonprofits and social services agencies that support income-qualified customers. The goals of building these relationships will include raising awareness of and educating nonprofit and social services agencies staff about energy efficiency programs for the income-qualified clients they serve.

Proposed Goals

Table 40 summarizes the LISA program’s proposed goals. Staff find the proposed goals to be reasonable.

Table 40. LISA Program Proposed Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Low-Income Weatherization	\$3,962,192	\$4,164,930	\$4,405,094	16,285	16,285	16,285	2,276	2,276	2,276
Low-Income Rental Efficiency	\$1,089,758	\$1,080,836	\$1,100,894	2,846	2,846	2,846	325	325	325
Homeowner Efficiency Lift Program	\$1,413,092	\$2,770,412	\$4,052,731	6,746	13,511	13,511	837	1,674	1,674
Low-Income Free Heating System Tune-Up	\$163,563	\$167,842	\$172,121	1,828	1,828	1,828	1,200	1,200	1,200
Non-Profit Affordable Housing Rebates	\$703,373	\$695,592	\$697,954	2,708	2,708	2,708	465	465	465

Low-Income Multi-Family Housing Rebates	\$650,234	\$754,772	\$829,847	7,389	8,837	9,888	123	143	163
LISA	\$323,125	\$329,235	\$335,345	0	0	0	800	1,600	1,650
Low-Income Segment	\$8,305,336	\$9,963,618	\$11,593,987	37,803	46,015	47,066	6,026	7,683	7,753

Cost-Effectiveness

Table 41 provides the cost-effectiveness results for the Company’s Low-Income segment programs. As an indirect program, no cost-effectiveness results were provided for LISA. It is an indirect program because it does not “directly” deliver energy savings but rather “indirectly” supports participation in other programs that promote the installation of equipment with “direct” savings.

Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. Staff find the Company’s Low-Income segment is cost-effective according to the PCT but not according to the other cost-effectiveness tests. Staff recommend approval of the Low-Income segment in recognition of these programs’ importance in serving this customer group and as they are not required to be cost-effective.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 41. LISA Program Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Low-Income Weatherization	0.26	0.39	0.72	N/A	0.72
Low-Income Rental Efficiency	0.20	0.26	0.43	3.03	0.48
Homeowner Efficiency Lift Program	0.27	0.40	0.58	2.51	0.72
Low-Income Free Heating System Tune-Up	0.12	0.14	0.23	N/A	0.23
Non-Profit Affordable Housing Rebates	0.26	0.39	0.71	1.82	0.71
Low-Income Multi-Family Housing Rebates	0.43	0.74	1.27	3.73	1.27
LISA	N/A	N/A	N/A	N/A	N/A
Low-Income Segment	0.33	0.52	0.83	3.41	0.94

Customer Eligibility

On page 142, the Company states, “To ensure that LISA funds are spent for the benefit of low-income households, the program’s outreach and marketing will be targeted to low-income populations and community organizations that serve them.” Additionally, on page 143, the Company states, “Market-rate customers who are unsure if they are low-income will likely avail themselves of these services. However, participation counts for this program will be restricted to verified low-income customers. Actual annual low-income participation reported will be based on the number of participating customers

who received Low-Income Home Energy Assistance Program (“LIHEAP”) benefits according to the Company’s records.”

On August 28, 2023, Staff submitted an Information Request to CPE for clarification on the following points:

Staff request that CPE describe how the Company will accomplish this targeted outreach and marketing. Specifically, how does CPE propose to identify and track low-income customers participating in the LISA program?

Staff request that the Company clarify whether it also intends to treat low-income spending the same way it proposes to treat low-income participation (i.e., in terms of spending that is claimed toward the low-income spending requirement).

On September 7, 2023, CPE submitted a response to Staff’s Information Request, summarized as follows:

- The Company plans to identify and track low-income customers participating in LISA by counting the customers who call the LISA help line.
 - Customers who appear to be eligible for low-income programs, based on their responses to the intake process, will be directed and supported to join the appropriate programs and counted as LISA participants for reporting purposes. Customers who are verified LIHEAP recipients will also be reported.
 - CPE will conduct an evaluation of LISA to determine the actual number of low-income participants in LISA who went on to enroll in other low-income programs.
- CPE plans to claim all LISA customer awareness and help line spending towards its low-income spending requirement.
 - LISA spending will fall into three main categories. These are 1) customer awareness, 2) the LISA help line, and 3) the nonprofit and social services agencies relationship manager.
 - In general, customers who are not eligible for low-income programs would be identified as part of help line’s intake process and associated expenses for support services are not aligned with program participation.
 - CPE plans to count some percentage of the nonprofit and social services agencies relationship manager’s salary (or other related staff time) towards the Company’s low-income spending requirement. The amount of the relationship manager’s salary claimed as low-income will be proportionate to how much time the relationship manager devotes to supporting low-income versus market-rate programs.

Staff appreciate CPE’s Information Request response.

Staff Conclusions

Staff recommend the Deputy Commissioner approve the LISA program with the following determinations:

- Staff find it reasonable for CPE to count the LISA program’s spending as 100% low-income spending as the program fosters participation and savings through the Company’s direct low-income programs.
- Staff recommend that CPE include its evaluation of the LISA program as part of its annual ECO status report filings to highlight the actual number of low-income participants in LISA who went on to enroll in other low-income programs. It is Staff’s hope that this indirect low-income program will increase participation in CPE’s direct low-income programs.
- Staff recommend using ECO program years 2024-2026 as a trial run for allowing indirect low-income programs to count toward the ECO low-income spending requirement in order to identify any unanticipated impacts on direct low-income programs.
- As part of the written comments submitted on this Proposed Decision, Staff request that interested parties comment on whether they support allowing indirect low-income programs like LISA to count toward the ECO low-income spending requirement, and also if stakeholders support using ECO program years 2024-2026 as a trial run of allowing indirect low-income programs to count toward the ECO low-income spending requirement to identify any unanticipated impacts on direct low-income programs.

Commercial Code Support Program

Program Description Summary

On pages 175-177 of the Triennial Plan, CPE provides a description of the Commercial Code Support program, as follows:

CenterPoint Energy’s Commercial Code Support program is a redesigned program for this 2024-2026 Triennial Plan. After inclusion in CenterPoint Energy’s 2021-2023 Triennial Plan, the Company has taken what was learned and worked with the joint implementer Xcel Energy and other utilities to evolve the program. This proposed expansion to the program will continue to proactively support communities across Minnesota seeking to improve commercial building energy code compliance. The Company, in coordination with four other utilities, Xcel Energy (electric and gas), Minnesota Energy Resources (gas), Ottertail Power Company (electric), and Minnesota Power (electric) (“the Companies”), will give those communities the tools to improve compliance with the new building codes in new construction and help them reach their energy performance and economic development goals. This includes the Third-Party support currently included in the Code Compliance program being rolled into the newly updated list of activities. .

The Commercial Code Support program will consist of several different services that will provide comprehensive support:

- Program Planning and Coordination: Includes coordinating communication to the market, program activities, and resources with entities working to support code compliance and adoption outside the utility and other utility programs, if applicable, to support code compliance and adoption goals and attempt to mitigate this barrier.
- Code Compliance Improvement/Support: Includes activities that aim to improve compliance with existing codes and address barriers to compliance. Examples of the primary activities within this category are training, development of technical materials, purchasing and distribution of code publications, and participation in industry meetings.

- Building code Advocacy/Adoption: Includes efforts related to supporting the state to adopt higher performance building energy codes and providing technical support, such as providing technical data on energy savings or cost.
- Proactive Outreach: Includes outreach to the community on a regular basis to better understand how Minnesota utilities can support industry stakeholders, primarily through:
 - A circuit rider who acts as a consultant to proactively train and resolve issues around building codes
 - Marketing and outreach materials are intended to increase awareness and provide easy to understand basic information on the products and services utilities are providing to support code compliance and adoption.
- Third-Party Support: For example, includes assisting jurisdictions with plan reviews for the highest energy savings portion of the code, most commonly performance path project. This service was provided as a part of the previous version of the program.

Eligible Measures

Pages 177-178 of CPE’s Triennial Plan includes the savings assumptions for the Commercial Code Support program. The programs savings goals are included in Table 42. As noted on page 177 of the Triennial Plan, “Since this is a statewide program there are no specific participant goals and assume a participant of one of one state program. Due to the delay between code support and energy savings, the Company is also not expecting that energy savings will be realized until 2025.”

Table 42. Commercial Code Support Proposed Savings Assumptions

Year	Demand Savings (Dth)	Energy Savings (Dth)
2024	0	0
2025	37.7	3,774
2026	540.1	54,008

On page 177 of the Triennial Plan, CPE mentions its plans to evaluate the effectiveness of this program including that “Although TRC research behind the design of Commercial Code Support program provides some indication of what this project might achieve, there is still uncertainty about actual energy savings realized in future years. For this reason, the Companies will also conduct an ongoing evaluation of the project during the 2024-2026 triennial period.” Additionally, on page 178, CPE anticipates needing to file “updated savings calculations for the 2025 and 2026 program years will be filed in the compliance section of the 2024 status report. This proposal allows for the evaluation of the first year of activities to inform future year program effects, including changes in gross technical savings, compliance, and attribution, which would need to be reflected in a program that supports accelerated code adoption.”

On August 28, 2023, Staff submitted an Information Request to CPE asking that the Company describe what activities the ongoing evaluation will include and whether the utilities intend to file updated savings technical assumptions, or if they intend to file updated 2025-2026 savings goals.

On September 7, 2023, CPE provided the following response to Staff’s Information Request:

Related to evaluation activities, the collaborating utilities (“CenterPoint Energy, Minnesota Energy Resources, Minnesota Power, Ottertail Power Company, and Xcel Energy”) expect that ongoing evaluation will include some or all the following activities as deemed appropriate by an evaluator jointly selected by the collaborating utilities.

- Code compliance studies
- Review of program processes and documentation (including participant surveys)
- Review of program assumptions, including effects of changes in the adopted energy code
- Review of other market actors’ efforts and modifications to program design in response

Regarding the updated savings calculations in the 2024 status report, the utilities intend to provide an overview of:

- the effects of changes in the applicable building energy codes,
- distribution of construction activity among different sectors, and
- results from evaluation activities.

The utilities expect to work with the Department of Commerce to determine whether adjustments in savings technical assumptions through a program modification may be necessary. It is worth noting that the Company does not anticipate that a change in housing units (residential) or square feet constructed (non-residential) will require a modification. The utilities expect to apply a construction adjustment factor that functions similar to a unit count for prescriptive measures. This will account for any changes in overall construction volume that are outside of the participating utilities’ control.

Staff appreciate CPE’s response to the Information Request. Overall, Staff find the Commercial Code Support’s savings assumptions to be reasonable. Staff provide a more detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section of this Proposed Decision.

Proposed Goals

Table 43 summarizes the proposed goals for the Commercial Code Support program. Staff find the proposed goals to be reasonable.

Table 43. Commercial Code Compliance Support Proposed Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Commercial Foodservice Equipment Rebates	\$791,191	\$795,305	\$799,495	49,005	49,005	49,005	552	552	552
C&I Heating and Water Heating Rebates	\$3,360,212	\$3,385,802	\$3,411,393	718,081	723,672	729,263	5,929	5,984	6,039
C&I Custom Rebates	\$1,915,416	\$1,932,008	\$1,948,600	135,005	135,005	135,005	43	43	43

C&I Audit Services	\$701,962	\$779,148	\$852,640	8,538	8,538	8,538	246	266	286
Energy Design Assistance	\$1,778,875	\$1,780,078	\$1,781,282	155,772	155,772	155,772	68	68	68
Commercial Code Compliance Support	\$40,861	\$33,776	\$86,563	0	3,774	54,008	1	1	1
C&I Process Efficiency	\$324,515	\$325,729	\$326,943	14,326	14,326	14,326	15	15	15
C&I Training and Education	\$143,295	\$147,683	\$152,071	1,612	1,612	1,612	945	945	945
Benchmarking Services and Certification Assistance	\$173,371	\$179,375	\$185,379	0	0	0	1,320	1,420	1,520
Recommissioning Study & Rebates	\$237,057	\$237,531	\$238,006	15,730	15,730	15,730	26	26	26
Multi-Family Building Efficiency	\$1,469,447	\$1,625,295	\$1,730,158	64,055	65,904	67,766	571	581	591
C/I Segment	\$10,936,201	\$11,221,732	\$11,512,530	1,162,124	1,173,339	1,231,025	9,716	9,901	10,086

Cost-Effectiveness

Table 44 provides the cost-effectiveness results for the Commercial Code Support program. The Commercial Code Support program is cost-effective according to the MCT, SCT, and the UCT. Per the guidance outlined in the Deputy Commissioner’s March 31, 2023, Decision, Staff evaluated the Company’s cost-effectiveness results at the segment-level, using the MCT as the primary determinant of cost-effectiveness. At the segment-level, Staff find the Company’s C/I segment is cost-effective according to the MCT, UCT, SCT, and PCT. Staff note that the C/I segment is not cost-effective from the RIM test, which is typical for most utility ratepayer-funded demand-side management programs. Staff recommend approval of the C/I market segment.

Staff provide additional detailed analysis and recommendations of CPE’s cost-effectiveness assumptions as part of the “Cost-Effectiveness” section of this Proposed Decision.

Table 44. Commercial Code Support Cost-Effectiveness

Program	Ratepayer Impact Test	Utility Cost Test	Societal Test	Participant Test	Minnesota Cost Test
Commercial Foodservice Equipment Rebates	0.81	3.68	3.11	2.73	6.44
C&I Heating and Water Heating Rebates	0.88	6.19	5.68	5.65	10.40
C&I Custom Rebates	0.84	4.36	3.41	3.09	7.75
C&I Audit Services	0.40	0.64	0.99	4.98	1.10
EDA	0.88	5.74	2.27	1.57	10.59
Commercial Code Support	0.95	10.87	20.02	N/A	20.02
C&I Process Efficiency	0.73	2.49	3.72	7.45	4.29

C&I Training and Education	0.25	0.34	0.51	2.57	0.56
Benchmarking Services and Certification Assistance	N/A	N/A	N/A	N/A	N/A
Recommissioning Study & Rebates	0.73	2.45	5.76	17.45	4.12
Multi-Family Building Efficiency	0.66	1.81	2.03	2.71	3.05
Commercial/Industrial Segment	0.85	4.79	3.54	3.20	8.24

Staff Conclusions

Staff have reviewed the Commercial Code Support program and recommend that the Deputy Commissioner approve it. Staff recommend that CPE, in coordination with the other participating utilities, submit the summary results of the Commercial Code Support’s evaluation activities for Staff review. Additionally, Staff recommend that CPE, in coordination with the other participating utilities, communicate to Staff any proposed updates to the Commercial Code Support’s savings technical assumptions, and Staff will determine whether a program modification is needed.

b. Modified Programs

The following programs were previously included in some form as part of the Company’s 2021-2023 Triennial Plan but now include proposed modifications that the Company intends to incorporate as part of its 2024-2026 Triennial Plan:

1. DIY Home Efficiency (page 50 of Triennial Plan)
 - a. Changes for the Triennial Plan include the addition of two new measures:
 - i. Thermostatic restrictor shower valve (“TRV”): Thermostatic restrictor valves work by reducing showerhead flow until the user is ready to enter the shower. Once the user enters the shower, he/she pulls a short cord on the TRV which allows full flow. In this way, the TRV reduces wasted hot water.
 - ii. Dryer balls: Dryer balls (two) provide a low-cost, energy efficient option to residential customers that can reduce drying time by up to 25%.
2. Home Insulation Rebates (Pages 54-55 of Triennial Plan)
 - a. Higher insulation rebates and increased participation goals
 - b. New measures:
 - i. ENERGY STAR® v. 7 windows. These are an improvement to windows currently required by code.
 - ii. Low-e storm windows. Storm windows are often installed in cases where a home’s windows are neither energy efficient nor due for replacement. They can provide improved comfort and energy savings until it is time to replace the windows.
 - c. Instant rebates:
 - i. Instead of the customer receiving the rebate from the Company after the weatherization project was completed, this option allowed the installer to apply the rebate as a discount directly to the customer’s weatherization invoice, with the rebate check going to the installer after the job was completed. The

Company proposes to make this a standard service available through participating trained weatherization providers.

3. Home Efficiency Rebates (Pages 39-40 of Triennial Plan)

- a. Increased incentives for furnaces
 - i. The program will provide rebates for replacement furnaces with annual fuel utilization efficiencies (AFUE) of 92 percent or higher. The Company is restructuring the efficiency rating categories and rebate amounts to help customers upgrade to higher efficiency heating systems. Rebate amounts will increase at 96 and 97 percent AFUE ratings.
- b. Combination home heating and water heating system:
 - i. The program will provide rebates for integrated home heating and water heating systems that meet the heating and the domestic water heating needs of a home with a single heat source. The Company is expanding this measure to include natural gas combination boilers, as well as a tankless water heater + air handling unit.
- c. Measures removed from the program due to streamlining:
 - i. 94% AFUE furnace tier.
 - ii. High-efficiency single package vertical units are being removed as a distinct rebated measure but will be rebated in the appropriate furnace rebate tier based on AFUE.
 - iii. Tank water heater measures <55 gallons are condensed to a single measure.
 - iv. Tankless water heater tiers are modified to align the measure with Minnesota Technical Reference Manual 4.0.
- d. EFS measures added to the program.

4. New Home Construction Rebates (Pages 78-79 of Triennial Plan)

- a. Increased incentives for furnaces
 - i. The program will provide rebates for furnaces with an AFUE of 92 percent or higher. The Company will restructure the efficiency rating categories to match the Home Efficiency Rebates program. This change will help heating dealers promote rebates for replacement and new construction installations. The rebate amounts are different than furnaces in the Home Efficiency Rebates Program, but they will increase at 96 percent and 97 percent AFUE ratings.
- b. Combination home heating and water heating system:
 - i. The program will provide rebates for integrated home heating and water heating systems that meet the heating and the domestic water heating needs of a home with a single heat source. The Company is expanding this measure to include natural gas combination boilers, forced air systems that are rated as a combination system, as well as a tankless water heater + air handling unit.
- c. Measures removed from the program due to streamlining:
 - i. High-efficiency single package vertical units are being removed as a distinct rebated measure, but will be rebated in the appropriate furnace rebate tier based on AFUE
- d. EFS measures added to the program.

5. C&I Foodservice Equipment Rebates (Page 146 of Triennial Plan)

- a. Added several new measures to this program:

- i. ENERGY STAR® Pot, Pan, Utensil Dishwasher rebates. The ENERGY STAR® website had data available on tested units that meet the energy saving criteria.
 - ii. Instead of one category of Rack Ovens, the Company will be offering rebates for both Single and Double sized ovens.
 - iii. Commercial Cooktop rebates. Natural gas burners have improved and provide efficient design options for customers. ASTM F1521 will be used to determine which cooktops meet the efficient criteria for rebates.
 - iv. Commercial Range Base rebates. Customers are offered a variety of options for the range base - conventional oven, cabinet base, convection base. Units that show energy savings with higher production will be added.
 - b. Foodservice operators have struggled through the recent pandemic with supply chain issues as well as extreme manufacturer equipment price increases. Due to these factors, customer rebates and trade ally incentives have been raised.
 - c. Participation goals have been increased due to higher rebates, but energy savings goals have decreased due to higher equipment standards.
6. C&I Heating and Water Heating Rebates (Pages 153-154 of Triennial Plan)
 - a. Added several new measures to this program:
 - i. High Volume Low Static Fans (“HVLS”). This measure includes new mechanical fans with blades 8 feet and larger that move a high volume of air while spinning at a low rotational speed. These fans reduce energy costs in building spaces with high ceilings by redirecting warm air from the ceiling to the ground level where it is needed. This air temperature destratification process reduces the rate of heat loss through the roof. Technical assumptions and eligibility criteria are provided below.
 - ii. Energy Recovery Wheels: This measure has been added back into the Company’s prescriptive rebate offerings for ventilation heat recovery systems on air handling units. Participant energy savings are for efficiencies and energy recovery effectiveness greater than Minnesota ventilation requirements. Technical Assumptions and eligibility criteria are provided below.
 - iii. Industrial Steam Traps: This measure will be rebated at 35% of the cost of the repaired/replaced trap. Customers will no longer be required to participate in steam trap survey rebates.
 - b. Measures removed from the program due to streamlining:
 - i. High-efficiency single package vertical units are being removed as a distinct rebated measure but will be rebated in the appropriate furnace rebate tier based on AFUE.127 Tank water heater measures <55 gallons are condensed to a single measure.
7. C&I Process Efficiency (Page 179 of Triennial Plan)
 - a. Expanded services for support in becoming ISO 50001 Ready as well as ISO 50001 Certified.
8. Recommissioning Study and Rebates (Pages 187-188 of Triennial Plan)
 - a. Foodservice System Assessment and Recommissioning:
 - i. A new recommissioning service proposes an expanded assessment for the foodservice market segment.

- ii. Designed to overcome barriers to participation in the Company's energy efficiency programs, maximize scalable energy savings, and accelerate decarbonization opportunities in the restaurant sector.
- iii. Key components of the service to recommission foodservice equipment and its operation include site energy assessments, action plans, and training and design assistance from foodservice subject matter experts.
- iv. The program will provide participants with a simple process that identifies tailored solutions to help operate equipment properly.
- v. Customers may be offered utility funding up to the entire cost of the energy assessment. Equipment rebates would be paid through the Commercial Foodservice Rebates program.

9. Low-Income Weatherization (Page 99 of Triennial Plan)

- a. Expanded eligibility:
 - i. In general, low-income customers will be eligible to participate in LIW if they are eligible for services under WAP and have not previously received services through CenterPoint Energy's LIW program.
 - ii. Customers who are not eligible for WAP, but who may qualify for LIW using alternative eligibility methods, may receive "stand-alone" services through LIW. Alternative eligibility methods include but are not limited to categorical eligibility for participants in selected means-tested public assistance programs (e.g., the Women, Infants and Children program, the Supplemental Nutrition Assistance Program). Any public assistance program considered for categorical eligibility must align with CenterPoint Energy's low-income program guidelines. Categorical eligibility is currently being piloted with a limited number of public assistance programs.
 - iii. Alternative means of demonstrating eligibility will be considered on a case-by-case basis and in consultation with the Department.
- b. Energy savings kits:
 - i. Will provide energy saving kits to customers who receive a LIW audit. LIW kits will include the following measures: showerhead, kitchen aerator, bath aerator, window film, wool dryer balls, rope caulk, 2 outlet and switch gaskets, and water heater temperature gauge.

10. Low-Income Rental Efficiency (Pages 106-107 of Triennial Plan)

- a. Expanded eligibility:
 - i. Eligible properties are residential buildings with one- to four-rental units, occupied by at least half low-income residents.
 - ii. Alternative eligibility is allowed for this program, and the contracted delivery implementer will be responsible for verification of customer income eligibility. Alternative eligibility methods include but are not limited to categorical eligibility for participants in selected means-tested public assistance programs (e.g., the Women, Infants and Children program, the Supplemental Nutrition Assistance Program). Any public assistance program considered for categorical eligibility must align with CenterPoint Energy's low-income program guidelines. Categorical eligibility is currently being piloted with a limited number of public assistance programs.

- iii. Rental properties in the Minneapolis Green Zones can self-identify as income qualified to enroll in the LIRE program.
 - iv. Rental properties can qualify if they live in areas with high-poverty rates, including but not limited to Census tracts that exhibit a high degree of social vulnerability, Census tracts that have been designated as Opportunity Zones, and Qualified Census Tracts.
 - v. Alternative means of demonstrating eligibility will be considered on a case-by-case basis and in consultation with the Department.
- b. Energy savings kits:
- i. Will provide energy saving kits to renters who receive a LIRE audit. LIRE kits include the following measures: showerhead, kitchen aerator, bath aerator, window film, wool dryer balls, rope caulk, 2 outlet and switch gaskets, and water heater temperature gauge.

Commercial & Industrial Process Efficiency Program Information Request

On August 28, 2023, Staff submitted the following Information Request to CPE:

On pages 179-181 of CenterPoint Energy’s (CPE or the Company) 2024-2026 Triennial Plan, the Company provides a description of its proposed Commercial & Industrial Process Efficiency program.

On page 181, related to coordination with the Company’s Natural Gas Innovation Act (NGIA) Innovation Plan, CPE states:

Several programs included in the Company’s Plan could potentially expand in scope due to coordination with programs included as part of the Natural Gas Innovation Act (“NGIA”) Innovation Plan filed by the Company at the end of June 2023. If the proposed NGIA Innovation Plan were approved, the Company expects that during the 2024-2026 triennial period, the C&I Process Efficiency program would coordinate with the relevant NGIA programs to provide customers energy efficiency and GHG emission reduction services. This would include shared resources for advertising and promotional outreach, eligibility confirmation, and program delivery. The proposed budget accounts for any needed coordination.

Staff request that CPE describe in more detail how it envisions the Commercial & Industrial Process Efficiency program might expand in scope if CPE’s NGIA Innovation Plan is approved. For example, how would the shared resources between the Commercial & Industrial Process Efficiency program and NGIA be used for program delivery activities?

On September 7, 2023, CPE provided the following response to Staff’s Information Request:

CenterPoint Energy proposes to expand its existing Commercial and Industrial (“C&I”) Process Efficiency program offerings to include identification of non-ECO/CIP GHG reducing opportunities for industrial and large commercial customers through the NGIA Innovation Plan.

The Company proposes to include the incremental costs associated with this expansion in its NGIA Plan for cost recovery as well as the costs of rebates for NGIA measures customers install as a result of GHG audits. The NGIA proposal has a separate budget for use in NGIA program delivery. For example, both C&I Process Efficiency and the NGIA Pilot have a unique marketing budget for the respective programs but will cost share on marketing and outreach.

CenterPoint Energy envisions program participants in the C&I Process Efficiency program could have NGIA offerings assessed and discussed during the phase 1 identification analysis of the program. The high-level analysis of a facility during phase 1 of the C&I Process Efficiency program could identify opportunities only eligible for incentives through NGIA. This could include recommended measures such as electric heat pumps or hybrid heating systems, CarbinX carbon capture units, industrial heat pumps, solar thermal walls, onsite biogas production/use, and energy efficiency or strategic electrification measures that are not cost-effective under the societal test. NGIA would pay to incorporate the incremental costs of including NGIA measure assessment into phase 1.

During phase 2, NGIA opportunities would be scoped using C&I Process Efficiency with NGIA paying the incremental costs of discussing NGIA measure assessment in phase 2. The Company would then completely separate program delivery responsibilities and costs once the participant began the NGIA pilot activities in phase 3. This includes operational tasks such as measurement and verification reports and other related assessments.

The Company proposes to take the following steps to coordinate the NGIA pilot with regards ECO/CIP measure incentives during phase 2:

1. CenterPoint Energy will determine whether the measure could qualify for ECO/CIP as a custom measure or otherwise. If it can, the measure will be processed through ECO/CIP and no NGIA rebate will be paid for that measure.
2. If the measure is not eligible for ECO/CIP, CenterPoint Energy will determine if the measure costs less than \$150/metric ton from the NGIA utility perspective, considering only quantitative costs and benefits. Only measures that pass this screen will be eligible for an NGIA incentive.
3. Measures rebated through the pilot will be subjected to measurement and verification.

CenterPoint Energy will work to ensure that projects that are borderline for ECO/CIP eligibility are not paid incentives that are significantly more than they would receive through ECO/CIP. For example, energy efficiency projects that are almost cost effective under the ECO/CIP societal test should not receive a windfall if they are barely in scope for NGIA.

Staff appreciate CPE's Information Request response. Staff note that CPE's NGIA plan is still under review by the Minnesota Public Utilities Commission (MPUC). As part of that separate MPUC proceeding, Staff have also submitted Information Requests to CPE related to its proposed NGIA pilots, including questions related to potential crossover with CPE's Triennial Plan proposals. Staff believe that some of the final parameters and pilots that are ultimately approved as part of CPE's NGIA plan may impact the Company's proposed approach as it relates to NGIA's coordination with this Commercial &

Industrial Process Efficiency ECO program. Staff recommend that once the Company’s NGIA plan is approved, CPE then submit a program modification to its 2024-2026 Triennial Plan that addresses more specifics around any proposed coordination between the Commercial & Industrial Process Efficiency ECO program and the Company’s NGIA pilots.

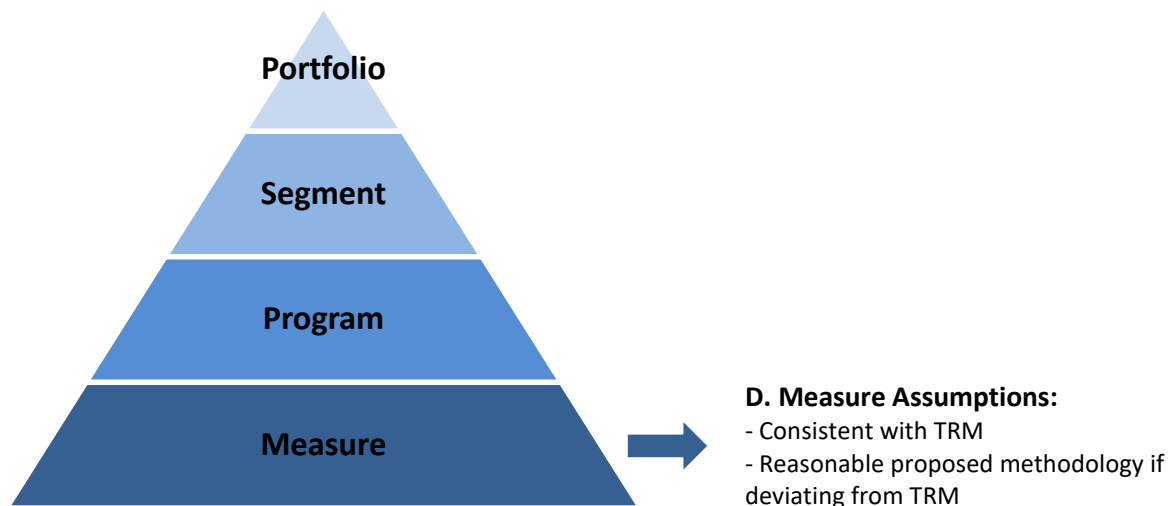
Staff Conclusions

Overall, Staff find these proposed modifications to existing programs to be reasonable and recommend that the Deputy Commissioner approve them.

Staff also point stakeholders to additional analysis found in other sections of this Proposed Decision. For example, Staff provide more detailed analysis and recommendations of CPE’s measure technical assumptions as part of the “Measure-Level Analysis” section, analysis and recommendations about CPE’s cost-effectiveness assumptions in the “Cost-Effectiveness” section, key requirements governing ECO low-income programs and the low-income spending requirement in the “Low-Income Spending Requirements” section, and around proposed EFS elements in the “Market Rate Efficient Fuel-Switching Programs” section of this Proposed Decision.

D. MEASURE-LEVEL ANALYSIS

Figure 14. Measure-Level Review Components



1. Department Policy Guidance

An important part of analyzing each proposed Triennial Plan is the technical assumptions proposed by the IOUs for prescriptive and custom energy efficiency measures. The Deputy Commissioner approves these assumptions for use by the utility in calculating actual program impacts that the utilities report to the Department annually. These assumptions include:

- Deemed per-unit savings
- Energy savings algorithms
- Input assumptions for algorithms

- Measure lifetime
- Incremental costs

The Department maintains the Minnesota Technical Reference Manual (TRM)⁶⁷ that serves as a set of pre-approved standard technical methods for use by ECO program administrators. On February 16, 2023, the Deputy Commissioner approved TRM 4.0, which is the version of the TRM that applies to the 2024-2026 Triennial Plans.⁶⁸ The Triennial Plans should clearly outline what proposed measures follow approved specifications from the TRM.

Additionally, in their Triennial Plans, utilities may propose changes to the standard methods, or inclusion of measures that are not in the TRM to reflect differences in utility service territories, project design, or enhanced savings calculation methodologies. Staff offer specific comments below for measures in which CPE's assumptions appear to differ significantly from the TRM.

Staff wish to remind all utilities of the Measurement and Verification (M&V) Protocols for Large Custom Projects Version 1.0⁶⁹. The protocols were developed in order to standardize large custom project M&V activities among Minnesota utilities, add credibility to ECO outcomes, and ensure the proper use of ratepayer funds. The protocols help demonstrate that utilities are making a good faith effort to accurately measure and verify savings, and serve to build a knowledge base of M&V practices for future custom ECO projects. Key requirements from the protocols include:

- The M&V protocols apply to individual custom ECO projects with estimated annual savings greater than 1,000,000 kilowatt-hours (kWh) of electricity or 20,000 thousand cubic feet (MCF) of natural gas.
- These protocols require that utilities provide Staff with both an M&V plan (pre-M&V) and an M&V report (post-M&V).
- The M&V plan must be delivered to Staff as soon as possible after baseline data collection is complete and before implementation of the measure(s). It is not acceptable for utilities to submit an M&V plan and M&V report at the same time.
- M&V reports detailing any changes to the project, measured savings, and actual expenditures may be provided with annual status reports.
- Staff recognize that there may be a need for flexibility in timing, especially in submitting M&V plans. Such circumstances require that utilities communicate this with Staff.
- Staff also recognize that utilities may need to make changes to an M&V plan over the lifetime of a project and that the estimates in M&V plans may ultimately differ from the actual amounts shown in M&V reports.

⁶⁷ The Minnesota's TRM webpage can be accessed on the Department's website at:

<https://mn.gov/commerce/energy/industry-government/cip/technical-reference-manual>

⁶⁸ "Deputy Commissioner's Decision: In the Matter of Technical Reference Manual Version 4.0." Minnesota Department of Commerce. February 16, 2023. Docket No. CIP-18-694.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={70485B86-0000-C836-AC7F-9187E01A5872}&documentTitle=20232-193216-02>

⁶⁹ <http://mn.gov/commerce-stat/pdfs/cip-mv-protocols-large-project.pdf>

2. Staff Analysis and Recommendations

Appendix A of the Company's Triennial Plan includes a list of all measures within the Company's 2024-2026 Portfolio. Some measures noted within Appendix A follow the Minnesota TRM, some measure deviate a bit (for example, the Company may use a different source and in turn a different value for the incremental cost of a measure), and some deviate extensively. Those that deviate more extensively are included in Appendix B of the Company's Triennial Plan. Estimated measure participation is noted within each Program Write-Up.

a. Information Requests

EFS Measure Assumptions for High Efficiency Home and the Non-Profit Affordable Housing Rebates

On August 28, 2023, Staff submitted the following Information Request to CPE:

The High Efficiency Home program and the Non-Profit Affordable Housing Rebates program both have a Performance Measure that includes Efficient Fuel Switching (EFS). Within Appendix A, these measures are called "High Efficiency Home – EFS" and "NPAH Performance Participant – EFS" respectively and have an energy savings/unit of 60.70 Dths.

Staff request that CenterPoint provide the methodology including the input assumptions, output files, any intermediary tools or files, and the name of the modeling software used to derive the 60.70 Dth in annual savings.

Staff also request that CenterPoint outline the process a Minnesota Rater or the noted Program Implementor(s) would use to submit these measures to CenterPoint Energy so that a rebate can be issued and the savings claimed.

On September 7, 2023, CPE provide the following response to Staff's Information Request:

First, CenterPoint energy would propose to revise the per performance project energy savings from 60.7 dekatherm ("Dth") to 60.27 Dth to correct an error in the dataset used to develop the original energy savings.

CenterPoint Energy did not model a hybrid heating system (e.g., in Ekotrope) to produce the per project energy savings value used to develop energy savings goals. Therefore, the Company does not have input assumptions, output files, or intermediary tools or files to provide. The Company developed its energy savings based on estimates that customers installing hybrid heating systems could achieve the 35-39 percent gas savings tier. The Company examined its High-Efficiency Home projects from 2021-2022 that achieved the 35 percent gas savings tier and set the per project energy savings at the 1st quartile of that data set. The project data is shown in Exhibit C filed with these IR responses.

These values were developed using the REM/Rate or Ekotrope software to model actual new construction homes. Participating homes were rated according to standards set by RESNET. RESNET currently requires each Rater to complete training by a RESNET-accredited Rater Training Provider and to be certified by a RESNET-accredited Rating Quality Assurance Provider ("Provider"). Providers are responsible for ensuring the quality of rating services and

administering rating programs. Providers must also employ a certified Quality Assurance Designee (“QAD”). The QAD is required to independently verify the internal consistency of a minimum of 10 percent of all building input files provided by a Rater, and field verify (by visiting the home) a minimum of one percent of each Rater’s certified homes. RESNET monitors the Providers’ compliance with quality assurance requirements.

CenterPoint Energy notes that it did consider alternative approaches to developing energy savings values for its planning because it noted that the typical home square footage was high for the dataset used. However, the Company staff considered market conditions for ASHPs in the new construction market and felt that the 60 Dth value was not out of alignment with the size of homes that might be built with hybrid heating systems and weatherization measures for the first few years of the program. Regardless, as with other High-Efficiency Homes projects, in practice the Company plans to claim energy savings based on the modeling of actual homes rather than this energy savings value used in planning.

On September 15, 2023, Staff sent a follow up Information Request with additional clarifications for CPE, as follows:

Staff request that the Company outline a more specific efficient fuel-switching (EFS) methodology for the Company’s High Efficiency Home program and the Non-Profit Affordable Housing Rebates program.

Specifically, Staff request that CPE describe a more specific methodology for how the Company proposes to model Actual homes that CPE would use to claim Actual EFS energy savings through these programs. For example, how would the Company model and claim Actual energy savings for a home with an air source heat pump? Please also provide any additional calculation spreadsheets that would help address Staff’s question.

On September 25, 2023, CPE responded to Staff’s Information Request as follows:

CenterPoint Energy’s approach for claiming energy savings for ASHPs in the High-Efficiency Homes program is similar to how it currently claims energy savings for non-ASHP projects. Ekotrope (<https://www.ekotrope.com/>) is the RESNET accredited energy modeling software platform used for application intake and modeled savings calculations for the High Efficiency Homes (“HEH”) and performance path of the Non-Profit Affordable Housing (“NPAH”) projects. Ekotrope’s hourly energy modeling algorithm follows the industry standard and supports HERS, IECC, and utility-grade savings calculations.

Within Ekotrope’s whole home modeling platform, users have the ability to select as-built inputs from a component library – which includes hybrid space heating (ASHP + furnace) option as a choice for modeling the space heating performance of the as-built, or actual, home. After choosing this heating option, the software’s user inputs the efficiency values (i.e., HSPF2 and AFUE) and switchover temperature of the hybrid system. . . .

Once all the other parameters of the house are complete, the software’s accredited 8,760 hourly modeling algorithm proceeds to calculate the performance of the house, including the hybrid heating system. For claiming energy savings, the added electricity use will be netted out of the gross gas savings. Though hybrid heating systems are relatively new to the Company’s

energy efficiency programs, the program's implementer, ICF, is familiar with this option in the software, as well as its application to energy efficiency programs from their work in Massachusetts, Michigan, Texas, and Arizona where hybrid heating systems are becoming more common in the market.

CenterPoint Energy does not have case studies demonstrating a gas heating system reference case and a hybrid heating system high-efficiency case. Energy savings can be calculated by running Ekotrope for a hybrid heating system and manually comparing outputs to a gas heating system reference case. However, for the actual operation of the HEH program the Company and its implementer are working with Ekotrope to allow the software to automate comparisons of a hybrid heating system high-efficiency case to a gas heating system reference case. The Company expects this will be ready by January 2024. The Company will also claim energy savings and pay out rebates based on net gas savings (subtracting increased electricity use). If helpful, the Company could arrange a conference call with the program implementers and the Department to further clarify how the Ekotrope software handles hybrid space heating systems as well as how it will run once the model is modified.

Staff appreciate CPE's Information Request response. Staff find 60.27 Dth to be a reasonable per performance project energy savings Planning assumption, but Staff would like to continue exploring CPE's methodology for claiming Actual energy savings from EFS projects implemented through these particular programs. Staff recommend the Deputy Commissioner approve CPE's 60.27 per performance project energy savings Planning assumption, and Staff will meet with CPE and its program implementers during Q1 2024 to discuss a reasonable method for claiming Actual savings. Based on the outcome of the meeting discussion, Staff will determine whether a formal program modification is needed to approve any potential changes to the Actual savings methodology.

Exhibit A Spreadsheet: Efficient Fuel-Switching Review of Air Source Heat Pump (ASHP)

On August 28, 2023, Staff submitted Information Requests to CPE. On September 7, 2023, CPE submitted responses to Staff's Information Requests. Staff's Information Requests, the Company's responses, and Staff's recommendation are summarized below as follows:

Staff requested that CenterPoint Energy (CPE or the Company) clarify the following questions related to the Company's "Exhibit A-Efficient Fuel-Switching, Results_TRM" spreadsheet:

- Staff Information Request: At the end of each year, will the assumed inputs in the algorithm be modified with the average values from the year concluding? I.e., furnace capacity size or the switch over temperature, etc?
- CPE's Response: CenterPoint Energy filed the ASHP prescriptive rebate algorithms as deemed energy savings values using a modification of the Technical Reference Manual algorithms. The Company's intention is that the energy savings per heating system measure rebated will be deemed. However, because of the uncertainty around actual installations, the Company is planning on considering revisions to the algorithm based on program data during this triennial period as the Company learns more about actual measures installed (e.g., capacity size and switch over temperature) in the market. The Company would communicate to the Department if its experience in the market in 2024

differed significantly from plan and discuss potential needs for a program modification and energy savings claimed for the annual status report.

- Staff's Recommendation: Staff look forward to the opportunity to review with CPE the data collected from 2024 customer installation experiences and post install survey outcomes.

- Staff Information Request: Will any customer data be tracked on an ongoing basis? For example, touching base with the customer post install to see if the switch over temperature changed, if operating to specifications to meet these savings, to ensure the customer continues to use it for heating and not just as an A/C replacement, to track the actual operating hours of the ASHP, to confirm gas reduction in order to back out if the % primary/% backup is roughly accurate, etc?
 - CPE's Response: CenterPoint Energy is not planning on collecting customer data on an ongoing basis. The Company is not planning on a measurement and verification process for this measure, but the Company is planning on customer and trade ally surveys as well as evaluation of a data collection on a sampling of installations during the triennial period. This could include examining switch over temperatures, operation of the equipment for heating, customer satisfaction, installation costs, changes in gas use at the meter, as well as other potential areas of research.

 - Staff's Recommendation: Staff look forward to the opportunity to review with CPE the data collected from 2024 customer installation experiences and post install survey outcomes.

- Staff Information Request: There are four measure categories for this measure, but it appears from the forecast that CPE is expecting all 250 projected measures to fall into the 96% AFUE furnace replacement/ASHP category. Will that be the measure that CPE promotes more heavily through trade allies and to customers?
 - CPE's Response: CenterPoint Energy interprets the Department's question to be about ASHPs and the 97 percent AFUE furnace as that was the assumption in the Company's triennial plan. The Company is not planning on specific prioritization of the 97 percent AFUE furnace in its communications other than noting potential eligibility for tax credits. However, the rebate structure in its plan and the available IRA tax credit likely incentivizes trade allies to emphasize the 97 percent AFUE furnace in discussions with customers. The Company also expects that the customers interested in ASHPs are going to be potentially interested in back-up furnace that provides additional energy savings.

 - Staff's Recommendation: Staff appreciate CPE's response and find it reasonable.

- Staff Information Request: CPE's analysis of source energy savings and GHG reductions uses single heat rate (source energy) and carbon reduction (GHG) values for steps 3.2

and 3.3. Did CPE consider including more detailed load shapes and use of hourly heat rate and GHG values?

- CPE's Response: CenterPoint Energy considered conducting a more detailed analysis of source energy and greenhouse gas emissions, but the Company did not have access to hourly data during its planning process. When the Company examined source energy and lifetime carbon reductions for ASHPs providing heating during the shoulder months it did not seem like source energy or greenhouse gas emissions was a limiting factor for the EFS criteria. While not the major driver of the Company's decision to not offer a rebate tier for cold climate ASHPs, the Company would not have used this simplified approach for ensuring that measure passed the EFS criteria because of the effects of winter ASHP heating on hourly source energy and carbon emission profiles. The Company is open to conducting the more detailed analysis in partnership with the Department or an electric utility but does not think it would provide new information for the measures filed in its triennial plan.
- Staff's Recommendation: Staff find CPE's response to be reasonable. In the interest of ensuring that electric and gas IOUs (particularly in overlapping territories) analyze EFS measures consistently, as part of future potential program modifications to the Company's Triennial Plan, Staff encourage CPE to collaborate with Xcel Energy to have more alignment in key technical assumptions going forward.
- Staff Information Request: CPE's formula in column X "HE Case Total Emissions (lbs CO2/yr)" sums the CO2 emissions from the HE gas and electric scenarios. Should this formula, instead, take the difference between the Base Case and HE gas (a positive value) and subtract the electric emissions [which is difference between Base Case and HE electric] (a negative value)? So, formula in cell X7 and subsequent would be U7-V7-W7. The same observation would apply to the calculations in column T.
 - CPE's Response: CenterPoint Energy provided source energy and carbon emission savings in column X and AC of the "Results_TRM 4.0" tab in revised Exhibit A as suggested by the Department's question.
 - Staff's Recommendation: Staff find CPE's response reasonable and now see that the Company provided the relevant information in their previous sheet.

b. Summary of Staff Analysis

Staff reviewed CPE's proposed measure technical assumptions and generally found them to be reasonable and consistent with other utilities and the Minnesota TRM. Staff reviewed a selection of CPE's measures, both within Appendix A and Appendix B, that represent over 90% of the Company's total projected savings. In reviewing the selected measures, Staff considered three primary criteria to deviate from the Minnesota TRM: 1) Field results or territory based data, 2) another state's TRM, and 3) industry accepted standards.

The one technical assumption that requires additional discussion is the “Home with EFS” Measure within the High Efficiency Home Program. Staff find 60.27 Dth to be a reasonable per performance project energy savings Planning assumption, but Staff would like to continue exploring CPE’s methodology for claiming Actual energy savings from EFS projects implemented through these particular programs. Staff recommend the Deputy Commissioner approve CPE’s 60.27 per performance project energy savings Planning assumption, and Staff will meet with CPE and its program implementers during Q1 2024 to discuss a reasonable method for claiming Actual savings. Based on the outcome of the meeting discussion, Staff will determine whether a formal program modification is needed to approve any potential changes to the Actual savings methodology.

For the Deputy Commissioner’s consideration, Table 45 summarizes the list of reviewed measures and Staff’s conclusions regarding the reasonableness of their energy savings methodologies.

Table 45. Reviewed Measure List

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
Commercial Steam Traps	18.80%	C&I Heating and Water Heating Rebates	Steam traps	This measure was reviewed mid 2022 with CPE, as the TRM Advisory Committee was considering changes to the TRM to match CPE's method. The deviation from the TRM is slight, and involves subbing another readily available metric in place of orifice size, but then converting to equivalency. Essentially the algorithm is the same. The other deviation is in incremental cost, from CPE customer averages.	Yes
Residential Behavioral	14.10%	Home Energy Reports	Home Energy Report	In compliance with the Average Savings Method (ASM) determined in the April 26, 2012 Deputy Commissioners Decision within Docket Nos. E,G999/CI-08-133, et al.	Yes
Residential Furnace	11.40%	C&I Heating and Water Heating Rebates Home Efficiency Rebates Homeowner Efficiency Lift Program Low-Income Free Heating System Tune-Up Low-Income Rental Efficiency Low-Income Weatherization New Home Construction Rebates Non-Profit Affordable Housing Rebates	96% AFUE furnace (retrofit/new construction) 97% AFUE furnace (retrofit/new construction) 92% AFUE furnace (retrofit/new construction) Furnace tune-up/Repair	Does not deviate from MN TRM, except for incremental costs which were informed by CPE's partners in the field.	Yes

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
Commercial Boiler	7.60%	C&I Heating and Water Heating Rebates	Boiler reset control Boiler tune-up C&I condensing efficiency hot water boiler (88%+ efficient) Commercial steam boiler Modulating burner replacement for commercial boiler (hot water or steam) Process steam boiler Stack damper for commercial boiler (hot water or steam) Turbulators for commercial boiler (hot water or steam)	Updated to match MN TRM v4 modifications to these related measures, no deviations besides some incremental cost deviations, based on customer averages.	Yes
Commercial Modeling	7.20%	EDA	EDA energy efficiency project	Verified via reviews of specific projects each year.	Yes
Commercial Custom	7.00%	C&I Custom and Engineering Assistance Rebates Recommissioning Study & Rebates	Custom energy efficiency project Recommissioning energy efficiency project	Verified via reviews of specific projects each year.	Yes
Industrial Process	5.20%	C&I Heating and Water Heating Rebates	Industrial boiler/burner tune-up Industrial modulating burner Industrial stack damper Industrial reset control Industrial cutout control High volume low static fan Industrial turbulator	Updated to match MN TRM v4 modifications to these related measures, no deviations besides some incremental cost deviations, based on customer averages. CPE Measure "High volume low static fan" follows the methodology outlined in the IL TRM (v11).	Yes

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
Residential Modeling	5.00%	High Efficiency Home Non-Profit Affordable Housing Rebates	10-14% gas savings 15-19% gas savings 20-24% gas savings 25-29% gas savings 30-34% gas savings 35-39% gas savings 40% gas savings and above Home with EFS Passive House Certification	For the energy savings methodology for residential modeling measures without EFS: The energy calculation methodology within some RESNET approved software, specifically Ekotrope, is proprietary and is commonly used with Residential New Construction Utility Demand Side Management Programming. CPE's methodology using software approved by RESNET, including Ekotrope, is approved at this time. For the energy savings methodology for the measure "Home with EFS," please see the above note.	Yes with future discussion.
Residential ASHP	3.40%	Home Efficiency Rebates Homeowner Efficiency Lift Program New Home Construction Rebates Non-Profit Affordable Housing Rebates	7.8 HSPF2 ASHP + 92% furnace (replacement/new construction) 7.8 HSPF2 ASHP + 96% furnace (replacement/new construction) 7.8 HSPF2 ASHP + 97% furnace (replacement/new construction) 7.8 HSPF2 ASHP w/ existing furnace (replacement)	Generally the same algorithm intent as the MN TRM v4.0 - removes the heat pump specifications and EFLH from consideration.- Heat pump load is likely being underestimated since heat pumps run more often than furnaces. Methodology is acceptable for a deemed savings estimate. Staff have concerns regarding the double counting of the cooling efficiency savings between gas and electric utilities.	Yes
Showerheads and Aerators	3.00%	DIY Home Efficiency Energy Efficiency Kits Home Energy Squad Low-Income Multi-Family Housing Rebates Multi-Family Building Efficiency Non-Profit Affordable Housing Rebates	Low-flow (0.5 GPM) bathroom faucet aerator (DI, Schools Kit, Renter Kit, Community Kit, New Construction) Low-flow (1.0 GPM) bathroom faucet aerator (DI, Schools Kit, Renter Kit, Community Kit, New Construction) Low-flow (1.5 GPM) kitchen	Does not deviate from the MN TRM v4.	Yes

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
			faucet aerator (DI, Schools Kit, Renter Kit, Community Kit, New Construction) Low-flow (1.5 GPM) showerhead (DI, Schools Kit, Renter Kit, Community Kit, New Construction)		
Multifamily Custom	2.70%	Multi-Family Building Efficiency	MFBE energy efficiency project	Verified via reviews of specific projects each year.	Yes
Residential Smart Thermostat	1.50%	Home Efficiency Rebates Home Energy Squad New Home Construction Rebates Non-Profit Affordable Housing Rebates	Wi-Fi or smart thermostat	Does not deviate from the MN TRM v4	Yes
Commercial Combi-oven	1.30%	Commercial Foodservice Equipment Rebates	Combi oven (CEW or ENERGY STAR®) Combination ("Combi") oven	Measure deviates from MN TRM v4.0 by using a different baseline technology, instead following the CA TRM algorithm and baseline technology assumptions. This is a reasonable approach.	Yes
Residential Envelope	1.10%	Homeowner Efficiency Lift Program Low-Income Multi-Family Housing Rebates Low-Income Rental Efficiency Low-Income Weatherization Multi-Family Building Efficiency	Door weatherization LI MFBE Project Weatherization - wall insulation, attic insulation, attic air sealing, sill plate, rim joist insulation	Measures follows MN TRM v4.0, differs only incremental costs. Weather Stripping measure have reasonable assumptions and algorithm of savings.	Yes
Residential Attic Insulation	0.90%	Home Insulation Rebates Non-Profit Affordable Housing Rebates	Attic insulation + air sealing Attic insulation (retrofit) Above code attic insulation (new construction)	Measure follows MN TRM v4.0, differs only incremental costs	Yes

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
Residential WH Pipe Insulation	0.80%	DIY Home Efficiency Home Energy Squad Homeowner Efficiency Lift Program Low-Income Weatherization	6' feet of R-2 (at least) DHW pipe insulation Pipe Wrap	Does not deviate from the TRM v4.0, have additionally applied essentially an installation rate of 68%, more conservative approach that matches the distribution channel of the product.	Yes
Fireplace	0.80%	C&I Heating and Water Heating Rebates Home Efficiency Rebates New Home Construction Rebates	Hearth with electronic ignition	Does not deviate from MN TRM v4.0	Yes
Industrial Custom	0.70%	C&I Process Efficiency	Industrial process & commercial efficiency project	Verified via reviews of specific projects each year.	Yes
Residential Water Heater	0.60%	High Efficiency Home Home Efficiency Rebates Homeowner Efficiency Lift Program Low-Income Rental Efficiency Low-Income Weatherization New Home Construction Rebates Non-Profit Affordable Housing Rebates	.64/.68 UEF tank water heater (<55 gallons, retrofit)/ (<55 gallons, new construction) .68 UEF tank water heater (>55 Gallons, <75,000 Btu/hr) .87 UEF tankless water heater (retrofit) (replacing tank water heater)/NA/New Construction 0.88 thermal efficiency water heater (>75,000 Btu/hr, commercial water heater in residential application) Combination unit (.87 UEF tankless water heater + air handling unit, boilers rated as combination boilers in AHRI, forced air systems rated as combination system) Indirect water heater (retrofit)/(new construction) Tankless WH 090 UEF NG Tankless WH	All Measure less the Combination Unit Measures: Does not deviate from the TRM v4.0. Combination Units Measures: There is no measure in the TRM v4.0 for this, but they derived the algorithm from the DHW measure and the furnace measure in the TRM. Methodology is acceptable for a deemed savings estimate.	Yes

Review Category	% of Projected Portfolio Energy Savings	Program(s)	Utility Measure(s)	Note	Approved
MN State Energy Code Market Transformation	1.10%	Commercial Code Support Residential Code Support	Commercial Code Support Residential Code Support	This methodology has been reviewed and assumptions are reasonable.	Yes
MN ETA Prescriptive Measures	0.00%	Home Insulation Rebates	Residential Windows	This methodology has been reviewed and assumptions are reasonable.	Yes
Garage Door Hinge	0.00%	C&I Heating and Water Heating Rebates Low-Income Multi-Family Housing Rebates Multi-Family Building Efficiency	Green garage door hinge	CPE Measure "Green garage door hinge" follows the methodology outlined in the WI TRM published in 2019.	Yes

IV. COMMENTS BY INTERESTED PARTIES DIRECTED TOWARD MULTIPLE UTILITIES OR CONCERNING ISSUES APPLICABLE TO MANY OR ALL TRIENNIAL PLANS

In addition to stakeholder comments directed toward individual utilities, many stakeholder comments were filed in multiple utility triennial plan dockets or concerned issues applicable to many or all IOU triennial plans. These comments and reply comments are summarized below along with Staff's analysis and recommendations.

A. COMMENTS FROM CENTER FOR ENERGY AND ENVIRONMENT (CEE)⁷⁰ AND REPLY COMMENTS

A.1. *The Department should exercise regulatory flexibility for EFS measures*

CEE recommends that the Department exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching (EFS) measures exceeds utility spending caps in 2024 and 2025.

a. Reply Comments

Staff is unaware of any reply comments responding directly to this comment.

b. Staff Recommendations

Staff appreciates CEE's suggestion that regulatory flexibility be exercised in the event that EFS spending caps are exceeded. Minnesota Statutes section 216B.241 subdivision 1c(g) provides the spending parameters for EFS improvements until July 1, 2026. Further guidance and explanation concerning the spending cap was provided in the technical guidance document issued by the Department on March 15, 2022.⁷¹

It is Staff's understanding that these spending limits do not contain flexibility in a manner that would allow them to be exceeded by a utility. Staff requests, however, that any flexibility CEE or other stakeholders believe is available to exceed these spending caps be detailed in reply comments to this Proposed Decision.

B. COMMENTS FROM FRESH ENERGY⁷² AND REPLY COMMENTS

B.1. *Utilities should maximize incentives for electrification via EFS*

Fresh Energy comments that for this upcoming Triennial, utilities should strive to maximize spending on EFS up to the allowable and cost-effective levels. Fresh Energy asks that gas utilities provide in Reply Comments an analysis of how they could reach the proposed levels of EFS spending that Xcel's gas utility has proposed. Fresh Energy recommends that the Department ultimately require gas utilities to

⁷⁰ CEE Reply Comments ([Docket No. 23-95](#))

⁷¹ Decision, *In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-weatherization Measures in CIP* at pp 8. ([Docket No. 21-837](#))

⁷² Filed in the following dockets: 23-92, 23-93, 23-94, 23-95, 23-96, 23-97, 23-98

maximize EFS spending, taking into consideration the initial proposal from Xcel Gas and other utility responses to these comments.

Fresh Energy strongly encourages MERC, Minnesota Power, Great Plains Natural Gas Co, and Greater Minnesota Gas to pursue EFS in ECO plans. Fresh Energy also requests that these utilities provide detailed reasoning for not pursuing EFS in their Triennial plans. Fresh Energy further requests that the Department establish a floor for utility EFS spending.

a. Reply Comments

CenterPoint Energy (CenterPoint)

Regarding EFS program spending CenterPoint wrote:

CenterPoint Energy believes that *Comments* imply an expectation that if program spending is maximized then within 1-2 years a large shift for new and developing markets will occur as the result of ECO, IRA, and state policy. The Company views such major shifts in 1-2 years, even under these policy conditions, are unrealistic and ahistorical with other shifts in technologies. Market shifts take time because of the time it takes for various market actors (e.g., trade allies and customers) to become aware of and change decision-making based on policy changes and economic incentives even with significant outreach and communication. The Company's *Triennial Plan*, while having more conservative goals than Xcel Energy, is not out of line with the time these market changes require.

For these reasons, CenterPoint Energy's expectation is that the EFS spending cap is unlikely to play a factor in program implementation. The Company could plan on higher budgets and spend millions more dollars on EFS, but the Company does not believe this would lead to significantly higher participation and energy savings in the initial years, especially for developing and evolving markets.⁷³

In response to Fresh Energy's request for an EFS spending floor to be established, CenterPoint recommended "rejecting this recommendation as arbitrary and unnecessary. The Company thinks it is reasonable to discuss spending and participation levels as part of annual status report filings."⁷⁴

Minnesota Energy Resources Corp. (MERC)

In response to Fresh Energy's concerns about EFS spending, MERC details some of the complexity and significance of introducing EFS programs. They also note that "natural gas investor-owned utilities ("IOUs") can only receive a financial incentive on efficient fuel-switching programs if they achieve savings of one percent of gross annual retail energy sales through non-fuel-switching programs. While MERC has successfully achieved savings close to this level, it has not reached the one percent savings threshold in recent years."⁷⁵

Minnesota Power (MP)

In response to Fresh Energy's request that utilities pursue the inclusion of EFS measures, MP writes:

⁷³ CenterPoint Reply Comments at 7.

⁷⁴ CenterPoint Reply Comments at 14.

⁷⁵ MERC Comments at 2.

While the Company did not include EFS in the initial 2024-2026 Triennial ECO plan, Minnesota Power is excited about the potential opportunity to partner with customers and stakeholders in new ways to create a cleaner energy future. However, there currently remains a significant amount of uncertainty and complexity related to planning for, evaluating, and implementing EFS measures due to its newness, the complex set of requirements detailed in statute and related guidance, the introduction of significant amounts of federal funding for electrification measures through the IRA that will come with its own set of rebates, and equipment requirements.⁷⁶

Otter Tail Power (OTP)

In response to Fresh Energy's suggestion of an EFS spending floor, OTP states that it "does not take a position on these items. The Company believes it has presented a diverse and inclusive fuel-switching plan within the confines of the current guidelines."⁷⁷

Xcel Energy (Xcel)

In response to Fresh Energy's recommendation to maximize EFS spending and the EFS spending cap, Xcel states that:

EFS spending will be dependent upon marketing, trade and final incentives at both the state and federal levels. It is also important to acknowledge the statutory requirement to first hit the one percent requirement prior to claiming savings for EFS; this will affect utilities differently, and mandating spending levels is unlikely to drive an optimal outcome. We believe that ECO plans should be considered on their individual merits based on the specific requirements of the utility, and the statutory spending cap is just that – a cap, not a floor.⁷⁸

b. Staff Recommendations

Staff disagrees with Fresh Energy's recommendation that the Department require natural gas IOUs to maximize EFS spending and that an EFS spending floor be established. In addition to the concerns raised in utility Reply Comments, Staff contends that EFS under the new ECO framework represents an opportunity for utilities but is not a requirement. Rather, the existence of a spending cap for EFS programming suggests that the legislature favored initial caution and moderation in the development of EFS programs. Staff recommend that the Deputy Commissioner does not require natural gas utilities to maximize EFS spending and that an EFS spending floor not be established.

Staff also disagrees, however, with Xcel's statement that natural gas IOUs must meet the one percent savings requirement prior to claiming savings for EFS. Minnesota Statutes 216B.241 subdivision 12(b) states that "the [natural gas] public utility may count the program's energy savings toward its goal under section 216B.241 subdivision 1c." Staff recommend that the Deputy Commissioner confirm that EFS savings achieved by natural gas utilities be counted toward the one percent energy savings requirement.

⁷⁶ Minnesota Power Reply Comments at 1.

⁷⁷ Otter Tail Reply Comments at 21.

⁷⁸ Xcel Reply Comments at 4.

In regard to the natural gas IOU financial incentive, as outlined in Minnesota Statutes 216B.241 subdivision 12(e), Staff agrees with MERC’s contention that EFS savings are not eligible to be counted toward the financial incentive in a year in which the natural gas utility achieves energy savings of less than one percent of retail sales through non-EFS measures.

Staff would also like to take this opportunity to address treatment of electric utility energy savings from EFS. “[Otter Tail] holds the position that the language included in MN Statute 216B supports the inclusion of efficient fuel-switching savings in reaching overall conservation goals.”⁷⁹ Staff agrees that electric utility EFS savings can be counted toward the utility’s annual savings achievements. However, 216B.241 subdivision 1c(d) enumerates the activities that can be counted toward the initial 1.75% savings goal and this list does not include EFS measures. Staff, therefore, recommend that the Deputy Commissioner confirm that electric utility energy savings from EFS only be counted toward the annual savings achievement of the utility above and beyond 1.75% of retail sales. Staff also think it prudent here to remind stakeholders that, unlike natural gas utility EFS savings, electric utility EFS savings are not eligible for inclusion in the electric utility’s financial incentive calculation.⁸⁰

B.2. Utilities should provide robust rebates for heat pumps and effectively promote these rebates to customers.

With the rollout of new federal and state heat pump incentives coinciding with this ECO Triennial, Fresh Energy believes that utilities should make it as simple as possible for consumers to stack benefits for heat pumps. Fresh Energy further believes that the Department should ensure that CenterPoint and other utilities are effectively promoting their heat pump rebates across programs and proactively providing outreach and education to customers.

a. Reply Comments

CenterPoint

In response to Fresh Energy’s suggestion that heat pump rebates be promoted to customers, CenterPoint states:

CenterPoint Energy agrees that it will need to create and share information on its ASHP rebates with its customers at the start of the triennial period. However, requiring the primary focus of outreach and education to be on customers is likely to create problems implementing program offerings. Customers become dissatisfied with energy efficiency offerings if trade allies (e.g., contractors and dealers) are not available or well-educated on equipment or the equipment is not kept in stock. That is why the Company believes that the focus of its outreach and education efforts should be the trade allies from 2024-2025 with customers becoming more of the focus starting in late 2025.⁸¹

Otter Tail

Otter Tail appears to support Fresh Energy’s enthusiasm for leveraging non-ECO related incentives, albeit cautiously, saying “Otter Tail understands the importance of leveraging incentives to the greatest

⁷⁹ Otter Tail Reply Comments at 17.

⁸⁰ Minn. Stat. 216B.241 subdivision 11(c).

⁸¹ CenterPoint Reply Comments at 8.

extent possible . . . , but the Company also sees prudence in evaluating future federal Home Energy Rebate incentives and ensuring that utility rebates do not complicate application processes for the Department agencies distributing Home Energy Rebate program funds, utilities, and Home Energy Rebate program applicants alike.”⁸²

Xcel

Regarding education, Xcel states “we have set aside a significant amount of funding for educational opportunities to begin spurring the market towards electrification with trade allies, governments, communities, and customers. These funds will be used to help the market grow and provide marketing materials to help customers sort through the several funding opportunities soon to be available to them.”⁸³

b. Staff Recommendations

Staff appreciate Fresh Energy’s call for coordination and education concerning overlapping federal and state initiatives. Staff recommends that the Deputy Commissioner instruct ECO Unit Staff to work with other Department units responsible for the implementation of overlapping federal and state initiatives and stakeholders throughout the 2024-2026 triennial period to coordinate program implementation and provide education and guidance to program participants.

B.3. Utilities should modify their air-conditioner (AC) programs to include rebates for heat pumps.

Fresh Energy believes that the Department should require utilities to phase out rebates for traditional air conditioners (AC) this Triennial or, in the alternative, require utilities to offer comparatively higher rebates for heat pumps.

a. Reply Comments

Otter Tail

According to Otter Tail, it “offers some of the highest rebates nationwide for both geothermal and air-source heat pumps.”⁸⁴ Otter Tail also highlights the market transformation benefits of continuing rebate programs for air conditioners, stating that these type of incentives “enable Otter Tail to collect data on installation contractors frequently installing central air conditioners instead of heat pumps, enabling targeted outreach and educational activities with these contractors on the benefits of heat pumps and various utility and federal incentives available for customers.”⁸⁵

Xcel

In response to Fresh Energy, Xcel believes “[i]t will take time for the market to transition to heat pumps and abruptly ending rebates for high-efficiency air conditioners may cause customers to install code-minimum air conditioners.”⁸⁶ Xcel further cautioned that “[m]anufacturers, distributors, and trade

⁸² Otter Tail Reply Comments at 4.

⁸³ Xcel Reply Comments at 2.

⁸⁴ Otter Tail Reply Comments at 6.

⁸⁵ Otter Tail Reply Comments at 7.

⁸⁶ Xcel Reply Comments at 6.

partners will also need time to adapt their stocking, sales, and installation practices to shift to supporting heat pump installations.”⁸⁷

b. Staff Recommendations

Staff does not agree that the Department should require air conditioner rebates to be phased out or that air source heat pump rebates should be set comparatively higher. Utilities develop programs based on methodologies outlined in the Technical Reference Manual (TRM) and assumptions finalized as part of the cost-effectiveness stakeholder process. Staff believe that it is important that utilities are able to use this information confidently when designing programs and developing incentive amounts and not be instructed after the fact to phase out rebates on a particular measure.

Otter Tail and Xcel also raise important points concerning their relationship with air conditioner manufacturers and the importance of those relationships as Minnesota transitions to more efficient cooling measures such as air source heat pumps. Staff propose that the Deputy Commissioner does not require air conditioner rebates to be phased out or require that air source heat pump rebates be set comparatively higher.

B.4. Utilities should ensure equitable distribution of outdoor equipment fuel-switching rebates while prioritizing the use of EFS for building electrification and weatherization

Fresh Energy supports the electrification of outdoor equipment but recommends electric utilities and the Department prioritize using electric EFS budgets to support electrification of natural gas appliances used for home heating and cooking and building shell improvements which are necessary for impactful home electrification, to the extent possible under ECO and in a manner that maximizes equitable outcomes. Fresh Energy asks that residential outdoor equipment electrification rebates prioritize distribution amongst under-resourced areas to ensure that wealthier neighborhoods are not unequally receiving the benefits from the utilities’ outdoor equipment programs and in light of more acute air pollution often found in these areas. Fresh Energy further suggests that utilities should ensure equitable distribution of these outdoor equipment rebates to their electric customers and should report on the geographic distribution of these rebates in annual reports.

a. Reply Comments

Otter Tail

Regarding the prioritization of the electrification of natural gas end uses, Otter Tail states that “[w]hile Otter Tail understands that some parties would like to focus more on the electrification of natural gas appliances, one of the guiding principles of the efficient fuel-switching program is reduced emissions. Otter Tail’s electric vehicles and outdoor equipment options have a much greater impact on emission reduction over the replacement of residential natural gas appliances.”

Otter Tail responded to Fresh Energy’s equity concerns saying “[a]t this point in time Otter Tail’s fuel-switching rebates will be handled through an application process. This would allow for all customers to participate in the program irrespective of where they are located in the Otter Tail service territory.”⁸⁸

⁸⁷ Xcel Reply Comments at 6.

⁸⁸ Otter Tail Reply Comments at 14.

Xcel

In response to Fresh Energy’s request that EFS programs focus on electrification of natural gas end uses, Xcel states “[w]hen determining rebates for the Outdoor Equipment program, consideration was made regarding available budget along with cost-effectiveness and potential participation.”⁸⁹

When addressing possible outdoor equipment equity concerns, Xcel writes “[o]ur proposal includes increased incentives for income-qualified customers, and we intend to market these opportunities along with our other income-qualified programs so as to address these concerns.”⁹⁰

b. Staff Recommendations

Staff does not believe that it is the role of the Department to place emphasis on one EFS category or end use over another. Rather, Staff believe it is the Department’s job to determine if utilities have satisfied the requisite statutory thresholds and that the portfolio contains a balanced offering of programs that customers can participate in. In addition to outdoor equipment incentives, both Otter Tail and Xcel offer robust home appliance and envelope improvement opportunities.

B.5. Utilities should maximize incentives for building shell improvements and pair them with incentives for heat pumps

Fresh Energy requests that utilities prioritize providing rebates that encourage weatherization, especially when implementing fuel-switching in combination with building shell upgrades. Fresh Energy asks that the Department require utilities to replicate Xcel’s model of providing bonus rebates to customers that pair incentives for building shell improvements. Fresh Energy also asks that the Department work to address discrepancies between proposed utility rebates for attic insulation and air sealing measures and that CenterPoint increase its insulation and air sealing rebate offerings to match Xcel.

Fresh Energy further requests that the Department require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they are offering (e.g., heat pumps rebates) and that utilities should clearly promote these incentives and their potential benefits across their programs.

a. Reply Comments

CenterPoint

In response to Fresh Energy’s request that utilities replicate Xcel’s bonus rebate approach:

CenterPoint Energy opposes adding this to its Triennial Plan for 2024 but will consider a bonus rebate for sequencing weatherization with an ASHP as a program modification by no later than January 1, 2026. The Company believes this program design has potential merit. The Company has several administrative concerns with this offering that need to be resolved before it can be offered. The main concern is that the Company anticipates challenges getting trade allies to administer such a bonus rebate with their customers. The Company needs time to explore options and feasibly.⁹¹

⁸⁹ Xcel Reply Comments at 7.

⁹⁰ Xcel Reply Comments at 8.

⁹¹ CenterPoint Reply Comments at 14.

Regarding Fresh Energy’s request that CenterPoint increase insulation and air sealing rebate offerings to match Xcel, CenterPoint responded that “proposed rebate levels for the Home Insulation Rebates program are based on an assessment of project costs . . . and how effective increasing the rebates will be to increasing participation. Further increases to the rebate levels proposed may marginally increase program participation, but not enough to be reasonable and prudent spending in the Company’s view.”⁹²

CenterPoint then goes on to say that “if the [Department] recommends increasing rebates, then CenterPoint Energy can propose changes in an IR response or in its Comments on a Proposed Decision.”⁹³

MERC

MERC agrees with Fresh Energy’s emphasis on the importance of weatherization, stating that “MERC’s 2024-2026 CIP Triennial incorporates increased insulation rebates to encourage customers to tighten their homes. Continued and increased investment in weatherization is a necessary and appropriate step as MERC continues to evaluate and learn from Minnesota’s other gas utilities implementing EFS programs.”⁹⁴

Xcel

Regarding bonus rebates, Xcel states that they “continue to believe this is an important method to verifying the energy savings opportunities presented by electrification and helps us maximize building shell improvements with EFS measures.”⁹⁵

b. Staff Recommendations

Staff appreciates Fresh Energy’s dedication in highlighting the importance of EFS measures in combination with building envelope improvements. Staff applauds Xcel’s use of a bonus rebate to encourage building envelope improvements with air source heat pump purchases. Staff appreciates, however, the administrative and logistical concerns raised by CenterPoint in replicating Xcel’s approach. Staff supports CenterPoint’s commitment to implementing a similar rebate starting no later than January 1, 2026.

Regarding the discrepancy in rebate amounts for attic insulation and air sealing between Xcel and CenterPoint, Staff recommend that the Deputy Commissioner take CenterPoint up on its offer to increase its rebates to align with Xcel. Staff request that this change be detailed in CenterPoint’s Comments on the Proposed Decision.

Staff agree with Fresh Energy on the importance of outreach and education regarding EFS efforts and building shell incentives. Staff encourages all utilities to maximize efforts in the promotion of incentives and the importance of combining air source heat pump purchases with building envelope improvements.

⁹² CenterPoint Reply Comments at 17.

⁹³ CenterPoint Reply Comments at 17.

⁹⁴ MERC Reply Comments at 3.

⁹⁵ Xcel Reply Comments at 17.

B.7. The Department should reconsider utility programs with incentives for gas appliances with a goal of encouraging gas utilities to pursue building envelope improvements and fuel-switching

Fresh Energy asks the Department to reconsider utility incentives for gas appliances that have cost-effective and more efficient electric alternatives. Fresh Energy believes that ratepayer money going toward gas-fired appliances in CenterPoint's Home Efficiency Rebates program should be reallocated to the EFS portion of the program and that ratepayer money going towards gas-fired appliances in Xcel's Residential Heating and Cooling program should be reallocated to the EFS portion of the program.

Fresh Energy also recommends that the Department require utilities to phase out trade ally incentives for gas appliances or, in the alternative, require that utilities offer higher trade ally incentives for electrification technologies like heat pumps than their counterpart gas appliances.

Fresh Energy suggests that the Department convene a stakeholder group to discuss the role of gas-fired appliances in future Triennials.

a. Reply Comments

CenterPoint

Regarding the redirection of money from programs that include gas-fired appliances to EFS programs, CenterPoint writes:

Triennial Plan's budgets are generally an outcome of the planning process rather than an input into the planning process. Program budgets are based on participation goals. Program participation goals, energy savings, and goals related to the long-term development of programs are based on many factors such as historic participation, current and near future market assessment, program design improvements and planning, and consideration of marketing/communication pathways and program or marketing saturation. Budgets are direct outcomes of the program design and participation goals. Furthermore, because budgeting is an outcome of planning, increasing a program's budget in one area does not "divert" budget from other areas. The Company is open to considering specific changes to program design in its Triennial Plan. However, arbitrary increases to filed budget numbers alone are unlikely to increase program participation or energy savings and are therefore not supported by the Company.⁹⁶

CenterPoint went on to say:

With regards to EFS programs and services, CenterPoint Energy is not expecting to need a program modification to EFS budgets. However, the Company anticipates it is possible a program modification being needed due to exceeding 125 percent of the EFS segment budget. This is because of policy (e.g., Inflation Reduction Act ["IRA"]) and uncertainty in the market (i.e., behavior and priorities of trade allies,12 customers, non-profits, etc.).⁹⁷

⁹⁶ CenterPoint Reply Comments at 3.

⁹⁷ CenterPoint Reply Comments at 4.

In response to Fresh Energy’s suggestion that trade ally incentives for gas appliances be phased out, “CenterPoint Energy opposes this recommendation and believes that removing trade ally incentives for gas equipment will undermine the utility’s ECO portfolio, including for ASHPs. This approach is likely to damage trade ally collaboration and participation in the Company’s programs which will negatively affect program performance overall as well as any collaboration on developing the market for ASHPs.”⁹⁸

CenterPoint is open to considering higher trade ally incentives for air source heat pumps, however, but “would need to see data or reasoning that supports that as part of a holistic and consistent program design.”

Xcel

In response to Fresh Energy’s proposal that the Department reconsider utility incentives for natural-gas equipment, Xcel states:

We disagree with Fresh Energy’s proposal regarding natural gas equipment. Natural gas utilities are required by Minnesota Statute to have a plan with annual energy savings equivalent to one percent of gross annual retail energy sales, which cannot be lowered by the Commission (Minn. Stat. §216B.241 Subd. 1c (b)). Without the ability to rebate high-efficiency natural gas equipment, it is unclear how gas utilities could realistically achieve this savings level.⁹⁹

Xcel goes on to say:

[T]he Company’s proposed portfolio recognizes the current realities of the market while pushing to transform that market over time. Given the nascency of heat pumps in the market and the significant market share still enjoyed by minimum efficiency non-condensing gas heating systems – which remain the option with the lowest up-front cost to customers – we believe that we still need to offer rebates for natural gas equipment to support customers who may not be ready or able to install heat pumps so they can opt for higher-efficiency natural gas systems.¹⁰⁰

b. Staff Recommendations

In response to Fresh Energy’s request for the Department to reconsider utility incentives for natural gas appliances, Staff agree with CenterPoint and Xcel’s concerns that this would make achieving the one percent minimum savings goals extremely challenging (maybe impossible for some natural gas utilities) and would significantly limit affordable efficient options for natural gas customers who are unable or unwilling to install electric alternatives. Staff recommend that the Deputy Commissioner take no action with regard to planned incentives for natural gas appliances.

For similar reasons, Staff also disagree with Fresh Energy’s recommendation that the Department require utilities to phase out trade ally incentives for gas appliances. Staff recommend that the Deputy Commissioner take no action with regard to the phasing out of trade ally incentives for natural gas appliances.

⁹⁸ CenterPoint Reply Comments at 8.

⁹⁹ Xcel Reply Comments at 6.

¹⁰⁰ Xcel Reply Comments at 6-7.

Staff appreciate Fresh Energy’s suggestion to convene a stakeholder group to discuss the role of gas appliances in future triennials. Staff asks that Fresh Energy provide in its reply comments to this Proposed Decision a detailed list of the topics that would be discussed and hoped-for outcomes of this stakeholder group process.

C. COMMENTS FROM MIDWEST ENERGY EFFICIENCY ALLIANCE (MEEA) AND REPLY COMMENTS

C.1. Comments from MEEA

Based on MEEA’s extensive energy code and energy code compliance experience, MEEA presents the following points to increase understanding of code compliance programs during plan review:

- Utility support for energy codes is critical to meeting Minnesota’s statewide energy goals.
- Energy code compliance is an increasingly popular avenue through which utilities and states can improve energy efficiency in new construction.
- The services described for energy code compliance are similar to what MEEA has implemented in Iowa, Nebraska, Missouri, and soon will do in Michigan.
- The energy savings can vary depending on code updates and elements, and thus is reasonable to spend time calculating those potential savings.
- The promise of these programs may help advance energy codes across the state, thereby furthering the impact of energy efficiency on the entire market.
- Statewide energy code compliance is especially important, as these types of programs are most successful at achieving energy savings in all communities.

C.2. Reply Comments

Several utilities thanked MEEA for its comments and appreciated its support for the proposed statewide energy code compliance program and providing details on implementing code compliance services and programs in other states.¹⁰¹

C.3. Staff Recommendations

Staff appreciate MEEA’s review, comments, and involvement in this triennial planning process, particularly with respect to statewide code compliance efforts.

D. COMMENTS FROM CITIZENS UTILITY BOARD OF MINNESOTA (CUB) AND REPLY COMMENTS

D.1. CUB comments concerning residential program design

Regarding residential program design, CUB provides the following comments:

- Throughout the Triennial Plan term, the utilities should track the level of claimed trade ally incentives and use that information to inform subsequent filings.

¹⁰¹ See MERC Reply Comments at 7 and Xcel Reply Comments at 17.

- Minnesota utilities should continue to evaluate whether, and to what extent, additional instant rebates could also be made available for energy efficient equipment.
- Utilities should ensure auditors are proactively identifying whether interested homeowners qualify as income-eligible and are directing them towards no-cost audit opportunities and other free resources.
- Both CenterPoint and MERC could improve their ECO offerings for ASHP technologies. CenterPoint should consider providing rebates for non-gas backup technologies and MERC should implement customer-centric rebate opportunities.
- Because the Inflation Reduction Act will provide Minnesotans with additional rebates and tax credits for air-source and geothermal heat pump installations, the utilities should continue to evaluate whether, and to what extent, their ECO program offerings align with federal incentives.

a. Reply Comments

CenterPoint

Regarding providing rebates for non-gas backup technologies, CenterPoint writes that is “unaware of non-gas back-up technologies that would be beneficial for inclusion in its Triennial Plan. However, if CUB meant the Company should offer ASHP rebates when there is a non-gas furnace back-up technology, then the Company is willing to consider rebating those configurations (e.g., resistance electric heating back-up) in consultation with the [Department].”¹⁰²

In response to CUB’s request to track trade ally incentives, CenterPoint confirmed that “[t]rade ally incentives are tracked, but the trade incentive schedules in the Triennial Plan are informed by other means (e.g., surveys and evaluations).”¹⁰³

b. Staff Recommendations

Staff appreciates CUB’s insightful comments concerning residential program design. Staff encourages utilities to consider CUB’s suggestions seriously, as CenterPoint has regarding non-gas backup technologies.

D.2. CUB comments concerning low-income single-family programs

Regarding low-income single-family programs, CUB provided the following comments:

- CenterPoint should continue to evaluate whether a greater percentage of measure costs could be covered under its Homeowner Efficiency Lift Program.
- MERC, Otter Tail, and Minnesota Power have sections of the utilities’ service territories that may qualify as Opportunity Zones or Qualified Census Tracts. The utilities should work with the Department to implement geographic-based eligibility criteria for qualifying areas.
- CUB was unable to identify whether the eligibility requirements of Otter Tail’s House Therapy program align with the new statutory definition of “low-income household.” Otter Tail should provide additional information in reply filings explaining how its low-income programs align with the new eligibility requirements.

¹⁰² CenterPoint Reply Comments at 12.

¹⁰³ CenterPoint Reply Comments at 19.

- It appears that Minnesota Power is still relying on 60 percent State Median Income to identify eligible households. Minnesota Power should work to expand its program even further to align with statutory income thresholds.
- CUB was appreciative to see that MERC’s Low-Income Community Blitz program is specifically geared towards distributing energy efficiency measures to manufactured home park residents. CUB would like to see similar ECO programs offered by other utilities.

a. Reply Comments

CenterPoint

In response to CUB’s suggestion that CenterPoint continue to evaluate whether a greater percentage of measure costs could be covered by the Homeowner Efficiency Lift Program, CenterPoint writes:

CenterPoint Energy anticipates that some [Homeowner Efficiency Lift Program participants] will tap other funding sources (e.g., IRA’s Home Energy Rebate Programs) to make up the difference between total project costs and the costs covered by [the Homeowner Efficiency Lift Program]. However, the Company will consider higher incentives in [the Homeowner Efficiency Lift Program] if the [Department] recommends it and will propose this change either in an IR response or in *Comments* on the *Proposed Decision*. Otherwise, the Company plans to evaluate [the Homeowner Efficiency Lift Program] as it is rolled out and modify it if it believes that doing so will improve services for the [Homeowner Efficiency Lift Program] participants.¹⁰⁴

Otter Tail

Regarding CUB’s request that Otter Tail provide information on low-income eligibility in its House Therapy program, Otter Tail referred CUB to page 61 of its plan, which reads:

Otter Tail will further work with its contracted program implementation partners regarding expanded eligibility for its low-income programs through recent changes in income eligibility and looks forward to expanded participation opportunities through this policy change. Income qualifications for Otter Tail’s House Therapy and Low-income Home Energy Feedback programs will open program eligibility to households with less than 80 percent of median area income as opposed to 60 percent of statewide median income.¹⁰⁵

Xcel

Concerning CUB’s request that utilities provide efficiency measures specific to manufactured homes, Xcel writes:

The Company is currently engaged in a pilot to create a customized, streamlined holistic delivery model for mobile home parks. . . . While we look forward to offering these types of rebates to these unique customers, the Company intends to complete their pilot and resulting analysis before launching a full program and/or incentives specific to mobile homes.¹⁰⁶

¹⁰⁴ CenterPoint Comments at 28-29.

¹⁰⁵ Otter Tail Reply Comments at 8.

¹⁰⁶ Xcel Reply Comments at 14-15.

b. Staff Recommendations

Staff appreciates CUB's insightful comments concerning low-income single-family programs. Staff encourages utilities to consider CUB's suggestions seriously, especially with regard to expanding low-income program eligibility to include all customers that meet the recently changed low-income household definition.

D.3. CUB comments concerning 1-4 unit rental property programs

Regarding 1-4 unit rental property programs, CUB provided the following comments:

- Xcel has adopted additional program requirements for 2-4 unit rental properties that require modification:
 - In order to bring Xcel's Home Energy Savings program into compliance with Minnesota statute, Xcel should update its eligibility criteria for 2-4 unit rental properties. Rather than basing eligibility solely on comparisons to state median income or the federal poverty level, 2-4 unit rental properties should qualify for HESP if at least 50 percent of units are occupied by households that earn 80 percent or less of area median income or that otherwise qualify for financial assistance programs.
 - Xcel is also in the process of evaluating whether to reduce copays from 50 percent to 20 percent for HVAC and appliance upgrades in 2-4 unit properties. CUB would appreciate Xcel would provide an explanation as to where it stands in its evaluation and whether these reduced copays will be implemented at the same time as its other program modifications.
- CenterPoint's Low-Income Rental Efficiency Program: While CUB appreciates that owner co-pays are reduced when financial hardship is proven, this gap exists regardless of a property owner's financial status. Furthermore, it is unclear what CenterPoint means by "financial hardship." We recommend that CenterPoint define "financial hardship" as "income-qualified property owners and those that can show financial hardship by other means."

a. Reply Comments

CenterPoint

In response to CUB's questions concerning the definition of "financial hardship", CenterPoint "is using the term "financial hardship" to include income-qualified property owners. However, this term is included instead of income-qualified to provide the flexibility to consider alternative eligibility methods. To date this potential expanded eligibility has not been used and would be decided in consultation with the [Department]." ¹⁰⁷

Xcel

In its Reply Comments, Xcel provides a summary of co-pay contributions for HESP but appears to be unresponsive to CUB's questions regarding the application of the new low-income eligibility and its evaluation of co-pays.

b. Staff Recommendations

¹⁰⁷ CenterPoint Reply Comments at 26.

Staff appreciates CUB’s thoughtful review and questions regarding rental property programs. Staff requests that Xcel provide responses in its comments to this Proposed Decision to CUB’s questions regarding the application of the new low-income eligibility and its evaluation of co-pays.

D.4. CUB comments concerning multi-family program design:

CUB comments the following:

The Department should consider convening a stakeholder group to review its low-income multifamily building program eligibility requirements. Pursuant to Minn. Stat. § 216B.2403, Subd. 5(e), the Department is tasked with “develop[ing] and establish[ing] guidelines for determining the eligibility of multifamily buildings to participate in energy conservation programs provided to low-income households.” Notwithstanding the statutory definition of low-income household, utilities are permitted to use the Department’s latest guidelines for determining program eligibility for 5+ unit multifamily buildings. When the Department last convened a stakeholder group and adopted these guidelines, the legislature had not yet passed the 80 percent AMI or alternative qualification criteria contained in Minn. Stat. § 216B.2402, Subd. 16. Although the Department is set to convene a stakeholder group to update guidance by August 1, 2026, these legislative modifications warrant accelerated review and revision of multifamily building eligibility criteria.

a. Reply Comments

No reply comments responded directly to CUB’s suggestion of updating the multifamily building program eligibility requirements earlier than anticipated in statute.

b. Staff Recommendations

Staff appreciate CUB’s suggestion and rationale for wanting to convene a stakeholder group to review the multifamily building program eligibility requirements. Staff propose that the Deputy Commissioner require Staff to convene a stakeholder group and finalize review of the multifamily building program eligibility requirements by December 31, 2024.

D.5. CUB comments concerning the Low-Income Multi-Family Building Efficiency Program

CUB identified several areas where additional clarification is needed to understand the parameters of the Low-Income Multi-Family Building Efficiency (LI-MFBE) program offered jointly by Xcel and CenterPoint. While program descriptions are largely consistent between the utilities’ filings, there are several points of tension surrounding measure availability and EFS offerings that should be clarified:

- The joint program offerings are inconsistently described in the utilities’ Triennial Plans. Specifically, CenterPoint’s proposal includes weatherization rebates for LI-MFBE program participants; Xcel’s program is ambiguous on the availability of these measures. Further clarification on whether Xcel will offer weatherization services—or, in areas of shared service territories, which utility covers which energy efficiency measure—would be helpful.
- It is unclear when EFS upgrades will be recommended or pursued under Xcel’s LI-MFBE program. It would be useful to understand what criteria are used when determining the reasonableness of EFS measures. Although case-by-case analyses are warranted to provide individualized

recommendations, CUB is concerned that a narrow interpretation of what constitutes an appropriate EFS investment could reduce the number of participants able to take advantage of the program's ongoing benefits.

a. Reply Comments

Xcel

Regarding the inclusion of weatherization within Xcel's LI-MFBE program, Xcel writes:

[O]ur LI MFBE program will include weatherization options, we acknowledge that this was not clear in our Plan. We propose matching CenterPoint Energy's filing (including air sealing and installation of attics and walls), if the Department determines this is a warranted change. If the change is approved, the Company anticipates updating its technical assumptions, budgets, and savings goals to reflect the change through a compliance filing following issuance of the Deputy Commissioner's final Decision.¹⁰⁸

In response to CUB's inquiry as to when EFS upgrades will be recommended or pursued, Xcel comments:

We provide a detailed table including all the EFS measures and related programs on pages 202 and 203 of our Proposed Plan. For clarification under the LI MFBE we have included: centrally ducted dual fuel ASHP, centrally ducted dual fuel cold climate ASHP, and non-ducted cold climate mini-split heat pump w/gas furnace backup.

b. Staff Recommendations

Staff appreciates CUB's thoughtful review and questions concerning the LI-MFBE program and Xcel's response with regard to weatherization options and EFS measures.

D.6. CUB comments concerning the alignment of Triennial Plans with the Inflation Reduction Act

CUB appreciates the Department's acknowledgement of the need to coordinate ECO and IRA incentives and its plans to work closely with utilities to facilitate program modifications as more information on IRA funding becomes available. CUB looks forward to engaging in modification discussions and reviewing Department guidance.

To the extent possible, CUB believes that utility modifications to ECO plans should be pursued at the earliest opportunity to ensure Minnesotans can maximize the benefits of both federal and utility programs. As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.

Beyond aligning IRA and ECO rebate options, CUB comments that there are numerous opportunities to access and utilize federal funds to better effectuate energy conservation in Minnesota. Some programs are already available or in the process of accepting applications. Consequently, a more proactive and timely approach may be warranted in certain circumstances. For this reason, CUB recommend that the

¹⁰⁸ Xcel Reply Comments at 11-12.

utilities, the Department, and other relevant stakeholders work collaboratively to optimize enrollment in and utilization of the following opportunities:

- Green and Resilient Retrofit Program (GRRP): CUB highly encourages utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.
- State-Based Home Energy Efficiency Contractor Training Grants (Contractor Training Program): As part of their Triennial Plans—or future modifications—Minnesota utilities should evaluate how Contractor Training and new state-level programs could be paired with existing development opportunities to expand the clean energy workforce. If Minnesota accesses Contractor Training Program funds, the utilities should work with the Department of Commerce, the Department of Employment and Economic Development, and any other relevant state agencies to ensure the program’s successful implementation.

a. Reply Comments

CenterPoint

Regarding customer awareness of federal- and state-level incentives, CenterPoint writes:

The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.¹⁰⁹

Xcel

Xcel “continues to closely monitor and track the implementation of federal rebates under the IRA as well as state incentives (including heat pump and installation rebates) with the goal of maximizing alignment and making it easy for customers to understand and receive all of the incentives available to them.”¹¹⁰ Additionally, Xcel “plans to continue incorporating information regarding additional incentives into its communications and working with trade allies and implementers to ensure they are well-equipped to provide information to customers. We also plan to work with the Department, our stakeholders, and trade allies to ensure communications to customers are consistent, accurate, and well-aligned.”¹¹¹

b. Staff Recommendations

Staff appreciates CUB highlighting the importance of coordination of ECO programs with other federal and state initiatives. Staff also appreciates CenterPoint and Xcel’s comments concerning the need to monitor, leverage and communicate these opportunities and the proactive steps they intend to take.

¹⁰⁹ CenterPoint Comments at 34.

¹¹⁰ Xcel Reply Comments at 16.

¹¹¹ Xcel Reply Comments at 16.

Staff recommend initiating a Department led stakeholder process in 2024 that works specifically to discuss and coordinate ECO cross-cutting opportunities with other federal and state led initiatives.

D.7. CUB comments concerning coordination with stakeholders/community organizations

Cub believes that utilities should engage with community members and organizations to seek input on program effectiveness and identify opportunities for future modifications. CUB is thankful for the combined efforts of Fresh Energy and the Department in convening stakeholder groups in the lead up to Triennial Plan filings. CUB suggests that this process should be repeated in the future, with enough time between engagement sessions and final deadlines to incorporate recommended changes. CUB also emphasizes that, where not already mentioned in their respective filings, utilities should explain how they plan to incorporate additional stakeholder involvement and utilities should also evaluate methods for third party implementers to build partnerships on the utilities' behalf.

a. Reply Comments

CenterPoint

CenterPoint highlighted its commitment to continued stakeholder engagement, saying that it “held several stakeholder meetings to gain feedback from advocates, implementers, and other interested parties in development of the Triennial Plan. The Company continues to search out feedback for new and impactful ways to engage with the community.”¹¹²

Minnesota Power

Minnesota Power writes that it “will continue to assess recommendations for community engagement, equity metrics, and data collection” and “appreciates the feedback from stakeholders and the collaboration through the CIP “Low-Income+” Workshop series and looks forward to future collaboration through that group.”¹¹³

b. Staff Recommendations

Staff agree with CUB that significant strides were made regarding community engagement in the preparation for 2024-2026 triennial plan filings. Staff appreciates the efforts of Fresh Energy and MN EEFA in leading that effort. Staff look forward to building on that engagement over the course of the next triennial and in preparation for the 2027-2029 triennial.

E. COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA) AND REPLY COMMENTS

Staff acknowledge MN EEFA's informal comments filed June 16, 2023. Comments below concern those submitted by MN EEFA on August 16, 2023, with applicability to multiple utilities. Comments directed at a specific utilities are addressed in that particular utility's Proposed Decision comments section.

E.1. Comments from MN EEFA concerning procedural equity

¹¹² CenterPoint Energy Reply Comments at 38.

¹¹³ Minnesota Power Reply Comments at 4.

MN EEFA comments that, moving forward, it would like to discuss with the Department and utilities ways to ensure advocates have ample time to conduct outreach, review each utility's plan, and submit comments that reflect and represent more community voices.

MN EEFA would also like more consistency in Triennial Plan submissions, to allow advocates to much more easily find the desired information and compare plans with each other. MN EEFA believes there are several possibilities that the Department can consider and adopt. MN EEFA went on to list possible approaches in its comments.

a. Reply Comments

No reply comments were received directly responding to MN EEFA's comments concerning procedural equity.

b. Staff Recommendations

Staff recognize MN EEFA's concerns about having enough time to conduct outreach, review plans, and ensure that community voices are reflected in comments. Staff applaud the efforts of MN EEFA in coordinating extensive community outreach and engagement and believe that this has been a valuable and needed addition to triennial review process. Staff also recognize that in order for MN EEFA to continue to expand its engagement, a review of the current review process timeline is necessary. The current timeline for the review process is outlined in Minnesota Rules 7690.1440 subpart 2. Staff also recognize that the review of seven different triennial plans with limited uniformity can present challenges.

Staff propose that a Department led stakeholder process be pursued in 2024 to debrief the 2024-2026 triennial plan development and review process, discuss possible modifications to the review timeline, and examine the practicalities of greater uniformity between the utility plans.

V. COMMENTS BY INTERESTED PARTIES

The Department carefully considers comments and reply comments submitted by interested parties concerning ECO matters. By the end of the initial comment period on August 16, 2023, the Department received comments from Center for Energy and Environment, CenterPoint Energy, Citizens Utility Board of Minnesota, Fresh Energy, Midwest Energy Efficiency Alliance, Minnesota Energy Efficiency for All, West Metro Local Governments, City of Minneapolis, and Community Power.

Additionally, by the end of the reply comment period on September 1, 2023, reply comments were submitted by CenterPoint Energy, Minnesota Energy Efficiency for All, Community Power, and EnerChange.

The comments and reply comments received by the Department are summarized below along with Staff's analysis and recommendations.

A. COMMENTS FROM CENTER FOR ENERGY AND ENVIRONMENT (CEE). REPLY COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA), COMMUNITY POWER, AND CENTERPOINT ENERGY (CPE).

A.1. Comments from CEE

- CEE recommends that the Department approve CPE's 2024-2026 ECO Triennial Plan with the following modifications:
 1. Align air sealing and insulation rebate levels for the Home Insulation Rebates program with Xcel Energy's proposed Insulation Rebate program, for which Xcel Energy proposes a rebate of 40 percent of project costs, up to \$1,200 for wall and attic insulation and up to \$600 for air sealing.
 2. Provide a bonus rebate through the Home Insulation Rebates program of \$600 for customers who install a qualifying heat pump within two years of implementing insulation and air sealing improvements.
 3. Incorporate air sealing and insulation measures and rebates for manufactured homes into the Home Insulation Rebates program.
 4. Provide two tiers of air source heat pump equipment incentives.
 - a. For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy's lowest tier of proposed air source heat pump rebates.
 - b. For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy's proposed cold climate heat pump rebate.
 - c. Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate.
 5. Update the income eligibility criteria for the Company's low-income programs that do not leverage WAP funding to 80 percent of area median income and recipients of all programs approved by the Department for categorical eligibility.

6. Cover 100 percent of project costs for all Home Efficiency Lift Program participants by increasing CenterPoint Energy’s financial contribution to the program and/or leveraging IRA rebates available to low-income customers to offset the remaining costs to participants.
- We also recommend that the Department exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.

A.2. Reply Comments from MN EEFA

MN EEFA appreciates CEE’s comments and support the following recommendations:

- All Utilities
 - “[L]everage IRA incentives and state incentives toward these programs to reduce costs to ratepayers and serve more customers.” MN EEFA also agrees with CEE that “IRA-aligned low-income ECO programs [are] an additional [...] channel for utilities” and should not “diminish utility funding that goes to WAP implementers.” (See pp. 7-8 of CPE comments.)
 - The Department to “exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.” (See p. 10 of CPE comments; p. 7 of OTP comments; p. 12 of Xcel comments.)
 - “[D]evelop and propose low-income ECO programs for customers at or below 80 percent of the area median income that cover the full cost of equipment and installation.” (See p. 9 of Xcel comments; p. 7 of CPE’s comments.)
- CenterPoint Energy
 - “Increases its customer rebates for wall insulation, attic insulation, and attic air sealing.” (p. 2)
 - “Specify that manufactured homes are eligible for air sealing and insulation measures and rebates[.]” (p. 3)
 - “Provide rebates for ductless heat pumps” (p. 5)
 - Under the Homeowner Efficiency Lift Program, “cover 100 percent of project costs for all participants by increasing its financial contribution to the program and/or leveraging IRA rebates available to low-income customers to offset the remaining costs to participants.” (p. 8)
- Minnesota Power
 - “[D]evelop efficient fuel switching rebates” (p. 2)
- Otter Tail Power
 - “[P]rovide a bonus rebate for customers who install an efficient, electric heat pump as well as insulation upgrades.” (p. 3)
 - “Specify that manufactured homes are eligible for air sealing and insulation measures and rebates” under the Home Heating and Cooling program. (p. 4)
- Xcel Energy

- “Specify that manufactured homes are eligible for air sealing and insulation measures and rebates” under the Home Heating and Cooling program. (p. 3)

A.3. Reply Comments from Community Power

- Community Power supports nearly all of CEE's recommendations, including the following
 - Aligning program incentives to match Xcel's more generous rebates (#1)
 - Manufactured housing should absolutely be included in rebate programs (#3)
 - Expanding eligibility criteria to make sure more people qualify (#5)
 - Covering all 100% of program costs by leveraging IRA money for the Home Efficiency Lift Program (#6)
- Community Power is neutral to cautious about the three recommendations that involve further incentives for ASHP adoption (#2 and #4) and the request to allow regulatory flexibility for outspending the efficient fuel switching minimums. Community Power echoes the enthusiasm for electrification but is cautious that a full-court-press wait until after a ratepayer impact study has been done comparing geothermal systems and community-wide adoption of ASHPs.

A.4. Reply Comments from CPE

Efficient Fuel Switching – Residential and Low-Income Programs

Below, CenterPoint Energy provides *Reply Comments* to specific EFS and ASHP recommendations and commentary.

In CEE's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pp. 12-13:

“Provide two tiers of air source heat pump equipment incentives.

- *For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy's lowest tier of proposed air source heat pump rebates.*
- *For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy's proposed cold climate heat pump rebate.*
- *Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate.”*

In the City of Minneapolis's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 9:

“The ASHP technology options are unnecessarily restrictive. (For example, ductless and cold climate systems are excluded.)”

And on pg. 11

“Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota.”

In the WMLG's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 7:

“Include EFS rebates for ductless and cold climate heat pumps.”

And

"Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy's proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS."

In Fresh Energy's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 16:

"We recommend that CenterPoint and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering."

And

"CenterPoint should expand its heat pump rebates to include non-ducted systems."

And

"CenterPoint and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs."

In EEFA's *Comments* related EFS rebates, it stated on pg. 3:

"Match Xcel's 'rebate budget structure.' CNP's 'rebate structures are too low.'"

And on pg. 13

"Expand eligible heat pumps [in low-income programs] to include ductless air-source heat pumps, rather than only ducted as currently proposed"

Ground Source Heat Pumps

With regards to Ground Source Heat Pumps ("GSHP"), CenterPoint Energy does not believe GSHPs will deliver cost savings for residential customers in most circumstances. Therefore, GSHPs should not be funded through its ECO programs. The Company believes the most likely market for GSHPs is in new construction where capital costs would still be high, but notably lower to install than retrofit applications. As a new construction project, households installing GSHPs are unlikely to be the Company's customer and seems like a more appropriate measure for an electric utility. The Company opposes including this measure in its *Triennial Plan* but is willing to consider new information about capital costs in retrofit situations or as part of a Natural Gas Innovation Plan ("NGIA").

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

With regards to cold climate air source heat pumps ("ccASHP") and heat pump water heaters ("HP WH"), CenterPoint Energy opposes adding these to its *Triennial Plan* at this time. The Company believes these measures don't provide customer financial benefits and they negatively impact the EFS segment's cost-effectiveness.¹¹⁴ The Company also believes that even with the IRA, in these initial years customers who are "early adopters" in their choices are the ones most likely to install these measures and therefore minimal incentives are needed to move this demographic that tends to be higher income. These factors make it difficult for the Company's staff to believe these offerings are reasonable and prudent spending.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ccASHPs and HP WHs in its annual status reports. If the Company were required to offer these measures in its *Triennial Plan*, the Company could propose in an information request ("IR") response or comments on a *DOC Proposed Decision* how it would add these measures to its portfolio. However, the Company expects based on what it knows about market conditions that participation would be small and mostly

¹¹⁴ For example, see CenterPoint Energy's assessment of ccASHPs in Exhibit A.

limited to early adopters. Also, based on the technology's performance the cost-effectiveness of its EFS segment would decrease.

Ductless Air Source Heat Pumps

After discussions with trade allies, CenterPoint Energy has moderate concerns with strongly encouraging the installation of ductless ASHPs through its *Triennial Plan*. The two ductless heating appliances (i.e., a boiler and mini split) operate simultaneously while the two ducted appliances (i.e., furnace and ASHP) do not. Because the ductless systems serve part of the heating at lower temperatures, the percentage of shifted heating load will be larger for ductless systems relative to ducted systems (for a given sizing procedure).¹¹⁵ The Company is concerned for the need for additional protections (e.g., training and education) for customers operating ductless systems at lower temperatures to avoid high utility bills due to lower efficiency (i.e., co-efficient of performance) caused by operating at lower temperatures. This is also a concern of trade allies. Heating dealers recommend ducted heating and cooling for ASHPs and contractors who have installed these measures have introduced ductless ASHP specific terms and conditions (e.g., no call backs). The Company believes that either market transformation (i.e., MN ETA) to educate trade allies and customers about proper equipment installation and operation, availability of integrated controls systems, or the Company needs to develop in consultation with its trade allies program implementation approaches to minimize the risks of high utility bills.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ductless ASHPs in its annual status reports. The Company plans on examining alternate ductless values (i.e., percent heating load shifted, HSPF correction factor, and incremental costs) for an energy savings algorithm in order to evaluate the EFS criteria, but the Company prefers examining these alternative ductless values in a future Technical Reference Manual Advisory Committee process.

Improving Air Source Heat Pump Rebate Alignment

With regards to increasing rebate levels for regular ASHPs to align with Xcel Energy's, CenterPoint Energy does not have the same concerns with regards to utility bills and comfort concerns related to ccASHPs. However, the Company believes the market in the Company's territory is still relatively undeveloped. For example, in the Company's assessment, if its *Triennial Plan* leads to more trade allies focusing on ASHPs it would be the first year any participating trade allies would be promoting an electric hybrid system to natural gas customers.¹¹⁶ The Company agrees this would be a positive development, but again trade ally education and training is a notable capacity constraint that will not resolve itself immediately in 2024. The Company did not propose higher rebate levels because it did not believe that increasing its proposed rebate levels would substantially move additional participation because of these market constraints for at least 2024-2025. The Company believes such constraints may resolve later in the triennial period and therefore believe it will be worthwhile to consider increasing rebates to

¹¹⁵ The Company also believes that technical assumptions (e.g., incremental costs and percentage of heating load shifted) for a ductless system are different enough from the ducted systems as to warrant different values for these inputs. The Appendix G spreadsheet that resulted from the TRM process on this EFS measure was valuable, but the Company believes it's table of percentage of heating load shifted for a given switchover temperature only applies to ducted systems since the concept of a switchover temperature doesn't apply in the same way to ductless systems.

¹¹⁶ CenterPoint Energy is aware that in its territory nearly 20 small- to mid-size trade allies may have experience offering this measure.

increase participation and program performance.¹¹⁷ If recommended by the DOC to increase its ASHP rebate levels to be more in alignment with Xcel Energy then the Company can propose these changes in response to an IR or in Comments on the DOC's *Proposed Decision*.

Bonus Air Source Heat Pump Rebate After Weatherization

In CEE's *Comments* on a bonus ASHP rebate after weatherization, it stated pg. 12:

"Provide a bonus rebate through the Home Insulation Rebates program of \$600 for customers who install a qualifying heat pump within two years of implementing insulation and air sealing improvements."

In Fresh Energy's *Comments* on a bonus ASHP rebate after weatherization, it stated on pg. 17:

"The Department should require other utilities to replicate Xcel's model of providing bonus rebates to customers that pair incentives for building shell improvements such as insulation and air sealing with incentives for heat pumps."

CenterPoint Energy opposes adding this to its *Triennial Plan* for 2024 but will consider a bonus rebate for sequencing weatherization with an ASHP as a program modification by no later than January 1, 2026. The Company believes this program design has potential merit. The Company has several administrative concerns with this offering that need to be resolved before it can be offered. The main concern is that the Company anticipates challenges getting trade allies to administer such a bonus rebate with their customers.¹¹⁸ The Company needs time to explore options and feasibility.¹¹⁹

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

In CEE's *Comments* on the Home Insulation Rebates program, it stated on pg. 12:

"Align air sealing and insulation rebate levels for the Home Insulation Rebates program with Xcel Energy's proposed Insulation Rebate program, for which Xcel Energy proposes a rebate of 40 percent of project costs, up to \$1,200 for wall and attic insulation and up to \$600 for air sealing."

In Fresh Energy's *Comments* on the Home Insulation Rebates program, it stated on pg. 17:

"CenterPoint should increase their insulation and air sealing rebate offerings to match what Xcel will be offering this Triennial."

In EFA's *Comments* on the Home Insulation Rebates program on pg. 3,

¹¹⁷ The Company is open being required to assess rebate levels after filing its 2024 ECO Status Report and proposing changes to rebate levels for January 1, 2026, based on that assessment.

¹¹⁸ Some other examples of issues to think through: Does any weatherization rebate qualify, or should all applicable weatherization needed in the home be required to get the bonus? If the purpose of the bonus rebate is to move the market on ASHPs should the rebate only be available in early retirement situation? Is this rebate a EFS expense, a non-EFS expense or should it be split?

¹¹⁹ To be clear, CenterPoint Energy could provide a bonus rebate to anyone who sequenced a ASHP after weatherization starting in 2024. The problem is that presumably the purpose of the bonus is to encourage customers interested in ASHPs to weatherize first and then encourage customers who weatherize to consider ASHPs. An administrative bonus not integrated into the Company's trade ally focused program design seems unlikely to accomplish those goals.

“We recommend CPE focus on both to not only “drive participation and energy savings,” (p. 2) but also make a deeper impact in households that need the most benefits from energy efficiency measures. Moreover, we encourage CPE to match Xcel Energy’s rebate budget structure.”

CenterPoint Energy opposes restructuring its rebates as recommended by *Comments*. In particular, the Company believes that it is more appropriate to prioritize wall insulation, followed by air sealing and then attic insulation. Wall insulation can deliver significant energy savings and be more costly to implement. Air sealing can provide higher energy savings and is more in need to be incentivized because it can be overlooked as a weatherization measure. Attic insulation is important, but the Company believes rebates should be structured to encourage it in addition to air sealing as is done in the proposed *Triennial Plan*.

With regards to the rebate levels, CenterPoint Energy described in the Program Design, Incentives, and Influencing the Market section of these *Reply Comments* how it thinks about rebate levels. The proposed rebate levels for the Home Insulation Rebates program are based on an assessment of project costs (biased to the last 1-2 years) and how effective increasing the rebates will be to increasing participation. Further increases to the rebate levels proposed may marginally increase program participation, but not enough to be reasonable and prudent spending in the Company’s view.

That said, if the DOC recommends increasing rebates, then CenterPoint Energy can propose changes in an IR response or in its *Comments on a Proposed Decision*. Tentatively, the Company expects that at combined rebate levels of about \$3,000 (from \$1,200 for wall insulation, \$1,200 for attic insulation, and \$600 for air sealing) it would increase participation levels by about 100 participants and would propose including a rebate limit of 40 percent of project costs.

Manufactured Homes

Air Sealing and Insulation Measures and Rebates for Manufactured Homes

In CEE’s *Comments* on manufactured homes, it stated on pg. 13:

“Incorporate air sealing and insulation measures and rebates for manufactured homes into the Home Insulation Rebates program.”

CenterPoint Energy notes that manufactured homes are not directly prevented from participating in its Home Insulation Rebates program. The Company recognizes that the eligibility criteria of the program may indirectly prevent the participation of manufactured homes. However, it is worth noting that trade allies semi-regularly approach the Company with unique home insulation projects for consideration and, to date, manufactured homes have not been brought to the Company’s attention. The Company also notes that its low-income programs regularly service customers with manufactured homes and that should also include new programs such as the Homeowner Lift (“HELP”) program.

That said, to ensure that CenterPoint Energy considers manufactured home projects in its Home Insulation Rebates program it proposes to add the following statement to its eligibility criteria. “In consultation with the DOC, the Company will consider alternative minimum insulation levels if the residential building structure warrants an exception (e.g., for manufactured homes).” The Company can also make it clearer to trade allies’ that it will consider manufactured home projects for the program. However, the Company expects that the barriers and challenges to insulating manufactured homes extend beyond the eligibility criteria of the program.

Overall Low-Income Programs

In CEE's *Comments* on low-income programs, it stated on pg. 13:

"Update the income eligibility criteria for the Company's low-income programs that do not leverage WAP funding to 80 percent of area median income and recipients of all programs approved by the Department for categorical eligibility."

In EEFA's *Comments* on low-income programs, it stated on pg. 4:

"According to the table showcasing CPE's Low-Income Programs, 2024-2026 – Eligibility Requirements & Incentives, not all "low-income" programs use geographic-based or categorical eligibility. (See p. 97.) We would like to know the reasons for these decisions."

CenterPoint Energy believes it makes most sense to expand eligibility for those low-income programs that have the capacity to serve more customers (i.e., more customers than just those participating in the Low-Income Home Energy Assistance Program ["LIHEAP"] and Weatherization Assistance Program ["WAP"]). Eligibility criteria should be tailored to each program and its delivery model.

Two examples that illustrate these points are CenterPoint Energy's LIW and SSSW programs. Customers who are LIHEAP/WAP recipients pre-qualify for LIW and SSSW. The Company notes, however, that LIHEAP's and WAP's income guidelines are not perfectly aligned with ECO's recently amended low-income household definition (i.e., 80 percent AMI). LIHEAP's and WAP's income guidelines are, respectively, 60 percent of state median income scaled for household size (which may revert to 50 percent of state median income in the 2023-2024 program season) and 200 percent of federal poverty guidelines. This means that if CenterPoint Energy expands eligibility for LIW and SSSW to 80 percent AMI, some participants will not be able to leverage LIHEAP/WAP dollars. For this reason, the Company advises against expanding eligibility for LIW and SSSW, at least for the time being. Instead, the customers who are below 80 percent AMI but earn too much money to qualify for LIW will be served by the proposed HELP program. HELP would also be an option for customers who are eligible for but not participating in LIHEAP/WAP.

Homeowner Efficiency Lift Program

In CEE's *Comments* on the HELP, it stated on pg. 13:

"Cover 100 percent of project costs for all Home Efficiency Lift Program participants by increasing CenterPoint Energy's financial contribution to the program and/or leveraging IRA rebates available to low-income customers to offset the remaining costs to participants."

In CUB's *Comments* on HELP, it stated on pg. 8:

"CenterPoint should continue to evaluate whether a greater percentage of measure costs could be covered under [HELP]."

Cost-sharing was proposed for HELP to avoid it competing with WAP. CenterPoint Energy also considered limiting eligibility for HELP to customers between the LIHEAP/WAP income guidelines and 80 percent AMI. Ultimately though, the Company decided against doing this because it wanted to maximize the options for low-income customers. The Company believes that some of its low-income customers who are not participating in EA/WAP may be interested in a utility-administered energy efficiency program. CenterPoint Energy plans to encourage these customers to enroll in EA/WAP but allow them to participate in HELP if they choose.

CenterPoint Energy also proposed 50 percent cost-sharing in HELP to align it with LIRE, another of the Company's low-income programs. LIRE pays 50 percent of project costs for rental property owners with 1-4 unit buildings occupied by low-income renters. This increases to 100 percent of project costs for building owners who are experiencing financial hardship. In the Company's plan, it proposed paying, at a minimum, 75 percent of project costs in high poverty areas (e.g., Census tracts that exhibit a degree of social vulnerability, Census tracts designated as Opportunity Zones, and Qualified Census Tracts).

CenterPoint Energy anticipates that some HELP participants will tap other funding sources (e.g., IRA's Home Energy Rebate Programs) to make up the difference between total project costs and the costs covered by HELP. However, the Company will consider higher incentives in HELP if the DOC recommends it and will propose this change either in an IR response or in *Comments* on the *Proposed Decision*. Otherwise, the Company plans to evaluate HELP as it is rolled out and modify it if it believes that doing so will improve services for HELP participants.

Inflation Reduction Act

In Fresh Energy's *Comments* on IRA, it stated on pg. 17:

"Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.

a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they're offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.

b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA."

In CUB's *Comments* on IRA, it stated on pg. 14:

"As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings."

And it stated on pg. 15:

"We highly encourage utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.

In WMLG's *Comments* on IRA, it stated on pg. 7:

"Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs."

In CEE's *Comments* on IRA, it stated on pg. 10:

"While we do not think it is necessary for CenterPoint Energy to modify the goals of its proposed plan, we do recommend that the Company be prepared for higher customer demand for efficient fuel switching incentives and other utility incentives and programs that include measures that are also included in the IRA. We also recommend that the Department exercise regulatory

flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.”

In CEE’s *Comments* on IRA, it stated on pp. 11-12, it made general recommendations regarding “areas of coordination between utilities between the Department and utilities.”

In EEFA’s *Comments* on IRA, it stated on pg. 12:

“Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, we urge CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.”

CenterPoint Energy thanks the commenters for their feedback. The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.

CenterPoint Energy is also coordinating its proposed EFS offerings, including the incentive levels and marketing efforts, with Xcel Energy. CenterPoint Energy will also seek additional partnerships and opportunities to promote its EFS offerings.

Regarding IRA programs, CenterPoint Energy is closely monitoring their rollout. Additionally, the Company is already raising awareness of IRA’s tax credits and plans to promote IRA’s rebate programs after they launch. The Company is also monitoring new state programs, including subsidies for ASHPs and electric panel upgrades.

A.5. Staff Recommendations

Efficient Fuel Switching – Residential and Low-Income Programs

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

Staff understand CPE’s hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessments of cold climate air source heat pumps and heat pump water heaters as part of its ECO Status Reports.

Ductless Air Source Heat Pumps

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.

Improving Air Source Heat Pump Rebate Alignment

Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy's. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company's comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.

Bonus Air Source Heat Pump Rebate After Weatherization

Staff believe that CEE and Fresh Energy's recommendation about providing an air source heat pump bonus rebate after weatherization seems like a good best practice program model. For example, the American Council for an Energy-Efficient Economy has emphasized the importance of "strongly encourage[ing] households installing heat pumps to pair them with insulation and air-sealing measures. . . Without these additional improvements, electrification risks substantially increasing customers' utility bills, especially for those living in older buildings or who currently use high-efficiency fossil-fueled heating systems."¹²⁰ Staff appreciates the administrative and logistical concerns raised by CPE in replicating Xcel's approach. Staff supports CenterPoint's commitment to implementing a similar rebate starting no later than January 1, 2026.

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

Staff agree with CEE, Fresh Energy, and MN EEFA's recommendation about CPE aligning its air sealing and insulation rebate levels with Xcel Energy's rebate levels. Staff believe that alignment of these rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. Regarding the discrepancy in rebate amounts for attic insulation and air sealing between Xcel and CPE, Staff recommend that the Deputy Commissioner take CPE up on its offer to increase its rebates to align with Xcel. Staff request that this change be detailed in CPE's Comments on the Proposed Decision.

¹²⁰ "Empowering Electrification through Building Envelope Improvements." American Council for an Energy-Efficient Economy. July 2023.
https://www.aceee.org/sites/default/files/pdfs/empowering_electrification_through_building_envelope_improvements_-_encrypt.pdf

Manufactured Homes

Air Sealing and Insulation Measures and Rebates for Manufactured Homes

Staff appreciate CEE's suggestion to incorporate air sealing and insulation measures and rebates for manufactured homes into CPE's Home Insulation Rebates program, and find CPE's response for how the Company intends to incorporate this suggestion to be reasonable.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the "Low-Income Spending Requirements" section of this Proposed Decision, Staff have reviewed CPE's low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department's policy guidance related to ECO low-income programs.

Staff have included the proposed "Definition of Low-Income Household in ECO Programs" in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

B. COMMENTS FROM FRESH ENERGY. REPLY COMMENTS FROM COMMUNITY POWER AND CENTERPOINT ENERGY (CPE).

B.1. Comments from Fresh Energy

1. Utilities should maximize incentives for electrification via EFS.
 - a. Utilities should strive to maximize spending on EFS.
 - i. For this Triennial, utilities should strive to maximize spending on EFS up to the allowable and cost-effective levels.
 - ii. Fresh Energy asks that other gas utilities provide in Reply Comments an analysis of how they could reach the proposed levels of EFS spending that Xcel's gas utility has proposed. Fresh Energy recommends that the Department ultimately require gas utilities to maximize EFS spending, taking into consideration the initial proposal from Xcel Gas and other utility responses to these comments.
 - iii. Fresh Energy requests the utilities provide their calculated annual spending cap for EFS in their Reply Comments.
 - iv. Fresh Energy strongly encourages MERC, Minnesota Power, Great Plains Natural Gas Co, and Greater Minnesota Gas to pursue EFS in the ECO plans, as they currently have no plans to do so. Fresh Energy requests that these utilities provide detailed reasoning for not pursuing EFS in their Triennial plans. If lack of cost-effectiveness is cited as the reason for not including fuel-switching in their Triennial plan, Fresh Energy

- requests that utilities provide their detailed calculations for the cost-effectiveness of the EFS programs/segment in their Reply Comments.
- v. Fresh Energy requests that the Department establish a floor for utility EFS spending.
 - vi. Fresh Energy requests that Xcel clarify the proposed budget for their outdoor equipment program in their Reply Comments.
- b. Utilities should provide robust rebates for heat pumps and effectively promote these rebates to customers.
- i. Request that the utilities provide a breakdown of budget going toward heat pump rebates by program, EFS versus non-EFS, and utility (i.e., gas versus electric).
 - ii. Recommend that CPE and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering.
 - iii. With the rollout of new federal and state heat pump incentives coinciding with this ECO Triennial, utilities should make it as simple as possible for consumers to stack benefits for heat pumps.
 - iv. CPE should expand its heat pump rebates to include non-ducted systems.
 - v. CPE should provide heat pump rebates in more of its low-income programs.
 - vi. CPE and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs.
 - vii. The Department should ensure that CPE and other utilities are effectively promoting their heat pump rebates across programs and proactively providing outreach and education to customers.
- c. Utilities should modify their air-conditioning programs to include rebates for heat pumps.
- i. The Department should require utilities to phase out rebates for traditional ACs this Triennial or, in the alternative, require utilities to offer comparatively higher rebates for heat pumps.
- d. Utilities should ensure equitable distribution of outdoor equipment fuel-switching rebates while prioritizing use of EFS for building electrification and weatherization.
- i. Fresh Energy support of the electrification of these applications, but electric utilities and the Department should prioritize using electric EFS budgets to support electrification of natural gas appliances used for home heating and cooking and building shell improvements which are necessary for impactful home electrification, to the extent possible under ECO and in a manner that maximizes equitable outcomes.
 - ii. The residential outdoor equipment electrification rebates should prioritize distribution amongst under-resourced areas to ensure that wealthier neighborhoods aren't unequally receiving the benefits from utilities' outdoor equipment programs and in light of more acute air pollution often found in these areas. Utilities should ensure that there is

an equitable distribution of these outdoor equipment rebates to their electric customers and should report on the geographic distribution of these rebates in annual reports.

2. Utilities should maximize incentives for building shell improvements and pair them with incentives for heat pumps.
 - a. Utilities should prioritize providing rebates that encourage weatherization, especially when implementing fuel-switching in combination with building shell upgrades in households.
 - b. The Department should require other utilities to replicate Xcel's model of providing bonus rebates to customers that pair incentives for building shell improvements such as insulation and air sealing with incentives for heat pumps.
 - c. The Department should work to address discrepancies between proposed utility rebates for attic insulation and air sealing measures.
 - i. CenterPoint should increase their insulation and air sealing rebate offerings to match what Xcel will be offering this Triennial.
3. Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.
 - a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they're offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.
 - b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA.
4. The Department should reconsider utility programs with incentives for gas appliances with a goal of encouraging gas utilities to pursue building envelope improvements and fuel-switching.
 - a. The Department should reconsider utility incentives for gas appliances that have cost-effective and more efficient electric alternatives.
 - b. Ratepayer money going towards gas-fired appliances in CenterPoint's Home Efficiency Rebates program should be reallocated to the EFS portion of the program.
 - c. Ratepayer money going towards gas-fired appliances in Xcel's Residential Heating and Cooling program should be reallocated to the EFS portion of the program.

- d. We request that utilities provide a table breaking down the budget for heat pump rebates versus the budget for gas appliance rebates by program, EFS versus non-EFS, and utility (i.e., gas versus electric).
 - e. Utilities should move away from policies like the trade ally incentives for gas appliances. To that end, the Department should require utilities to phase out trade ally incentives for gas appliances or, in the alternative, require that utilities offer higher trade ally incentives for electrification technologies like heat pumps than their counterpart gas appliances.
 - f. Fresh Energy recommends that the Department convene a stakeholder group to discuss the role of gas-fired appliances in future Triennials.
 - g. We recommend starting the discussion of phasing ECO rebate allocations toward electric EFS measures and building envelope improvements over spending on gas-fired appliance rebates.
5. Utilities should assist in building code compliance and provide effective energy efficiency rebates for builders that aren't contingent upon installation of gas-fired appliances.
- a. The \$500 cap on rebates for homes without gas-fired water heaters in CenterPoint's High-Efficiency Homes program creates a perverse incentive and should be removed.
6. Utilities should prioritize spending on low-income programs.
- a. In addition to increased spending, utilities should prioritize effective program design and outreach for low-income programs.

B.2. Reply Comments from Community Power

- Community Power supports Fresh Energy's overarching analysis in its recommendations that where it can, CPE should maximize the incentives it can offer and focus on building envelope and fuel-switching measures for incentives.
- Community Power supports Fresh Energy's following specific recommendations:
 - As it maximizes incentives, CPE should remove any differential treatment in incentives for households or builders that do not have gas-powered systems such as the \$500 cap on rebates for homes without gas-fired water heaters in CPE's High-Efficiency Homes.
 - Gas utilities should pursue building envelope improvements and fuel-switching, and reconsider rebates and incentives for gas appliances where there is a cost-effective electric option, in particular due to the indoor air pollution impacts of gas systems.
- Community Power agrees that 1) efficient fuel switching should be allowed and encouraged in the same conversations as efficiency conversations, 2) that incentives for ASHPs should align across utilities, and 3) that ductless and cold climate heat pump systems should be included. However, Community Power would want to see a thorough, service-territory-wide examination of the relative ratepayer impact of networked geothermal versus majority ASHP adoption.

B.3. Reply Comments from CPE

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Several commenters recommend budgetary increases or reallocations for CenterPoint Energy's *Triennial Plan*. For example, in the City of Minneapolis's *Comments* on budgeting for Low-Income Rental Efficiency ("LIRE"), it stated on pg. 7:

"Meanwhile, the less impactful Renter Kit participation is estimated at 100, which to the extent it diverts funding from weatherization, is a lost opportunity to complete deeper efficiency investments."

In another example, in EEFA's *Comments* on participation and budget for Low-Income Multi-Family Building Efficiency ("LI MFBE"), it stated on pg. 7:

"Target a higher percentage of total participation and budget for low-income multifamily properties... This includes a recommendation to allocate the appropriate additional budget for the LI MFBE portion of this program in order to meet a larger percentage participation goal."

In Fresh Energy's *Comments* on EFS in Home Efficiency Rebates, it stated on pg. 12:

"Ratepayer money going towards gas-fired appliances in CenterPoint's Home Efficiency Rebates program should be reallocated to the EFS portion of the program."

CenterPoint Energy would like to clarify that its *Triennial Plan's* budgets are generally an outcome of the planning process rather than an input into the planning process. Program budgets are based on participation goals. Program participation goals, energy savings, and goals related to the long-term development of programs are based on many factors such as historic participation, current and near future market assessment, program design improvements and planning, and consideration of marketing/ communication pathways and program or marketing saturation. Budgets are direct outcomes of the program design and participation goals. Furthermore, because budgeting is an outcome of planning, increasing a program's budget in one area does not "divert" budget from other areas. The Company is open to considering specific changes to program design in its *Triennial Plan*. However, arbitrary increases to filed budget numbers alone are unlikely to increase program participation or energy savings and are therefore not supported by the Company.

CenterPoint Energy also notes that, historically, increases in *Triennial Plan* budgets have not been necessary for the Company and its program implementers to complete additional energy efficiency projects.¹²¹ This is because DOC guidance for prior triennial periods has granted flexibility in program budgets.¹²² As the DOC has previously allowed, the Company supports retaining this budget flexibility in 2024-2026 such that utilities can exceed segment-level budgets by up to 125 percent without a program modification. Given market uncertainties in the upcoming triennial related to offering new programs and services, the Company plans on monitoring program performance and will modify programs if needed.

With regards to EFS programs and services, CenterPoint Energy is not expecting to need a program modification to EFS budgets. However, the Company anticipates it is possible a program modification

¹²¹ For example, in 2022 the High-Efficiency Homes program was 90 percent over budget because it doubled participation relative to plan.

¹²² See *In the Matter of CenterPoint Energy's 2021-2023 Natural Gas Conservation Improvement Program Triennial Plan*, Docket No. G-008/CIP-20-478, Decision (DOC, Nov. 25, 2020).

being needed due to exceeding 125 percent of the EFS segment budget. This is because of policy (e.g., Inflation Reduction Act [“IRA”]) and uncertainty in the market (i.e., behavior and priorities of trade allies,¹²³ customers, non-profits, etc.).

CenterPoint Energy also would like to clarify that it did not develop its *Triennial Plan’s* programs designs, goals, and budgets primarily around the Minnesota Cost-Effectiveness Test (“MN Test”). However, *Comments* suggest it might be the belief of some commenters that this is the intent of its *Triennial Plan*. For example, in Fresh Energy’s *Comments* it recommended that utilities that did not file an EFS program justify not filing EFS programming based in part on the MN Test results for CenterPoint Energy and Xcel Energy. Fresh Energy stated on pg. 5:

“We note that the cost-effectiveness of EFS programs does not appear to be an issue for all utilities.”

CenterPoint Energy verified that its *Triennial Plan* passed the MN Test in its planning process. However, as noted in cost-effectiveness stakeholder meetings and the DOC decision, the primary test is not necessarily a useful metric for making program design decisions around prioritizing energy efficiency.¹²⁴ The Company laid out its cost-effectiveness assessments in its *Triennial Plans*.¹²⁵ However, the Company notes it did not explore adding potential programs and services to its *Triennial Plan* just because they might have a positive MN Test.¹²⁶ Instead, the Company made efforts to file programs that have positive cost-effectiveness test scores for the primary MN Test and the relevant secondary cost-effectiveness tests.¹²⁷ In support of the overall performance of the portfolio, the Company justified exceptions to positive secondary cost-effectiveness tests such as for audit and other indirect impact programs that deliver energy savings to other cost-effective programs.

Efficient Fuel Switching – Residential and Low-Income Programs

Below, CenterPoint Energy provides *Reply Comments* to specific EFS and ASHP recommendations and commentary.

In CEE’s *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pp. 12-13:

“Provide two tiers of air source heat pump equipment incentives.

- *For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy’s lowest tier of proposed air source heat pump rebates.*
- *For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy’s proposed cold climate heat pump rebate.*
- *Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate.”*

¹²³ Trade allies include, but are not limited to mechanical contractors, consulting engineers, and dealers who are the technical experts that help advise customers in completion of energy efficiency projects.

¹²⁴ See *In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities*. Docket No. E,G999/CIP-23-46. pp. 90-91 (Mar. 31, 2023).

¹²⁵ See *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 17 (June 30, 2023).

¹²⁶ One reason being that the Minnesota test passes programming that is more costly than retail gas rates.

¹²⁷ Excluding the ratepayer cost-effectiveness tests.

In the City of Minneapolis's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 9:
"The ASHP technology options are unnecessarily restrictive. (For example, ductless and cold climate systems are excluded.)"

And on pg. 11

"Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota."

In the WMLG's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 7:

"Include EFS rebates for ductless and cold climate heat pumps."

And

"Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy's proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS."

In Fresh Energy's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 16:

"We recommend that CenterPoint and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering."

And

"CenterPoint should expand its heat pump rebates to include non-ducted systems."

And

"CenterPoint and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs."

In EEFA's *Comments* related EFS rebates, it stated on pg. 3:

"Match Xcel's "rebate budget structure." CNP's "rebate structures are too low."

And on pg. 13

"Expand eligible heat pumps [in low-income programs] to include ductless air-source heat pumps, rather than only ducted as currently proposed"

Ground Source Heat Pumps

With regards to Ground Source Heat Pumps ("GSHP"), CenterPoint Energy does not believe GSHPs will deliver cost savings for residential customers in most circumstances. Therefore, GSHPs should not be funded through its ECO programs. The Company believes the most likely market for GSHPs is in new construction where capital costs would still be high, but notably lower to install than retrofit applications. As a new construction project, households installing GSHPs are unlikely to be the Company's customer and seems like a more appropriate measure for an electric utility. The Company opposes including this measure in its *Triennial Plan* but is willing to consider new information about capital costs in retrofit situations or as part of a Natural Gas Innovation Plan ("NGIA").

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

With regards to cold climate air source heat pumps ("ccASHP") and heat pump water heaters ("HP WH"), CenterPoint Energy opposes adding these to its *Triennial Plan* at this time. The Company believes these measures don't provide customer financial benefits and they negatively impact the EFS segment's

cost-effectiveness.¹²⁸ The Company also believes that even with the IRA, in these initial years customers who are “early adopters” in their choices are the ones most likely to install these measures and therefore minimal incentives are needed to move this demographic that tends to be higher income. These factors make it difficult for the Company’s staff to believe these offerings are reasonable and prudent spending.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ccASHPs and HP WHs in its annual status reports. If the Company were required to offer these measures in its *Triennial Plan*, the Company could propose in an information request (“IR”) response or comments on a DOC *Proposed Decision* how it would add these measures to its portfolio. However, the Company expects based on what it knows about market conditions that participation would be small and mostly limited to early adopters. Also, based on the technology’s performance the cost-effectiveness of its EFS segment would decrease.

Ductless Air Source Heat Pumps

After discussions with trade allies, CenterPoint Energy has moderate concerns with strongly encouraging the installation of ductless ASHPs through its *Triennial Plan*. The two ductless heating appliances (i.e., a boiler and mini split) operate simultaneously while the two ducted appliances (i.e., furnace and ASHP) do not. Because the ductless systems serve part of the heating at lower temperatures, the percentage of shifted heating load will be larger for ductless systems relative to ducted systems (for a given sizing procedure).¹²⁹ The Company is concerned for the need for additional protections (e.g., training and education) for customers operating ductless systems at lower temperatures to avoid high utility bills due to lower efficiency (i.e., co-efficient of performance) caused by operating at lower temperatures. This is also a concern of trade allies. Heating dealers recommend ducted heating and cooling for ASHPs and contractors who have installed these measures have introduced ductless ASHP specific terms and conditions (e.g., no call backs). The Company believes that either market transformation (i.e., MN ETA) to educate trade allies and customers about proper equipment installation and operation, availability of integrated controls systems, or the Company needs to develop in consultation with its trade allies program implementation approaches to minimize the risks of high utility bills.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ductless ASHPs in its annual status reports. The Company plans on examining alternate ductless values (i.e., percent heating load shifted, HSPF correction factor, and incremental costs) for an energy savings algorithm in order to evaluate the EFS criteria, but the Company prefers examining these alternative ductless values in a future Technical Reference Manual Advisory Committee process.

Improving Air Source Heat Pump Rebate Alignment

¹²⁸ For example, see CenterPoint Energy’s assessment of ccASHPs in Exhibit A.

¹²⁹ The Company also believes that technical assumptions (e.g., incremental costs and percentage of heating load shifted) for a ductless system are different enough from the ducted systems as to warrant different values for these inputs. The Appendix G spreadsheet that resulted from the TRM process on this EFS measure was valuable, but the Company believes it’s table of percentage of heating load shifted for a given switchover temperature only applies to ducted systems since the concept of a switchover temperature doesn’t apply in the same way to ductless systems.

With regards to increasing rebate levels for regular ASHPs to align with Xcel Energy's, CenterPoint Energy does not have the same concerns with regards to utility bills and comfort concerns related to ccASHPs. However, the Company believes the market in the Company's territory is still relatively undeveloped. For example, in the Company's assessment, if its *Triennial Plan* leads to more trade allies focusing on ASHPs it would be the first year any participating trade allies would be promoting an electric hybrid system to natural gas customers.¹³⁰ The Company agrees this would be a positive development, but again trade ally education and training is a notable capacity constraint that will not resolve itself immediately in 2024. The Company did not propose higher rebate levels because it did not believe that increasing its proposed rebate levels would substantially move additional participation because of these market constraints for at least 2024-2025. The Company believes such constraints may resolve later in the triennial period and therefore believe it will be worthwhile to consider increasing rebates to increase participation and program performance.¹³¹ If recommended by the DOC to increase its ASHP rebate levels to be more in alignment with Xcel Energy then the Company can propose these changes in response to an IR or in Comments on the DOC's *Proposed Decision*.

Bonus Air Source Heat Pump Rebate After Weatherization

In CEE's *Comments* on a bonus ASHP rebate after weatherization, it stated pg. 12:

"Provide a bonus rebate through the Home Insulation Rebates program of \$600 for customers who install a qualifying heat pump within two years of implementing insulation and air sealing improvements."

In Fresh Energy's *Comments* on a bonus ASHP rebate after weatherization, it stated on pg. 17:

"The Department should require other utilities to replicate Xcel's model of providing bonus rebates to customers that pair incentives for building shell improvements such as insulation and air sealing with incentives for heat pumps."

CenterPoint Energy opposes adding this to its *Triennial Plan* for 2024 but will consider a bonus rebate for sequencing weatherization with an ASHP as a program modification by no later than January 1, 2026. The Company believes this program design has potential merit. The Company has several administrative concerns with this offering that need to be resolved before it can be offered. The main concern is that the Company anticipates challenges getting trade allies to administer such a bonus rebate with their customers.¹³² The Company needs time to explore options and feasibility.¹³³

EFS in Low-Income Programs

¹³⁰ CenterPoint Energy is aware that in its territory nearly 20 small- to mid-size trade allies may have experience offering this measure.

¹³¹ The Company is open being required to assess rebate levels after filing its 2024 ECO Status Report and proposing changes to rebate levels for January 1, 2026, based on that assessment.

¹³² Some other examples of issues to think through: Does any weatherization rebate qualify, or should all applicable weatherization needed in the home be required to get the bonus? If the purpose of the bonus rebate is to move the market on ASHPs should the rebate only be available in early retirement situation? Is this rebate a EFS expense, a non-EFS expense or should it be split?

¹³³ To be clear, CenterPoint Energy could provide a bonus rebate to anyone who sequenced a ASHP after weatherization starting in 2024. The problem is that presumably the purpose of the bonus is to encourage customers interested in ASHPs to weatherize first and then encourage customers who weatherize to consider ASHPs. An administrative bonus not integrated into the Company's trade ally focused program design seems unlikely to accomplish those goals.

In Fresh Energy's *Comments* related to EFS in low-income programs, it stated pg. 16:

"CenterPoint should provide heat pump rebates in more of its low-income programs."

In EEFA's *Comments* related to EFS in low-income programs, it stated pg. 13:

"...require that CenterPoint plan for and promote the use of heat pumps in all its residential programs, but especially those serving under-resourced customers, renters, and multifamily housing residents."

And

"Allow all relevant "low income" programs to include ducted and ductless heat pumps as an eligible measure (e.g., allowing them in the Low-Income Free Heating System Tune-Up program and Low-Income Multifamily Building Efficiency Program)"

And

"Increase the incentive amounts for heat pumps, especially for programs serving customers participating in "low income" programs."

CenterPoint Energy is proposing to offer ASHPs in all but one of its low-income programs.¹³⁴ The only program that is not offering an ASHP related service is Low-Income Free Heating System Tune-Ups (Stay Safe, Stay Warm ["SSSW"]). The Company is willing to consider an ASHP tune-up measure for that program, but the Company believes that it is likely such a tune-up is more appropriate as an electric utility measure because a tune-up is going to mostly save electricity and not gas.¹³⁵

CenterPoint Energy believes there might be a misunderstanding about how EFS measures are incorporated into its low-income programs. In terms of which measures are recommended to customers, these decisions are generally left up to the discretion of the non-profit implementer, who may prioritize their program requirements or the customer's expected bill savings above other considerations such as electrification and emissions reductions. The Company plans to modify its customer outreach and other materials for program implementers to include information on ASHPs and track spending as EFS spending. The Company believes that the HELP program is where it has more discretion to promote ASHPs directly to customers. The Company also thinks that the HELP program is more likely to serve customers interested in ASHPs.

With regards to covering additional costs of ASHPs, CenterPoint energy believes it is appropriate to treat this measure the same as others. Specifically, full cost coverage through Low-Income Weatherization ("LIW"), 50 percent to 75 percent of project costs through LIRE and HELP, and incremental costs through Non-Profit Affordable Housing Rebates ("NPAH"). With regards to NPAH, the Company is willing to consider an alternative rebate based on market data about incremental costs.

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

In CEE's *Comments* on the Home Insulation Rebates program, it stated on pg. 12:

"Align air sealing and insulation rebate levels for the Home Insulation Rebates program with Xcel Energy's proposed Insulation Rebate program, for which Xcel Energy proposes a rebate of 40 percent of project costs, up to \$1,200 for wall and attic insulation and up to \$600 for air sealing."

¹³⁴ See the LI MFBE and MFBE program section for specifics on that program.

¹³⁵ Gas savings from a back-up system due to a well operating ASHP is likely to be negligible.

In Fresh Energy's *Comments* on the Home Insulation Rebates program, it stated on pg. 17:

"CenterPoint should increase their insulation and air sealing rebate offerings to match what Xcel will be offering this Triennial."

In EFFA's *Comments* on the Home Insulation Rebates program on pg. 3,

"We recommend CPE focus on both to not only "drive participation and energy savings," (p. 2) but also make a deeper impact in households that need the most benefits from energy efficiency measures. Moreover, we encourage CPE to match Xcel Energy's rebate budget structure."

CenterPoint Energy opposes restructuring its rebates as recommended by *Comments*. In particular, the Company believes that it is more appropriate to prioritize wall insulation, followed by air sealing and then attic insulation. Wall insulation can deliver significant energy savings and be more costly to implement. Air sealing can provide higher energy savings and is more in need to be incentivized because it can be overlooked as a weatherization measure. Attic insulation is important, but the Company believes rebates should be structured to encourage it in addition to air sealing as is done in the proposed *Triennial Plan*.

With regards to the rebate levels, CenterPoint Energy described in the Program Design, Incentives, and Influencing the Market section of these *Reply Comments* how it thinks about rebate levels. The proposed rebate levels for the Home Insulation Rebates program are based on an assessment of project costs (biased to the last 1-2 years) and how effective increasing the rebates will be to increasing participation. Further increases to the rebate levels proposed may marginally increase program participation, but not enough to be reasonable and prudent spending in the Company's view.

That said, if the DOC recommends increasing rebates, then CenterPoint Energy can propose changes in an IR response or in its *Comments on a Proposed Decision*. Tentatively, the Company expects that at combined rebate levels of about \$3,000 (from \$1,200 for wall insulation, \$1,200 for attic insulation, and \$600 for air sealing) it would increase participation levels by about 100 participants and would propose including a rebate limit of 40 percent of project costs.

High-Efficiency Homes

In Fresh Energy's *Comments* related to residential equipment, it stated on pg. 18:

"Utilities should assist in building code compliance and provide effective energy efficiency rebates for builders that aren't contingent upon installation of gas-fired appliances. The \$500 cap on rebates for homes without gas-fired water heaters in CenterPoint's High-Efficiency Homes program creates a perverse incentive and should be removed."

Natural gas service is required to participate in CenterPoint Energy's programs. The purpose of the Company's High-Efficiency Home program is to encourage efficient natural gas use in qualifying homes, including when installing EFS measures like ASHPs. Electric utility new construction programs are more appropriate for buildings installing electric heating and water heating.

Overall Low-Income Programs

In Fresh Energy's *Comments* on low-income programs, it stated on pg. 18:

"In addition to increased spending, utilities should prioritize effective program design and outreach for low-income programs."

CenterPoint Energy takes an “all of the above” approach to helping its customers reduce their energy consumption and save money on their gas bills. While the Company mainly focuses on enhanced program design, it is also willing to increase incentives when it believes it will meaningfully influence consumer behavior (see the Program Design, Incentives, and Influencing the Market section). For example, CenterPoint Energy has proposed higher incentives in LIRE for qualifying participants (e.g., rental properties in high poverty areas) to drive greater participation. However, the Company generally prioritizes program design over incentives for cost-effectiveness reasons and to address non-cost barriers to participation.

Regarding program outreach, CenterPoint Energy is proactively taking steps to reach out to underserved communities. These steps include building relationships with nonprofits and social services agencies that serve low-income populations. The Company believes it can leverage these relationships to raise customer awareness of its low-income programs.

Inflation Reduction Act

In Fresh Energy’s *Comments* on IRA, it stated on pg. 17:

“Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.

a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they’re offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.

b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA.”

In CUB’s *Comments* on IRA, it stated on pg. 14:

“As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.”

And it stated on pg. 15:

“We highly encourage utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.

In WMLG’s *Comments* on IRA, it stated on pg. 7:

“Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs.”

In CEE’s *Comments* on IRA, it stated on pg. 10:

“While we do not think it is necessary for CenterPoint Energy to modify the goals of its proposed plan, we do recommend that the Company be prepared for higher customer demand for efficient fuel switching incentives and other utility incentives and programs that include measures that are also included in the IRA. We also recommend that the Department exercise regulatory

flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.”

In CEE’s *Comments* on IRA, it stated on pp. 11-12, it made general recommendations regarding “areas of coordination between utilities between the Department and utilities.”

In EEFA’s *Comments* on IRA, it stated on pg. 12:

“Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, we urge CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.”

CenterPoint Energy thanks the commenters for their feedback. The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.

CenterPoint Energy is also coordinating its proposed EFS offerings, including the incentive levels and marketing efforts, with Xcel Energy. CenterPoint Energy will also seek additional partnerships and opportunities to promote its EFS offerings.

Regarding IRA programs, CenterPoint Energy is closely monitoring their rollout. Additionally, the Company is already raising awareness of IRA’s tax credits and plans to promote IRA’s rebate programs after they launch. The Company is also monitoring new state programs, including subsidies for ASHPs and electric panel upgrades.

B.4. Staff Recommendations

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the “ECO Budget Flexibility and Plan Modification Considerations” section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

Efficient Fuel Switching – Residential and Low-Income Programs

Ground Source Heat Pumps

Staff appreciate Fresh Energy's suggestion with regards to providing incentives for ground source heat pumps in ECO programs, but also acknowledge the thoughtfulness in CPE's response regarding the typically high capital costs and low residential customer savings associated with this technology. Staff encourage CPE to continue to track the ground source heat pump market for possible future opportunities, but Staff want to emphasize the Company's experience and expertise regarding what technologies should be included in its ECO portfolio.

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessments of cold climate air source heat pumps and heat pump water heaters as part of its ECO Status Reports.

Ductless Air Source Heat Pumps

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.

Improving Air Source Heat Pump Rebate Alignment

Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy's. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company's comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.

Bonus Air Source Heat Pump Rebate After Weatherization

Staff believe that CEE and Fresh Energy's recommendation about providing an air source heat pump bonus rebate after weatherization seems like a good best practice program model. For example, the

American Council for an Energy-Efficient Economy has emphasized the importance of “strongly encourage[ing] households installing heat pumps to pair them with insulation and air-sealing measures. . . . Without these additional improvements, electrification risks substantially increasing customers’ utility bills, especially for those living in older buildings or who currently use high-efficiency fossil-fueled heating systems.”¹³⁶ Staff appreciates the administrative and logistical concerns raised by CPE in replicating Xcel’s approach. Staff supports CenterPoint’s commitment to implementing a similar rebate starting no later than January 1, 2026.

EFS in Low-Income Programs

Staff find that CPE's response seems reasonable. Staff agree that it is important for utilities to offer air source heat pump incentives across their customer classes, but also recognize that this is the first opportunity within ECO for natural gas utilities to incentivize these technologies.

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

Staff agree with CEE, Fresh Energy, and MN EEFA’s recommendation about CPE aligning its air sealing and insulation rebate levels with Xcel Energy’s rebate levels. Staff believe that alignment of these rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. Regarding the discrepancy in rebate amounts for attic insulation and air sealing between Xcel and CPE, Staff recommend that the Deputy Commissioner take CPE up on its offer to increase its rebates to align with Xcel. Staff request that this change be detailed in CPE’s Comments on the Proposed Decision.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the “Low-Income Spending Requirements” section of this Proposed Decision, Staff have reviewed CPE’s low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department’s policy guidance related to ECO low-income programs.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

¹³⁶ “Empowering Electrification through Building Envelope Improvements.” American Council for an Energy-Efficient Economy. July 2023.
https://www.aceee.org/sites/default/files/pdfs/empowering_electrification_through_building_envelope_improvements_-_encrypt.pdf

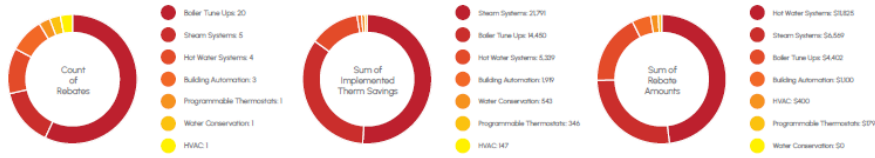
C. *COMMENTS FROM CENTERPOINT ENERGY (CPE) AND REPLY COMMENTS FROM ENERCHANGE*

C.1. *Comments from CPE*

- The Company has several concerns regarding the proposed new program services:
 - The proposed Scorecard program service in its current state presents a vague method for influencing energy usage for participating customers.
 - The proposed Elementary Installation Corps program service may overlap with existing programs including NGEA. Larger energy users that could be customers of the Elementary Installation Corps also require more in-depth implementation and verification. This would be a much heavier lift than specifically targeting smaller non-profits.
 - The Company suggests an approach that results in collaboration between EnerChange and the Company. This would ensure continued engagement with non-profit organizations in CIP.

C.2. *Reply Comments from EnerChange*

- EnerChange apologizes for the late reply comments submission.
- Having reviewed the Comments from both CPE and Xcel Energy, EnerChange respectfully withdraws its request for pursuing the 3 “Bonus” opportunities described in EnerChange’s Application document.
- The budget summary in EnerChange’s Application does not include any of the 3 Bonus Opportunities. Withdrawing the request for those programs, therefore, has no impact on the submitted base Triennial Budgets.
- Regarding discrepancies with some statistics that were identified:
 - CPE correctly identified a mistake on p. 25 of EnerChange’s filed Application. Following is the correct information with updated Grand Totals that should have been in that place:



CenterPoint Energy (Gas)

Current Triennial Period

Efficiency Measure Category	Count of Rebates	Sum of Implemented Therm Savings	Sum of Rebate Amounts
Boiler Tune Ups	20	14,450	\$4,402
Building Automation	3	1,919	\$1,100
Hot Water Systems	4	5,339	\$11,825
HVAC	1	147	\$400
Programmable Thermostats	1	346	\$179
Steam Systems	5	21,791	\$6,569
Water Conservation	1	543	\$0
Grand Total	35	44,535	\$24,475

- Regarding communication and collaboration:
 - The comments references made by the utilities in support of greater collaboration are especially appreciated. Recently, EnerChange requested – and was granted – meetings with each of the utility’s Account Managers Groups. EnerChange is confident that this kind of collaboration will pay strong dividends among mutual customer groups.

C.3. Staff Recommendations

Staff appreciate CPE’s initial comments and EnerChange’s reply comments. Staff’s findings and recommendations regarding the EnerChange program can be found in the “Alternative ECO Programs” section of this Proposed Decision.

D. COMMENTS FROM WEST METRO LOCAL GOVERNMENTS (WMLG). REPLY COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA), COMMUNITY POWER, AND CENTERPOINT ENERGY (CPE).

D.1. Comments from WMLG

- Recommend that the Department require CPE to take the following actions regarding the Company’s Triennial Plan:
 - Allow for general EFS discussion between the trusted home energy advisor during an HES consultation and the customer.
 - Include ductless and cold climate heat pump systems as part of the EFS rebate program.

- Increase participation estimates and associated program capacity for upgrades that are supported by IRA and State incentives such as insulation and heat pump programs.
- Modify the ASHP rebate program goal to be at least proportional to that proposed by Xcel Energy gas.
- Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy’s proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS.
- Require that the savings claimed by CPE be better aligned with the incentive level offered for ASHPs.
- Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs.
- Consolidate and streamline low-income programs in order to improve the ease of program outreach and communication, reduce the number of visits to each home, and overall improve program efficiency and cost effectiveness.
- Expand insulation prescriptive rebates for more multifamily buildings beyond those eligible for the Low Income Multifamily Building Efficiency program.
- Double promotion for Low Income Rental Efficiency and the Multifamily Building Efficiency programs to bring more proportional energy and cost savings benefits to rental households.
- Ensure marketing material is translated into priority languages and that every program has easy registration access.
- Significantly alter Energy Efficiency Kit programs such that households only receive items that they need and/or focus on other programs for direct installation of easy-to-install energy-saving products.
- Reject dryer ball measures for energy savings until strong evidence is available regarding its efficacy.

D.2. Reply Comments from MN EEFA

MN EEFA appreciates the comments submitted by the West Metro Local Governments in response to CPE’s and Xcel Energy’s Triennial Plans and supports the following recommendations:

- CenterPoint Energy
 - “Allow for general electrification discussion between the trusted home energy advisor during [a Home Energy Squad] consultation and the customer.” (p. 3)
 - “Include ductless and cold climate [air source heat pump] systems in [CenterPoint’s Efficient Fuel Switching] rebate program.” (p. 3)
 - CenterPoint should work with program partners to address barriers to utilizing the Energy Assistance Program application as a pathways to access CenterPoint’s “low-income” programs, particularly in the summer, when EAP applications are unavailable. (p. 5)
 - “[B]etter coordination between electric and gas providers” by packaging more energy efficiency programs so it is easier for residents to participate. (p. 6)
 - Ensure program materials are understandable; “marketing materials should be translated into priority languages other than English.” (p. 6)
 - Have a clear program sign-up process; “Ensure all programs have clear pathway for participants to sign up and take advantage of each program.” (p. 6)

- Regarding Energy Efficiency Kits, “Provide or make available only products that are needed and desired and/or to focus on father programs for direct installation of these energy-saving products such that waste is minimized, efficacy is achieved, and energy savings can be more accurately attributed.”
- Xcel Energy
 - Allow for the Home Energy Squad advisor “be allowed to engage in general electrification discussions during a [...] consultation, highlighting circumstances when a home is or is not a good candidate for electrification.” (p. 3)
 - “Align and collaborate with governmental rebate programs, including city programs[.]” (p. 4)
 - “[B]etter coordination between electric and gas providers” by packaging more energy efficiency programs so it is easier for residents to participate. (p. 5)
 - Ensure program materials are understandable; “marketing materials should be translated into priority languages other than English.” (p. 5)
 - Have a clear program sign-up process; “Ensure all programs have clear pathway for participants to sign up and take advantage of each program.” (p. 5)
 - Regarding School Education Kits, “Provide or make available only products that are needed and desired and/or to focus on father programs for direct installation of these energy-saving products such that waste is minimized, efficacy is achieved, and energy savings can be more accurately attributed.” (p. 6)

D.3. Reply Comments from Community Power

- Community Power supports nearly all of West Metro Local Government's recommendations, with WMLG's participation goals as a floor that rapidly scales up.
- Community Power agrees that 1) efficient fuel switching should be allowed and encouraged in the same conversations as efficiency conversations, 2) that incentives for ASHPs should align across utilities, and 3) that ductless and cold climate heat pump systems should be included. However, Community Power would want to see a thorough, service-territory-wide examination of the relative ratepayer impact of networked geothermal versus majority ASHP adoption.

D.4. Reply Comments from CPE

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

On the topic of setting budget and participation goals in line with city and state goals, in the City of Minneapolis’s *Comments* on the Home Insulation Rebates program, it stated on pp. 3-4:

“While CenterPoint staff clarified that the estimated program budgets are not program caps and that the Company would pay all insulation rebates, even if it exceeded the filed program budgets, Minneapolis believes it is important to plan for the successful uptake of the program by considering state and local government goals.”

And the WMLG’s *Comments* about Home Insulation Rebates on pg. 2:

“...we see a general theme that the, proposed programs and their anticipated impact are out of sync with local and State clean energy goals and that opportunities are being missed to maximize energy and carbon savings.”

CenterPoint Energy would like to clarify that it is unlikely to file a *Triennial Plan* that presumes “successful uptake” of energy efficiency projects in the market based only on policy goals. The Company does consider specific market changing policies (e.g., tax incentives) in its triennial planning process. However, policy goals not concretely connected to changing behavior and priorities of actors in the market that factored directly into triennial planning. The Company works to improve its program offerings and implementation (i.e., improvements filed in this *Triennial Plan*) to work towards these goals as well as the Company’s own goals for greenhouse gas (“GHG”) emissions reductions.¹³⁷ These efforts are the focus of many of the Company’s activities and collaborations with other organizations (e.g., the Clean Energy Partnership) to date.

Efficient Fuel Switching – Residential and Low-Income Programs

Below, CenterPoint Energy provides *Reply Comments* to specific EFS and ASHP recommendations and commentary.

In CEE’s *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pp. 12-13:

“Provide two tiers of air source heat pump equipment incentives.

- *For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy’s lowest tier of proposed air source heat pump rebates.*
- *For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy’s proposed cold climate heat pump rebate.*
- *Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate.”*

In the City of Minneapolis’s *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 9:

“The ASHP technology options are unnecessarily restrictive. (For example, ductless and cold climate systems are excluded.)”

And on pg. 11

“Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota.”

In the WMLG’s *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 7:

“Include EFS rebates for ductless and cold climate heat pumps.”

And

“Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy’s proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS.”

In Fresh Energy’s *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 16:

“We recommend that CenterPoint and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering.”

And

“CenterPoint should expand its heat pump rebates to include non-ducted systems.”

¹³⁷ <https://sustainability.centerpointenergy.com/net-zero/>

And

"CenterPoint and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs."

In EEFA's *Comments* related EFS rebates, it stated on pg. 3:

"Match Xcel's "rebate budget structure." CNP's "rebate structures are too low."

And on pg. 13

"Expand eligible heat pumps [in low-income programs] to include ductless air-source heat pumps, rather than only ducted as currently proposed"

Ground Source Heat Pumps

With regards to Ground Source Heat Pumps ("GSHP"), CenterPoint Energy does not believe GSHPs will deliver cost savings for residential customers in most circumstances. Therefore, GSHPs should not be funded through its ECO programs. The Company believes the most likely market for GSHPs is in new construction where capital costs would still be high, but notably lower to install than retrofit applications. As a new construction project, households installing GSHPs are unlikely to be the Company's customer and seems like a more appropriate measure for an electric utility. The Company opposes including this measure in its *Triennial Plan* but is willing to consider new information about capital costs in retrofit situations or as part of a Natural Gas Innovation Plan ("NGIA").

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

With regards to cold climate air source heat pumps ("ccASHP") and heat pump water heaters ("HP WH"), CenterPoint Energy opposes adding these to its *Triennial Plan* at this time. The Company's believes these measures don't provide customer financial benefits and they negatively impact the EFS segment's cost-effectiveness.¹³⁸ The Company also believes that even with IRA, in these initial years customers who are "early adopters" in their choices are the ones most likely to install these measures and therefore minimal incentives are needed to move this demographic that tends to be higher income. These factors make it difficult for the Company's staff to believe these offerings are reasonable and prudent spending.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ccASHPs and HP WHs in its annual status reports. If the Company were required to offer these measures in its *Triennial Plan*, the Company could propose in an information request ("IR") response or comments on a *DOC Proposed Decision* how it would add these measures to its portfolio. However, the Company expects based on what it knows about market conditions that participation would be small and mostly limited to early adopters. Also, based on the technology's performance the cost-effectiveness of its EFS segment would decrease.

Ductless Air Source Heat Pumps

After discussions with trade allies, CenterPoint Energy has moderate concerns with strongly encouraging the installation of ductless ASHPs through its *Triennial Plan*. The two ductless heating appliances (i.e., a boiler and mini split) operate simultaneously while the two ducted appliances (i.e., furnace and ASHP) do not. Because the ductless systems serve part of the heating at lower temperatures, the percentage of

¹³⁸ For example, see CenterPoint Energy's assessment of ccASHPs in Exhibit A.

shifted heating load will be larger for ductless systems relative to ducted systems (for a given sizing procedure).¹³⁹ The Company is concerned for the need for additional protections (e.g., training and education) for customers operating ductless systems at lower temperatures to avoid high utility bills due to lower efficiency (i.e., co-efficient of performance) caused by operating at lower temperatures. This is also a concern of trade allies. Heating dealers recommend ducted heating and cooling for ASHPs and contractors who have installed these measures have introduced ductless ASHP specific terms and conditions (e.g., no call backs). The Company believes that either market transformation (i.e., MN ETA) to educate trade allies and customers about proper equipment installation and operation, availability of integrated controls systems, or the Company needs to develop in consultation with its trade allies program implementation approaches to minimize the risks of high utility bills.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ductless ASHPs in its annual status reports. The Company plans on examining alternate ductless values (i.e., percent heating load shifted, HSPF correction factor, and incremental costs) for an energy savings algorithm in order to evaluate the EFS criteria, but the Company prefers examining these alternative ductless values in a future Technical Reference Manual Advisory Committee process.

Improving Air Source Heat Pump Rebate Alignment

With regards to increasing rebate levels for regular ASHPs to align with Xcel Energy's, CenterPoint Energy does not have the same concerns with regards to utility bills and comfort concerns related to ccASHPs. However, the Company believes the market in the Company's territory is still relatively undeveloped. For example, in the Company's assessment, if its *Triennial Plan* leads to more trade allies focusing on ASHPs it would be the first year any participating trade allies would be promoting an electric hybrid system to natural gas customers.¹⁴⁰ The Company agrees this would be a positive development, but again trade ally education and training is a notable capacity constraint that will not resolve itself immediately in 2024. The Company did not propose higher rebate levels because it did not believe that increasing its proposed rebate levels would substantially move additional participation because of these market constraints for at least 2024-2025. The Company believes such constraints may resolve later in the triennial period and therefore believe it will be worthwhile to consider increasing rebates to increase participation and program performance.¹⁴¹ If recommended by the DOC to increase its ASHP rebate levels to be more in alignment with Xcel Energy then the Company can propose these changes in response to an IR or in Comments on the DOC's *Proposed Decision*.

Allocating Savings Based on Rebate Amounts

¹³⁹ The Company also believes that technical assumptions (e.g., incremental costs and percentage of heating load shifted) for a ductless system are different enough from the ducted systems as to warrant different values for these inputs. The Appendix G spreadsheet that resulted from the TRM process on this EFS measure was valuable, but the Company believes it's table of percentage of heating load shifted for a given switchover temperature only applies to ducted systems since the concept of a switchover temperature doesn't apply in the same way to ductless systems.

¹⁴⁰ CenterPoint Energy is aware that in its territory nearly 20 small- to mid-size trade allies may have experience offering this measure.

¹⁴¹ The Company is open being required to assess rebate levels after filing its 2024 ECO Status Report and proposing changes to rebate levels for January 1, 2026, based on that assessment.

In the City of Minneapolis's *Comments* on allocating energy savings based on rebate amounts, it stated on pg. 11:

"Limiting energy savings claims from EFS to reflect company's contribution toward the overall project cost."

In the WMLG's *Comments* on allocating energy savings based on rebate amounts, it stated on pg. 7:

"Require that the savings claimed by CenterPoint be better aligned with the incentive level offered for ASHPs."

CenterPoint Energy is unclear if the City of Minneapolis is advocating for a policy that utilities should only claim energy savings through ECO programs proportional to rebate coverage of project costs (a significant change from existing policy)¹⁴² or that the City is proposing a policy carve out for ASHPs specifically. The Company does not support either approach and does not see any reasonable justification for such changes in either case.

Energy Advisors

In the WMLG's *Comments* on HES, it stated on pg. 3:

"We ask that CenterPoint Energy go a step further and allow for general electrification discussion between the trusted home energy advisor during an HES consultation and the customer. HES is our main pathway for connecting homeowners with building efficiency experts and implementers. As we seek to decarbonize homes in our communities, this new education and communication pathway will be immensely valuable, highlighting circumstances when a home is or is not a good candidate for electrification."

In the City of Minneapolis's *Comments* on HES, it stated on pg. 10:

"Energy advisors must be permitted to discuss EFS opportunities beyond dual fuel hybrid heating systems during HES visits to help customers understand circumstances where fuel switching does and doesn't make sense."

CenterPoint Energy notes that with regard to measures that are in its *Triennial Plan*, HES should be able to provide the requested services.¹⁴³ The Company does not believe it is appropriate to fund the assessment of EFS measures that are otherwise not a part of its *Triennial Plan*. The Company partners with electric utilities in areas of the state where customers are shared and believes it is the role of the electric utility to engage in these discussions with customers since they are incentivized for providing rebates for electric driven energy efficiency installs. The Company does not object to the electric utilities sharing empirically based information with customers on this topic through HES but does not believe it is the Company's role to educate customers on electric utility energy efficiency equipment or installations unless a part of its programs.

Energy Efficiency Kits and Direct Installation Measures

In the City of Minneapolis's *Comments* on the Energy Efficiency Kits program, stated on pg. 5:

¹⁴² The Company speculates that such a policy change might also encourage utilities to focus more on lower cost traditional technologies over innovation.

¹⁴³ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 64 (June 30, 2023).

“Minneapolis recommends that if the kits program is used under this Plan, the measures be customized for each customer by working with them to understand their needs. This will help address some of the concerns with the program.”

In the WMLG’s *Comments* on the Energy Efficiency Kits program, stated on pg. 6:

“While we support energy efficiency education, we have concerns about efficacy, suitability, and waste of the energy efficiency kits. First, we question the likelihood of installation given experiences within our communities. Too often households already have the items from a kit, either from previous utility kit programs or from personal purchases. In other cases, households only need a portion of the items within the kit. Further, as local governments which are charged with providing pathways for waste disposal, we have significant concerns with regards to the waste generated by duplicative or unwanted materials. We request that CenterPoint Energy provide or make available only products that are needed and desired and/or to focus on other programs for direct installation of these energy-saving products such that waste is minimized, efficacy is achieved, and energy savings can be more accurately attributed.”

CenterPoint Energy considers the proposed Energy Efficiency Kits program to be an important program for the purpose of reaching out to hard-to-reach customers, such as renters in search of energy efficiency options. The DIY Home Efficiency program already allows customers to be selective about the measures they receive. The Energy Efficiency Kits is a new program incorporating information and evaluations performed on the Company’s current Schools Kits and DIY Home Efficiency programs. This is an innovative approach to expand participation to customers not engaged with DIY Home Efficiency. For example, this program’s renter kit service is targeted at renters as most energy efficiency option pathways are only available to homeowners, property owners, and renters who are directly the Company’s customers. The Company believes Energy Efficiency Kits promote equity by allowing rental tenants to reduce their energy consumption and achieve cost savings. The Company also believes it is important to reach low-income customers through non-traditional methods such as the community kits which can help raise awareness of equipment and weatherization programs.

The Energy Efficiency Kits do not contain all potential measures, rather they focus on the most popular DIY measures offered by the Company. The Company has been conscious of potential waste in the creation of the program. The measures are packaged together and delivered via a recyclable box. Also, several plumbing pieces included in the kits are recyclable themselves. This includes the faucet aerators and the showerhead. The Company will provide resources and information on measure recycling.¹⁴⁴ These measures do wear out over time and can be replaced by the new piece of equipment obtained via the kit. The Company is unable to confirm if measures are installed by the receiver of the kit. Therefore, all potential energy savings are not claimed in the Energy Efficiency Kits program.¹⁴⁵ The assumption factors assumed are based on evaluations of kit programs currently offered by the Company.

Overall Low-Income Programs

In the WMLG’s *Comments* on low-income programs, it stated on pg. 7:

“Consolidate and streamline low income programs in order to improve the ease of program outreach and communication, reduce the number of visits to each home, and overall improve program efficiency and cost effectiveness.”

¹⁴⁴ For Example: <https://usgreentechnology.com/all-you-need-to-know-about-recycling-your-plumbing-fixtures/>

¹⁴⁵ See Assumption Factors Assumed Table *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 89 (June 30, 2023).

CenterPoint Energy’s proposed new programs and modifications to existing programs were designed with these goals in mind. In particular, the LISA program will be instrumental in achieving these goals.

Low-Income Support and Awareness

In WMLG’s *Comments* on the Low-Income Support and Awareness Program (“LISA”), it stated on pg. 6:
“We encourage CenterPoint Energy to approach Xcel Energy to partner on this indirect outreach initiative for low-income programs.”

CenterPoint Energy plans to coordinate its LISA program with Xcel Energy’s proposed program.

Low-Income Multi-Family Building Efficiency and Multi-Family Building Efficiency

The LI MFBE and its market-rate counterpart MFBE were recently modified and approved as part of the 2021-2023 CIP Triennial Plan program on November 7, 2022.¹⁴⁶ Due to the recent program modification, these programs did not undergo significant changes in the *Triennial Plan*. Several commenters shared potential recommendations and suggestions for further development of both programs.

The WMLG’s *Comments* on multi-family insulation, it stated on pg. 6:

“We ask the utility to broaden prescriptive insulation rebates to more multifamily building sizes either in this plan or in plan modifications.”

The City of Minneapolis’s *Comments* on multi-family insulation, it stated on pg. 8:

“The City requests clarification about how 5+ unit properties can access weatherization services since the Company notes that MFBE excludes insulation and air sealing rebates.”

Prescriptive rebate weatherization services are currently only available for 5+ unit properties through the LI MFBE program. The Company has implemented these services through the LI MFBE program as a space to build familiarity with weatherization in multifamily buildings. As the Company gains experience in the space, a formal program modification is planned to implement these services into the market rate MFBE program depending on cost-effectiveness of the measure. All commercial and industrial properties are eligible for weatherization services through the C&I Custom Rebates program.

Inflation Reduction Act

In Fresh Energy’s *Comments* on IRA, it stated on pg. 17:

“Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.

a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they’re offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.

b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also

¹⁴⁶ *In the Matter of CenterPoint Energy’s 2021-2023 CIP Triennial Plan*. Docket No. G-08/CIP-20-478, (Nov. 7, 2022).

coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA.”

In CUB’s *Comments* on IRA, it stated on pg. 14:

“As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.”

And it stated on pg. 15:

“We highly encourage utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.

In WMLG’s *Comments* on IRA, it stated on pg. 7:

“Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs.”

In CEE’s *Comments* on IRA, it stated on pg. 10:

“While we do not think it is necessary for CenterPoint Energy to modify the goals of its proposed plan, we do recommend that the Company be prepared for higher customer demand for efficient fuel switching incentives and other utility incentives and programs that include measures that are also included in the IRA. We also recommend that the Department exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.”

In CEE’s *Comments* on IRA, it stated on pp. 11-12, it made general recommendations regarding “areas of coordination between utilities between the Department and utilities.”

In EEFA’s *Comments* on IRA, it stated on pg. 12:

“Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, we urge CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.”

CenterPoint Energy thanks the commenters for their feedback. The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.

CenterPoint Energy is also coordinating its proposed EFS offerings, including the incentive levels and marketing efforts, with Xcel Energy. CenterPoint Energy will also seek additional partnerships and opportunities to promote its EFS offerings.

Regarding IRA programs, CenterPoint Energy is closely monitoring their rollout. Additionally, the Company is already raising awareness of IRA’s tax credits and plans to promote IRA’s rebate programs

after they launch. The Company is also monitoring new state programs, including subsidies for ASHPs and electric panel upgrades.

Community Engagement

CenterPoint Energy held several stakeholder meetings to gain feedback from advocates, implementers, and other interested parties in development of the *Triennial Plan*.¹⁴⁷ The Company continues to search out feedback for new and impactful ways to engage with the community. Several parties responded with comments and recommendations for how the Company can improve community engagement in the future.

In the WMLG's *Comments* on community engagement, it stated on pg. 6:

"A key component for success of ECO programs is communication and recruitment of participants. As local governments, we care deeply that all of our residents have equal access to the important resources from ECO programs. That involves ensuring materials are understandable. Marketing materials should be translated into priority languages other than English. We are happy to help the utility identify priority languages in our communities. Another important component is a clear sign up process. We have noted programs, which were launched during a Conservation Improvement Program plan modification, that some programs had no sign-up information available on the utility's website."

And it stated on pg. 5:

"We also recommend that the utility align and collaborate with governmental climate rebate programs, including city programs such as Edina's Climate Action Fund and St. Louis Parks' Climate Champions."

The Company is in the development stage of a project to translate customer information on its website into Spanish, Hmong, and Somali to increase customer outreach and access. Improved access to information regarding the Company's energy efficiency programs is likely to result in increased participation, emission reductions due to increased participation in conservation, and improved accessibility, equity, participation, and engagement.

The Company welcomes more opportunities to align with the rebate programs of local governments and expand outreach. Currently, the Company hosts links on its website to several services that provide additional federal funding along with assistance for low-income customers.¹⁴⁸ As preparations have already begun to promote opportunities through the IRA, the Company is also open to promoting city programs through the same methods. The Company also participates in community-hosted outreach events promoting rebate programs and energy assistance programs. In addition, the Company works with local governments on promotional and outreach material for rebate programs and looks forward to continuing these collaborations with more local governments.

D.5. Staff Recommendations

Efficient Fuel Switching – Residential and Low-Income Programs

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

¹⁴⁷ CenterPoint Energy held 2024-2026 ECO Triennial Plan stakeholder meetings on October 18-19, 2022, November 8, 2022, March 20, 2023, and June 22, 2023.

¹⁴⁸ <https://www.centerpointenergy.com/en-us/residential/save-energy-money/efficiency-programs-and-rebates>

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessments of cold climate air source heat pumps and heat pump water heaters as part of its ECO Status Reports.

Ductless Air Source Heat Pumps

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.

Improving Air Source Heat Pump Rebate Alignment

Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy's. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company's comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.

Energy Efficiency Kits and Direct Installation Measures

Staff appreciate Minneapolis' and WMLG's comments about ensuring that the measure kits offered through the Energy Efficiency Kits program are customized for each customer, the likelihood of installation of the kits, and that the program minimizes potential waste. Staff find CPE's response to be reasonable regarding the actions the program takes to address the concerns raised by Minneapolis and WMLG.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the "Low-Income Spending Requirements" section of this Proposed Decision, Staff have reviewed CPE's low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department's policy guidance related to ECO low-income programs.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the “ECO Budget Flexibility and Plan Modification Considerations” section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

E. COMMENTS FROM CITY OF MINNEAPOLIS (MINNEAPOLIS). REPLY COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA), COMMUNITY POWER, AND CENTERPOINT ENERGY (CPE).

E.1. Comments from Minneapolis

- Minneapolis offers the following recommendations for the Department’s consideration based on new opportunities associated with the ECO Act, new statewide goals for climate, newly available federal funding and consistent with the public interest:
 - Quadrupling or quintupling the planned program budget and participation targets for the Home Insulation Rebate Program.
 - Appliance rebates that cover 90-100% of cost difference between the base model and the high efficiency model
 - Raise awareness about HES among customers who have high gas use
 - Increase the HES participation estimate of 7,500 per year and budget additional resources to reduce wait times for HES services as well as for weatherization and electrification.
 - Energy advisors must be permitted to discuss EFS opportunities beyond dual fuel hybrid heating systems during HES visits to help customers understand circumstances where fuel switching does and doesn’t make sense.
 - Minneapolis recommends that if the kits program is used under this Plan, the measures be customized for each customer by working with them to understand their needs.

- Streamline moving forward with needed pre-weatherization services for low income households as long as the utility is under the 15 percent spending cap for pre-weatherization.
- Minneapolis recommends modifications to the LI MFBE program to better serve low-income rental households including:
 - Increasing the estimated budget for LI MFBE to better meet the needs of thousands more renters;
 - Allowing the implementer to exercise judgment regarding the value of pre-weatherization to accomplish deeper energy savings.
 - Eliminating the target of 19 renter kits as part of the participant goals in favor of customized professional installation and deeper retrofits; and
 - Allowing EFS as an eligible opportunity for renters in 5+ unit buildings, which will improve equitable access to incentives for these low-income rental households when compared to other customers who can access EFS incentives from CPE.
- The standard offer for LIRE be at least 75 percent with select areas of high poverty rates at 100 percent.
- Be inclusive of customers who opt for ductless ASHP systems and cold climate heat pumps within ECO program offerings.
- Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota.
- Increase the total budget for EFS to better align with customer interest and with the \$4.2 M for the Triennial.
- Limit energy savings claims from EFS to reflect the company’s contribution toward the overall project cost.

E.2. Reply Comments from MN EEFA

MN EEFA appreciates the comments submitted by Minneapolis in response to CPE’s Triennial Plan and supports the following recommendations:

- Increase the Home Insulation Rebates budgets and incentive levels. (pp. 3-4)
- Under the Home Efficiency Rebates program, setting “appliance rebates [to] cover 90-100% of cost difference between the base model and the high efficiency model” (p. 4)
- “Energy advisors be permitted to discuss [Efficient Fuel Switching] opportunities beyond dual fuel hybrid heating systems during [Home Energy Squad] visits to help customers understand circumstances where fuel switching does and doesn’t make sense.” (p. 5)
- CPE should “work with implementers and contractors to streamline moving forward with needed pre-weatherization services for low income households as long as the utility is under the 15 percent spending cap for pre-weatherization.” (p. 6)
- “Increas[e] the estimated budget for [Low-Income Multifamily Building Efficiency] to better meet the needs of thousands more renters[.]” (p. 6)
- Allow Efficient Fuel Switching “as an eligible opportunity for renters in 5+ unit buildings[.]” (p. 7)

E.3. Reply Comments from Community Power

- Community Power supports Minneapolis’ recommended participation goal increases (in some cases quadrupling and quintupling CPE’s plan).

- Community Power agrees that 1) efficient fuel switching should be allowed and encouraged in the same conversations as efficiency conversations, 2) that incentives for ASHPs should align across utilities, and 3) that ductless and cold climate heat pump systems should be included. However, Community Power would want to see a thorough, service-territory-wide examination of the relative ratepayer impact of networked geothermal versus majority ASHP adoption.
- Community Power is neutral to skeptical about the increased awareness of HES services, until and unless the primary access barrier for low and moderate wealth households (the capital/financing gap) is resolved.
- Community Power is also ambivalent about increased awareness of HES services, until and unless other culture/language/access issues are addressed by HES - widely available appointment times beyond 9-5pm; workforce representative of the local community's diversity of language and race/culture; materials easily available in multiple languages.

E.4. Reply Comments from CPE

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Several commenters recommend budgetary increases or reallocations for CenterPoint Energy's *Triennial Plan*. For example, in the City of Minneapolis's *Comments* on budgeting for Low-Income Rental Efficiency ("LIRE"), it stated on pg. 7:

"Meanwhile, the less impactful Renter Kit participation is estimated at 100, which to the extent it diverts funding from weatherization, is a lost opportunity to complete deeper efficiency investments."

In another example, in EEFA's *Comments* on participation and budget for Low-Income Multi-Family Building Efficiency ("LI MFBE"), it stated on pg. 7:

"Target a higher percentage of total participation and budget for low-income multifamily properties...This includes a recommendation to allocate the appropriate additional budget for the LI MFBE portion of this program in order to meet a larger percentage participation goal."

In Fresh Energy's *Comments* on EFS in Home Efficiency Rebates, it stated on pg. 12:

"Ratepayer money going towards gas-fired appliances in CenterPoint's Home Efficiency Rebates program should be reallocated to the EFS portion of the program."

CenterPoint Energy would like to clarify that its *Triennial Plan's* budgets are generally an outcome of the planning process rather than an input into the planning process. Program budgets are based on participation goals. Program participation goals, energy savings, and goals related to the long-term development of programs are based on many factors such as historic participation, current and near future market assessment, program design improvements and planning, and consideration of marketing/ communication pathways and program or marketing saturation. Budgets are direct outcomes of the program design and participation goals. Furthermore, because budgeting is an outcome of planning, increasing a program's budget in one area does not "divert" budget from other areas. The Company is open to considering specific changes to program design in its *Triennial Plan*. However, arbitrary increases to filed budget numbers alone are unlikely to increase program participation or energy savings and are therefore not supported by the Company.

CenterPoint Energy also notes that, historically, increases in *Triennial Plan* budgets have not been necessary for the Company and its program implementers to complete additional energy efficiency projects.¹⁴⁹ This is because DOC guidance for prior triennial periods has granted flexibility in program budgets.¹⁵⁰ As the DOC has previously allowed, the Company supports retaining this budget flexibility in 2024-2026 such that utilities can exceed segment-level budgets by up to 125 percent without a program modification. Given market uncertainties in the upcoming triennial related to offering new programs and services, the Company plans on monitoring program performance and will modify programs if needed.

With regards to EFS programs and services, CenterPoint Energy is not expecting to need a program modification to EFS budgets. However, the Company anticipates it is possible a program modification being needed due to exceeding 125 percent of the EFS segment budget. This is because of policy (e.g., Inflation Reduction Act [“IRA”]) and uncertainty in the market (i.e., behavior and priorities of trade allies,¹⁵¹ customers, non-profits, etc.).

On the related topic of setting budget and participation goals in line with city and state goals, in the City of Minneapolis’s *Comments* on the Home Insulation Rebates program, it stated on pp. 3-4:

“While CenterPoint staff clarified that the estimated program budgets are not program caps and that the Company would pay all insulation rebates, even if it exceeded the filed program budgets, Minneapolis believes it is important to plan for the successful uptake of the program by considering state and local government goals.”

And the WMLG’s *Comments* about Home Insulation Rebates on pg. 2:

“...we see a general theme that the, proposed programs and their anticipated impact are out of sync with local and State clean energy goals and that opportunities are being missed to maximize energy and carbon savings.”

CenterPoint Energy would like to clarify that it is unlikely to file a *Triennial Plan* that presumes “successful uptake” of energy efficiency projects in the market based only on policy goals. The Company does consider specific market changing policies (e.g., tax incentives) in its triennial planning process. However, policy goals not concretely connected to changing behavior and priorities of actors in the market that factored directly into triennial planning. The Company works to improve its program offerings and implementation (i.e., improvements filed in this *Triennial Plan*) to work towards these goals as well as the Company’s own goals for greenhouse gas (“GHG”) emissions reductions.¹⁵² These efforts are the focus of many of the Company’s activities and collaborations with other organizations (e.g., the Clean Energy Partnership) to date.

Program Design, Incentives, and Influencing the Market

CenterPoint Energy believes, based on comments it received about enhanced program design and rebate levels, that it should clarify how it thinks about program design and setting rebates in order to

¹⁴⁹ For example, in 2022 the High-Efficiency Homes program was 90 percent over budget because it doubled participation relative to plan.

¹⁵⁰ See *In the Matter of CenterPoint Energy’s 2021-2023 Natural Gas Conservation Improvement Program Triennial Plan*, Docket No. G-008/CIP-20-478, Decision (DOC, Nov. 25, 2020).

¹⁵¹ Trade allies include, but are not limited to mechanical contractors, consulting engineers, and dealers who are the technical experts that help advise customers in completion of energy efficiency projects.

¹⁵² <https://sustainability.centerpointenergy.com/net-zero/>

influence conditions in the market. Specifically, when the Company refers to markets it is including decision-making and behavior of customers, trade allies (e.g., contractors, equipment dealers), and others as relevant to a particular program.

For example, in the City of Minneapolis's *Comments* on budgeting for Home Efficiency Rebates, it stated on pg. 4:

"Home Efficiency Rebates appliance rebates to cover 90%-100% of cost difference between baseline model and the high efficiency model."

Another example, in EEFA's *Comments* on rebates it stated on pg. 3:

"First, CPE says it has chosen to focus on program design as opposed to rebate increases. We recommend CPE focus on both..."

To clarify, CenterPoint Energy does focus on higher rebate levels and enhanced program design. Higher rebate levels are a tool in enhanced program design. However, in order to deliver cost-effective programs, the Company's preferred route to achieve participation and energy savings goals is through enhanced program design that is not just rebate levels. The Company does consider higher rebate levels, but there are issues with focusing exclusively on rebate levels for program design and delivery. In general, the Company seeks to maximize participation through more than higher rebate levels because markets do not react linearly to increasing rebate levels. For example, the Company would not double a rebate if it thought that participation would not increase enough to justify the increased spending. Furthermore, increasing rebates without enhanced program design has, in the Company's experience, been ineffective (e.g., instantaneous water heaters).

Efficient Fuel Switching – Residential and Low-Income Programs

Below, CenterPoint Energy provides *Reply Comments* to specific EFS and ASHP recommendations and commentary.

In CEE's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pp. 12-13:

"Provide two tiers of air source heat pump equipment incentives.

- *For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy's lowest tier of proposed air source heat pump rebates.*
- *For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy's proposed cold climate heat pump rebate.*
- *Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate."*

In the City of Minneapolis's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 9:

"The ASHP technology options are unnecessarily restrictive. (For example, ductless and cold climate systems are excluded.)"

And on pg. 11

"Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota."

In the WMLG's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 7:

"Include EFS rebates for ductless and cold climate heat pumps."

And

"Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy's proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS."

In Fresh Energy's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 16:

"We recommend that CenterPoint and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering."

And

"CenterPoint should expand its heat pump rebates to include non-ducted systems."

And

"CenterPoint and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs."

In EEFA's *Comments* related EFS rebates, it stated on pg. 3:

"Match Xcel's "rebate budget structure." CNP's "rebate structures are too low."

And on pg. 13

"Expand eligible heat pumps [in low-income programs] to include ductless air-source heat pumps, rather than only ducted as currently proposed"

Ground Source Heat Pumps

With regards to Ground Source Heat Pumps ("GSHP"), CenterPoint Energy does not believe GSHPs will deliver cost savings for residential customers in most circumstances. Therefore, GSHPs should not be funded through its ECO programs. The Company believes the most likely market for GSHPs is in new construction where capital costs would still be high, but notably lower to install than retrofit applications. As a new construction project, households installing GSHPs are unlikely to be the Company's customer and seems like a more appropriate measure for an electric utility. The Company opposes including this measure in its *Triennial Plan* but is willing to consider new information about capital costs in retrofit situations or as part of a Natural Gas Innovation Plan ("NGIA").

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

With regards to cold climate air source heat pumps ("ccASHP") and heat pump water heaters ("HP WH"), CenterPoint Energy opposes adding these to its *Triennial Plan* at this time. The Company's believes these measures don't provide customer financial benefits and they negatively impact the EFS segment's cost-effectiveness.¹⁵³ The Company also believes that even with IRA, in these initial years customers who are "early adopters" in their choices are the ones most likely to install these measures and therefore minimal incentives are needed to move this demographic that tends to be higher income. These factors make it difficult for the Company's staff to believe these offerings are reasonable and prudent spending.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ccASHPs and HP WHs in its annual status reports. If the Company were required to offer these measures in its *Triennial Plan*, the Company could propose in an information request ("IR") response or comments

¹⁵³ For example, see CenterPoint Energy's assessment of ccASHPs in Exhibit A.

on a DOC *Proposed Decision* how it would add these measures to its portfolio. However, the Company expects based on what it knows about market conditions that participation would be small and mostly limited to early adopters. Also, based on the technology's performance the cost-effectiveness of its EFS segment would decrease.

Ductless Air Source Heat Pumps

After discussions with trade allies, CenterPoint Energy has moderate concerns with strongly encouraging the installation of ductless ASHPs through its *Triennial Plan*. The two ductless heating appliances (i.e., a boiler and mini split) operate simultaneously while the two ducted appliances (i.e., furnace and ASHP) do not. Because the ductless systems serve part of the heating at lower temperatures, the percentage of shifted heating load will be larger for ductless systems relative to ducted systems (for a given sizing procedure).¹⁵⁴ The Company is concerned for the need for additional protections (e.g., training and education) for customers operating ductless systems at lower temperatures to avoid high utility bills due to lower efficiency (i.e., co-efficient of performance) caused by operating at lower temperatures. This is also a concern of trade allies. Heating dealers recommend ducted heating and cooling for ASHPs and contractors who have installed these measures have introduced ductless ASHP specific terms and conditions (e.g., no call backs). The Company believes that either market transformation (i.e., MN ETA) to educate trade allies and customers about proper equipment installation and operation, availability of integrated controls systems, or the Company needs to develop in consultation with its trade allies program implementation approaches to minimize the risks of high utility bills.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ductless ASHPs in its annual status reports. The Company plans on examining alternate ductless values (i.e., percent heating load shifted, HSPF correction factor, and incremental costs) for an energy savings algorithm in order to evaluate the EFS criteria, but the Company prefers examining these alternative ductless values in a future Technical Reference Manual Advisory Committee process.

Improving Air Source Heat Pump Rebate Alignment

With regards to increasing rebate levels for regular ASHPs to align with Xcel Energy's, CenterPoint Energy does not have the same concerns with regards to utility bills and comfort concerns related to ccASHPs. However, the Company believes the market in the Company's territory is still relatively undeveloped. For example, in the Company's assessment, if its *Triennial Plan* leads to more trade allies focusing on ASHPs it would be the first year any participating trade allies would be promoting an electric hybrid system to natural gas customers.¹⁵⁵ The Company agrees this would be a positive development, but again trade ally education and training is a notable capacity constraint that will not resolve itself immediately in 2024. The Company did not propose higher rebate levels because it did not believe that increasing its proposed rebate levels would substantially move additional participation because of these

¹⁵⁴ The Company also believes that technical assumptions (e.g., incremental costs and percentage of heating load shifted) for a ductless system are different enough from the ducted systems as to warrant different values for these inputs. The Appendix G spreadsheet that resulted from the TRM process on this EFS measure was valuable, but the Company believes its table of percentage of heating load shifted for a given switchover temperature only applies to ducted systems since the concept of a switchover temperature doesn't apply in the same way to ductless systems.

¹⁵⁵ CenterPoint Energy is aware that in its territory nearly 20 small- to mid-size trade allies may have experience offering this measure.

market constraints for at least 2024-2025. The Company believes such constraints may resolve later in the triennial period and therefore believe it will be worthwhile to consider increasing rebates to increase participation and program performance.¹⁵⁶ If recommended by the DOC to increase its ASHP rebate levels to be more in alignment with Xcel Energy then the Company can propose these changes in response to an IR or in Comments on the DOC's *Proposed Decision*.

Allocating Savings Based on Rebate Amounts

In the City of Minneapolis's *Comments* on allocating energy savings based on rebate amounts, it stated on pg. 11:

"Limiting energy savings claims from EFS to reflect company's contribution toward the overall project cost."

In the WMLG's *Comments* on allocating energy savings based on rebate amounts, it stated on pg. 7:

"Require that the savings claimed by CenterPoint be better aligned with the incentive level offered for ASHPs."

CenterPoint Energy is unclear if the City of Minneapolis is advocating for a policy that utilities should only claim energy savings through ECO programs proportional to rebate coverage of project costs (a significant change from existing policy)¹⁵⁷ or that the City is proposing a policy carve out for ASHPs specifically. The Company does not support either approach and does not see any reasonable justification for such changes in either case.

Energy Advisors

In the WMLG's *Comments* on HES, it stated on pg. 3:

"We ask that CenterPoint Energy go a step further and allow for general electrification discussion between the trusted home energy advisor during an HES consultation and the customer. HES is our main pathway for connecting homeowners with building efficiency experts and implementers. As we seek to decarbonize homes in our communities, this new education and communication pathway will be immensely valuable, highlighting circumstances when a home is or is not a good candidate for electrification."

In the City of Minneapolis's *Comments* on HES, it stated on pg. 10:

"Energy advisors must be permitted to discuss EFS opportunities beyond dual fuel hybrid heating systems during HES visits to help customers understand circumstances where fuel switching does and doesn't make sense."

CenterPoint Energy notes that with regard to measures that are in its *Triennial Plan*, HES should be able to provide the requested services.¹⁵⁸ The Company does not believe it is appropriate to fund the assessment of EFS measures that are otherwise not a part of its *Triennial Plan*. The Company partners

¹⁵⁶ The Company is open being required to assess rebate levels after filing its 2024 ECO Status Report and proposing changes to rebate levels for January 1, 2026, based on that assessment.

¹⁵⁷ The Company speculates that such a policy change might also encourage utilities to focus more on lower cost traditional technologies over innovation.

¹⁵⁸ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 64 (June 30, 2023).

with electric utilities in areas of the state where customers are shared and believes it is the role of the electric utility to engage in these discussions with customers since they are incentivized for providing rebates for electric driven energy efficiency installs. The Company does not object to the electric utilities sharing empirically based information with customers on this topic through HES but does not believe it is the Company's role to educate customers on electric utility energy efficiency equipment or installations unless a part of its programs.

Home Energy Squad

In the City of Minneapolis's *Comments* on HES, it stated on pg. 5:

"We ask that CenterPoint raise awareness among customers who have high gas use regarding the availability and benefits of HES."

CenterPoint Energy notes that raising awareness of high energy using customers about its energy efficiency programs, including HES, is a significant part of the *Triennial Plan*. For example, a significant purpose of the Home Energy Reports program in the portfolio is raising awareness of other energy programs such as HES for high gas users through a number of methods (e.g., community comparisons of energy use and affordability alerts) documented in the *Triennial Plan*.¹⁵⁹ Some additional examples of outreach to high energy users include seasonal bill inserts, targeted email campaigns, and community partnerships.

In the City of Minneapolis's *Comments* related to residential equipment, it stated on pg. 5:

"Given new federal incentives for efficiency and EFS, we recommend CenterPoint revisit its HES participation estimate of 7,500 per year and budget additional resources to reduce wait times for HES services as well as for weatherization and electrification."

CenterPoint Energy specifically noted that HES was proposed to continue 2023 program design other than the addition of EFS budget.¹⁶⁰ The Company is working on a significant program modification of which increasing the capacity of the program is one of several potential goals. The Company is not ready to file program modifications at this time.

Energy Efficiency Kits and Direct Installation Measures

In the City of Minneapolis's *Comments* on the Energy Efficiency Kits program, stated on pg. 5:

"Minneapolis recommends that if the kits program is used under this Plan, the measures be customized for each customer by working with them to understand their needs. This will help address some of the concerns with the program."

In the WMLG's *Comments* on the Energy Efficiency Kits program, stated on pg. 6:

"While we support energy efficiency education, we have concerns about efficacy, suitability, and waste of the energy efficiency kits. First, we question the likelihood of installation given experiences within our communities. Too often households already have the items from a kit, either from previous utility kit programs or from personal purchases. In other cases, households only need a portion of the items within the kit. Further, as local governments which are charged with providing pathways for waste disposal, we have significant concerns with regards to the

¹⁵⁹ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 59 (June 30, 2023).

¹⁶⁰ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 64 (June 30, 2023).

waste generated by duplicative or unwanted materials. We request that CenterPoint Energy provide or make available only products that are needed and desired and/or to focus on other programs for direct installation of these energy-saving products such that waste is minimized, efficacy is achieved, and energy savings can be more accurately attributed.”

CenterPoint Energy considers the proposed Energy Efficiency Kits program to be an important program for the purpose of reaching out to hard-to-reach customers, such as renters in search of energy efficiency options. The DIY Home Efficiency program already allows customers to be selective about the measures they receive. The Energy Efficiency Kits is a new program incorporating information and evaluations performed on the Company’s current Schools Kits and DIY Home Efficiency programs. This is an innovative approach to expand participation to customers not engaged with DIY Home Efficiency. For example, this program’s renter kit service is targeted at renters as most energy efficiency option pathways are only available to homeowners, property owners, and renters who are directly the Company’s customers. The Company believes Energy Efficiency Kits promote equity by allowing rental tenants to reduce their energy consumption and achieve cost savings. The Company also believes it is important to reach low-income customers through non-traditional methods such as the community kits which can help raise awareness of equipment and weatherization programs.

The Energy Efficiency Kits do not contain all potential measures, rather they focus on the most popular DIY measures offered by the Company. The Company has been conscious of potential waste in the creation of the program. The measures are packaged together and delivered via a recyclable box. Also, several plumbing pieces included in the kits are recyclable themselves. This includes the faucet aerators and the showerhead. The Company will provide resources and information on measure recycling.¹⁶¹ These measures do wear out over time and can be replaced by the new piece of equipment obtained via the kit. The Company is unable to confirm if measures are installed by the receiver of the kit. Therefore, all potential energy savings are not claimed in the Energy Efficiency Kits program.¹⁶² The assumption factors assumed are based on evaluations of kit programs currently offered by the Company.

Low-Income Weatherization

In the City of Minneapolis’s *Comments* on the IW Program, it stated on pg. 6:

“Similarly, we ask that CenterPoint work with implementers and contractors to streamline moving forward with needed pre-weatherization services for low income households as long as the utility is under the 15 percent spending cap for pre-weatherization. This will maximize the highest best use of funds for deeper energy retrofits.”

In EEFA’s *Comments* on the LIW Program, it stated on pg. 12:

“CPE should run its weatherization programs based on current deferral lists and focus on all of the most common reasons for deferrals across Minnesota’s WAP network.”

Pre-weatherization measures were added to LIW in 2022. When this happened, the program implementer reached out to customers who had had projects deferred due to health, safety, and/or structural issues. However, customer uptake of pre-weatherization measures in 2022 was lower than anticipated. Reasons included customers tapping non-CIP funding for pre-weatherization work, customers not re-engaging with LIW, and a shortage of contractors to perform the work. Worker

¹⁶¹ For Example: <https://usgreentechnology.com/all-you-need-to-know-about-recycling-your-plumbing-fixtures/>

¹⁶² See Assumption Factors Assumed Table *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 89 (June 30, 2023).

shortages are an ongoing and industrywide challenge.¹⁶³ Deferrals can occur for other reasons as well, including customers who do not call back the implementer, or the implementer being unable to access a customer's home or the workspace.

Low-Income Rental Efficiency

In the City of Minneapolis's *Comments* on LIRE, it stated on pg. 7:

"We recommend the standard offer be at least 75 percent with select areas of high poverty rates at 100 percent."

In EEFA's *Comments* on LIRE, it stated on pg. 4:

"Participants should cover no more than 25% of the total energy efficiency measures cost. The LIRE program should also mandate that rental property owners agree to maintain affordable rent to receive benefits from this program."

In consultation with the program implementer Energy Cents Coalition, CenterPoint Energy developed its proposal to continue to cover 50 percent of total project costs and 100 percent of total project costs when rental property owners demonstrate financial hardship. The Company also proposed that the program cover 75 percent of total project costs in select areas with high poverty rates.¹⁶⁴ The reasoning behind the latter proposal is to ensure that rental property owners are not being incentivized for property upgrades that are already in their financial interest. However, the Company plans to closely monitor program performance to determine whether it should increase project cost coverage. A program modification would be submitted to implement a change for no later than January 1, 2026.

The City of Minneapolis *Comments* on EZ Pay On-Bill Loan, it stated on pg. 1:

"We offer a reminder that the EZ Pay On-Bill Loan program is not available to renters and would be difficult to structure for customers who rent, which means that more than 50 percent of Minneapolis households are ineligible for this program."

The EZ Pay On-Bill Loan program is not available to renters and would be difficult to structure for customers who rent. The Company does not offer the program to renters due to eligibility restrictions set by the participating lenders. Renters do not pay for energy efficient upgrades that would be financed through an EZ Pay On-Bill Loan. These upgrades tend to involve higher priced equipment and projects. Due to this, the focus on the program is on property owners of rental residences that are eligible for an EZ Pay On-Bill Loan.

Low-Income Multi-Family Building Efficiency and Multi-Family Building Efficiency

The LI MFBE and its market-rate counterpart MFBE were recently modified and approved as part of the 2021-2023 CIP Triennial Plan program on November 7, 2022.¹⁶⁵ Due to the recent program modification, these programs did not undergo significant changes in the *Triennial Plan*. Several commenters shared potential recommendations and suggestions for further development of both programs.

¹⁶³ CenterPoint Energy participated in EEFA's CIP low-income working group. At the March 2023 meeting, the Company delivered a presentation on pre-weatherization measures and talked about 2022 program performance.

¹⁶⁴ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 106 (June 30, 2023).

¹⁶⁵ *In the Matter of CenterPoint Energy's 2021-2023 CIP Triennial Plan*. Docket No. G-08/CIP-20-478, (Nov. 7, 2022).

In CUB's *Comments*, it stated on pg. 13:

"it is unclear when EFS upgrades will be recommended or pursued under the LI-MFBE program."

In the City of Minneapolis's *Comments*, it stated on pg. 7:

"Allowing EFS as an eligible opportunity for renters in 5+ unit buildings, which will improve equitable access to incentives for these low-income rental households when compared to other customers who can access EFS incentives from CenterPoint."

In EEFA' *Comments*, it stated on pg. 7:

"Provide information, resources, and incentives for efficient fuel-switching in the MFBE and LI MFBE program. There is no direct mention of efficient fuel-switching offerings for MFBE and LI MFBE buildings."

As stated in the *Triennial Plan*, the Company will consider EFS projects through the Commercial and Industrial ("C&I") Custom Rebates program.¹⁶⁶ The framework of the Custom Rebates program allows multi-family buildings and commercial buildings to receive a rebate for EFS projects. Approval for C&I Custom Projects will be approved on a case-by-case basis. While The Company does not forecast any such projects during the 2024-2026 plan period, the C&I Custom Rebates program allows the flexibility to offer incentives if an EFS project is deemed eligible.

The City of Minneapolis's *Comments* on LI MFBE budget, it stated on pp. 6-7:

"Minneapolis recommends modifications to the LI MFBE program to better serve low-income rental households including; Increasing the estimated budget for LI MFBE to better meet the needs of thousands more renters."

In EEFA *Comments* on LI MFBE budget, it stated on pg. 7:

"There should also be clear and detailed strategies for engagement of affordable housing building owners to increase LI MFBE participation. This can include meeting regularly with relevant organizations and agencies, including those mentioned in the Community Energy Organization involvement section, and additional housing-specific groups, such as Minnesota Housing and local affordable housing organizations."

The Company plans to continue several strategies for reaching out to potential participants for the LI MFBE program. This includes, for example, advertising with organizations like the Minnesota Multi Housing Association and using resources such as the Low-Income Rental Classification Assessor Report.¹⁶⁷ While the stated participation numbers in the *Triennial Plan* are an expectation based on the planning process, the Company can meet demand if participation numbers were exceeded.

The WMLG's *Comments* on multi-family insulation, it stated on pg. 6:

"We ask the utility to broaden prescriptive insulation rebates to more multifamily building sizes either in this plan or in plan modifications."

The City of Minneapolis's *Comments* on multi-family insulation, it stated on pg. 8:

¹⁶⁶ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 164 (June 30, 2023).

¹⁶⁷ [https://www.mnhousing.gov/rental-housing/low-income-rental-classification-\(lirc\).html](https://www.mnhousing.gov/rental-housing/low-income-rental-classification-(lirc).html)

“The City requests clarification about how 5+ unit properties can access weatherization services since the Company notes that MFBE excludes insulation and air sealing rebates.”

Prescriptive rebate weatherization services are currently only available for 5+ unit properties through the LI MFBE program. The Company has implemented these services through the LI MFBE program as a space to build familiarity with weatherization in multifamily buildings. As the Company gains experience in the space, a formal program modification is planned to implement these services into the market rate MFBE program depending on cost-effectiveness of the measure. All commercial and industrial properties are eligible for weatherization services through the C&I Custom Rebates program.

Enhanced Programs and Services for Low- and Moderate-Income Households Not Participating in Energy Assistance and the Weatherization Assistance Program

CenterPoint Energy proposes in its *Triennial Plan* to redesign its existing ECO programs and establish new programs and services for its low- and moderate-income customers who are not interested in or eligible for the Minnesota LIHEAP/WAP. On November 30, 2022,¹⁶⁸ the PUC directed the Company to work with interested parties, including the DOC and the City of Minneapolis, to address the energy conservation needs of low- and moderate-income customers:

“3. The Commission accepts the offer of the Department of Commerce, Division of Energy Resources, to work with CenterPoint, the City of Minneapolis, and other interested parties 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). CenterPoint shall work with interested parties to develop and file, no later than June 1, 2023, CIP offerings which address the gaps identified in this record by targeting and better serving low- and moderate-income homeowners and renters.”

The Company convened a series of stakeholder engagement meetings in early 2023 and invited commenting parties from the Tariffed On-Bill (“TOB”) docket to share their ideas on ways that CenterPoint Energy’s CIP programs could better serve low-and moderate-income households and renters.¹⁶⁹ The Company also supported a recent expansion of eligibility for low-income programs and services statewide through an update to ECO’s low-income household definition from 60 percent of state median income to 80 percent of AMI. Consequently, more customers are potentially eligible for low-income program services.¹⁷⁰

In the City of Minneapolis’s *Comments* on programming related to TOB, it stated on pg. 2:

“While Minneapolis appreciates CenterPoint making company staff available to discuss our recommendations to address historical program gaps to better target and serve low and moderate-income homeowners and renters, our analysis indicates that the programs as proposed within the ECO Triennial Plan will not accomplish the direction required by the Commission.”

¹⁶⁸ *In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On-Bill Financing Pilot Program.* Docket No. G-008/M-21-377, PUC Order, (Nov. 30, 2022). The PUC denied a petition by the Company and the City of Minneapolis for a Tariffed On-Bill Financing Pilot Program.

¹⁶⁹ These meetings were on February 6, 2023, and February 23, 2023.

¹⁷⁰ Retrieved on June 22, 2023, from: <https://www.huduser.gov/portal/datasets/il.html>

CenterPoint Energy would like to thank stakeholders, including Community Power and the City of Minneapolis, for helping promote its stakeholder meetings. Participants offered several promising ideas for new program design and services that went into the *Triennial Plan*. The program changes proposed in the *Triennial Plan* are intended to significantly narrow the capital/financing gap. Learning from implementing these new programs and services will likely provide information to further improve program design and reduce the gap.

CenterPoint Energy proposed new programs and services in its *Triennial Plan* specifically for customers with incomes less than 80 percent AMI and greater than 80 percent AMI to bridge the capital/financing gap. For customers less than 80 percent AMI, the LIW program and WAP remain important programs for full project cost coverage for those who meet the EA/WAP eligibility requirements. The main program proposed for this triennial period to address capital/financing is the HELP program which covers 50 percent of project costs for eligible customers. The Company's intention is for IRA funding or financing (e.g., EZ Pay On-Bill Loan) to minimize or eliminate out of pocket expenses for HELP participants. The HELP program is expected to complete over 900 insulation projects from 2024-2026 but given uncertainties around new programs the Company hopes that completing more projects might be achievable at least by 2026. For rental properties, gas related energy efficiency projects generally require involvement of the property owner, this would have been the case under TOB as proposed in Docket No. 21-377, as well. To increase participation of properties most in need the Company expanded cost coverage of projects to 75 percent of project costs. To help renters save energy who may not be the Company's customers, but reside in properties the Company serves, energy efficiency kits will be distributed through partnerships with community and non-profit organizations. Finally, the Company also added the LISA program to help customers navigate its low-income programs and find the right fit for their energy efficiency needs and income-level.

For customers earning more than 80 percent AMI, CenterPoint Energy has proposed to increase awareness of HES visits and its weatherization advisory services and loans offerings to help finance the completion of weatherization projects.¹⁷¹ The Company has also increased weatherization rebates and will work with trade allies to expand the availability of instant rebates and the EZ Pay On-Bill Loan program.¹⁷² The Company expects around another additional 900 insulation projects from 2024-2026, but is looking to exceed those goals as trade ally participation increases. As noted in a dedicated IRA section of these *Reply Comments*, the Company also plans to ensure that trade allies and customers are at minimum aware of IRA benefits and where possible help customers access IRA resources.

Other Commercial and Industrial Programs

In the City of Minneapolis's *Comments* related to the Commercial Foodservice Learning Center, it stated on pg. 9:

"For example, within the Commercial Foodservice Learning Center, electric cooking can be much more efficient than natural gas, even when compared to high efficiency gas cooking appliances. Electrification of commercial kitchens is a favorable option for some kitchens. The Commercial Food Service Learning Center should demonstrate both high-efficiency gas and electric fuel switching options in order to better serve customers with today's market options."

¹⁷¹ On pg. 5 Community Power notes that a feature of EZ Pay On-bill Loan is audits through HES. To clarify, there are two different routes that customers can access financing depending on whether they want a HES visit or not. Loan products are available from CEE through HES, but EZ-Pay On-bill Loan provides loans through trade allies.

¹⁷² Instant rebates offer a discount on the costs of projects at the point of sale and are offered by contractors approved by CenterPoint energy and choosing to participate in the service.

As stated in the *Triennial Plan*, the Company will continue to provide technical seminars without focus on electric options in alignment with the equipment rebates in the plan. This includes training sessions using the Foodservice Learning Center. The goal of the Commercial Foodservice Learning Center is to provide customers, trade allies and vendors with hands on training and education on commercial foodservice equipment that saves overall energy, time, labor, lower operating costs, and emissions to the environment. That includes evaluation of EFS measures in the Foodservice market segment. Currently, all equipment showcased is eligible for prescriptive rebates through the C&I Foodservice program. Further, Commercial Foodservice Learning Center staff continues to be educated on advantages for customers with high-efficient equipment and proper use of that equipment.

In the City of Minneapolis's *Comments* a recommendation was also shared on the Recommissioning Study and Rebates program, it stated on pg. 9:

"This is a highly favorable program to include, but should aim to serve more than 26 participants per year. Minneapolis also urges CenterPoint to add a "Building Tune-Up Program" as advocated for previously."

CenterPoint Energy is open to discussing opportunities to increase participation of this trade ally administered program, but the Company believes 26 is a realistic yearly goal based on the market conditions. Throughout 2023, the Company has rolled out the "New Normal" pilot in collaboration with the City of Minneapolis specifically targeting potential customers in the City of Minneapolis. This pilot service includes bonus rebates for measures such as "Tune-Ups" in hopes of increasing participation in the Company's programs, including Recommissioning. If both the Company and the City of Minneapolis see a potential for further customer participation, the Company would seek to integrate the New Normal pilot into the *Triennial Plan* via a formal program modification. A potential program modification would result in higher participation numbers across the entire service territory including the City of Minneapolis.

In the City of Minneapolis's *Comments* on the Commercial and Industrial Audit Services program, it stated on pg. 9:

"This site-specific energy analysis service to educate customers on recommended energy-saving retrofits and equipment installations is a foundational program that should be expanded to serve more customers. Commercial building weatherization should be included as many commercial buildings are either uninsulated or under-insulated."

CenterPoint Energy would like to thank the City of Minneapolis for the positive feedback on the C&I Audit Services program. The Company has previously investigated possible commercial weatherization services. These types of measures, if cost-effective, could be accomplished through the C&I Custom rebates program framework. However, the Company has found Commercial Weatherization to be a cost-ineffective energy efficiency measure with minimal customer interest. This is due to several factors including the variability of materials, layouts, and code minimums for commercial buildings.

That said, commercial weatherization is a potential area where the Company would be interested in partnering with the City of Minneapolis on a related effort, for example a feasibility study.

E.5. Staff Recommendations

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the “ECO Budget Flexibility and Plan Modification Considerations” section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

Program Design, Incentives, and Influencing the Market

Staff appreciate the balance between program design and rebate levels that CPE is trying to achieve. Staff recognize that CPE has the most direct experience and expertise when it comes to the details of its program designs and rebate levels. Provided that cost-effectiveness thresholds are met, Staff recommend that CPE be allowed the flexibility to design its ECO programs and rebate levels in a manner that best serves its customers.

Efficient Fuel Switching – Residential and Low-Income Programs

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

Staff understand CPE’s hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessments of cold climate air source heat pumps and heat pump water heaters as part of its ECO Status Reports.

Ductless Air Source Heat Pumps

Staff understand CPE’s hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.

Improving Air Source Heat Pump Rebate Alignment

Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy's. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company's comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.

Energy Efficiency Kits and Direct Installation Measures

Staff appreciate Minneapolis' and WMLG's comments about ensuring that the measure kits offered through the Energy Efficiency Kits program are customized for each customer, the likelihood of installation of the kits, and that the program minimizes potential waste. Staff find CPE's response to be reasonable regarding the actions the program takes to address the concerns raised by Minneapolis and WMLG.

Enhanced Programs and Services for Low- and Moderate-Income Households Not Participating in Energy Assistance and the Weatherization Assistance Program

Staff repeat some of the background information that CPE provided in its reply comments, as follows:

On November 30, 2022,¹⁷³ the PUC directed the Company to work with interested parties, including the DOC and the City of Minneapolis, to address the energy conservation needs of low- and moderate-income customers:

"3. The Commission accepts the offer of the Department of Commerce, Division of Energy Resources, to work with CenterPoint, the City of Minneapolis, and other interested parties 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). CenterPoint shall work with interested parties to develop and file, no later than June 1, 2023, CIP offerings which address the gaps identified in this record by targeting and better serving low- and moderate-income homeowners and renters."

The Company convened a series of stakeholder engagement meetings in early 2023 and invited commenting parties from the Tariffed On-Bill ("TOB") docket to share their ideas on ways that CenterPoint Energy's CIP programs could better serve low- and moderate-income households and renters.¹⁷⁴ The Company also supported a recent expansion of eligibility for low-income programs and services statewide through an update to ECO's low-income household definition from 60 percent of state median income to 80 percent of AMI. Consequently, more customers are potentially eligible for low-income program services.¹⁷⁵

Staff agree with CPE's statement that "the program changes proposed in the Triennial Plan are intended to significantly narrow the capital/financing gap. Learning from implementing these new programs and

¹⁷³ *In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On-Bill Financing Pilot Program.* Docket No. G-008/M-21-377, PUC Order, (Nov. 30, 2022). The PUC denied a petition by the Company and the City of Minneapolis for a Tariffed On-Bill Financing Pilot Program.

¹⁷⁴ These meetings were on February 6, 2023, and February 23, 2023.

¹⁷⁵ Retrieved on June 22, 2023, from: <https://www.huduser.gov/portal/datasets/il.html>

services will likely provide information to further improve program design and reduce the gap.” Overall, Staff find that the Company’s expanded efforts presented in the Triennial Plan represent a significantly positive step forward that will further enable the Company’s ECO programs in meeting the needs of under-resourced customers in Minnesota. Staff encourages CPE to continue developing and expanding efforts to reduce the gap.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the “Low-Income Spending Requirements” section of this Proposed Decision, Staff have reviewed CPE’s low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department’s policy guidance related to ECO low-income programs.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

F. COMMENTS FROM COMMUNITY POWER. REPLY COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA), COMMUNITY POWER, AND CENTERPOINT ENERGY (CPE).

F.1. Comments from Community Power

- Direct CPE to increase the scale of its insulation/air sealing programs to add an additional level of participants matching (at least) the scale of what would have been achieved through its proposed Tariffed On-Bill Financing Program, plus a multiplying factor of 4-5x to reflect that CPE’s programs are well-established and not pilots.
- Direct CPE to increase the goal for number of renter-participants across all programs in which renters are occupants and/or participants to be proportional to the number of renters in the Company's service-territory.
- Direct CPE to receive and implement with a Tariffed On-Bill Financing program designed externally through a partnership between the Department, community stakeholders, experienced PAYS experts, interested municipalities served by CenterPoint.

and/or

- Direct CPE to cooperate in data-sharing, etc. with any rural, municipal or investor-owned electric utility sharing service territory with CenterPoint that seeks to run a Tariffed On-Bill Financing.

F.2. Reply Comments from MN EEFA

MN EEFA appreciates Community Power’s comments in response to CPE’s Triennial Plan and supports the following recommendations:

- “Direct CenterPoint to increase the scale of its insulation/air sealing programs[.]” (p. 7)
- “Direct CenterPoint to increase the goal for number of renter-participants across all programs in which renters are occupants and/or participants to be proportional to the number of renters in the Company’s service-territory.” (p. 7)

F.3. Reply Comments from Community Power

- Community Power’s original recommendations and many of the recommendations of Commenters on the record call for dramatically increased program goals.
- Community Power encourages the Department and CPE to support local communities to quickly and thoroughly study the viability and comparative ratepayer impacts of aggressively pursuing a geothermal option v. primarily or solely ASHPs.
- Community Power submits modified recommendation from its Initial Comments:
 - Direct CenterPoint to increase the scale of its insulation/air sealing programs to add an additional level of participants matching (at least) the scale of what would have been achieved through its proposed Tariffed On-Bill Financing Program, plus a multiplying factor of 4-5x to reflect that CenterPoint’s programs are well-established and not pilots. In the event that a multiplier of 4-5x does not match the sum of the annual goals of local jurisdictions that have explicit goals, total participation goals should be raised to match service-territory community goals.
 - Direct CenterPoint to increase the goal for number of renter-participants across all programs in which renters are occupants and/or participants to be proportional to the number of renters in the Company’s service-territory, along with subgoals by municipality or township to ensure goals match the local community’s renter population.
 - Direct CenterPoint to receive and implement with a Tariffed On-Bill Financing program designed externally through a partnership between the Department, community stakeholders, experienced PAYS experts, interested municipalities served by CenterPoint within 270 days.

and/or

- Direct CenterPoint to cooperate in data-sharing, etc. with any rural, municipal or investor-owned electric utility sharing service territory with CenterPoint that seeks to run a Tariffed On-Bill Financing within 90 days of the request
- Community Power adds two additional recommendations:

- CenterPoint must partner with local cities to resource third-party studies of the viability and relative ratepayer impact and cost/benefits of pursuing networked geothermal systems versus a majority of individually-sited ASHPs.
- Following Midwest Energy Efficiency Alliance's letter, we recommend that CenterPoint solicit and adopt (from local communities it serves) more robust metrics to evaluate its Code Compliance success or failure. CenterPoint's current metrics are too vague and do not make it clear why CenterPoint is uniquely positioned to play this role of support to communities on compliance, particularly given the Company's (by most Commenters' assessment) dissonant and unambitious CIP/ECO filing. No energy savings should be claimed or rewarded to the utility unless by local communities' and Commerce's definitions it has indeed measurably achieved them through this activity. CenterPoint.

F.4. Reply Comments from CPE

Enhanced Programs and Services for Low- and Moderate-Income Households Not Participating in Energy Assistance and the Weatherization Assistance Program

CenterPoint Energy proposes in its *Triennial Plan* to redesign its existing ECO programs and establish new programs and services for its low- and moderate-income customers who are not interested in or eligible for the Minnesota LIHEAP/WAP. On November 30, 2022,¹⁷⁶ the PUC directed the Company to work with interested parties, including the DOC and the City of Minneapolis, to address the energy conservation needs of low- and moderate-income customers:

“3. The Commission accepts the offer of the Department of Commerce, Division of Energy Resources, to work with CenterPoint, the City of Minneapolis, and other interested parties 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). CenterPoint shall work with interested parties to develop and file, no later than June 1, 2023, CIP offerings which address the gaps identified in this record by targeting and better serving low- and moderate-income homeowners and renters.”

The Company convened a series of stakeholder engagement meetings in early 2023 and invited commenting parties from the Tariffed On-Bill (“TOB”) docket to share their ideas on ways that CenterPoint Energy’s CIP programs could better serve low-and moderate-income households and renters.¹⁷⁷ The Company also supported a recent expansion of eligibility for low-income programs and services statewide through an update to ECO’s low-income household definition from 60 percent of state median income to 80 percent of AMI. Consequently, more customers are potentially eligible for low-income program services.¹⁷⁸

In Community Power’s *Comments* on programming related to TOB, it stated on pg. 4:

“[T]he TOB pilot, which was not approved in large part due to Centerpoint’s refusal to agree to pilot parameters supported by members of the public, the City, and numerous Commenters.”

¹⁷⁶ *In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On-Bill Financing Pilot Program.* Docket No. G-008/M-21-377, PUC Order, (Nov. 30, 2022). The PUC denied a petition by the Company and the City of Minneapolis for a Tariffed On-Bill Financing Pilot Program.

¹⁷⁷ These meetings were on February 6, 2023, and February 23, 2023.

¹⁷⁸ Retrieved on June 22, 2023, from: <https://www.huduser.gov/portal/datasets/il.html>

CenterPoint Energy agrees that it had significant concerns regarding certain parameters supported by commenters. Specifically, the Company expressed concerns over the opposition to deferred accounting and authorizing the Company to earn its full rate of return. Specifically, CenterPoint Energy's is concerned that these commenter positions allocate the entirety of the risk associated with TOB to the Company. For example, the average yield of 10-Year Treasuries has increased from 1.45% in 2021 to 3.71% in 2023.¹⁷⁹ This increase in yields has an impact on the Company's cost of capital, and the Company has concerns that the positions of other commenters offer no remedy to these rising costs. CenterPoint Energy has been a proponent of TOB, but it is critical that a TOB program addresses the concerns of the Company.

In Community Power's *Comments* on programming related to TOB, it stated on pg. 4:

"The short answer of why is that Centerpoint has, again, avoided addressing the capital gap between publicly funded incentives and full cost. It appeared early on in the Triennial process that this was an active choice to deprioritize this clear programmatic goal... However, at its February 23rd stakeholder meeting, Centerpoint staff made explicit in a public setting that the Company did not address and had no intention of addressing the financing/capital gap in its upcoming filing."

CenterPoint Energy does not agree with Community Power's characterization of its staff's statements during stakeholder meetings. The Company's staff noted that it was difficult to design a program at scale that could address the financial/capital gap for all customers in all circumstances.¹⁸⁰ The Company's staff said that it did not plan to file a TOB program in its *Triennial Plan*. The Company further notes that based on Community Power staff's comments during stakeholder meetings, it appeared that proposing a TOB program was the primary program design of interest to Community Power staff.

In the City of Minneapolis's *Comments* on programming related to TOB, it stated on pg. 2:

"While Minneapolis appreciates CenterPoint making company staff available to discuss our recommendations to address historical program gaps to better target and serve low and moderate-income homeowners and renters, our analysis indicates that the programs as proposed within the ECO Triennial Plan will not accomplish the direction required by the Commission."

CenterPoint Energy would like to thank stakeholders, including Community Power and the City of Minneapolis, for helping promote its stakeholder meetings. Participants offered several promising ideas for new program design and services that went into the *Triennial Plan*. The program changes proposed in the *Triennial Plan* are intended to significantly narrow the capital/financing gap. Learning from implementing these new programs and services will likely provide information to further improve program design and reduce the gap.

CenterPoint Energy proposed new programs and services in its *Triennial Plan* specifically for customers with incomes less than 80 percent AMI and greater than 80 percent AMI to bridge the capital/financing gap. For customers less than 80 percent AMI, the LIW program and WAP remain important programs for full project cost coverage for those who meet the EA/WAP eligibility requirements. The main program proposed for this triennial period to address capital/financing is the HELP program which covers 50 percent of project costs for eligible customers. The Company's intention is for IRA funding or financing

¹⁷⁹ <https://www.macrotrends.net/2016/10-year-treasury-bond-rate-yield-chart>

¹⁸⁰ The Company notes that this is likely a true statement about any program including PAYS.

(e.g., EZ Pay On-Bill Loan) to minimize or eliminate out of pocket expenses for HELP participants. The HELP program is expected to complete over 900 insulation projects from 2024-2026 but given uncertainties around new programs the Company hopes that completing more projects might be achievable at least by 2026. For rental properties, gas related energy efficiency projects generally require involvement of the property owner, this would have been the case under TOB as proposed in Docket No. 21-377, as well. To increase participation of properties most in need the Company expanded cost coverage of projects to 75 percent of project costs. To help renters save energy who may not be the Company's customers, but reside in properties the Company serves, energy efficiency kits will be distributed through partnerships with community and non-profit organizations. Finally, the Company also added the LISA program to help customers navigate its low-income programs and find the right fit for their energy efficiency needs and income-level.

For customers earning more than 80 percent AMI, CenterPoint Energy has proposed to increase awareness of HES visits and its weatherization advisory services and loans offerings to help finance the completion of weatherization projects.¹⁸¹ The Company has also increased weatherization rebates and will work with trade allies to expand the availability of instant rebates and the EZ Pay On-Bill Loan program.¹⁸² The Company expects around another additional 900 insulation projects from 2024-2026, but is looking to exceed those goals as trade ally participation increases. As noted in a dedicated IRA section of these *Reply Comments*, the Company also plans to ensure that trade allies and customers are at minimum aware of IRA benefits and where possible help customers access IRA resources.

In Community Power's *Comments* on programming related to TOB, it stated on pg. 7:

"The below recommendations assume that addressing these gaps may require Centerpoint to take a back-seat on design and facilitation, allowing other more grounded and committed stakeholders to take a front seat and/or set more ambitious targets for the utility to adopt."

And

*"Direct Centerpoint to receive and implement with a Tariffed On-Bill Financing program designed externally through a partnership between the Department, community stakeholders, experienced PAYS experts, interested municipalities served by Centerpoint **and/or** Direct Centerpoint to cooperate in data-sharing, etc. with any rural, municipal or investor-owned electric utility sharing service territory with Centerpoint that seeks to run a Tariffed On-Bill Financing."*

CenterPoint Energy is open to discussing new programs and services in general and specifically for its low- to moderate income customers. However, the Company notes that its program targets are based on assessment of market conditions (e.g., customers, trades, dealers, non-profits, etc.) and would emphasize that such discussions should be structured to be well-connected to those factors. For example, Community Power notes credit score as a significant barrier to participation in EZ Pay On-Bill Loan. However, that limitation is based on the non-profit lender's requirements, and do not originate with CenterPoint Energy. If Community Power or other stakeholders have recommendations of non-profits who have other requirements, the Company would welcome those recommendations and would consider partnering with them to offer financing with fewer restrictions. With regards to co-operation

¹⁸¹ On pg. 5 Community Power notes that a feature of EZ Pay On-bill Loan is audits through HES. To clarify, there are two different routes that customers can access financing depending on whether they want a HES visit or not. Loan products are available from CEE through HES, but EZ-Pay On-bill Loan provides loans through trade allies.

¹⁸² Instant rebates offer a discount on the costs of projects at the point of sale and are offered by contractors approved by CenterPoint energy and choosing to participate in the service.

with rural, municipal, or investor-owned electric utility on PAYS programs that they might be running, the Company welcomes discussions about those opportunities. CenterPoint Energy notes that it already has co-operated with several electric utilities on energy efficiency projects through its existing energy efficiency programs.

F.5. Staff Recommendations

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the “ECO Budget Flexibility and Plan Modification Considerations” section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

Program Design, Incentives, and Influencing the Market

Staff appreciate the balance between program design and rebate levels that CPE is trying to achieve. Staff recognize that CPE has the most direct experience and expertise when it comes to the details of its program designs and rebate levels. Provided that cost-effectiveness thresholds are met, Staff recommend that CPE be allowed the flexibility to design its ECO programs and rebate levels in a manner that best serves its customers.

Enhanced Programs and Services for Low- and Moderate-Income Households Not Participating in Energy Assistance and the Weatherization Assistance Program

Staff repeat some of the background information that CPE provided in its reply comments, as follows:

On November 30, 2022,¹⁸³ the PUC directed the Company to work with interested parties, including the DOC and the City of Minneapolis, to address the energy conservation needs of low- and moderate-income customers:

“3. The Commission accepts the offer of the Department of Commerce, Division of Energy Resources, to work with CenterPoint, the City of Minneapolis, and other interested parties 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). CenterPoint shall work with interested parties to develop and file,

¹⁸³ *In the Matter of a Petition by CenterPoint Energy and the City of Minneapolis to Introduce a Tariffed On-Bill Financing Pilot Program.* Docket No. G-008/M-21-377, PUC Order, (Nov. 30, 2022). The PUC denied a petition by the Company and the City of Minneapolis for a Tariffed On-Bill Financing Pilot Program.

no later than June 1, 2023, CIP offerings which address the gaps identified in this record by targeting and better serving low- and moderate-income homeowners and renters.”

The Company convened a series of stakeholder engagement meetings in early 2023 and invited commenting parties from the Tariffed On-Bill (“TOB”) docket to share their ideas on ways that CenterPoint Energy’s CIP programs could better serve low-and moderate-income households and renters.¹⁸⁴ The Company also supported a recent expansion of eligibility for low-income programs and services statewide through an update to ECO’s low-income household definition from 60 percent of state median income to 80 percent of AMI. Consequently, more customers are potentially eligible for low-income program services.¹⁸⁵

Staff agree with CPE’s statement that “the program changes proposed in the Triennial Plan are intended to significantly narrow the capital/financing gap. Learning from implementing these new programs and services will likely provide information to further improve program design and reduce the gap.” Overall, Staff find that the Company’s expanded efforts presented in the Triennial Plan represent a significantly positive step forward that will further enable the Company’s ECO programs in meeting the needs of under-resourced customers in Minnesota. Staff encourages CPE to continue developing and expanding efforts to reduce the gap.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the “Low-Income Spending Requirements” section of this Proposed Decision, Staff have reviewed CPE’s low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department’s policy guidance related to ECO low-income programs.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

G. COMMENTS FROM CITIZENS UTILITY BOARD OF MINNESOTA (CUB). REPLY COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA), COMMUNITY POWER, AND CENTERPOINT ENERGY (CPE).

G.1. Comments from CUB

- Residential Program Design:
 - Throughout the Triennial Plan term, the utilities should track the level of claimed trade ally incentives and use that information to inform subsequent filings.

¹⁸⁴ These meetings were on February 6, 2023, and February 23, 2023.

¹⁸⁵ Retrieved on June 22, 2023, from: <https://www.huduser.gov/portal/datasets/il.html>

- Minnesota utilities should continue to evaluate whether, and to what extent, additional instant rebates could also be made available for energy efficient equipment.
 - Utilities should ensure auditors are proactively identifying whether interested homeowners qualify as income-eligible and are directing them towards no-cost audit opportunities and other free resources.
 - Both CPE and MERC could improve their ECO offerings for ASHP technologies. CPE should consider providing rebates for non-gas backup technologies and MERC should implement customer-centric rebate opportunities.
 - Because the Inflation Reduction Act will provide Minnesotans with additional rebates and tax credits for air-source and geothermal heat pump installations, the utilities should continue to evaluate whether, and to what extent, their ECO program offerings align with federal incentives.
- Low-Income Single-Family Programs
 - CPE should continue to evaluate whether a greater percentage of measure costs could be covered under its Homeowner Efficiency Lift Program.
 - MERC, Otter Tail, and Minnesota Power have sections of the utilities' service territories that may qualify as Opportunity Zones or Qualified Census Tracts. The utilities should work with the Department to implement geographic-based eligibility criteria for qualifying areas.
 - CUB was unable to identify whether the eligibility requirements of Otter Tail's House Therapy program align with the new statutory definition of "low-income household." Otter Tail should provide additional information in reply filings explaining how its low-income programs align with the new eligibility requirements.
 - It appears that Minnesota Power is still relying on 60 percent State Median Income to identify eligible households. Minnesota Power should work to expand its program even further to align with statutory income thresholds.
 - CUB was appreciative to see that MERC's Low-Income Community Blitz program is specifically geared towards distributing energy efficiency measures to manufactured home park residents. CUB would like to see similar ECO programs offered by other utilities.
- 1-4 Unit Rental Property Programs
 - Xcel has adopted additional program requirements for 2-4 unit rental properties that require modification:
 - In order to bring Xcel's Home Energy Savings program into compliance with Minnesota statute, Xcel should update its eligibility criteria for 2-4 unit rental properties. Rather than basing eligibility solely on comparisons to state median income or the federal poverty level, 2-4 unit rental properties should qualify for HESP if at least 50 percent of units are occupied by households that earn 80 percent or less of area median income or that otherwise qualify for financial assistance programs.
 - CUB would appreciate additional clarification on when property owners of 1-4 unit buildings could be expected to contribute to upgrade costs. Are copays waived for income-qualified owners that do not occupy the property? Under what circumstances would the optional copay for 2-4 unit properties be requested?

- The joint program offerings are inconsistently described in the utilities’ Triennial Plans. Specifically, CPE’s proposal includes weatherization rebates for LI-MFBE program participants; Xcel’s program is ambiguous on the availability of these measures. Further clarification on whether Xcel will offer weatherization services—or, in areas of shared service territories, which utility covers which energy efficiency measure—would be helpful.
 - It is unclear when EFS upgrades will be recommended or pursued under Xcel’s LI-MFBE program. It would be useful to understand what criteria are used when determining the reasonableness of EFS measures. Although case-by-case analyses are warranted to provide individualized recommendations, CUB is concerned that a narrow interpretation of what constitutes an appropriate EFS investment could reduce the number of participants able to take advantage of the program’s ongoing benefits.
- Alignment of Triennial Plans with the Inflation Reduction Act:
 - CUB appreciates the Department’s acknowledgement of the need to coordinate ECO and IRA incentives and its plans to work closely with utilities to facilitate program modifications as more information on IRA funding becomes available. CUB looks forward to engaging in modification discussions and reviewing Department guidance.
 - To the extent possible, utility modifications to ECO plans should be pursued at the earliest opportunity to ensure Minnesotans can maximize the benefits of both federal and utility programs. As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.
 - Beyond aligning IRA and ECO rebate options, there are numerous opportunities to access and utilize federal funds to better effectuate energy conservation in Minnesota. Some programs are already available or in the process of accepting applications. Consequently, a more proactive and timely approach may be warranted in certain circumstances. For this reason, CUB recommend that the utilities, the Department, and other relevant stakeholders work collaboratively to optimize enrollment in and utilization of the following opportunities:
 - Green and Resilient Retrofit Program (GRRP): CUB highly encourages utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.
 - State-Based Home Energy Efficiency Contractor Training Grants (Contractor Training Program): As part of their Triennial Plans—or future modifications—Minnesota utilities should evaluate how Contractor Training and new state-level programs could be paired with existing development opportunities to expand the clean energy workforce. If Minnesota accesses Contractor Training Program funds, the utilities should work with the Department of Commerce, the Department of Employment and Economic Development, and any other relevant state agencies to ensure the program’s successful implementation.
- Energy Navigator Concept
 - CUB recommends that CPE continue to engage with stakeholders to ensure the Low-Income Support and Awareness program is implemented effectively, efficiently, and in a way that coordinates with other planned or contemplated navigation services.

- Coordination with Stakeholders/Community Organizations
 - Utilities should engage with community members and organizations to seek input on program effectiveness and identify opportunities for future modifications.
 - We were thankful for the combined efforts of Fresh Energy and the Department in convening stakeholder groups in the lead up to Triennial Plan filings. This process should be repeated in the future, with enough time between engagement sessions and final deadlines to incorporate recommended changes. Where not already mentioned in their respective filings, utilities should also explain how they plan to incorporate additional stakeholder involvement.
 - Utilities should also evaluate methods for third party implementers to build partnerships on the utilities' behalf.

G.2. Reply Comments from MN EEFA

MN EEFA appreciates the comments submitted by CUB and supports the following recommendations:

- “Financial incentives should be stronger and more available in order to proactively encourage upgrades and ensure energy efficiency equipment is available for emergency appliance/mechanical system replacements.” (p. 2)
- “Utilities should develop systems to better assist customers in navigating and understanding energy programs.” (p. 3)
- “Utility efforts to encourage proactive communication between contractors and customers about the benefits of energy efficient equipment and the availability of rebates.” (p. 3)
- “Greater renter involvement should be explored by all utilities.” (p. 11) (This was in response to Minnesota Power’s “efforts to engage directly with renters [...] and develop a tenant-driven approach towards energy efficiency.” (Ibid.))
- “[U]tility modifications to ECO plans should be pursued at the earliest opportunity to ensure Minnesotans can maximize the benefits of both federal and utility programs.’ (p. 14)
- “[U]tilities should evaluate how Contractor Training and new state-level programs could be paired with existing development opportunities to expand the clean energy workforce. [...U]tilities should work with the Department of Commerce, the Department of Employment and Economic Development, and any other relevant state agencies to ensure the program’s successful implementation.” (p. 15) MN EEFA agrees with CUB that “[c]ollaborative efforts between the utilities and the State to produce more tailored training could result in a greater uptake of energy efficiency measures.” (Ibid.)
- “Utilities should also explain how they plan to incorporate additional stakeholder involvement.” (p. 16)
- CUB recommended that the Department “conven[e] a stakeholder group to review its low-income multifamily building program eligibility requirements.” (See p. 12.) MN EEFA supports more frequent conversations and updates on this topic before guidance is meant to be updated

in 2026. This could be incorporated into ongoing “low-income” ECO working group conversations (described in MN EEFA’s Initial Comments).

G.3. Reply Comments from Community Power

- Community Power supports CUB’s findings that emergency repair is a key intervention point, and identification that small rebates and lack of community knowledge/trust are key barriers.
- Community Power agrees that 1) intervening to support high-efficiency adoption during emergency repair, 2) closing the capital gap for low/moderate wealth households, and 3) building ongoing relationships with community partners who have trust in the community is key.
- Community Power does not share CUB's support for expansion of DIY efficiency kits. Utilities' role should be on solving and incentivizing the measures that are most difficult for an individual to tackle without help, rather than low-cost supplies that are easier for individuals to access and small organizations to buy-down on behalf of their community.

G.4. Reply Comments from CPE

Efficient Fuel Switching – Residential and Low-Income Programs

In CUB’s *Comments* on non-gas back-up technologies, it stated pg. 5:

“CenterPoint should consider providing rebates for non-gas backup technologies.”

CenterPoint Energy is unaware of non-gas back-up technologies that would be beneficial for inclusion in its *Triennial Plan*. However, if CUB meant the Company should offer ASHP rebates when there is a non-gas furnace back-up technology, then the Company is willing to consider rebating those configurations (e.g., resistance electric heating back-up) in consultation with the DOC. The program participant would still need to be a customer. The Company notes that to ensure comfort, health, and low utility bills the Company is likely not going to emphasize alternative configurations in customer outreach.

Manufactured Homes

Adding a Manufactured Housing Program

In CUB’s *Comments* on manufactured homes, it stated on pg. 9:

“Energy consumption in manufactured housing has historically been higher than in single-family homes or multifamily apartment buildings. Because of these unique energy attributes, targeted outreach to manufactured home park communities is appreciated, as are the unique measures provided by MERC to these households. We would like to see similar ECO programs offered by other utilities to similarly target and assist these populations in accessing energy efficiency measures.”

CenterPoint Energy agrees that where possible the Company should facilitate/support participation of customers with manufactured homes in its programs. The Company plans on more targeted marketing of manufactured homes in the coming triennial period. For example, the Company potentially will partner with a community organization to distribute free energy efficiency kits that would also encourage participation in and provide information on other energy efficiency programs.

Residential Equipment

In CUB's *Comments* on residential equipment, it stated on pg. 4:

"While neither CenterPoint nor MERC has provided information on how trade ally incentives were set, we hope the compensation offered is sufficient to encourage contractors in the manner intended. Throughout the Triennial Plan term, these companies should track the level of claimed trade ally incentives and use that information to inform subsequent filings."

As noted in the Program Design, Incentives, and Influencing the Market section of these *Reply Comments*, CenterPoint generally sets trade ally incentives to cover the cost of time and effort to raise awareness of energy efficiency programs to customers and help get customers rebates (e.g., filling out paperwork). Trade ally incentives are tracked, but the trade incentive schedules in the *Triennial Plan* are informed by other means (e.g., surveys and evaluations).

Homeowner Efficiency Lift Program

In CEE's *Comments* on the HELP, it stated on pg. 13:

"Cover 100 percent of project costs for all Home Efficiency Lift Program participants by increasing CenterPoint Energy's financial contribution to the program and/or leveraging IRA rebates available to low-income customers to offset the remaining costs to participants."

In CUB's *Comments* on HELP, it stated on pg. 8:

"CenterPoint should continue to evaluate whether a greater percentage of measure costs could be covered under [HELP]."

Cost-sharing was proposed for HELP to avoid it competing with WAP. CenterPoint Energy also considered limiting eligibility for HELP to customers between the LIHEAP/WAP income guidelines and 80 percent AMI. Ultimately though, the Company decided against doing this because it wanted to maximize the options for low-income customers. The Company believes that some of its low-income customers who are not participating in EA/WAP may be interested in a utility-administered energy efficiency program. CenterPoint Energy plans to encourage these customers to enroll in EA/WAP but allow them to participate in HELP if they choose.

CenterPoint Energy also proposed 50 percent cost-sharing in HELP to align it with LIRE, another of the Company's low-income programs. LIRE pays 50 percent of project costs for rental property owners with 1-4 unit buildings occupied by low-income renters. This increases to 100 percent of project costs for building owners who are experiencing financial hardship. In the Company's plan, it proposed paying, at a minimum, 75 percent of project costs in high poverty areas (e.g., Census tracts that exhibit a degree of social vulnerability, Census tracts designated as Opportunity Zones, and Qualified Census Tracts).

CenterPoint Energy anticipates that some HELP participants will tap other funding sources (e.g., IRA's Home Energy Rebate Programs) to make up the difference between total project costs and the costs covered by HELP. However, the Company will consider higher incentives in HELP if the DOC recommends it and will propose this change either in an IR response or in *Comments* on the *Proposed Decision*. Otherwise, the Company plans to evaluate HELP as it is rolled out and modify it if it believes that doing so will improve services for HELP participants.

Low-Income Support and Awareness

In CUB's *Comments* on the LISA Program, it stated on pg. 16:

“CUB has been involved in several navigator discussions and is aware of multiple projects at different stages of maturity. Because of these ongoing efforts, we recommend that CenterPoint continue to engage with stakeholders to ensure LISA is implemented effectively, efficiently, and in a way that coordinates with other planned or contemplated navigation services.”

Thank you. CenterPoint Energy appreciates and plans to follow this suggestion.

Low-Income Multi-Family Building Efficiency and Multi-Family Building Efficiency

The LI MFBE and its market-rate counterpart MFBE were recently modified and approved as part of the 2021-2023 CIP Triennial Plan program on November 7, 2022.¹⁸⁶ Due to the recent program modification, these programs did not undergo significant changes in the *Triennial Plan*. Several commenters shared potential recommendations and suggestions for further development of both programs.

In CUB’s *Comments*, it stated on pg. 13:

“it is unclear when EFS upgrades will be recommended or pursued under the LI-MFBE program.”

In the City of Minneapolis’s *Comments*, it stated on pg. 7:

“Allowing EFS as an eligible opportunity for renters in 5+ unit buildings, which will improve equitable access to incentives for these low-income rental households when compared to other customers who can access EFS incentives from CenterPoint.”

In EEFA’ *Comments*, it stated on pg. 7:

“Provide information, resources, and incentives for efficient fuel-switching in the MFBE and LI MFBE program. There is no direct mention of efficient fuel-switching offerings for MFBE and LI MFBE buildings.”

As stated in the *Triennial Plan*, the Company will consider EFS projects through the Commercial and Industrial (“C&I”) Custom Rebates program.¹⁸⁷ The framework of the Custom Rebates program allows multi-family buildings and commercial buildings to receive a rebate for EFS projects. Approval for C&I Custom Projects will be approved on a case-by-case basis. While The Company does not forecast any such projects during the 2024-2026 plan period, the C&I Custom Rebates program allows the flexibility to offer incentives if an EFS project is deemed eligible.

Inflation Reduction Act

In Fresh Energy’s *Comments* on IRA, it stated on pg. 17:

*“Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.
a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they’re offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.”*

¹⁸⁶ *In the Matter of CenterPoint Energy’s 2021-2023 CIP Triennial Plan*. Docket No. G-08/CIP-20-478, (Nov. 7, 2022).

¹⁸⁷ See *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 164 (June 30, 2023).

b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA.”

In CUB’s *Comments* on IRA, it stated on pg. 14:

“As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.”

And it stated on pg. 15:

“We highly encourage utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.

In WMLG’s *Comments* on IRA, it stated on pg. 7:

“Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs.”

In CEE’s *Comments* on IRA, it stated on pg. 10:

“While we do not think it is necessary for CenterPoint Energy to modify the goals of its proposed plan, we do recommend that the Company be prepared for higher customer demand for efficient fuel switching incentives and other utility incentives and programs that include measures that are also included in the IRA. We also recommend that the Department exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.”

In CEE’s *Comments* on IRA, it stated on pp. 11-12, it made general recommendations regarding “areas of coordination between utilities between the Department and utilities.”

In EEFA’s *Comments* on IRA, it stated on pg. 12:

“Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, we urge CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.”

CenterPoint Energy thanks the commenters for their feedback. The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.

CenterPoint Energy is also coordinating its proposed EFS offerings, including the incentive levels and marketing efforts, with Xcel Energy. CenterPoint Energy will also seek additional partnerships and opportunities to promote its EFS offerings.

Regarding IRA programs, CenterPoint Energy is closely monitoring their rollout. Additionally, the Company is already raising awareness of IRA's tax credits and plans to promote IRA's rebate programs after they launch. The Company is also monitoring new state programs, including subsidies for ASHPs and electric panel upgrades.

G.5. Staff Recommendations

Manufactured Homes

Adding a Manufactured Housing Program

Staff appreciate CUB's suggestion about adding ECO programs that target and assist manufactured home customers, and that CPE intends to facilitate/support participation of these customers in its programs. Also, should the Company later determine that inclusion of a dedicated program targeted at manufactured homes would be beneficial, Staff recommend that the Company propose it through a program modification.

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the "ECO Budget Flexibility and Plan Modification Considerations" section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff's review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

Program Design, Incentives, and Influencing the Market

Staff appreciate the balance between program design and rebate levels that CPE is trying to achieve. Staff recognize that CPE has the most direct experience and expertise when it comes to the details of its program designs and rebate levels. Provided that cost-effectiveness thresholds are met, Staff recommend that CPE be allowed the flexibility to design its ECO programs and rebate levels in a manner that best serves its customers.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the "Low-Income Spending Requirements" section of this Proposed Decision, Staff have reviewed CPE's low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with

programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department’s policy guidance related to ECO low-income programs.

Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

*H. COMMENTS FROM MINNESOTA ENERGY EFFICIENCY FOR ALL (MN EEFA) AND REPLY
COMMENTS FROM CENTERPOINT ENERGY (CPE)*

H.1. Comments from MN EEFA

- MN EEFA requests that the Department consider the recommendations and feedback that were provided in MN EEFA’s June 16, 2023 informal comments and require CPE to adopt them as deemed appropriate by the Department.
- Procedural Equity
 - Moving forward, MN EEFA would like to discuss with the Department and utilities ways to ensure advocates have ample time to conduct outreach, review each utility’s plan, and submit comments that reflect and represent more community voices.
 - MN EEFA would like more consistency in Triennial Plan submissions. This would allow advocates to much more easily find the desired information and compare plans with each other. There are several possibilities that the Department can consider and adopt, including:
 - Creating (with input from interested parties) a template plan for each utility to fill in with the requested information;
 - Hiring a third party administrator that is “fuel agnostic,” in order to provide an objective lens during analysis (e.g. Focus on Energy in Wisconsin4);
 - Requiring each utility to participate in a “public scorecard” program. For example, the American Council for an Energy-Efficient Economy (ACEEE) releases utility energy efficiency scorecards to the public every two years or so.
 - Setting a minimum standard of what is to be expected from all utilities (i.e. establish a list of best practices and principles of program design). We recommend the Department work with advocates and utilities to stand this up.
 - Standardizing and creating additional requirements for information-sharing, especially in response to requests from energy efficiency advocates, within annual status reports.
- Other Observations & Recommendations
 - CPE says it has chosen to focus on program design as opposed to rebate increases. MN EEFA recommends CPE focus on both to not only “drive participation and energy savings,” (p. 2) but also make a deeper impact in households that need the most benefits from energy efficiency measures.

- MN EEFA encourages CPE to match Xcel Energy’s rebate budget structure. In fact, Xcel’s rebate amounts should be the “floor,” and both CPE and Xcel should continue to align their rebate structures and programs to transform the market in their overlapping service areas in particular. CPE’s rebate structures are too low.
 - Creating an equity framework is a great start in assessing where CPE can serve more under-resourced customers with an equity lens. MN EEFA supports CPE in setting up an equity framework and encourages the Department to require this step for all IOUs.
- “Low-Income” Programs
 - MN EEFA strongly recommends that the acronym, and therefore name, of the Homeowner Efficiency Lift Program (HELP) be changed. MN EEFA considers this acronym culturally insensitive and inappropriate.
 - If participants of the Homeowner Efficiency Lift Program must provide 25-50% of the total energy efficiency measures cost, it should then be considered and advertised as a “moderate-income” program with a pay-as-you-save payment timeline, and not a “low-income” program.
 - If the Homeowner Efficiency Lift Program is intended to be a “low-income” program, participants below 80% AMI should not have to provide more than 5% of the total energy efficiency measures cost; rather, MN EEFA recommends it would be 0%.
 - CPE’s proposed offering for Low-Income Rental Efficiency (LIRE) is less generous than Xcel’s Home Energy Savings Program (HESP). In order for the LIRE program to truly benefit low-income rental building owners, participants should cover no more than 25% of the total energy efficiency measures cost. The LIRE program should also mandate that rental property owners agree to maintain affordable rent to receive benefits from this program.
 - MN EEFA requests that CPE clarify how CPE defines “financial hardship” in regards to participant cost saving eligibility under the Low-Income Rental Efficiency (LIRE) program. MN EEFA recommends CPE publish this eligibility criteria under the LIRE section.
- Expansion of Programs to Serve Customers on a Continuum
 - CPE’s Home Insulation Rebates Program: MN EEFA encourage CPE to consider higher rebate amounts above what it is currently proposing. CPE can also play an active role in supporting eligible customers receiving state weatherization funds, which are more flexible in recipient eligibility and use case than those offered by federal WAP funds.
- Programming for Multi-Family Buildings and Renters
 - Provide information, resources, and incentives for EFS in the MFBE and LI MFBE program. Given this is a joint offering with Xcel, we recommend enhanced rebates for heat pumps and other EFS measures for LI MFBE program participants. These measures should be paired with other critical whole building LI MFBE measures, such as air sealing and insulation.
 - MN EEFA recommends a more ambitious portion of the total MFBE program (MFBE + LI MFBE) focus on income-qualified multifamily, at least 25-30%. This includes a recommendation to allocate the appropriate additional budget for the LI MFBE portion of this program to meet a larger percentage participation goal. There should also be clear and detailed strategies for engagement of affordable housing building owners to increase LI MFBE participation.

- Offer and prioritize deep, whole building rebates and opportunities for LI MFBE participants. It should be clear in the plan and to participants what measures are available beyond direct install measures, given the change in the program to focus on more whole-building improvements. Most of CPE's participation goal in its LI MFBE program is for "whole building" participants, but it is unclear what CPE includes under the categorization of "whole building". This should be clarified in the plan and related MFBE program materials. The plan describes that CPE plans to cap measure incentives at 100% of the measure cost. It is unclear how much of the cost and co-pay this leaves for LI MFBE recipients to be responsible for. MN EEFA strongly recommends that rich, fully covered incentives be provided for LI MFBE participants. Aligning LI MFBE incentives and offerings with other affordable housing offerings, and re-financing/capitalization schedules is also key for reaching affordable multifamily housing, but was not mentioned in the plan.
 - Provide more offerings and participation pathways for multifamily renters with low incomes. Renter kits are mentioned in the plan, but seem to be provided on a limited basis. More information is needed to understand when these kits are provided and how that is determined. Plus additional detail and robust opportunities should be made available for renters to be able to equitably receive benefits from these programs as well. The Company should provide further detail on whether support is provided for installation, and clarify other direct install opportunities in renter units.
 - Have a dedicated budget and offerings for pre-weatherization. CPE states in their LI MFBE program that they are not planning to allocate spending for completing pre-weatherization measures at this time. MN EEFA recommends CPE re-consider this, and ensure there are funds available and marketing to support LI MFBE participation in pre-weatherization measures and funds.
 - MN EEFA strongly encourages utilizing other state and federal incentives to fill funding gaps and ensuring these critical CIP programs are stretched further to serve multifamily and "low-income" multifamily owners and renters. For example, CPE could add detail into their plan on supporting HUD-assisted multifamily building owners in accessing IRA funding available through the Green and Resilient Retrofit Program (GRRP), rebates through the Home Energy Rebate Program (HOME), incentives through the High Efficiency Electric Home Rebate Act (HEEHRA), and other relevant IRA programs.
- Racial Demographics and Equity-Related Metrics
 - CPE created a table on page 97 of its plan that describes its various "low-income" programs. This visual breakdown is very helpful to understand and MN EEFA encourages the Department to require the other IOUs capture their "low-income" programs this way as well.
 - List in more detail names of the organizations CPE is partnering with to promote its programs, specifically the "low-income" programs. MN EEFA would also like data on where those organizations are located to identify opportunities to further engage under-resourced areas.
 - Expand the LISA program promptly. One relationship manager will not be enough to manage relationships between CPE and community organizations and social service agencies. We recommend CPE hire a relationship assistant manager (or similar) to provide additional support and track the necessary metrics/data to analyze the programs' success. Again, we recommend the Department encourage the other IOUs to follow CPE and hire their own relationship manager.

- Leverage federal resources to map and layer Xcel’s program participation within their service territory. In particular, the Climate and Economic Justice Screening Tool is a valuable resource for identifying “disadvantaged communities,” per the Justice40 Initiative. Census tracts that are overburdened and underserved, along with Federally Recognized Tribes, are considered “disadvantaged” on this map.
- Utilize existing frameworks and scorecards that already measure energy equity. We recommend the following resources that CPE should incorporate in their equity metrics:
 - Leading with Equity Initiative by American Council for an Energy-Efficient Economy (ACEEE). This initiative serves to develop a shared vision for equitable decarbonization. MN EEFA recommends CPE not only review ACEEE’s resources on equity metrics, but integrate the “12 Key Actions for Energy Equity” into their CIP programs.
 - Energy Equity Project (EEP) by the Urban Energy Justice Lab at the University of Michigan. MN EEFA recommends CPE review EEP’s resources and incorporate its equity metrics within its CIP portfolio.
- Workforce Development & Contractor Training
 - CPE should look into recently passed state legislation that included money for pre-weatherization and workforce training for WAP implementers. Xcel should determine whether there are opportunities to fill any gaps to assist WAP service providers in leveraging such opportunities.
 - Leverage energy efficiency training grants available to states through the IRA. Although these funds will flow through the state itself, there may be opportunities for CPE to support the state’s application process or training programs.
 - Establish a plan on hiring new vendors and contractors before demand for IRA funding increases significantly. Xcel should do what it can to avoid having a waiting list for its programs that are utilizing IRA funds because the funding is likely going to run out very quickly.
 - CPE staff who work on workforce development should continue to work closely with local technical colleges and vocational schools to establish a long term pipeline of skilled laborers needed throughout all points of the weatherization—and electrification—workflow process. There should also be a continued focus on diversifying the workforce through diversity, equity, and inclusion (DEI) initiatives and BIPOC recruiting and hiring efforts that follow the Justice40 Initiative.
- Coordination with Federal Funding and Related Programs
 - Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, MN EEFA urges CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.
- Pre-Weatherization and Other Health and Safety Measures
 - CPE should run its weatherization programs based on current deferral lists and focus on all of the most common reasons for deferrals across Minnesota’s WAP network.
 - CPE should also assess how the 15% cap affects its programs and investigate whether this threshold is prohibitive or not. It would be worthwhile to explore pre-weatherization rebates or incentive programs for “moderate”-income clients that otherwise would not be able to weatherize their home because they are ineligible for

WAP and the Low-Income Home Energy Assistance Program (LIHEAP). After first creating a pre-weatherization budget, we recommend CPE track in detail how its pre-weatherization funds are used (e.g., by geography, household income, and types of repairs), as well as program deferral rates and causes, and share these in its annual status report.

- MN EEFA encourages CPE to incorporate state and federal funding opportunities to address health and safety issues in its service area, especially in its “low-income” segment.
- Efficient Fuel-Switching for Under-Resourced Customers - MN EEFA recommends the Department require CPE to:
 - Expand eligible heat pumps to include ductless air-source heat pumps, rather than only ducted as currently proposed;
 - Allow all relevant “low income” programs to include ducted and ductless heat pumps as an eligible measure (e.g. allowing them in the Low-Income Free Heating System Tune-Up program and Low-Income Multifamily Building Efficiency Program);
 - Pair installation of heat pumps with building envelope improvements (e.g. air sealing and insulation) where needed, to ensure the best outcome for customers;
 - Increase the incentive amounts for heat pumps, especially for programs serving customers participating in “low income” programs, to better spur action by implementers and customers to install heat pumps, with a specific recommendation to match Xcel Energy’s heat pump incentive levels (we also note these incentives do not need to pass a cost-effectiveness test as they are under the “low income” program segment, which supports higher incentive amounts for the under-resourced customers served by the “low income” program);
 - Provide analysis and education to customers on the impact to their energy bills (i.e. both heating fuel and electricity) as a result of installing a heat pump, with a goal of reducing or keeping level overall energy bill costs; and
 - Provide customers with adequate information and support, in conjunction with the customer’s electric utility, to join a program that could lower their electricity bill further after installing a heat pump (e.g. load management).
 - MN EEFA asks the Department to require that CPE plan for and promote the use of heat pumps in all its residential programs, but especially those serving under-resourced customers, renters, and multifamily housing residents, rather than simply allowing heat pump incentives without an active and robust outreach or promotion strategy to spur use of the incentive.
- MN EEFA recommends CPE create an outreach and education strategy for its heat pump incentives that both (1) aligns with the Department of Commerce’s outreach and education efforts for federal and state heat pump incentives, and (2) includes those who qualify for CPE’s “low-income” programs, renters and multifamily housing residents.
- Community Engagement and Education:
 - MN EEFA appreciates CPE including its list of partners on page 199 of its plan. MN EEFA encourages CPE to continue its engagement with the MN EEFA coalition. MN EEFA recommends CPE lists all the community organizations and partners in this list, as well. MN EEFA encourages CPE to work with community organizations in promoting and

providing feedback on program design and effectiveness of its energy efficiency programs to underserved populations.

- CPE should have more reporting out and accountability from utility engagement and outreach in communities, and adhere to community-driven conversations about its programs. MN EEFA would like to see more initiatives led and driven by community members while being compensated by CPE for their expertise and consulting.
- Resources for CPE to Utilize:
 - Principles Created by MN EEFA Members: Please refer to the Attachment of MN EEFA's comments that outlines more in depth recommendations of what CPE—and the other utilities—should follow as they relate to principles of community engagement and education.
 - Department of Energy (DOE) Community Benefits Plan: DOE has created a Community Benefits Plan template for federal funding applicants. Although this template is tailored to DOE's programs, MN EEFA recommends CPE utilize this template to create its own Community Benefits Plan.
 - Environmental Justice Principles: MN EEFA, in creating its own Principles of Partnership in Summer of 2022, utilized the Principles of Environmental Justice (<https://www.ejnet.org/ej/principles.html>), the Jemez Principles for Democratic Organizing (<https://www.ejnet.org/ej/jemez.pdf>), and the Principles of Working Together (<https://www.ejnet.org/ej/workingtogether.pdf>). MN EEFA encourages CPE to review these resources and incorporate their principles into its CIP portfolio as appropriate.

H.2. Reply Comments from CPE

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Several commenters recommend budgetary increases or reallocations for CenterPoint Energy's *Triennial Plan*. For example, in the City of Minneapolis's *Comments* on budgeting for Low-Income Rental Efficiency ("LIRE"), it stated on pg. 7:

"Meanwhile, the less impactful Renter Kit participation is estimated at 100, which to the extent it diverts funding from weatherization, is a lost opportunity to complete deeper efficiency investments."

In another example, in EEFA's *Comments* on participation and budget for Low-Income Multi-Family Building Efficiency ("LI MFBE"), it stated on pg. 7:

"Target a higher percentage of total participation and budget for low-income multifamily properties...This includes a recommendation to allocate the appropriate additional budget for the LI MFBE portion of this program in order to meet a larger percentage participation goal."

In Fresh Energy's *Comments* on EFS in Home Efficiency Rebates, it stated on pg. 12:

"Ratepayer money going towards gas-fired appliances in CenterPoint's Home Efficiency Rebates program should be reallocated to the EFS portion of the program."

CenterPoint Energy would like to clarify that its *Triennial Plan's* budgets are generally an outcome of the planning process rather than an input into the planning process. Program budgets are based on participation goals. Program participation goals, energy savings, and goals related to the long-term development of programs are based on many factors such as historic participation, current and near

future market assessment, program design improvements and planning, and consideration of marketing/ communication pathways and program or marketing saturation. Budgets are direct outcomes of the program design and participation goals. Furthermore, because budgeting is an outcome of planning, increasing a program's budget in one area does not "divert" budget from other areas. The Company is open to considering specific changes to program design in its *Triennial Plan*. However, arbitrary increases to filed budget numbers alone are unlikely to increase program participation or energy savings and are therefore not supported by the Company.

CenterPoint Energy also notes that, historically, increases in *Triennial Plan* budgets have not been necessary for the Company and its program implementers to complete additional energy efficiency projects.¹⁸⁸ This is because DOC guidance for prior triennial periods has granted flexibility in program budgets.¹⁸⁹ As the DOC has previously allowed, the Company supports retaining this budget flexibility in 2024-2026 such that utilities can exceed segment-level budgets by up to 125 percent without a program modification. Given market uncertainties in the upcoming triennial related to offering new programs and services, the Company plans on monitoring program performance and will modify programs if needed.

With regards to EFS programs and services, CenterPoint Energy is not expecting to need a program modification to EFS budgets. However, the Company anticipates it is possible a program modification being needed due to exceeding 125 percent of the EFS segment budget. This is because of policy (e.g., Inflation Reduction Act ["IRA"]) and uncertainty in the market (i.e., behavior and priorities of trade allies,¹⁹⁰ customers, non-profits, etc.).

Program Design, Incentives, and Influencing the Market

CenterPoint Energy believes, based on comments it received about enhanced program design and rebate levels, that it should clarify how it thinks about program design and setting rebates in order to influence conditions in the market. Specifically, when the Company refers to markets it is including decision-making and behavior of customers, trade allies (e.g., contractors, equipment dealers), and others as relevant to a particular program.

For example, in the City of Minneapolis's *Comments* on budgeting for Home Efficiency Rebates, it stated on pg. 4:

"Home Efficiency Rebates appliance rebates to cover 90%-100% of cost difference between baseline model and the high efficiency model."

Another example, in EEFA's *Comments* on rebates it stated on pg. 3:

"First, CPE says it has chosen to focus on program design as opposed to rebate increases. We recommend CPE focus on both..."

To clarify, CenterPoint Energy does focus on higher rebate levels and enhanced program design. Higher rebate levels are a tool in enhanced program design. However, in order to deliver cost-effective

¹⁸⁸ For example, in 2022 the High-Efficiency Homes program was 90 percent over budget because it doubled participation relative to plan.

¹⁸⁹ See *In the Matter of CenterPoint Energy's 2021-2023 Natural Gas Conservation Improvement Program Triennial Plan*, Docket No. G-008/CIP-20-478, Decision (DOC, Nov. 25, 2020).

¹⁹⁰ Trade allies include, but are not limited to mechanical contractors, consulting engineers, and dealers who are the technical experts that help advise customers in completion of energy efficiency projects.

programs, the Company's preferred route to achieve participation and energy savings goals is through enhanced program design that is not just rebate levels. The Company does consider higher rebate levels, but there are issues with focusing exclusively on rebate levels for program design and delivery. In general, the Company seeks to maximize participation through more than higher rebate levels because markets do not react linearly to increasing rebate levels. For example, the Company would not double a rebate if it thought that participation would not increase enough to justify the increased spending. Furthermore, increasing rebates without enhanced program design has, in the Company's experience, been ineffective (e.g., instantaneous water heaters).

Efficient Fuel Switching – Residential and Low-Income Programs

Below, CenterPoint Energy provides *Reply Comments* to specific EFS and ASHP recommendations and commentary.

In CEE's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pp. 12-13:

"Provide two tiers of air source heat pump equipment incentives.

- *For the first tier, align equipment specifications with either the Federal Minimum Standard for heat pumps or ENERGY STAR® (non-cold climate) without the EER2 requirement and provide a \$1,600 rebate, in keeping with Xcel Energy's lowest tier of proposed air source heat pump rebates.*
- *For the second tier, align equipment specifications with the 25C heat pump tax credit requirements and provide a rebate of \$2,000, in keeping with Xcel Energy's proposed cold climate heat pump rebate.*
- *Include rebates for ductless heat pumps for both rebate tiers, standard and cold climate."*

In the City of Minneapolis's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 9:

"The ASHP technology options are unnecessarily restrictive. (For example, ductless and cold climate systems are excluded.)"

And on pg. 11

"Increase incentive levels for ASHPs to match those of Xcel Energy Gas, its closest comparable utility in Minnesota."

In the WMLG's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 7:

"Include EFS rebates for ductless and cold climate heat pumps."

And

"Increase the incentives for ASHPs to \$2,000 to align with Xcel Energy's proposed incentives and alleviate the need for Xcel Energy to incentivize CenterPoint gas customers who wish to participate in EFS."

In Fresh Energy's *Comments* on ASHP rebate tiers and ductless ASHPs, it stated on pg. 16:

"We recommend that CenterPoint and other gas utilities increase their EFS heat pump rebate offerings in line with what Xcel is offering."

And

"CenterPoint should expand its heat pump rebates to include non-ducted systems."

And

"CenterPoint and other utilities should also provide incentives for cold-climate ASHPs, ground source heat pumps, and heat pump water heaters in their ECO programs."

In EEFA's *Comments* related EFS rebates, it stated on pg. 3:

"Match Xcel's "rebate budget structure." CNP's "rebate structures are too low."

And on pg. 13

"Expand eligible heat pumps [in low-income programs] to include ductless air-source heat pumps, rather than only ducted as currently proposed"

Ground Source Heat Pumps

With regards to Ground Source Heat Pumps ("GSHP"), CenterPoint Energy does not believe GSHPs will deliver cost savings for residential customers in most circumstances. Therefore, GSHPs should not be funded through its ECO programs. The Company believes the most likely market for GSHPs is in new construction where capital costs would still be high, but notably lower to install than retrofit applications. As a new construction project, households installing GSHPs are unlikely to be the Company's customer and seems like a more appropriate measure for an electric utility. The Company opposes including this measure in its *Triennial Plan* but is willing to consider new information about capital costs in retrofit situations or as part of a Natural Gas Innovation Plan ("NGIA").

Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters

With regards to cold climate air source heat pumps ("ccASHP") and heat pump water heaters ("HP WH"), CenterPoint Energy opposes adding these to its *Triennial Plan* at this time. The Company's believes these measures don't provide customer financial benefits and they negatively impact the EFS segment's cost-effectiveness.¹⁹¹ The Company also believes that even with IRA, in these initial years customers who are "early adopters" in their choices are the ones most likely to install these measures and therefore minimal incentives are needed to move this demographic that tends to be higher income. These factors make it difficult for the Company's staff to believe these offerings are reasonable and prudent spending.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ccASHPs and HP WHs in its annual status reports. If the Company were required to offer these measures in its *Triennial Plan*, the Company could propose in an information request ("IR") response or comments on a *DOC Proposed Decision* how it would add these measures to its portfolio. However, the Company expects based on what it knows about market conditions that participation would be small and mostly limited to early adopters. Also, based on the technology's performance the cost-effectiveness of its EFS segment would decrease.

Ductless Air Source Heat Pumps

After discussions with trade allies, CenterPoint Energy has moderate concerns with strongly encouraging the installation of ductless ASHPs through its *Triennial Plan*. The two ductless heating appliances (i.e., a boiler and mini split) operate simultaneously while the two ducted appliances (i.e., furnace and ASHP) do not. Because the ductless systems serve part of the heating at lower temperatures, the percentage of shifted heating load will be larger for ductless systems relative to ducted systems (for a given sizing procedure).¹⁹² The Company is concerned for the need for additional protections (e.g., training and

¹⁹¹ For example, see CenterPoint Energy's assessment of ccASHPs in Exhibit A.

¹⁹² The Company also believes that technical assumptions (e.g., incremental costs and percentage of heating load shifted) for a ductless system are different enough from the ducted systems as to warrant different values for

education) for customers operating ductless systems at lower temperatures to avoid high utility bills due to lower efficiency (i.e., co-efficient of performance) caused by operating at lower temperatures. This is also a concern of trade allies. Heating dealers recommend ducted heating and cooling for ASHPs and contractors who have installed these measures have introduced ductless ASHP specific terms and conditions (e.g., no call backs). The Company believes that either market transformation (i.e., MN ETA) to educate trade allies and customers about proper equipment installation and operation, availability of integrated controls systems, or the Company needs to develop in consultation with its trade allies program implementation approaches to minimize the risks of high utility bills.

CenterPoint Energy believes it is reasonable and preferable for it to provide reporting on assessment of ductless ASHPs in its annual status reports. The Company plans on examining alternate ductless values (i.e., percent heating load shifted, HSPF correction factor, and incremental costs) for an energy savings algorithm in order to evaluate the EFS criteria, but the Company prefers examining these alternative ductless values in a future Technical Reference Manual Advisory Committee process.

Improving Air Source Heat Pump Rebate Alignment

With regards to increasing rebate levels for regular ASHPs to align with Xcel Energy's, CenterPoint Energy does not have the same concerns with regards to utility bills and comfort concerns related to ccASHPs. However, the Company believes the market in the Company's territory is still relatively undeveloped. For example, in the Company's assessment, if its *Triennial Plan* leads to more trade allies focusing on ASHPs it would be the first year any participating trade allies would be promoting an electric hybrid system to natural gas customers.¹⁹³ The Company agrees this would be a positive development, but again trade ally education and training is a notable capacity constraint that will not resolve itself immediately in 2024. The Company did not propose higher rebate levels because it did not believe that increasing its proposed rebate levels would substantially move additional participation because of these market constraints for at least 2024-2025. The Company believes such constraints may resolve later in the triennial period and therefore believe it will be worthwhile to consider increasing rebates to increase participation and program performance.¹⁹⁴ If recommended by the DOC to increase its ASHP rebate levels to be more in alignment with Xcel Energy then the Company can propose these changes in response to an IR or in Comments on the DOC's *Proposed Decision*.

EFS in Low-Income Programs

In Fresh Energy's *Comments* related to EFS in low-income programs, it stated pg. 16:

"CenterPoint should provide heat pump rebates in more of its low-income programs."

In EEFA's *Comments* related to EFS in low-income programs, it stated pg. 13:

these inputs. The Appendix G spreadsheet that resulted from the TRM process on this EFS measure was valuable, but the Company believes it's table of percentage of heating load shifted for a given switchover temperature only applies to ducted systems since the concept of a switchover temperature doesn't apply in the same way to ductless systems.

¹⁹³ CenterPoint Energy is aware that in its territory nearly 20 small- to mid-size trade allies may have experience offering this measure.

¹⁹⁴ The Company is open being required to assess rebate levels after filing its 2024 ECO Status Report and proposing changes to rebate levels for January 1, 2026, based on that assessment.

"...require that CenterPoint plan for and promote the use of heat pumps in all its residential programs, but especially those serving under-resourced customers, renters, and multifamily housing residents."

And

"Allow all relevant "low income" programs to include ducted and ductless heat pumps as an eligible measure (e.g., allowing them in the Low-Income Free Heating System Tune-Up program and Low-Income Multifamily Building Efficiency Program)"

And

"Increase the incentive amounts for heat pumps, especially for programs serving customers participating in "low income" programs."

CenterPoint Energy is proposing to offer ASHPs in all but one of its low-income programs.¹⁹⁵ The only program that is not offering an ASHP related service is Low-Income Free Heating System Tune-Ups (Stay Safe, Stay Warm ["SSSW"]). The Company is willing to consider an ASHP tune-up measure for that program, but the Company believes that it is likely such a tune-up is more appropriate as an electric utility measure because a tune-up is going to mostly save electricity and not gas.¹⁹⁶

CenterPoint Energy believes there might be a misunderstanding about how EFS measures are incorporated into its low-income programs. In terms of which measures are recommended to customers, these decisions are generally left up to the discretion of the non-profit implementer, who may prioritize their program requirements or the customer's expected bill savings above other considerations such as electrification and emissions reductions. The Company plans to modify its customer outreach and other materials for program implementers to include information on ASHPs and track spending as EFS spending. The Company believes that the HELP program is where it has more discretion to promote ASHPs directly to customers. The Company also thinks that the HELP program is more likely to serve customers interested in ASHPs.

With regards to covering additional costs of ASHPs, CenterPoint energy believes it is appropriate to treat this measure the same as others. Specifically, full cost coverage through Low-Income Weatherization ("LIW"), 50 percent to 75 percent of project costs through LIRE and HELP, and incremental costs through Non-Profit Affordable Housing Rebates ("NPAH"). With regards to NPAH, the Company is willing to consider an alternative rebate based on market data about incremental costs.

Efficient Fuel-Switching Education

In EEFA's *Comments* on EFS education, it stated on pg. 13:

"Provide analysis and education to customers on the impact to their energy bills (i.e., both heating fuel and electricity) as a result of installing a heat pump"

And

"Provide customers with adequate information and support, in conjunction with the customer's electric utility, to join a program that could lower their electricity bill further after installing a heat pump (e.g., load management)."

And

"Pair installation of heat pumps with building envelope improvements"

¹⁹⁵ See the LI MFBE and MFBE program section for specifics on that program.

¹⁹⁶ Gas savings from a back-up system due to a well operating ASHP is likely to be negligible.

CenterPoint Energy intends for these elements to be a part of its program design because it is important to ensure customers are safe, comfortable, and satisfied with their home heating bills. For example, through the HES program the most direct engagement is possible and CEE's ASHP collaborative provides pre-existing resources that can be used.¹⁹⁷ However, the Company notes that its rebate programs are primarily trade ally administered and ultimately decisions rest with trade allies, customers, and the customer's electric utility with regards to customer rates and load management.

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

In CEE's *Comments* on the Home Insulation Rebates program, it stated on pg. 12:

"Align air sealing and insulation rebate levels for the Home Insulation Rebates program with Xcel Energy's proposed Insulation Rebate program, for which Xcel Energy proposes a rebate of 40 percent of project costs, up to \$1,200 for wall and attic insulation and up to \$600 for air sealing."

In Fresh Energy's *Comments* on the Home Insulation Rebates program, it stated on pg. 17:

"CenterPoint should increase their insulation and air sealing rebate offerings to match what Xcel will be offering this Triennial."

In EFFA's *Comments* on the Home Insulation Rebates program on pg. 3,

"We recommend CPE focus on both to not only "drive participation and energy savings," (p. 2) but also make a deeper impact in households that need the most benefits from energy efficiency measures. Moreover, we encourage CPE to match Xcel Energy's rebate budget structure."

CenterPoint Energy opposes restructuring its rebates as recommended by *Comments*. In particular, the Company believes that it is more appropriate to prioritize wall insulation, followed by air sealing and then attic insulation. Wall insulation can deliver significant energy savings and be more costly to implement. Air sealing can provide higher energy savings and is more in need to be incentivized because it can be overlooked as a weatherization measure. Attic insulation is important, but the Company believes rebates should be structured to encourage it in addition to air sealing as is done in the proposed *Triennial Plan*.

With regards to the rebate levels, CenterPoint Energy described in the Program Design, Incentives, and Influencing the Market section of these *Reply Comments* how it thinks about rebate levels. The proposed rebate levels for the Home Insulation Rebates program are based on an assessment of project costs (biased to the last 1-2 years) and how effective increasing the rebates will be to increasing participation. Further increases to the rebate levels proposed may marginally increase program participation, but not enough to be reasonable and prudent spending in the Company's view.

That said, if the DOC recommends increasing rebates, then CenterPoint Energy can propose changes in an IR response or in its *Comments* on a *Proposed Decision*. Tentatively, the Company expects that at combined rebate levels of about \$3,000 (from \$1,200 for wall insulation, \$1,200 for attic insulation, and \$600 for air sealing) it would increase participation levels by about 100 participants and would propose including a rebate limit of 40 percent of project costs.

Workforce Development

¹⁹⁷ <https://www.mnashp.org>

In EEFA's *Comments* related to workforce development, it stated on pg. 11:

"CPE staff who work on workforce development should continue to work closely with local technical colleges and vocational schools to establish a long term pipeline of skilled laborers needed throughout all points of the weatherization—and electrification—workflow process. There should also be a continued focus on diversifying the workforce through diversity, equity, and inclusion ("DEI") initiatives and BIPOC recruiting and hiring efforts that follow the Justice40 Initiative."

CenterPoint Energy is supportive of potential collaboration on the Contractor Training Program and continuing its workforce development activities. Workforce development is a newer area for the Company.¹⁹⁸ The Company is currently working with several non-profits on workforce development programs that include DEI components.¹⁹⁹ The Company believes it could potentially help support a Contractor Training Program through outreach and communication or through co-ordination/aligning its own activities. The Company also notes that based on its current work in this space, in addition to technical and vocational schools it is important to focus on reaching high school students as well.

CenterPoint Energy also notes that as described in the *Triennial Plan*,²⁰⁰ it is in the early stages of developing a workforce development program for ECO. Both DEI and low-income considerations will be evaluated in developing the program.

Overall Low-Income Programs

In CEE's *Comments* on low-income programs, it stated on pg. 13:

"Update the income eligibility criteria for the Company's low-income programs that do not leverage WAP funding to 80 percent of area median income and recipients of all programs approved by the Department for categorical eligibility."

In EEFA's *Comments* on low-income programs, it stated on pg. 4:

"According to the table showcasing CPE's Low-Income Programs, 2024-2026 – Eligibility Requirements & Incentives, not all "low-income" programs use geographic-based or categorical eligibility. (See p. 97.) We would like to know the reasons for these decisions."

CenterPoint Energy believes it makes most sense to expand eligibility for those low-income programs that have the capacity to serve more customers (i.e., more customers than just those participating in the Low-Income Home Energy Assistance Program ["LIHEAP"] and Weatherization Assistance Program ["WAP"]). Eligibility criteria should be tailored to each program and its delivery model.

Two examples that illustrate these points are CenterPoint Energy's LIW and SSSW programs. Customers who are LIHEAP/WAP recipients pre-qualify for LIW and SSSW. The Company notes, however, that LIHEAP's and WAP's income guidelines are not perfectly aligned with ECO's recently amended low-income household definition (i.e., 80 percent AMI). LIHEAP's and WAP's income guidelines are, respectively, 60 percent of state median income scaled for household size (which may revert to 50 percent of state median income in the 2023-2024 program season) and 200 percent of federal poverty

¹⁹⁸ At least as it relates to recruiting and training outside the Company's own employees.

¹⁹⁹ <https://sustainability.centerpointenergy.com/centerpoint-energy-helps-develop-a-diverse-skilled-workforce-to-support-energy-efficiency-in-minnesota/>.

²⁰⁰ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 200 (June 30, 2023).

guidelines. This means that if CenterPoint Energy expands eligibility for LIW and SSSW to 80 percent AMI, some participants will not be able to leverage LIHEAP/WAP dollars. For this reason, the Company advises against expanding eligibility for LIW and SSSW, at least for the time being. Instead, the customers who are below 80 percent AMI but earn too much money to qualify for LIW will be served by the proposed HELP program. HELP would also be an option for customers who are eligible for but not participating in LIHEAP/WAP.

In EEFA's *Comments* on low-income programs, it stated on pg. 8:

"List in more detail names of the organizations CPE is partnering with to promote its programs, specifically the "low-income" programs."

CenterPoint Energy's plan includes a list of organizations it has recently partnered with.²⁰¹ The Company will also provide the names of LISA partner organizations in its annual CIP status reports.

In EEFA's *Comments* on low-income programs, it stated on pg. 9:

"Leverage federal resources to map and layer Xcel's [sic] program participation within their service territory. In particular, the Climate and Economic Justice Screening Tool is a valuable resource for identifying "disadvantaged communities," per the Justice40 Initiative."

CenterPoint Energy is aware of the Climate and Economic Justice Screening Tool and will consider using it for geographic eligibility methods if the DOC approves its use. Currently, the Company is using the Social Vulnerability Index, Census tracts designated as Opportunity Zones, and Qualified Census Tracts to target low-income programs to high poverty areas.

In EEFA's *Comments* on low-income programs, it stated on pg. 9:

"Please provide more information on CPE's equity framework."

CenterPoint Energy is considering developing an equity framework. An equity framework is mentioned in the Company's plan and is a possible activity for its Analysis, Evaluation, and Program Development program. Developing an equity framework was recommended by participants at CenterPoint Energy's triennial planning stakeholder meetings. The Company is open to discussing this topic further with EEFA and other stakeholders.

The Company also notes that its programs are evaluated by a third party. These evaluations touch on equity issues like barriers to program participation.

In EEFA's *Comments* on low-income programs, it stated on pg. 10:

"CPE should look into recently passed state legislation that included money for pre-weatherization and workforce training for WAP implementers."

CenterPoint Energy supported this legislation. The Company and its implementers plan to explore ways for CIP to leverage the pre-weatherization and workforce development funds.

Low-Income Weatherization

In the City of Minneapolis's *Comments* on the IW Program, it stated on pg. 6:

²⁰¹ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pp. 198-199 (June 30, 2023).

“Similarly, we ask that CenterPoint work with implementers and contractors to streamline moving forward with needed pre-weatherization services for low income households as long as the utility is under the 15 percent spending cap for pre-weatherization. This will maximize the highest best use of funds for deeper energy retrofits.”

In EEFA’s *Comments* on the LIW Program, it stated on pg. 12:

“CPE should run its weatherization programs based on current deferral lists and focus on all of the most common reasons for deferrals across Minnesota’s WAP network.”

Pre-weatherization measures were added to LIW in 2022. When this happened, the program implementer reached out to customers who had had projects deferred due to health, safety, and/or structural issues. However, customer uptake of pre-weatherization measures in 2022 was lower than anticipated. Reasons included customers tapping non-CIP funding for pre-weatherization work, customers not re-engaging with LIW, and a shortage of contractors to perform the work. Worker shortages are an ongoing and industrywide challenge.²⁰² Deferrals can occur for other reasons as well, including customers who do not call back the implementer, or the implementer being unable to access a customer’s home or the workspace.

Low-Income Rental Efficiency

In the City of Minneapolis’s *Comments* on LIRE, it stated on pg. 7:

“We recommend the standard offer be at least 75 percent with select areas of high poverty rates at 100 percent.”

In EEFA’s *Comments* on LIRE, it stated on pg. 4:

“Participants should cover no more than 25% of the total energy efficiency measures cost. The LIRE program should also mandate that rental property owners agree to maintain affordable rent to receive benefits from this program.”

In consultation with the program implementer Energy Cents Coalition, CenterPoint Energy developed its proposal to continue to cover 50 percent of total project costs and 100 percent of total project costs when rental property owners demonstrate financial hardship. The Company also proposed that the program cover 75 percent of total project costs in select areas with high poverty rates.²⁰³ The reasoning behind the latter proposal is to ensure that rental property owners are not being incentivized for property upgrades that are already in their financial interest. However, the Company plans to closely monitor program performance to determine whether it should increase project cost coverage. A program modification would be submitted to implement a change for no later than January 1, 2026.

Homeowner Efficiency Lift Program

In EEFA’s *Comments* on HELP, it stated on pg. 4:

“We strongly recommend that the acronym, and therefore name, of the Homeowner Efficiency Lift Program (HELP) be changed. We consider this acronym culturally insensitive and inappropriate. There is a negative historical association with the derogatory term “Help” or “The

²⁰² CenterPoint Energy participated in EEFA’s CIP low-income working group. At the March 2023 meeting, the Company delivered a presentation on pre-weatherization measures and talked about 2022 program performance.

²⁰³ See *In the Matter of CenterPoint Energy’s 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 106 (June 30, 2023).

Help,” as it was used to describe and “other” domestic workers or servants, mainly Black women, serving wealthy White households.”

CenterPoint Energy will come up with a different name and/or acronym for HELP to use in its marketing. However, in regulatory filings the program will continue to be referred to as the Homeowner Efficiency Lift Program, or “HELP.”

In EEFA’s *Comments* on HELP, it stated on pg. 4:

“Further, if participants of the Homeowner Efficiency Lift Program must provide 25-50% of the total energy efficiency measures cost, it should then be considered and advertised as a “moderate-income” program with a pay-as-you-save payment timeline, and not a “low-income” program.”

HELP was originally envisioned as a moderate-income program for customers who are not eligible for LIHEAP and WAP. CenterPoint Energy plans to market the program accordingly. However, in a regulatory setting, HELP will be treated as a low-income program that exclusively serves households at 80 percent AMI or less, ECO’s new low-income household definition.

In EEFA’s *Comments* on HELP, it stated on pp. 4-5:

“In the interest of streamlining and simplifying the Homeowner Efficiency Lift Program, we would like to know how customers are intended to apply to this program? Is there any way to allow customers to qualify or indicate interest or eligibility for this program through the typical rebate application?”

CenterPoint Energy plans for HELP to be a third party, vendor-delivered program. This means that the customer sign-up and income verification processes, and what they will entail, will be part of a Request for Proposal that interested vendors will be able to respond to. Also, CenterPoint Energy plans to promote HELP alongside its other CIP programs (e.g., on the same marketing materials or with standalone marketing) to raise customer awareness of this new program for moderate-income households.

Low-Income Support and Awareness

In EEFA’s *Comments* on the LISA Program, it stated on pg. 9:

“Expand the LISA program promptly. One relationship manager will not be enough to manage relationships between CPE and community organizations and social service agencies. We recommend CPE hire a relationship assistant manager (or similar) to provide additional support and track the necessary metrics/data to analyze the programs’ success.”

As CenterPoint Energy noted in the “Programming Content Included in the Triennial Plan” section of its *Reply Comments*, the triennial plan filing is not meant to be a detailed implementation plan. Instead, it is a policy document that proposes new programs and modifications to existing programs and establishes program goals. The plan does not prevent the Company from hiring additional staff for LISA. The filing mentions a relationship manager to give a general idea of how the program will be administered.

Low-Income Multi-Family Building Efficiency and Multi-Family Building Efficiency

The LI MFBE and its market-rate counterpart MFBE were recently modified and approved as part of the 2021-2023 CIP Triennial Plan program on November 7, 2022.²⁰⁴ Due to the recent program modification, these programs did not undergo significant changes in the *Triennial Plan*. Several commenters shared potential recommendations and suggestions for further development of both programs.

In CUB's *Comments*, it stated on pg. 13:

"it is unclear when EFS upgrades will be recommended or pursued under the LI-MFBE program."

In the City of Minneapolis's *Comments*, it stated on pg. 7:

"Allowing EFS as an eligible opportunity for renters in 5+ unit buildings, which will improve equitable access to incentives for these low-income rental households when compared to other customers who can access EFS incentives from CenterPoint."

In EEFA' *Comments*, it stated on pg. 7:

"Provide information, resources, and incentives for efficient fuel-switching in the MFBE and LI MFBE program. There is no direct mention of efficient fuel-switching offerings for MFBE and LI MFBE buildings."

As stated in the *Triennial Plan*, the Company will consider EFS projects through the Commercial and Industrial ("C&I") Custom Rebates program.²⁰⁵ The framework of the Custom Rebates program allows multi-family buildings and commercial buildings to receive a rebate for EFS projects. Approval for C&I Custom Projects will be approved on a case-by-case basis. While The Company does not forecast any such projects during the 2024-2026 plan period, the C&I Custom Rebates program allows the flexibility to offer incentives if an EFS project is deemed eligible.

The City of Minneapolis's *Comments* on LI MFBE budget, it stated on pp. 6-7:

"Minneapolis recommends modifications to the LI MFBE program to better serve low-income rental households including; Increasing the estimated budget for LI MFBE to better meet the needs of thousands more renters."

In EEFA *Comments* on LI MFBE budget, it stated on pg. 7:

"There should also be clear and detailed strategies for engagement of affordable housing building owners to increase LI MFBE participation. This can include meeting regularly with relevant organizations and agencies, including those mentioned in the Community Energy Organization involvement section, and additional housing-specific groups, such as Minnesota Housing and local affordable housing organizations."

The Company plans to continue several strategies for reaching out to potential participants for the LI MFBE program. This includes, for example, advertising with organizations like the Minnesota Multi Housing Association and using resources such as the Low-Income Rental Classification Assessor Report.²⁰⁶ While the stated participation numbers in the *Triennial Plan* are an expectation based on the planning process, the Company can meet demand if participation numbers were exceeded.

²⁰⁴ *In the Matter of CenterPoint Energy's 2021-2023 CIP Triennial Plan*. Docket No. G-08/CIP-20-478, (Nov. 7, 2022).

²⁰⁵ See *In the Matter of CenterPoint Energy's 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan*, Docket No. G-008/CIP-23-95, pg. 164 (June 30, 2023).

²⁰⁶ [https://www.mnhousing.gov/rental-housing/low-income-rental-classification-\(lirc\).html](https://www.mnhousing.gov/rental-housing/low-income-rental-classification-(lirc).html)

In EEFA's *Comment's* on the LI MFBE and MFBE incentives, it stated on pg. 7:

"We strongly recommend that rich, fully covered incentives be provided for LI MFBE participants. Aligning LI MFBE incentives and offerings with other affordable housing offerings, and re-financing/capitalization schedules is also key for reaching affordable multifamily housing, but was not mentioned in the plan."

And

"Offer and prioritize deep, whole building rebates and opportunities for LI MFBE participants. It should be clear in the plan and to participants what measures are available beyond direct install measures, given the change in the program to focus on more whole-building improvements."

The LI MFBE program aims to support eligible multifamily buildings with bonus rebates. The Company has proposed to use a 200 percent (or 3x) bonus on rebates as compared to the market rate MFBE program. The most recent program modification for the LI MFBE and MFBE programs set rebate amounts that have been carried over to the *Triennial Plan*. Through the formal modification process, rebate levels were modified further due to recommendations received through the comments process.²⁰⁷ The LI MFBE and MFBE programs were previously designed with a focus on whole-building improvements. Through evaluation of this approach, it was found that the whole-building focus was a significant barrier to participation. With the move away from that model for the LI MFBE and MFBE programs, the Company has increased participation and energy savings.

In EEFA's *Comment's* on program demand, it stated on pg. 11:

"Although this was several years ago, in the MFBE program, people were turned away because the program administrators could not keep up with demand for the program."

CenterPoint Energy anticipates meeting demand for the LI MFBE and MFBE programs. Administrators have the resources to accept all potential participants in the program. The Company does not believe this is an accurate assessment of program operations from several years ago. Some property owners that wanted all their buildings to participate immediately were asked to strategically spread out their participation over multiple years. This allowed more property owners availability to start participating when the program was first beginning. To the best of the Company's knowledge no property was "turned away."

Inflation Reduction Act

In Fresh Energy's *Comments* on IRA, it stated on pg. 17:

"Utilities should proactively provide outreach and education to customers regarding efficient fuel-switching and building shell incentives offered in their ECO plans, along with federal and state incentives that complement and stack with these incentives, such as the IRA.

a. The Department should require utilities to provide active outreach and education to customers regarding the EFS and building shell incentives that they're offering (e.g., heat pumps rebates). Utilities should clearly promote these incentives and their potential benefits across their programs.

b. Utilities should further coordinate their outreach and education on ECO programs and rebates with information on the IRA home electrification and efficiency rebates and tax credits that are also available to their customers and stackable with the utility offerings. Utilities should also

²⁰⁷ *In the Matter of CenterPoint Energy's 2021-2023 Natural Gas Conservation Improvement Program Triennial Plan* Docket No. G-008/CIP-20-478 (June 29, 2022).

coordinate their ECO offerings with the heat pump and electric panel rebates established during the 2023 legislative session and incentives from their NGIA plans, in addition to the IRA.”

In CUB’s *Comments* on IRA, it stated on pg. 14:

“As part of these modifications, utilities should ensure their customer communications provide information about federal- and state-level incentives in addition to utility-specific ECO offerings.”

And it stated on pg. 15:

“We highly encourage utilities and the Department to engage with potentially eligible owners and assist them in applying for federal funding.

In WMLG’s *Comments* on IRA, it stated on pg. 7:

“Update ECO programs, including marketing materials, throughout the Triennial to align with Federal and State energy rebate programs so that it is easier for participants to stack funding from multiple programs.”

In CEE’s *Comments* on IRA, it stated on pg. 10:

“While we do not think it is necessary for CenterPoint Energy to modify the goals of its proposed plan, we do recommend that the Company be prepared for higher customer demand for efficient fuel switching incentives and other utility incentives and programs that include measures that are also included in the IRA. We also recommend that the Department exercise regulatory flexibility, to the extent possible, in the event that customer demand for efficient fuel switching measures exceeds utility spending caps in 2024 and 2025.”

In CEE’s *Comments* on IRA, it stated on pp. 11-12, it made general recommendations regarding “areas of coordination between utilities between the Department and utilities.”

In EEFA’s *Comments* on IRA, it stated on pg. 12:

“Layering and aligning federal funding and programs is going to be key for effective implementation. Where feasible, we urge CPE to align its existing program requirements, timelines, deadlines, etc. to those of the federal programs administered by the Department of Energy (DOE), notably the HOMES rebate program.”

CenterPoint Energy thanks the commenters for their feedback. The Company plans to raise awareness of its proposed EFS offerings, including at its September Scoop meetings. Scoop meetings bring together CenterPoint Energy staff and trade allies (e.g., contractors, dealers, and distributors) from across the Company’s Minnesota service territory. At these meetings, CenterPoint Energy staff share CIP updates, which this year will include a preview of the Company’s proposed EFS improvements as well as information on federal and state incentives for energy efficiency upgrades (e.g., IRA tax credits). The Company expects EFS outreach and customer education to largely be driven by trade allies, who directly interact with customers and who customers trust.

CenterPoint Energy is also coordinating its proposed EFS offerings, including the incentive levels and marketing efforts, with Xcel Energy. CenterPoint Energy will also seek additional partnerships and opportunities to promote its EFS offerings.

Regarding IRA programs, CenterPoint Energy is closely monitoring their rollout. Additionally, the Company is already raising awareness of IRA’s tax credits and plans to promote IRA’s rebate programs

after they launch. The Company is also monitoring new state programs, including subsidies for ASHPs and electric panel upgrades.

Community Engagement

CenterPoint Energy held several stakeholder meetings to gain feedback from advocates, implementers, and other interested parties in development of the *Triennial Plan*.²⁰⁸ The Company continues to search out feedback for new and impactful ways to engage with the community. Several parties responded with comments and recommendations for how the Company can improve community engagement in the future.

In EEFA's *Comments* it stated on pg. 14:

"CPE should have more reporting out and accountability from utility engagement and outreach in communities, and adhere to community-driven conversations about its programs. While we appreciate CPE's efforts in hosting various "stakeholder" sessions for its upcoming triennial, we would like to see more initiatives led and driven by community members while being compensated by CPE for their expertise and consulting."

CenterPoint Energy has historically provided information in other languages to rental customers. Several initiatives are currently in development for encouraging community engagement. For example, the Company is currently partaking in a collateral and outreach effort for several of its programs. This will initially be shared with the Hennepin County Women, Infants, and Children ("WIC") agency and provide income qualified information on DIY, HES and bill pay assistance. The Company is providing Hennepin County WIC with collateral pieces in English, Spanish, and Somali. The Company is also working with the Hennepin County program manager to provide an overview of the programs covered in the collateral piece as part of their quarterly virtual agency meeting. This work could expand to other WIC agencies soon.

The Company has also launched new awareness and engagement initiatives for the HES program. This includes community-based partnership events. Per approval of the *Triennial Plan*, the Company will launch approximately 85+ events statewide, providing information and program enrollment opportunities to both market rate and income qualified customers. By building these partnerships, the Company will expand its footprint, increase awareness of the Company's programs, and drive to higher engagement in energy efficiency. The Company will continue to identify additional grassroots, community-based partnerships to expand customer engagement and outreach strategy.

H.3. Staff Recommendations

Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness

Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.

As outlined in the "ECO Budget Flexibility and Plan Modification Considerations" section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing

²⁰⁸ CenterPoint Energy held 2024-2026 ECO Triennial Plan stakeholder meetings on October 18-19, 2022, November 8, 2022, March 20, 2023, and June 22, 2023.

better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.

This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff's review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

Homeowner Efficiency Lift Program

Staff appreciate MN EEFA's concerns with the abbreviated name for the Homeowner Efficiency Lift Program. Staff asks that use of the abbreviated name for this program be discontinued immediately by CPE and all stakeholders.

Program Design, Incentives, and Influencing the Market

Staff appreciate the balance between program design and rebate levels that CPE is trying to achieve. Staff recognize that CPE has the most direct experience and expertise when it comes to the details of its program designs and rebate levels. Provided that cost-effectiveness thresholds are met, Staff recommend that CPE be allowed the flexibility to design its ECO programs and rebate levels in a manner that best serves its customers.

Efficient Fuel Switching – Residential and Low-Income Programs

Ductless Air Source Heat Pumps

Staff understand CPE's hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification.

Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.

Improving Air Source Heat Pump Rebate Alignment

Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy's. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company's comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.

EFS in Low-Income Programs

Staff find that CPE's response seems reasonable. Staff agree that it is important for utilities to offer air source heat pump incentives across their customer classes, but also recognize that this is the first opportunity within ECO for natural gas utilities to incentivize these technologies.

Residential Weatherization

Improving Insulation and Air Sealing Rebate Alignment

Staff agree with CEE, Fresh Energy, and MN EEFA's recommendation about CPE aligning its air sealing and insulation rebate levels with Xcel Energy's rebate levels. Staff believe that alignment of these rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. Regarding the discrepancy in rebate amounts for attic insulation and air sealing between Xcel and CPE, Staff recommend that the Deputy Commissioner take CPE up on its offer to increase its rebates to align with Xcel. Staff request that this change be detailed in CPE's Comments on the Proposed Decision.

Workforce Development

Staff appreciate the thoughtful comments submitted by MN EEFA and CPE. Staff look forward to reviewing CPE's future program modification for a workforce development program for ECO.

Overall Low-Income Programs

Staff appreciate the comments and reply comments submitted on these low-income program issues.

As detailed in the "Low-Income Spending Requirements" section of this Proposed Decision, Staff have reviewed CPE's low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department's policy guidance related to ECO low-income programs.

Staff have included the proposed "Definition of Low-Income Household in ECO Programs" in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

VI. ECO BUDGET FLEXIBILITY AND PLAN MODIFICATION CONSIDERATIONS

A. BUDGET FLEXIBILITY

Staff recommend the following budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification. This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised.

Similar to the previously approved 2021-2023 Triennials, Staff recommend that utilities continue to be allowed to exceed their annual budget goals for all direct impact segments, as follows:

- Staff recommend that utilities be required to notify the Department via a Courtesy Notification of circumstances where the utility expects to exceed any segment budget by 25%.
- The Courtesy Notification should provide an explanation of the budget increase, and the impact on energy savings, participation, and cost-effectiveness.
- Any spending beyond 125% of the original budget that results in a segment failing the Minnesota Cost Test may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.

Staff recommend that this budget flexibility provision also apply to alternative ECO programs, as follows:

- Staff recommend that alternative ECO program administrators be required to notify the Department (and copying their utility contact on the email communication) via a Courtesy Notification of circumstances where the administrator expects to exceed its program budget by 25%.
- The Courtesy Notification should provide an explanation of the budget increase and describe the alternative ECO program's current performance compared to the program's approved goals in its 2024-2026 proposal filing.
- Any spending beyond 125% of the original budget that does not demonstrate reasonable performance in meeting the program's approved goals may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.

B. PLAN MODIFICATIONS

Minnesota Rules part 7690.1400 acknowledges that "changes may be required to make a program more effective, to reach more participants, to reduce unnecessary or ineffective expenditures, to expand, change, or reduce the geographic area or target group that the program covers, or to change the time period during which the [program] would be in effect."

Staff recommend using the specific provisions outlined in Minnesota Rules part 7690.1400. Staff's interpretation of these provisions and proposed ECO program modification procedures are outlined below.

1. *Program Modifications: New Programs and Program Terminations*

Minnesota Rules part 7690.1400 states that Minnesota Rules part 7690.1430 is to be followed for the introduction of new programs or the termination of existing programs, according to the following timeline and steps:

Table 46. Timeline for Program Modifications

Filing	Number of Days
Initial Filing	0
Notice of Completion	10
Comments	15
Reply Comments	15
Proposed Decision	10
Comments	15
Decision	30

2. *Other Program Changes*

The timeline for reviewing other program changes is outlined in Minnesota Rules part 7690.1400. Examples of “other program changes” include:

- reducing the minimum qualifying efficiency level of a type of conservation measure or technology within a program
- changes to an existing energy conservation measure that could impact savings or cost-effectiveness including changes to incremental costs, savings, lifetime, and baseline efficiency assumptions

Minnesota Rules part 7690.1400 includes the following timeline and steps for other program modifications:

Table 47. Timeline for Other Program Changes

Filing	Number of Days
Initial Filing	0
Comments	15
Reply Comments	10
Decision	35

The timeline for reviewing other program changes could take a maximum of 60 days, as outlined in Minnesota Rules part 7690.1400. According to Minnesota Rules 7690.1600, the Deputy Commissioner has the discretion to adjust timelines when it is in the public interest. If the Deputy Commissioner were to not take a full 35 days to issue a Decision after Reply Comments are due, the process could take as few as 26 days.

3. *Courtesy Notifications*

For other ECO modifications that do not fall under the parameters of the formal plan modification process outlined above, Staff recommend that utilities email ECO Staff a Courtesy Notification that summarizes the program change, and then work with Staff to determine whether it merits a formal modification. Examples of changes that would fall under the definition of a Courtesy Notification could include changes to program structures, rebate structures, or program policies (e.g., customer eligibility requirements). If these types of changes are likely to impact the listed program changes above, then a formal modification might be necessary.

Additionally, Staff recommend that utilities be required to notify the Department via a Courtesy Notification of circumstances where the utility expects to exceed any segment budget by 25%. The Courtesy Notification should provide an explanation of the budget increase, and the impact on energy savings, participation, and cost-effectiveness. Any spending beyond 125% of the original budget that results in a segment failing the Minnesota Cost Test may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.

Lastly, Staff recommend that alternative ECO program administrators be required to notify the Department (and copying their utility contact on the email communication) via a Courtesy Notification of circumstances where the administrator expects to exceed its program budget by 25%. The Courtesy Notification should provide an explanation of the budget increase and describe the alternative ECO program's current performance compared to the program's approved goals in its 2024-2026 proposal filing. Any spending beyond 125% of the original budget that does not demonstrate reasonable performance in meeting the program's approved goals may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.

4. *Status Report Updates*

Staff recommend that the Deputy Commissioner require utilities to include in their annual status reports a description of all program modifications and changes not requiring Deputy Commissioner approval in order to keep the Department and other interested parties informed of their activities.

Staff recommend that the Budget Flexibility and Plan Modification provisions described above are not required when a utility falls short of achieving a budget, savings, or participation goal for a specific segment or program in a particular program year. However, as part of Staff's review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

5. *Summary*

For reference, Table 48 and Table 49 summarize the Budget Flexibility provision and indicate which section of Minnesota Rules applies for changes that require Plan Modifications. Staff expect that these tables will not cover all potential scenarios. Utilities and alternative ECO program administrators should work with Staff when there are any questions regarding what action is appropriate.

Table 48. Summary of Budget Flexibility Provision

Organization Type	Level	Scenario	Direct	Indirect
Utilities	Segment	Budget Exceeds 125% of Budget	Courtesy notification	Modification
	Segment	Full Budget Not Spent	No action necessary unless goal revision is appropriate	
	Program	Budget Exceeding 125% Of Budget	No action necessary unless goal revision is appropriate	
	Program	Full Budget Not Spent	No action necessary unless goal revision is appropriate	
Alternative ECO Programs	Program	Budget Exceeds 125% of Budget	Courtesy notification	
	Program	Full Budget Not Spent	No action necessary unless goal revision is appropriate	

Table 49. Summary of Utility Triennial Plan Modification Cases

Level	Type of Change	Increase	Decrease
Segment	Change Budget Of Direct Segment	no action	7690.1400*
Segment	Change Budget Of Indirect Segment	7690.1400	7690.1400
Segment	Change Participation Goal	7690.1400	7690.1400
Program	Add/Terminate A Program	7690.1430	7690.1430
Program	Changes To Program Structures, Rebate Structures, or Program Policies	courtesy notification	
Measure	Savings Algorithm	7690.1400	7690.1400
Measure	Baseline Assumption	7690.1400	7690.1400
Measure	Incremental Cost	7690.1400	7690.1400
Measure	Lifetime	7690.1400	7690.1400
Measure	Change Minimum Qualifying Efficiency Level	no action	7690.1400
Measure	Any Change That Could Affect Savings Or Cost-Effectiveness	7690.1400	7690.1400

*Budget flexibility may apply

VII. SUMMARY OF STAFF RECOMMENDATIONS AND PROPOSED DECISION

Based on the analysis presented in this Proposed Decision, Staff recommend that the Deputy Commissioner approve the Company's Triennial Plan with the following specific recommendations:

1. Staff recommend that the Deputy Commissioner find that the Company's proposed Triennial Plan is in compliance with the statutory requirements governing ECO.
2. Staff recommend that the Deputy Commissioner approve the Company's budgets and goals at the segment-level, requiring the Company to be accountable for achieving segment-level goals. Utilities must also report energy savings, spending, participation, and cost-effectiveness results at the program, segment, and portfolio-level in its annual status reports so that individual program performance can be monitored.
3. As noted in the "Portfolio Goals Compared to a Potential Study and Historical Performance" section and "Segment Goals Relative to a Potential Study" section of this Proposed Decision, Staff find that even though CPE's 2024-2026 overall energy savings goals are not completely aligned with the results from the "Minnesota Energy Efficiency Potential Study," they are in line with the Company's historical ECO performance. As part of CPE's comments on this Proposed Decision, Staff request that the Company describe the key factors that contribute to the difference between CPE's 2024-2026 goals compared to the Potential Study's estimates.
4. Staff recommend that the Deputy Commissioner require the Company to include a narrative summary of its R&D activities and the corresponding dollar amounts for each R&D activity as part of the Company's annual Status Reports.
5. Staff recommend the Deputy Commissioner find the Company's programs to be generally reasonable, with the following specific recommendations:
 - a. C&I Custom and Engineering Assistance Rebates: As noted in the "Cost-Effectiveness" section of this Proposed Decision, Staff note that it appears CPE will require custom projects to pass the UCT, SCT, PCT, and MCT to qualify for a rebate through the C&I Custom and Engineering Assistance Rebates program. Per the determinations outlined in the March 31, 2023, Decision "2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs," Staff note the Deputy Commissioner requires that ECO custom projects are screened using the MCT as the primary test.²⁰⁹ Staff recommend that CPE incorporate this change into the C&I Custom and Engineering Assistance Rebates program, so that custom projects are screened using the MCT as the primary test.
 - b. On-Bill Repayment Program
 - i. As mentioned in the "Optional Programs Mentioned in Statute" section of this Proposed Decision, Staff have reviewed the Company's proposed on-bill repayment program and conclude that the Company has met the requirements of Minnesota Statutes §216B.241, subd. 5d. Staff recommend the Deputy Commissioner approve the EZ Pay program.

²⁰⁹ "Deputy Commissioner's Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities." Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

- c. Efficient Fuel-Switching:
- i. As noted in the “Cost-Effectiveness” section of this Proposed Decision, Staff have reviewed the Company’s proposed EFS programs and conclude that the Company has met the requirements of Minnesota Statutes §216B.241, subd. 12 and the Department’s required policy guidance. Staff recommend that the Deputy Commissioner approve the Company’s EFS segment programs.
 - ii. As noted in the “Cost-Effectiveness” section of this Proposed Decision, Staff find that the electric retail rate for residential air-source heat pumps is \$0.04487/kWh in the Company’s BENCOST model. CPE references Xcel Energy’s energy-controlled service rate for interruptible electric heating loads as this input’s source. Staff recommend that CPE instead use the same value as Xcel Energy’s Triennial Plan for residential EFS measures, which is equal to \$0.1147/kWh. For commercial and industrial EFS projects, Staff recommend that CPE’s BENCOST model use Xcel’s \$0.09/kWh. Staff recommend that CPE incorporate these updated values as part of its 2024-2026 ECO status report filings.
 - iii. As noted in the “Market Rate Efficient Fuel-Switching Programs” section in this Proposed Decision, Staff find that CPE’s Triennial Plan has programs where the Company proposes to include EFS measures, but these programs do not have associated EFS goals (i.e. EFS savings, spending, or participation goals). Staff believe this is the case for the following programs: New Home Construction Rebates, Low-Income Weatherization, Low-Income Rental Efficiency, Non-Profit Affordable Housing Rebates, C&I Custom and Engineering Assistance Rebates, and Energy Design Assistance. CPE’s general justification for this approach is that the Company does not expect EFS participation in these programs, but would still like the flexibility to rebate EFS measures within the programs’ proposed budget should any EFS projects arise. Staff note that the EFS measures include ASHPs that use the same measure technical assumptions as CPE’s other programs that do explicitly include EFS goals (i.e. CPE’s EFS segment programs). CPE says the Company will follow the Department’s EFS reporting guidance (e.g. track and report EFS separately and apply cost-effectiveness testing to EFS separately) and report installation of any EFS measures in its Status Reports. Staff finds CPE’s EFS approach reasonable provided actual EFS spending stays under the EFS spending cap, that CPE follows the Department’s EFS reporting guidance in its annual ECO status reports, and recognizing that the Department may require CPE to file a formal modification to its Triennial Plan with updated EFS goals if Staff find that there is significant EFS participation within these programs when reviewing CPE’s annual ECO status reports.
 - iv. As noted in the “Market Rate Efficient Fuel-Switching Programs” section in this Proposed Decision, Staff believe that there could be potential double counting of energy savings from EFS measures that are rebated in overlapping utility service territories. For example, when CPE and Xcel Energy both pay part of an air-source heat pump rebate, there is a possibility that both utilities might both claim the cooling electric efficiency savings. Staff recommend that when multiple utilities provide rebates for the same EFS measure, the utilities should coordinate with one another to make sure there is no double counting of energy conservation savings from the EFS measure’s total savings claim.
- d. As noted in the “Load Management Programs” section of this Proposed Decision, Staff find that CPE did not propose including a load management program as part of its 2024-2026

- Triennial Plan. Should the Company later determine that inclusion of these technologies would be beneficial, Staff encourage the company to propose adding them through a program modification.
- e. As noted in the “Minnesota Efficient Technology Accelerator” section of this Proposed Decision, Staff recommend the Deputy Commissioner approve CPE’s funding contributions toward the META program. Staff note that the META program’s approved three-stage process to measure and allocate savings and net benefits from META initiatives will include Department review and approval at each stage. Staff look forward to reviewing these required deliverables produced by CEE.
 - f. Additional New Programs:
 - i. Energy Efficiency Kits Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff have reviewed the Energy Efficiency Kits program and recommend that the Deputy Commissioner approve it.
 - ii. Residential Code Support Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff have reviewed the Company’s Residential Code Support program and recommend that the Deputy Commissioner approve it. Staff recommend that CPE, in coordination with the other participating utilities, submit the summary results of the Residential Code Support’s evaluation activities for Staff review. Additionally, Staff recommend that CPE, in coordination with the other participating utilities, communicate to Staff any proposed updates to the Residential Code Support’s savings technical assumptions, and Staff will determine whether a program modification is needed.
 - iii. Homeowner Efficiency Lift Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff find that CPE’s Homeowner Efficiency Lift Program represents a positive step forward that will further enable the Company’s ECO programs in meeting the needs of under-resourced customers in Minnesota. Staff believe that the program will help low-income eligible customers complete more energy efficiency projects and potentially also increase program participation as customers become aware of higher incentives for eligible properties. Staff find the program’s customer eligibility requirements to be reasonable as it uses a mixture of acceptable methods (e.g. =<80% area median income, approved categorical eligibility programs, and previously approved geographic proxy methods). In response to MN EEFA’s concerns with the abbreviated name for the Homeowner Efficiency Lift Program, however, Staff asks that use of the abbreviated name for this program be discontinued immediately by CPE and all stakeholders. Staff recommend that the Deputy Commissioner approve the Homeowner Efficiency Lift Program.
 - iv. Low-Income Support and Awareness Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff recommend the Deputy Commissioner approve the LISA program with the following determinations:
 - 1. Staff find it reasonable for CPE to count the LISA program’s spending as 100% low-income spending as the program fosters participation and savings through the Company’s direct low-income programs.
 - 2. Staff recommend that CPE include its evaluation of the LISA program as part of its annual ECO status report filings to highlight the actual number of low-income participants in LISA who went on to enroll in other low-income programs. It is Staff’s hope that this indirect low-income program will increase participation in CPE’s direct low-income programs.

3. Staff recommend using ECO program years 2024-2026 as a trial run for allowing indirect low-income programs to count toward the ECO low-income spending requirement in order to identify any unanticipated impacts on direct low-income programs.
 4. As part of the written comments submitted on this Proposed Decision, Staff request that interested parties comment on whether they support allowing indirect low-income programs like LISA to count toward the ECO low-income spending requirement, and also if stakeholders support using ECO program years 2024-2026 as a trial run of allowing indirect low-income programs to count toward the ECO low-income spending requirement to identify any unanticipated impacts on direct low-income programs.
 - v. Commercial Code Support Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff have reviewed the Commercial Code Support program and recommend that the Deputy Commissioner approve it. Staff recommend that CPE, in coordination with the other participating utilities, submit the summary results of the Commercial Code Support’s evaluation activities for Staff review. Additionally, Staff recommend that CPE, in coordination with the other participating utilities, communicate to Staff any proposed updates to the Commercial Code Support’s savings technical assumptions, and Staff will determine whether a program modification is needed.
 - g. Additional Modified Programs:
 - i. As noted in the “Additional New or Modified Programs” section in this Proposed Decision, overall, Staff find CPE’s proposed modifications to existing programs to be reasonable and recommend that the Deputy Commissioner approve them.
 - ii. Commercial & Industrial Process Efficiency Program: As noted in the “Additional New or Modified Programs” section in this Proposed Decision, Staff note that CPE’s NGIA plan is still under review by the Minnesota Public Utilities Commission (MPUC). As part of that separate MPUC proceeding, Staff have also submitted Information Requests to CPE related to its proposed NGIA pilots, including questions related to potential crossover with CPE’s Triennial Plan proposals. Staff believe that some of the final parameters and pilots that are ultimately approved as part of CPE’s NGIA plan may impact the Company’s proposed approach as it relates to NGIA’s coordination with this Commercial & Industrial Process Efficiency ECO program. Staff recommend that once the Company’s NGIA plan is approved, CPE then submit a program modification to its 2024-2026 Triennial Plan that addresses more specifics around any proposed coordination between the Commercial & Industrial Process Efficiency ECO program and the Company’s NGIA pilots.
6. Staff recommend the Deputy Commissioner approve the alternative ECO programs proposed for inclusion as part of the Company’s 2024-2026 Triennial Plan, as follows:
- a. Staff recommend that the Deputy Commissioner approve the Energy Smart program.
 - i. Staff believe that the Energy Smart program provides services that are useful in assisting small and medium-sized business customers to identify, prioritize, and implement energy efficiency measures.
 - ii. Staff find that Minnesota Waste Wise Foundation has provided the information that is required as part of a proposal for an alternative ECO program.

- iii. Staff recommend that the Deputy Commissioner approve the continuation of the Energy Smart program for CPE’s 2024-2026 Triennial Plan, according to the goals outlined in Table 51.
 - b. Staff recommend that the Deputy Commissioner approve the EnerChange program.
 - i. Staff believe that the EnerChange program provides an in-depth level of engagement to non-profit customers to help them identify and implement energy efficiency opportunities.
 - ii. Staff find that EnerChange has provided the information that is required as part of a proposal for an alternative ECO program.
 - iii. Staff recommend that the Deputy Commissioner reject the two “bonus” additional services that EnerChange proposed to implement for CPE clients during the 2024-2026 triennial period. This included a “Scorecards” service and another activity for “Elementary Installation Corps.” Staff, CPE, and EnerChange agree that these additional services should not be pursued at this time.
 - iv. As part of its comments on this Proposed Decision, Staff request that EnerChange provide total annual participation goals for 2024, 2025, and 2026 that are associated with the CenterPoint portion of its program activities.
 - v. Staff recommend that the Deputy Commissioner approve the continuation of the EnerChange program for CPE’s 2024-2026 Triennial Plan, according to the goals outlined in Table 51.
 - c. Staff recommend that the Deputy Commissioner require the following a list of additional information to be included in future alternative ECO proposals and associated annual status reports. The annual status report for each alternative ECO program shall include, at a minimum, a statement addressing each of the following topics²¹⁰:
 - i. Does the program fill in a programmatic gap or address a market segment that is not effectively covered by other utility programs?
 - ii. Does the provider have unique capabilities, bring in new partnerships that can advance ECO participation, or reside in a unique position in the marketplace that allows them to deliver programs that the utility could not effectively deliver?
 - iii. Does the program or the proposer have a successful track record of reaching customers and getting them to take energy savings actions (through other utility programs) that would not have otherwise happened?
 - iv. Does the program have the support of the host utility?
 - v. Can the program clearly demonstrate impact?
 - vi. Does the program test an innovative approach that could advance ECO programs more generally?
 - vii. Does the proposer have the capabilities to deliver the program?
 - viii. Is there an evaluation plan in place that will ensure the program continues to provide the best value for Minnesota ratepayers?
7. Staff recommend that the Deputy Commissioner approve the Company’s measure technical assumptions with the following specific determinations:

²¹⁰ During the review of 2017-2019 CIP Plans and alternative CIPs in 2016, Center for Energy and Environment suggested these criteria as a starting point for developing a list of topics to be used for evaluating an alternative CIP proposal in response to comments made by CenterPoint Energy. These Reply Comments by CEE were filed July 28, 2016 in dockets 16-115.04, 16-119.01, 16-119.02.

- a. Staff reviewed CPE's proposed measure technical assumptions and generally found them to be reasonable and consistent with other utilities and the Minnesota TRM. Staff reviewed a selection of CPE's measures, both within Appendix A and Appendix B, that represent over 90% of the Company's total projected savings. In reviewing the selected measures, Staff considered three primary criteria to deviate from the Minnesota TRM: 1) Field results or territory based data, 2) another state's TRM, and 3) industry accepted standards.
 - b. The one technical assumption that requires additional discussion is the "Home with EFS" Measure within the High Efficiency Home Program. Staff find 60.27 Dth to be a reasonable per performance project energy savings Planning assumption, but Staff would like to continue exploring CPE's methodology for claiming Actual energy savings from EFS projects implemented through these particular programs. Staff recommend the Deputy Commissioner approve CPE's 60.27 per performance project energy savings Planning assumption, and Staff will meet with CPE and its program implementers during Q1 2024 to discuss a reasonable method for claiming Actual savings. Based on the outcome of the meeting discussion, Staff will determine whether a formal program modification is needed to approve any potential changes to the Actual savings methodology.
 - c. For the Deputy Commissioner's consideration, Table 45 in the "Measure-Level Analysis" section of this Proposed Decision summarizes the list of reviewed measures and Staff's conclusions regarding the reasonableness of their energy savings methodologies.
8. Staff recommend that the Deputy Commissioner approve the parameters outlined in the "ECO Budget Flexibility and Plan Modification Considerations" section of this Proposed Decision, including:
- a. Requiring utilities to notify the Department via a Courtesy Notification of circumstances where the utility expects to exceed any segment budget by 25%. The Courtesy Notification should provide an explanation of the budget increase, and the impact on energy savings, participation, and cost-effectiveness. Any spending beyond 125% of the original budget that results in a segment failing the Minnesota Cost Test may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.
 - b. Requiring alternative ECO program administrators to notify the Department (and copying their utility contact on the email communication) via a Courtesy Notification of circumstances where the administrator expects to exceed its program budget by 25%. The Courtesy Notification should provide an explanation of the budget increase and describe the alternative ECO program's current performance compared to the program's approved goals in its 2024-2026 proposal filing. Any spending beyond 125% of the original budget that does not demonstrate reasonable performance in meeting the program's approved goals may be subject to disallowance of cost recovery absent specific approval by the Deputy Commissioner.
 - c. Requiring the utilities to follow the instructions in Minnesota Rules part 7690.1400 and 7690.1430 for plan modifications.
 - d. Requiring the utilities to email ECO Staff a Courtesy Notification summarizing any program changes that do not fall under the parameters of the formal plan modification process outlined in Minnesota Rules, and then work with Staff to determine whether it merits a formal modification.
 - e. Requiring the utilities to include in their annual status reports a description of all program modifications and changes not requiring Deputy Commissioner approval in order to keep the Department and other interested parties informed of their activities.

- f. Not requiring the Budget Flexibility and Plan Modification provisions when a utility falls short of achieving a budget, savings, or participation goal for a specific segment or program in a particular program year. However, as part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all interested parties can track and have reasonable expectations regarding ECO accomplishments.

9. Due to ongoing interest by the Department and interested parties in understanding utility investments to support low-income customers and under-resourced communities, Staff recommend that the Deputy Commissioner require that utilities clearly report the following metrics in their annual status reports:
 - a. the estimate of anticipated and actual low-income residential customer participation levels for each program as required in Minnesota Rules 7690.0550,
 - b. the estimate of anticipated and actual residential rental customer participation levels for each program as required in Minnesota Rules 7690.0550,
 - c. the planned and actual low-income spending and energy savings for each program, including dedicated low-income programs, as required in Minnesota Rules 7690.0550,
 - d. for programs that make use of the LI Multifamily Policy Guidance, the anticipated and actual spending and energy savings achieved for the program, and from market-rate versus affordable housing participants, through the program,
 - e. for programs that make use of the LI Multifamily Policy Guidance, the number of buildings and units served by market-rate versus affordable housing through the program, and
 - f. for programs that make use of the LI Multifamily Policy Guidance, the cumulative number and amount of incentives by measure type for market-rate versus affordable housing delivered through the program (e.g., total number and total value of incentives for boilers installed in market-rate and in affordable housing buildings through a multifamily program).

Staff recommend the Deputy Commissioner direct Staff to monitor the level of low-income program demand across the utilities’ portfolios as part of the annual ECO status reports and expect the Company to work to meet low-income customer program demand. If there is significantly greater demand from customers than was projected by the Company, the Deputy Commissioner can evaluate whether any adjustments are warranted.

10. Staff have included the proposed “Definition of Low-Income Household in ECO Programs” in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

11. Staff wish to remind all utilities of the Measurement and Verification (M&V) Protocols for Large Custom Projects Version 1.0²¹¹:
 - a. The M&V protocols apply to individual custom ECO projects with estimated annual savings greater than 1,000,000 kilowatt-hours (kWh) of electricity or 20,000 thousand cubic feet (MCF) of natural gas.

²¹¹ <http://mn.gov/commerce-stat/pdfs/cip-mv-protocols-large-project.pdf>

- b. These protocols require that utilities provide Staff with both an M&V plan (pre-M&V) and an M&V report (post-M&V).
 - c. The M&V plan must be delivered to Staff as soon as possible after baseline data collection is complete and before implementation of the measure(s). It is no longer acceptable for utilities to submit an M&V plan and M&V report at the same time.
 - d. M&V reports detailing any changes to the project, measured savings, and actual expenditures may be provided with annual status reports.
 - e. Staff recognize that there may be a need for flexibility in timing, especially in submitting M&V plans. Such circumstances require that utilities communicate this with Staff.
 - f. Staff also recognize that utilities may need to make changes to an M&V plan over the lifetime of a project and that the estimates in M&V plans may ultimately differ from the actual amounts shown in M&V reports.
12. For any 2024-2026 ECO regulatory filings (e.g., Triennial Plan modifications and annual ECO Status Reports) that the Company submits for Department review, Staff recommend that the Deputy Commissioner require the Company to follow the Department’s issued technical guidance documents. This includes the guidance listed below along with any future technical guidance regulatory filings pertaining to 2024-2026 ECO program years:
- a. 2024-2026 ECO Cost-Effectiveness Methodologies for Electric and Gas IOUs²¹²
 - b. Technical Reference Manual 4.0²¹³
 - c. Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures²¹⁴
 - d. Determining Eligible Electric Vehicle Charging Sales²¹⁵
 - e. Low-Income Programming in Multifamily Buildings with 5+ Units²¹⁶
 - f. Measurement and Verification Protocols for Large Custom Projects²¹⁷

²¹² “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

²¹³ “Deputy Commissioner’s Decision: In the Matter of Technical Reference Manual Version 4.0.” Minnesota Department of Commerce. February 16, 2023. Docket No. CIP-18-694. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={70485B86-0000-C836-AC7F-9187E01A5872}&documentTitle=20232-193216-02>

²¹⁴ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

²¹⁵ “Deputy Commissioner’s Decision: In the Matter of Technical Guidance to Determine Eligible Electric Vehicle Charging Sales to be Deducted from Utility Gross Annual Retail Energy Sales.” Minnesota Department of Commerce. December 30, 2021. Docket No. CIP-21-837. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={70AE0C7E-0000-CE17-8D33-2BB0C26177D4}&documentTitle=202112-181101-01>

²¹⁶ “Commissioner’s Decision: In the Matter of Update to CIP Policy Guidance for Low-Income Programming in Multifamily Buildings with 5+ Units.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-22-41. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={80178F7F-0000-C61E-8DA3-208021A52726}&documentTitle=20223-183808-01>

²¹⁷ “Measurement and Verification Protocols for Large Custom CIP Projects, Version 1.0.” Minnesota Department of Commerce. April 2008. <http://mn.gov/commerce-stat/pdfs/cip-mv-protocols-large-project.pdf>

- g. Energy Savings Carry Forward Provision²¹⁸
- h. Claiming Energy Savings from Electric Utility Infrastructure Projects^{219 220}

13. For the Deputy Commissioner’s consideration, below is summary of Staff’s recommendations from the “Comments by Interested Parties Directed Toward Multiple Utilities or Concerning Issues Applicable to Many or All Triennial Plans” section of this Proposed Decision:

- a. Regulatory Flexibility for EFS Measures
 - i. Staff appreciates CEE’s suggestion that regulatory flexibility be exercised in the event that EFS spending caps are exceeded. It is Staff’s understanding that these spending limits do not contain flexibility in a manner that would allow them to be exceeded by a utility.
 - ii. Staff requests, however, that any flexibility CEE or other stakeholders believe is available to exceed these spending caps be detailed in reply comments to this Proposed Decision.
- b. Maximizing Utility Incentives for Electrification via EFS
 - i. Staff disagrees with Fresh Energy’s recommendation that the Department require natural gas IOUs to maximize EFS spending and that an EFS spending floor be established. Staff recommend that the Deputy Commissioner does not require natural gas utilities to maximize EFS spending and that an EFS spending floor not be established.
 - ii. Staff also disagrees, however, with Xcel’s statement that natural gas IOUs must meet the one percent savings requirement prior to claiming savings for EFS. Staff recommend that the Deputy Commissioner confirm that EFS savings achieved by natural gas utilities be counted toward the one percent energy savings requirement.
 - iii. In regard to the natural gas IOU financial incentive, Staff agrees with MERC’s contention that EFS savings are not eligible to be counted toward the financial incentive in a year in which the natural gas utility achieves energy savings of less than one percent of retail sales through non-EFS measures.
 - iv. Staff agrees that electric utility EFS savings can be counted toward the utility’s annual savings achievements. However, 216B.241 subdivision 1c(d) enumerates the activities that can be counted toward the initial 1.75% savings goal and this list does

²¹⁸ “Deputy Commissioner’s Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision” Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

²¹⁹ “Deputy Commissioner’s Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision” Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

²²⁰ “Deputy Commissioner’s Decision: In the Matter of Determining Normal Maintenance Activities and CIP Review Process for Electric Utility Infrastructure Projects.” Minnesota Department of Commerce. October 22, 2018. Docket No. CIP-18-543.
<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bB0849C66-0000-C310-A767-92B206A5993B%7d&documentTitle=201810-147198-01>

not include EFS measures. Staff, therefore, recommend that the Deputy Commissioner confirm that electric utility energy savings from EFS only be counted toward the annual savings achievement of the utility above and beyond 1.75% of retails sales. Staff also think it prudent here to remind stakeholders that, unlike natural gas utility EFS savings, electric utility EFS savings are not eligible for inclusion in the electric utility's financial incentive calculation.²²¹

- c. Providing Robust Rebates for Heat Pumps and Effectively Promoting These Rebates to Customers
 - i. Staff appreciate Fresh Energy's call for coordination and education concerning overlapping federal and state initiatives.
 - ii. Staff recommends that the Deputy Commissioner instruct ECO Unit Staff to work with other Department units responsible for the implementation of overlapping federal and state initiatives and stakeholders throughout the 2024-2026 triennial period to coordinate program implementation and provide education and guidance to program participants.
- d. Modifying Utility Air-Conditioner Programs to Include Rebates for Heat Pumps
 - i. Staff does not agree that the Department should require air conditioner rebates to be phased out or that air source heat pump rebates should be set comparatively higher.
 - ii. Staff propose that the Deputy Commissioner does not require air conditioner rebates to be phased out or require that air source heat pump rebates be set comparatively higher.
- e. Ensuring Equitable Distribution of Outdoor Equipment Fuel-Switching Rebates While Prioritizing the Use of EFS for Building Electrification and Weatherization
 - i. Staff does not believe that it is the role of the Department to place emphasis on one EFS category or end use over another. Rather, Staff believe it is the Department's job to determine if utilities have satisfied the requisite statutory thresholds and that the portfolio contains a balanced offering of programs that customers can participate in.
 - ii. In addition to outdoor equipment incentives, both Otter Tail and Xcel offer robust home appliance and envelope improvement opportunities.
- f. Maximizing Incentives for Building Shell Improvements and Pair Them with Incentives for Heat Pumps
 - i. Staff appreciates Fresh Energy's dedication in highlighting the importance of EFS measures in combination with building envelope improvements.
 - ii. Staff applauds Xcel's use of a bonus rebate to encourage building envelope improvements with air source heat pump purchases. Staff supports CenterPoint's commitment to implementing a similar rebate starting no later than January 1, 2026.
 - iii. Regarding the discrepancy in rebate amounts for attic insulation and air sealing between Xcel and CenterPoint, Staff recommend that the Deputy Commissioner take CenterPoint up on its offer to increase its rebates to align with Xcel. Staff

²²¹ Minn. Stat. 216B.241 subdivision 11(c).

- request that this change be detailed in CenterPoint’s Comments on the Proposed Decision.
- iv. Staff agree with Fresh Energy on the importance of outreach and education regarding EFS efforts and building shell incentives. Staff encourages all utilities to maximize efforts in the promotion of incentives and the importance of combining air source heat pump purchases with building envelope improvements.
 - g. Reconsidering Utility Programs with Incentives for Gas Appliances with a Goal of Encouraging Gas Utilities to Pursue Building Envelope Improvements and Fuel-Switching
 - i. In response to Fresh Energy’s request for the Department to reconsider utility incentives for natural gas appliances, Staff recommend that the Deputy Commissioner take no action with regard to planned incentives for natural gas appliances.
 - ii. Staff disagree with Fresh Energy’s recommendation that the Department require utilities to phase out trade ally incentives for gas appliances. Staff recommend that the Deputy Commissioner take no action with regard to the phasing out of trade ally incentives for natural gas appliances.
 - iii. Staff appreciate Fresh Energy’s suggestion to convene a stakeholder group to discuss the role of gas appliances in future triennials. Staff asks that Fresh Energy provide in its reply comments to this Proposed Decision a detailed list of the topics that would be discussed and hoped-for outcomes of this stakeholder group process.
 - h. Code Compliance Programs
 - i. Staff appreciate MEEA’s review, comments, and involvement in this triennial planning process, particularly with respect to statewide code compliance efforts.
 - i. Residential Program Design
 - i. Staff appreciates CUB’s insightful comments concerning residential program design.
 - ii. Staff encourages utilities to consider CUB’s suggestions seriously, as CenterPoint has regarding non-gas backup technologies.
 - j. Low-Income Single-Family Programs
 - i. Staff appreciates CUB’s insightful comments concerning low-income single-family programs.
 - ii. Staff encourages utilities to consider CUB’s suggestions seriously, especially with regard to expanding low-income program eligibility to include all customers that meet the recently changed low-income household definition.
 - k. 1-4 Unit Rental Property Programs
 - i. Staff appreciates CUB’s thoughtful review and questions regarding rental property programs.
 - ii. Staff requests that Xcel provide responses in its comments to this Proposed Decision to CUB’s questions regarding the application of the new low-income eligibility and its evaluation of co-pays.
 - l. Multifamily Program Design
 - i. Staff appreciate CUB’s suggestion and rationale for wanting to convene a stakeholder group to review the multifamily building program eligibility requirements.

- ii. Staff propose that the Deputy Commissioner require Staff to convene a stakeholder group and finalize review of the multifamily building program eligibility requirements by December 31, 2024.
 - m. Low-Income Multi-Family Building Efficiency Program
 - i. Staff appreciates CUB’s thoughtful review and questions concerning the LI-MFBE program and Xcel’s response with regard to weatherization options and EFS measures.
 - n. Alignment of Triennial Plans with the Inflation Reduction Act
 - i. Staff appreciates CUB highlighting the importance of coordination of ECO programs with other federal and state initiatives. Staff also appreciates CenterPoint and Xcel’s comments concerning the need to monitor, leverage and communicate these opportunities and the proactive steps they intend to take.
 - ii. Staff recommend initiating a Department led stakeholder process in 2024 that works specifically to discuss and coordinate ECO cross-cutting opportunities with other federal and state led initiatives.
 - o. Coordination with Stakeholders/Community Organizations
 - i. Staff agree with CUB that significant strides were made regarding community engagement in the preparation for 2024-2026 triennial plan filings. Staff appreciates the efforts of Fresh Energy and MN EEFA in leading that effort. Staff look forward to building on that engagement over the course of the next triennial and in preparation for the 2027-2029 triennial.
 - p. Comments from MN EEFA Concerning Procedural Equity
 - i. Staff recognize MN EEFA’s concerns about having enough time to conduct outreach, review plans, and ensure that community voices are reflected in comments.
 - ii. Staff propose that a Department led stakeholder process be pursued in 2024 to debrief the 2024-2026 triennial plan development and review process, discuss possible modifications to the review timeline, and examine the practicalities of greater uniformity between the utility plans.
14. For the Deputy Commissioner’s consideration, below is summary of Staff’s recommendations from the “Comments by Interested Parties” section of this Proposed Decision:
- a. Program Design: Program Budgeting, Participation Goals, and Cost-Effectiveness
 - i. Staff agree with CPE that the ECO budget flexibility provision should provide the IOUs the ability to meet actual demand for programs compared to their goals.
 - ii. As outlined in the “ECO Budget Flexibility and Plan Modification Considerations” section of this Proposed Decision, Staff recommend that the Deputy Commissioner approve budget flexibility parameters as part of the 2024-2026 Triennial Plans. This provision is intended to give utilities and alternative ECO programs the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification.
 - iii. This provision is not intended for cases where a utility has realized that a goal determined during this Triennial Plan review process is no longer realistic and should be revised. As part of Staff’s review of annual status reports, when an approved goal for a segment or program is no longer realistic compared to actual performance, the Deputy Commissioner may require a Plan modification, so that all

interested parties can track and have reasonable expectations regarding ECO accomplishments.

- b. Program Design, Incentives, and Influencing the Market
 - i. Staff appreciate the balance between program design and rebate levels that CPE is trying to achieve. Staff recognize that CPE has the most direct experience and expertise when it comes to the details of its program designs and rebate levels.
 - ii. Provided that cost-effectiveness thresholds are met, Staff recommend that CPE be allowed the flexibility to design its ECO programs and rebate levels in a manner that best serves its customers.
- c. Efficient Fuel Switching – Residential and Low-Income Programs
 - i. Ground Source Heat Pumps: Staff appreciate Fresh Energy’s suggestion with regards to providing incentives for ground source heat pumps in ECO programs, but also acknowledge the thoughtfulness in CPE’s response regarding the typically high capital costs and low residential customer savings associated with this technology. Staff encourage CPE to continue to track the ground source heat pump market for possible future opportunities, but Staff want to emphasize the Company’s experience and expertise regarding what technologies should be included in its ECO portfolio.
 - ii. Cold Climate Air Source Heat Pumps and Heat Pump Water Heaters: Staff understand CPE’s hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification. Staff also recommend that CPE include its reporting on assessments of cold climate air source heat pumps and heat pump water heaters as part of its ECO Status Reports.
 - iii. Ductless Air Source Heat Pumps: Staff understand CPE’s hesitation in incentivizing these technologies as this is new territory for natural gas utilities. Staff believe the concerns that CPE raises in its reply comments are valid. Staff note that it is up to the utility to determine the best balance of programs, measures, and approaches that will allow them to meet their ECO statutory requirements. Should the Company later determine that inclusion of these technologies would be beneficial, Staff recommend that the Company propose adding them through a program modification. Staff also recommend that CPE include its reporting on assessment of ductless air source heat pumps as part of its ECO Status Reports.
 - iv. Improving Air Source Heat Pump Rebate Alignment: Staff recommend that CPE increase its proposed air source heat pump rebate levels so that they are more in alignment with Xcel Energy’s. Staff believe that alignment of air source heat pump rebates is important in terms of overall customer experience and ensuring that customers will receive a similar rebate level regardless of whether they are an Xcel Energy or CPE customer. As part of the Company’s comments on this Proposed Decision, Staff recommend that CPE propose changes to its air source heat pump rebate levels.
 - v. EFS in Low-Income Programs: Staff find that CPE’s response seems reasonable. Staff agree that it is important for utilities to offer air source heat pump incentives across

their customer classes, but also recognize that this is the first opportunity within ECO for natural gas utilities to incentivize these technologies.

- d. Energy Efficiency Kits and Direct Installation Measures
 - i. Staff appreciate Minneapolis' and WMLG's comments about ensuring that the measure kits offered through the Energy Efficiency Kits program are customized for each customer, the likelihood of installation of the kits, and that the program minimizes potential waste.
 - ii. Staff find CPE's response to be reasonable regarding the actions the program takes to address the concerns raised by Minneapolis and WMLG.
- e. Homeowner Efficiency Lift Program
 - i. Staff appreciate MN EEFA's concerns with the abbreviated name for the Homeowner Efficiency Lift Program.
 - ii. Staff asks that use of the abbreviated name for this program be discontinued immediately by CPE and all stakeholders.
- f. Workforce Development
 - i. Staff appreciate the thoughtful comments submitted by MN EEFA and CPE. Staff look forward to reviewing CPE's future program modification for a workforce development program for ECO.
- g. Manufactured Homes
 - i. Air Sealing and Insulation Measures and Rebates for Manufactured Homes: Staff appreciate CEE's suggestion to incorporate air sealing and insulation measures and rebates for manufactured homes into CPE's Home Insulation Rebates program, and find CPE's response for how the Company intends to incorporate this suggestion to be reasonable.
 - ii. Adding a Manufactured Housing Program: Staff appreciate CUB's suggestion about adding ECO programs that target and assist manufactured home customers, and that CPE intends to facilitate/support participation of these customers in its programs. Also, should the Company later determine that inclusion of a dedicated program targeted at manufactured homes would be beneficial, Staff recommend that the Company propose it through a program modification.
- h. Overall Low-Income Programs
 - i. Staff appreciate the comments and reply comments submitted on these low-income program issues.
 - ii. As detailed in the "Low-Income Spending Requirements" section of this Proposed Decision, Staff have reviewed CPE's low-income programs. Staff find it reasonable for the Company to count spending from these programs toward the low-income spending requirement as the spending is associated with programs that have a reasonable income eligibility requirement according to Minnesota Statutes §216B.2402, subd. 16 or the LI Multifamily Policy Guidance, and it follows the Department's policy guidance related to ECO low-income programs.
 - iii. Staff have included the proposed "Definition of Low-Income Household in ECO Programs" in Appendix E of this Proposed Decision, which provides proposed direction around the interpretation and implementation of the new low-income household definition. As part of the submitted written comments on this Proposed Decision, Staff request that stakeholders review the draft guidance and provide feedback on its content (e.g., highlighting areas of agreement, disagreement, and any areas for clarification).

- i. Enhanced Programs and Services for Low- and Moderate-Income Households Not Participating in Energy Assistance and the Weatherization Assistance Program
 - i. Staff agree with CPE’s statement that “the program changes proposed in the Triennial Plan are intended to significantly narrow the capital/financing gap. Learning from implementing these new programs and services will likely provide information to further improve program design and reduce the gap.”
 - ii. Overall, Staff find that the Company’s expanded efforts presented in the Triennial Plan represent a significantly positive step forward that will further enable the Company’s ECO programs in meeting the needs of under-resourced customers in Minnesota.
 - j. EnerChange Alternative ECO Program
 - i. Staff appreciate CPE’s initial comments and EnerChange’s reply comments. Staff’s findings and recommendations regarding the EnerChange program can be found in the “Alternative ECO Programs” section of this Proposed Decision.
15. Staff recommend that the Deputy Commissioner approve the following budget, energy savings, and participation goals outlined in Table 50 and Table 51.
16. Staff recommend that the Deputy Commissioner require the Company to file an approved version of its Triennial Plan within 60 days following the issuance of the Deputy Commissioner’s Decision. This approved version of the Triennial Plan should incorporate all changes and correct all known errors that were discovered during this regulatory review proceeding.

Table 50. Recommended Budget, Savings, and Participation Goals

Program and Segment	Proposed Spending			Proposed Savings			Proposed Participants		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Home Efficiency Rebates	\$10,612,750	\$10,930,884	\$11,454,208	290,428	292,526	295,356	31,075	31,315	31,565
DIY Home Efficiency	\$929,285	\$988,661	\$1,048,038	44,483	44,638	44,792	15,300	16,100	16,900
Home Insulation Rebates	\$1,840,375	\$1,850,681	\$1,868,487	31,752	32,015	32,540	2,400	2,900	3,900
Home Energy Reports	\$1,652,238	\$1,652,647	\$1,653,056	101,481	101,481	101,481	241,200	241,200	241,200
Home Energy Squad	\$2,965,151	\$2,977,231	\$2,989,312	34,960	34,960	34,960	7,500	7,500	7,500
High Efficiency Home	\$7,031,750	\$7,057,293	\$7,082,836	105,370	105,370	105,370	3,675	3,675	3,675
New Home Construction Rebates	\$650,620	\$695,109	\$739,598	14,843	15,253	15,663	4,550	4,575	4,600
Energy Efficiency Kits	\$426,313	\$428,618	\$430,923	21,733	21,733	21,733	17,500	17,500	17,500
Residential Code Compliance Support	\$150,982	\$125,399	\$129,118	0	0	11,449	1	1	1
Residential Segment	\$26,259,464	\$26,706,523	\$27,395,575	645,050	647,975	663,345	323,201	324,766	326,841
Low-Income Weatherization	\$3,962,192	\$4,164,930	\$4,405,094	16,285	16,285	16,285	2,276	2,276	2,276
Low-Income Rental Efficiency	\$1,089,758	\$1,080,836	\$1,100,894	2,846	2,846	2,846	325	325	325
Homeowner Efficiency Lift Program	\$1,413,092	\$2,770,412	\$4,052,731	6,746	13,511	13,511	837	1,674	1,674
Low-Income Free Heating System Tune-Up	\$163,563	\$167,842	\$172,121	1,828	1,828	1,828	1,200	1,200	1,200
Non-Profit Affordable Housing Rebates	\$703,373	\$695,592	\$697,954	2,708	2,708	2,708	465	465	465
Low-Income Multi-Family Housing Rebates	\$650,234	\$754,772	\$829,847	7,389	8,837	9,888	123	143	163
Low-Income Support and Awareness	\$323,125	\$329,235	\$335,345	0	0	0	800	1,600	1,650
Low-Income Segment	\$8,305,336	\$9,963,618	\$11,593,987	37,803	46,015	47,066	6,026	7,683	7,753
Commercial Foodservice Equipment Rebates	\$791,191	\$795,305	\$799,495	49,005	49,005	49,005	552	552	552
C&I Heating and Water Heating Rebates	\$3,360,212	\$3,385,802	\$3,411,393	718,081	723,672	729,263	5,929	5,984	6,039
C&I Custom Rebates	\$1,915,416	\$1,932,008	\$1,948,600	135,005	135,005	135,005	43	43	43
C&I Audit Services	\$701,962	\$779,148	\$852,640	8,538	8,538	8,538	246	266	286
Energy Design Assistance	\$1,778,875	\$1,780,078	\$1,781,282	155,772	155,772	155,772	68	68	68
Commercial Code Compliance Support	\$40,861	\$33,776	\$86,563	0	3,774	54,008	1	1	1
C&I Process Efficiency	\$324,515	\$325,729	\$326,943	14,326	14,326	14,326	15	15	15

C&I Training and Education	\$143,295	\$147,683	\$152,071	1,612	1,612	1,612	945	945	945
Benchmarking Services and Certification Assistance	\$173,371	\$179,375	\$185,379	0	0	0	1,320	1,420	1,520
Recommissioning Study & Rebates	\$237,057	\$237,531	\$238,006	15,730	15,730	15,730	26	26	26
Multi-Family Building Efficiency	\$1,469,447	\$1,625,295	\$1,730,158	64,055	65,904	67,766	571	581	591
Commercial/Industrial Segment	\$10,936,201	\$11,221,732	\$11,512,530	1,162,124	1,173,339	1,231,025	9,716	9,901	10,086
Analysis, Evaluation, & Program Development	\$1,487,000	\$1,495,089	\$1,503,178	0	0	0	0	0	0
Energy Efficiency Marketing & Awareness	\$1,002,000	\$1,002,000	\$1,002,000	0	0	0	0	0	0
Planning & Regulatory Affairs	\$250,000	\$260,000	\$270,000	0	0	0	0	0	0
EZ Pay On-Bill Loan	\$518,224	\$520,514	\$522,803	0	0	0	200	400	600
Other Programs Segment	\$3,257,224	\$3,277,603	\$3,297,981	0	0	0	200	400	600
Total CIP Portfolio	\$48,758,225	\$51,169,476	\$53,800,074	1,844,978	1,867,329	1,941,436	339,143	342,750	345,280
Home Efficiency Rebates	\$305,750	\$565,797	\$825,844	6,707	13,414	20,121	250	500	750
Home Energy Squad	\$60,563	\$60,704	\$60,846	0	0	0	375	375	375
High Efficiency Home	\$51,313	\$113,275	\$216,487	607	1,518	3,035	10	25	50
Homeowner Efficiency Lift Program	\$20,063	\$35,150	\$50,237	101	202	403	4	8	16
Efficient Fuel-Switching Segment	\$437,688	\$774,926	\$1,153,414	7,415	15,133	23,560	639	908	1,191
Total CIP and EFS Portfolio	\$49,195,913	\$51,944,402	\$54,953,488	1,852,393	1,882,462	1,964,996	339,782	343,658	346,471
Minnesota Efficient Technology Accelerator	\$847,138	\$1,561,452	\$1,648,309	0	0	0	0	0	0
Total ECO Portfolio	\$50,043,051	\$53,505,854	\$56,601,797	1,852,393	1,882,462	1,964,996	339,782	343,658	346,471

Table 51. Recommended Goals for Alternative ECO Programs

Program	Proposed Budget			Proposed Energy Savings (Dth) ²²²			Proposed Participation		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
EnerChange	\$375,440	\$386,703	\$398,304	12,810	13,194	13,590	-	-	-
Energy Smart	\$199,000	\$208,400	\$218,260	7,960	8,336	8,730	205	205	205

²²² As indirect programs, EnerChange and Energy Smart focus on providing implementation assistance by directing businesses to CPE's ECO programs, but EnerChange and Energy Smart do not directly claim energy savings.

Appendix A. Summary of March 15, 2022, Technical Guidance to Determine if a Fuel-Switching Improvement Meets the Required Criteria and to Calculate Energy Savings

A. BACKGROUND

The ECO Act provides specific qualifying criteria for Efficient Fuel-Switching (EFS) programs to be implemented by electric IOUs,²²³ natural gas IOUs,²²⁴ and consumer-owned utilities.²²⁵ In the March 15, 2022 Decision “Technical Guidance for the Inclusion of [EFS], Load Management, and Pre-Weatherization Measures in CIP,”²²⁶ the Commissioner provides a statutory summary relating to EFS elements of the ECO Act, a discussion of general concepts related to EFS, step-by-step guidance to utilities to assess and qualify EFS improvements, and additional considerations.

In this Appendix A section, Staff provide a summary of the March 15 Technical Guidance below as it relates to the step-by-step process that utilities are required to use to assess measures and projects for qualification as EFS improvements.

B. CONSIDERATION OF ALTERNATIVE METHODOLOGIES

Utilities are allowed propose alternative EFS methodologies for Department review and consideration, under the following conditions:

1. The approved methodology in Appendix A is the assumed methodology to be used for the determination of eligible EFS programs;
2. Utilities wishing to propose an alternative methodology must do so as part of the utility’s ECO triennial plan filing or a filed ECO plan modification, allowing for stakeholder review and comment in a manner consistent with applicable review timelines contained in Minnesota Rules 7690 et seq.;
3. Alternative methodologies must demonstrably satisfy all applicable EFS statutory requirements; and
4. Utilities wishing to develop alternative methodologies should engage with Department Staff prior to filing any proposed methodologies.

C. PROCESS FOR QUALIFYING, EVALUATING AND REPORTING EFFICIENT FUEL-SWITCHING MEASURES

Step 1 – Confirm Starting Fuel to Ending Fuel Type and Utility Eligibility

²²³ Minn. Stat. § 216B.241 subd. 11

²²⁴ Minn. Stat. § 216B.241 subd. 12

²²⁵ Minn. Stat. § 216B.2403, subd. 8

²²⁶ “Commissioner’s Decision: In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP.” Minnesota Department of Commerce. March 15, 2022. Docket No. CIP-21-837.

<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={90098F7F-0000-C11B-B04F-C063DF81A5F9}&documentTitle=20223-183807-01>

Subject: EFS eligibility based on starting and ending fuel types.

Statutory reference: According to Minn. Stat. § 216B.2402 subd. 4, an “efficient fuel-switching improvement” means a project that:

(1) replaces a fuel used by a customer with electricity or natural gas delivered at retail by a utility subject to section 216B.2403 or 216B.241;

...

(4) requires the installation of equipment that utilizes electricity or natural gas, resulting in a reduction or elimination of the previous fuel used.

Minn. Stat. § 216B.2402, subd. 8, defines fuel to mean “energy, including electricity, propane, natural gas, heating oil, gasoline, diesel fuel, or steam”

Instructions and Guidance:

- Allowing EFS programs in ECO that are detailed for electric IOUs,²²⁷ natural gas IOUs,²²⁸ and COUs²²⁹ and have an electric ending fuel type.
- Utilities wishing to propose EFS programs with a natural gas ending fuel type may do so on a custom basis²³⁰ and must demonstrate that the measure or project is statutorily permissible and meets the necessary requirements of these guidelines. These custom proposals shall be proposed as part of the utility’s ECO triennial plan filing or filed ECO plan modification, and allow for stakeholder review and comment.
- EFS Improvements may include both electricity and gas components (e.g., gas supplemental heating for an air source heat pump).
- Only the fuels listed in § 216B.2402 subd. 8. should be included as eligible starting source fuels. Programs involving additional fuel types should be considered by the Department on a custom basis if a utility proposes such a scenario.

Process for applying this criterion: As a first step, utilities should confirm that the EFS improvement meets the starting fuel and ending fuel eligibility requirements. This can be included in the measure or project’s description, clearly outlining the starting fuel and the ending fuel. The description must also describe how the technology either reduces or eliminates the starting fuel.

Step 2 – Determine efficient fuel-switching improvement, baseline technology, and baseline comparison

Subject: Establishing baselines against which EFS improvements can be compared.

²²⁷ Minn. Stat. § 216B.241 subd. 11

²²⁸ Minn. Stat. § 216B.241 subd. 12

²²⁹ Minn. Stat. § 216B.2403, subd. 8

²³⁰ For purposes of this Guidance, Custom basis is defined similar to that applied to CIP Program Administrators proposing approaches that are either not covered in or deviate from the Technical Reference Manual. Program Administrators should submit such proposals for Department approval, either as part of their Triennial Plans or in program modification filings.

Statutory reference: No specific statutory reference.

Instructions and Guidance:

- Development of EFS improvement baselines and assumptions to be carried out as part of the Technical Reference Manual (TRM) development process, starting with TRM version 4.0. While these baselines and assumptions are being developed, utilities may, in the interim, propose baselines and assumptions on a custom basis (as described above).
- The Department encourages development of studies to collect baseline and EFS technology information, measure and verify EFS savings, and evaluate EFS program processes.
- EFS improvements should use the TRM method of determining comparable technologies based on a reasonable replacement; however, the TRM should also more clearly define what constitutes a reasonable replacement.

Process for applying this criterion: It is anticipated that the TRM process will provide general assumptions for EFS measures that are deemed for utilities to include in ECO portfolios. In the interim, utilities should include either as part of their triennial plan filings or in program modifications, explanations of proposed EFS improvements to a sufficient level of detail for the Department to assess the appropriateness of selected baselines. Utilities should also establish processes to collect the information identified above for publication in annual reports.

Step 3 – Energy change analysis, source energy consumption, and GHG (CO₂) emissions

Step 3.1 – Site and Source Energy Change Analysis

Subject: This step establishes whether an EFS improvement results in a net increase in electricity or natural gas use and whether there is an overall net decrease in energy consumption when incorporating sources that produced the energy consumed on site.

Statutory references: Minn. Stat. § 216B.2402, sub. 4(2) requires that the EFS project “results in a net increase in the use of electricity or natural gas and a net decrease in source energy consumption on a fuel-neutral basis.”

Both Minn. Stat. §§ 216B.2403, subd. 8(b) and 216B.241, subd. 11(e) state that “[f]or purposes of this subdivision, “source energy” means the total amount of primary energy required to deliver energy services, adjusted for losses in generation, transmission, and distribution, and expressed on a fuel-neutral basis.”

For technologies such as electric vehicles, the baseline energy use would use a standardized, average factor based on BTU/gallon or BTU/therm.

Instructions and Guidance:

- To determine whether an EFS improvement results in a net increase in the use of electricity or natural gas, utilities should use these steps:
 - Identify the EFS technology, along with any ancillary components (such as back up heating for an air source heat pump) that enable it to meet the comparable technology

requirement discussed in Step 2 (designate the EFS technology as either electric or natural gas based on the predominant fuel of the EFS project).

- Estimate the energy use (electricity, natural gas, or some combination) of the baseline technology in kWh, therms.
- Estimate the energy use (electricity, natural gas, or some combination) of the postcondition using the EFS technology.
- Compare the change in electricity, natural gas, or combination between the baseline technology and the post condition incorporating the EFS technology.
- For electric EFS technologies, determine if the project results in a net increase in the use of electricity relative to the baseline technology. For natural gas EFS technologies, determine if the project results in a net increase in the use of natural gas relative to the baseline technology.
- Utilities should strive to use hourly EFS improvement load shape data. If this is not available, the utility should use another reasonably accurate estimate of the EFS improvement's time-based energy use. It is assumed that the baseline technology has the same load shape as the EFS Improvement.
- In calculating source energy impacts, particularly as relates to electrification EFS improvements, utilities should use hourly forecasted electricity generation data (or another reasonably accurate estimate of forecasted electricity generation) over the measure lifetime.
- The source energy impacts should be based on, to the extent available, hourly heat rate values using the electricity generation mix that corresponds to the expansion plan with a sufficient amount of electrification load to generate a new expansion plan (this is specifically applicable to electricity as the ending fuel).²³¹
- Recognizing that not all generation and transmission entities may have access to Integrated Resource Planning (IRP) Capacity Expansion Models (CEMs) that calculate emissions (and, have hourly heat rates derived using the method in Step 3.2) on an hourly (8,760) basis, the following should apply based on capabilities:
 - Option 1 (Utility with IRP and CEMS with hourly emissions) – Utility develops hourly heat rates over the forecasted time horizon based on the method described in Section 3.2.
 - Option 2 (Utility or generation and transmission entity with IRP but without capability to produce hourly emissions) - The Department will provide heat rate factors that the utility can use to complete this step.
 - Option 3 (Utilities that receive electricity from an entity that does not have capabilities described in Option 1 or 2) – The Department will provide heat rate factors that the utility can use to complete this step.
 - Option 4 (Natural gas utilities that do not have access to electricity data) – The Department will provide heat rate factors applicable to the utility's service territory.
- Heat rates associated with electricity generation for individual primary energy sources should be based on the utility's most current data, noting that the following primary energy resources shall use a conversion rate of 3,412 BTU/kWh – solar, wind, hydro, nuclear.

²³¹ See Step 3.2.

- The following heat rates may be used for other baseline fuels (utilities can provide alternative estimates):²³²
 - Propane: 100,000 BTU/therm or 91,542 BTU/gallon
 - Gasoline: 120,286 BTU/gallon
 - Diesel fuel or heating oil: 137,381 BTU/gallon
 - Source to site losses associated with transmission and distribution of electricity and natural gas are utility-specific and should be included in utility triennial plan filings and program modifications.
- Utilities are permitted to propose alternative methodologies for Department review, either as program modifications or as part of their Triennial filings.

Process for applying this criterion: Utilities shall submit with triennial plan filings or program modifications descriptions of the methodology used to determine if an EFS improvement meets Step 3.1, along with any other technical assumptions.

Step 3.2 – Calculate Greenhouse Gas (GHG) Emissions Savings

Subject: This step assesses whether an EFS improvement results in a net reduction in statewide GHG emissions, as defined in Minnesota Statutes Section 216H.01, based on the utility’s hourly emissions profile. If an hourly profile is not available, COUs can use a method developed by the Department.

Statutory references:

- For COUs. Minn. Stat. § 216B.2403 subd. 8(a) provides that a fuel-switching improvement is deemed efficient if, applying the technical criteria established under section 216B.241, subdivision 1d, paragraph (e), the improvement, relative to the fuel being displaced:
 - (2) results in a net reduction of statewide greenhouse gas emissions, as defined in section 216H.01, subdivision 2, over the lifetime of the improvement. For an EFS improvement installed by an electric consumer-owned utility, the reduction in emissions must be measured based on the hourly emissions profile of the consumer-owned utility or the utility's electricity supplier, as reported in the most recent resource plan approved by the commission under section 216B.2422. If the hourly emissions profile is not available, the commissioner must develop a method consumer-owned utilities must use to estimate that value;
- For IOUs: Minn. Stat. § 216B.241 subd. 11(d) provides that a fuel-switching improvement is deemed efficient if, applying the technical criteria established under section 216B.241, subdivision 1d, paragraph (e), the improvement meets the following criteria, relative to the fuel that is being displaced:
 - (2) results in a net reduction of statewide greenhouse gas emissions as defined in section 216H.01, subdivision 2, over the lifetime of the improvement. For an EFS improvement installed by an electric utility, the reduction in emissions must be

²³² <https://www.eia.gov/energyexplained/units-and-calculators/british-thermal-units.php>. Gasoline heat content, for example, can vary significantly based on ethanol content. Therefore, utilities may want to propose their own factors.

measured based on the hourly emission profile of the electric utility, using the hourly emissions profile in the most recent resource plan approved by the commission under section 216B.2422;

- Minn. Stat. § 216B.241, subd. 2(k): “A public utility filing a conservation and optimization plan that includes an efficient fuel-switching program to achieve the utility's energy savings goal must, as part of the filing, demonstrate by a comparison of greenhouse gas emissions between the fuels that the requirements of subdivisions 11 or 12 are met, as applicable, using a full fuel-cycle energy analysis.”
- Minn. Stat. § 216B.2403, subd. 3(l): “A consumer-owned utility filing a conservation and optimization plan that includes an efficient fuel-switching program to achieve the utility's energy savings goal must, as part of the filing, demonstrate by a comparison of greenhouse gas emissions between the fuels that the requirements of subdivision 8 are met, using a full fuel-cycle energy analysis.”

Instructions and Guidance:

- GHG emissions refer to emissions of carbon dioxide (CO₂), methane (CH₄) and nitrous oxides (NO_x). These three gases will be converted to carbon dioxide-equivalent (CO₂e) emissions. In the context of this Guidance, life-cycle CO₂e emissions are defined as the total CO₂e emissions over the measure lifetime of the EFS measure technology.
- Utilities with the capability to do so, calculate downstream GHG impacts from electricity production based on a four-step process:
 - Step A -- Increased load from EFS measures (MWh). Using a CEM, the utility adds a new load using an appropriate annual electrification load shape for each year of the planning horizon and reruns the CEM to obtain the new expansion plan and hourly (8760) outcomes that characterize the new scenario. This added load is used to reevaluate the generation needed in the CEM and rerun the CEM to obtain a new expansion plan with new hourly GHG emissions values.²³³
 - Step B-- Utility-Specific Marginal GHG Emissions Factors (lbs./MWh). The hourly CO₂e emissions associated with Step A (adjusted for imports and exports) would then be compared to the hourly CO₂e emissions for the most recently approved (baseline) expansion plan (adjusted for imports and exports). The resulting change in hourly emissions (lbs.) would then be divided by the hourly additional load (MWh) to derive an hourly emissions factor (lbs./MWh) for each year of the expansion plan's time horizon.
 - Step C – Including Upstream Emissions. The hourly marginal emissions factor calculated in Step B includes information about the marginal fuel source serving load during each specific hour. In general, the highest marginal emission factors occur when coal plants operate, natural gas plants have intermediate marginal emission factors, and renewables have the lowest marginal emission factors. Keeping this observation in mind, the lifecycle multiplier for coal will be applied for hourly marginal emission factor

²³³ Due to limitations in IRP modeling software, small changes in load may not yield accurate expansion results. Therefore, a significantly high enough increase in load may be required to induce a reallocation of generation resources (including procurement of new resources) due to the load increase. See the Department's October 15, 2021 comments in Docket No. E002/RP-19-368 at pages 15-18 for a discussion of EnCompass' modeling limits.

from Step B (from combustion) above a certain threshold. Similarly, if the hourly marginal emission factor is within an intermediate range, the lifecycle multiplier for natural gas will be applied. And if the hourly marginal emission factor is within the lowest range, a lifecycle multiplier of 1 will be applied. Each of these threshold ranges should be wide enough to accommodate different types of power plant technologies that might operate using the same fuel source. Lifecycle multipliers for each fuel source should be calculated as the ratio of the lifecycle emission factor of that resource (obtained from GREET) and the combustion emission factor of that resource (obtained from eGRID or EIA). The Department will periodically update multiplier values and the threshold ranges and provide them to utilities.

- Step D – The utility would then multiply the hourly lifecycle CO₂e lbs./MWh factor from Step C with the hourly EFS improvement’s load shape over the measure’s lifetime and subtract the baseline measure fuel’s hourly CO₂e factor. A positive number indicates that the EFS reduces GHGs while a negative number indicates that the EFS increases GHGs. A negative result means the measure would not pass Step 3.2.
- Recognizing that not all generation and transmission entities may have access to CEMs that calculate emissions on an hourly (8,760) basis, the following should apply based on capabilities:
 - Option 1 (Utility with IRP and CEMS with hourly emissions) – Utility develops marginal hourly emissions over the forecasted time horizon based on the method described above;
 - Option 2 (Utility or generation and transmission entity with IRP but without capability to produce hourly emissions) - The Department will provide marginal emissions factors that the utility can use to complete this step;
 - Option 3 (Utilities that receive electricity from an entity that does not have capabilities described in Option 1 or 2) – The Department will provide marginal emissions factors that the utility can use to complete this step;
 - Option 4 (Natural gas utilities that do not have access to electricity data) – The Department will provide marginal emissions factors applicable to the utility’s service territory.
- The full fuel-cycle natural gas factor that utilities shall use is 145.86 lbs./Dth.
- The Department will engage a consultant or research entity to derive lifecycle multipliers and thresholds (described in Step C) for other fuels to include gasoline, diesel fuel, propane, and fuel oil. In the interim, utilities wishing to propose EFS improvements that use these beginning fuels can propose factors using the custom process described in previous sections.
- Utilities are permitted to propose alternative methodologies for Department review, either as program modifications or as part of their Triennial filings.

Process for applying this criterion: Utilities shall submit with their triennial plan filings or program modifications descriptions of the analysis used to determine if the EFS improvement meets Step 3.2, along with relevant assumptions.

STEP 4 - IMPROVE UTILITY SYSTEM LOAD FACTOR

Subject: This step requires that utilities determine whether an EFS Improvement is operated in a manner that serves to improve the utility's system load factor.

Statutory references: A fuel-switching improvement is deemed efficient if, applying the technical criteria established ... the improvement, relative to the fuel being displaced: (4) is installed and operated in a manner that improves the ... utility's system load factor.²³⁴

Instructions and Guidance:

- Utilities proposing EFS Improvements for Department approval should include an analysis of how the measure or (EFS-focused) program affects the utility's system load factor (whether the utility is winter or summer peaking) and how the measure can be operated in a manner that improves the utility's system load factor; and
- Utilities should describe what elements they have incorporated into the EFS improvement offering to improve the utility's system load factor relative to the electricity system without the EFS improvement.

Process for applying this criterion: Utilities shall submit with their triennial plan filings or program modifications descriptions of the elements incorporated into the EFS improvement offering or program that meets Step 4, along with relevant assumptions.

STEP 5 – INTEGRATION OF RENEWABLE ENERGY INTO THE ELECTRIC SYSTEM

Subject: This step directs the Department to consider, for EFS improvements that deploy electric technologies, whether the measure can be operated to facilitate the integration of variable renewable energy. This provision only applies to public utilities.

Statutory references: Minn. Stat. § 216B.241, subd. 11(b). "For fuel-switching improvements that require the deployment of electric technologies, the Department must also consider whether the fuel-switching improvement can be operated in a manner that facilitates the integration of variable renewable energy into the electric system."

Instructions and Guidance:

- Utilities in their triennial (and other relevant) filings should describe features that have been incorporated with EFS electrification Improvements that serve to increase the integration of renewable energy into the electric system.

Process for applying this criterion: Utilities shall include in triennial plan filings or program modifications descriptions of the way the EFS electrification measures can be operated to increase the integration of renewable energy into the electric system.

STEP 6 – COST EFFECTIVENESS CALCULATIONS

²³⁴ Minn. Stat. § 216B.2403, subd. 8(a) and § 216B.241, subd. 11(d).

Subject: This step requires that electric and gas utilities perform cost-effectiveness evaluations of EFS improvements and determine whether the measure is cost-effective based on a number of traditional energy efficiency cost-effectiveness tests.

Statutory references: (electric utilities) “A fuel-switching improvement is deemed efficient if ... relative to the fuel being displaced ... (the improvement) is cost-effective, considering the costs and benefits from the perspective of the ... utility, participants, and society.”²³⁵

(natural gas utilities) “[A] public utility that provides natural gas service to Minnesota retail customers may propose one or more programs to install electric technologies that reduce the consumption of natural gas by the utility's retail customers as an energy conservation improvement. The commissioner may approve a proposed program if the commissioner ... determines that ... the program is cost-effective, considering the costs and benefits to ratepayers, the utility, participants, and society.”²³⁶

Instructions and Guidance:

- EFS cost-effectiveness will be reviewed and approved at the program level.
- Electric and natural utilities, in proposing EFS improvements for Department approval, should include cost-effectiveness evaluations based on the Societal Test, the Utility Test, and the Participant Test (natural gas utilities shall also include the Ratepayer Impact Test in their evaluations).
- The primary cost-effectiveness determinant regarding whether an EFS measure is deemed “efficient,” according to the ECO Act, will be whether it passes the Societal Test, unless or until the Department updates the primary test Minnesota utilities will use to evaluate demand-side programs.²³⁷
- For natural gas utilities that do not have access to relevant electric information or an electric cost-effectiveness model, the Department will provide the requisite information and tools to enable the utility to conduct EFS cost-effectiveness testing for switches to electricity measures.
- Utilities implementing an EFS improvement for customers whom they do not provide either the beginning or the ending fuel shall, nonetheless, include the avoided (and increased supply as may be the case) costs for the non-served fuel in their cost-effectiveness calculations.
- Utilities should strive to use up-to-date measure load shapes for EFS improvements to help improve the accuracy of cost-effectiveness and other program-related estimates.
- It is anticipated that specific measure-based inputs to cost-effectiveness tests will be considered as part of revisions to the TRM, particularly for EFS Improvements that will be implemented numerous times.
- Utilities may include other features, such as load management, in their cost-effectiveness calculations, although such combinations should incorporate costs and benefits associated with the additional features.

²³⁵ Minn. Stat. § 216B.2403, subd. 8(a)(3) and Minn. Stat. § 216B.241, subd. 11(d)(3).

²³⁶ Minn. Stat. § 216B.241, subd. 12(a)(2).

²³⁷ Special attention must also be paid to the costs to consumers through the participant test. Marketing EFS measures to consumers without them knowing that their costs may increase is unfair to the consumer and could undermine the public’s trust in investing in other EFS measures.

- Until such time as the Department has adopted a revised approach for utility cost-effectiveness testing as part of the CAC, utilities may propose, on a custom basis, ways of assessing EFS Improvements based on the cost-effectiveness tests described herein.

In this context, custom process means that utilities can propose to the Department for review and approval EFS improvements and associated methods of estimating cost-effectiveness. When submitting a proposed custom EFS improvement that has an electric ending fuel, it is recommended that utilities follow the electrification cost-effectiveness guidance described in Chapter 10 of the National Standard Practice Manual (NSPM).²³⁸

Process for applying this criterion: Utilities shall submit with their triennial plan filings or program modifications descriptions of the elements incorporated into the EFS improvement offering or program that meets this step, along with relevant assumptions.

C. ADDITIONAL CONSIDERATIONS

This section discusses issues associated with the EFS aspects of the ECO Act that are not prescribed by statute but are, nonetheless, an important part of this Guidance.

REPORTING EFFICIENT FUEL-SWITCHING IMPROVEMENTS

Subject: How should utilities report EFS improvements?

Instructions and Guidance:

- Utilities implementing EFS measures shall create an EFS segment within their ECO portfolios. Utilities can opt to bundle EFS measures into programs. Similarly, these programs can be included in the ECO segment that the utility deems most appropriate. However, to ensure that EFS improvements can be assessed and tracked separately from other aspects of utilities' ECO programming, utilities will also, as part of their ECO plans and annual reports, present efficient fuel-switching improvements separately.
- Savings for EFS measures shall be reported for site-based savings by converting the individual measure/project BTU savings to electric or gas savings (applicable to the reporting utility – dual-fuel utilities will report savings based on the primary ending fuel) using standard kWh/BTU and therms/BTU conversions. First-year savings are based on first year, while lifetime savings will be based on annualized BTU savings multiplied times the kWh/BTU for each year of the EFS's Measure lifetime.
- Electric and gas utilities shall use the same baseline and savings estimations for EFS measures that both may offer in overlapping service territories and, as discussed in Step 2, such savings estimates should be based on comparable technology (and reflected, where applicable, in the TRM).

²³⁸ NSPM-DERs_08-24-2020.pdf (<https://www.nationalenergyscreeningproject.org>).

- To reduce customer confusion and “incentive competition”, electric and utilities offering the same or similar EFS measures in overlapping service territories should coordinate offerings and aim for consistency in terms of incentive levels and other features.
- IOUs that opt to count net benefits, from EFS improvements that are part of programs that have energy efficiency as their primary purpose and effect, shall identify in their triennial plans (or other appropriate filings) those programs for which they plan to count net benefits, along with how the net benefits will be estimated. In turn, the utility should provide in its annual report the resulting net benefits and how the estimation method was consistent with the proposed approach.²³⁹
- In Annual Reports, utilities should report, at a minimum, the following:
 - Number of EFS improvements during the program year.
 - Number of EFS customer participants during the program year.
 - Increases of electricity energy consumption (kWh) and demand (kW) from EFS improvements during the program year (this reporting requirement applies to both electric and natural gas utilities).²⁴⁰
 - Overall reductions in both site and source energy use, in BTUs and in the relevant fuel denominations (kWh, therms, gallons [gasoline, diesel], etc.) from EFS during the program year.
 - Overall reductions in GHGs from EFS during the program year.
- To help inform the public about EFS programs, their impacts and ways utilities are continuously improving their EFS programs, utilities should also consider including in their Annual Reports other useful information, such as: the types of EFS improvements incentivized by category (e.g. water heating; space heating/cooling, EVs, etc.); learnings from any recent reports or analyses related to EFS; changes to EFS offerings during the year, or mechanisms/features incorporated to broaden customer access and participation.

PROGRAM DESIGN CONSIDERATIONS

Subject: Utilities should design programs that incorporate EFS measures to maximize customer participation, and customer and system benefits.

Instructions and Guidance:

- In designing programs, utilities should consider ways to package EFS improvements with other energy efficiency measures (such as shell improvements and other EE upgrades), demand response features and complementary rate designs that can serve to maximize the measure’s benefits to customers and utility systems.
- Utilities should consider ways to design and deliver programs to maximize customer participation and per-measure contributions to GHG reductions, improve system efficiency and enhance the measure’s ongoing benefits.

²³⁹ See Minn. Stat. §216B.241, Subd. 11(b).

²⁴⁰ See Minn. Stat. §216B.241, Subd. 1c(f).

- Utilities should give strong consideration to equity as it relates to EFS improvements, such as ensuring that all customers have access to EFS improvement opportunities and can directly benefit from EFS improvements that would lower energy bills.
- Utilities should incorporate into their program designs ways to periodically measure and verify that program results are consistent with expectations and to facilitate revisions to programs to maximize program benefits.

COMBINED HEAT AND POWER

Combined heat and power projects are not considered efficient fuel-switching. Minn. Stat. §216B.2402 subd. 6 defines “waste heat that is recovered and converted into electricity or used as thermal energy” as “energy conservation.” Further, Minn. Stat. § 216B.2402 subd. 22 defines “waste heat recovered and used as thermal energy” as “capturing heat energy that would be exhausted or dissipated to the environment from machinery, buildings, or industrial processes, and productively using the recovered thermal energy where it was captured or distributing it as thermal energy to other locations where it is used to reduce demand-side consumption of natural gas, electric energy, or both.” CHP projects are permitted within ECO as an energy conservation measure in a manner consistent with Minn. Stat. §§ 216B.241 subd. 1c(d) and 216B.2403 subd. 2(a)(4).

Appendix B. Summary of March 31, 2023, Efficient Fuel-Switching and Load Management Cost-Effectiveness Technical Guidance

In the March 31, 2023, Decision “2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas IOUs,”²⁴¹ the Deputy Commissioner approved the cost-effectiveness methodologies and assumptions that investor-owned utilities are required to use for their 2024-2026 Triennial Plans, which included an expanded methodology for evaluating efficient fuel-switching and load management program cost-effectiveness. Staff include a summary of the March 31, 2023, cost-effectiveness guidance in this Appendix B section.

A. Executive Summary

This Efficient Fuel-Switching and Load Management Cost-Effectiveness Technical Guidance (CE Technical Guidance) supplements the Minnesota Department of Commerce’s (Department) March 15, 2022, Technical Guidance (ECO Act Technical Guidance) related to implementing the Energy Conservation and Optimization Act (ECO Act).²⁴² The CE Technical Guidance is intended to help Minnesota’s electric and gas investor-owned utilities (IOUs or utilities) conduct cost-effectiveness evaluations of their efficient fuel-switching (EFS) and load management (LM) programs.

As presented in the CE Technical Guidance, utilities will be required to submit the following in their ECO Triennial Plan and Status Report filings:

- Demonstration that the overall portfolio and designated segments are cost-effective based on the Minnesota Test²⁴³;
- Presentation of portfolio, segment, and program cost-effectiveness results based on the Minnesota Test and the following secondary tests – Societal Cost Test (SCT), Utility Cost Test (UCT), Participant Cost Test (PCT), Ratepayer Impact Test (RIM);
- Creation of an EFS segment that contains only EFS measures;
- For EFS improvements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, and the PCT (natural gas utilities also include RIM);
- For LM programs and programs that include LM elements, consideration of cost-effectiveness at the program level based on the Minnesota Test, the SCT, UCT, PCT, and RIM;
- Methods for allocating costs for EFS, LM, and EE measures to programs that include multiple program types, and

²⁴¹ “Deputy Commissioner’s Decision: In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities.” Minnesota Department of Commerce. March 31, 2023. Docket No. CIP-23-46. <https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={00DF3887-0000-C719-B71B-0523B746A81D}&documentTitle=20233-194403-01>

²⁴² “In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP” (Docket E,G999/CIP-21-837), Commissioner Decision, Minnesota Department of Commerce, March 15, 2022, Appendix A. The ECO Act is the [Minnesota Energy Conservation and Optimization Act of 2021](#).

²⁴³ The Low-Income segment is excluded from this requirement. Utilities need not demonstrate that the segment is cost-effective. See third bullet related to the EFS segment.

- How the utility evaluated cost-effectiveness for programs that include LM and EE or EFS elements based on each of the program types associated with the program.

B. Efficient Fuel-Switching and Load Management Cost-Effectiveness Technical Guidance

The CE Technical Guidance was developed in collaboration with the CAC, The Mendota Group, and Department Staff. This CE Technical Guidance document is focused on cost-effectiveness issues associated with EFS and load management and associated reporting requirements.

The Department’s March 15, 2022, ECO Act Technical Guidance provides a detailed step-by-step process that utilities and others proposing ECO programs must follow to incorporate EFS measures into programs. Step 6 is repeated here for reference. Attachment B includes additional information from the ECO Act Technical Guidance related to reporting.

STEP 6 – COST EFFECTIVENESS CALCULATIONS

Instructions and Guidance²⁴⁴:

- *EFS cost-effectiveness will be reviewed and approved at the program level.*
- *Electric and natural gas utilities, in proposing EFS improvements for Department approval, should include cost-effectiveness evaluations based on the Societal Test, the Utility Test, and the Participant Test (natural gas utilities shall also include the Ratepayer Impact Test in their evaluations).*
- *The primary cost-effectiveness determinant regarding whether an EFS measure is deemed “efficient,” according to the ECO Act, will be whether it passes the Societal Test, unless or until the Department updates the primary test Minnesota utilities will use to evaluate demand-side programs.*²⁴⁵
- *For natural gas utilities that do not have access to relevant electric information or an electric cost-effectiveness model, the Department will provide the requisite information and tools to enable the utility to conduct EFS cost-effectiveness testing for switches to electricity measures.*
- *Utilities implementing an EFS improvement for customers whom they do not provide either the beginning or the ending fuel shall, nonetheless, include the avoided (and increased supply as may be the case) costs for the non-served fuel in their cost-effectiveness calculations.*
- *Utilities should strive to use up-to-date measure load shapes for EFS improvements to help improve the accuracy of cost-effectiveness and other program-related estimates.*
- *It is anticipated that specific measure-based inputs to cost-effectiveness tests will be considered as part of revisions to the TRM, particularly for EFS Improvements that will be implemented numerous times.*

²⁴⁴ [“In the Matter of Technical Guidance for the Inclusion of Efficient Fuel-Switching, Load Management, and Pre-Weatherization Measures in CIP”](#) (Docket E,G999/CIP-21-837), Commissioner Decision, Minnesota Department of Commerce, March 15, 2022, Appendix A, p. 45.

²⁴⁵ Special attention must also be paid to the costs to consumers through the Participant Test. Marketing EFS measures to consumers without them knowing that their costs may increase is unfair to the consumer and could undermine the public’s trust in investing in other EFS measures.

- *Utilities may include other features, such as load management, in their cost-effectiveness calculations, although such combinations should incorporate costs and benefits associated with the additional features.*
- *Until such time as the Department has adopted a revised approach for utility cost-effectiveness testing as part of the CAC, utilities may propose, on a custom basis, ways of assessing EFS Improvements based on the cost-effectiveness tests described herein.*

In this context, custom process means that utilities can propose to the Department for review and approval EFS improvements and associated methods of estimating cost-effectiveness. When submitting a proposed custom EFS improvement that has an electric ending fuel, it is recommended that utilities follow the electrification cost-effectiveness guidance described in Chapter 10 of the National Standard Practice Manual (NSPM).²⁴⁶

Process for applying this criterion: *Utilities shall submit with their triennial plan filings or program modifications descriptions of the elements incorporated into the EFS improvement offering or program that meets this step, along with relevant assumptions.*

The following sections update and provide additional guidance regarding certain aspects of the ECO Act Technical Guidance as it specifically relates to EFS and LM cost-effectiveness evaluations.

The new Minnesota Test will be used as ECO’s primary cost-effectiveness test. The other cost-effectiveness tests (Societal, Utility, Participant, Ratepayer Impact) will serve as ECO’s secondary tests:

The primary test is the main determinant of whether a program should be included in the Triennial Plan. Secondary tests can be developed to help enhance the overall understanding of energy efficiency impacts. The additional information from a secondary test can help to prioritize energy efficiency programs and to inform decisions regarding marginally cost-effective programs and allocation of resources. The secondary test is not intended to undermine the purpose of the primary test and may include a subset of the impacts included in the primary test or additional impacts.

1. Combining Gas and Electric

a. Modelling

Historically, gas utilities with programs and projects including gas and electric impacts have incorporated the “other fuel’s” impact in BENCOST calculations as an adjustment to the gas savings and associated incremental costs. Joint electric-gas utilities have followed a similar approach, although projects which primarily save electricity are modeled using electric cost-effectiveness software with adjustments to participant operations and maintenance (e.g., if a project saves electricity but increases gas usage, this increased gas usage is incorporated as a participant impact and not a decrement to gas savings). Electric-only utilities have generally not modeled gas impacts in cost-effectiveness estimates, considering the impacts to participants and to their portfolio calculations as being minimal.

²⁴⁶ NESP (2020). *National Standard Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources*. Framingham, MA: National Efficiency Screening Project. Available at <https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/>.

EFS, by definition, impacts multiple fuels. If the utility’s cost-effectiveness software accommodates such an approach, utilities should model programs that include EFS measures in a single cost-effectiveness evaluation and not break out the electric and gas components to model them separately.

b. Reporting

The ECO Act Technical Guidance states the following:

- Savings for EFS measures shall be reported for site-based savings by converting the individual measure/project BTU savings to electric or gas savings (applicable to the reporting utility – dual-fuel utilities will report savings based on the primary ending fuel) using standard kWh/BTU and therms/BTU conversions. First-year savings are based on the first year, while lifetime savings will be based on annualized BTU savings multiplied times the kWh/BTU for each year of the EFS’s Measure lifetime.²⁴⁷

It is acknowledged that this approach to reporting EFS savings creates a misalignment between reported savings and actual impacts on utility systems. For example, gas-to-electric EFS projects reduce natural gas and increase electricity usage. For electric utilities, converting project results from BTU to kWh would falsely imply that the project was saving electricity when, in fact, it would increase electricity usage. Similarly, it is anticipated that gas utilities will report EFS project BTU savings converted to therms, rather than therms savings without considering the increased electricity impacts. This approach is intended to create symmetry between the way gas and electric utilities report savings, namely based on overall project BTU impacts.

The ECO Act Technical Guidance further requires that utilities report results from EFS projects in a separate EFS Segment.²⁴⁸ In addition, per Minn. Stat. §216B.241, Sub. 12(b), only gas utilities can use savings from EFS measures and projects in calculating shareholder incentives and in meeting gas savings goals. For electric utilities, the total portfolio reported electricity savings, for purposes of calculating shareholder incentives, excludes EFS Segment results. Therefore, reporting EFS projects as BTU-converted electric savings will have no impact on portfolio-reported savings.

Although guidance related to how utilities report savings from EFS projects is technically not in the CAC’s scope, it is recommended here that utilities report the following in their Triennial Plans and Annual Status Reports:

Table 1 - Efficient Fuel-Switching Reporting for BTUs, kWh, Therms, and GHGs²⁴⁹

Utility Type	How to Report EFS Programs in EFS Segment	How to Report EFS Segment in Overall ECO Portfolio
Electric	<ul style="list-style-type: none"> • BTU Savings • BTU Savings converted to kWh 	<ul style="list-style-type: none"> • BTU Savings • BTU Savings converted to kWh

²⁴⁷ ECO Act Technical Guidance, p. 47.

²⁴⁸ ECO Act Technical Guidance, p. 46.

²⁴⁹ ECO Act Technical Guidance on page 47 also indicates that Status Reports should include “Overall reductions in both site and source energy use, in BTUs and in the relevant fuel denominations (kWh, therms, gallons [gasoline, diesel], etc.) from EFS during the program year.” Therefore, the information in this table should be for both site and source-based values.

	<ul style="list-style-type: none"> • Actual kWh Impacts 	<ul style="list-style-type: none"> • GHG Reductions
Gas	<ul style="list-style-type: none"> • BTU Savings • BTU Savings converted to therms • Actual Therms Impacts 	<ul style="list-style-type: none"> • BTU Savings • BTU Savings converted to therms • GHG Reductions

In Table 1, “actual therms impacts” and “actual kWh impacts” refers to the non-BTU-converted impacts on the utility’s system. For gas utilities, this reporting would generally produce higher therms values than EFS project BTU-converted therms. For electric utilities, this reporting would generally produce lower (likely negative) kWh values than EFS project BTU-converted therms.

2. Other Costs

EFS projects will frequently require upgrades to a building’s electric infrastructure (e.g., panel or other service upgrades). Under the Minnesota Test, this additional participant cost will not be included in the primary test’s cost-effectiveness evaluations. However, this cost should be incorporated into other tests such as the Societal Cost Test (SCT) and Participant Cost Test (PCT), both of which include incremental participant costs associated with measure installations. This is important because the SCT and PCT estimate overall societal and participant impacts and should recognize real cost barriers customers may face in adopting EFS measures.²⁵⁰ Unless and until the TRM determines such an approach is warranted, utilities are encouraged to use the following approach to account for these costs in their cost-effectiveness tests. Utilities should discount these Other Costs based on information they collect regarding the percentage of customers who will likely need to upgrade services and apply an assumed apportionment of the service upgrade’s cost to the relevant measure(s). The assumed apportionment would be based on the long-term benefits customers will realize from the upgrades. In other words, although a customer may require a panel upgrade to accommodate an electrification measure, the upgrade will provide benefits for future electric investments the customer may make (for example, if they purchase an electric vehicle).

Similarly, for example, if the utility estimates that 30 percent of residential customers participating in a program that provides incentives for air source heat pumps will require, on average, \$4,000 in service upgrades, the utility can reduce the participant cost by this percentage. Extending the example provided, for an air source heat pump incentive program (Deemed) that estimates 30 percent of customers will require average upgrades of \$4,000 and these customers will derive additional benefits from the upgrade such that 30 percent should be apportioned to the program, the assigned cost to the measure would be $\$4,000 \cdot .30 \cdot .30 = \360 (discount of 90%). A rule of thumb would be to discount the per measure average upgrade costs by 50 – 95 percent.

3. Retail Rates

Incorporating the relevant retail rates into cost-effectiveness calculations will become increasingly important as EFS accelerates. Retail rates are particularly relevant to the PCT, which evaluates the benefits and costs to participants in making an EFS investment. In developing their cost-effectiveness models that include EFS improvements, utilities should seek to ensure that they include the most up-to-

²⁵⁰ It is worth noting that the CAC chose not to modify the participant impacts portion of the Societal and Participant Cost Tests. As such, as currently constituted, these tests do not include non-energy benefits that customers derive from adopted EE or EFS measures. This is an issue that future Cost-Effectiveness Advisory Committees may wish to address.

date and relevant customer retail rates applicable to participants. The number of included rates need not be significant, and utilities can incorporate weighted-average values based on the proportion of customers who are likely to participate in the program. If utilities adopt new retail rates, for example, rates that may encourage the adoption of EFS measures, the utility may wish to file a program modification that reflects this change.

This will be especially important for any “bill impact” analyses that utilities conduct, although any such comparisons will need to include both the rate (and fuel) associated with the technology from which the customer was switched. Utilities should be mindful in designing programs that include EFS measures to fully inform customers about impacts on gas and electric bills.

4. Shared Utility Programs and Projects

In cases where multiple utilities invest in joint programs in overlapping service territories, it is expected that the utilities will report impacts and incorporate them into cost-effectiveness analyses based on their respective financial contributions to programs and projects.²⁵¹ For example, if a gas and an electric utility jointly offer an EFS program that provides incentives for air source heat pumps and the gas utility contributes 30 percent to the overall program’s costs, the gas utility would claim 30 percent of savings and incorporate 30 percent of program costs and savings into its cost-effectiveness evaluations. “Savings” would be based on the program’s BTU savings, with apportionment to the respective utilities based on their fuels.

5. Program-Level Filing and Reporting Information

The ECO Act Technical Guidance indicates that utilities can evaluate cost-effectiveness at the program level for programs that combine EFS, LM, and EE measures.²⁵² However, to support reporting, the values for energy and demand (savings/increases) associated with the different elements should be tracked and provided in the utility’s Triennial filing. This is necessary because the ECO Act limits spending on EFS improvements (until 7/1/26) to 0.35 percent (averaged over 3 years) of a utility’s gross operating revenues and the manner in which the Department must approve EFS Improvements per Minn. Stat. §216B.241, sub. 11-12.

Utilities in their ECO Triennial filings should propose methods for allocating costs for EFS, LM, and EE measures to programs and report on these cost allocations in their Status Reports.

6. Low-Income Programs

As discussed in the Cost-Effectiveness Advisory Committee Working Group Report (8/18/22),²⁵³ many ECO low-income programs (most of which by design are intended to exclusively serve the needs of low-income customers) have, historically, not been cost-effective. However, in recognition of their importance in serving this customer group, the Department has allowed non-cost-effective low-income programs to be included in utility ECO portfolios. In addition, Minn. Stat. 216B.241 subd. 7(i) allows utilities to remove negative low-income program net benefits from performance incentive calculations.

This practice is based on the premise that the benefits of offering low-income programs outweigh the costs. Staff recommend maintaining the current policy which does not require that low-income

²⁵¹ See Appendix C.

²⁵² Minn. Stat. §216B.241, Subd. 2(b).

²⁵³ <https://mendotagroup.com/mn-cost-effectiveness-ac/#WGReport1>

programs pass the primary cost-effectiveness test. However, utilities should pay special attention to how programs perform on the Participant Cost Test (PCT) as programs that are not cost-effective based on the PCT indicate that the program is not beneficial to customers.

7. Combination Programs

Utilities will likely incorporate into programs both EFS and non-EFS measures (and, as discussed in B.3., LM elements). Therefore, it is important to understand how to model these combination programs. Staff do not have specific recommendations regarding how utilities model combination programs except to say that utilities need to be able to apply the step-by-step process described in the ECO Act Technical Guidance and report both savings and cost-effectiveness results associated with EFS improvements. It is acknowledged that this implies a measure-level evaluation, although utilities are free to bundle multiple EFS measures into a single evaluation if the bundle will be offered as part of the same program.

As an example, a residential home upgrade program may include air source heat pumps and heat pump water heater measures. If the load shapes are the same for these measures, the utility can combine the measures in its evaluation based on the ECO Act Technical Guidance. As provided in the ECO Act Technical Guidance's Step 6, this would also include assessing the cost-effectiveness of the bundle. If the load shapes are not the same, the measures would need to be modeled at the measure level.

C. Load Management Cost-Effectiveness Technical Guidance

1. Avoided Costs

Although it is likely the case that electric demand-side resources (energy efficiency, EFS, load management) will avoid different types of generating units (e.g. some resources by their load shapes and usage avoid a combustion turbine while others avoid utility-scale battery storage), for the sake of developing consistency among Minnesota utilities, utilities should use a single method for estimating avoided costs (energy and capacity) and apply it to all ECO resources. This does not preclude the potential for changes in the future to this approach wherein separate avoided cost estimates are derived for and applied to different types of programs.

At this stage of the process for implementing EFS and load management measures and programs, it is more important that focus is placed on the relevant load shapes that should apply to each measure. To the extent a utility believes that an alternate approach is preferable (for example, a load management program that is specifically designed to shift load to periods when the system has an excess of renewable generation), utilities can propose this modification in their ECO Triennial Plan filing or as a Custom approach.

2. First-Year and Lifecycle Analyses

In assessing LM program cost-effectiveness, utilities should use a lifetime that aligns with the equipment that is installed to facilitate the program or the period during which the intervention(s) will occur. Examples of equipment can be a control device that is installed on a piece of equipment (such as an air conditioner or water heater) or the device itself (smart thermostat used for load management), with the caveat that the measure lifetime should not exceed the remaining life of the equipment on which it is installed. Device lifetimes (to include controllers and smart thermostats) will be included in the Technical Reference Manual (TRM). Behavioral demand response programs and other programs that rely upon continuing interventions (messaging, customer discounts for participating, etc.) should only

use a single-year lifetime unless the customer is making more than a one-year commitment to participate in the program.

3. Conservation and Load Management

LM programs that shift energy usage from one time period to another but do not have net energy savings are not considered conservation for purposes of estimating a utility's net benefits. Utilities should specify the types of LM programs they are offering and indicate in their filings for approval whether the program will have energy and demand savings. As discussed in Section B.1., utilities wishing to offer load-shifting programs may want to propose alternative methodologies for estimating avoided costs to align with the program's design.

4. Programs with Load Management Elements

Utilities should evaluate cost-effectiveness for EFS and energy efficiency programs that include LM elements based on each of the program types associated with the program. In other words, a program that combines EFS, energy efficiency, and LM, should evaluate, submit for approval, and track and report cost-effectiveness for the separable components. This is necessitated by statute²⁵⁴ and the ECO Act Technical Guidance that require the need to evaluate and qualify EFS improvements. This does not preclude the utility from combining these elements into a single program and providing an aggregated cost-effectiveness analysis for the program. However, it is important that utilities track and report results based on the different elements, to include energy efficiency/conservation, EFS, and LM.

For example, a program that provides incentives to customers to install air source heat pumps in place of a natural gas furnace and air conditioner, and includes a LM feature that enables the utility to control the air conditioner during summer peak times and the heating load during winter peak times, can include all relevant costs and benefits in calculating the program's cost-effectiveness based on the relevant tests. For filing, tracking and reporting purposes, the utility would need to have a mechanism to separate out and apply costs to the relevant features.

5. Natural Gas Load Management Programs

Utilities are permitted to propose natural gas LM programs. As currently constituted, the BENCOST model has a specified peak reduction factor (1 percent) that applies to all programs and the opportunity to include both demand costs and demand savings. Utilities proposing natural gas LM programs are permitted to both propose different percentage peak reduction factors for their programs that are designed to reduce system peak loads and avoided demand costs and demand impacts. Future iterations of the BENCOST model may seek to develop separate avoided demand cost estimates.

6. Other Cost-Effectiveness Tests

Utilities are free to use additional cost-effectiveness tests to evaluate their proposed programs. However, the Department will only consider those authorized for ECO application as official tests.

Attachment B – Reporting Information from ECO Act Technical Guidance

REPORTING EFFICIENT FUEL-SWITCHING IMPROVEMENTS

²⁵⁴ see Minn. Stat. §216B.2402, sub. 4, Minn. Stat. §216B.241, sub. 1c.(f)-(g), Minn. Stat. §216B.241, Subd. 2(b).

Subject: How should utilities report EFS improvements?

Instructions and Guidance:

- Utilities implementing EFS measures shall create an EFS segment within their ECO portfolios. Utilities can opt to bundle EFS measures into programs. Similarly, these programs can be included in the ECO segment that the utility deems most appropriate. However, to ensure that EFS improvements can be assessed and tracked separately from other aspects of utilities' ECO programming, utilities will also, as part of their ECO plans and annual reports, present efficient fuel-witching improvements separately.
- Savings for EFS measures shall be reported for site-based savings by converting the individual measure/project BTU savings to electric or gas savings (applicable to the reporting utility – dual-fuel utilities will report savings based on the primary ending fuel) using standard kWh/BTU and therms/BTU conversions. First-year savings are based on the first year, while lifetime savings will be based on annualized BTU savings multiplied times the kWh/BTU for each year of the EFS's Measure lifetime.
- Electric and gas utilities shall use the same baseline and savings estimations for EFS measures that both may offer in overlapping service territories and, as discussed in Step 2, such savings estimates should be based on comparable technology (and reflected, where applicable, in the TRM).
- To reduce customer confusion and “incentive competition”, electric and utilities offering the same or similar EFS measures in overlapping service territories should coordinate offerings and aim for consistency in terms of incentive levels and other features.
- IOUs that opt to count net benefits, from EFS improvements that are part of programs that have energy efficiency as their primary purpose and effect, shall identify in their triennial plans (or other appropriate filings) those programs for which they plan to count net benefits, along with how the net benefits will be estimated. In turn, the utility should provide in its annual report the resulting net benefits and how the estimation method was consistent with the proposed approach;²⁵⁵
- In Annual Reports, utilities should report, at a minimum, the following:
 - Number of EFS improvements during the program year.
 - Number of EFS customer participants during the program year.
 - Increases of electricity energy consumption (kWh) and demand (kW) from EFS improvements during the program year (this reporting requirement applies to both electric and natural gas utilities).²⁵⁶
 - Overall reductions in both site and source energy use, in BTUs and in the relevant fuel denominations (kWh, therms, gallons [gasoline, diesel], etc.) from EFS during the program year.
 - Overall reductions in GHGs from EFS during the program year.

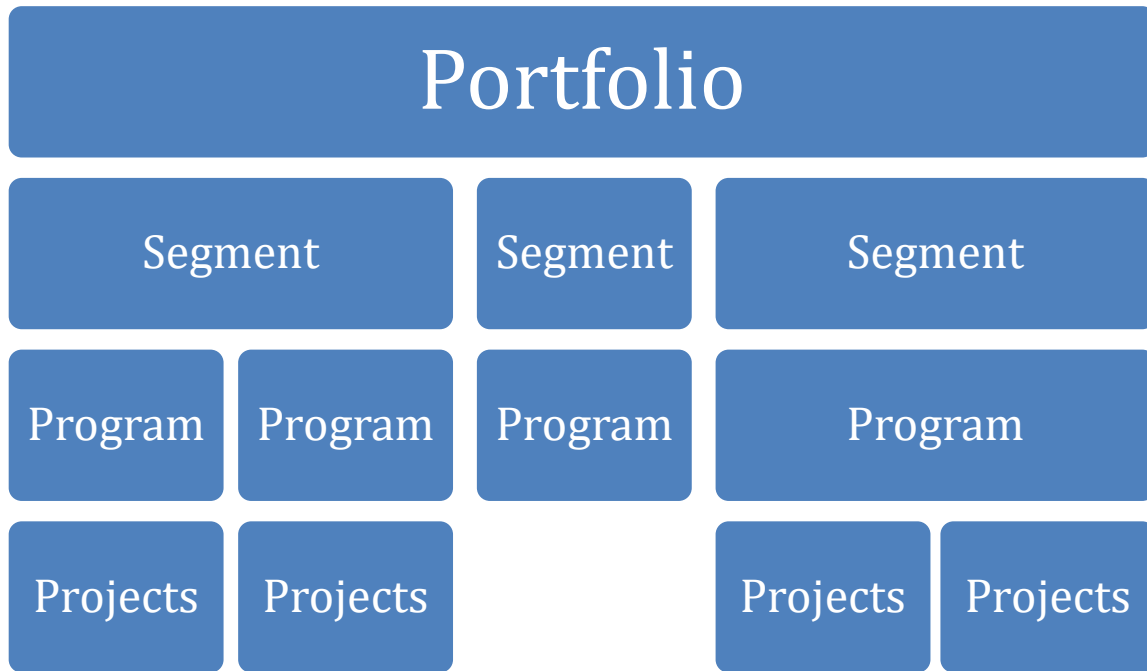
²⁵⁵ See Minn. Stat. §216B.241, Subd. 11(b).

²⁵⁶ See Minn. Stat. §216B.241, Subd. 1c(f).

- To help inform the public about EFS programs, their impacts and ways utilities are continuously improving their EFS programs, utilities should also consider including in their Annual Reports other useful information, such as the types of EFS improvements incentivized by category (e.g. water heating, space heating/cooling, EVs, etc.), learnings from any recent reports or analyses related to EFS, changes to EFS offerings during the year, or mechanisms/features incorporated to broaden customer access and participation.

Attachment C – Clarifications

Program and Projects – This document uses the terms “programs” and “projects” to refer to differ aspects of utility ECO plans. “Projects” refers to individual Custom projects or projects within a program that relies on deemed savings (for example, a residential program that provides incentives for customer projects to install air source heat pumps). Custom projects are also part of a program. Programs are included in segments. Together, the various segments make up a utility’s ECO Portfolio.



Appendix C: Summary of February 20, 2018, Technical Guidance on Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision

In this Appendix C section, Staff provide a summary of the Department's February 20, 2018, Technical Guidance²⁵⁷ that describes utility requirements for claiming energy savings from electric utility infrastructure projects and outlines the use and parameters for carrying forward annual energy savings to succeeding years. **Staff point out that this Technical Guidance was issued prior to the ECO Act's passage.** While Staff believe the Technical Guidance remains largely applicable, some of the new statutory language introduced by the ECO Act will require an updated interpretation of certain metrics/thresholds described in the Technical Guidance. **Utilities are encouraged to contact Staff if there are questions regarding how to interpret the Technical Guidance considering the statutory updates contained in the ECO Act.**

II. INTRODUCTION

Minnesota Statutes section 216B.241 subdivision 1c(d) allows Minnesota electric and natural gas utilities to claim energy savings toward their Conservation Improvement Program (CIP) energy savings goal from eligible electric utility infrastructure (EUI) projects. Additionally, Minnesota Statutes section 216B.241 subdivision 1c(b) allows electric and natural gas utilities to carry forward annual energy savings in excess of 1.5% to succeeding years. Historically, the Department has handled the application of these two sections of Minnesota Statutes on a case-by-case basis when guidance has been requested by individual utilities.

On December 11, 2017, Staff of the Minnesota Department of Commerce, Division of Energy Resources (Staff) filed a Proposal Filing (Proposal) in order to provide utilities with more formal guidance regarding how each of these provisions can be utilized so that there is consistency and clarity regarding their application in helping utilities continue to meet their energy savings goals. The Proposal contains Staff's recommended guidance concerning the utility requirements of Minnesota Statutes section 216B.241 subdivision 1c(d) pertaining to the claiming of energy savings for EUI projects. The Proposal also outlines Staff's recommended use and parameters of the carry forward provision contained in Minnesota Statutes section 216B.241 subdivision 1c(b).

For the purposes of comprehending the Proposal's recommendations, it is important to understand the statutory meaning of energy conservation improvements and EUI improvements.

²⁵⁷ "Deputy Commissioner's Decision: In the Matter of Claiming Energy Savings through Electric Utility Infrastructure Improvements and the Energy Savings Carry Forward Provision" Minnesota Department of Commerce. February 20, 2018. Docket No. CIP-17-856.
<https://www.edockets.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId={30E3B861-0000-C119-AFBE-5532959C72DA}&documentTitle=20182-140321-01>

Minnesota statutes 216B.241 subdivision 1(d) states that “energy conservation” means “demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.” Minnesota statutes 216B.241 subdivision 1(e) states that “energy conservation improvement” is a “project that results in energy efficiency or energy conservation. Energy conservation improvement may include waste heat that is recovered and converted into electricity, but does not include electric utility infrastructure projects approved by the commission under section 216B.1636. Energy conservation improvement also includes waste heat recovered and used as thermal energy.” Throughout this document “energy conservation” and “energy conservation improvement” will be collectively referred to as “demand-side management” (DSM).

Minnesota statutes 216B.1636 subdivision 1(c)(1)-(2) states that:

“Electric utility infrastructure projects” means projects owned by an electric utility that: (1) replace or modify existing electric utility infrastructure, including utility-owned buildings, if the replacement or modification is shown to conserve energy or use energy more efficiently, consistent with section 216B.241, subdivision 1c; or (2) conserve energy or use energy more efficiently by using waste heat recovery converted into electricity as defined in section 216B.241, subdivision 1, paragraph (o).

Throughout this document “electric utility infrastructure projects” will be referred to as EUI projects.

III. ANALYSIS – CLAIMING ENERGY SAVINGS FROM EUI PROJECTS

B. PROPOSED UTILITY GUIDANCE FOR CLAIMING EUI ENERGY SAVINGS

Minnesota Statutes section 216B.241 subdivision 1c(d) states that:

[a] utility or association may include in its energy conservation plan energy savings from electric utility infrastructure projects approved by the commission under section 216B.1636 or waste heat recovery converted into electricity projects that may count as energy savings in addition to a minimum energy-savings goal of at least one percent for energy conservation improvements. Energy savings from electric utility infrastructure projects, as defined in section 216B.1636, may be included in the energy conservation plan of a municipal utility or cooperative electric association.

Guidance

Staff’s guidance is based on a plain reading of section 216B.241 subdivision 1c(d) which suggests that the requirements concerning EUI project savings being counted toward energy savings goals are based on their inclusion in the utility’s CIP plans, not the actual results of those plans.²⁵⁸

Based on this interpretation, if a utility submits a CIP plan to the Department that is subsequently approved, and the plan includes at least 1% DSM savings with the remainder of a utilities’ goal to be met through EUI projects, the actual resulting savings from those EUI projects could then later be counted

²⁵⁸ 216B.241 subdivision 1c(d) makes reference to the inclusion of EUI projects in “energy conservation plans,” counting toward the utility’s “energy savings goals,” but makes no mention of actual energy savings results.

toward the utility's energy savings results for that particular program year regardless of whether the 1% threshold is actually achieved as part of its CIP results.

Simplified Example

Consider a utility that submits a 2019 CIP plan with an overall energy savings goal of 1.5%. This plan includes 1.0% of energy savings to be met through DSM and 0.5% to be met through savings from EUI projects. The Department reviews and approves the 2019 plan.

Then, when reporting its actual 2019 energy savings achievements, the utility achieved 0.9% of savings through DSM and 0.5% through EUI projects. Under existing guidance, the utility would not be able to count the EUI project savings because the utility did not achieve 1% of savings through DSM, and thus would only be able to claim a total savings of 0.9% from DSM. Under Staff's new proposed EUI guidance in this circumstance, the utility would be able to claim the EUI savings and claim overall energy savings of 1.4% because the 1% savings threshold was already met as part of its approved plan.

IV. ANALYSIS – CARRYING FORWARD ENERGY SAVINGS

A. BACKGROUND

The Department has also received numerous inquiries from utilities as to what is permitted under the energy savings carry forward provision (carry forward) of Minnesota Statutes section 216B.241 subdivision 1c(b), which states:

A utility or association may elect to carry forward energy savings in excess of 1.5 percent for a year to the succeeding three calendar years, except that savings from electric utility infrastructure projects allowed under paragraph (d) may be carried forward for five years. A particular energy savings can be used only for one year's goal.

Guidance

To provide more clarity and certainty to utilities wanting to carry forward savings, the Deputy Commissioner finds that more complete guidance needs to be issued. Specifically, utilities need to know:

- What energy savings are eligible to carry forward
- When utilities should elect to carry forward savings
- How utilities should elect to carry forward savings
- How carry forward savings are to be documented in utility filings on eDockets and the Department's Energy Savings Platform (ESP)

Ultimately, the objective of this guidance is to provide utilities with clear instructions as to how to use the carry forward provision to meet the 1.5% energy savings goal in a year where they would otherwise fall short.

C. WHAT ENERGY SAVINGS ARE ELIGIBLE TO BE CARRIED FORWARD

Minnesota Statute section 216B.241 subdivision 1c(b) can be summarized as follows:

A utility or association may elect to carry forward energy savings in excess of 1.5 percent for a year to the succeeding three calendar years, except that:

1. Savings from electric utility infrastructure (EUI) projects allowed under paragraph (d) may be carried forward for five years.
2. A particular energy savings can be used only for one year's goal.

D. ELIGIBLE CARRY FORWARD ENERGY SAVINGS

The Deputy Commissioner approves the following guidance for energy savings eligible to be carried forward:

1. All (or a portion of) energy savings achieved through energy conservation improvements (DSM) as defined in 216B.241 subd. 1(e) over 1.5% achieved in the previous 3 calendar years can be carried forward.
 - a. Example: A utility has a savings short fall in 2017. In 2016, 2015 and 2014 the utility achieved 1.6% savings respectively. The utility can carry forward savings from any of those years to bring 2017 savings to 1.5%.
2. All (or a portion of) energy savings achieved through EUI projects as defined in 216B.1636 1(c)(1)(2) (EUI savings) over 1.5% achieved in the previous 5 calendar years can be carried forward.
 - a. Example: A utility has a savings shortfall in 2017. In 2016, 2015, 2014, 2013 and 2012 the utility achieved 1.6% savings respectively, 0.2% of which was achieved through EUI projects. The utility can carry forward savings from any of those years to bring 2017 savings to 1.5%.
3. Any savings below 1.5% for a year, regardless of Commissioner approved goals below 1.5%, are not eligible to be carried forward.
4. The amount of savings carried forward shall only be enough to reach the 1.5% energy savings goal of a particular year.
5. All energy savings are carried forward at the portfolio level (i.e., savings from the portfolio of one year are carried forward to the portfolio of another year).
6. If savings are carried forward from a particular year, and that year still has savings remaining over 1.5%, savings from that year may be applied to other years until those savings are reduced to 1.5%.
 - a. Example: A utility has a savings short fall in 2017. In 2016 the utility achieved 1.7% savings. The utility carries forward savings from 2016 to bring 2017 up to 1.5%. 2016 now has 1.6% energy savings. In 2018 the utility falls short again. The utility can go back to 2016 and use the remaining savings above 1.5% to bring 2018 into compliance.

F. CARRY FORWARD EUI ENERGY SAVINGS

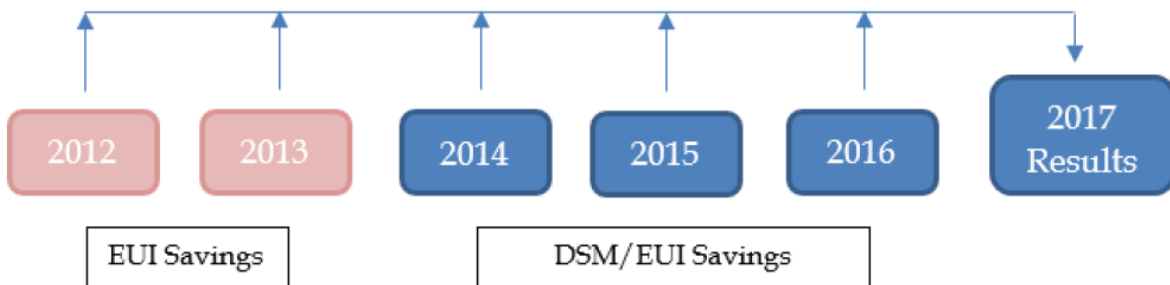
The Deputy Commissioner approves the following guidance for eligible EUI savings to be carried forward:

1. EUI savings over 1.5% of total energy savings can be carried forward from the previous 5 calendar years.
2. If a utility or aggregated group of utilities is carrying forward savings from a year in which there was a mix of DSM savings and EUI savings, they can determine the type of savings to be carried forward, unless the utility or aggregated group is carrying forward savings from 4 or 5 calendar years previous, in which case, the savings would have to be from EUI projects.
 - a. Example #1: A utility has a savings short fall in 2017. In 2016 the utility achieved 1.7% savings (1.2% DSM savings and 0.5% EUI savings). It is up to the utility to declare if the savings to be carried forward to 2017 are DSM savings or EUI savings.
 - b. Example #2: A utility has a savings short fall in 2017. In 2013 the utility achieved 1.7% savings (1.2% DSM savings and 0.5% EUI savings). The utility can only carry forward EUI savings because DSM energy savings are not applicable more than 3 calendar years previous.

G. WHEN TO ELECT TO CARRY FORWARD SAVINGS

Under the new guidance, utilities will elect to carry forward savings to the current reporting year when submitting annual CIP energy savings results. For example, a utility reporting program year 2017 CIP results could elect to carry forward DSM savings or EUI savings from program year 2016 results (and/or 2015 and/or 2014) and/or EUI savings from program year 2013 and/or 2012 in order to avoid a savings short fall and achieve the 1.5% savings goal. See Figure 1.

Figure 1: Available Years to Carry Forward Savings From



By electing to carry forward savings at the time an energy savings short fall has been identified, the proposed approach allows utilities to carry forward savings when needed for compliance purposes rather than provisionally carrying forward savings to a future year in the event of a short fall. This approach also allows utilities to more easily leverage EUI savings from up to 5 years previous and distinguish them from DSM savings.

H. HOW TO ELECT TO CARRY FORWARD SAVINGS

Under the new guidance, the Investor-Owned Utilities (IOUs) and municipal and cooperative utilities (COUs) will use their respective CIP reporting mechanisms to elect to carry forward savings.

The IOUs will include any proposed carry forward savings in their annual CIP status reports, documenting the amount of savings to be carried forward, the type of savings (DSM or EUI), and from which year(s) savings are being carried forward from. The Department will then determine the eligibility of the proposed carrying forward of savings during the status report review process.

I. HOW TO DOCUMENT CARRY FORWARD SAVINGS

CIP is the implementation of the State's annual 1.5% electric and natural gas energy efficiency resource standard. As such, the Department has a responsibility to accurately record and track the annual statewide performance of electric and natural gas utilities.

For the reporting year that the carry forward savings are being applied to, the status report decision for IOUs or the compliance letter for COUs will include a "Carry Forward Savings" line item in the energy savings tables. The status report decision or compliance letter will confirm the achievement of the savings goal for that year, but only the actual savings achieved during that year will be included in the overall statewide utility performance.

Appendix D: Summary of October 22, 2018, Technical Guidance for Determining Normal Maintenance Activities and CIP Review Process for Electric Utility Infrastructure Projects

In this Appendix D section, Staff provide a summary the Department’s October 22, 2018, Technical Guidance²⁵⁹ that describes how to determine electric utility infrastructure “normal maintenance” activities, how to determine an electric utility infrastructure project’s energy use baseline, and a step-by-step process to help standardize how electric utility infrastructure projects are reviewed and approved for ECO energy savings credit. **Staff point out that this Technical Guidance was issued prior to the ECO Act’s passage.** While Staff believe the Technical Guidance remains largely applicable, some of the new statutory language introduced by the ECO Act will require an updated interpretation of certain metrics/thresholds described in the Technical Guidance. **Utilities are encouraged to contact Staff if there are questions regarding how to interpret the Technical Guidance considering the statutory updates contained in the ECO Act.**

II. BACKGROUND

Minnesota statute §216B.241 subd. 1c(d) allows utilities to include energy savings from electric utility infrastructure (EUI) projects toward their Conservation Improvement Program (CIP) goals, provided the projects achieve greater efficiency than would otherwise be implemented in the course of “normal maintenance” activity. However, determining what should be considered “normal maintenance” is not clearly distinguished by the statute, resulting in uncertain savings calculations and making it difficult for utilities to assess the value of infrastructure efficiency options.

On August 22, 2018, Staff of the Minnesota Department of Commerce, Division of Energy Resources (Staff) filed a Proposal Filing (Proposal) in order to provide utilities with more formal guidance regarding how to determine EUI “normal maintenance” activities, so that there is more consistency and clarity regarding its interpretation.

The Approved Policy Guidance (Guidance) detailed below, provides the Deputy Commissioner’s determinations on Staff’s Proposal. The Guidance approves: 1) Screening criteria to help determine “normal maintenance” activities, 2) guidance for determining an EUI project’s energy use baseline, and 3) a step-by-step process to help standardize how EUI projects are reviewed and approved for CIP energy savings credit.

III. DETERMINING NORMAL MAINTENANCE

²⁵⁹ “Deputy Commissioner’s Decision: In the Matter of Determining Normal Maintenance Activities and CIP Review Process for Electric Utility Infrastructure Projects.” Minnesota Department of Commerce. October 22, 2018. Docket No. CIP-18-543.

<https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bB0849C66-0000-C310-A767-92B206A5993B%7d&documentTitle=201810-147198-01>

The following guidance related to determining “normal maintenance” is meant to 1) establish a threshold for screening EUI efficiency projects that are eligible versus ineligible for CIP credit, and 2) determine an appropriate energy use baseline to be used for energy savings calculations.

Once “normal maintenance” is determined for a facility or equipment, actions that result in efficiency greater than that threshold are considered “beyond normal maintenance” and are eligible to claim CIP credit. Conversely, actions that are considered “normal maintenance” are not eligible for CIP credit.

“Normal maintenance” will be defined differently for projects depending on the specific equipment or facility under consideration and the proposed efficiency improvements. Due to the wide variety of EUI equipment or facilities that could possibly claim conservation credit, the determination of “normal maintenance” is impossible to definitively prescribe for all use cases in advance.

This Guidance should be thought of as a guideline for improving understanding of “normal maintenance,” to anticipate common issues that are likely to arise, and reduce uncertainty while planning EUI efficiency projects. It is highly recommended that utilities submit all projects to Commerce for review early in the planning process to ensure the proposed “normal maintenance” determination is appropriate for the specific project.

Normal Maintenance Criteria

For CIP purposes, “normal maintenance” is defined as actions that do not change or alter the fundamental design or nature of the affected facility²⁶⁰ or equipment, and meet at least one of the following criteria:

Modifying existing equipment or facility

- Actions required to allow the facility or equipment to operate as designed.
- Actions recommended by the equipment manufacturer as maintenance.
- Actions actually performed periodically on the facility or equipment with historical documentation of the actions for at least three maintenance cycles.
- Actions called for under an established maintenance protocol. Protocol must be documented and have been in effect for at least one quarter of the expected lifetime of the equipment prior to the efficiency project.
- Actions that meet the definition of maintenance as prescribed in the applicable Technical Reference Manual EUI measure.²⁶¹

Replacing equipment

- Actions to install new equipment that meets efficiency requirements of current applicable codes or standards.

²⁶⁰ Language from a 1991 court case concerning the definition of maintenance for New Source Review purposes. Seventh Circuit of Appeals WEPCo vs. Reilly.

²⁶¹ “Minnesota TRM Webpage”: <https://mn.gov/commerce/energy/industry-government/cip/technical-reference-manual/>

- Actions to replace equipment according to an established internal protocol. Protocol must be documented and have been in effect for at least one quarter of the expected lifetime of the equipment prior to the efficiency project.
- Actions to replace equipment following a historical pattern of similar replacements.
- Actions that meet the definition of the baseline case for equipment replacement as prescribed in the applicable Technical Reference Manual EUI measure.

IV. ESTABLISHING A BASELINE FOR ENERGY SAVINGS ESTIMATION

Once “normal maintenance” is determined for a facility or equipment, actions that result in efficiency greater than that threshold are considered “beyond normal maintenance” and are eligible to claim CIP credit.

To establish a baseline for estimating energy savings, a proposed EUI efficiency project should be compared to the scenario defined as “normal maintenance” to calculate conservation credit, where the savings are calculated by determining the difference between the two scenarios.

The methodology used to compare the scenarios to calculate savings will depend on the type of project proposed. For example, several types of EUI projects can use methodologies defined in the Minnesota Technical Reference Manual.²⁶² For projects where more than one of the preceding descriptions apply, the description that produces the most efficient baseline (and highest threshold for eligibility) should be used for CIP purposes.

In all cases, the baseline used for energy savings calculations is ultimately subject to approval by Commerce. Applying the “normal maintenance” guidance to determine baseline conditions means that in some cases existing equipment in the existing condition does not constitute the appropriate baseline for calculating CIP energy savings.

In many cases, the actual long-term historical performance of equipment will constitute an appropriate baseline under the assumption that the equipment has been appropriately maintained. That is, actual maintenance normally undertaken will often define “normal maintenance” for CIP purposes. Even for projects where this is the case, the baseline must be reviewed and approved before it is verified as eligible.

Additional Guidance

If “normal maintenance” activity is still not clearly understood using the guidance definition above, conservation calculations can use the original design specifications of the equipment as the baseline. In this case, even if the equipment has degraded to be inefficient, improvements only count that increase efficiency beyond the equipment’s originally-designed operating conditions. This strategy depends on a clearly defined original design when the equipment was installed or most recently upgraded. This method should only be used in cases where:

1. Normal maintenance is not reasonably defined per the above guidance

²⁶² “Minnesota TRM Webpage”: <https://mn.gov/commerce/energy/industry-government/cip/technical-reference-manual/>

2. The original design conditions are obviously identifiable

Special Generation Case

If a proposed action triggers a New Source Review (NSR) for an existing facility, the upgrades can be claimed toward CIP energy savings goals because they have already been deemed beyond the course of normal maintenance under the broader definition of maintenance used by the EPA for NSR purposes.

V. EUI PROJECT REVIEW AND APPROVAL PROCESS

For a proposed EUI efficiency project, “normal maintenance” activity must be well understood to establish an eligibility threshold and to determine baseline conditions to calculate energy savings. Having these parameters appropriately defined will help ensure that the EUI efficiency project will be eligible for CIP credit.

The following step-by-step process outlines the EUI project information that utilities should submit to Commerce for review and approval. It is recommended that the utilities communicate with Commerce’s CIP Staff during this review/approval process to help ensure that the proposed EUI project will be eligible for CIP energy savings credit.

Step 1 – Develop EUI Project Outline

Develop a narrative summary description of the EUI project that addresses:

- *Who*: The name of the utility that intends to claim energy savings from the EUI project.
- *What*: A general description of the EUI efficiency project and the existing equipment that it is modifying or replacing.
- *Where*: The location of the EUI project.
- *Why*: How the EUI project will save energy.
- *When*: The general schedule for implementation, including which year the utility intends to claim the resulting CIP savings for.
- *How*: How the baseline consumption and efficient equipment consumption will be tracked and measured.

Step 2 – Determine Normal Maintenance for the Existing Equipment

Referencing the guidance above, develop a summary description of “normal maintenance” action(s) for the existing equipment.

Step 3 – Define Beyond Normal Maintenance for the Proposed EUI Efficiency Project

Develop a summary justification about how the proposed EUI efficiency project would exceed the determined “normal maintenance” actions for the system or facility, and include a description of the proposed baseline for calculating the EUI project’s energy savings.

Step 4 – Submit Initial Proposed EUI Project Information to Commerce

Submit the Project Outline, Normal Maintenance Description, and Beyond Normal Maintenance Justification (i.e. outlined in Steps 1-3) to Commerce CIP Staff for their preliminary review.

Commerce CIP Staff will proceed to:

1. Determine whether the description of “normal maintenance” is accurate and appropriate for the proposed project.
2. Verify whether the proposed EUI project description would be considered “beyond normal maintenance.”
3. Send an email response to the utility summarizing Staff’s initial findings and recommendations, including whether or not to proceed to Steps 5-6 of the EUI project review/approval process.

Step 5 – Determine Proposed Energy Savings Methodology

Develop a proposed CIP energy savings calculation methodology. The methodology should reference the applicable TRM measure or describe a model that will be used to calculate savings.

The efficient case in the model/algorithm should describe expected operating conditions after implementing the proposed EUI project. The baseline case in the model/algorithm should describe operating conditions in the normal maintenance case (this may or may not correspond to the actual existing conditions of the system/facility).

Documentation to justify the chosen baseline case should include the following, if available:

- Standing maintenance protocol
- Manufacturer recommended maintenance guidelines
- Historic documentation of periodic actions performed at the site or on the equipment
- Any applicable energy codes or standards
- Historic documentation of similar projects
- Description what would occur at the site in the absence of the proposed project

Step 6 – Estimate EUI Energy Savings

Using the TRM or appropriate modeling tools, estimate the energy savings of the proposed EUI project. Submit the estimated energy savings to Commerce along with the methodology details from Step 5 to Commerce CIP Staff for review.

Commerce CIP Staff will proceed to:

1. Determine whether the proposed savings calculation methodology is appropriate, or if modifications are needed.
2. Review the energy savings calculations and project documentation for accuracy.
3. Send an email response to the utility summarizing Staff’s findings and recommendations, including whether or not to proceed to Step 7 of the EUI project review/approval process.

Step 7 – Implement EUI Project and Claim CIP Credit

Once the proposed project is complete, submit final project documentation to Commerce, including the savings methodology, description of the chosen baseline, measured data, and calculated energy savings.

Commerce Staff will then proceed to:

1. Review the final project documentation.
2. Submit an emailed response with final approval, approval with modifications, or disapproval of the EUI energy savings for CIP credit.

Appendix E: Definition of Low-Income Household in ECO Programs

2023 Minnesota Regular Session Law Chapter 60—House File 2310²⁶³ was signed by Governor Tim Waltz on May 24, 2023, and became effective on May 25th. The law included a change to the definition of low-income household to be used in Energy Conservation and Optimization (ECO) programs.

With this change, "Low-income household"²⁶⁴ means a household whose household income:

- (1) is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by the United States Department of Housing and Urban Development; or
- (2) meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department.

Option 1: Area Median Income

The United States Department of Housing and Urban Development (HUD) estimates Median Family Income (MFI) annually for each metropolitan area and non-metropolitan county based on data from the American Community Survey, table B19113 - MEDIAN FAMILY INCOME IN THE PAST 12 MONTHS. HUD then calculates Income Limits as a function of an area's MFI. According to HUD:

The term Area Median Income (AMI) is the term used more generally in the affordable housing industry. If the term Area Median Income (AMI) is used in an unqualified manner, this reference is synonymous with HUD's MFI. However, if the term AMI is qualified in some way - generally percentages of AMI, or AMI adjusted for family size, then this is a reference to HUD's income limits, which are calculated as percentages of median incomes and include adjustments for families of different sizes.²⁶⁵

One can access the most recent HUD income limits for an individual county or metropolitan statistical area (MSA), including the low income limits based on 80% of AMI, via the tool to "Access Individual Income Limits Areas" on the [Income Limits webpage](#)²⁶⁶ of HUD's Office of Policy Development and Research website. Analysts using this method should keep in mind that the appropriate income limits for more urban areas are accessed by searching the list of MSAs rather than the list of counties.

To see a list of 80% AMI for all counties and MSAs in Minnesota and determine ECO low-income household thresholds, one can download a spreadsheet of program income limits that HUD's Office of

²⁶³ Available at: <https://www.revisor.mn.gov/laws/2023/0/60/laws.12.19.0#laws.12.19.0>.

²⁶⁴ The citation in MN Statutes is MN Statutes 216B.2402 Subdivision 16.

²⁶⁵ At the time of drafting this guidance, this was available at: https://www.huduser.gov/portal/datasets/il.html#faq_2023.

²⁶⁶ At the time of drafting this guidance, this was available at: https://www.huduser.gov/portal/datasets/il.html#2023_data.

Policy Development and Research provides on its [Datasets webpage](#)²⁶⁷ (e.g., HOMES Income Limits). One can then filter the spreadsheet by state and remove the columns other than those pertaining to 80% AMI scaled by household size. For the 2023 HOMES program income limits file, these columns are labeled as follows:

Column Heading	Meaning
Lim80_23p1	80% AMI, 2023, 1 person household
Lim80_23p2	80% AMI, 2023, 2-person household
Lim80_23p3	80% AMI, 2023, 3-person household
Lim80_23p4	80% AMI, 2023, 4-person household
Lim80_23p5	80% AMI, 2023, 5-person household
Lim80_23p6	80% AMI, 2023, 6-person household
Lim80_23p7	80% AMI, 2023, 7-person household
Lim80_23p8 ²⁶⁸	80% AMI, 2023, 8-person household

HUD typically releases updated income limits on April 1st.

Option 2: Federal, State, Municipal, or Utility Program Administered or Approved by The Department

This option allows utilities to use categorical eligibility programs as a proxy for ECO low-income eligibility. Rather than conducting an income verification process or asking customers to self-certify their income, utilities may determine income-qualified households by verifying that the household participates in an approved categorical program. Customers may need to show a card, letter, statement, or other documentation to prove that they participate in the categorical program. A consideration when using categorical eligibility is that some programs have multiple pathways for eligibility some of which may not be income based.²⁶⁹ The Department will maintain a list of categorical programs approved by the Deputy Commissioner that can be used to determine income eligibility for low-income ECO programs.

Utilities are not required to make use of all the programs on the list and may use discretion to set different requirements for different programs. For example, a utility may want to strictly use the Weatherization Assistance Program (WAP) income limits for a program delivered in conjunction with WAP service providers but make use of a wider variety of categorical programs to determine eligibility

²⁶⁷ At the time of drafting this guidance, this was available at: https://www.huduser.gov/portal/pdrdatas_landing.html.

²⁶⁸ Income limits for households larger than 8 are available under the individual county and MSA source by clicking on “Click for More Detail” and using the tool provided at the bottom of the page for calculating “Low-Income Limit Calculation For Families With More Than 8 People”.

²⁶⁹ For example, while the majority of students enrolled in Head Start are income eligible, Head Start programs are allowed to serve a certain percentage of families that fall over the income guidelines. Each Head Start program is required to serve at least 10% of its funded enrollment that are children with a diagnosed disability. This may be a reason why an “over income” child is served by a program. Information is available at <https://mnheadstart.org/Eligibility>.

for a different low-income program that it offers. Similarly, a utility may want to offer one program targeted at customers with the most need for assistance that uses certain categorical programs to determine eligibility and offer another program targeted at moderate income customers that uses a different set of categorical programs or a different method to determine program eligibility. The Department will review this aspect of utility program design at the time a utility proposes the program under the existing ECO regulatory review framework (i.e., Triennial plan review, program modification filings, courtesy notifications).

Utilities should include in their program descriptions for low-income programs, information describing program eligibility requirements and information about any programs the utility intends to use to determine categorical eligibility. As utilities propose additional programs for categorical eligibility that are not on the list maintained by the Department, the Department will review that program and update the list of programs so that it is accessible to all utilities and interested parties.

Interested Parties

Interested parties are welcome to suggest additional programs for inclusion on the Department's list by contacting Department staff at CIP.Contact@state.mn.us.

Telecom List

As part of the Department's regulatory role in the telecom industry, the Department maintains a [list](#) of programs²⁷⁰ that can be used to verify eligibility for the Lifeline and Telephone Assistance Program (TAP) discount programs. Utilities may use programs on that list to determine categorical eligibility for ECO low-income programs.

Note About Timelines for Updates

The use of HUD's AMI data and an expansive list of categorical eligibility programs introduces some complexity related to alignment of the ECO regulatory timelines and program year, versus timelines and program years for other programs. Department Staff realize that utilities need some lead time to update program materials and to coordinate with program vendors. Department Staff expect utilities to track HUD updates which typically occur on April 1st and incorporate them into their operations as soon as feasible. Staff do not expect utilities to track changes in program eligibility guidelines used for categorical eligibility program. However, utilities need to establish a process to verify that customer documentation used for this method is currently valid.

Utilities can use the courtesy notification process described in their Triennial Plan Decisions to notify Department Staff of:

- use of updated HUD AMI data.
- changes regarding use of categorical eligibility programs.

²⁷⁰ Available at <https://mn.gov/commerce/consumer/telecom/phone-discounts/>. Additional information about how to demonstrate participation in categorical programs is available at <https://www.affordableconnectivity.gov/how-to-apply/show-you-qualify/>.

Staff expect that in most cases a courtesy notification will be sufficient. However, upon reviewing a courtesy notification, Staff may determine that program design is more substantial and requires a program modification.

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
Proposed CIP Decision**

Docket No. G008/CIP-23-95, G7033, E7031/CIP-23-100, and G7032, E7032/CIP-23-101

Dated this **23rd** day of **October 2023**

/s/Sharon Ferguson

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Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_23-95_CIP-23-95
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-95_CIP-23-95
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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-100_CIP-23-100
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Charles	Drayton	charles.drayton@enbridge.com	Enbridge Energy Company, Inc.	7701 France Ave S Ste 600 Edina, MN 55435	Electronic Service	No	OFF_SL_23-100_CIP-23-100

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Jenny	Glumack	jenny@mrea.org	Minnesota Rural Electric Association	11640 73rd Ave N Maple Grove, MN 55369	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Jason	Grenier	jgrenier@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Jeffrey	Haase	jhaase@grenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369	Electronic Service	No	OFF_SL_23-100_CIP-23-100

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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Joe	Hoffman	ja.hoffman@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Dave	Johnson	dave.johnson@aeoa.org	Arrowhead Economic Opportunity Agency	702 3rd Ave S Virginia, MN 55792	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Martin	Kapsch	martin.kapsch@centerpointenergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Deborah	Knoll	dknoll@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Kathryn	Knudson	kathryn.knudson@centerpointenergy.com	CenterPoint Energy Minnesota Gas	N/A	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Tina	Koecher	tkoecher@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Kelly	Lady	kellyl@austinutilities.com	Austin Utilities	400 4th St NE Austin, MN 55912	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Martin	Lepak	Martin.Lepak@aeoa.org	Arrowhead Economic Opportunity	702 S 3rd Ave Virginia, MN 55792	Electronic Service	No	OFF_SL_23-100_CIP-23-100

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Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Audrey	Partridge	apartridge@mncee.org	Center for Energy and Environment	212 3rd Ave. N. Suite 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Lisa	Pickard	lseverson@minnkota.com	Minnkota Power Cooperative	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Bill	Poppert	info@technologycos.com	Technology North	2433 Highwood Ave St. Paul, MN 55119	Electronic Service	No	OFF_SL_23-100_CIP-23-100

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Dave	Reinke	dreinke@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024-9583	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_23-100_CIP-23-100
Jean	Schafer	jeans@bepc.com	Basin Electric Power Cooperative	1717 E Interstate Ave Bismarck, ND 58501	Paper Service	No	OFF_SL_23-100_CIP-23-100
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th Pl E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-100_CIP-23-100
Rick	Sisk	RSisk@trccompanies.com	Lockheed Martin	1000 Clark Ave. St. Louis, MO 63102	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Anna	Sommer	ASommer@energyfuturesgroup.com	Energy Futures Group	PO Box 692 Canton, NY 13617	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Russ	Stark	Russ.Stark@ci.stpaul.mn.us	City of St. Paul	Mayor's Office 15 W. Kellogg Blvd., Suite 390 Saint Paul, MN 55102	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Kodi	Verhalen	kverhalen@taftlaw.com	Taft Stettinius & Hollister LLP	80 S 8th St Ste 2200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-100_CIP-23-100

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Volker	mvolker@eastriver.coop	East River Electric Power Coop	211 S. Harth Ave Madison, SD 57042	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Sharon N.	Walsh	swalsh@shakopeeutilities.com	Shakopee Public Utilities	255 Sarazin St Shakopee, MN 55379	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Ethan	Warner	ethan.warner@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-100_CIP-23-100
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_23-100_CIP-23-100

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tom	Balster	tombalster@alliantenergy.com	Interstate Power & Light Company	PO Box 351 200 1st St SE Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Lisa	Beckner	lbeckner@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_23-101_CIP-23-101
William	Black	bblack@mmua.org	MMUA	Suite 200 3131 Fernbrook Lane North Plymouth, MN 55447	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	60 S 6th St Ste 1500 Minneapolis, MN 55402-4400	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-101_CIP-23-101
George	Crocker	gwillc@nawo.org	North American Water Office	5093 Keats Avenue Lake Elmo, MN 55042	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Patrick	Deal	pdeal@mnchamber.com	Minnesota Chamber of Commerce	400 Robert St N Ste 1500 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Steve	Downer	sdowner@mmua.org	MMUA	3025 Harbor Ln N Ste 400 Plymouth, MN 554475142	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Charles	Drayton	charles.drayton@enbridge.com	Enbridge Energy Company, Inc.	7701 France Ave S Ste 600 Edina, MN 55435	Electronic Service	No	OFF_SL_23-101_CIP-23-101

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jim	Erchul	jerschul@dbnhs.org	Daytons Bluff Neighborhood Housing Sv.	823 E 7th St St. Paul, MN 55106	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Greg	Ernst	gaernst@q.com	G. A. Ernst & Associates, Inc.	2377 Union Lake Trl Northfield, MN 55057	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Melissa S	Feine	melissa.feine@semcac.org	SEMCAC	PO Box 549 204 S Elm St Rushford, MN 55971	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Karolanne	Foley	Karolanne.foley@dairylandpower.com	Dairyland Power Cooperative	PO Box 817 La Crosse, WI 54602-0817	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Rob	Friend	rfriend@mnchamber.com	Minnesota Chamber of Commerce - MN Waste Wise Foundation	400 Robert St N Ste 1500 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Tyler	Glewwe	Tyler.Glewwe@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Jenny	Glumack	jenny@mrea.org	Minnesota Rural Electric Association	11640 73rd Ave N Maple Grove, MN 55369	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Jason	Grenier	jgrenier@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Jeffrey	Haase	jhaase@grenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369	Electronic Service	No	OFF_SL_23-101_CIP-23-101

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Patty	Hanson	phanson@rpu.org	Rochester Public Utilities	4000 E River Rd NE Rochester, MN 55906	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Jared	Hendricks	jared.hendricks@owatonnautilities.com	Owatonna Municipal Public Utilities	PO Box 800 208 S Walnut Ave Owatonna, MN 55060-2940	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Joe	Hoffman	ja.hoffman@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Dave	Johnson	dave.johnson@aeoa.org	Arrowhead Economic Opportunity Agency	702 3rd Ave S Virginia, MN 55792	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Martin	Kapsch	martin.kapsch@centerpointenergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Deborah	Knoll	dknoll@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Kathryn	Knudson	kathryn.knudson@centerpointenergy.com	CenterPoint Energy Minnesota Gas	N/A	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Tina	Koecher	tkoecher@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Kelly	Lady	kellyl@austinutilities.com	Austin Utilities	400 4th St NE Austin, MN 55912	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Martin	Lepak	Martin.Lepak@aeoa.org	Arrowhead Economic Opportunity	702 S 3rd Ave Virginia, MN 55792	Electronic Service	No	OFF_SL_23-101_CIP-23-101

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Corey	Lubovich	coreyl@hpuc.com	Hibbing Public Utilities Commission	1902 6th Ave E Hibbing, MN 55746	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 E 7th St St Paul, MN 55106	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Simeon	Matthews	smatthews@enerchange.org		N/A	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Scot	McClure	scotmcclure@alliantenergy.com	Interstate Power And Light Company	4902 N Biltmore Ln PO Box 77007 Madison, WI 537071007	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Michael	Menzel	mike.m@sagiliti.com	Sagiliti	23505 Smithtown Rd. Suite 280 Excelsior, MN 55331	Electronic Service	No	OFF_SL_23-101_CIP-23-101
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Audrey	Partridge	apartridge@mncee.org	Center for Energy and Environment	212 3rd Ave. N. Suite 560 Minneapolis, MN 55401	Electronic Service	No	OFF_SL_23-101_CIP-23-101

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Lisa	Pickard	lseverson@minnkota.com	Minnkota Power Cooperative	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Bill	Poppert	info@technologycos.com	Technology North	2433 Highwood Ave St. Paul, MN 55119	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Dave	Reinke	dreinke@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024-9583	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_23-101_CIP-23-101
Jean	Schafer	jeans@bepc.com	Basin Electric Power Cooperative	1717 E Interstate Ave Bismarck, ND 58501	Paper Service	No	OFF_SL_23-101_CIP-23-101
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-101_CIP-23-101
Gregg	Shane	gshane@enerchange.org		N/A	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Rick	Sisk	RSisk@trccompanies.com	Lockheed Martin	1000 Clark Ave. St. Louis, MO 63102	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	OFF_SL_23-101_CIP-23-101

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Anna	Sommer	ASommer@energyfuturesgroup.com	Energy Futures Group	PO Box 692 Canton, NY 13617	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Russ	Stark	Russ.Stark@ci.stpaul.mn.us	City of St. Paul	Mayor's Office 15 W. Kellogg Blvd., Suite 390 Saint Paul, MN 55102	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Kodi	Verhalen	kverhalen@taftlaw.com	Taft Stettinius & Hollister LLP	80 S 8th St Ste 2200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Michael	Volker	mvolker@eastriver.coop	East River Electric Power Coop	211 S. Harth Ave Madison, SD 57042	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Sharon N.	Walsh	swalsh@shakopeeutilities.com	Shakopee Public Utilities	255 Sarazin St Shakopee, MN 55379	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Ethan	Warner	ethan.warner@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_23-101_CIP-23-101
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	OFF_SL_23-101_CIP-23-101

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Tom	Balster	tombalster@alliantenergy.com	Interstate Power & Light Company	PO Box 351 200 1st St SE Cedar Rapids, IA 524060351	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Lisa	Beckner	lbeckner@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
William	Black	bblack@mmua.org	MMUA	Suite 200 3131 Fernbrook Lane North Plymouth, MN 55447	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Christina	Brusven	cbrusven@fredlaw.com	Fredrikson Byron	60 S 6th St Ste 1500 Minneapolis, MN 55402-4400	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Ray	Choquette	rchoquette@agp.com	Ag Processing Inc.	12700 West Dodge Road PO Box 2047 Omaha, NE 68103-2047	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
George	Crocker	gwillc@nawo.org	North American Water Office	5093 Keats Avenue Lake Elmo, MN 55042	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Patrick	Deal	pdeal@mnchamber.com	Minnesota Chamber of Commerce	400 Robert St N Ste 1500 Saint Paul, MN 55101	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Steve	Downer	sdowner@mmua.org	MMUA	3025 Harbor Ln N Ste 400 Plymouth, MN 554475142	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Charles	Drayton	charles.drayton@enbridge.com	Enbridge Energy Company, Inc.	7701 France Ave S Ste 600 Edina, MN 55435	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Jim	Erchul	jerschul@dbnhs.org	Daytons Bluff Neighborhood Housing Sv.	823 E 7th St St. Paul, MN 55106	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Greg	Ernst	gaernst@q.com	G. A. Ernst & Associates, Inc.	2377 Union Lake Trl Northfield, MN 55057	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Melissa S	Feine	melissa.feine@semcac.org	SEMCAC	PO Box 549 204 S Elm St Rushford, MN 55971	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 551012198	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Karolanne	Foley	Karolanne.foley@dairylandpower.com	Dairyland Power Cooperative	PO Box 817 La Crosse, WI 54602-0817	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Rob	Friend	rfriend@mnchamber.com	Minnesota Chamber of Commerce - MN Waste Wise Foundation	400 Robert St N Ste 1500 Saint Paul, MN 55101	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Tyler	Glewwe	Tyler.Glewwe@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Jenny	Glumack	jenny@mrea.org	Minnesota Rural Electric Association	11640 73rd Ave N Maple Grove, MN 55369	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Jason	Grenier	jgrenier@otpc.com	Otter Tail Power Company	215 South Cascade Street Fergus Falls, MN 56537	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Jeffrey	Haase	jhaase@grenergy.com	Great River Energy	12300 Elm Creek Blvd Maple Grove, MN 55369	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Patty	Hanson	phanson@rpu.org	Rochester Public Utilities	4000 E River Rd NE Rochester, MN 55906	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Jared	Hendricks	jared.hendricks@owatonnautilities.com	Owatonna Municipal Public Utilities	PO Box 800 208 S Walnut Ave Owatonna, MN 55060-2940	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Joe	Hoffman	ja.hoffman@smmpa.org	SMMPA	500 First Ave SW Rochester, MN 55902-3303	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Dave	Johnson	dave.johnson@aeoa.org	Arrowhead Economic Opportunity Agency	702 3rd Ave S Virginia, MN 55792	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Martin	Kapsch	martin.kapsch@centerpointenergy.com	CenterPoint Energy Minnesota Gas	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Deborah	Knoll	dknoll@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 55802	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Kathryn	Knudson	kathryn.knudson@centerpointenergy.com	CenterPoint Energy Minnesota Gas	N/A	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Tina	Koecher	tkoecher@mnpower.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Kelly	Lady	kellyl@austinutilities.com	Austin Utilities	400 4th St NE Austin, MN 55912	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Martin	Lepak	Martin.Lepak@aeoa.org	Arrowhead Economic Opportunity	702 S 3rd Ave Virginia, MN 55792	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Corey	Lubovich	coreyl@hpuc.com	Hibbing Public Utilities Commission	1902 6th Ave E Hibbing, MN 55746	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 E 7th St St Paul, MN 55106	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Scot	McClure	scotmcclure@alliantenergy.com	Interstate Power And Light Company	4902 N Biltmore Ln PO Box 77007 Madison, WI 537071007	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St Duluth, MN 558022093	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Andrew	Moratzka	andrew.moratzka@stoel.com	Stoel Rives LLP	33 South Sixth St Ste 4200 Minneapolis, MN 55402	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Carl	Nelson	cnelson@mncee.org	Center for Energy and Environment	212 3rd Ave N Ste 560 Minneapolis, MN 55401	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Samantha	Norris	samanthanorris@alliantenergy.com	Interstate Power and Light Company	200 1st Street SE PO Box 351 Cedar Rapids, IA 524060351	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Audrey	Partridge	apartridge@mncee.org	Center for Energy and Environment	212 3rd Ave. N. Suite 560 Minneapolis, MN 55401	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Lisa	Pickard	lseverson@minnkota.com	Minnkota Power Cooperative	5301 32nd Ave S Grand Forks, ND 58201	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Bill	Poppert	info@technologycos.com	Technology North	2433 Highwood Ave St. Paul, MN 55119	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Dave	Reinke	dreinke@dakotaelectric.com	Dakota Electric Association	4300 220th St W Farmington, MN 55024-9583	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Jean	Schafer	jeans@bepec.com	Basin Electric Power Cooperative	1717 E Interstate Ave Bismarck, ND 58501	Paper Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Christine	Schwartz	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Rick	Sisk	RSisk@trccompanies.com	Lockheed Martin	1000 Clark Ave. St. Louis, MO 63102	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Ken	Smith	ken.smith@districtenergy.com	District Energy St. Paul Inc.	76 W Kellogg Blvd St. Paul, MN 55102	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Anna	Sommer	ASommer@energyfuturesgroup.com	Energy Futures Group	PO Box 692 Canton, NY 13617	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Russ	Stark	Russ.Stark@ci.stpaul.mn.us	City of St. Paul	Mayor's Office 15 W. Kellogg Blvd., Suite 390 Saint Paul, MN 55102	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST
Kodi	Verhalen	kverhalen@taftlaw.com	Taft Stettinius & Hollister LLP	80 S 8th St Ste 2200 Minneapolis, MN 55402	Electronic Service	No	SPL_SL_CIP SPECIAL SERVICE LIST

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Volker	mvolker@eastriver.coop	East River Electric Power Coop	211 S. Harth Ave Madison, SD 57042	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Sharon N.	Walsh	swalsh@shakopeeutilities.com	Shakopee Public Utilities	255 Sarazin St Shakopee, MN 55379	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Ethan	Warner	ethan.warner@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST
Robyn	Woeste	robynwoeste@alliantenergy.com	Interstate Power and Light Company	200 First St SE Cedar Rapids, IA 52401	Electronic Service	No	SPL_SL__CIP SPECIAL SERVICE LIST