

- 1 8. Create Bid Sheet or Salary/Task Matrix
- 2 9. Determine the Evaluation Criteria and weights (weights are not
- 3 disclosed to RFP participants)
- 4 10. Establish Contract Documents (Terms and Conditions, Compensation
- 5 Schedule, NDA, Supplier Diversity Documents)
- 6 11. Pre-qualify Bidders (include MWBEs or justify exclusion)
- 7 12. Distribute RFP Document via electronic sourcing system (ESO)
- 8 13. Pre-Bid Conference (optional)
- 9 14. Close of Vendor Questions
- 10 15. Proposal Submittal
- 11 16. Proposal Evaluation
- 12 17. Determine "Short List" (optional)
- 13 18. Vendor Presentations/Site Visit (optional)
- 14 19. Preliminary Award
- 15 20. Contract Negotiation
- 16 21. Final Award
- 17 22. Executive Approval
- 18 23. Implementation

1 **Q. HAS CENTERPOINT HOUSTON PROVIDED A LIST OF ALL ENERGY**
 2 **EFFICIENCY SERVICE PROVIDERS IN THIS FILING CONSISTENT**
 3 **WITH SUBSTANTIVE RULE 25.181(f)(10)(K)’S DIRECTION?**

4 A. Yes, a list of all energy efficiency service providers can be found in my
 5 workpapers.⁵

6 **Q. CAN YOU SPEAK TO HOW CENTERPOINT HOUSTON HAS**
 7 **EVALUATED CUSTOMER PARTICIPATION IN ITS PROGRAMS AND**
 8 **IMPLEMENTED CHANGES TO GENERATE MORE PARTICIPATION**
 9 **OR TRANSFORM THE MARKET FOR THE COMPANY’S PROGRAMS?**

10 A. CenterPoint Houston reviews its programs on an annual basis to determine if
 11 adjustments are needed to generate more participation. CenterPoint Houston
 12 reviews participation levels at both the program and measure level. Program
 13 adjustments can include raising or lowering incentive payments, adding or
 14 removing measures, or instituting new program rules based on changes in market
 15 conditions and/or Commission rules. An example of changes the Company has
 16 made within a program is in the 2014 Retro-commissioning MTP. New for 2014
 17 is the utilization of a new software package that will eliminate the planning phase
 18 usually conducted by the agents. The use of this software will determine whether
 19 a project is appropriate for the program, hence reducing time, effort and cost.
 20 Also, the Multi-family Space and Water Heating MTP is expanding the types of
 21 technologies allowed in the program to include tankless water heaters and combo
 22 systems that provide both heating and water heating. The 2014 A/C Distributor
 23 MTP reduced the incentives for 16 SEER systems to encourage the sale of higher

⁵ JESWP1 –Energy Efficiency Service Providers.

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22 systems that provide both heating and water heating. The 2014 A/C Distributor
23 MTP reduced the incentives for 16 SEER systems to encourage the sale of higher

⁵ JESWP1 –Energy Efficiency Service Providers.

1 efficiency equipment. This adjustment was made to ensure A/C Distributors and
 2 Dealers were continually encouraging customers to install highly rated A/C
 3 equipment.

4 **Q. HAS CENTERPOINT HOUSTON SET ITS INCENTIVE PAYMENTS**
 5 **WITH THE OBJECTIVE OF ACHIEVING ITS ENERGY AND DEMAND**
 6 **GOALS AT THE LOWEST REASONABLE COST PER PROGRAM?**

7 A. Yes. Through the annual review process described above, the Company
 8 consistently evaluates its incentive payment levels to ensure that its programs are
 9 provided at the lowest reasonable cost.

10 **Q. CAN YOU SPEAK TO THE REASONABLENESS OF CENTERPOINT**
 11 **HOUSTON'S R&D AND ADMINISTRATIVE COSTS IN 2013?**

12 A. The table below compares research and development costs to the prior year's
 13 approved level of total program costs. As this table shows, the research
 14 expenditures were well below the 10% cap in subsection (e) of the statute and
 15 subsection (i) of the rule.

Year	Research and Development Costs	Prior Year Total Program Costs	R&D Costs as Percentage of Prior Year Total Costs
2013	\$1,196,274	\$38,283,194	3.1%

16 The table below compares administration costs to total program costs and
 17 compares the sum of administration and R&D costs to the current year's level of
 18 total program costs. The information in the table shows that the administration
 19 costs were below the 15% cap in the rule and the combined administration and
 20 R&D costs were below the 20% cap in the rule.

Year	Administration Costs	Administration + R&D Costs	Current Year Total Program Costs	Admin. Costs as % of Total	Admin. + R&D as % of Total
2013	\$3,406,994	\$1,196,274	\$38,283,194	8.9%	12%

1 The R&D costs and total administrative costs are well below the caps established
2 by the statute and the rule. In addition, the challenging environment in which the
3 Company has operated its energy efficiency program warrants a strong research
4 effort to maintain the effectiveness of the program.

5 **Q. HAS THE COMPANY COMPLIED WITH ANY OTHER RELEVANT**
6 **COMMISSION RULES WITH RESPECT TO ITS HISTORICAL EECRF**
7 **PROGRAM EXPENDITURES?**

8 A. Yes. As detailed in the attached affidavit of Ms. Mary Kirk at Exhibit JES-3, the
9 Company's books and records have been maintained at all times in accordance
10 with the FERC Uniform System of Accounts, as prescribed by Section 14.151 of
11 PURA, and meet all applicable requirements of Substantive Rule 25.72.

13 **V. PROGRAMS FOR HARD-TO-REACH AND LOW-INCOME**
14 **CUSTOMERS**

15 **Q. WHAT ARE THE COMMISSION'S REQUIREMENTS REGARDING**
16 **PROGRAM SAVINGS ASSOCIATED WITH HARD-TO-REACH**
17 **CUSTOMERS?**

18 A. Substantive Rule 25.181(e)(3)(F) requires that savings achieved through programs
19 for hard-to-reach customers shall be no less than 5.0% of the utility's total
20 demand reduction goal.

1 **Q. DID CENTERPOINT HOUSTON MEET THE COMMISSION'S HARD-**
2 **TO-REACH REQUIREMENTS IN 2013?**

3 A. Yes. In 2013, the Company spent \$8,119,581 on programs for hard-to-reach
4 customers resulting in a savings of 6.46 MW, which is more than 5.0% of the
5 Company's demand reduction goal.

6 **Q. WILL THE COMPANY MEET ITS HARD-TO-REACH REQUIREMENT**
7 **IN 2015?**

8 A. Yes. The Company is budgeted to spend \$6,184,700 on programs for hard-to-
9 reach customers. The Company anticipates this investment will result in 5.96
10 MW in savings, which is more than 5.0% of the Company's demand reduction
11 goal.

12 **Q. DID THE COMPANY HAVE ANY FUNDS THAT WERE NOT**
13 **OBLIGATED AFTER JULY OF ITS 2013 PROGRAM YEAR THAT IT**
14 **MADE AVAILABLE FOR USE IN THE HARD-TO-REACH PROGRAMS**
15 **THAT YEAR?**

16 A. Yes, the Company had funds available after July of the 2013 program year and
17 those funds were available for use in the hard-to-reach programs. Agencies in
18 Action, the Company's targeted low-income program, was able to spend an
19 additional \$1,077,444 because of these available funds.

20 **Q. WHAT ARE THE COMMISSION'S REQUIREMENTS WITH RESPECT**
21 **TO SPENDING ON PROGRAMS FOR LOW-INCOME CUSTOMERS?**

22 A. Under PURA § 39.905(f) and Substantive Rule 25.181(r), each unbundled
23 transmission and distribution utility shall include in its energy efficiency plan a

1 targeted low-income energy efficiency program, including the following
2 requirements:

- 3 • Each utility shall ensure that annual expenditures for the targeted low-
4 income energy efficiency program are not less than 10% of the utility's
5 energy efficiency budget for the program year.
- 6 • The utility's targeted low-income program shall incorporate a whole-
7 house assessment that will evaluate all applicable energy efficiency
8 measures for which there are commission-approved deemed savings. The
9 cost-effectiveness of measures eligible to be installed and the overall
10 program shall be evaluated using the Savings-to-Investment (SIR) ratio.
- 11 • Any funds that are not obligated after July of a program year may be made
12 available for use in the hard-to-reach program.

13 **Q. DID CENTERPOINT HOUSTON MEET ITS TARGETED LOW-INCOME**
14 **ENERGY EFFICIENCY PROGRAM REQUIREMENTS IN 2013?**

15 A. Yes. The Company met the requirements of PURA § 39.905(f) in 2013.
16 Targeted low-income spending was 17.97% of total spending in 2013.

17 **Q. DOES THE COMPANY ANTICIPATE THAT IT WILL MEET THE**
18 **TARGETED LOW-INCOME ENERGY EFFICIENCY PROGRAM**
19 **REQUIREMENTS IN 2015?**

20 A. Yes. CenterPoint Houston estimates that it will spend \$4,138,900 on targeted
21 low-income programs in 2015, which is 10.6% of the Company's total 2015
22 estimate for all energy efficiency programs.

VI. OVER-RECOVERY OF PROGRAM COSTS

Q. DO THE COMMISSION'S RULES REQUIRE AN ELECTRIC UTILITY TO ADJUST ITS EECRF FOR THE OVER-RECOVERY OF PROGRAM COSTS?

A. Yes. Substantive Rule 25.181(f)(10)(D) states that a utility must include in its EECRF application the amount of any over- or under-recovery energy efficiency program costs whether collected through base rates or the EECRF.

Q. DID CENTERPOINT HOUSTON OVER-RECOVER PROGRAM COSTS FOR 2013 PROGRAMS?

A. Yes. CenterPoint Houston over-recovered program costs in 2013. The total over-recovered amount is \$5,101,068.

Q WHY DID CENTERPOINT HOUSTON OVER-RECOVER \$5,101,068 IN PROGRAM COSTS IN 2013?

A. The Company spent less on its programs than it originally anticipated and an over-collection occurred due to higher than estimated billing determinants. When compared to actual collections of \$38,055,934 (total collections of \$46,710,051 less 2011 bonus of \$4,999,806, 2011 under-recovery of -\$1,788,119, and 2011 rate case expense of \$114,102), the Company over-recovered by \$5,101,068, of which \$4,573,806 is due to under-spending in programs⁶ and \$537,262 is due to over-recovery through electric sales (billing determinants).

⁶ Refer to Table 11 in Exhibit JES-1 for detail on program by program budget versus spend in 2013.

1 **Q HOW DOES THE COMPANY PROPOSE TO ADDRESS THE OVER-**
2 **RECOVERY OF 2013 PROGRAM COSTS IN THE 2015 RIDER EECRF?**

3 A. As discussed in the direct testimony of Mr. Jernigan and shown in his
4 accompanying workpapers, the Company proposes to return \$2,639,120 in over-
5 collection for 2013 residential programs to residential customers and to return
6 \$2,461,948 in over-collection for 2013 commercial programs to commercial
7 customers. Please see Mr. Jernigan's direct testimony for further detail.

8

9 **VII. ENERGY EFFICIENCY PERFORMANCE BONUS**

10 **Q. WHAT DOES SUBSTANTIVE RULE 25.181 PROVIDE REGARDING AN**
11 **ELECTRIC UTILITY'S ABILITY TO EARN AN ENERGY EFFICIENCY**
12 **PERFORMANCE BONUS?**

13 A. Substantive Rule 25.181(h) states that a utility that exceeds its demand reduction
14 goal and does not exceed the cost cap "*shall* be awarded a performance bonus."
15 (emphasis added) The rule states that the performance bonus shall equal 1% of
16 the net benefits the utility's energy efficiency programs achieve for every 2% that
17 the utility exceeds the demand reduction goal, up to a maximum of 10% of the
18 utility's total net benefits.

19 **Q. DOES CENTERPOINT HOUSTON QUALIFY FOR A PERFORMANCE**
20 **BONUS BASED ON ITS 2013 ENERGY EFFICIENCY PROGRAMS?**

21 A. Yes. CenterPoint Houston achieved 357% of its 2013 goal, and costs were well
22 within avoided cost limits defined by Substantive Rule 25.181. Net benefits
23 (avoided cost minus program costs) generated by the 2013 programs totaled
24 \$161,892,986. The Company's program costs in 2013 were \$39,546,376.5

1 inclusive of EM&V expenses and 2013 rate case expenses. CenterPoint Houston
2 is therefore requesting a performance bonus of \$16,189,299.

3 **Q. HOW WAS THE AMOUNT OF THE REQUESTED PERFORMANCE**
4 **BONUS CALCULATED?**

5 A. The calculation for the requested performance bonus can be found at Table 12 of
6 Exhibit JES-1. A detailed performance bonus calculation can also be found in my
7 workpapers.⁷

8

9 **VIII. EM&V AND RATE-CASE EXPENSES**

10 **Q. CAN YOU SPEAK TO THE EM&V COSTS INCLUDED IN THE**
11 **COMPANY'S FILING?**

12 A. Yes. Substantive Rule 25.181 was amended in 2012 to include a section detailing
13 the new EM&V process.⁸ Consistent with that amendment, the Commission has
14 entered into an agreement with an EM&V contractor and that contractor is
15 currently evaluating each utility's programs and the costs incurred. The EM&V
16 contractor's expenses are to be collected through each utility's EECRF, and those
17 costs are not subject to the cost caps established in § 25.181(f)(8) of the rule.⁹

18 **Q. HOW WERE THE ESTIMATED EM&V COSTS IN THE FILING**
19 **DETERMINED?**

20 A. The EM&V costs are based on data provided to all Texas utilities from the
21 EM&V team.¹⁰ For program year 2014, the total EM&V costs are \$3,139,313.

⁷ JESWP2 – Detailed Bonus Calculation.

⁸ See P.U.C. SUBST. R. 25.181(q).

⁹ *Id* at 10.

¹⁰ See JESWP3 – PY2014 EMV Cost Allocation by Utility.

1 Because the revised rule also requires that utilities “be assigned the EM&V costs
 2 in proportion to their annual program costs,”¹¹ CenterPoint Houston’s portion is
 3 \$940,616 based on an agreement between EUMMOT and the Commission.
 4 CenterPoint Houston’s portion of EM&V expenses is distributed to each program
 5 based on the methodology outlined in a memo to the Commission from the
 6 EM&V Team dated April 14, 2014.¹² Mr. Jernigan describes the incorporation of
 7 the EECRF EM&V expense in to the 2015 Rider EECRF in more detail.

8 **Q. PLEASE ADDRESS THE RATE-CASE EXPENSES INCLUDED IN THIS**
 9 **FILING.**

10 A. The revised rule permits the recovery of rate case expenses through the EECRF
 11 process. Specifically, utilities are permitted to include costs relating to the
 12 previous year’s EECRF proceeding.¹³ As such, the Company has included in this
 13 filing a request for its 2013 EECRF rate case expenses, which totaled \$240,547.
 14 The invoices relating to the Company’s 2013 EECRF rate case expenses are
 15 included in my workpapers and are accompanied by the affidavit of Mr. Jason
 16 Ryan attesting to the reasonableness of those costs at Exhibit JES-5. A
 17 description of how the 2013 EECRF rate case expenses are incorporated into the
 18 2015 Rider EECRF rates can be found in Mr. Jernigan’s testimony.

¹¹ *Id.*

¹² JESWP4 –EM&V PY 2014 Cost Allocation Memo.

¹³ P.U.C. SUBST. R. 25.181(f)(3).

1 **Q. WERE THERE ANY MUNICIPAL RATE-CASE EXPENSES IN 2013?**

2 A. Yes, the Company received \$17,388.91 in invoices from the Gulf Coast Coalition
3 of Cities (“GCCC”) that appear to relate to CenterPoint Houston’s 2013 EECRF
4 proceeding. These invoices are included in my workpapers.¹⁴

5 **Q. DOES THE COMPANY SUPPORT THE REASONABLENESS OF THESE**
6 **EXPENSES?**

7 A. CenterPoint Houston does not oppose recovery of GCCC’s rate-case expenses.
8 However, consistent with prior Commission practice and precedent, the Company
9 believes that GCCC must support, in the form of testimony or an affidavit, the
10 reasonableness of its own rate case expenses.

11 **Q. ARE THERE ANY OTHER DIFFERENCES IN THIS FILING**
12 **COMPARED TO THE COMPANY’S PREVIOUS EECRF CASES?**

13 A. No. The Company has supported the reasonableness of its estimated 2015 energy
14 efficiency program costs and corresponding allocations in the same manner as it
15 did in Docket Nos. 36952, 38213, 39363, 40356, and 41540.

¹⁴ JESWP5 – GCCC Invoices.

IX. ADMINISTRATION COSTS

1
2 **Q. SUBSTANTIVE RULE 25.181(f)(10)(I) NOW REQUIRES UTILITIES TO**
3 **PROVIDE AN EXPLANATION OF ANY AFFILIATE AND**
4 **ADMINISTRATIVE COSTS AS PART OF ITS EECRF APPLICATION.**
5 **WERE ANY AFFILIATE OR ADMINISTRATIVE COSTS INCLUDED IN**
6 **THE COSTS RECOVERED THROUGH THE COMPANY'S 2013**
7 **EECRFS?**

8 A. Yes. The administrative expenses necessary to implement the Company's energy
9 efficiency programs in 2013 are summarized in my workpapers.¹⁵ A small
10 portion of the Company's administrative costs included shared service expenses.

11 **Q. WHAT WAS THE NATURE OF THE AFFILIATE EXPENSE INCURRED**
12 **IN 2013?**

13 A. All of the affiliate expenses were provided by the Company's Shared Services
14 division. They included legal and IT expenses and were all direct-billed pursuant
15 to the methodology approved by the Commission in the Company's last general
16 rate-case proceeding, Docket No. 38339. Additionally, accompanying my
17 testimony at Exhibit JES-2 is the affidavit of Ms. Karen Dominguez. Ms.
18 Dominguez's sworn statement confirms that these costs were reasonable and
19 necessary and demonstrates that the affiliate standard in PURA has been met for
20 recovery of these costs.

¹⁵ JESWP6 – Administrative Expenses.

1 **Q. CAN YOU DESCRIBE THE GENERAL NATURE OF THE REMAINING**
2 **ADMINISTRATIVE EXPENSES?**

3 A. The remaining administrative expenses include labor costs, consultant fees,
4 inspections, and miscellaneous program administrative expenses. CenterPoint
5 Houston's energy efficiency department consists of one Director, a Manager of
6 Compliance, a Manager of Program Implementation, seven Energy Efficiency
7 Consultants that are responsible for implementing the programs, one staff
8 engineer responsible for R&D as well as other technical support, one Inspection
9 Supervisor that oversees five contract inspectors, and three Administrative and
10 Budget professionals. As noted in the affidavit of Mr. Ira Winsten accompanying
11 my testimony at Exhibit JES-4, compensation for Energy Efficiency staff has
12 been determined according to the same corporate methodology approved by the
13 Commission in Docket No. 38339. Additionally, consultant fees are paid to third-
14 party implementers for various programs. These consultants are selected using
15 CenterPoint Houston's previously described bidding and engagement process.
16 Training for Company personnel is offered annually through corporate training
17 programs as well as outside energy efficiency and other professional conferences
18 and seminars.

19 **Q. HAS THE COMPANY MADE ANY ADJUSTMENTS IN THIS FILING TO**
20 **REMOVE ADMINISTRATIVE EXPENSES?**

1 A. Yes. Prior to this filing, CenterPoint Houston conducted an analysis of its
2 administrative costs and, consistent with Commission precedent and Substantive
3 Rule 25.181, has made an adjustment of \$5,452 to remove certain expenses.¹⁶

4 **Q. ARE ANY ALLOCATED ADMINISTRATIVE GENERAL COSTS OR**
5 **ALLOCATED GENERAL PLANT COSTS INCLUDED IN THE EECRF**
6 **PROGRAM COSTS AND/OR ADMINISTRATIVE COSTS?**

7 A. No.

8 **Q. ARE ANY OUT-OF-STATE TRAVEL, LODGING, MEALS OR**
9 **CONFERENCE COSTS INCLUDED IN 2013 EECRF EXPENSE?**

10 A. Yes. CenterPoint Houston staff members travel to out-of-state energy efficiency
11 and professional conferences to learn from other utilities and markets in effort to
12 make CenterPoint Houston's energy efficiency programs as effective as possible.

13 **Q. DOES THE ADMINISTRATION OR R&D COSTS INCLUDE SALARIES**
14 **AND OTHER COMPENSATION FOR ANY EMPLOYEES WHO WORK**
15 **ON ACTIVITIES OTHER THAN ENERGY EFFICIENCY?**

16 A. No.

17 **Q. PLEASE PROVIDE A BREAKDOWN OF 2013 ADMINISTRATION AND**
18 **R&D COSTS EXPENDED ON OUTSIDE CONSULTING SERVICES.**

19 A. The total amount of 2013 administration and R&D costs expended on outside
20 consulting services was \$2,114,442. Workpaper JESWP7 includes a breakdown
21 of the consultant, the cost, and the general description of services rendered.

¹⁶ These include certain meals and sponsorship expenses the Company has removed from administrative costs.

X. CONCLUSION

1

2 **Q. IS CENTERPOINT HOUSTON'S ESTIMATE REGARDING THE COST**
3 **TO PROVIDE ITS 2015 ENERGY EFFICIENCY PROGRAM**
4 **REASONABLE?**

5 **A. Yes.**

6 **Q. WERE THE COMPANY'S ENERGY EFFICIENCY PROGRAM COSTS**
7 **IN 2013 REASONABLE, NECESSARY, AND PRUDENTLY INCURRED?**

8 **A. Yes.**

9 **Q. DOES THE CENTERPOINT HOUSTON APPLICATION FOR AN EECRF**
10 **COMPLY WITH ALL THE REQUIREMENTS OF THE COMMISSION**
11 **RULES?**

12 **A. Yes.**

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A. Yes.**

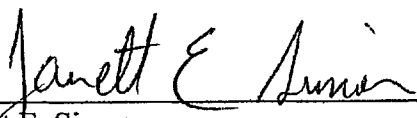
AFFIDAVIT

The State of Texas §


County of Harris §

BEFORE ME, the undersigned notary public, this day personally appeared Jarrett E. Simon, to me known, whom being duly sworn according to law, deposes and says:

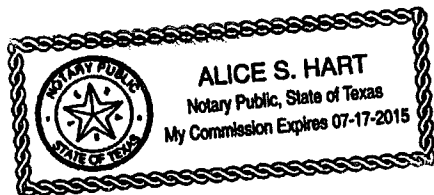
“My name is Jarrett E. Simon, I am of legal age and a resident of the State of Texas. The foregoing testimony and the opinions stated therein are, in my judgment and based upon my professional experience, true and correct.”


Jarrett E. Simon

SWORN TO AND SUBSCRIBED before me on the 29th day of May, 2014.


Notary Public in and for the State of Texas

(SEAL)



CenterPoint Energy Houston Electric, LLC

2014 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

April 1, 2014

Project No. 42264

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Introduction

CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) presents this Energy Efficiency Plan and Report (EEPR) to comply with Substantive Rules § 25.181 and § 25.183, which implements Public Utility Regulatory Act (PURA) § 39.905. PURA § 39.905 and Substantive Rule § 25.181 which require that each investor-owned electric utility achieve the following savings goals through market-based standard offer programs (SOPs) and limited, targeted, market transformation programs (MTPs):

- 30% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2013 program year.
- 0.4% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2014 and 2015 program years.

The format used in the EEPR is consistent with the requirements outlined in § 25.181 (n). The EEPR presents the results of CenterPoint Houston's 2013 energy efficiency programs and describes how the company plans to achieve its goals and meet the requirements set forth in § 25.181. Planning information provided focuses on 2014 and 2015 projected savings and projected budgets, as well as information on programs to be offered and discusses outreach and informational activities and workshops designed to encourage participation by energy service providers and retail electric providers (REPs).

EEPR Organization

This EEPR consists of an executive summary, fifteen sections and three appendices. Sections one through four detail the planning section of the EEPR, while sections five through ten present energy efficiency report information. The final five sections address the Energy Efficiency Cost Recovery Factor (EECRF) and the performance bonus achieved in 2013. The three appendices provide a description of the acronyms used throughout the report, a glossary of commonly used terms, and the demand and energy savings for each program by county.

Executive Summary

The Energy Efficiency Plan portion of this EEPR details CenterPoint Houston's plans to achieve a 0.4% reduction in its peak demand of residential and commercial customers by December 31, 2014 and another 0.4% reduction in its peak demand of residential and commercial customers by December 31, 2015. The Plan also addresses the corresponding energy savings goal, which is calculated from the demand savings goal using a 20% capacity factor. The goals, budgets, and implementation plans that are included in this EEPR are determined by requirements of Rule § 25.181 and the information gained from prior implementation of the selected programs. Table 1 presents a summary of 2014 and 2015 goals, projected savings, and projected budgets.

Table 1: Summary of Annual Goals, Projected Savings and Projected Budgets¹

	Calendar Year	Normalized Peak Demand	MW Goal	Demand (MW) Goal ²	Energy (MWh) Goal ³	Projected MW Savings ⁴	Projected MWh Savings ^{2,3}	Projected Budget (in 000's)
Annual Goals	2014	14,981	0.4% of peak demand	55.73	97,639	148.79	184,883.4	\$39,305
	2015	15,485	0.4% of peak demand	57.60	100,915	148.94	199,999.0	\$39,120

¹ Peak Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All MW and MWh figures in this Table and throughout this EEPR are measured at the meter.

² Industrial identification notices have not been factored in to the 2015 demand goal, therefore the goal may change slightly when these ESIID's are removed.

³ Calculated using a 20% capacity factor.

⁴ Peak demand reduction and energy savings for the current and following calendar year that CenterPoint Houston is planning and budgeting for in the EEPR. These projected savings reflect estimates based on information gained from prior implementation of the programs.

In order to reach the projected savings presented in Table 1, CenterPoint Houston will implement the following programs:

1. Commercial Standard Offer Program (SOP)
2. Commercial Market Transformation Program (MTP)
3. Large Commercial Load Management SOP
4. Retro-Commissioning MTP
5. Advanced Lighting Commercial
6. Sustainable Schools Pilot
7. ENERGY STAR® Homes MTP
8. Residential SOP
9. Advanced Lighting Residential
10. A/C Distributor MTP
11. Retail Electric Provider MTP (REP MTP)
12. Pool Pump Pilot
13. Energy Wise Resource Action MTP
14. Hard-to-Reach SOP
15. Multi-Family MTP
16. Agencies in Action MTP

As detailed in this report, CenterPoint Houston successfully implemented SOPs and MTPs required by PURA § 39.905 that met the statutory 30% energy efficiency savings goal. CenterPoint Houston's goals for 2013 were 54.85 MW in peak demand reduction and 96,088 MWh in energy savings. Actual achieved reductions in 2013 totaled 196 MW and 160,497.4 MWh. Although the total forecasted spending for 2013 was \$42.86 million, actual 2013 spending totaled \$38.28 million. Program manuals for these programs can be found on CenterPoint Houston's sponsor portal <http://centerpoint.anbetrack.com/cnpportal/>

Energy Efficiency Plan

I. 2014 Programs

A. 2014 Program Portfolio

CenterPoint Houston plans to implement 13 programs in 2014. In addition, three pilot programs will be funded in 2014. These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. CenterPoint Houston anticipates that targeted outreach to a broad range of service providers will be necessary in order to meet the savings goals required by PURA § 39.905 on a continuing basis. Table 2 lists each program and identifies target markets and applications.

Table 2: 2014 Energy Efficiency Program Portfolio

Program	Target Market	Application
Commercial SOP	Large Commercial	Retrofit; New Construction
Commercial MTP	Large Commercial	Retrofit; New Construction
Large Commercial Load Management SOP	Large Commercial	Load Management
Retro-Commissioning MTP	Large Commercial	Tune-up of existing facilities
Advanced Lighting Commercial	Large Commercial	Retrofit; New Construction
Sustainable Schools Pilot	Large Commercial	Retrofit
ENERGY STAR® Homes MTP	Residential	New Construction
Residential SOP	Residential	Retrofit
Advanced Lighting Residential	Residential	Retrofit; New Construction
A/C Distributor MTP	Residential	Retrofit
Retail Electric Provider MTP	Residential & Small Commercial	Load Management; Retrofit
Pool Pump Pilot	Residential	Retrofit
Energy Wise Resource Action MTP	Residential	Educational
Hard-to-Reach SOP	Hard-to-Reach	Retrofit
Multi-Family MTP	Residential / Hard-to-Reach	New Construction
Agencies in Action MTP	Hard-to-Reach	Retrofit

The programs listed in Table 2 are described further in sub-section B. CenterPoint Houston maintains two energy efficiency websites⁵: one targeted to the end user and one for project sponsors. The energy efficiency sponsor portal contains requirements for project participation and most of the forms required for project submission. These websites are one method of communication used to provide project sponsors with program updates and information.

⁵ CenterPoint Houston energy efficiency website is www.centerpointefficiency.com ; CenterPoint Houston's sponsor portal is <http://centerpoint.anbetrack.com/cnpportal/>

B. Existing Programs

Commercial Standard Offer Program (SOP)

Program design

The Commercial SOP targets commercial customers with a minimum demand of 100 kW, and small commercial customers with a demand not to exceed 100 kW. Incentives are paid to project sponsors on a first-come, first-served basis for a variety of measures installed in new or retrofit applications, which provide verifiable demand and energy savings. Large commercial customers must save at least 20 kW and or 120,000 kWh on installed measures, while small commercial customers may save less than 20 kW. Customers may elect to combine multiple sites for one project. These projects must produce a minimum of 50kW and/or 300,000 kWh in savings. In response to recommendations made during a statewide audit, Commercial Standard Offer participants will be asked to provide the final installation invoice. This information will help gauge the full effect of current incentive level impacts on retrofit and new construction installs.

Implementation process

CenterPoint Houston will continue implementation of its Commercial SOP whereby any eligible project sponsor may submit an application for qualifying projects. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Maintains internet website with detailed project eligibility, end-use measures, incentives, procedures and application forms;
- Utilizes mass e-mail notifications to keep potential project sponsors interested and informed;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conduct workshops as necessary to explain elements such as, responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

The Commercial Market Transformation Program (MTP)

Program design

The Commercial MTP program is the expansion of what was once the SCORE/CitySmart MTP, to additional market segments beyond schools, cities, and municipalities. The program included the healthcare market in 2013 and will continue to add commercial markets that experience barriers to participating in energy efficiency programs.

The SCORE / CitySmart MT segment of the program targets K-12, higher education, cities, counties and state governmental agencies within the CenterPoint Houston service territory. Direct incentives are paid to school districts, cities, and municipalities for certain energy efficiency measures installed in new or retrofit applications that provide verifiable demand and energy savings. A third party program implementer provides technical assistance, engineering analysis, and performance benchmarking to program participants in order to help them make decisions about cost effective investments. The SCORE Lite portion of the program provides higher incentives to those school districts that do not require the technical assistance or engineering analysis provided by the implementer.

In 2014, CenterPoint Houston and the implementer will begin discussing a transition to the SCORE Lite program for some participants who have experience in the program and may no longer need the implementer's services. The movement of participants to SCORE Lite is intended to continue to transition the market, yet still provide incentives to participants who would like to continue to install more efficient equipment. After discussions with EM&V auditors, CenterPoint Houston and the implementer are now requesting invoices for every project that is submitted into the SCORE MTP program. We also agreed to share any new or complex Measurement and Verification (M&V) plans submitted into the program for the EM&V auditors to review and provide any feedback they may have.

In 2013, the program also included a healthcare component. In 2014, CenterPoint Houston will continue to include the Healthcare Energy Efficiency Program (HEEP) MT sector in the Commercial MTP. The HEEP program provides technical support to participating healthcare providers through a combination of tools and services for participants who complete projects resulting in peak electric demand and energy savings. The program is designed to help

healthcare providers identify energy efficiency opportunities in existing and newly planned facilities and provide monetary incentives to implement these projects. Participants in the program must meet eligibility criteria, comply with all program rules and procedures, and submit documentation describing their projects. Eligible healthcare facilities include small hospitals (< 300 beds), doctors' offices, clinics, and assisted living/nursing care facilities.

Implementation process

CenterPoint Houston will continue implementation of the SCORE / City Smart MTP whereby, providing funds are available, any eligible project meeting the minimum requirements from any participating school district, city, county, or governmental agency facility may be submitted for incentive payment.

The HEEP program will be executed in the CenterPoint Energy Houston Electric service territory using a third-party program implementer. The third-party implementer will recruit participants, conduct assessments and insure program goals are met. Incentives will be paid to program participants for verified demand and energy savings achieved through the program.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Contracts with a third-party program implementer to implement outreach and planning activities;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the program requirements, incentive information, and the application and reporting process.

Large Commercial Load Management SOP

Program design

CenterPoint Houston will continue the Large Commercial Load Management SOP program in 2014. The Large Commercial Load Management SOP will be available to non-residential distribution, governmental, educational and non-profit customers. Curtailments will be initiated when the Electric Reliability Council of Texas (ERCOT) declares an EEA2 or deems that an EEA2 is imminent. Incentives will be paid to project sponsors for measured and verified kW

reductions. Project sponsors must have a normal aggregate peak demand of 750 kW or more, and must be equipped with a CenterPoint Houston Interval Data Recorder (IDR) meter or Itron smart meter.

Implementation process

Implementation of this program will be through customers and third-party entities representing distribution level or other governmental, educational and non-profit customers within the CenterPoint Houston service territory. The 2014 program will initiate a minimum of one curtailment call and a maximum of five curtailment calls during the summer peak period. The first call is scheduled for June and will last from one to three hours. The remaining calls will last from one to four hours each and will take place at some point during the summer peak period.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Maintains program information on the company website.
- Conducts workshops as necessary to explain elements such as responsibilities of the project participant, project requirements, incentive information, and the application and reporting process;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Retro-Commissioning MTP (RCx)

Program design

RCx is an optimization program for existing buildings that identifies no-cost or low-cost measures the customer can implement to reduce the demand and energy usage in commercial facilities. The program is designed to provide end-users with a free expert analysis to improve the performance of energy using systems throughout their facilities that will reduce electric demand and consumption. RCx Agents, typically consulting engineering firms, are used to deliver the program to customers.

In 2014, the program will change. The preliminary screening phase will be completed by the program implementer using software to evaluate the customer's interval data to identify potential measures before the RCx Agents get involved. RCx Agents will be paid based on the square footage of the project and the amount of energy savings at the completion of two phases:

investigation phase and verification phase. Facility owners must also implement all of the identified measures with simple payback of less than 1.5 years (up to a \$0.03 per square foot cap) or pay towards the cost of the analysis. Customers will no longer receive project incentives.

As the 4th largest city in the country, Houston has a vast number of commercial buildings which provides the RCx program with potential for growth over the next few years.

Implementation process

The program is implemented through a third party implementer. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Contracts with a third-party program implementer
- Maintains internet website with detailed project eligibility, procedures and application forms;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor and RCx Agents, project requirements, incentive information, and the application and reporting process.

Advanced Lighting Commercial MTP

Program design

CenterPoint Houston will continue participation in the Advanced Lighting Commercial MTP in 2014. The program will target outdoor applications for LED lighting in commercial facilities (i.e., parking garages, parking lots, outdoor building lighting, landscape lighting, billboards, etc.). Fixtures approved in the Advanced Lighting Commercial MTP must be certified by the Design Lights Consortium. The program aims to breakdown market barriers and bring awareness about outdoor LED lighting to the commercial market in the CenterPoint Houston service territory. In 2015, this program will be combined with the Commercial Standard Offer Program.

Implementation process

The Advanced Lighting program will be implemented in the CenterPoint Houston service territory by a third-party program implementer. The program will pay incentives to commercial customers installing qualifying LED products, in eligible applications. The incentive rate was decreased for 2014 based on the new avoided cost. All installations must be performed by a Qualified Installation Service Provider.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Promotion of commercial LED applications through research and development projects;
- Contracts with a third-party program implementer to implement outreach and planning activities;
- Participates in regional outreach activities as may be available;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Sustainable Schools Pilot Program

Program design

The Sustainable Schools pilot program is a comprehensive energy education and conservation program that targets physical science high school students and teachers. Sustainability Teams that include students and faculty will be formed to promote awareness of energy conservation, set goals for reducing the school's energy consumption, and recommend behavioral and operational changes to accomplish the set goals. This will be accomplished by providing energy conservation educational supplements, training teachers and students on the use of energy audit kits, and instructions on monitoring the school's energy consumption. The teachers and students will be responsible for promoting energy conservation awareness throughout the school and monitoring the energy consumption behavior patterns of the students and staff, as well as advocating improvement in those patterns. Students will be expected to prepare an energy audit report of their findings and present the results to school administration.

Implementation process

The program is implemented using a third-party program implementer that targets public and private schools that are not currently enrolled in CenterPoint Houston's SCORE program. The goal is to target low-cost, no-cost measures involving behavioral, operational, or maintenance controls that will be developed by Sustainability Teams within the school. There is no financial obligation from the participants.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Contracts with a third-party program implementer to implement outreach and planning activities;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Conducts workshops as necessary to explain elements such as responsibilities of the program requirements, incentive information, and the application and reporting process.

ENERGY STAR® Homes MTP

Program design

The ENERGY STAR® New Homes MTP targets residential new construction. Incentives are paid to builders for the construction of high performance homes that meet certain requirements in the CenterPoint Houston service territory. The program is supported by training, education, and advertising components that encourage builders to build ENERGY STAR® homes. The builders are selected through an application process and qualifying homes must be built to strict EPA standards or above.

In 2014, CenterPoint Houston transitioned from the measure based incentives used in the previous year. To qualify for incentives in 2014, homes under the Texas state energy code must achieve 10% kWh savings better than the program's User Defined Reference Home (UDRH). Homes within municipalities with energy codes more stringent than the Texas state code must achieve 20% kWh savings better than the program's UDRH. An additional incentive will be offered for those builders who build ENERGY STAR® certified homes. The program reference home mentioned above is in the form of a UDRH file as a supplement of REM/Rate and it is based on the IRC/IECC 2009 code. After discussions with EM&V auditors, the program will

now require the builder to submit a home's permit date to distinguish which code standards the home should be built to as well as an upload of the Fuel Summary Report created in REM/Rate.

Implementation process

CenterPoint Houston will continue implementation of its ENERGY STAR® Homes MTP and any eligible home builder meeting the minimum requirements may submit an application for participation in the program. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston promotes the ENERGY STAR® Homes MTP in the following manner:

- Contracts with a third-party program implementer to implement outreach and planning activities
- Advertises using a multitude of news media, including billboards, radio, and targeted relocation publications as well as supporting the local home builder association publications;
- Provides point of purchase materials including yard signs, door mats and brochures free to participating builders;
- Maintains internet website, www.HoustonEnergyStarHomes.com with detailed program information, a list of participating ENERGY STAR® builders and the general features and benefits of ENERGY STAR® homes;
- Conducts various testing for all local raters or air conditioning contractors as needed ;
- Conducts training sessions for builders' sales staff throughout the year to increase the knowledge and awareness of the features and benefits of ENERGY STAR® homes;
- Participates in quarterly roundtables with the builder's home energy raters to discuss and exchange information concerning program issues;
- Attends appropriate industry-related meetings and seminars to generate awareness and interest;
- Participates in state-wide outreach activities
- Conducts builder workshops covering program requirements, incentive information, and the application and reporting process.

Residential Standard Offer Program (SOP)

Program design

The Residential SOP targets residential customers with a maximum demand of less than 100 kW. Incentives are paid to project sponsors, for qualifying measures installed in retrofit applications,

which provide verifiable demand and energy savings. Project sponsors are encouraged to install comprehensive measures and are paid based on the Public Utility Commission of Texas (PUCT) approved deemed savings values. Project funding is based on a first-come, first-served approach. CenterPoint Houston's Residential SOP will continue in the same format for 2014. The program is open to all qualifying energy efficiency measures, including, but not limited to air conditioning, duct sealing, weatherization, ceiling insulation, water saving measures and ENERGY STAR® windows. Compact florescent lighting measures have been eliminated from the 2014 program.

Implementation process

CenterPoint Houston will continue implementation of its Residential SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. Program information is provided on CenterPoint Houston's website. For the 2014 program year, CenterPoint Houston has reduced the incentive payment for the attic insulation measure. Also, beginning in the 2014 program year, program sponsors will be required to have a certified HERS rater on site when conducting leakage-to-outside and air infiltration testing methods.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Maintains internet website with detailed project eligibility, end-use measures, incentive structure, procedures, application forms and list of third-party project sponsors;
- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Advanced Lighting Residential MTP

Program design

CenterPoint Houston will continue participation in the Advanced Lighting MTP in 2014. The program will continue to offer point of purchase discounts to residential customers at participating retail stores for the purchase of qualified (i.e., ENERGY STAR® rated) high efficiency LED lighting products.

Implementation process

The Advanced Lighting program will be implemented in the CenterPoint Houston service territory by a third-party program implementer. Point of purchase discounts will be applied to residential customers at participating retailers, including Home Depot, Lowes, Sam's Club, and Costco, throughout the CenterPoint Houston footprint. The 2014 discounted amount is based on 20% off the MSRP per LED product purchased (this discounted rate may be subject to change thru-out the year depending on the rate of sales, product availability, etc.).

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- In-store promotions of the program via signage;
- Contracts with a third-party program implementer to implement outreach and planning activities;
- Participates in regional outreach activities as may be available;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

A/C Distributor MTP

Program design

The A/C Distributor MTP provides incentives to air conditioning distributors who agree to facilitate the installation of high-efficiency (>16 SEER/12 EER) air conditioners and heat pumps (>8.6 HSPF) in existing single-family and multi-family homes within CenterPoint Houston's electric distribution service territory. In 2014, incentives will be increased to encourage sales of 17 SEER and higher, and incentives have been reduced for the 16 SEER.

Implementation process

CenterPoint Houston will continue implementation of its A/C Distributor MTP whereby any eligible A/C distributor meeting the minimum requirements may submit an application for participation in the program. CenterPoint Houston will continue to verify installations, manage and allocate available incentive funds, process all claims for incentive payments and provide other oversight functions. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Contracts with a third-party program implementer to implement outreach and planning activities;
- Conducts workshops as necessary to explain elements such as responsibilities of the distributors and contractors, program requirements, incentive information, and the application and reporting process;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Retail Electric Provider MTP (REP MTP)

CenterPoint Houston plans to transform the REP MTP from a pilot program to a full program in 2014. In 2012 CenterPoint Houston introduced the concept of a “cafeteria program” to the REPs in an effort to engage them more in the company’s energy efficiency portfolio. The program concept was to offer an open-ended menu of measures to the REPs where they could pick and choose the measures that best suit their organization. In 2012, two REPs participated in a residential demand response program, and in 2013 nine REPs participated in an A/C tune-up program. The REPs have accepted the concept of the program and have shown increasing interest in program participation. Based on this and the positive net-benefits in the first two years of the program, CenterPoint Houston fully expects the program to grow in the future. The program has shown increased interest each year; therefore, CenterPoint Houston has increased the available measures in 2014. This program year REPs will be able to choose from a limited menu of methods on how they will provide verified demand and energy savings.

Coolsaver A/C Tune-up Program design

The initial program available to Retail Electric Providers is the CoolSaver A/C Tune-up program. CoolSaver will utilize specially trained air conditioning contractors to perform comprehensive A/C tune-ups for residential and small commercial customers in CenterPoint Houston Electric’s service territory. Eleven REP’s have agreed to participate in the 2014 CoolSaver A/C tune-up program.

Coolsaver A/C Install Program design

Beginning in 2014, a limited number of REPs will also offer incentives to A/C contractors who recommend eligible customers replace their existing air conditioners and/or heat pumps with new high efficiency units. A/C replacements will be recommended to customers that enroll for a

tune-up, but whose equipment is in need of replacement at the time of the tune-up. Incentives will be paid to the A/C contractor for the installation of a minimum 16 SEER A/C unit.

Residential Energy Efficiency and Demand Response

In addition to the CoolSaver program, REPs or other 3rd party entities may also propose their own services or programs. Each service provider in the program will be limited to a maximum of 20% of the program incentive budget, similar to rules in other CenterPoint Houston Electric energy efficiency programs. Currently, several third party entities have proposed methodologies to implement a residential demand response program utilizing Wi-Fi enabled programmable thermostats. This methodology will be evaluated during the 2014 summer peak period to determine the effectiveness of a residential demand response program. Demand and energy savings may also be achieved through the implementation of mathematical algorithms to adjust thermostat settings without sacrificing customer comfort. Demand and energy savings must be measured and verified utilizing an appropriate baseline.

Implementation process

The Retail Electric Provider program will be executed in the CenterPoint Energy Houston Electric service territory using a third-party program implementer. The third-party implementer will recruit participants and insure program goals are met. Incentives will be paid to program service providers for verified demand and energy savings achieved through the program.

Outreach and Research activities

CenterPoint Energy Houston Electric plans to market the availability of this program in the following manner:

- Contracts with a third-party program implementer to implement outreach and planning activities;
- REPs or 3rd party entities will market the program to existing customers via e-mail, phone calls and direct mail.
- Participate in appropriate industry-related meetings and events to generate awareness and interest.

Energy Wise Educational Program

Program design

This program is designed to show the benefits of energy efficiency through educational type programs. The Energy Wise Program utilizes a school delivery format to provide take-home Resource Action Kits to sixth grade students. The kits contain energy efficiency devices, such as compact fluorescent light bulbs, and creative classroom and in-home education techniques that encourage families to adopt new resource usage habits. Lesson plans are provided to teachers that help educate the students on the benefits of using these energy saving devices on a daily basis. In 2014 there will be new additions to the energy kit which will include a High-Efficiency Showerhead, Kitchen Faucet Aerator, and a Bathroom Faucet Aerator.

Implementation process

The program will be implemented using a third-party program implementer that will recruit teachers in various targeted school districts throughout the service territory. Recruited teachers will receive program materials that include; a teacher and student workbook, kit of efficiency materials, and a parent letter explaining the program. The incentive budget covers the implementer costs as well as the cost for the kits.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Utilize third party implementer to recruit schools and teachers.

Hard-To-Reach Standard Offer Program (HTR SOP)

Program design

The HTR SOP targets hard-to-reach residential customers. Incentives are paid to project sponsors for qualifying measures installed in retrofit applications which provide verifiable demand and energy savings to customers whose annual total household income is less than 200% of current federal poverty guidelines. Project sponsors are encouraged to install comprehensive measures and are paid based on the Public Utility Commission of Texas (PUCT) approved deemed savings values. Project funding is based on a first-come, first-served approach.

Qualifying measures include those allowed in the Residential SOP as well as compact fluorescent lamps. Also included in the HTR SOP is the Affordable Single Family component. This segment pays incentives to not for profit agencies who build new homes to ENERGY STAR® standards for lower income families.

Implementation process

CenterPoint Houston will continue implementation of its HTR SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. Program information is provided on CenterPoint Houston's website.

For the 2014 program year, CenterPoint Houston has reduced the incentive payment for the attic insulation measure. CenterPoint Houston has also changed the testing and installation protocol for the duct efficiency improvement measure. In previous years, program sponsors have been given the option to choose the duct leakage testing method, although in 2014, option will no longer be available. Also, beginning in the 2014 program year, program sponsors will be required to have a certified HERS rater on site when conducting leakage-to-outside and air infiltration testing.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Maintains internet website with detailed project eligibility, end-use measures, incentive structure, procedures and application forms;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Multi-Family MTP

Program design

The Multi-Family MTP is an extension of the Multi-Family Water and Space Heating program to include other energy efficiency opportunities within the multi-family market segment. Multi-

family water and space heating is the segment that promotes the installation of energy efficient non-electric water and space heating in multi-family housing developments. The program includes boiler systems, individual gas water and space heating units, and beginning in 2014, combination gas water heating and space heating systems. Projects are funded based on qualifying measures, estimated completion date and available funds. To enhance participation of multifamily developers, CenterPoint Houston is also implementing a Multi-family ENERGY STAR® program in conjunction with the Multi-Family Water and Space Heating program. Developers are selected through an application process and qualifying new multifamily homes must be built to ENERGY STAR® version 3.0 standards.

Implementation process

CenterPoint Houston will continue implementation of its Multi-Family Water and Space Heating and Multi-family ENERGY STAR® program whereby any eligible project sponsor or developer may submit an application for a project meeting the minimum requirements.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Utilizes mass e-mail notifications to potential project sponsors and developers to inform them of the program start date and informational meetings;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.
- Contracts with a third-party program implementer to implement outreach and planning activities for the Multifamily ENERGY STAR® program.
- Provides point of purchase materials including yard signs, door mats and brochures to participating builders for the Multifamily ENERGY STAR® program.

Agencies in Action MTP

Program design

The Agencies in Action MTP provides funds for implementing energy efficiency improvement projects for eligible CenterPoint Houston low-income residential customers through non-profit organizations. CenterPoint Houston's goal is to solicit the participation of a sufficient number of non-profit organizations to provide comprehensive, whole-house retrofits that maximize

electricity savings including attic insulation, solar screens, compact fluorescent lamps, water saving measures, ENERGY STAR® room air conditioners, central air conditioning systems, ENERGY STAR® refrigerators, duct efficiency improvement and air infiltration control. Program participants must have an annual household income of less than 200% of the federal poverty guidelines, and a maximum expenditure of \$6,500 is allowed per home.

Implementation process

CenterPoint Houston will continue implementation of its Agencies in Action MTP in 2014. The program implementer has the responsibility of recruiting and overseeing the participating agencies. Local agencies may submit applications for funding provided they meet program participation requirements and funding is available. The program requires all single family homes weatherized must have a NEAT (National Energy Audit Tool) audit conducted by qualified personnel, as described by PURA § 39.905(f), to be eligible for the program. In 2014, the Agencies in Action MTP will continue to comply with Senate Bill 1434 which requires that targeted low income programs comply with the same audit requirements as federal weatherization programs.

Outreach and Research activities

CenterPoint Houston markets the availability of its programs in the following manner:

- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Promotes program participation in under-served areas of the CenterPoint Houston electric service territory;
- Contacts non-profit organizations and local housing authorities for potential participation;
- Conducts workshops as necessary to explain elements such as responsibilities of the agency, project requirements, incentive information, and the application and reporting process.

C. New Programs for 2014

Pool Pump Pilot Program

Program design

The Pool Pump Pilot Program will initially focus on residential in-ground swimming pools, which is an under-served end use market for the residential customer. The residential program will focus on retrofitting existing single-speed pump motors with variable-speed motors. The program will also target new construction whenever possible. Incentives will be offered through point-of-sale discounts of \$225 off the total price for the purchase, installation and commissioning of eligible variable-speed pumps. Incentives will be paid to the pool companies directly and not to customers.

Although discussed as a possibility for inclusion in 2014, demand response devices will not be addressed in this phase of the program. Also, CenterPoint Houston will determine whether to create a 2015 commercial pool pump program based on the overall 2014 residential program performance.

Implementation process

The program will be implemented in the CenterPoint Houston service territory using a third-party program implementer. The third-party implementer will recruit and train pool professionals, and insure program goals are met.

Outreach and Research activities

CenterPoint Houston will promote the program in the following manner:

- Attend appropriate industry-related meetings and seminars to generate awareness and interest;
- Conduct workshops as necessary to explain program elements such as responsibilities of the participating contractors, project requirements, and reporting process.
- Provide educational campaigns to the consumer about the benefits and payback for efficient pool operation.

Research and Development (R&D) Projects

In 2014 CenterPoint Energy plans to implement the following R&D projects. Additional projects may be implemented depending on research opportunities and the availability of budgeted R&D funds.

Program: Plug-In Electric Vehicle (PEV) Smart Charging Demonstration Project

This project is being conducted in partnership with EPRI as a tailored collaboration (TC) project to demonstrate the technology integration of plug-in electric vehicles (PEVs) into the smart grid, as well as researching customer charging behavior and evaluating associated PEV load and infrastructure impacts. The demonstration will control PEV charging requirements under a simulated and real-time grid environment with potential load management consideration from off-peak smart charging technology as well as the capability to accept demand response signals.

The smart charging platform was jointly developed by utility and automotive industries. The platform is standards based and is able to utilize existing CenterPoint Energy's fleet PEVs or future CenterPoint Energy's purchased PEVs. Project demonstration and testing began in mid-2010 and has been extended until the end-of-year 2014 when the Smart-Grid project is scheduled for completion. The extension of time in this project is due to delays in technology development by original equipment manufacturers of batteries and the utility's electric grid to efficiently integrate PEVs with the development of intelligent grids.

Program: Green Proving Ground - Collaborative Study with General Services Administration (GSA) and Oncor

The Green Proving Ground Program (GPG) leverages the GSA's real estate portfolio and utility R&D funding to evaluate innovative sustainable building technologies. Evaluations, performed in association with independent researchers and the Department of Energy (DOE), are used to support the development of GSA performance specification and inform decision makers within GSA, other federal agencies, and the real estate industry. Only those parts of the GPG program that align with utility goals will be funded from utility R&D funds. CenterPoint Houston is collaborating with Oncor on this R&D project.

The preliminary goals of the collaboration are as follows:

- Identify practical technologies that can be incorporated into utility-sponsored programs
- Use third-party test results to support the development of stipulated deemed savings or M&V protocols for innovative technologies
- Use the rigorous R&D process to support and justify the integration of new technologies in utility-sponsored programs
- Demonstrate a strong return on investment for R&D based on new technologies that are identified through the collaboration and incorporated into utility sponsored programs

The R&D project will continue during the 2014 program year.

Program: Ductless Mini-Split Study

CenterPoint Energy has partnered with Frontier Associates to complete a R&D project regarding ductless mini-split units. The purpose of this R&D project is to determine the viability of incorporating ductless mini-splits into CenterPoint Houston's portfolio of energy efficiency programs. The study will be looking at new construction and retrofit applications for the residential and commercial sector. This HVAC technology presents opportunities to achieve demand and energy savings via various modes:

- Equipment-based Savings
 - Efficiency (SEER/EER/HSPF)
 - Elimination of duct losses
- Behavior-based savings
 - Space-based control vs. whole-premise cooling (potential for reduced operating hours)

The R&D study will be conducted by utilizing a 4 phase approach. Phase 1 will involve conducting market research to identify the applications with the greatest potential to create savings. Developing preliminary deemed savings for those applications for which greatest potential is identified, based on the equipment efficiency improvement only, will occur during

Phase 2. Phase 3 will encompass the development of complete deemed savings which may incorporate behavior-based savings for the applications for which they are appropriate. Lastly, Phase 4 will involve attaining approval for this approach by reviewing other TRMs/utility programs and by consulting with the EM&V Team.

This R&D project will be completed in the 2014 program year.

D. New Programs for 2015

Data Centers Pilot Program

Program design

Pilot Data Center Market Transformation Program will be offered in 2015 as a full service program to commercial customers that have a dedicated data center, server room or server closets for specialized IT-related equipment such as data storage, web hosting and telecommunications. Data centers operate continuously, require special environmental conditions, and have substantial peak demand loads and annual energy consumption.

The Pilot Data Center Market Transformation Program will target this segment with services and energy conservation measures specifically designed for and marketed to this industry. The program services will include educating customers on current best practices and providing engineering surveys to identify and quantify energy conservation measures.

Implementation Process

Implementation will take place in the first quarter of 2015 to establish program materials and guidelines. The program will use a third-party program implementer who will target potential customers that could benefit from this program, such as data center colocations, telecommunications/broadband/fiber optic companies, and corporate headquarters. Incentives will be paid based upon approved measures that produce verifiable demand and energy savings.

Outreach activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Contract with a third-party program implementer to implement outreach and planning activities;
- Participate in appropriate industry-related meetings

II. Customer Classes

Customer classes targeted by CenterPoint Houston's energy efficiency programs are the Hard-to-Reach, Residential, and Commercial customer classes.

The annual MW savings goal will be allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account Substantive Rule § 25.181 and Senate Bill 1434, which state that no less than 5% of the utility's total demand reduction savings goal should be achieved through programs for hard-to-reach customers and no less than 10% of the energy efficiency budget is to be spent on targeted low-income programs, respectively. Table 3 summarizes the number of customers in each of the customer classes. It should be noted, however, that the actual distribution of the goal and budget must remain flexible based upon the response of the marketplace and the overriding objective of meeting legislative and Commission goals.

Table 3: Summary of Customer Classes

Customer Class	Number of Customers
Commercial	262,000
Residential	1,214,000
Hard to Reach ⁶	769,000

⁶ CenterPoint Houston does not require income information for electric service and no records are available to correlate revenue for the Hard-to-Reach customer class. However, according to the U.S. Census Bureau, Current Population Survey 2013 Annual Social and Economic Supplement, 38.8% of Texas families fall below 200% of the poverty threshold. Applying that percentage to CenterPoint Houston's residential customer totals, the number of HTR customers is estimated at 769,000. Program goals will be based on the requirement in the energy efficiency rule that no less than 5% of the total energy efficiency demand goal will be achieved through the programs in the Hard-to-Reach customer class.

III. Energy Efficiency Goals and Projected Savings

As prescribed by Substantive Rule § 25.181, CenterPoint Houston's demand goal for 2014 is specified as 0.4% of peak demand since the goal of 30% of its five-year average rate of growth in demand was satisfied in 2013. For the purposes of this report, the 2014 goal will be based on the actual peak demand for 2013, and the 2015 goal will be based on the estimated peak demand for 2014. Once actual weather adjusted load data is obtained for the 2014 calendar year, the 2015 goal will be adjusted. The demand savings goals are based on meeting 0.4% of the electric utility's peak demand of residential and commercial customers by December 31, 2014 and meeting 0.4% of the electric utility's peak demand of residential and commercial customers by December 31, 2015. The corresponding energy savings goals are determined by applying a 20 percent capacity factor to the demand savings goals.

Table 4 presents historical annual peak demand for 2009-2013 and estimated peak demand for 2014 and 2015. Table 5 presents the corresponding projected demand and energy savings broken out by program for each customer class for 2014 and 2015. The projected savings is the demand and energy savings that can be achieved based on the annual budget shown in Table 6. The MW and MWh values presented in table 5 are at the customer meter. To derive values at the source, or power plant level, the values shown in the tables should be increased by 7% to account for line losses.

Table 4: Annual Growth in Demand and Energy Consumption

Calendar Year	Peak Demand (MW)				Energy Consumption (MWh)			
	Total System		Residential & Commercial		Total System		Residential & Commercial	
	Actual ⁷	Weather Adjusted ^{8,9}	Actual	Weather Adjusted	Actual	Weather Adjusted	Actual	Weather Adjusted
2009	16,240	16,057	14,373	14,190	64,419	63,217	63,449	62,247
2010	16,315	16,341	14,602	14,628	65,667	63,649	64,788	62,770
2011	17,284	16,688	15,321	14,725	69,123	65,365	68,154	64,396
2012	16,614	16,721	14,906	15,013	67,882	67,347	66,952	66,417
2013	17,012	17,099	14,894	14,981	68,636	68,537	67,738	67,639
2014	17,239	N/A ¹⁰	15,485	N/A	69,487	N/A	68,589	N/A
2015	17,697		15,942		70,487		69,589	

Table 4 shows the actual peak demand and energy consumption over the past five years as well as the estimate peak demand and energy consumption for 2014 and 2015. The actual peak demand for 2013 and the estimate peak demand for 2014 multiplied by the PUCT stated annual goal reduction percentage gives the annual MW and MWh goal shown in in Table 1.

2014 Goals

$$\text{MW Goal} = 14,981 \times 0.4\% \times (100\% - 7\%) = 55.73 \text{ MW}$$

$$\text{MWh Goal} = 55.73 \text{ MW} \times 8760 \text{ Hours} \times 20\% \text{ Load Factor} = 97,639 \text{ MWh}$$

2015 Goals¹¹

$$\text{MW Goal} = 15,485 \times 0.4\% \times (100\% - 7\%) = 57.60 \text{ MW}$$

$$\text{MWh Goal} = 57.60 \text{ MW} \times 8760 \text{ Hours} \times 20\% \text{ Load Factor} = 100,915 \text{ MWh}$$

⁷ 2014 and 2015 Calendar Year "Actual" values are forecasted.

⁸ "Actual Weather Adjusted" Peak Demand is "Actual" Peak Demand adjusted for weather fluctuations using weather data for the most recent ten years.

⁹ Weather adjustment calculations are based on hourly weather data from NOAA's Quality Controlled Local Climatological Data (QCLCD).

¹⁰ NA = Not Applicable: Energy efficiency goals are calculated based upon the actual weather-adjusted growth in demand, so non weather adjusted "actual" forecasts are not applicable.

¹¹ Industrial identification notices for 2015 have not been factored in to the demand goal, therefore the goal may change slightly when these ESIID's are removed.

Table 5: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

Program Goals by Customer Class for 2014 and 2015	2014		2015	
	Projected Savings (MW) at Meter	Projected Savings (MWh) at Meter	Projected Savings (MW) at Meter	Projected Savings (MWh) at Meter
Large Commercial	119.85	107,917.29	120.83	117,578.93
Large Commercial SOP	13.35	72,892.73	13.35	72,892.73
Texas SCORE MTP (Commercial MTP)	3.20	13,350.00	3.76	18,865.49
Large Commercial Load Management SOP	100.00	300.00	100.00	300.00
Retro-Commissioning MTP	2.21	17,070.74	1.91	14,742.91
Advanced Lighting Commercial	0.34	2,424.97	0.00	0.00
Sustainable Schools Pilot	0.29	703.78	0.29	703.78
Retail Electric Provider MTP	0.46	1,175.06	0.51	1,324.01
Data Centers Pilot	-	-	1.00	8,750.00
Residential and Small Commercial	22.02	65861.38	22.14	65,364.78
ENERGY STAR® Homes MTP	12.44	31,375.20	10.88	27,453.30
Residential & SC SOP	0.98	1,978.84	0.98	1,978.84
Advanced Lighting Residential	0.30	3,263.67	0.30	3,263.67
A/C Distributor MTP	2.08	6,649.55	2.08	6,649.55
Home Performance with ENERGY STAR® MTP	0.06	133.01	0.00	0.00
Retail Electric Provider MTP	3.21	8,275.06	4.01	8,277.75
Multi-Family MTP (RES)	1.23	8,067.57	1.64	10,756.76
Pool Pump Pilot	1.05	1,732.87	1.58	2,599.30
Energy Wise Resource Action MTP	0.67	4,385.61	0.67	4,385.61
Hard-to-Reach	6.92	11,104.74	5.96	17,055.32
Hard-to-Reach SOP Program	2.64	5,098.12	1.51	2,913.21
Multi-Family MTP (HTR)	0.75	1,752.06	1.64	10,756.76
Agencies in Action MTP	3.53	4,254.56	2.81	3,385.35
TOTAL	148.79	184,883.40	148.94	199,999.03