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# SIERRA CLUB

LONE STAR CHAPTER

SOAH Docket No. 473-22-00989; PUC Docket No. 53677

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC, LLC	§	BEFORE THE
TO ADJUST ITS (2023) ENERGY	§	PUBLIC UTILITY COMMISSION
EFFICIENCY COST RECOVERY	§	OF TEXAS
FACTOR	§	

**COMMENTS OF THE**  
**LONE STAR CHAPTER OF SIERRA CLUB ON CENTERPOINT ENERGY 2023 EECRF**  
**June 14th, 2022**

The Lone Star Chapter of the Sierra Club is the state chapter of the Sierra Club, the nation’s oldest and largest conservation non-profit organization. In Texas, we have approximately 28,000 members, many of whom receive their transmission and distribution service from Centerpoint Energy. In fact, we have a local Sierra Club regional volunteer group in the Houston area which is very active in conservation issues in the Houston-Brazoria-Galveston area. As such, we have a keen interest in ensuring that the annual energy efficiency plan, and resulting tariffs are equitable and fair, and also provide both residential and commercial electric consumers with programs that help conserve overall energy, reduce both summer and winter peak demand, incentivize new technologies like heat pumps, solar power, storage and programmable thermostats, and help make our electric grid more reliable.

As required under state law and PUCT rules, on April 1st, the state's eight private electric utility companies were required to file their "2022 Energy Efficiency Plan and Report" which include information about both updates on their 2022 plans and programs and the 2023 draft plans with the Public Utility Commission of Texas (PUCT). These plans are intended to help electric customers save energy and reduce peak demand through a variety of programs, incentives and rebates. As required by legislation approved in 2011, the eight private transmission and distribution utilities are required to reduce overall residential demand every year by at least 0.4% in peak demand, while also reducing energy consumption by a small amount (it translates to roughly one-tenth of one percent in energy consumption based on a capacity factor of 20 percent). While Sierra Club is supportive of the existence of these programs, we have long argued that it is time for the state – either through legislation or through action by the PUCT – to invest in much more robust programs that prioritize both peak demand reductions during the winter and summer peaks, and overall energy savings. Texas used to be a national leader on energy efficiency programs. In 1999, as part of electric deregulation, we were the first state to establish energy efficiency standards (called Energy Efficiency Portfolio Standard), but over the past two decades we've sunk to 29th place nationwide.<sup>1</sup>

We are submitting these brief comments on Centerpoint Energy's 2023 EECRF. While we have not reached a decision on whether to formally intervene in the case as a party, we hope these comments will help design improved programs that help more residential and commercial consumers save energy and help make the grid more resilient.

In its filing, CenterPoint Energy, pursuant to PURA § 39.905 and 16 TAC §§ 25.181 and 25.182, is requesting approval to recover a total of \$63,528,280 through its Rider EECRF in 2023, consisting of: (1) estimated 2023 energy efficiency program costs of \$36,601,819; (2) a performance incentive for 2021 program achievements of \$23,356,483; (3) \$522,701 for 2023 EM&V expenses assigned to the Company by Commission Staff, (4) a charge of \$2,967,492 related to the under-recovery of 2021 program costs; (5) a charge of \$27,924 for the interest related to the under-recovery and (6) \$51,860 in 2021 EECRF proceeding expenses. In other words, they are proposing to spend about \$63.5 million, of which more than 36% is simply for a performance bonus of exceeding the very modest goals set by the 2011 Texas legislature.

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<sup>1</sup> Source: American Council for an Energy-Efficient Economy (ACEEE). See [https://www.aceee.org/state-policy/scorecard?gclid=Cj0KCQiApL2QBhC8ARIsAGMm-KETWNWF\\_MJUW2Rhel0wmSstscsmHeAijlGEY3Q3GUSGgn7Wwhb9k\\_BYaAjnYEALw\\_wcB](https://www.aceee.org/state-policy/scorecard?gclid=Cj0KCQiApL2QBhC8ARIsAGMm-KETWNWF_MJUW2Rhel0wmSstscsmHeAijlGEY3Q3GUSGgn7Wwhb9k_BYaAjnYEALw_wcB).

**Table 1. CenterPoint Energy Proposed 2023 EECRF by Category**

Category	Amount	Percentage
EE Program Costs	\$36,601,819	57.62%
Performance Incentive	\$23,356,483	36.77%
Evaluation, Measurement and Verification	\$522,701	0.82%
Under Recovery in 2021	\$2,967,492	4.67%
Interest on Under Recovery from 2021	\$27,924	0.04%
2021 Proceeding Expenses	\$51,860	0.08%
Total	\$63,528,280	100.00%

In the wake of the issues that arose during Winter Storm Uri, in fact, now is the time to ramp up programs that will help us create a more resilient grid and directly help those impacted during winter and summer peaks. While the PUCT has taken some small steps to recognize the importance of looking at the demand side such as increasing Emergency Response Programs, they have yet to address the energy efficiency programs run by the utilities themselves. The PUCT can and should require the utilities to meet higher program goals and prioritize programs that help make the grid more resilient.

### **What is CenterPoint proposing?**

As can be seen in Table 2, below, CenterPoint is proposing that they expect to do about the same in 2023, as they are doing currently in 2022 and as they did in 2021. The charts clearly show that CenterPoint can easily meet the “required” goals, but it also shows they have largely run and achieved the same results year after year. Overall, according to what has been filed, energy efficiency demand reductions and savings would remain the same if these plans are approved later this year by the PUCT.

To put it more plainly, CenterPoint is proposing this next year – 2023 – to reduce peak demand by 185 MWs, which is slightly lower than what they achieved in 2021 (212 MWs) and slightly above what they expect to achieve this year (183 MWs). Those numbers are about three times the required goal of MWs. In terms of energy savings, CenterPoint expects to reduce overall energy sales by 227,336 MWhs, about double the required energy savings reduction of MWhs,

but down slightly from what they achieved in 2021 (237,486 MWWhs), and slightly above the 2022 expected total (214,129 MWWhs).

While it is good that CenterPoint is meeting and in fact more than doubling their peak savings and energy goals, the fact is that our goals were set more than 10 years ago by the Legislature, and have not been tweaked since 2011, meaning utilities have had more than 10 years to get it right. Under the provisions of the statutes and rules, utilities can earn a performance bonus that essentially pays them ratepayer money for exceeding their demand goals. And those performance bonuses are only tied to meeting the peak demand goal, not the energy saving goal. Incredibly, the bonus is tied to overall system avoided costs, meaning the utility earns up to 10% of the avoided costs, even those avoided costs benefit the utility itself in delaying the need for distribution and transmission upgrades. Again, they are willing to design programs to exceed their goals, and earn a healthy bonus, but they are unwilling to propose major revisions, especially with a Commission which has yet to make these programs a priority or agree to major changes in “cost caps” on ratepayers.

**Table 2. Utility Demand and Energy Goals, 2021 - 2023**

Utility	2023 Peak Demand Goal (MWs)	2021 Peak Demand Reduced (MWs)	2022 Peak Demand Expected Reduced (MWs)	2023 Proposed Peak Reduced (MWs)	2023 Energy Savings Goal (MWWhs)	2021 Energy Savings Reduced (MWWhs)	2022 Energy Savings Expected Reduced (MWWhs)	2023 Proposed Energy Savings (MWWhs)
Centerpoint	65.03	212.3	183.46	185.43	114,038	237,486	214,129	227,636

**How much money is CenterPoint planning to spend?**

Again, CenterPoint is proposing nearly the same program budget– roughly \$36.6 million next year vs. \$38 million in 2022, with roughly 60% spent on residential customers and 40% spent on commercial customers. This of course does not include the hefty proposed performance bonus or other costs. In terms of the actual EECRF that residential and commercial customers would pay, CenterPoint is proposing to charge residential consumers \$0.000966 per kWh, roughly the same as in 2022, or less than \$1 per customer. This is well under the cost cap for 2023 of \$1.43 for residential customers, meaning that CenterPoint could propose a budget that is roughly 40% higher for residential consumers. Incredibly, because of over recovery issues in some commercial classes, CenterPoint is actually proposing a negative EECRF for small commercial customers of (\$0.000011), while larger commercial customers that have a demand more than

10 KWs would be charged \$0.000975. Overall, the commercial tariff would be well below the 2023 cost caps arrived at through PUCT rules.

While the PUCT should absolutely assure that costs are kept reasonable on residential and commercial consumers, there is clearly room to grow the programs. As an example in terms of public utilities, Austin Energy residential customers spend approximately \$2.30 per month to support energy efficiency and local solar programs (not including direct payments to solar owners), while CPS Energy is discussing whether to raise their current budget of approximately \$3.50 per month to as much as \$5.00. Clearly there is room for much more robust programs. It is important to note that in much smaller utilities like Austin Energy, spends roughly \$40 million per year on energy efficiency programs, while CPS Energy spends about \$70 million per year, even though their service territories and the number of consumers they serve are much smaller than Centerpoint Energy. And to put this in perspective, average electricity prices are already up some 20 percent this year compared to last year, with the high cost of gas, and the extra “insurance” that ERCOT is purchasing to make the system more reliable. In other words, raising more money from EECRFs would probably not be noticed by consumers compared to other rising costs.

**Table 3. Utility Energy Efficiency Budgets, 2022 and 2023**

Utility	2022 Approved Program Budget	Average 2022 Residential Monthly Rate to Pay for the Plan (based on 1,000 KWh/month)	Average 2022 Residential Monthly Rate to Pay for the Plan (based on 1,000 KWh/month)	2023 Proposed Program Budget
Centerpoint	\$38,138,681	\$0.98	\$0.966	\$36,601,819

*Source: Energy Efficiency Plans submitted in PUC Docket 52949 and 53677*

**A Closer View at CenterPoint’s Energy Plans: Anything new?**

Second only to ONCOR in its size, and in the size of its energy efficiency programs, CenterPoint Energy operates in the Houston area, and is also a gas distribution utility in addition to running the electric distribution and transmission lines. Their plan shows they will nearly triple their demand reduction goal of 65 MWs and nearly double their energy savings goal, again pointing to how modest Texas’s goals are. In all they plan to spend some \$36 million in 2023.

To reach these levels, they plan to run 17 programs, roughly divided between commercial and residential standard offer and market transformation programs. The programs include:

1. Commercial Standard Offer Program
2. Commercial MTP (SCORE, Healthcare, Data Center)
3. Commercial Load Management Standard Offer Program
4. Retro-Commissioning MTP
5. Retail Electric Provider MTP (Commercial CoolSaver)
6. Commercial High Efficiency Foodservice MTP (Pilot)
7. Advanced Lighting MTP
8. CenterPoint Energy High Efficiency Home MTP
9. Residential & Small Commercial Standard Offer Program
10. Smart Thermostat Program
11. Midstream MTP (HVAC and Pool Pump Distributor)
12. Retail Electric Provider MTP (Residential CoolSaver and Efficiency Connection)
13. Residential Load Management Standard Offer Program
14. Multi-Family MTP Market Rate
15. Hard-to-Reach Standard Offer Program
16. Multi-Family MTP Hard-to-Reach
17. Targeted Low Income MTP (Agencies in Action)

Specific information about these programs can be found both on Centerpoint's website and their plan, which can be found here

[http://interchange.puc.texas.gov/Documents/52949\\_6\\_1197074.PDF](http://interchange.puc.texas.gov/Documents/52949_6_1197074.PDF)

To their credit, CenterPoint in recent years has more directly worked with the City of Houston, and non-profit organizations to reach more Houston-area residents with energy efficiency, demand reduction and other programs, and recently began some new programs aimed both at apartment dwellers (multi-family housing), and targeted low-income market transformation programs, working with Agencies in Action. Their targeted AC tuneup program for both residential and commercial participants has also been a success.

Nonetheless, despite the ravages of Winter Storm Uri, Centerpoint Energy has not rolled out any new programs in several years, does not have any specific solar or solar plus storage programs, and has yet to roll out specific electric water heat pump or space heat pump programs. While CenterPoint Energy is also a gas utility, they still should be promoting the use of electric heat pumps, rather than either furnaces or absorption heat pumps that rely on gas or propane. Unlike Oncor, they appear to be offering no specific winter peak demand programs, despite the obvious failure of our electric grid during Winter Storm Uri.

With literally millions of apartment dwellers and homeowners living in their service territory, and dozens of retail electric providers providing power, CenterPoint could significantly expand all of their programs, and add additional ones, while making our grid more resilient. They could easily double their program in 2023, and still keep the cost on residential consumers to less than \$2 per month. By simply increasing their budget to the \$1.43 cap they could expand residential service by more than 40 percent.

## **Conclusions**

The Lone Star Chapter of the Sierra Club appreciates the opportunity to file these brief comments. CenterPoint clearly meets its demand and energy savings goals easily, and is able to propose a budget that spends 36 percent of the total on a whopping \$23 million performance bonus, which they state is 10% of the avoided costs because of the programs. The Commission must open up immediately a rulemaking on the efficiency and load management programs before these EECRFs are approved. While the Sierra Club is still deciding whether to intervene in this particular case, and believe that CenterPoint should be encouraged to spend up to the current cap of \$1.43 per residential meter per month, our main point is to say the Commission has failed to implement Phase 1 of the Blueprint approved by the Commission in December of 2021. That Blueprint said the Commission would be making improvements to the TDU programs, but we have yet to see any action by the Commission or staff.

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