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PROJECT NO. 56517

REVIEW OF ENERGY EFFICIENCY	§	BEFORE THE
PLANNING	§	PUBLIC UTILITY COMMISSION
	§	OF TEXAS

**CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC’S RESPONSES TO THE
PUBLIC UTILITY COMMISSION OF TEXAS’ QUESTIONS FOR COMMENT**

PUBLIC UTILITY COMMISSION OF TEXAS:

CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) submits its responses to the Public Utility Commission of Texas’ questions related to the Commission’s current energy efficiency rule, 16 Tex. Admin. Code § 25.182 (the Energy Efficiency Rule), and the implementation of Senate Bill (SB) 1699 from the 88th Legislative Session.¹

I. Executive Summary

Over the past five years, the energy efficiency programs administered by CenterPoint Houston have provided substantial benefits by reducing peak demand for its residential and commercial customers by approximately 1,049.38 MW and by providing approximately 1,052,202,000 kWh in energy savings.² CenterPoint Houston has provided these substantial benefits by setting demand reduction and energy savings goals far above the minimum levels required under the current Energy Efficiency Rule while at the same time staying well under the 20% cost cap in the current Energy Efficiency Rule. In sum, the current Energy Efficiency Rule facilitates the Legislature’s stated goal in which “all customers, in all customer classes, will have a choice of and access to energy efficiency alternatives and other choices from the market that allow each customer to reduce energy consumption, summer and winter peak demand, or energy costs”³ To the extent that the Commission makes a policy determination to revise the current

¹ CenterPoint Houston has joined in and supports the comments filed by the Joint Utilities.

² *Calendar Year 2024 Electric Utility Energy Efficiency Plan and Report Under 16 Tex. Admin. Code § 25.181*, Project No. 56003, CenterPoint Houston’s 2024 Amended Energy Efficiency Plan and Report at 29 (Apr. 1, 2024).

³ Tex. Util. Code § 39.905(a)(2).

Energy Efficiency Rule, the Commission should first identify the pending issues that inhibit the ability of an electric utility to administer a cost effective energy efficiency program and then implement solutions that enable the electric utility to provide a comparable or greater level of demand reduction and energy savings.

With regard to the questions posed by the Commission, CenterPoint Houston provides the following responses:

- Question 1: The current Texas Technical Reference Manual (TRM) already incorporates a probability-based analysis with regard to an electric utility's system peak and associated value, so it is unnecessary to designate certain hours of the day as being more valuable within the design of standard offer or targeted market transformation programs.
- Question 2: For low-income and hard-to-reach programs, CenterPoint Houston recommends providing more cost-effectiveness flexibility by removing the program-level cost-effectiveness requirement for low-income programs and removing program administrative costs when evaluating the cost-effectiveness of hard-to-reach programs.
- Question 3: CenterPoint Houston would support a modified avoided cost calculation that utilizes Electric Reliability Council of Texas (ERCOT) settlement price data on a more levelized basis. Currently, the avoided energy cost is established by using the load-weighted average of the competitive load zone settlement prices for the peak periods covering the two previous winter and summer peaks. CenterPoint Houston recommends using a load-weighted average of settlement prices that incorporates at least five or more years of historical data.
- Question 4: The Commission has stated that "bonuses are intended to reward exemplary performance in the area of energy efficiency, and . . . that predictable incentives will provide a real inducement for exemplary performance."⁴ Utility performance bonuses should continue to value cost-effectiveness and net benefits. Reducing volatility in the avoided capacity and energy costs align program performance and utility bonuses without requiring changes to the bonus calculation in 16 TAC § 25.182(e).
- Question 5: CenterPoint Houston supports revising demand reductions and energy savings goals, but such a revision should be based on market studies and should consider the

⁴ *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Project No. 37623, Order at 86-87 (Jul. 30, 2010).

potential cost impact to customers and other interdependencies within the current Energy Efficiency Rule.

- Question 6: The upcoming rulemaking to implement SB 1699 should be limited to the sections of 16 TAC § 25.181 directly impacted.
- Question 7: The Commission should prioritize the following issues: determine energy savings goals for each utility after considering factors such as growth and energy efficiency market potential, allowing electric utilities to market and deliver energy efficiency incentives directly to customers, expand the eligibility criteria for low to moderate income customers, and review cost effectiveness at the portfolio level instead of the program level.

II. Responses to Questions

Question No. 1: Should certain hours of the day be considered more valuable within the design of standard offer or targeted market-transformation programs offered by utilities? Please discuss your rationale in detail.

CenterPoint Houston believes the current TRM already provides a clear and consistent approach to valuing time variability into the estimates of peak demand reduction delivered through energy efficiency measures. Volume 1 of the TRM contains a probability-based method for determining system peak coincident demand for each climate zone and utilizes probable peak hours to calculate deemed savings. This is an effective approach to capturing time-based value attributable to measures without unnecessary cost or complexity.

Question No. 2: What metrics should be used to track the success of low-income and hard-to-reach programs under 16 Texas Administrative Code (TAC) §25.181?

CenterPoint Houston agrees with the response in the Joint Utilities comments and supports evaluation metrics that expand and increase customer participation in low-income and hard-to-reach programs. CenterPoint Houston also recommends providing more cost-effectiveness flexibility for these programs by removing the program level cost-effectiveness requirement for low-income programs and by removing program administrative costs when testing cost-effectiveness of hard-to-reach programs. Calculating cost-effectiveness solely based upon the measure savings and cost of incentives for those measures is a more effective metric to value the

benefits delivered to customers and would support increased comprehensiveness and participation in hard-to-reach programs.

Question No. 3: Avoided cost of capacity and energy:

a. Existing 16 TAC §25.181(d)(2) calculates the avoided cost of capacity. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.

b. Existing 16 TAC §25.181(d)(3) calculates the avoided cost of energy. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.

CenterPoint Houston is generally supportive of the current method of calculating avoided capacity cost at the generation level, but CenterPoint Houston believes that incorporating transmission and distribution costs would more accurately reflect the value of peak demand reduction. CenterPoint Houston believes the current calculation for the avoided cost of energy accurately reflects the value of energy savings as it utilizes settlement prices within the ERCOT market. CenterPoint Houston, however, recognizes that avoided energy costs can fluctuate significantly from year to year, which in-turn may result in program benefits and utility bonuses that are more reflective of and dependent on fluctuating energy prices instead of program performance. CenterPoint Houston supports a modified avoided cost calculation that will continue to use ERCOT settlement price data, but on a more levelized basis. Currently, the avoided energy cost is established by using the load-weighted average of the competitive load zone settlement prices for the peak periods covering the two previous winter and summer peaks. CenterPoint Houston recommends using an average that incorporates at least five or more years of historical data to determine the avoided cost of energy for a given program, or establishing an avoided cost value that is used for multiple program years.

CenterPoint Houston also recommends modifying the timing of when the established avoided capacity and energy costs are applied. Currently, avoided costs are filed on November 1st each year and applicable to the subsequent program year. To allow for a more effective planning and budgeting process, the Company proposes that avoided costs be applied to the second program year following their establishment on November 1st. The diagram below compares the

current application and timing of the avoided capacity and energy costs with CenterPoint Houston's proposal.

Current Energy Efficiency Rule – Timing of Avoided Cost Determination

PY 2024		PY 2025												PY 2026
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan
					EEPR Filed							PY 2026 Avoided Cost Published		PY 2026 Avoided Cost Effective

Proposed Adjustment - Timing of Avoided Cost Determination

PY 2024		PY 2025												PY 2026
Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan
PY 2026 Avoided Cost Published					EEPR Filed									PY 2026 Avoided Cost Effective

Question No. 4: Existing 16 TAC § 25.182 calculates utility performance bonuses. Should this calculation be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.

CenterPoint Houston generally agrees with the Joint Utilities' Comments regarding utility performance bonuses and notes the Commission has previously stated that "bonuses are intended to reward exemplary performance in the area of energy efficiency, and the commission believes that predictable incentives will provide a real inducement for exemplary performance." The current Energy Efficiency Rule has several requirements that impose cost discipline on electric utilities,

tie the bonus to energy efficiency performance, and ensure that Texas customers receive the benefits of energy efficiency programs in a cost-effective manner. For example, the cost of administration, research, and development cannot exceed 20% of total program costs, which CenterPoint Houston's energy efficiency programs have stayed well under over the past five years. Likewise, the portfolio of energy efficiency programs administered by an electric utility must be cost effective and is subject to cost caps. Finally, the bonus is tied to actual performance and the benefits provided to customers and cannot exceed 10% of total net benefits provided to customers. CenterPoint Houston believes that valuing cost-effectiveness and customer benefits of energy efficiency programs is an important component of performance bonuses. As described in the Joint Utilities' Comments, CenterPoint Houston recognizes the avoided cost of energy and capacity can significantly impact performance bonuses that are based net benefits. CenterPoint Houston believes the previously discussed recommendations to reduce the volatility of avoided costs are an effective approach to aligning program performance with utility bonuses without requiring a changes to the bonus calculation in 16 TAC § 25.182(e).

Question No. 5: Existing 16 TAC § 25.181 addresses energy savings and demand reduction goals. Should these existing goals be revised in a future energy efficiency rulemaking? If so, how? Please discuss your rationale in detail.

CenterPoint Houston's energy efficiency programs have consistently exceeded energy efficiency rule goals and provided substantial benefits to CenterPoint Houston's customers. The energy efficiency programs have been a critical driver of statewide energy savings and have supported grid performance and reliability. CenterPoint Houston's efficiency programs have helped households and business customers reduce energy usage and utility bills. Under the current Energy Efficiency Rule, the demand reduction goal for an electric utility's energy efficiency programs for the upcoming program year is calculated as four-tenths of 1% of its summer weather-adjusted peak demand for the combined residential and commercial customers for the previous program year. The energy savings goal is calculated based on the demand savings goal, using a 20% conservation load factor. While CenterPoint Houston agrees with the Joint Utilities' assessment that "It is important that the Commission consider all potential consequences, intended and otherwise, and holistically address all aspects of 16 TAC § 25.181 if it chooses to modify any aspect of the energy savings and demand reduction goals[.]" CenterPoint Houston supports

increasing existing goals to achieve sustainable benefits for grid management. CenterPoint Houston is projected to have significant load growth due to industrial electrification and hydrogen. Energy efficiency should be an integral part of energy resource planning. Electric utilities should leverage market potential studies to establish multiyear energy savings goals for their respective service territories, while being intentional on reducing the energy burden for communities that have been traditionally underserved.

Question No. 6: In the upcoming rulemaking to implement SB 1699, what other issues should be considered? Should the existing energy efficiency rules be restructured? Please discuss your rationale in detail.

CenterPoint Houston agrees with the Joint Utilities' Comments regarding the scope of a rulemaking to implement SB 1699.

Question No. 7: What activities should the Energy Efficiency division prioritize over the next twelve months?

CenterPoint Houston appreciates the opportunity to provide input regarding priorities over the next twelve months. CenterPoint Houston feels that it important to focus on the customer experience by providing tangible value and making the energy efficiency programs accessible and equitable. Energy efficiency programs need to be considered comprehensively and allow flexibility across different service territories to meet different needs. Over the next twelve months, CenterPoint Houston recommends prioritizing the following:

1. Determining the appropriate energy savings goals for electric utilities based on factors such as growth and energy efficiency market potential as well as consider increasing cost caps appropriately.
2. Improving flexibility to better support access to energy efficiency programs by:
 - a. Allowing electric utilities to deliver energy efficiency incentives directly to customers and increase direct marketing capabilities to drive awareness and participation.
 - b. Expanding eligibility for low to moderate income customers to improve participation and increase investments in low-income energy efficiency programs.

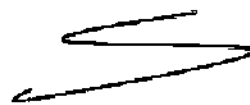
Expanding the definition of “hard-to-reach” to include low- and moderate-income customers would increase program reach and impact. Additionally, customer participation would be expanded by adding energy burden to the program eligibility criteria. Energy insecurity severely affects many households and efficiency measures are a direct mechanism to reduce customer energy bills. CenterPoint Houston recommends utilizing a tool such as the Department of Energy’s Low-Income Energy Affordability Data (LEAD) Tool to identify high energy burden customers. The LEAD Tool is an online, interactive platform that helps users make data-driven decisions on energy goals and program planning by improving their understanding of low-income and moderate-income household energy characteristics. Expanding customer participation through broader eligibility requirements would allow utilities to continue to achieve or exceed the 5% of total demand reduction threshold for hard-to-reach customers and 10% of energy efficiency budget threshold for targeted low-income programs.

3. Changing cost-effectiveness evaluation from the program level to the portfolio level, removing the cost-effectiveness requirement for low-income programs, and considering modifying cost-effectiveness methodology to incorporate other benefits such as avoided transmission and distribution costs.

CenterPoint Houston looks forward to continuing our work to achieve energy efficiency goals and objectives. CenterPoint Houston is committed to supporting the Commission to advance energy efficiency policy focused on customer expectations, grid management, and reliability.

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Respectfully submitted,



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