

MEMORANDUM

To: Ethan Warner, Manager | Regulatory, Energy Efficiency

From: Stacy Miller, Sustainability Program Coordinator | Energy and Climate Regulatory Policy

Cc: City of Minneapolis and CenterPoint Energy Clean Energy Partnership Board Members and staff

Date: Feb 15, 2023

Subject: Recommendations for the 2024-2027 CenterPoint Energy Conservation Improvement Program Triennial Plan

The City of Minneapolis appreciates CenterPoint Energy's openness to recommendations regarding the next Conservation Improvement Program (CIP) Triennial Plan for energy efficiency programs. This memo outlines the collective recommendations of the City of Minneapolis' Clean Energy Partnership board members and staff. We also appreciate the preview of CenterPoint's plans for the upcoming Triennial, including many updates that we strongly support, such as: creation of a nonprofit and social services agency relationship manager, geographic targeting of underserved communities like the Green Zones, increasing incentives for affordable rental properties, and expanding the availability of instant rebates.

These programs have long helped residential and commercial gas customers who want to invest in energy upgrades that save money and reduce greenhouse gas emissions. Minneapolis has offered funding and program buy-downs for several years now to leverage important CenterPoint Energy CIP programs to make energy- and cost-saving projects more accessible for residential and commercial customers.

As energy policy and program goals evolve, the new CIP Triennial plan creates an opportunity to modify existing programs and develop new ones that will help the state and local governments meet important climate and clean energy goals. The City offers the following recommendations for your consideration based on new opportunities associated with the ECO Act, newly available federal funding, and staff experience.

Residential Programs

In 2019-2022, Minneapolis participated in a Commerce-funded Conservation Applied Research and Development grant led by Citizens Utility Board of MN to clearly articulate the challenges and opportunities to make CIP programs more accessible for Black and people of color households, households with incomes above 60% State Median Income but below high-income, and renters. Results from the [research](#) showed that 1) home and property owners are primarily making decisions on energy appliance purchases during a time of appliance failure (e.g., air conditioner, furnace, water heater, etc.) and 2) current rebate levels are insufficient to cover the incremental costs to purchase a high efficiency (rebate-eligible) appliance.

HVAC Equipment, Appliance, and Insulation Rebates

We believe customers with older equipment and appliances may benefit from the development of a plan

that includes two types of intervention: 1) proactive to support equipment replacement decisions prior to time of failure (Home Energy Squad visit, pre-weatherization, weatherization, pre-electrification, electrification) and 2) reactive (time-of-sale rebates, easy electrification) to address the issue of owners being unable to afford an appliance failure and therefore purchasing the cheapest available option, forgoing utility rebates and proactive efficiency programs. The City supports the CARD grant recommendation to offer **appliance rebates that cover 90-100% of cost difference** between the base model and the high efficiency model. Additionally, we support CenterPoint's plans to make rebates available at the time-of-sale through retailers and contractors in addition to post-sale rebates.

The CARD findings held true whether the households were owner- or renter-occupied. Rental property owners were unlikely to replace failed equipment with high-efficiency (rebate-eligible) equipment at current rebate levels. We support CenterPoint's desire to **expand access to energy efficiency programs and services for rental property owners**, including services that benefit renters. Doubling the Low-Income Rental Efficiency and Multi-family Building Efficiency program budgets, increasing incentive levels to cover 70+% of project costs, and recognizing Green Zones/ACP50/Cultural corridors and other state and locally defined areas of need for eligibility rather than requiring households to submit proof of income would streamline access to these important programs.

Non-income eligible customers making more than 60% AMI do not have the resources for insulation and air sealing in existing homes and defer investment in these important improvements. We appreciate CenterPoint's intent to expand access to energy efficiency programs for moderate-income customers without access to capital and recommend that standard rebates for insulation and air sealing cover a higher portion of overall cost, upwards of 50%, to improve participation and offer relief from high energy burden.

Even with higher rebates for equipment, insulation / air sealing, households struggle with unexpected costs. Many are unable or unqualified to take on a personal loan and would benefit from low-interest, non-credit-based on-bill repayments with immediate savings. Without an inclusive financing solution, a gap remains. We are eager to connect with CenterPoint on strategies to **fill this financing gap**.

We also encourage CenterPoint to offer **prescriptive incentives** for new construction and multi-family housing to make it easier for developers and owners to choose high-efficiency appliances and envelopes.

Home Energy Squad

Home Energy Squad (HES) is a high value program and a great entry point for residential customers to learn about the benefits of energy efficiency. We support continuing free HES assessments for low-income customers. Minneapolis has supported the HES program by buying the participation cost down to \$0 for non-income eligible customers in Minneapolis Green Zones, but we request CenterPoint **expand free assessments to geographies recognized as environmental justice areas** such as Minneapolis Green Zones, similar to the Low-Income Rental Efficiency Program geographical eligibility.

We also recommend that CenterPoint **raise targeted awareness among customers with the highest gas use** about the benefits of HES participation.

Given new **federal incentives for efficiency and electrification**, we recommend CenterPoint budget additional resources to reduce wait times for popular HES services, including continued investments in **workforce development** as more households seek weatherization and electrification.

Trained HES Energy Advisors can serve an important role as a trusted resource for customers to discuss electrification opportunities. We request explicit beneficial electrification recommendations be part of the discussion during HES program visits, including on-going **electrification assistance** when speaking to an HES Energy Advisor.

Electrification in Homes

With the new ECO Act available for the coming Triennial, we encourage CenterPoint to offer **electrification**

programs, including significant incentives for heat pumps. We also encourage working with Commerce and Xcel to align energy audit programs, such as HES, with the new **Inflation Reduction Act** rebate programs to make it easier for customers to access federal incentives.

For owners aspiring to partially electrify their heating, we appreciate CenterPoint's consideration of **promoting and incentivizing the use of dual-fuel, hybrid systems** that rely on heat pumps seasonally and offset the use of gas. We are also pleased to learn that CenterPoint is considering instant rebates for heat pumps. CenterPoint's leadership in these approaches to support electrification will help lower costs for occupants, reduce greenhouse gas emissions associated with gas, and mitigate future energy cost increases for generations of occupants to come.

Since most new housing units being built are larger multifamily buildings, the choice of HVAC systems deeply impacts Minneapolis's ability to meet our community-wide climate goals. As low-efficiency gas-fired "Magic-Pak" individual-unit HVAC units remain extremely popular, specific efforts to **promote and incentivize dual-fuel heat pumps** would be especially helpful.

Commercial Programs

Electrification

Minneapolis encourages CenterPoint to pursue beneficial electrification as allowed under the new ECO Act rules, including for heat pumps, heat pump water heaters, and electric kitchen appliances for business customers. Setting higher rebates will help businesses invest in energy efficiency and weatherization in both existing and new buildings.

Custom Projects

Using existing equipment/building conditions as the baseline condition (as opposed to code as baseline) in the custom analyses and allowing a longer payback period for C&I custom projects may boost program participation and reduce the number of projects denied. Also, setting higher rebates and differentiating rebate levels may help more businesses invest in efficiency and weatherization in existing and new buildings. For example, the rather than providing the same rebate for a 98% and an 88% efficient boiler, it may be more effective to differentiate the rebate levels, offering higher incentives for higher efficiency.

To increase participation in the Natural Gas Energy Analysis program, we recommend CenterPoint market the program to among small- and mid-size companies. In addition to existing custom incentives, consider a **prescriptive program for building automation** to improve participation by smaller companies.

Finally, allowing a **rolling 12-month period** to obtain rebates rather than the current calendar year may help more customers collect earned rebates. For example, a project completed on 11/30/2023 would have until 11/30/2024 to submit the rebate paperwork rather than 12/31/2023.

In closing, we appreciate CenterPoint and Xcel coordinating on certain program offerings to streamline CIP participation for customers with CenterPoint gas and Xcel electric service. This has been effective for HES, recommissioning studies, and the Energy Design Assistance Program. We similarly encourage coordination on beneficial electrification programs for customers who wish to transition from complete reliance on gas heating to cold climate air source heat pumps and other fuel switching rebates. To further support CIP and beneficial electrification opportunities in the ECO Act, we would appreciate CenterPoint discontinuing Builders Club incentives to contractors who install gas appliances in new developments and model homes.

Working together, our programs can better reach residents and businesses most in need of energy efficiency and beneficial electrification. We appreciate CenterPoint's willingness to consider our recommendations and welcome further discussion with the opportunity to share additional detail.