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May 15, 2015

Mr. William Grant
Deputy Commissioner
Minnesota Department of Commerce
Division of Energy Resources
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

RE: CenterPoint Energy Comments on the Draft CHP Action Plan

Dear Deputy Commissioner Grant:

CenterPoint Energy (the Company) appreciates the opportunity to offer these brief Comments regarding the Draft Combined Heat and Power (CHP) Action Plan (the Action Plan), issued March 31, 2015. The Company participated in the Stakeholder Engagement meetings conducted in the autumn of 2014 and looks forward to continued participation as stakeholders discuss how Minnesota can best encourage cost-effective CHP projects.

CenterPoint Energy continues to believe that finding ways to encourage the adoption CHP systems, and thus increase the efficiency of the overall energy system, is in the interest of all Minnesotans. In general, it is the Company's view that the Action Plan is reasonable and that it correctly identifies and prioritizes several action items that would serve to advance CHP in Minnesota. The Company offers the following thoughts on two specific items: establishing a CHP energy savings attribution model and mapping CHP opportunities within Minnesota.

Establishing a CHP Energy Savings Attribution Model

As articulated in the Company's comments on October 10, 2014, CenterPoint Energy believes that the existing Conservation Improvement Program (CIP) model can easily accommodate the inclusion of CHP. Other states have used utility efficiency programs to promote CHP, and there is clear statutory support for including CHP in CIP. While it seems clear that CHP *can* fit within CIP, the question of specifically *how* CHP projects should be incorporated remains open. The Company agrees that this is an important question, as regulatory uncertainty regarding how savings should be handled creates significant barriers when utilities are approached by customers considering CHP projects.

CenterPoint Energy therefore supports the proposal to develop a CHP attribution model through the Minnesota Technical Reference Manual (TRM) process, in order to establish clarity about how potential projects should be evaluated and how savings should be attributed. The Company looks forward to participating in the development of that model, and offers a few additional points for consideration.

First, the Company reiterates its view that any savings attribution model should have as a guiding principle the idea that each energy provider (both natural gas and electricity) should receive value (in the form of claimable CIP energy savings, which should be included in the calculation of the CIP financial incentive) from working jointly to facilitate and encourage CHP projects. Furthermore, care must be

taken to ensure that legitimate utility financial impacts, including any decrease in sales resulting from the project, can be addressed in a timely fashion.

Second, the Action Plan focuses on the Illinois CHP TRM as an example of an attribution model. While there are a number of valuable aspects of the Illinois model, the Company believes the topic deserves a broader exploration. The development of a Minnesota CHP TRM should include a review and consideration of methods adopted in other states, as well as novel ideas that might be presented by members of the Technical Reference Manual Advisory Committee (TRMAC), in order to ensure that the final model is appropriate for Minnesota and supported by Minnesota stakeholders. Limiting the process to simply “adapt[ing] and incorporat[ing] aspects of Illinois’ CHP TRM” would unnecessarily restrict what should be an open and broadly-informed discussion.

Finally, the Company is supportive of the proposed near-term timing of this action item. The development of an attribution model in the 2015-2016 timeframe could potentially be supportive of utility CIP Triennial plans filed in 2016. Even if a final model is not available in time for utilities to develop CHP-specific CIP offerings for inclusion in their 2017-2019 plan filings, having the model available could allow them to support CHP projects through custom rebate offerings, as well as the development of additional programs through the CIP modification process.

Mapping CHP Opportunities in Minnesota

CenterPoint Energy is supportive of the idea of identifying specific CHP opportunities. In particular, the Company believes the DER’s work to address energy usage at municipal wastewater facilities has potential to identify significant energy saving potential. The Company has some recent experience with biogas projects at wastewater facilities, and believes there may be opportunities to combine biogas with CHP to drive significant energy improvements. CenterPoint Energy would be happy to collaborate with the DER on this effort as appropriate, if such collaboration would be of interest.

CenterPoint Energy appreciates the Department’s work to continue the dialog about CHP in Minnesota, as well as the opportunity to offer these Comments regarding the Draft CHP Action Plan. Please feel free to contact me at 612-321-4613 with any questions regarding these Comments.

Sincerely,

/s/ Nick C. Mark

Nick C. Mark
Manager, Conservation & Renewable Energy Policy