

**ORDINANCE NO. 20220127-63**

**AN ORDINANCE APPROVING A GAS ENERGY EFFICIENCY TARIFF AND  
IN ACCORDANCE WITH A FILING OF CENTERPOINT ENERGY  
RESOURCES CORPORATION.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

**PART 1.** The Council finds:

- (A) The Austin City Council is the regulatory body with exclusive original jurisdiction over CenterPoint Energy Resources Corporation's ("CenterPoint") natural gas rates, operations, and services within Austin.
- (B) On November 10, 2021, CenterPoint filed a notice that it is proposing to adopt an Energy Efficiency Tariff (EE Tariff) and adopt a rate to pay for costs of an Energy Efficiency Program to include products and rebates it proposed to offer to its Austin gas customers.

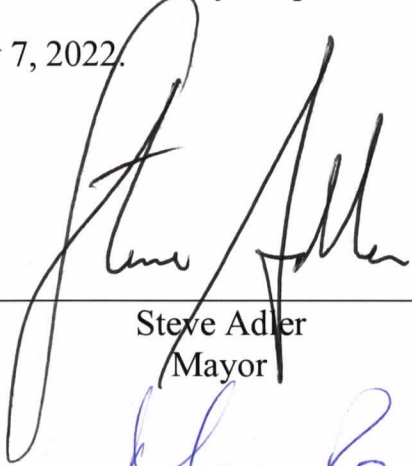
**PART 2.** The rates included in the EE Tariff appended to this ordinance as "Attachment 1" are reasonable, proper, and in the public interest and are hereby adopted.

**PART 3.** This ordinance takes effect on February 7, 2022.

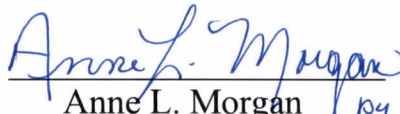
**PASSED AND APPROVED**

\_\_\_\_\_, January 27, 2022

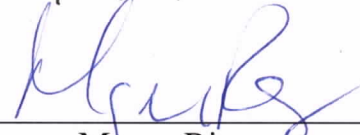
§  
§  
§

  
\_\_\_\_\_  
Steve Adler  
Mayor

**APPROVED:**

  
\_\_\_\_\_  
Anne L. Morgan  
City Attorney

**ATTEST:**

  
\_\_\_\_\_  
Myrna Rios  
City Clerk

**ATTACHMENT 1**

**To Ordinance No. 220127-063**

**as Amended and Adopted**

**January 27, 2022**

**CENTERPOINT ENERGY RESOURCES CORP.  
D/B/A CENTERPOINT ENERGY ENTEX  
AND CENTERPOINT ENERGY TEXAS GAS  
SOUTH TEXAS DIVISION  
CITY OF AUSTIN  
RATE SHEET  
ENERGY EFFICIENCY COST RECOVERY RIDER  
RATE SCHEDULE NO. EECR-AUSTIN-2022**

**APPLICATION OF SCHEDULE**

This schedule is applicable to any customer in the incorporated city limits of Austin, Texas, taking natural gas service pursuant to the Company's Residential Service, General Service-Small, or General Service-Large Volume rate schedules. The purpose of the Energy Efficiency Cost Recovery ("EECR") Rider is to establish the EECR rate(s) by which CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas ("Company") will recover its energy efficiency program costs including, but not limited to, the annual energy efficiency program costs and a true-up adjustment reflecting any prior period over-recovery or under-recovery. The EECR charge will be a fixed monthly charge per customer as shown below.

**MONTHLY ENERGY EFFICIENCY RIDER CHARGE**

For bills rendered on and after the effective date of this rate schedule, the monthly rate for each customer receiving service under this rate schedule shall be the following:

(a) The rate consisting of:

(1) Residential Service Charge	\$0.59
General Service-Small Charge	\$8.73

**EFFECTIVE RATE AND TERM**

This EECR Rider shall be effective on and after the first billing cycle beginning February 1, 2022, and shall continue in effect until modified or terminated by an appropriate regulatory authority.

**RULES AND REGULATIONS**

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations, as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from Company's office located at 1111 Louisiana Street, Houston, Texas.

**CenterPoint Energy Resources Corp.**

**d/b/a CenterPoint Energy CenterPoint Energy Texas Gas**

**Energy Efficiency Pilot Proposal**



## **Table of Contents**

<b>1. INTRODUCTION</b>	<b>3</b>
<b>1.1. Program Overview</b>	<b>3</b>
1.1.1 Energy Efficiency Pilot Objective	3
1.1.2 Program Development	3
1.1.3 Overall Benefit-Cost Analysis	5
1.1.4 Energy Savings and Methodology	6
1.1.5 Overall Budget	6
1.1.6 Projected Energy Savings	7
1.1.7 Plan for Cost Recovery	7
1.1.8 Recoupment of Lost Revenue	7
<b>2. PROGRAM DESCRIPTIONS</b>	<b>9</b>
<b>2.1. High-Efficiency Equipment Rebates</b>	<b>9</b>
2.1.1 Intent of Program	9
2.1.2 Target Market	10
2.1.3 State of the Market	10
2.1.4 Benefit-Cost Analysis	11
2.1.5 Budget	11
<b>2.2. Home Conservation Improvement Products</b>	<b>13</b>
2.2.1 Intent of Program	13
2.2.2 Target Market	13
2.2.3 State of the Market	13
2.2.4 Benefit-Cost Analysis	14
2.2.5 Budget	15
<b>2.3. Commercial Direct Install Program</b>	<b>16</b>
2.3.1 Intent of Program	16
2.3.2 Target Market	16
2.3.3 State of the Market	16
2.3.4 Benefit-Cost Analysis	17
2.3.5 Budget	17
<b>3. PORTFOLIO SUMMARY</b>	<b>18</b>
<b>4. ENERGY EFFICIENCY PILOT – DETAILED ANALYSIS</b>	<b>19</b>
<b>5. INPUTS APPLIED FOR CALIFORNIA TESTS</b>	<b>21</b>

## **1. Introduction**

### **1.1. Program Overview**

---

CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Texas Gas (“CenterPoint Energy” or the “Company”) is pleased to submit a proposal to implement an Energy Efficiency Program Pilot in Austin Texas. This proposal contains CenterPoint Energy’s plan to pilot the following energy efficiency programs in 2022:

- High Efficiency Equipment Rebates
- Home Conservation Improvement Products
- Commercial Direct Install Program

#### **1.1.1 Energy Efficiency Pilot Objective**

Through the proposed Pilot, CenterPoint Energy intends to introduce targeted program offerings that will deliver cost-effective energy savings, promote awareness of energy conservation, and provide customers with opportunities to reduce natural gas usage in their homes and businesses.

Specific objectives associated with the Pilot are to:

- Reduce end-use natural gas consumption to conserve resources and improve affordability of energy;
- Provide environmental benefits by influencing the use of energy efficient equipment and technology that reduces carbon dioxide emissions and other greenhouse gases;
- Promote energy-conscious attitudes and behaviors that support energy conservation and sustainability

#### **1.1.2 Program Development**

CenterPoint Energy currently delivers demand side management programs in six states including natural gas programs in Arkansas, Indiana, Minnesota, Mississippi, Ohio, and Oklahoma, as well as electric energy efficiency programs in Indiana and Texas. These programs continue to achieve

EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

energy savings and environmental benefits and provide value to customers through a variety of programs that are cost-effective and comprehensive. The Company believes an excellent opportunity exists to leverage its experience delivering demand side management programs and expand natural gas energy efficiency offerings to a targeted group of customers in its Texas service territory. In the development of the Pilot, CenterPoint Energy utilized this experience to evaluate the following factors:

- Programs best suited for a small-scale pilot;
- Measure level energy savings;
- Cost projections;
- Program cost-effectiveness; and
- Evaluation of the most effective marketing and delivery channels

The Pilot is designed with a “Quick-Start” approach and offers programs that can be implemented with minimal budget and complexity while still providing cost-effective energy-savings opportunities to customers.

### 1.1.3 Overall Benefit-Cost Analysis

CenterPoint Energy performed the following benefit-cost analyses on each of the proposed programs, market segments, and the entire program portfolio:

- Ratepayer Impact Measure Test (also known as the Non-Participant Test);
- Program Administrator Cost Test (also known as the Utility Cost Test);
- Societal Test;
- Participant Test; and
- Total Resource Cost Test

These tests are derived from a variation of the 2001 California Standard Practice Manual, which is widely accepted as the resource for the details and calculations of benefit-cost analysis for energy efficiency programs around the country.

In general, the various tests for each program and portfolio of programs were calculated using the net present value of the program's benefits and costs.

Table 1.1.3 Energy Efficiency Pilot Benefit-Cost Projections

Cost Test	Net Benefits	B/C Ratio
Ratepayer Impact Cost Test	-\$32,992	0.54
Program Administrator Cost Test	\$18,122	1.90
Societal Cost Test	\$32,357	2.08
Participant Cost Test	\$62,865	3.96
Total Resource Cost Test	\$29,148	1.97

EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

#### 1.1.4 Energy Savings and Methodology

For the measure-level technical assumptions such as deemed savings calculations, and estimated useful life, CenterPoint Energy utilized both the Arkansas Technical Reference Manual (TRM) Version 8.1 as well as the Texas TRM Version 8.0. Deemed savings algorithms for natural gas measures from the Arkansas TRM were applied using Texas specific weather assumptions found in the Texas TRM.

#### 1.1.5 Overall Budget

Program Name	Budget
High-Efficiency Equipment Rebates	\$10,500
Home Conservation Improvement Products	\$2,989
Commercial Direct Install	\$6,625
<b>Total</b>	<b>\$20,114</b>

EXHIBIT- 1  
 CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
 CENTERPOINT ENERGY TEXAS GAS  
 ENERGY EFFICIENCY PROGRAM PILOT

### 1.1.6 Projected Energy Savings

Table 1.1.6 Projected Annual Energy Savings (Ccf)

Program Name	Projected Ccf Savings
High-Efficiency Equipment Rebates	2,213
Home Conservation Improvement Products	890
Commercial Direct Install	6,386
<b>Total</b>	<b>9,488</b>

### 1.1.7 Plan for Cost Recovery

CenterPoint Texas will seek to recover program costs through an Energy Efficiency Cost Recovery (EECR) charge. The EECR will become effective on February 1, 2022 and will be a monthly charge for each customer class calculated as follows:

Monthly EECR Cost =  $\frac{((\text{Annual Energy Efficiency Budget} + (\text{Over})/(\text{Under True-Up}) \div 11) \div \text{Number of Customers})}{1}$

The Company proposes that the monthly EECR customer charged be determined prior to implementation of a twelve-month pilot based on the current customer count and budget for each rate class.

Rate Class	2022 Pilot Projected Cost	Prior Year (Over)/Under	Customer Count	Monthly EECR Cost Per Customer
Residential Service	\$13,488.75	\$0	2,072	\$0.59
General Service - Small	\$6,625.00	\$0	69	\$8.73



EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

**1.1.8 Recoupment of Lost Revenue**

CenterPoint Energy will not seek recovery of any lost revenues resulting from implementation of this Pilot in 2022. Should the Company continue to deliver energy efficiency programs in subsequent years, the Company may request a lost revenue mechanism.



## **2. Program Descriptions**

### **2.1. High-Efficiency Equipment Rebates**

---

#### **2.1.1 Intent of Program**

##### **Description**

The High-Efficiency Equipment Rebates program is designed to promote energy-efficient retrofits for residential and commercial customers. Incentives will be offered to consumers to encourage the purchase and installation of new high-efficiency natural gas water heaters, furnaces, and ENERGY STAR qualified thermostats.

##### **Eligibility Requirements**

Eligible residential and commercial consumers must:

- Commit to natural gas service from CenterPoint Energy;
- Have a new, qualified natural gas appliance installed at a location served by CenterPoint Energy; Eligibility retrofit installations. New construction projects are not eligible;
- Complete the appropriate rebate application form and return to CenterPoint Energy, including purchaser information, equipment information (including brand, model number, serial number, and equipment efficiency rating), dealer information and/or installer information; and
- Provide a copy of the dated invoice from the retail equipment dealer or installer.

##### **Incentives**

CenterPoint Energy will offer rebates to encourage the purchase and installation of equipment that will reduce natural gas consumption. This rebate is designed to offset a portion of the incremental cost of purchasing and installing qualified high-efficiency gas equipment.

EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

Table 2.1.1 High-Efficiency Equipment Rebates

Equipment	Efficiency	Customer Rebate
Natural Gas Force Air Furnace	95% AFUE or Higher	\$600
Natural Gas Tankless Water Heater	.87 UEF or Higher	\$350
Natural Gas Storage Tank Water Heater (<75,000 Btu)	.70 UEF or Higher	\$100
Smart Thermostat	ENERGY STAR Qualified	\$50

CenterPoint Energy intends to provide these incentives for natural gas equipment through cash rebates to customers in the form of checks

### 2.1.2 Target Market

CenterPoint Energy will have a limited marketing budget for this proposed pilot, but the company plans to promote the High-Efficiency Equipment Program to residential and commercial consumers through electronic mail, social media, and direct contact with customers and dealers. For the 2022 pilot, the Company has not included dealer incentive payments for trade allies and contractors who sell and install high efficiency natural gas appliances. CenterPoint Energy does, however, intend to evaluate potential benefits of adding dealer incentives should the pilot continue beyond 2022. CenterPoint Energy will update its website to include information about rebates available for qualifying natural gas equipment, information on how to secure those rebates, and all applicable forms.

### 2.1.3 State of the Market

CenterPoint Energy's rebates are designed to offset the following standard installations:

EXHIBIT- 1  
 CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
 CENTERPOINT ENERGY TEXAS GAS  
 ENERGY EFFICIENCY PROGRAM PILOT

Table 2.1.3 Equipment Baseline Comparison

Equipment	Baseline Comparison
95% AFUE Natural Gas Force Air Furnace	.80 AFUE Natural Gas Furnace
Natural Gas Tankless Water Heater	40 Gallon Standard Efficiency Gas Storage Tank
Natural Gas Storage Tank Water Heater	40 Gallon Standard Efficiency Gas Storage Tank
Smart Thermostat	Manually Operated Thermostat

#### 2.1.4 Benefit-Cost Analysis

Table 2.1.4 High-Efficiency Equipment Rebates Benefit-Cost Projections

Cost Test	Net Benefits	B/C Ratio
Ratepayer Impact Cost Test	-\$17,002	0.48
Program Administrator Cost Test	\$4,947	1.47
Societal Cost Test	\$11,203	1.55
Participant Cost Test	\$31,04	2.73
Total Resource Cost Test	\$9,701	1.47

#### 2.1.5 Budget

EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

Table 2.1.5 High-Efficiency Equipment Program Budget

<b>Cost Category</b>	<b>Budget</b>
<b>Project Delivery Internal</b>	\$1,500
<b>Project Delivery Vendor</b>	\$-
<b>Incentives/Rebates</b>	\$8,000
<b>Marketing</b>	\$1,000
<b>Total</b>	\$10,500

## **2.2. Home Conservation Improvement Products**

---

### **2.2.1 Intent of Program**

#### **Description**

CenterPoint Energy's Home Conservation Improvement Products program will provide free energy - saving low-flow showerheads and faucet aerators to the Company's customers. The showerheads (rated at 1.5 gallons per minute) and aerators (rated at 1.0 gallons per minute) will be available to customers who reside within the Company's Austin Texas service territory and who receive individual natural gas bills from CenterPoint Energy.

Customers will be given the option to request multiples of each low-flow unit type, within prescribed limits, to enable each household shower or faucet to perform up to the same energy - saving potential.

### **2.2.2 Target Market**

CenterPoint Energy will primarily promote the program through its website and other electronic communications, steering customers to a fulfillment website where orders can be placed. For those customers without internet access, an 800 number will be provided, and a call center representative will input the customer's information. The customer will then be mailed the requested number of low-flow units, along with comprehensive installation directions.

### **2.2.3 State of the Market**

Water conservation is a very important element of energy efficiency programs. When water conservation is addressed through efficient showerheads and faucet aerators, two goals, the conservation of water and of energy, are simultaneously accomplished. The program is designed help customers to make more efficient choices. The low-flow showerhead and faucet aerator measures are designed to offset the following standard installations:



EXHIBIT- 1  
 CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
 CENTERPOINT ENERGY TEXAS GAS  
 ENERGY EFFICIENCY PROGRAM PILOT

Table 2.2.3 Equipment Baseline

<b>Equipment</b>	<b>Baseline Comparison</b>
Low Flow Showerhead - 1.5 GPM	Existing 2.5 GPM
Kitchen Faucet Aerator - 1.5 GPM	Existing 2.2 GPM
Bathroom Faucet Aerator - 1.0 GPM	Existing 2.2 GPM

#### 2.2.4 Benefit-Cost Analysis

Table 2.2.4 Home Conservation Improvement Products Benefit-Cost Projections

<b>Cost Test</b>	<b>Net Benefits</b>	<b>B/C Ratio</b>
<b>Ratepayer Impact Cost Test</b>	-\$4,985	0.47
<b>Program Administrator Cost Test</b>	\$1,350	1.45
<b>Societal Cost Test</b>	\$3,517	2.18
<b>Participant Cost Test</b>	\$8,932	13.97
<b>Total Resource Cost Test</b>	\$3,164	2.06

EXHIBIT- 1  
CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
CENTERPOINT ENERGY TEXAS GAS  
ENERGY EFFICIENCY PROGRAM PILOT

**2.2.5 Budget**

Table 2.2.5 Home Conservation Improvement Products Budget

<b>Cost Category</b>	<b>Budget</b>
<b>Project Delivery Internal</b>	\$900
<b>Project Delivery Vendor</b>	\$900
<b>Incentives/Rebates</b>	\$689
<b>Marketing</b>	\$500
<b>Total</b>	\$2,989



## **2.3. Commercial Direct Install Program**

---

### **2.3.1 Intent of Program**

#### **Description**

The purpose of the Commercial Direct Install Program is to encourage the efficient use of natural gas efficiently by providing energy efficient equipment at no cost to the customer.

Commercial Direct Install is a turn-key equipment replacement program that will offer energy saving equipment including low-flow aerators, and pre-rinse spray valves. The equipment is directly installed through program contractors and the incentives are designed to pay 100% of the measure cost, including installation.

#### **Eligibility Requirements**

Eligible participants include CenterPoint Energy natural gas customers, owners, or tenants with appropriate owner consent, of commercial facilities receiving natural gas service from CenterPoint Energy under the following customer class category:

- General Service - Small

### **2.3.2 Target Market**

The Company will primarily use its website and other electronic channels to promote the program to commercial customers.

### **2.3.3 State of the Market**

Many commercial customers do not undergo energy efficiency projects due to a variety of barriers such as technical expertise needed to implement a project, or the availability of capital needed for efficiency upgrades. Given the scale and limited budget available through the proposed Pilot, CenterPoint Energy determined that offering prescriptive rebates for higher cost equipment (such as boilers), or custom project opportunities was not a viable option. A direct-install program, however, provides an opportunity to deliver energy savings without costly upfront investments by customers.

EXHIBIT- 1  
 CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
 CENTERPOINT ENERGY TEXAS GAS  
 ENERGY EFFICIENCY PROGRAM PILOT

### 2.3.4 Benefit-Cost Analysis

Table 2.3.4 Commercial Direct Install Benefit-Cost Projections

Cost Test	Net Benefits	B/C Ratio
Ratepayer Impact Cost Test	-\$11,004	0.63
Program Administrator Cost Test	\$11,825	2.78
Societal Cost Test	\$17,637	3.66
Participant Cost Test	\$22,829	9.70
Total Resource Cost Test	\$16,284	3.46

### 2.3.5 Budget

Table 2.3.5 Commercial Direct Install Budget

Cost Category	Budget
Project Delivery Internal	\$1,000
Project Delivery Vendor	\$2,200
Incentives/Rebates	\$2,625
Marketing	\$800
Total	\$6,625

### 3. Portfolio Summary

CenterPoint Energy believes this Energy Efficiency Pilot plan that will deliver cost-effective energy savings for all customer classes. The proposed programs will educate customers and provide them with opportunities to reduce their natural gas usage by delivering:

- Prescriptive rebates for high efficiency equipment;
- Rebates for custom projects;
- No-cost energy saving equipment

Table 3.1.1 Energy Efficiency Pilot Projections

CenterPoint Energy Texas Energy Efficiency Pilot	
Total Energy Savings - Ccf	9,488
Cost Effectiveness - TRC	1.97
Net Present Value - TRC	\$29,148

## 4. Energy Efficiency Pilot – Detailed Analysis

### BUDGETS AND PROJECTED SAVINGS

Programs & Measures	Program Budget						Participation & Savings		
	Delivery Internal	Delivery Vendor	Marketing	Total Marketing & Delivery	Customer Rebates	Total Budget	Participants	Annual Energy Savings (Ccf)	Lifetime Energy Savings (Ccf)
<b>High-Efficiency Equipment Rebates</b>									
Tankless Water Heater - Residential	\$ 591	-	\$ 394	\$ 984	\$ 3,150	\$ 4,134	9	575	11,491
Smart Thermostat	\$ 141	-	\$ 94	\$ 234	\$ 750	\$ 984	15	735	8,080
95% AFUE Furnace - Residential	\$ 675	-	\$ 450	\$ 1,125	\$ 3,600	\$ 4,725	6	763	15,268
WH Storage Tank < 75,000 Btu	\$ 94	-	\$ 63	\$ 156	\$ 500	\$ 656	5	140	1,823
<b>Total - High-Efficiency Equipment Rebates</b>	<b>\$ 1,500</b>	<b>-</b>	<b>\$ 1,000</b>	<b>\$ 2,500</b>	<b>\$ 8,000</b>	<b>\$ 10,500</b>	<b>35</b>	<b>2,213</b>	<b>36,662</b>
<b>Conservation Improvement Products</b>									
Residential Low Flow Bathroom Aerator	\$ 170	\$ 170	\$ 94	\$ 434	\$ 130	\$ 564	200	259	2,588
Residential Low Flow Kitchen Aerator	\$ 353	\$ 353	\$ 196	\$ 902	\$ 270	\$ 1,172	120	90	905
Residential Low Flow Showerhead	\$ 377	\$ 377	\$ 210	\$ 964	\$ 289	\$ 1,253	75	540	5,403
<b>Total - Conservation Improvement Products</b>	<b>\$ 900</b>	<b>\$ 900</b>	<b>\$ 500</b>	<b>\$ 2,300</b>	<b>\$ 689</b>	<b>\$ 2,989</b>	<b>395</b>	<b>890</b>	<b>8,896</b>
<b>Commercial Direct-Install</b>									
Aerator	\$ 143	\$ 314	\$ 114	\$ 571	\$ 375	\$ 946	25	545	5,448
Pre-Rinse Spray Valve	\$ 857	\$ 1,886	\$ 686	\$ 3,429	\$ 2,250	\$ 5,679	15	5,841	29,207
<b>Total - Commercial Direct-Install</b>	<b>\$ 1,000</b>	<b>\$ 2,200</b>	<b>\$ 800</b>	<b>\$ 4,000</b>	<b>\$ 2,625</b>	<b>\$ 6,625</b>	<b>40</b>	<b>6,386</b>	<b>34,654</b>
<b>Total - Energy Efficiency Pilot</b>	<b>\$ 3,400</b>	<b>\$ 3,100</b>	<b>\$ 2,300</b>	<b>\$ 8,800</b>	<b>\$ 11,314</b>	<b>\$ 20,114</b>	<b>470</b>	<b>9,488</b>	<b>80,212</b>



EXHIBIT- 2  
 CENTERPOINT ENERGY RESOURCES CORP. d/b/a  
 CENTERPOINT ENERGY TEXAS GAS  
**BENEFIT-COST ANALYSIS**

Programs & Measures	Total Resource Cost Test (TRC)		Program Administrator Cost Test (PACT)		Participant Cost Test (PCT)		Societal Cost Test (SCT)		Ratepayer Impact Cost Test (RIM)	
	Net Benefits	Ben/Cost Ratio	Net Benefits	Ben/Cost Ratio	Net Benefits	Ben/Cost Ratio	Net Benefits	Ben/Cost Ratio	Net Benefits	Ben/Cost Ratio
<b>High-Efficiency Equipment Rebates</b>										
Tankless Water Heater - Residential	\$ 2,447	1.38	\$ 481	1.12	\$ 9,946	2.83	\$ 2,922	1.45	(\$ 6,015)	0.43
Smart Thermostat	\$ 6,067	3.88	\$ 2,878	3.92	\$ 9,560	6.10	\$ 6,390	4.03	(\$ 2,738)	0.59
95% AFUE Furnace - Residential	\$ 2,040	1.21	\$ 1,406	1.30	\$ 11,236	2.30	\$ 2,671	1.27	(\$ 7,224)	0.46
WH Storage Tank < 75,000 Btu	(\$ 853)	0.60	\$ 181	1.28	\$ 362	1.18	(\$ 780)	0.64	(\$ 1,027)	0.45
<b>Total - High-Efficiency Equipment Rebates</b>	<b>\$ 9,701</b>	<b>1.47</b>	<b>\$ 4,947</b>	<b>1.47</b>	<b>\$ 31,104</b>	<b>2.73</b>	<b>\$ 11,203</b>	<b>1.55</b>	<b>(\$ 17,002)</b>	<b>0.48</b>
<b>Conservation Improvement Products</b>										
Residential Low Flow Bathroom Aerator	\$ 1,226	3.17	\$ 698	2.24	\$ 2,599	20.99	\$ 1,329	3.36	(\$ 1,145)	0.52
Residential Low Flow Kitchen Aerator	(\$ 546)	0.53	(\$ 730)	0.38	\$ 909	4.36	(\$ 510)	0.56	(\$ 1,375)	0.24
Residential Low Flow Showerhead	\$ 2,484	2.98	\$ 1,382	2.10	\$ 5,425	19.79	\$ 2,698	3.15	(\$ 2,466)	0.52
<b>Total - Conservation Improvement Products</b>	<b>\$ 3,164</b>	<b>2.06</b>	<b>\$ 1,351</b>	<b>1.45</b>	<b>\$ 8,932</b>	<b>13.97</b>	<b>\$ 3,517</b>	<b>2.18</b>	<b>(\$ 4,985)</b>	<b>0.47</b>
<b>Commercial Direct Install</b>										
Aerator	\$ 2,821	3.98	\$ 1,711	2.81	\$ 3,249	9.67	\$ 3,038	4.21	(\$ 1,539)	0.63
Pre-Rinse Spray Valve	\$ 13,463	3.37	\$ 10,114	2.78	\$ 19,580	9.70	\$ 14,599	3.57	(\$ 9,466)	0.63
<b>Total - Commercial Direct-Install</b>	<b>\$ 16,284</b>	<b>3.46</b>	<b>\$ 11,825</b>	<b>2.78</b>	<b>\$ 22,829</b>	<b>9.70</b>	<b>\$ 17,637</b>	<b>3.66</b>	<b>(\$ 11,004)</b>	<b>0.63</b>
<b>Total - Energy Efficiency Pilot</b>	<b>\$ 29,148</b>	<b>1.97</b>	<b>\$ 18,122</b>	<b>1.90</b>	<b>\$ 62,865</b>	<b>3.96</b>	<b>\$ 32,357</b>	<b>2.08</b>	<b>(\$ 32,992)</b>	<b>0.54</b>

## 5. INPUTS APPLIED FOR CALIFORNIA TESTS

**Input 1:** The *Gas Commodity Cost* is \$.61374/Ccf. The Commodity Cost input is multiplied by an annual escalation rate of 3.5 percent. The gas commodity cost value is found in the Interim Rate Adjustment Application for the CenterPoint Energy South Texas Division filed with the Railroad Commission of Texas on March 4, 2021. The annual escalation rate of 3.5 percent is based on the average percent change in the price of natural gas from 2019 to 2050 for all users in the West South Central Region as estimated in the Energy Information Administration's 2020 *Annual Energy Outlook*

**Input 2:** The *Storage Carrying Cost* is \$.00136/Ccf. The Storage Carrying cost input is also multiplied by an annual escalation rate of 3.5 percent. The storage carrying cost value is found in the Interim Rate Adjustment Application for the CenterPoint Energy South Texas Division filed with the Railroad Commission of Texas on March 4, 2021.

**Input 3:** The *Distribution Rate* is \$.33613/Ccf for Residential customers, \$.16286/Ccf for Small Commercial General Service customers, and \$.07647 for Large Commercial General Service customers. Distribution rates were approved in Texas Railroad Commission Docket GUD 10669.

**Input 4:** The *Natural Gas Environmental Damage Factor* (\$0.38/Mcf) is the long-term "external" cost to society and the environment of burning natural gas. This environmental damage factor was based on the findings of multiple regulatory proceedings in Minnesota.

Given that the environmental externalities for natural gas are essentially the same for any natural gas utility in any given state, CenterPoint Energy determined that using the environmental damage factor that was established in a regulatory proceeding in another CenterPoint Energy jurisdiction was representative of the environmental externalities for Texas.

**Input 5:** The *Participant Discount Rate* for residential customers is the Societal Discount Rate of 1.35% percent, as described below in Input 7. This discount rate would reflect a customer's likely opportunity costs (i.e., the return on investment that a residential customer would likely give up in

order to invest in energy efficiency). The *Participant Discount Rate* for commercial customers is the *Utility Discount Rate* discussed in Input No. 6.

**Input 6:** The *Utility Discount Rate* (8.11%) is the most recently approved after-tax weighted cost of capital for CenterPoint Energy Texas Gas. This rate is used to value, in current dollars, the future stream of internal benefits and costs (excluding benefits resulting from avoided environmental externalities) resulting from a utility investment. Since the *Utility Discount Rate* is the utility's cost for its capital, it is a reasonable measure of the value society places on a utility investment.

**Input 7:** The *Societal Discount Rate* (1.35%) is the rate used to discount the future stream of benefits resulting from avoided environmental damage of natural gas. Since environmental costs are not captured and reflected in market prices at this time, it is necessary to impute and impose a societal discount rate for these costs. The *Societal Discount Rate* is equal to the United States Department of the Treasury's (Treasury) 20-year Constant Maturity Rate (CMT) Rate, which averaged 1.35% from January 1, 2020 to December 31, 2020. The Treasury's 20-year Daily CMT Rate captures the market's expectations regarding inflation, along with a small risk factor.

**Input 8:** The *Utility Project Cost* is the sum of all the utility's estimated project costs, including administrative, project delivery, evaluation and incentives for customers and trade allies.

**Input 9:** The *Direct Participant Costs* (\$/Participant) is the incremental "out of pocket" expenses that a customer would pay to install the high efficiency conservation measure. For example, the cost to a customer to install a high efficiency furnace is the difference in equipment costs between high efficiency equipment and standard equipment that just meets the energy code.

**Input 10:** The *Project Life* is the expected lifetime of a particular energy conservation measure, expressed in number of years. The *Project Life* is based on the Texas or Arkansas Technical Reference Manuals.



**The foregoing Pilot is amended to include the following obligations of CenterPoint:**

1. Ensure the exclusion of rebates for natural gas equipment in new construction remains, as incentivizing natural gas use in new construction is not compatible with the City's Climate Equity Plan targeting net zero carbon by 2040, including the focus area of sustainable buildings. Specifically, the Climate Equity Plan has the following goal by 2030, which is incompatible with encouraging fossil fuel combustion in new construction:

“All new buildings are net-zero carbon, emissions from existing buildings are reduced by 25%, and all natural gas-related emissions are reduced by 30%” (<https://www.austintexas.gov/page/austin-climate-equity-plan>)

2. Include rebates for duct sealing and ceiling insulation and other cost-effective weatherization measures and coordinate with other utilities for program implementation.

3. Cooperate with local water utilities for Home Conservation Improvement Products Program and Commercial Direct Install Program, as rebates for these programs are focused on water saving technologies such as showerheads and aerators.

4. Consider the substitution of duct sealing, ceiling insulation, and cost-effective weatherization measures instead of central furnace and water heater rebates.