

PUC DOCKET NO. _____

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC, LLC	§	PUBLIC UTILITY COMMISSION
FOR APPROVAL OF AN	§	
ADJUSTMENT TO ITS ENERGY	§	OF TEXAS
EFFICIENCY COST RECOVERY	§	
FACTOR	§	
	§	

April 29, 2011

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**APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC FOR
APPROVAL OF AN ADJUSTMENT TO ITS ENERGY EFFICIENCY COST
RECOVERY FACTOR**

CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston”) files this application for approval of an adjustment to its Energy Efficiency Cost Recovery Factor (“Application”).

I. AUTHORIZED REPRESENTATIVES

The telephone number and address of CenterPoint Houston’s authorized business representative are:

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The telephone numbers and addresses of CenterPoint Houston’s authorized legal representatives are:

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CenterPoint Houston requests that all information and documents in this filing be served on each of the persons above at their respective addresses or fax numbers.

II. JURISDICTION

The Commission has jurisdiction over the Application pursuant to the Public Utility Regulatory Act (“PURA”)¹ § 39.905 and Substantive Rule 25.181.

III. AFFECTED PERSONS AND TERRITORIES

The Application affects all retail electric providers (“REPs”) serving end-use retail electric customers in CenterPoint Houston’s certificated service territory and will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under Rider EECRF.

IV. FILING OVERVIEW

As set forth in CenterPoint Houston’s Revised Energy Efficiency Plan and Report (“EEPR”) filed in Project No. 39105, the Company’s energy efficiency goal for 2012 is a 25% reduction in its annual growth in demand of residential and commercial customers.² The projected savings if that goal is achieved will be 47.3 MW, or 82,853 MWh.³ To achieve that goal and those projected savings, CenterPoint Houston estimates it will spend \$35,858,700 on energy efficiency programs in 2012.⁴

Pursuant to the Commission’s proposal for decision and the Commission’s oral decisions

¹ TEX. UTIL. CODE ANN., Title 2 (Vernon 2008 and Supp. 2010).

² See Substantive Rule 25.181(e)(1)(D). The EEPR is attached as Exhibit CJF-1 to the Direct Testimony of Charles J. Flynn, III.

³ See Exhibit CJF-1 to the Direct Testimony of Charles J. Flynn, III.

⁴ Direct Testimony of Matthew A. Troxle at 4.

to date in CenterPoint Houston's 2010 general rate case in Docket No. 38339, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, energy efficiency program costs are to be removed from base rates and recovered via Rider EECRF.⁵ Consistent with this directive and commencing with the implementation of the Company's compliance rates in mid-2011, all energy efficiency-related costs will be recovered through Rider EECRF. To this end, CenterPoint Houston's proposed 2012 Rider EECRF will recover \$44,401,190 in energy efficiency costs, (inclusive of amounts relating to under-recovery of 2010 costs, as well as a performance bonus and a proposed lost revenues adjustment for 2010).

Pursuant to Substantive Rule 25.181(f)(6), the Company's request includes an adjustment to account for the under-recovery of energy efficiency revenues in 2010. Specifically, as set forth in the EEPR, CenterPoint Houston's 2010 energy efficiency goal was a 20% reduction in its annual growth in demand of residential and commercial customers.⁶ In 2010, actual program costs were \$27,952,697, which along with the performance bonus and deferred interest resulted in total energy efficiency-related program costs of \$31,784,294.⁷ Total revenues collected through base rates and the EECRF Rider were \$30,594,941, resulting in overall under-recovery of \$525,843.⁸

Further, the Company's successful programs permitted CenterPoint Houston to exceed its 2010 energy efficiency goals by 209%.⁹ The total avoided cost achieved was \$141,057,282, and the net benefit to ratepayers was equal to \$112,250,373.¹⁰ Based on these results and pursuant to Substantive Rule 25.181(h)(3), CenterPoint Houston requests recovery of 20% of its total 2010

⁵ At the time of this filing the Commission has not issued a final order in Docket No. 38339. However, the removal of energy efficiency costs from base rates was not a contested issue in that proceeding.

⁶ See Exhibit CJF-1 to the Direct Testimony of Charles J. Flynn, III at 5-6.

⁷ *Id.* at 52; Direct Testimony of Matthew A. Troxle at 8-9.

⁸ Direct Testimony of Matthew A. Troxle at 8-9.

⁹ Exhibit CJF-1 to the Direct Testimony of Charles J. Flynn, III at 54.

¹⁰ *Id.* at 55.

program costs, or \$5,761,382, as a performance bonus.¹¹ Finally, as detailed below, CenterPoint Houston requests that the Commission approve a lost revenue adjustment for 2010 in the amount of \$2,190,282.

V. CONSISTENCY WITH PREVIOUS EECRF FILINGS

The Company is supporting the reasonableness of its energy efficiency program costs and corresponding allocations in the same manner as approved by the Commission in Docket Nos. 36952, *Application of CenterPoint Energy Houston Electric, LLC to Defer Energy Efficiency Cost Recovery and For Approval of an Energy Efficiency Cost Recovery Factor*, and 38213, *Application of CenterPoint Energy Houston Electric, LLC for Approval of an Adjustment to its Energy Efficiency Cost Recovery Factor*. Additionally, the Company is also requesting its full performance bonus and a Lost Revenue Adjustment Mechanism (“LRAM”). The Company understands the Commission’s previous findings relating to its performance bonus and LRAM in Docket Nos. 36952 and 38213 and does not wish to generate protracted litigation over these subjects in this case. However, the Company is requesting its full performance bonus and LRAM to preserve error on the issues while the appeals of the orders in Docket Nos. 36952 and 38213 are pending.

Additionally, the Company continues to see earnings erosion resulting from its energy efficiency efforts that, between full base rate cases, will exceed the Company’s allowed performance bonuses.¹² To this end, CenterPoint Houston wishes to provide the Commission with additional information on the subject of lost revenues and an opportunity to reconsider its decision in Docket No. 32813. As Staff’s Proposal for Adoption in Project No. 37623, *Rulemaking Proceeding to Amend Energy Efficiency Rules*, recognized, lost revenue associated

¹¹ *Id.* at 54.

¹² Exhibit MAT-4 to the Direct Testimony of Matthew A. Troxle

with energy efficiency is “an important issue that needs to be resolved soon.”¹³ Staff’s language was also consistent with comments also made by Commissioner Anderson in Docket No. 38213 on the subject of lost revenue.¹⁴ Accordingly, CenterPoint Houston has presented the Commission with additional evidence and facts in this case that support the need for a LRAM.

In an effort to avoid unnecessary litigation of these issues without waiving its right to appeal, to the extent the Commission denies the Company recovery for either the performance bonus or the LRAM, the Company has prepared and presented alternative schedules calculating the energy efficiency program costs excluding those amounts.

VI. REQUEST FOR APPROVAL OF AN ADJUSTMENT TO THE COMPANY’S ENERGY EFFICIENCY COST RECOVERY FACTOR

Pursuant to PURA § 39.905(b)(1)-(2) and Substantive Rule 25.181(f), CenterPoint Houston requests approval to recover a total of \$44,336,207 through its Rider EECRF in 2012 consisting of: (1) estimated 2012 energy efficiency program costs of \$35,858,700; (2) an energy efficiency performance bonus based on CenterPoint Houston’s 2010 program achievements of \$5,761,382; (3) the amount of lost revenues due to verified and reported 2010 energy savings of \$2,190,282; and (4) \$525,843 for under-recovery of 2010 program costs.

VII. DESCRIPTION OF FILING PACKAGE

In support of this Application, CenterPoint Houston has included the direct testimony and supporting schedules of Charles J. Flynn, III and Matthew A. Troxle.

Mr. Flynn, Director of Energy Efficiency for CenterPoint Houston, provides background on the Commission’s energy efficiency requirements and rules applicable to investor-owned utilities; describes CenterPoint Houston’s energy efficiency programs and CenterPoint Houston’s estimated costs for those programs in 2012 to be recovered through Rider EECRF; explains how

¹³ See Project No. 37623, *Rulemaking Proceeding to Amend Energy Efficiency Rules*, Staff’s Proposal for Adoption at 17 (Jun. 3, 2010).

¹⁴ See June 11, 2010 Open Meeting Discussion at 1:05:49 (Commissioner Anderson’s comments available at <http://www.puc.state.tx.us/openmeet/Broadcasts.aspx>); and Direct Testimony of Charles J. Flynn, III at 22.

the Company met the Commission's requirements for an energy efficiency performance incentive based on 2010 programs; and supports CenterPoint Houston's LRAM proposal.

Mr. Troxle, Manager of Rates for CenterPoint Energy Service Company, LLC, explains the removal of energy efficiency costs from base rates and incorporation of these costs into CenterPoint Houston's Rider EECRF as a result of CenterPoint Houston's 2010 general rate case, and explains and supports the overall level of costs in Rider EECRF to recover energy efficiency costs for 2012.

VIII. NOTICE

Concurrent with the filing of this Application, CenterPoint Houston will provide notice of this Application to each REP listed on the Commission's website and to the attorneys of record for each party that participated in Docket No. 38213 (CenterPoint Houston's 2010 EECRF proceeding).

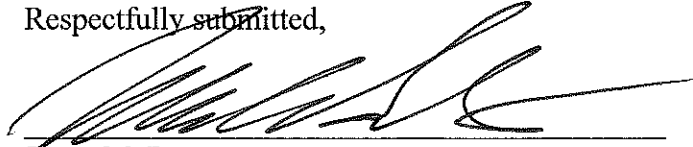
In addition, Attachment 1 to the Application is CenterPoint Houston's proposed form of public notice. The Company proposes to publish public notice in the form of Attachment 1 once in the *Houston Chronicle*, a newspaper with general circulation in each county in CenterPoint Houston's service territory. Proof of publication in the form of a publisher's affidavit will be submitted as soon as such documentation is available.

CenterPoint Houston requests approval of the above notice as sufficient and in accordance with Procedural Rule 22.55.

IX. PRAYER

CenterPoint Houston requests that this Application be granted, that the proposed adjustments to Rider EECRF be approved effective with the commencement of the Company's January 2012 billing month, and that CenterPoint Houston be granted such other relief to which it may be entitled.

Respectfully submitted,



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**ATTORNEYS FOR CENTERPOINT ENERGY
HOUSTON ELECTRIC, LLC**

**NOTICE OF APPLICATION OF CENTERPOINT ENERGY HOUSTON ELECTRIC,
LLC FOR APPROVAL OF AN ADJUSTMENT TO ITS ENERGY EFFICIENCY COST
RECOVERY FACTOR**

On April 29, 2011, CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston”) filed with the Public Utility Commission of Texas (“Commission”) an application for approval of an adjustment to its energy efficiency cost recovery factor (“the Application”).

CenterPoint Houston’s energy efficiency goal for 2012, as required by Commission Substantive Rule 25.181(e)(1)(D), is a 25% reduction in its annual growth in demand of residential and commercial customers. To achieve that goal and the accompanying savings, CenterPoint Houston estimates it will spend \$35,858,700 on energy efficiency programs in 2012. Commission Substantive Rule 25.181(f)(1) permits CenterPoint Houston to recover, through an Energy Efficiency Cost Recovery Factor (“EECRF”), the difference between the amount it estimates it will spend in 2011 on energy efficiency programs and the amount collected in base rates for such programs. Pursuant to the Commission’s currently pending Final Order in CenterPoint Houston’s 2010 general rate case, Docket No. 38339, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, energy efficiency program costs are to be removed from base rates and recovered via Rider EECRF. Consistent with this directive, commencing with the implementation of the Company’s compliance rates in mid-2011, energy efficiency related costs for 2011 will be removed from base rates and recovered via an amended Rider EECRF.

The Application therefore seeks recovery of the following costs through Rider EECRF beginning with the commencement of the Company’s January 2012 billing month: (1) \$35,858,700 in 2012 projected energy efficiency program costs in excess of the amount of energy efficiency costs collected in base rates; (2) \$5,761,382 performance bonus for 2010 programs; (3) \$2,190,282 in revenue losses due to the implementation of CenterPoint Houston’s 2010 energy efficiency programs; and (4) \$525,843 for under-recovery of 2010 program costs.

The 2012 Rider EECRF will apply to all retail electric providers (REPs) serving end-use retail electric customers in CenterPoint Houston’s certificated service territory. Rider EECRF will affect the retail electric customers of those REPs to the extent that the REPs pass along to their customers the charges under Rider EECRF.

The 2012 Rider EECRF will include the following charges on bills rendered to REPs:

Rate Class	EECRF Charge	Billing Unit
Residential Service	\$1.11	Per Retail Customer Per Month
Secondary Service Less than or Equal to 10 kVA	\$0.09	Per Retail Customer Per Month
Secondary Service Greater than 10 kVA	\$13.75	Per Retail Customer Per Month
Primary Service	\$13.75	Per Retail Customer Per Month

Transmission Service – Non-Industrial	\$13.75	Per Retail Customer Per Month
Transmission Service – Industrial	\$325.35	Per Retail Customer Per Month
Lighting Services	\$0.0025	Per Lamp Per Month

Persons with questions or who want more information about this filing may contact CenterPoint Energy, 1111 Louisiana, Houston, Texas 77002, or call Mr. Matthew A. Troxle at (713) 207-5287.

Persons who wish to intervene in or comment upon these proceedings should notify the Public Utility Commission of Texas as soon as possible, as an intervention deadline will be imposed. A request to intervene or for further information should be mailed to the Public Utility Commission of Texas, P.O. Box 13326, Austin, Texas 78711-3326. Further information may also be obtained by calling the Public Utility Commission at (512) 936-7120 or (888) 782-8477. Hearing- and speech-impaired individuals with text telephones (TTY) may contact the commission at (512) 936-7136. All communications should refer to Docket No. _____.

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FACTOR	§	

DIRECT TESTIMONY OF

CHARLES J. FLYNN III

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

April 29, 2011

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**Direct Testimony of Charles J. Flynn, III
CenterPoint Energy Houston Electric, LLC
Energy Efficiency Cost Recovery Factor Filing**

TABLE OF EXHIBITS

Exhibit

Description

Exhibit CJF-1

CenterPoint Houston's Revised 2011 Energy Efficiency
Plan and Report filed in Project No. 39105

**Direct Testimony of Charles J. Flynn, III
CenterPoint Energy Houston Electric, LLC
Energy Efficiency Cost Recovery Factor Filing**

DIRECT TESTIMONY OF CHARLES J. FLYNN III

I. INTRODUCTION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND POSITION.

A. My name is Charles J. Flynn. I am Director of Energy Efficiency for CenterPoint Energy Houston Electric, LLC (“CenterPoint Houston” or the “Company”).

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received my Bachelor’s of Arts in Mathematics from the University of St. Thomas in Houston, Texas in 1994 and a Bachelor’s of Science in Mechanical Engineering from the University of Notre Dame in South Bend, Indiana in 1994. I received a Master of Business Administration in Finance from the University of St. Thomas in 2005. I spent 4 years in the mechanical, electrical and plumbing design industry working for CHP & Associates Consulting Engineers, where I worked on engineering projects related to commercial, educational and institutional building systems.

I joined CenterPoint Energy, Inc. (formerly Houston Industries and subsequently Reliant Energy) in 1998, and the majority of my career has involved the implementation of efficient commercial and residential building systems. I began as a project manager for CenterPoint Energy, constructing a 34,000 ton unregulated district cooling plant which interconnected building cooling systems in downtown Houston, Texas. I also performed building audits to optimize overall building system efficiencies for commercial buildings downtown, entertainment buildings such as Reliant Stadium, and municipal buildings such as Houston Airport Systems-Bush IAH and Hobby, which were operated by

1 CenterPoint Energy. In 2003, CenterPoint Energy sold the district cooling
2 business to Entergy Corporation and I was retained by Entergy. I was promoted
3 to Manager of Engineering, Construction, Operations and Customer Service for
4 Entergy Thermal Systems which operated cooling plants in Houston and New
5 Orleans and Baton Rouge, LA. In 2005, I joined York/Johnson Controls as a
6 Regional Business Development Director managing a business solutions group
7 which offered building owners turnkey solutions for their energy efficiency needs.
8 In 2007, I rejoined CenterPoint Energy as manager of Clean Air Technology
9 which focused on emissions reduction technologies in Houston, Texas such as
10 Plug-In Electric Vehicle development. I was named Director of Energy
11 Efficiency in 2010. As Director of Energy Efficiency, I am responsible for all the
12 Company's energy efficiency and load management programs.

13 I am a registered professional engineer in the State of Texas. I am a
14 member of the Association of Energy Engineers and a Certified Energy Manager
15 as well as a Certified Energy Procurement Professional. I am a member of
16 ASHRAE and a member of the Electric Utility Marketing Managers of Texas.

17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

18 A. I am testifying on behalf of CenterPoint Houston.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. The purpose of my testimony is to: (1) provide background on the Public Utility
21 Commission of Texas' ("Commission") energy efficiency requirements for
22 investor-owned utilities; (2) describe CenterPoint Houston's energy efficiency
23 programs and the Company's expenditures on those programs; (3) explain how

1 CenterPoint Houston met the Commission's requirements for an energy efficiency
2 performance bonus based on 2010 program achievements and the amount of the
3 performance bonus to be included in the Energy Efficiency Cost Recovery Factor
4 ("EECRF"); and (4) request recovery of lost revenue due to verified and reported
5 2010 energy savings.

6 **Q. WHAT EXHIBITS HAVE YOU INCLUDED WITH YOUR TESTIMONY?**

7 A. Exhibit CJF-1 is CenterPoint Houston's 2011 Revised Energy Efficiency Plan and
8 Report ("EEPR"), filed in Project No. 39105.

9 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE DIRECT**
10 **TESTIMONY OF MATTHEW A. TROXLE?**

11 A. My testimony focuses on the amounts CenterPoint Houston is entitled to recover
12 through Rider EECRF, while Mr. Troxle's testimony focuses on the design of the
13 tariff itself.

14

15 **II. CENTERPOINT HOUSTON'S PREVIOUS EECRF CASES**

16 **Q. HOW IS THE COMPANY'S FILING IN THIS CASE DIFFERENT FROM**
17 **ITS PREVIOUS TWO EECRF FILINGS?**

18 A. There are a couple of differences. This will be the first EECRF case since Docket
19 No. 38339, *Application of CenterPoint Energy Houston Electric, LLC for*
20 *Authority to Change Rates*, wherein the Commission has verbally decided to
21 remove all of the Company's energy efficiency program costs out of its base rates
22 and recover those costs through the EECRF consistent with Section 39.905 of

1 PURA and Substantive Rule §25.181.¹ Additionally, the Company experienced
2 an under-recovery of energy efficiency program funds in 2010. As such, this is
3 the first case in which the Company has asked the Commission to adjust its
4 EECRF to account for a prior year's under-recovery.

5 **Q. IS THE FILING SIMILAR TO THE COMPANY'S TWO PREVIOUS**
6 **EECRF FILINGS IN ANY WAY?**

7 A. Yes. The Company has supported the reasonableness of its energy efficiency
8 program costs and corresponding allocations in the same manner as approved by
9 the Commission in Docket Nos. 36952 and 38213. As discussed below, the
10 Company is also requesting its full performance bonus and a Lost Revenue
11 Adjustment Mechanism ("LRAM").

12 **Q. WOULD YOU PLEASE DISCUSS YOUR UNDERSTANDING OF THE**
13 **COMMISSION'S DECISIONS IN DOCKET NOS. 36952 AND 38213 WITH**
14 **RESPECT TO THE PERFORMANCE BONUS?**

15 A. In Docket Nos. 36952 and 38213, the Commission did not allow CenterPoint
16 Houston to include approximately \$10 million spent on energy efficiency
17 programs in its performance bonus calculation because that amount was the result
18 of the settlement agreement relating to energy efficiency in its last base rate case.
19 As a result, the Company's performance bonus in each of those cases was reduced
20 by approximately \$2 million.

21 **Q. IS THE COMPANY REQUESTING AN ENERGY EFFICIENCY**
22 **PERFORMANCE BONUS AND A LOST REVENUE ADJUSTMENT**

¹ While the Commission's Final Order has not been issued as of the date of this filing, no party in Docket No. 38339 contested the Company's proposal to remove all energy efficiency costs from base rates via Rider EECRF.

1 **MECHANISM SIMILAR TO THOSE REQUESTED IN DOCKET NO.**
 2 **38213?**

3 A. Yes. As discussed below, the Company is requesting a performance bonus based
 4 on all of its energy efficiency programs. The Company's determination of the
 5 requested performance bonus has been calculated in the same manner as its
 6 previous *requests* in Docket Nos. 36952 and 38213. The Company is also
 7 requesting that the Commission approve the LRAM previously requested by the
 8 Company in Docket No. 38213.

9 **Q. WHY IS THE COMPANY REQUESTING THE FULL PERFORMANCE**
 10 **BONUS AMOUNT AND A LRAM AGAIN IN THIS CASE?**

11 A. For two primary reasons. First, the Company continues to request its full
 12 performance bonus and LRAM to preserve error on the issues while the appeals
 13 of the orders for Docket Nos. 36952 and 38213 are pending. Consistent with
 14 those appeals and so as to prevent waiver of its right to recover the full
 15 performance bonus should the Commission's decisions in Docket Nos. 36952 and
 16 38213 be reversed, the Company has calculated its 2010 bonus based on
 17 CenterPoint Houston's total spending for all energy efficiency programs and
 18 requests full recovery and approval of the \$5,761,382.² Second, the Company
 19 continues to see revenue erosion as a result of its energy efficiency efforts. As
 20 detailed below, comments made by Commissioner Anderson in Docket No. 38213
 21 suggest that the Commissioners see lost revenue as a serious issue – one that
 22 needs to be addressed. Therefore, CenterPoint Houston has presented the

² If the Commission were to again exclude \$10 million in program costs from CenterPoint Houston's performance bonus calculation, the Company's performance bonus would be \$3,628,680.

1 Commission with additional evidence and facts in this case that support the need
2 for a LRAM.

3 **Q. IS THE COMPANY PRESENTING EVIDENCE ON WHAT ITS EECRF**
4 **WILL LOOK LIKE IF THE COMMISSION DECIDES TO VIEW THE**
5 **PERFORMANCE BONUS AND LRAM ISSUES IN THE SAME MANNER**
6 **THAT IT DID IN DOCKET NOS. 36952 AND 38213?**

7 A. Yes, as detailed in Company witness Matthew Troxle's testimony, the EECRF
8 application has been prepared to reflect and support different scenarios including:
9 (1) inclusion of the requested performance bonus and the LRAM; (2) exclusion of
10 \$10 million in program costs from the performance bonus calculation if the
11 Commission again decides to exclude those program costs; (3) exclusion of the
12 requested LRAM; and (4) exclusion of both \$10 million in program costs from
13 the performance bonus calculation and the requested LRAM. It is the Company's
14 intent that by including calculations consistent with the Commission decisions in
15 Docket Nos. 36852 and 38213 in its initial application, parties might avoid
16 unnecessary litigation should the Commission adopt a Preliminary Order
17 prohibiting consideration of the Company's proposed performance bonus and
18 LRAM. It is not the Company's intent to waive its right to appeal on any issues.

III. THE COMMISSION'S ENERGY EFFICIENCY RULES

Q. WOULD YOU PLEASE PROVIDE A SUMMARY OF THE ANNUAL ENERGY EFFICIENCY GOALS PRESCRIBED BY COMMISSION RULES?

A. Certainly. Substantive Rule § 25.181(e) requires investor-owned utilities to achieve savings goals through market-based standard offer programs ("SOPs") and limited, targeted, market transformation programs ("MTPs"). Specifically, as recently amended by the Commission in Project No. 37623, *Rulemaking Proceeding to Amend Energy Efficiency Rules*, the rule requires:

- 20% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2010 and 2011 program years;
- 25% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year; and
- 30% reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2013 program year and for subsequent program years.

Substantive Rule § 25.181(l) sets forth the requirements for the SOPs and MTPs.

Q. ARE THERE ANY LIMITS ON WHAT THE COMPANY MAY SPEND IN ORDER TO ACHIEVE THESE GOALS?

A. Yes. In Project No. 37623, the Commission also amended the rule to establish restrictions on the amount that customers can be required to pay for energy efficiency program costs. Substantive Rule § 25.181(f)(8) now states that the sum of energy efficiency cost shall not exceed the following:

- 1 • For residential customers for program years 2011 and 2012, \$1.30 if the
2 EECRF if charged on a monthly basis or \$0.001 per kWh if it is charged on an
3 energy basis, or the amount previously authorized by the commission;
- 4 • For residential customers for program years 2013 and thereafter, \$1.60 if the
5 EECRF is charged on a monthly basis or \$0.0012 per kWh if it is charged on
6 an energy basis, or the amount previously authorized by the commission;
- 7 • For non-residential customers for program years 2011 and 2012, rates
8 designed to recover \$0.0005 per kWh for consumption of non-residential
9 customer classes that are charged an EECRF or a base rate to cover energy
10 efficiency costs; and
- 11 • For non-residential customers for program year 2013 and thereafter, rates
12 designed to recover \$0.00075 per kWh for consumption of non-residential
13 customer classes that are charged an EECRF or a base rate to cover energy
14 efficiency costs.

15 **Q. IS THE COMPANY ADMINISTERING ITS ENERGY EFFICIENCY**
16 **PROGRAMS IN COMPLIANCE WITH THE COMMISSION’S RULES?**

17 A. Yes.

18 **Q. IS THE AMOUNT THAT CUSTOMERS WILL BE REQUIRED TO PAY**
19 **AS A RESULT OF THE COMPANY’S EECRF REQUEST LESS THAN**
20 **THE BUDGET CAP IMPOSED BY SUBSTANTIVE RULE 25.181(F)(8)?**

21 A. Yes. If the Company’s request is approved as filed, the residential monthly per-
22 customer EECRF charge will be \$1.11. If the Commission approves any of the
23 alternatives presented by the utility, the monthly charge will be less – ranging

from \$0.996 to \$1.07. If the Company's request is approved as filed, the non-residential rate will be \$0.00037 per kWh.

IV. CENTERPOINT HOUSTON'S ENERGY EFFICIENCY PROGRAMS

Q. PLEASE DESCRIBE THE ENERGY EFFICIENCY PROGRAMS CENTERPOINT HOUSTON CURRENTLY OFFERS.

A. CenterPoint Houston currently offers fourteen programs. These programs target broad market segments as well as specific market sub-segments and technologies. Four programs target the Company's commercial customers, five programs involve residential customers, and six programs serve the hard-to-reach class. The fourteen programs are listed as follows:

1. Large Commercial SOP
2. Retro-Commissioning MTP
3. Large Commercial Load Management SOP
4. The Texas SCORE MTP
5. ENERGY STAR® Homes MTP
6. Residential SOP
7. A/C Distributor MTP
8. Hard-to-Reach SOP
9. Multi-Family Water & Space Heating MTP
10. Community Weatherization Program
11. Agencies in Action MTP
12. Low-Income Weatherization (SB-712)
13. Advanced Lighting Pilot MTP

14. Residential In-Home Display (“IHD”) Pilot MTP

A description of each program can be found in Section I of CenterPoint Houston’s 2011 revised EEPR, which is attached as Exhibit CJF-1.

Q. DOES CENTERPOINT HOUSTON OFFER ENERGY EFFICIENCY PROGRAMS TO ALL OF ITS ELIGIBLE CUSTOMERS?

A. Yes. CenterPoint Houston’s energy efficiency programs meet the Commission’s requirement in Substantive Rule § 25.181(a) that all eligible customers “have a choice of and access to energy efficiency alternatives that allow each customer to reduce energy consumption, peak demand, or energy costs.”

Q. WILL CENTERPOINT HOUSTON OFFER THESE SAME PROGRAMS IN 2012?

A. At present, the Company plans to offer the same programs plus three new pilot programs in 2012. Two of the new pilot programs, called the Retail Electric Provider Pilot MTP and the Home Performance with Energy Star Pilot MTP, will aim to stimulate a higher participation by the residential market by utilizing the Company’s deployment of the advanced metering system, participating with REPs, and promoting a comprehensive whole-house approach to energy efficiency retrofits. The third new pilot program, called the Energy Efficiency Ambassador Program, will bring awareness about energy efficiency and the Company’s programs to commercial and residential customers throughout the service territory through community-based consumer outreach. Descriptions of the three new pilot programs can be found on pages 26-28 of the Company’s revised EEPR, which is attached as Exhibit CJF-1.

1 **Q. WHAT IS THE COMPANY'S 2012 ENERGY EFFICIENCY PROGRAM**
 2 **BUDGET?**

3 A. Section IV of the revised EEPR sets forth the 2012 budget for each program. The
 4 total 2012 budget amount reflected in Table 6 of Section IV is \$35,858,700.

5 **Q. HOW DID CENTERPOINT HOUSTON DETERMINE THE BUDGET**
 6 **FOR ITS ENERGY EFFICIENCY PROGRAMS IN 2012?**

7 A. Several factors went into the determination of CenterPoint Houston's 2012 energy
 8 efficiency budget. First and foremost, CenterPoint Houston must meet the
 9 requirements set forth in PURA § 39.905 and Substantive Rule § 25.181. The key
 10 requirements of the statute and rule can be summarized as follows:

- 11 • Meet a demand goal of a 25% reduction of annual growth in demand;
- 12 • Meet an energy goal based on a 20% capacity factor applied to the
- 13 demand goal;
- 14 • Achieve savings for hard-to-reach customers of at least 5% of the total
- 15 demand goal;
- 16 • Offer programs to all eligible customer classes;
- 17 • Ensure programs are cost-effective; and
- 18 • Spend up to 15% of total program cost on program administration and
- 19 up to 10% of costs on R&D but spend no more than 20% on program
- 20 administration and R&D combined.

21 Other key factors that played a role in establishing CenterPoint Houston's 2012
 22 energy efficiency budget included the following:

- 1 • Maintaining the continuity of standard offer and market transformation
- 2 programs;
- 3 • Responding to market and customer needs;
- 4 • Positioning CenterPoint Houston to meet future goals through R&D
- 5 and pilot program investments; and
- 6 • Ramping up programs that are particularly cost-effective and will be
- 7 relied on to meet future goals.

8 Additional details of CenterPoint Houston's 2012 energy efficiency budget can be
 9 found in Exhibit CJF-1.

10 **Q. PLEASE EXPLAIN THE BASIS FOR THE \$3,459,600 OF PROJECTED**
 11 **2012 ADMINISTRATION COSTS AS SHOWN ON TABLE 6 OF THE**
 12 **REVISED EEPR.**

13 A. The estimated administration costs include labor to administer the programs,
 14 outreach for those programs, and verification activities. To project the 2012
 15 costs, I started with 2010 costs, increased those costs to account for new and
 16 expanded programs in 2011 and additional labor to run those programs, and then
 17 further increased those 2011 costs based on expected 2012 programs. The
 18 budgeted amount is less than the 15% limit on administration costs provided by
 19 the Commission's Substantive Rules.

1 **Q. PLEASE EXPLAIN THE BASIS FOR THE \$1,649,100 OF PROJECTED**
 2 **2012 RESEARCH AND DEVELOPMENT COSTS AS SHOWN ON TABLE**
 3 **6 OF THE REVISED EEPR.**

4 A. To stimulate the market for new energy efficiency technologies, the Company
 5 budgeted that amount for both continuation of projects from 2011 and for new
 6 projects that will be started in the 2012 calendar year. Current R&D projects are
 7 described on pages 22 through 25 of the revised EEPR. That budgeted amount is
 8 reasonable based on prior years' budgets and possible new programs and is less
 9 than the 10% limit on recoverable research and development costs provided by
 10 the Commission's Substantive Rules.

11 **Q. WOULD YOU PROVIDE AN EXAMPLE OF HOW THE COMPANY**
 12 **IMPLEMENTS ITS R&D PROJECTS AND PILOT PROGRAMS?**

13 A. Yes, a good example is the manner in which the Company is working with its new
 14 AMS smart meters. As discussed in Exhibit CJF-1, CenterPoint Houston will
 15 conduct three R&D projects and one pilot program, listed below, in 2011 that will
 16 utilize the new AMS smart meters being installed throughout the CenterPoint
 17 Houston footprint. Refer to Exhibit CJF-1 for a description of each project.

- 18 • Smart Partners- Residential/Small Commercial Backup Generator Load
- 19 Management Demonstration Project;
- 20 • Smart Partners-Residential Direct Load Control;
- 21 • Residential Feedback Demonstration Program (Phase 1); and
- 22 • Residential In-Home Display (IHD) Pilot MTP (Phase 2).

1 The Residential IHD Pilot MTP will start at the conclusion of the *Residential*
2 *Feedback Demonstration Program* and will use its findings to offer incentives to
3 REPs for the installation of IHD units in homes throughout the CenterPoint
4 Houston service territory. Each R&D project and the pilot program will be
5 evaluated at the end of 2011 to ensure that it is cost effective.

6 In 2012 the programs listed above that have passed the Commission approved
7 cost effectiveness test will be rolled into a single program named *REP Pilot*
8 *Standard Offer Program*. This program will pay REPs incentives for providing
9 demand and energy savings through the measures studied in the 2011 R&D
10 programs and pilot program. As in the 2011 projects and program, CenterPoint
11 Houston will only utilize third parties for marketing to residential customers.

12 **Q. CAN YOU PLEASE ADDRESS THE COMPANY'S ADJUSTMENT**
13 **RELATED TO CARRY-OVER DOLLARS?**

14 A. Yes. The carry-over dollars adjustment relates to spending required by PURA
15 39.903(f)(2) and the Docket No. 32093 Settlement Agreement. Specifically, as
16 the Company reported in Docket No. 36952, the Settlement Agreement required
17 that \$10 million per year is spent on additional energy efficiency programs, with
18 44.2% being spent on commercial customers and 55.8% being spent on residential
19 customers. Of the 55.8% spent on residential customers, not less than \$3 million
20 per year was to be spent on low-income weatherization program that was to be
21 implemented through the Texas Department of Housing and Community Affairs
22 ("TDHCA") described in PURA 39.903(f)(2). As of December 31, 2010,
23 CenterPoint Houston has spent \$39,963,967 of the \$42,300,000 spending

1 requirement set forth in Docket No. 32093.³ The TDHCA replacement program
2 accounts for approximately 40% of the spending shortfall and is due to ramp-up
3 needed by that program. The other 60% of the spending shortfall is from
4 commercial programs and other residential programs that have required their own
5 ramp-up time or have experienced fluctuations in program participation over the
6 past four years. The Company believes the carryover will be eliminated in 2011.

7 **Q. ARE THE CARRY-OVER DOLLARS INCLUDED IN THE REQUESTED**
8 **EECRF?**

9 A. No. The actual program costs for 2010 were adjusted in this EECRF to remove
10 the carry-over dollars, and this action will also be taken in next year's EECRF to
11 remove the carry-over dollars spent in 2011.

12 **Q. DOES THE 2012 BUDGET FOR ENERGY EFFICIENCY PROGRAM**
13 **COSTS INCLUDE ANY AMOUNTS NOT SPENT IN PRIOR YEARS?**

14 A. No.

15 **Q. PLEASE COMMENT ON THE OVERALL COST-EFFECTIVENESS OF**
16 **CENTERPOINT HOUSTON'S 2012 ENERGY EFFICIENCY**
17 **PROGRAMS.**

18 A. The average unit cost of peak demand reduction delivered by CenterPoint
19 Houston's program in 2012 is projected to be approximately \$207 per KW. This
20 value is far below the cost of new generation and the Commission's defined
21 avoided cost. The average cost per kW of the Company's program in 2012 is
22 about 13% lower than the average 2011 cost. This lower cost is primarily due to

³ The required spending of \$42,300,000 includes a prorated portion of \$2,300,000 in the 2006 calendar year and \$10,000,000 per year for 2007, 2008, 2009, and 2010. The 2006 required spending was prorated due to the Settlement Agreement in Docket No. 32093 being finalized toward the end of the year.

1 the reduction in carryover dollars being spent on high cost, low-income programs.
2 In sum, CenterPoint Houston's energy efficiency programs are among the most
3 cost effective programs in the state and provide a valuable component to the mix
4 of resources available to meet the state's power needs.

5 **Q PLEASE ASSESS THE OVERALL SUCCESS OF AND BENEFITS**
6 **PROVIDED BY CENTERPOINT HOUSTON'S ENERGY EFFICIENCY**
7 **PROGRAMS.**

8 A. Since the start of programs in 2002, CenterPoint Houston's energy efficiency
9 programs have performed well and achieved significant benefits. The Company
10 has exceeded its energy efficiency goal each year. Approximately 300,000
11 customers have participated in programs, system peak demand has been reduced
12 by 500 MW, and energy savings total 1,052,919 MWH. In 2010, the statutory
13 peak demand reduction goal was exceeded by 209% and the energy goal was
14 exceeded by 103%. CenterPoint Houston's low-income customers benefited
15 greatly from the Company's energy efficiency program in 2010, with \$8,154,670
16 out of total expenditures of \$28,806,909 going to low-income programs. Over
17 5,700 low-income customers participated in 2010 programs and these customers
18 will enjoy electric bill savings that total about \$15 million over the life of the
19 efficiency measures installed. CenterPoint Houston once again received a
20 national award from the U.S. Environmental Protection Agency and Department
21 of Energy for its Energy Star New Homes program.

V. OVER/UNDER RECOVERY OF PROGRAM COST

Q. DO THE COMMISSION RULES PROVIDE THAT AN ELECTRIC UTILITY CAN ADJUST FOR OVER/UNDER RECOVERY OF PROGRAM COSTS?

A. Yes. Substantive Rule § 25.181(m)(2)(S) states that a utility must include in its EEPR the amount of any over- or under-recovery energy efficiency program costs whether collected through base rates or the EECRF.

Q. DID CENTERPOINT HOUSTON UNDER RECOVER PROGRAM COSTS FOR 2010 PROGRAMS?

A. Yes. CenterPoint Houston under-recovered program costs in 2010. The total under-recovered amount is \$525,843.

Q WHY DID CENTERPOINT HOUSTON UNDER RECOVER \$525,843 IN PROGRAM COSTS IN 2010?

A. The Company experienced an under-recovery of program costs in 2010 for several reasons, including, but not limited to, a downturn in the commercial economy and new construction, a postponement of many multi-family construction projects, and billing determinants were less than forecasted. Due to varying program interest and demand, the Company shifted funds between programs during the year. This reallocation of funds resulted in commercial spending being reduced by \$531,847 when compared to the original budget set forth in the 2010 EECRF (Docket No. 38213) and an additional spending of \$772,550 in residential programs when compared to the original budget set forth in the 2010 EECRF (Docket No. 38213). As an example, the A/C Distributor MTP spent an additional \$220,000 in 2010 due to the high demand for high

1 efficiency air-conditioning units throughout the service territory. Likewise, the
2 Rebuilding Together Houston program, which mainly provides compact
3 fluorescent light-bulbs and attic insulation to low-income and elderly residents,
4 spent an additional \$330,000 serving additional customers.

5 The remaining under recovery of \$285,140 is a result of an under-
6 collection through electric sales. For a discussion of the allocation methodology
7 proposed by the Company for the under-recovered program costs, please see
8 Company witness Matthew Troxle's testimony.

9 **Q HOW DOES THE COMPANY PROPOSE TO ADDRESS THE UNDER-**
10 **RECOVERY OF 2010 PROGRAM COSTS IN THE 2012 RIDER EECRF?**

11 A. As discussed in the direct testimony of Mr. Troxle, the Company proposes to
12 recover in 2012 the additional \$772,550 in 2010 residential program expenditures
13 from residential customers and to return \$531,847 to commercial customers for
14 2010 under-expenditures. The Company proposes to collect the remaining under-
15 recovery amount of \$285,140 from all customers using the percentage of energy
16 efficiency costs in base rates in 2010 as an allocator. Please see Mr. Troxle's
17 direct testimony for further detail.

18 **VI. ENERGY EFFICIENCY PERFORMANCE BONUS**

19 **Q. DO THE COMMISSION RULES PROVIDE THAT AN ELECTRIC**
20 **UTILITY CAN RECEIVE AN ENERGY EFFICIENCY PERFORMANCE**
21 **BONUS?**

22 A. Yes. Substantive Rule § 25.181(h) provides that a utility that exceeds its demand
23 reduction goal "*shall* be awarded a performance bonus." (emphasis added) The
24 Rule states that the performance bonus shall equal 1% of the net benefits the

1 utility's energy efficiency programs achieve for every 2% that the utility exceeds
2 the demand reduction goal, up to a maximum of 20% of the utility's program
3 costs.

4 **Q. DID CENTERPOINT HOUSTON QUALIFY FOR A BONUS BASED ON**
5 **ITS 2010 ENERGY EFFICIENCY PROGRAMS?**

6 A. Yes. CenterPoint Houston exceeded its 2010 goal by 209%, and costs were well
7 within avoided cost limits defined by Substantive Rule § 25.181. Net benefits
8 (avoided cost minus program costs) generated by the 2010 programs totaled
9 \$112,250,373. As such, absent the 20% of program costs cap in Substantive Rule
10 § 25.181, CenterPoint Houston would be entitled to a performance bonus of
11 \$117,053,153. The Company's program costs in 2010 were \$28,143,399.
12 CenterPoint Houston is therefore requesting a performance bonus of \$5,761,382.

13 **Q. HOW WAS THE AMOUNT OF THE REQUESTED PERFORMANCE**
14 **BONUS CALCULATED?**

15 A. The calculation for the requested performance bonus can be found at Table 12 of
16 the revised EEPR, attached as Exhibit CJF-1.

17

18 **VII. LOST REVENUE ADJUSTMENT MECHANISM**

19 **Q. WHAT IS CENTERPOINT HOUSTON'S PROPOSED LRAM?**

20 A. Simply put, the Company's proposed LRAM would recover lost revenues related
21 to the Company's energy efficiency efforts as a program cost for purposes of the
22 EECRF. Company witness Matthew Troxle's testimony discusses the LRAM
23 calculation in detail.

1 **Q. PLEASE EXPLAIN HOW ENERGY EFFICIENCY PROGRAMS RESULT**
2 **IN LOST REVENUES.**

3 A. Under the regulatory scheme in Texas, rate changes generally occur through full
4 cost of service base rate cases. These cases are often lengthy and expensive.
5 Between base rate cases, utilities must maintain the level of or increase retail sales
6 of electricity (relative to the historic levels in the test year which set base rates) in
7 order to prohibit the loss of revenues. This concept is commonly recognized as
8 the “throughput incentive” and it acts as a deterrent or “disincentive” for utilities
9 to promote energy efficiency, because energy efficiency efforts ultimately reduce
10 a utility’s net income. Put differently, when a utility promotes energy efficiency,
11 it is essentially asking its customers not to buy its product. As the National
12 Action Plan for Energy Efficiency recognized in 2006, this disincentive is
13 exacerbated in the case of distribution utilities, such as CenterPoint Houston,
14 because the revenue impact of electricity sales reduction is disproportionately
15 larger for utilities without generation resources.⁴

16 **Q. IS CENTERPOINT HOUSTON LOSING REVENUES AS A RESULT OF**
17 **ITS ENERGY EFFICIENCY PURSUITS?**

18 A. Yes, CenterPoint Houston calculates that in 2009 it lost \$1,436,550 in revenue
19 solely through the implementation of its energy efficiency programs in 2009. In
20 2010, the Company lost \$2,190,282 for the programs implemented in 2010, and in
21 2011 and 2012, CenterPoint Houston estimates it will lose an additional
22 \$1,850,897 in 2011 and \$2,067,221 in 2012 – again solely because of its energy

⁴ See National Action Plan for Energy Efficiency, July 2006, available at <http://www.epa.gov/cleanenergy/energy-programs/nappee/resources/action-plan.html>.

1 efficiency efforts. Exhibit MAT-4 includes detailed information on the
2 Company's revenue losses related to energy efficiency since 2007 and the
3 Company's expected revenue losses through 2014.

4 **Q. HOW DOES CENTERPOINT HOUSTON'S PROPOSED LRAM ACT TO**
5 **REMOVE THE ENERGY EFFICIENCY DISINCENTIVE?**

6 A. Revenue losses of the nature described above and in Exhibit MAT-4 demonstrate
7 that even when CenterPoint Houston is able to recover all of its program costs
8 through the EECRF, the Company still suffers. A LRAM addresses this
9 disincentive and helps to keep the Company financially whole despite its
10 efficiency efforts. CenterPoint Houston's proposed LRAM is designed to target
11 reimbursement for only those lost revenues related to the utility's direct
12 promotion of energy efficiency measures using the Commission's deemed savings
13 approach.

14 **Q. HAVE ANY OTHER REGULATORS RECOGNIZED THE USE OF A**
15 **LRAM AS A MEANS OF ADDRESSING THE ENERGY EFFICIENCY**
16 **DISINCENTIVE?**

17 A. Yes. Lost revenue recovery mechanisms are being recognized by regulators
18 across the country as a means of furthering energy efficiency. For example,
19 regulators in Kentucky allow lost revenue recovery for both electric and gas
20 efficiency programs. Recovery mechanisms are determined on a case-by-case
21 basis under Kentucky's enabling statute.⁵ In the same vein, the Oklahoma
22 Corporation Commission ("OCC") adopted energy efficiency rules for electric
23 utilities in 2008 which allow electric utilities to propose mechanisms for the

⁵ See Kentucky Revised Statutes, Chapter 278, Title 285.

1 “recovery of prudently incurred program costs, recoupment of lost net revenue,
 2 and additional incentives the utility proposes it requires to make the programs
 3 workable.”⁶ Following the approval of the new rules, the OCC approved a
 4 revenue recovery mechanism for Oklahoma Gas and Electric Company.⁷

5 Similarly, the Ohio Public Utilities Commission adopted rules which
 6 allow electric utilities to request recovery of costs due to “electric utility peak
 7 demand reduction, demand response, energy efficiency program costs,
 8 appropriate lost distribution revenues, and shared savings.”⁸ And the Indiana
 9 Utility Regulatory Commission approved a settlement agreement between an
 10 electric utility (Vectren) and the Indiana Office of Utility Consumer Counselor
 11 that included lost revenue recovery.⁹ Moreover, in February of 2010, the North
 12 Carolina Utilities Commission approved a lost revenue adjustment mechanism for
 13 Duke Energy and noted:

14 Clearly, to the extent that decreased sales resulting from EE
 15 programs are not offset by growth trends in customer count and
 16 per-customer usage or by new rates in a rate case or comparable
 17 proceeding set to recover those net lost revenues, absent a cost
 18 recovery mechanism such as the one at issue here, the Company
 19 would, undoubtedly, serve as a financial disincentive to the
 20 Company to implement EE programs.¹⁰
 21

⁶ OCC Chapter 35 rules at section 165:35-41-4(a)(18).

⁷ See *Application of Oklahoma Gas and Electric Company for an Order of the Commission Granting the Recovery of Costs Associated with its Quick Start Demand Programs and Authorizing A Recovery Rider*, OCC Cause No. PUD 200800059, Final Order Adopting the Report and Recommendations of the Administrative Law Judge at Exh. A (Jul. 2, 2008).

⁸ See Public Utilities Commission of Ohio, *Energy Efficiency & Peak-Demand Reduction Programs*, Rule 4901:1-39-07.

⁹ See IRUC News Release, *Indiana Utility Regulatory Commission Approves Energy Efficiency Program for Vectren* (Dec. 1, 2006) (emphasis added).

¹⁰ See *Application of Duke Energy Carolinas, LLC for Approval of Save-a-Watt Approach, Energy Efficiency Rider and Portfolio of Energy Efficiency Programs*, Docket No. E-7, Sub. 831, Final Order at 21 (Feb. 9, 2010).

1 In short, lost revenue recovery is recognized as a means of removing the energy
2 efficiency disincentive and thereby encouraging utilities to pursue energy
3 efficiency.

4 **Q. HAS THE COMMISSION RECOGNIZED THAT THERE ARE**
5 **FINANCIAL CONSEQUENCES TO THE UTILITY WHEN**
6 **IMPLEMENTING SUCCESSFUL ENERGY EFFICIENCY PROGRAMS?**

7 A. Yes. As Commissioner Anderson aptly put it during the Commission's Open
8 Meeting on July 11, 2010:

9 ...if you go down the road of ever more stringent and expansive
10 energy efficiency programs...without the ability of the distribution
11 companies to recover that lost revenue...the effect will be that they
12 will have to come in much more frequently for rate cases and there
13 are costs that are involved there...there are the costs of the cases
14 themselves...you will also have the effect on costs, which
15 ultimately the rate payers will bear, of what will likely be
16 downgrades in the credit rating so the interest rates go up... and
17 that you will also I think get, as a consequence or in order to
18 mitigate that effect, there will be changes in the capital
19 structure...which again has a dramatic impact on rates.¹¹
20

21 **Q. DO YOU AGREE WITH COMMISSIONER ANDERSON'S COMMENTS?**

22 A. Yes, I do. In fact, I believe his comments exemplify why the Commission should
23 approve the Company's LRAM request. Simply put, the Company should not
24 have to file a full base rate case in order to make certain that it does not lose
25 revenues associated with a discrete set of costs that the Legislature and the
26 Commission have already decided should be treated outside of the Company's
27 overall cost of service. Similarly, it makes little sense for a utility to be required

¹¹ See June 11, 2010 Open Meeting Discussion at 1:05:49 (Commissioner Anderson's comments available at <http://www.puc.state.tx.us/openmeet/Broadcasts.aspx>).

1 to provide programs that erode earnings, potentially impact financial health, and
2 require the filing of expensive rate cases.

3 **Q. UNDER WHAT AUTHORITY DOES THE COMPANY BELIEVE THAT**
4 **THE COMMISSION HAS THE ABILITY TO APPROVE A LRAM FOR**
5 **CENTERPOINT HOUSTON?**

6 A. Section 14.001 of PURA grants the Commission broad powers to regulate utilities
7 and ensure just and reasonable rates. Specifically, with respect to energy
8 conservation, Section 36.204 of PURA grants the Commission broad and explicit
9 statutory authority to allow timely recovery of reasonable costs and to authorize
10 additional conservation incentives.¹² In related fashion, Section 36.051 of PURA
11 requires the Commission to set a utility's overall revenues at an amount that will
12 permit the utility a reasonable opportunity to earn a reasonable return. However,
13 as Commissioner Anderson's comments above make clear, without the
14 implementation of some type of cost-recovery mechanism, energy efficiency
15 programs clearly impact the utility's ability to earn a reasonable rate of return.¹³

16 Further, the Company believes that the Commission has explicit authority
17 to adopt a LRAM under Section 39.905(b-1) of PURA. Section 39.905(b-1) of
18 PURA reads:

19 The energy efficiency cost recovery factor under Subsection (b)(1) may
20 not result in an over-recovery of costs but may be adjusted each year to
21 change rates to enable utilities to match revenues against energy efficiency
22 costs and any incentives to which they are granted.

¹² PURA § 36.204.

¹³ See PURA § 36.051 ("In establishing an electric utility's rates, the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of the utility's reasonable and necessary operating expenses.").

1 While I am not a lawyer, this language in PURA says to me that the Legislature
 2 understands the detrimental impact that declines in usage have on utility revenues
 3 and intends to keep utilities financially whole through the EECRF mechanism.
 4 However, without an LRAM to recover the lost revenues that result from the
 5 pursuit of energy efficiency, the revenue “matching” envisioned by Section
 6 39.905(b-1) does not occur. CenterPoint Houston believes the Commission can
 7 and should remedy this deficiency through the addition of a LRAM component in
 8 the Company’s EECRF.

9 **Q. DOES THE COMMISSION’S PERFORMANCE BONUS MECHANISM**
 10 **COMPENSATE THE UTILITY FOR LOST REVENUES DUE TO**
 11 **ENERGY EFFICIENCY IMPLEMENTATION?**

12 A. Absolutely not. The Commission’s performance bonus mechanism is intended to
 13 function as an *incentive* for utilities to exceed the demand goals – not a means of
 14 making the utility whole for lost revenue. Moreover, as Exhibit MAT-4
 15 demonstrates, over time, revenue losses associated with energy efficiency far
 16 outpace the bonus amount. The result is that the bonus ceases to be an incentive
 17 at all. Indeed, the Commission was very clear about the role of the performance
 18 bonus when it adopted the previous version of Substantive Rule § 25.281. There,
 19 the Commission confirmed that the purpose of the performance incentive is to
 20 “provide a real incentive for exceptional performance” and to “reward exceptional
 21 performance in the area of energy efficiency.”¹⁴ Section 39.905(b)(2) of PURA
 22 also only speaks only in terms of “rewarding” utilities.

¹⁴ *Amendments to Energy Efficiency Rules and Templates*, Project No. 33487, Order Approving The Repeal of § 25.181 and 25.184 And Of New § 25.181 As Approved at the March 26, 2008 Open Meeting at 76 (Apr. 14, 2007).

1 Q. IF ADOPTED BY THE COMMISSION, HOW MUCH WOULD
2 CENTERPOINT HOUSTON'S LRAM COLLECT FROM CUSTOMERS
3 UNDER THE 2012 EECRF?

4 A. \$2,190,282.

5 Q. IS THAT A \$2 MILLION INCREASE TO CUSTOMERS?

6 A. No. Recovery of this amount simply keeps CenterPoint Houston whole compared
7 to what the Commission determined it should collect in revenues. Without
8 collecting that amount there is essentially a \$2 million decrease without ever
9 having a rate case.

10 **VIII. CONCLUSION**

11 **Q. ARE ALL OF THE COSTS CENTERPOINT HOUSTON PROPOSES TO**
12 **RECOVER FOR ITS ENERGY EFFICIENCY PROGRAMS, INCLUDING**
13 **THOSE OF ITS PROPOSED LRAM, REASONABLE AND NECESSARY?**

14 A. Yes.

15 **Q. DOES THE CENTERPOINT HOUSTON APPLICATION FOR AN EECRF**
16 **COMPLY WITH ALL THE REQUIREMENTS OF THE COMMISSION**
17 **RULES?**

18 A. Yes.

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

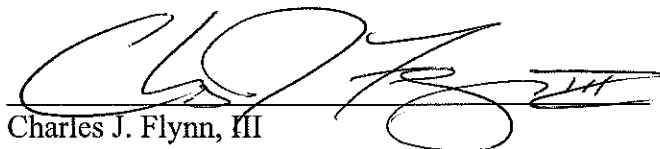
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The State of Texas §

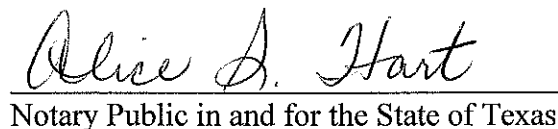
County of Harris §

BEFORE ME, the undersigned notary public, this day personally appeared Charles J. Flynn, to me known, whom being duly sworn according to law, deposes and says:

“My name is Charles J. Flynn, III. I am of legal age and a resident of the State of Texas. The foregoing testimony and the opinions stated therein are, in my judgment and based upon my professional experience, true and correct.”


Charles J. Flynn, III

SWORN TO AND SUBSCRIBED before me on the 28th day of April, 2011.


Notary Public in and for the State of Texas

(SEAL)

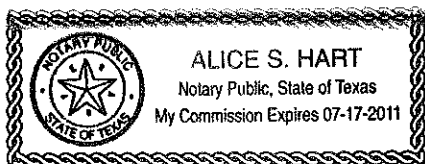


EXHIBIT CJF-1

CenterPoint Energy Houston Electric, LLC

2011 Energy Efficiency Plan and Report

Substantive Rule § 25.181 and § 25.183

REVISED
April 29, 2011

Project No. 39105

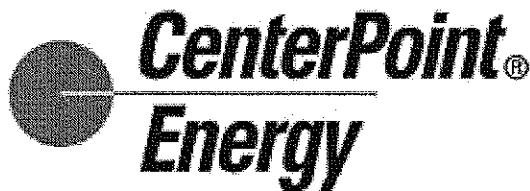


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Introduction

CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) presents this Energy Efficiency Plan and Report (EEPR) to comply with Substantive Rules § 25.181 and § 25.183, which implements Public Utility Regulatory Act (PURA) § 39.905. PURA § 39.905 and Substantive Rule § 25.181 require that each investor-owned electric utility achieve the following savings goals through market-based standard offer programs (SOPs) and limited, targeted, market transformation programs (MTPs):

- 20 % reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2010 and 2011 program years; and
- 25 % reduction of the electric utility's annual growth in demand of residential and commercial customers for the 2012 program year.

The format used in the EEPR primarily follows the one outlined in § 25.181 (m). The EEPR presents the results of CenterPoint Houston's 2010 energy efficiency programs and describes how the company plans to achieve its goals and meet the requirements set forth in § 25.181. Planning information provided focuses on 2011 and 2012 projected savings and projected budgets. The planning information presents information on programs to be offered and discusses outreach and informational activities and workshops designed to encourage participation by energy service providers and retail electric providers (REPs).

EEPR Organization

This EEPR consists of an executive summary, fourteen sections and three appendices. Sections one through four detail the planning section of the EEPR, while sections five through nine present energy efficiency report information. The final five sections address the Energy Efficiency Cost Recovery Factor (EECRF) and the performance bonus achieved in 2010. The three appendices provide a description of the acronyms used throughout the report, a glossary of commonly used terms, and the demand and energy savings for each program by county.

Executive Summary

The Energy Efficiency Plan portion of this EEPR details CenterPoint Houston's plans to achieve a 20% reduction in its annual growth in demand of residential and commercial customers by December 31, 2011, and a 25% reduction in its annual growth in demand of residential and commercial customers by December 31, 2012. The Plan also addresses the corresponding energy savings goal, which is calculated from the demand savings goal using a 20% capacity factor. The goals, budgets, and implementation plans that are included in this EEPR are determined by requirements of Rule § 25.181 and the information gained from prior implementation of the selected programs. Table 1 presents a summary of 2011 and 2012 goals, projected savings, and projected budgets.

Table 1: Summary of Annual Goals, Projected Savings and Projected Budgets¹

	Calendar Year	Avg Growth in Demand	MW Goal (% of Growth in Demand)	Demand (MW) Goal	Energy (MWh) Goal ²	Projected MW Savings ³	Projected MWh Savings ^{2,3}	Projected Budget (000's)
Annual Goals	2011	164	20%	39.2	68,693.8	127.85	151,796.0	\$30,784
	2012	203	25%	47.3	82,853.0	172.72	165,676.0	\$35,859

Note that the Company's 2011 demand and energy goal is established pursuant to § 25.181(e)(3)(B) which states that a utility's demand goal in any year shall not be lower than its goal for the prior year. Since the actual five-year average demand growth for 2011 is lower than in 2010, the goal is set at the 2010 level, 39.2 MW.

¹ Average Growth in Demand figures are from Table 4; Projected Savings from Table 5; Projected Budget from Table 6. All MW and MWh figures in this Table and throughout this EEPR are measured at the meter.

² Calculated using a 20% capacity factor.

³ Peak demand reduction and energy savings for the current and following calendar year that CenterPoint Houston is planning and budgeting for in the EEPR. These projected savings reflect CenterPoint Houston's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181).

In order to reach the projected savings presented in Table 1, CenterPoint Houston will implement the following programs:

1. Large Commercial SOP
2. Retro-Commissioning MTP
3. Large Commercial Load Management SOP
4. The Texas SCORE MTP
5. ENERGY STAR[®] Homes MTP
6. Residential SOP
7. A/C Distributor MTP
8. Hard-to-Reach SOP
9. Multi-Family Water & Space Heating MTP
10. Community Weatherization Program
11. Agencies in Action MTP
12. Low-Income Weatherization (SB-712)
13. Advanced Lighting Pilot MTP
14. Residential In-Home Display (IHD) Pilot MTP

As detailed in the 2010 Energy Efficiency Report contained in this document, CenterPoint Houston successfully implemented SOPs and MTPs required by PURA § 39.905 that met the statutory 20% energy efficiency savings goal. CenterPoint Houston's goals for 2010 were 39.2 MW in peak demand reduction and 68,693.8 MWh in energy savings. Actual total achieved reductions in 2010 were 120.98 MW and 139,664.8 MWh. The total forecasted spending for 2010 was \$30.05 million. Actual 2010 spending totaled \$28.8 million.

Energy Efficiency Plan

I. 2011 Programs

A. 2011 Program Portfolio

CenterPoint Houston plans to implement thirteen programs in 2011. In addition, one pilot programs will be funded in 2011. These programs target both broad market segments and specific market sub-segments that offer significant opportunities for cost-effective savings. CenterPoint Houston anticipates that targeted outreach to a broad range of service providers will be necessary in order to meet the savings goals required by PURA § 39.905 on a continuing basis. Table 2 lists each program and identifies target markets and applications.

Table 2: 2011 Energy Efficiency Program Portfolio

Program	Target Market	Application
Large Commercial SOP	Large Commercial	Retrofit; New Construction
Retro-Commissioning MTP	Large Commercial	Tune-up of existing facilities
Large Commercial Load Management SOP	Large Commercial	Load Management
Texas SCORE MTP	Large and Small Commercial (K-12 public schools & City facilities)	Retrofit; New Construction
ENERGY STAR® Homes MTP	Residential	New Construction
Residential SOP	Residential	Retrofit; New Construction
A/C Distributor MTP	Residential and Small Commercial	Retrofit
Advanced Lighting Pilot MTP	Residential/Commercial	Retrofit, New Construction
Hard-to-Reach SOP	Hard-to-Reach Residential	Retrofit
Multi-Family Water & Space Heating MTP	Residential / Hard-to-Reach Residential	New Construction
Community Weatherization Program	Residential / Hard-to-Reach Residential	Retrofit
Agencies in Action MTP	Hard-to-Reach Residential	Retrofit
TDHCA Low Income Weatherization (SB-712)	Hard-to-Reach Residential	Retrofit
New Programs for 2011		
Residential In-Home Display (IHD) Pilot MTP	Residential	Retrofit

The programs listed in Table 2 are described further in sub-sections B and C. CenterPoint Houston maintains a website⁴ containing requirements for project participation and most of the forms required for project submission. The website is one method of communication used to provide project sponsors with program updates and information.

⁴ CenterPoint Houston energy efficiency website is www.centerpointefficiency.com.

B. Existing Programs

Commercial Standard Offer Program (SOP)

Program design

The Commercial SOP targets commercial customers with a minimum demand of 100 kW, and small commercial customers with a demand not to exceed 100 kW. Incentives are paid to project sponsors on a first-come, first-served basis for a variety of measures installed in new or retrofit applications, which provide verifiable demand and energy savings.

Implementation process

CenterPoint Houston will continue implementation of its Commercial SOP whereby any eligible project sponsor may submit an application for qualifying projects. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Maintains internet website with detailed project eligibility, end-use measures, incentives, procedures and application forms;
- Utilizes mass e-mail notifications to keep potential project sponsors interested and informed;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Retro-Commissioning MTP (RCx)

Program design

The RCx is an existing building tune-up program that targets no-cost or low-cost measures to reduce the demand and energy usage in commercial facilities. The program is designed to provide energy end-users with an expert analysis to improve the performance of energy using systems in order to reduce peak demand and annual energy usage. RCx Agents, typically engineering firms, are used to deliver the program to customers. RCx Agents are paid at the completion of each of

three phases: planning phase, investigation phase and verification phase. Facility owners must be willing to invest a minimum of \$10,000 to upgrade their facilities. Facility owners and RCx Agents can earn incentives if all schedules are maintained and savings are acceptable. In 2011, the RCx program was expanded to accept smaller facilities so that customers that do not meet the minimum eligibility requirements (facilities larger than 400,000 square feet of conditioned space) can participate in the program. The RCx process and incentives for these smaller facilities are scaled down to ensure the project remains cost effective. This new component is titled Retro-Commissioning Fast Track. It is designed for facilities between 150,000 and 400,000 square feet while the RCx Full Program will continue as before, with facilities over 400,000 square feet. All incentives are based on the same energy and demand savings, but have different incentive caps; the RCx Full Program has an incentive cap of \$10,000 and the RCx Fast Track Program has an incentive cap of \$5,000. In the RCx Fast Track Program, the Planning phase has been eliminated for the RCx Agent and potential projects will be pre-screened by the Program Administrator to reduce the scope of work and to speed up the process.

Also, in 2011 CenterPoint Houston is offering a free certified energy audit for qualifying commercial facilities in partnership with the City of Houston. The Houston Green Office Challenge's Energy Efficiency Incentive Program (EEIP) (funded by federal stimulus funds), will offer up to 20% of the project costs for qualifying participants. The facility owner must spend a minimum of \$100,000 in project costs in order to receive incentives from the program. Interested parties must submit an application, a fully refundable deposit and meet certain eligibility requirements. CenterPoint Houston will commission and fund a third party comprehensive energy audit at no cost to the participant, intended to identify energy efficiency measures that the customer can implement at their facility, and receive EEIP incentives. The energy audit is provided as part of the Retro-Commissioning Program and the savings achieved will be counted towards the RCx total savings.

Implementation process

The program, both full and fast track is implemented through selected RCx agents. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Maintains internet website with detailed project eligibility, procedures and application forms;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Large Commercial Load Management SOP

Program design

CenterPoint Houston will implement a similar load management program in 2011 as was implemented in 2010. The Large Commercial Load Management SOP will be available to non-residential distribution customers, governmental customers, educational customers and non-profit customers. The call for curtailment will be initiated when Electric Reliability Council of Texas ERCOT reaches its EEA2B emergency conditions. Incentives will be paid to project sponsors for each kW they curtail during emergency conditions. Project sponsors must have a normal aggregate peak demand of 750 kW or more, and must be equipped with a CenterPoint Houston Interval Data Recorder (IDR) meter.

Implementation process

Implementation of this program will be through customers and third-party entities representing distribution level or other governmental, educational and non-profit customers within the CenterPoint Houston service territory. The 2011 program will continue to initiate a minimum of two curtailment calls and a maximum of five curtailment calls. The first call is scheduled for June and will last two to three hours. The remaining calls will last from one to four hours each.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Maintains program information on the company website.
- Conducts workshops as necessary to explain elements such as responsibilities of the cities, project requirements, incentive information, and the application and reporting process;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

The Texas SCORE / City Smart MTP (SCORE MTP)

Program design

The SCORE MTP targets K-12, higher education, cities, counties and state governmental agencies within the CenterPoint Houston service territory. Direct incentives are paid to school districts, cities, and municipalities for certain energy efficiency measures installed in new or retrofit applications that provide verifiable demand and energy savings. A third party program implementer provides technical assistance, engineering analysis, and performance benchmarking to school administrators and city planners to help them make decisions about cost effective investments. In 2011 a new program, SCORE MTP Lite, is being offered that provides higher incentives to those school districts that do not require the technical assistance or engineering analysis provided by the implementer. The SCORE MTP Lite program is a way to transition this market while continuing to provide segmented access to incentives.

Implementation process

CenterPoint Houston will continue implementation of the SCORE MTP whereby, providing funds are available, any eligible project meeting the minimum requirements from any participating school district, city, county, or governmental agency may be submitted for incentive payment.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Contracts with a third-party project sponsor to implement outreach and planning activities;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in service area-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

ENERGY STAR® Homes MTP

Program design

The ENERGY STAR® New Homes MTP targets residential new construction. Incentives are paid to builders for the construction of ENERGY STAR® certified homes in the CenterPoint Houston

service territory. The program is supported by training, education and advertising components. The builders are selected through an application process and qualifying homes must be built to strict EPA standards or above. In 2011, the EPA is implementing version 2.5 and version 3 in 2012, which moves away from a fixed Home Energy Ratings (HERS) index and incorporates additional checklists for thermal enclosure and HVAC quality installation. These strict requirements may have builders leaving the ENERGY STAR® program. However, program design changes in 2010 positioned CenterPoint to accept non-ENERGY STAR® homes in 2011 that meet specific targets, such as high performance windows, tight air distribution systems and increased insulation levels in the ceiling and walls. Program incentives are based on demand and energy impacts rather than on a HERS index. These program changes will continue to encourage builders to build homes that are 15% above code.

Implementation process

CenterPoint Houston will continue implementation of its ENERGY STAR® Homes MTP whereby any eligible home builder meeting the minimum requirements may submit an application for participation in the program. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston promotes the ENERGY STAR® Homes MTP in the following manner:

- Advertises using a multitude of news media, including billboards, radio and television announcements, and targeted relocation publications as well as supporting the local home builder association publications;
- Provides point of purchase materials including yard signs, door mats and brochures free to participating builders;
- Maintains internet website, www.HoustonEnergyStarHomes.com with detailed program information, links to participating builders websites, and the general features and benefits of ENERGY STAR® homes;
- Conducts various energy rater testing for all local raters annually;
- Conducts training sessions for builders' sales staff throughout the year to increase the knowledge and awareness of the features and benefits of ENERGY STAR® homes;
- Participates in quarterly roundtables with the builder's home energy raters to discuss and exchange information concerning program issues;
- Attends appropriate industry-related meetings and seminars to generate awareness and interest;
- Participates in state-wide outreach activities

- Conducts builder workshops covering program requirements, incentive information, and the application and reporting process.

Residential Standard Offer Program

Program design

The Residential SOP targets residential customers with a maximum demand of less than 100 kW. Incentives are paid to project sponsors, for an array of measures installed in new or retrofit applications, which provide verifiable demand and energy savings. Sponsors submit applications for measures installed in households and are awarded contracts on a first-come, first-served basis. Also included in the Residential SOP program is the Affordable Single Family component. This segment pays incentives to not for profit agencies who build new homes to ENERGY STAR® standards for lower income families. CenterPoint Houston's Residential SOP will continue in the same format for 2011. The program is open to all qualifying energy efficiency measures, including, but not limited to air conditioning, duct sealing, weatherization, ceiling insulation, compact fluorescent lighting, water saving measures and ENERGY STAR® windows.

Implementation process

CenterPoint Houston will continue implementation of its Residential SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Maintains internet website with detailed project eligibility, end-use measures, incentive structure, procedures and application forms;
- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

A/C Distributor MTP

Program design

The A/C Distributor MTP provides incentives to air conditioning distributors who agree to facilitate the installation of high-efficiency (>16 SEER/12 EER) air conditioners and heat pumps in single-family homes, multi-family homes and small commercial businesses within CenterPoint Houston's electric distribution service territory.

Implementation process

CenterPoint Houston will continue implementation of its A/C Distributor MTP whereby any eligible A/C distributor meeting the minimum requirements may submit an application for participation in the program. CenterPoint Houston will continue to verify installations, manage and allocate available incentive funds, process all claims for incentive payments and provide other oversight functions. In addition, CenterPoint Houston will provide incentives for third-party contractor tune-ups based on approved deemed savings values. Program information is provided on CenterPoint Houston's website.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Contracts with a third-party project implementer to implement outreach and planning activities;
- Conducts workshops as necessary to explain elements such as responsibilities of the sponsors, program requirements, incentive information, and the application and reporting process;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Advanced Lighting Pilot MTP

Program design

In 2011, CenterPoint Houston will continue participation in the Advanced Lighting Pilot MTP. The program will continue to offer point of purchase discounts to Residential customers at participating retail stores for the purchase of high efficiency lighting, LED bulbs only, and will discontinue offering rebates for all CFLs. The program will expand to include a new Commercial LED Lighting Program in 2011. This program will target outdoor Commercial applications for LED lighting (i.e., parking garages, parking lots, outdoor building lighting, landscape lighting,

billboards, etc.). Fixtures approved in the Commercial LED Lighting Program must be certified by Energy Star or the Design Lights Consortium. The goal of the program is to attack market barriers and bring awareness about outdoor LED lighting to the commercial market in the CenterPoint Houston service territory.

Implementation process

The program will be implemented in the Houston area in 2011 with ECOS Consulting working as the program implementer. The point of purchase discounts (up to \$10 per LED lamp) will be offered to residential customers at participating retailers, including Home Depot, Ace Hardware, and True Value Hardware, throughout the CenterPoint Houston footprint. The new Commercial LED program will pay incentives (based on \$230 per on-peak kW reduction and \$0.14 per annual kWh saved) to customers installing qualifying LED products in eligible applications. All installations must be performed by a Qualified Installation Service Provider.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- In-store promotions of the program via signage;
- Promotion of commercial LED applications through research and development projects;
- Contracts with a third-party project implementer to implement outreach and planning activities;
- Participates in regional outreach activities as may be available;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Hard-To-Reach Standard Offer Program (HTR SOP)

Program design

The HTR SOP targets hard-to-reach residential customers. Incentives are paid to project sponsors for qualifying measures installed in retrofit applications which provide verifiable demand and energy savings to customers whose annual total household income is less than 200% of current federal poverty guidelines. Project sponsors are encouraged to install comprehensive measures and are paid on the basis of “deemed” savings as approved by the PUCT. Project funding is based on a first-come, first-served approach. Qualifying measures include those allowed in the Residential SOP as well as compact fluorescent lamps.

Implementation process

CenterPoint Houston will continue implementation of its HTR SOP whereby any eligible project sponsor may submit an application for a project meeting the minimum requirements. Program information is provided on CenterPoint Houston’s website.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Maintains internet website with detailed project eligibility, end-use measures, incentive structure, procedures and application forms;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Participates in state-wide outreach activities as may be available;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Multi-Family Water & Space Heating MTP

Program design

The Multi-Family Water and Space Heating MTP promotes the installation of energy efficient non-electric water heating and space heating in multi-family housing projects. The program also includes boiler systems as well as individual non-electric water and space heating units. The

program is based on a PUCT-approved template and projects are funded based on qualifying measures, estimated completion date and available funds.

Implementation process

CenterPoint Houston will continue implementation of its Multi-Family Water and Space Heating MTP whereby any eligible project sponsor may submit an application for review for a project meeting the minimum requirements.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Community Weatherization

Program design

The Community Weatherization Program targets both hard-to-reach and non hard-to-reach residential customers and follows the HTR SOP program parameters. Incentives are paid to project sponsors for certain measures installed in retrofit applications that provide verifiable demand and energy savings. While CenterPoint Houston does not contract directly with the City of Houston, the Community Weatherization Program sponsors are contractors affiliated with the City. These contractors work with City of Houston personnel to identify low-income areas and weatherize homes through CenterPoint Houston's energy efficiency programs, or the City of Houston's own Residential Energy Efficiency Program (REEP). The Community Weatherization program's hard-to-reach participants are determined as having an annual total household income of less than 200% of the federal poverty guidelines. The program is based on a PUCT- approved Hard-To-Reach template and projects are funded based on qualifying measures and available funds. Qualifying measures include air conditioning duct sealing, central air conditioning systems, air infiltration control, ceiling insulation, compact fluorescent lamps, and water saving measures.

Implementation process

The program is implemented through contractors affiliated with the City of Houston.

Outreach and Research activities

CenterPoint Houston markets the availability of this program in the following manner:

- Opens the program for participation from the City of Houston's weatherization contractors;
- Participates in periodic meetings with the City of Houston and its contractors to assess program progress and program needs;
- Participates in service area-wide outreach activities as may be available.

Agencies in Action MTP

Program design

The Agencies in Action MTP provides funds for implementing energy efficiency improvement projects for eligible CenterPoint Houston low-income residential customers through non-profit organizations. CenterPoint Houston's goal is to solicit the participation of a sufficient number of non-profit organizations to provide comprehensive, whole-house retrofits that maximize electricity savings including attic insulation, solar screens, compact fluorescent lamps, water saving measures, ENERGY STAR® room air conditioners, central air conditioning systems, ENERGY STAR® ceiling fans, ENERGY STAR® refrigerators, duct efficiency improvement and air infiltration control. Program participants must have an annual household income of less than 200% of the federal poverty guidelines, and a maximum expenditure of \$6,500 is allowed per home.

Implementation process

Frontier Associates acts as the program implementer with the responsibility of recruiting and overseeing the participating agencies. Local agencies may submit applications for funding provided they meet program participation requirements and funding is available. CenterPoint Houston will continue implementation of its Agencies in Action MTP in 2011.

Outreach and Research activities

CenterPoint Houston markets the availability of its programs in the following manner:

- Participates in appropriate industry-related meetings and events to generate awareness and interest;
- Promotes program participation in under-served areas of the CenterPoint Houston electric service territory;
- Contacts non-profit organizations and local housing authorities for potential participation;

- Conducts workshops as necessary to explain elements such as responsibilities of the agency, project requirements, incentive information, and the application and reporting process.

Low Income Weatherization (SB-712)

This program is identical to the Agencies in Action program. See above.

C. New Programs for 2011

Residential In-Home Display (IHD) Pilot MTP

Program design

In 2011, CenterPoint Houston plans to utilize the results from the *Residential Feedback Demonstration Research and Development Program* to implement a pilot program in which IHD devices will be installed in residential homes equipped with new advanced meters. The IHD devices will allow residents to monitor and/or adjust their energy usage by providing near-real time energy usage data on a continuous basis. The pilot program will utilize Retail Electric Providers (REPs) as the energy efficiency service providers. The REPs will be the main conduit to getting the IHDs in the homes of residential customers. Each service provider in the program will be limited to a maximum of 20% of the program incentive budget, similar to rules in other CenterPoint Houston energy efficiency programs.

Implementation process

The program will be implemented in the CenterPoint Houston service territory using a third-party as the program implementer. The third-party implementer will recruit service providers and insure program goals are met. Incentives will be paid to program service providers for each IHD that is installed and verified as connected to a CenterPoint Houston advanced meter.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Contracts with a third-party project implementer to implement outreach and planning activities;
- Advertises using a multitude of news media, possibly including, but not limited to billboards, print, radio and television;
- Program participant advertising, as well as educational materials provided to residents;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Research and Development (R&D) Projects

Program: Smart Partners- Residential/Small Commercial Backup Generator Load Management Demonstration Project

This project will demonstrate the feasibility of utilizing residential and small commercial backup, natural gas-fired generators and the CenterPoint Houston advanced metering system to directly control whole-house residential and small commercial electric load. Standby generators automatically come online when electric service is interrupted and, with the ability of AMS to remotely disconnect electric service, a potentially high impact, low cost load management program can be developed. The project would involve identifying 10 to 20 homeowners/small business owners willing to participate in the project that have generators as well as advanced meters installed. Field testing will be carried out beginning April 2011.

Program: Smart Partners-Residential Direct Load Control

CenterPoint Houston's advanced metering system will be utilized in the development, demonstration, and testing of a residential direct load control/load management system. This project will involve the installation of Zigbee-enabled switches or thermostats in approximately 200 single-family residences. Central air conditioning systems, pool pumps, and other selected appliances will be controlled through the meter. The AMS system will be used to communicate with end-use devices and measure demand and energy reductions. Field deployment and testing will be carried out beginning April 2011.

Program: Residential Feedback Demonstration Program

This project will determine the feasibility of utilizing energy consumption feedback mechanisms to implement a residential energy efficiency program. CenterPoint Houston will partner with Electric Power Research Institute (EPRI) to develop the program. The program will be segmented into two phases:

Phase 1: Protocols have been developed to design an experiment that measures the behavioral impact of energy feedback for residential consumers, along with analysis methods for data collected. CenterPoint Houston collaborated with EPRI, Freeman & Sullivan, and other electric utilities to develop the research protocols and establish standards for data comparison. Key issues

addressed in these protocols are methods of feedback, research gaps, and costs of studying feedback mechanisms.

Phase 2: CenterPoint Houston will use the results of Phase 1 to conduct an actual feedback research project in the CenterPoint Houston service territory. CenterPoint Houston and EPRI are partnering to implement a program that will evaluate the effectiveness of feedback for residential customers with advanced meters installed. The CenterPoint Houston project will focus on providing energy consumption feedback to residential electricity consumers through the deployment of in-home energy consumption displays (IHDs). The objectives of the research pilot are as follows:

- Evaluate impacts upon which deemed savings estimates can be made.
- Test the IHD as a feedback mechanism, and assess how the technology works with the Advanced Metering System.
- Determine the scalability of an IHD pilot to a large energy efficiency program.
- Understand customer opinions of IHDs.
- Understand the specific behavior changes that occur as a result of the IHD deployment.

Program: City of Houston Dashboard Project

The first phase of this project was initiated in 2009 and evaluated the energy saving potential of a commercial dashboard product that allows commercial customers to better monitor and control facility energy usage. The project is a partnership with the City of Houston and involves the monitoring of several fire stations and a waste water treatment facility. CenterPoint Houston's advanced metering infrastructure (AMI) is being utilized to the extent possible. The initial dashboard design for monitoring smart meters for ten fire stations has been completed and the proof of concept for this AMS-facilitated solution has been successfully demonstrated. High-end interval data recorder meters are planned to be installed at the wastewater treatment plant by the end of the first quarter of 2011, which will complete the first phase of the project. Should the City of Houston decide to continue with the project, additional municipal facilities would be added and test data would be collected during the summer months of 2011 to assess demand and energy

impacts. A second phase of the project to include load control and near real-time monitoring of the pilot facilities will be evaluated for implementation after completion of Phase one.

Program: Renewable Energy Integration with Smart Grid Project

Discovery at Spring Trails (DST) subdivision is a master-planned gated community north of Houston that is currently under construction. The developer, Land Tejas, is requiring builders to use ultra-high energy efficient construction and appliances, plus a minimum of 1 kW of rooftop solar photovoltaic (PV) panels. Also, a 250 kW solar farm will be constructed to offset an estimated 15% to 20% of the overall community's energy infrastructure including water and sewage treatment, lighting, recreation, and community pools and buildings. The Center for Commercialization of Electric Technologies (CCET) was successful in its submittal for DOE stimulus grant funding and hopes to sustain this project in spite of the market downturn. CCET has initiated its second phase to develop the key project components. Phase 2 includes: 1) enhancing the use of Synchrophasor measurement to monitor conditions on the Texas power transmission backbone; 2) demonstrating direct load control; and 3) developing the infrastructure of Discovery at Spring Trails community as well as integrate the community with the ERCOT wind energy system as a Smart Grid demonstration project. Phase 3 which includes project implementation and data collection is scheduled to begin and end in 2012.

CenterPoint Houston will provide matching funds and services to support the performance and impact evaluation of the solar systems and efficiency measures being incorporated in the DST development.

Program: Plug-In Electric Vehicle (PEV) Smart Charging Demonstration Project

This project is being conducted in partnership with the Electric Power Research Institute (EPRI) as a tailored collaboration (TC) project to demonstrate the technology integration of plug-in electric vehicles (PEVs) into the smart grid, as well as researching customer charging behavior and evaluate associated PEV load and infrastructure impacts. The demonstration controls PEV charging requirements under a simulated and real time grid environment with potential load management consideration from off-peak smart charging technology as well as the capability to accept demand response signals. The smart charging platform was jointly developed by utility and automotive industries, is standards based, and is able to utilize existing CenterPoint Houston fleet

PEVs or future CenterPoint Houston purchased PEVs. Project demonstration and testing began mid 2010 and will be completed by year end of 2012.

D. New Programs for 2012

Retail Electric Provider Pilot (REP) SOP (REP SOP)

Program design

In 2012, CenterPoint Houston plans to utilize the results from the *Residential Feedback Demonstration Research and Development Program*, the *Residential IHD Pilot Program*, the *Smart Partners – Residential Generator Research and Development Program*, and the *Smart Partners – Direct Load Control Research and Development Program* to implement a pilot program in for REPs. REPs will be able choose from a menu of methods on how they would like to provide verified demand and energy savings to the program. REPs can achieve savings through this program by offering the following services or programs to their customers:

- Residential load management via:
 - Direct load control,
 - Smart thermostats, or
 - Gas generator.
- Residential feedback via:
 - IHD installation, or
 - Time of use rates.

Each service provider in the program will be limited to a maximum of 20% of the program incentive budget, similar to rules in other CenterPoint Houston energy efficiency programs.

Implementation process

The program will be implemented in the CenterPoint Houston service territory using a third-party as the program implementer. The third-party implementer will recruit service providers and insure program goals are met. Incentives will be paid to program service providers for verified demand and energy savings achieved through the program.

Outreach and Research activities

CenterPoint Houston plans to market the availability of this program in the following manner:

- Contracts with a third-party project implementer to implement outreach and planning activities;
- Advertises using a multitude of news media, possibly including, but not limited to billboards, print, radio and television;
- Participates in appropriate industry-related meetings and events to generate awareness and interest.

Home Performance with ENERGY STAR® MTP

Program design

The Home Performance with ENERGY STAR® MTP targets existing residential homes. The program provides a comprehensive, whole-house approach to making the home more comfortable, reducing its energy use, improving indoor air quality, and creating a healthier home for your family. Incentives are paid to project sponsors, for measures installed retrofit applications, which provide verifiable demand and energy savings. Incentives are also paid for the initial home energy audit, regardless of what measures are installed in the home.

Implementation process

The program will be implemented in the CenterPoint Houston service territory using a third-party as the program implementer. The third-party implementer will recruit service providers and insure program goals are met.

Outreach and Research activities

CenterPoint Houston will promote the Home Performance with ENERGY STAR® MTP in the following manner:

- Advertises using a multitude of news media, including billboards, radio and television announcements, and targeted relocation publications as well as supporting the local home builder association publications;
- Attends appropriate industry-related meetings and seminars to generate awareness and interest;
- Participates in state-wide outreach activities
- Utilizes mass e-mail notifications to potential project sponsors to inform them of the program start date and informational meetings;
- Maintains internet website with detailed project eligibility, end-use measures, incentive structure, procedures and application forms;
- Conducts workshops as necessary to explain elements such as responsibilities of the project sponsor, project requirements, incentive information, and the application and reporting process.

Energy Efficiency Ambassador Pilot Program

Program design

The Energy Efficiency Ambassador Program is meant to bring awareness about energy efficiency and CenterPoint Houston's programs to commercial and residential customers throughout the service territory from a community-based approach to consumer outreach. The program will focus on recruiting CenterPoint Houston personnel and active community members to champion the energy efficiency programs to those within the community and to Stakeholder's with energy conservation pledges.

Implementation process

The program will be implemented in the CenterPoint Houston service territory using a third-party as the program implementer. The third-party implementer will recruit ambassadors and insure program goals are met. This program is meant to be an educational program and will not pay any incentives to program participants.

Outreach and Research activities

CenterPoint Houston will promote the Energy Efficiency Ambassador Program in the following manner:

- Recruit CenterPoint Houston personnel interested in becoming an ambassador via service center meetings,
- Conducts workshops and community based meetings (i.e. chamber of commerce and rotary club meetings) as necessary to explain elements such as responsibilities of the ambassador, project requirements, and reporting process.
- Measure the community pledge for energy reduction and compare to other communities and area pledges.
- Provide community based educational information on energy efficiency tips for homes and businesses as well as demonstrate benefits from "smart meters" and electric vehicles.

E. Existing DSM Contracts or Obligations

All existing DSM contracts ended in 2009 and the program has been terminated.

II. Customer Classes

Customer classes targeted by CenterPoint Houston's energy efficiency programs are the Hard-to-Reach, Residential, and Commercial customer classes.

The annual MW savings goal will be allocated to customer classes by examining historical program results, evaluating economic trends, and taking into account Substantive Rule § 25.181, which states that no less than 5% of the utility's total demand reduction savings goal should be achieved through programs for hard-to-reach customers. Table 3 summarizes the number of customers in each of the customer classes. It should be noted, however, that the actual distribution of the goal and budget must remain flexible based upon the response of the marketplace and the overriding objective of meeting legislative and Commission goals.

Table 3: Summary of Customer Classes

Customer Class	Number of Customers
Commercial	256,000
Residential	1,245,000
Hard-to-Reach⁵	618,000

⁵ CenterPoint Houston does not require income information for electric service and no records are available to correlate revenue for the Hard-to-Reach customer class. However, according to the US Census Bureau's 2007 Current Population Survey, 33% of Texas families fall below 200% of the poverty threshold. Applying that percentage to CenterPoint Houston's residential customer totals, the number of HTR customers is estimated at 618,000. Program goals will be based on the requirement in the energy efficiency rule that no less than 5% of the total energy efficiency demand goal will be achieved through the programs in the Hard-to-Reach customer class.

III. Energy Efficiency Goals and Projected Savings

As prescribed by Substantive Rule § 25.181, CenterPoint Houston's demand goal is specified as a percentage of its five-year average rate of growth in demand. Therefore, the annual growth in demand for each year during the planning period is based upon a combination of actual historical system peak demand and forecasted peak demand. As an example, the average annual growth in demand defined for the December 31, 2011 goal reflects the growth in actual peak demand from 2006 to 2010. For the purposes of this report, the 2012 goal will be based on the same historical load growth data from 2007 to 2010, plus an estimated load growth for 2011. Once actual weather adjusted load data is obtained for the 2011 calendar year, the 2012 goal will be adjusted and based on growth in actual peak demand from 2007 to 2011. The demand savings goals are based on meeting 20% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2011 and on meeting 25% of the electric utility's annual growth in demand of residential and commercial customers by December 31, 2012. The corresponding energy savings goals are determined by applying a 20 percent capacity factor to the demand savings goals.

Table 4 presents historical annual growth in demand for 2006-2010 and estimated annual growth for 2011 and 2012. Table 5 presents the corresponding projected demand and energy savings broken out by program for each customer class for 2011 and 2012. The projected savings is the demand and energy savings that can be achieved based on the annual budget shown in Table 6. All of the MW and MWh values presented in tables 4 and 5 are at the customer meter. To derive values at the source, or power plant level, the values shown in the tables should be increased by 7% to account for line losses.

Table 4: Annual Growth in Demand and Energy Consumption (at Meter)

Calendar Year	Peak Demand (MW)				Growth (MW)	Average Growth (MW) ⁶
	Total System		Residential & Commercial			
	Actual ⁸	Weather Adjusted ⁷	Actual	Weather Adjusted	Weather Adjusted	Weather Adjusted
2006	15,686	15,825	13,809	13,948	139	N/A
2007	16,263	16,227	14,076	14,040	92	
2008	15,484	15,845	13,735	14,096	56	
2009	16,240	16,057	14,373	14,190	94	
2010	16,315	16,341	14,602	14,628	438	
2011	15,946	N/A ⁹	14,261	N/A	337	164
2012	16,130		14,454		192	203

Table 4 shows the annual growth in Demand and Energy over the past five years. The average growth over the previous five years multiplied by the PUCT stated annual goal reduction percentage gives the annual MW and MWh goal shown in Table 1.

2011 Goals

MW Goal = $163.8 \times 20\% \times (100\% - 7\% \text{ T\&D line losses}) = 30.47 \text{ MW}$

MWh Goal = $30.47 \text{ MW} \times 8760 \text{ Hours} \times 20\% \text{ Load Factor} = 53,377 \text{ MWh}$

Consistent with Substantive Rule § 25.183(e)(3)(B), the Company's demand reduction goal for 2011 remains 39.2 MW and 68,693.8 MWh.

2012 Goals

MW Goal = $203.4 \times 25\% \times (100\% - 7\% \text{ T\&D line losses}) = 47.29 \text{ MW}$

MWh Goal = $47.29 \text{ MW} \times 8760 \text{ Hours} \times 20\% \text{ Load Factor} = 82,853 \text{ MWh}$

⁶ "Average Growth" for previous 5 years. NA = Not Applicable: Averages from 2006-2010 are not applicable to any of the calculations or forecasts in this EEPR.

⁷ "Actual Weather Adjusted" Peak Demand is "Actual" Peak Demand adjusted for weather fluctuations using weather data for the most recent ten years.

⁸ 2011 and 2012 Calendar Year "Actual" values are forecasted.

⁹ NA = Not Applicable: Energy efficiency goals are calculated based upon the actual weather-adjusted growth in demand, so non weather adjusted "actual" forecasts are not applicable.

Table 5: Projected Demand and Energy Savings Broken Out by Program for Each Customer Class (at Meter)

Program Goals by Customer Class for 2011 and 2012	2011		2012	
	Projected Savings (MW) at Meter	Projected Savings (MWh) at Meter	Projected Savings (MW) at Meter	Projected Savings (MWh) at Meter
Large Commercial	105.66	83,816.00	133.32	88,048.00
Large Commercial SOP	11.53	55,371.00	13.27	63,701.00
The Texas Score MTP	6.94	16,657.00	5.56	13,325.00
Large Commercial Load Management SOP	85.00	255.00	112.50	450.00
Retro-Commissioning MTP	2.18	11,533.00	2.00	10,572.00
Residential and Small Commercial	17.73	52,984.00	35.07	62,902.00
Energy Star MTP	12.07	26,174.00	10.34	22,435.00
Residential SOP	1.13	2,826.00	0.94	2,355.00
Advanced Lighting Program	1.64	15,909.00	1.37	13,258.00
A/C Distributor Program	2.27	7,275.00	2.27	7,275.00
Residential In-Home Display Pilot MTP	0.61	800.00	0.00	0.00
Home Performance with Energy Star	0.00	0.00	4.00	10,512.00
REP Pilot Program	0.00	0.00	16.14	7,067.00
Energy Ambassador Pilot Program	0.00	0.00	0.00	0.00
Hard-to-Reach	4.47	14,996.00	4.33	14,726.00
Hard-To-Reach SOP	1.79	4,731.00	1.90	5,018.00
Multi-Family Water & Space Htg MTP	0.43	4,454.00	0.43	4,454.00
Low-Income Weatherization (SB-712)	0.17	561.00	0.83	2,686.00
Community Weatherization Program	1.40	3,082.00	1.16	2,568.00
Agencies in Action MTP	0.67	2,168.00	0.00	0.00
TOTAL	127.85	151,796.00	172.72	165,676.00

IV. Program Budgets

Table 6 presents total projected budget allocations required to achieve the projected demand and energy savings for calendar years 2011 and 2012. The budget allocations are a result of the projected demand and energy savings presented in Table 5. The budget allocations presented in Table 6 include incentive and administration costs for each program and customer class.

Table 6: Proposed Annual Budget Broken Out by Program for Each Customer Class

Programs Estimated Budget by Customer Class for 2011 and 2012	2011			2012		
	Incentives	Admin.	Total Budget	Incentives	Admin.	Total Budget
Large Commercial	\$12,750,000	\$1,349,000	\$14,099,000	\$14,100,000	\$1,402,500	\$15,502,500
Large Commercial SOP	\$5,650,000	\$662,600	\$6,312,600	\$6,500,000	\$679,400	\$7,179,400
The Texas Score MTP	\$2,500,000	\$254,000	\$2,754,000	\$2,000,000	\$231,900	\$2,231,900
Large Commercial Load Management SOP	\$3,400,000	\$279,200	\$3,679,200	\$4,500,000	\$366,600	\$4,866,600
Retro-Commissioning MTP	\$1,200,000	\$153,200	\$1,353,200	\$1,100,000	\$124,600	\$1,224,600
Residential and Small Commercial	\$7,600,000	\$808,200	\$8,408,200	\$11,000,000	\$1,529,900	\$12,529,900
Energy Star MTP	\$3,500,000	\$386,300	\$3,886,300	\$3,000,000	\$332,900	\$3,332,900
Residential SOP	\$600,000	\$46,800	\$646,800	\$500,000	\$59,200	\$559,200
Advanced Lighting Program	\$1,200,000	\$136,900	\$1,336,900	\$1,000,000	\$120,100	\$1,120,100
A/C Distributor Program	\$2,000,000	\$190,600	\$2,190,600	\$2,000,000	\$165,000	\$2,165,000
Residential In-Home Display Pilot MTP	\$300,000	\$47,600	\$347,600	\$0	\$0	\$0
Home Performance with Energy Star	\$0	\$0	\$0	\$1,000,000	\$115,300	\$1,115,300
REP Pilot Program	\$0	\$0	\$0	\$3,500,000	\$140,700	\$3,640,700
Energy Ambassador Pilot Program	\$0	\$0	\$0	\$0	\$596,700	\$596,700
Hard-to-Reach	\$6,460,000	\$709,100	\$7,169,100	\$5,650,000	\$527,200	\$6,177,200
Hard-To-Reach SOP	\$1,650,000	\$199,700	\$1,849,700	\$1,750,000	\$209,400	\$1,959,400
Multi-Family Water & Space Htg MTP	\$400,000	\$51,200	\$451,200	\$400,000	\$53,000	\$453,000
Low-Income Weatherization (SB-712)	\$660,000	\$105,100	\$765,100	\$2,500,000	\$162,500	\$2,662,500
Community Weatherization Program	\$1,200,000	\$163,500	\$1,363,500	\$1,000,000	\$102,300	\$1,102,300
Agencies in Action MTP	\$2,550,000	\$189,600	\$2,739,600	\$0	\$0	\$0
Sub - TOTAL	\$26,810,000	\$2,866,300	\$29,676,300	\$30,750,000	\$3,459,600	\$34,209,600
R&D	\$0	\$1,107,700	\$1,107,700	\$0	\$1,649,100	\$1,649,100
TOTAL	\$26,810,000	\$3,974,000	\$30,784,000	\$30,750,000	\$5,108,700	\$35,858,700

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V. Historical Demand Savings Goals and Energy Targets for Previous Five Years

Table 7 documents CenterPoint Houston's actual demand goals and energy targets for the previous five years (2006-2010). Each value was calculated using the methods outlined in Substantive Rule § 25.181.

Table 7: Historical Demand and Energy Savings Goals (at Meter)

Calendar Year		
	Actual Weather Adjusted Demand Goal at Meter (MW)	Actual Weather Adjusted Energy Goals at Meter (MWh)
2010 ¹⁰	39.21	68,694
2009 ¹¹	39.21	68,694
2008 ¹²	34.09	59,732
2007 ¹³	25.31	N/A
2006 ¹⁴	20.43	N/A

¹⁰ Actual weather-adjusted MW Goals and MWh goals as reported in the corresponding Energy Efficiency Plan (EEP) filed in April of 2010 under Project No. 37982.

¹¹ Actual weather-adjusted MW Goals and MWh goals as reported in the corresponding Energy Efficiency Report (EER) filed in April of 2009 under Project No. 37982.

¹² Actual weather-adjusted numbers from EER, Project No. 36689.

¹³ Actual weather-adjusted numbers from EER, Project No. 35440.

¹⁴ Actual weather-adjusted numbers from EER, Project No. 33884.

VI. Projected Savings, Reported and Verified Demand and Energy Savings

Table 8 breaks out the projected savings, verified savings and reported and verified savings by customer class for each program. The projected savings were reported in the Energy Efficiency Plan filed in April of 2010. The reported and verified savings are those savings that have been achieved and verified in the 2010 calendar year.

Table 8: Projected Savings versus Reported and Verified Savings for 2010 (at Meter)

Programs by Customer Class for 2010	2010					
	Projected Savings		Verified Savings		Reported / Verified	
	MW	MWh	MW	MWh	MW	MWh
Large Commercial	93.81	97,885.9	100.30	75,633.5	100.30	75,633.5
Large Commercial SOP	17.52	79,479.93	10.60	50,878.1	10.60	50,878.11
The Texas Score MTP	3.76	8,575.55	6.47	15,511.3	6.47	15,511.28
Large Commercial Load Management SOP	70.00	210.00	81.52	163.0	81.52	163.04
Retro-Commissioning	2.54	9,620.44	1.72	9,081.0	1.72	9,081.04
Residential and Small Commercial	13.25	24,091.3	16.06	50,765.80	16.06	50,765.8
Energy Star MTP	8.60	12,120.06	11.82	25,640.8	11.82	25,640.83
A/C Distributor Program	3.24	7,090.00	2.01	6,443.8	2.01	6,443.76
Residential SOP	0.89	1,687.53	0.73	1,897.5	0.73	1,897.54
Advanced Lighting Program	0.53	3,193.75	1.15	15,670.9	1.15	15,670.89
Multi-Family Water & Space Htg - MTP (RES)	-	-	0.04	422.5	0.04	422.53
City of Houston Weatherization (RES)	-	-	0.30	690.2	0.30	690.25
Hard-to-Reach	7.32	18,058.8	4.62	13,265.5	4.62	13,265.5
Hard-To-Reach SOP	2.05	5,046.05	1.76	4,695.2	1.76	4,695.16
Multi-Family Water & Space Htg MTP (HTR)	0.75	2,175.72	0.18	1,802.0	0.18	1,801.98
Res HTR - Affordable Home	-	-	0.08	71.2	0.08	71.22
TDHCA Low-Income Weatherization (SB-712)	0.17	413.70	0.11	353.0	0.11	353.00
City of Houston Weatherization (HTR)	1.94	4,180.63	0.95	2,079.6	0.95	2,079.62
Rebuilding Together Houston	0.65	1,362.70	0.64	1,442.1	0.64	1,442.14
Agencies in Action MTP	1.76	4,879.96	0.90	2,822.4	0.90	2,822.40
TOTAL	114.38	140,036.0	120.98	139,664.8	120.98	139,664.8

Table 9: Projected Savings versus Reported and Verified Savings for 2009 (at Meter)

Programs by Customer Class for 2009	2009					
	Projected Savings		Verified Savings		Reported / Verified	
	MW	MWh	MW	MWh	MW	MWh
Large Commercial	54.07	93,355.5	49.83	80,101.6	49.83	80,101.6
Large Commercial SOP	16.54	75,075.53	11.25	65,293.2	11.25	65,293.19
The Texas Score MTP	3.71	8,483.41	3.66	7,255.6	3.66	7,255.56
Large Commercial Load Management SOP	31.25	93.75	33.08	66.2	33.08	66.17
Retro-Commissioning	2.57	9,702.77	1.84	7,486.7	1.84	7,486.68
Residential and Small Commercial	21.63	22,983.0	20.40	30,117.67	20.40	30,117.7
Energy Star MTP	19.84	17,281.31	17.82	15,801.6	17.82	15,801.60
A/C Residential and Small Commercial Pilot Program	0.37	813.44	0.35	1,125.7	0.35	1,125.66
Residential SOP	0.89	1,694.48	0.71	1,675.6	0.71	1,675.55
Advanced Lighting Pilot Program	0.53	3,193.75	0.89	9,300.2	0.89	9,300.17
Multi-Family Water & Space Htg - MTP (RES)	-	-	0.37	1,692.4	0.37	1,692.43
City of Houston Weatherization (RES)	-	-	0.27	522.3	0.27	522.26
Hard-to-Reach	7.37	18,020.4	5.87	15,207.9	5.87	15,207.9
Hard-To-Reach SOP	2.03	5,007.19	2.43	6,064.8	2.43	6,064.79
Multi-Family Water & Space Htg MTP (HTR)	0.76	2,191.62	0.27	1,264.6	0.27	1,264.63
Res HTR - Affordable Home	-	-	0.09	79.3	0.09	79.31
TDHCA Low-Income Weatherization (SB-712)	0.16	400.00	0.07	284.4	0.07	284.42
City of Houston Weatherization (HTR)	2.26	4,857.46	0.94	1,860.8	0.94	1,860.77
Rebuilding Together Houston	0.65	1,371.40	0.73	1,515.4	0.73	1,515.38
Agencies in Action MTP	1.51	4,192.77	1.35	4,138.7	1.35	4,138.65
TOTAL	83.07	134,358.9	76.11	125,427.2	76.11	125,427.2

VII. Historical Program Expenditures

This section documents CenterPoint Houston's incentive and administration expenditures for the previous five years (2006-2010) broken out by program for each customer class.

Table 10: Historical Program Incentive and Administrative Expenditures (2006-2010) ¹⁵

Historical Program Funding by Customer Class	2010		2009		2008		2007		2006	
	Incentives	Admin	Incentives	Admin	Incentives	Admin	Incentives	Admin	Incentives	Admin
Large Commercial	\$11,270,036	\$1,196,593	\$8,287,710	\$1,074,257	\$8,721,467	\$923,989	\$8,757,636	\$915,235	\$6,896,666	\$608,240
Large Commercial SOP	\$5,060,993	\$650,943	\$4,643,677	\$658,909	\$5,716,190	\$609,591	\$6,648,045	\$656,231	\$5,691,608	\$447,480
Retro-Commissioning MTP	\$940,596	\$110,454	\$912,365	\$126,804	\$899,366	\$72,522	\$908,929	\$100,653	\$865,111	\$53,537
The Texas Score MTP	\$2,328,447	\$232,255	\$1,408,282	\$134,974	\$1,498,540	\$131,402	\$1,200,662	\$158,351	\$339,947	\$48,251
Large Commercial Load Management SOP	\$2,940,000	\$202,942	\$1,323,386	\$153,570	\$607,371	\$110,474	N/A	\$0	\$0	\$58,972
Residential and Small Commercial	\$6,326,842	\$1,858,767	\$4,875,287	\$1,048,914	\$4,816,184	\$722,277	\$5,208,101	\$568,232	\$4,018,882	\$446,152
Energy Star MTP	\$3,475,535	\$315,323	\$3,332,636	\$293,626	\$3,602,391	\$255,098	\$3,619,851	\$297,201	\$3,213,981	\$273,033
Trees for Efficiency			N/A				\$3,459	\$10,473	\$122,613	\$37,218
CCET Residential Demand Response Pilot			N/A		\$0	\$32,902	\$0	\$0	N/A	
Residential SOP	\$355,817	\$55,643	\$364,490	\$92,261	\$390,915	\$65,109	\$925,279	\$114,780	\$682,288	\$135,901
Advanced Lighting Program	\$506,617	\$64,903	\$490,095	\$56,180	\$707,821	\$14,097		N/A		
Multi-Family Water & Space Htg - MTP (RES)	\$18,600	\$2,552	\$175,200	\$21,367	\$80,220	\$12,187	\$220,354	\$35,876	N/A	
A/C Distributor Program	\$1,780,779	\$116,152	\$345,952	\$42,211			N/A			
City of Houston Weatherization (RES)	\$189,494	\$21,567	\$166,914	\$26,673	\$34,837	\$1,895	\$39,158	\$3,986	N/A	
R&D	\$0	\$1,282,626	\$0	\$516,596	\$0	\$340,989	\$400,000	\$105,916	N/A	
Hard-to-Reach	\$7,383,333	\$771,337	\$9,184,238	\$875,066	\$8,325,707	\$625,210	\$3,668,820	\$445,074	\$2,351,879	\$315,434
Hard-To-Reach SOP	\$1,647,077	\$200,539	\$2,341,131	\$208,718	\$1,656,645	\$166,052	\$1,971,254	\$196,047	\$1,451,547	\$192,929
Multi-Family Water & Space Htg MTP (HTR)	\$181,200	\$24,865	\$284,850	\$34,740	\$414,450	\$62,964	\$183,150	\$29,818	\$281,217	\$56,874
Res HTR - Affordable Home	\$56,153	\$8,781	\$31,607	\$8,000	\$9,734	\$1,621	\$2,386	\$0	\$99,116	\$0
TDHCA Low-Income Weatherization (SB-712)	\$364,098	\$49,228	\$360,000	\$47,241	\$1,147,649	\$60,402	\$0	\$5,468	\$61,077	\$14,671
City of Houston Weatherization (HTR)	\$893,880	\$101,735	\$874,311	\$139,714	\$1,557,328	\$84,721	\$91,526	\$9,317	N/A	
Rebuilding Together Houston	\$957,927	\$102,171	\$1,052,339	\$148,895	\$713,351	\$119,710	\$1,120,504	\$117,534	\$204,000	\$22,665
Agencies in Action MTP	\$3,282,998	\$284,018	\$4,240,000	\$287,758	\$2,826,550	\$129,740	\$300,000	\$86,890	N/A	
TDHCA				N/A					\$254,922	\$28,295
TOTAL	\$24,980,211	\$3,826,698	\$22,347,235	\$2,998,238	\$21,863,358	\$2,271,476	\$17,634,557	\$1,928,541	\$13,267,427	\$1,369,826

¹⁵ 2010 actual spending taken from Table 11 in the current EEP; 2009 actual spending from Energy Efficiency Report (EER) filed under Project No. 37982 ; 2008 actual spending from Energy Efficiency Report (EER) filed under Project No. 36689; 2007 actual spending from Energy Efficiency Report (EER) filed under Project No. 35440; 2006 actual spending from EER, Project No. 33884.

VIII. Program Funding for Calendar Year 2010

As shown on the following Table 11, CenterPoint Houston spent a total of \$28,806,909 on energy efficiency programs in 2010. The total forecasted budget for the 2010 programs was \$30,052,518. While the total spending under budget vs. the budget was just over 4%, some individual programs showed greater than 10% increases or decreases as follows:

The Commercial and Industrial SOP showed a 16.1% decrease in spending due to a downturn in the economy. The unspent funds from the Commercial and Industrial SOP program were reallocated to various programs that showed increased funding requests due to additional participant activity. The SCORE / CitySmart MTP received an additional \$1,000,000 due to reallocation of funding from programs that were not meeting target projections and showed an increase of 50.9% in spending. The A/C Distributor MTP showed a 17.2% increase in spending due to reallocation of funding and to over-achieving performances by several participating program sponsors. The Multi-family Water and Space Heating program showed a 49.8% decrease in spending due to several projects being cancelled or postponed by several participating builders. The R&D spending increased by 19.6% due to new R&D projects being implemented in 2010. R&D spending is being ramped up to support development of new programs in anticipation of meeting future higher goals. The Agencies and Action program showed a 26.9% decrease in projected spending due to a mid-year decline in the submission and completion of the projects by participating agencies. This curtailment in activity was the result of necessary program process improvements made by CenterPoint Houston and the program implementer. City of Houston Weatherization spending decreased by 11.2 % as the program sponsor was not able to market energy efficiency retrofits to as many low-income customers as initially expected.

Table 11: Program Funding for Calendar Year 2010

Program Funding for Calendar Year 2010	Number of Customers	Forecasted Budget	Actual Funds Expended (Incentives)	Actual Funds Expended (Admin)	Total Funds Expended	Funds Committed (Not Expended)	Funds Remaining (Not Committed)	Percentage Change From Budgeted/Actual
Large Commercial	252	\$12,588,758	\$11,116,142	\$1,196,593	\$12,312,735	\$153,895	\$122,128	99.0%
Large Commercial SOP	121	\$6,808,661	\$4,907,099	\$650,943	\$5,558,041	\$153,895	\$1,096,726	83.9%
The Texas Score MTP	28	\$1,697,154	\$2,328,447	\$232,255	\$2,560,702	\$0	-\$863,548	150.9%
Large Commercial Load Management SOP	92	\$3,057,384	\$2,940,000	\$202,942	\$3,142,942	\$0	-\$85,558	102.8%
Retro-Commissioning MTP	11	\$1,025,559	\$940,596	\$110,454	\$1,051,050	\$0	-\$25,491	102.5%
Residential and Small Commercial	13,472	\$6,413,605	\$6,326,842	\$576,141	\$6,902,983	\$0	-\$489,378	107.6%
Energy Star MT	9,569	\$3,772,539	\$3,475,535	\$315,323	\$3,790,858	\$0	-\$18,319	100.5%
A/C Distributor Program	2,557	\$1,618,721	\$1,780,779	\$116,152	\$1,896,931	\$0	-\$278,210	117.2%
Residential SOP	859	\$457,102	\$355,817	\$55,643	\$411,460	\$0	\$45,642	90.0%
Advanced Lighting Program	N/A	\$565,243	\$506,617	\$64,903	\$571,519	\$0	-\$6,276	101.1%
Multi-Family Water & Space Htg MTP (RES) ¹⁶	93	N/A	\$18,600	\$2,552	\$21,152	\$0	-\$21,152	N/A
City of Houston Weatherization (RES)	394	N/A	\$189,494	\$21,567	\$211,061	\$0	-\$211,061	N/A
Hard-to-Reach	5,713	\$9,977,308	\$7,383,333	\$771,337	\$8,154,670	\$0	\$1,822,638	81.7%
Hard-To-Reach SOP	2,052	\$1,863,260	\$1,647,077	\$200,539	\$1,847,616	\$0	\$15,645	99.2%
Multi-Family Water & Space Htg MTP (HTR) ¹⁶	424	\$452,781	\$181,200	\$24,865	\$206,065	\$0	\$246,716	50.2%
Res & SC HTR - Afford. Home	71	N/A	\$56,153	\$8,781	\$64,935	\$0	-\$64,935	N/A
TDHCA Low-Income Weatherization (SB-712)	127	\$404,796	\$364,098	\$49,228	\$413,326	\$0	-\$8,530	102.1%
City of Houston Weatherization (HTR) ¹⁷	1,275	\$1,359,499	\$893,880	\$101,735	\$995,615	\$0	\$363,884	88.8%
Rebuilding Together Houston	855	\$1,017,014	\$957,927	\$102,171	\$1,060,098	\$0	-\$43,084	104.2%
Agencies in Action MTP ¹⁸	909	\$4,879,957	\$3,282,998	\$284,018	\$3,567,016	\$0	\$1,312,941	73.1%
Sub-TOTAL	19,437	\$28,979,671	\$24,826,316	\$2,544,072	\$27,370,388	\$153,895	\$1,455,388	95.0%
R&D	0	\$1,072,847	\$0	\$1,282,626	\$1,282,626	\$0	-\$209,779	119.6%
TOTAL	19,437	\$30,052,518	\$24,826,316	\$3,826,698	\$28,653,014	\$153,895	\$1,245,609	95.9%

¹⁶ Multi-Family Space and Water Heating was budgeted and operated as one program in 2010. Therefore the percentage decrease for both is 49.8%

¹⁷ City of Houston Weatherization Program was budgeted and operated as one program in 2010. Therefore the percentage decrease for both is only 11.2%

¹⁸ TDHCA Settlement replacement program.

IX. Market Transformation Program Results

ENERGY STAR® New Homes MTP

The primary objective of this program is to achieve peak demand reductions and/or energy savings through increased sales of ENERGY STAR® homes and products. Additionally, the program is designed to condition the market so that consumers are aware of and request ENERGY STAR® homes and products.

In 2010, the Houston housing market was still in a decline with only 18,752 home starts for the year. There were 9,569 homes certified, labeled and incentivized through CenterPoint Houston's ENERGY STAR® New Home MTP. The 2010 program paid on specific energy and demand measures rather than on a HERS index, which includes points for gas measures. The average savings per home was of 1.24 kW and 2,679 kWh per home. The increase in kWh per home was due to counting savings for specific electric measures.

The Predictive Savings Tool (PST) used to determine the savings achieved in the Energy Star homes was updated to reflect the following;

- City of Houston energy code updates, and expected statewide changes.
- Position the CenterPoint Houston ENERGY STAR® New Homes MTP for continued high performance should local builders end their affiliation with the EPA ENERGY STAR® New Homes MTP.
- Decouple the PST analysis from the Residential Energy Services Network (RESNET) HERS Index as the primary evaluation driver.
- Reflect improving baseline standards throughout the local market area.
- Redesign incentives structure to pay for performance by focusing on the higher impact efficiency measures.

These updates do not fundamentally alter the methodology used to calculate estimated energy and demand savings for new homes.

Retro-Commissioning MTP (RCx)

The RCx program offers commercial customers the opportunity to make operational performance improvements in their facilities. In 2004, CenterPoint Houston completed a baseline study to determine the amount of retro-commissioning currently taking place in the service area. The study concluded that less than 4% of these customer classes are undertaking retro-commissioning activities.

In 2010, the RCx program adjusted the bonus concept introduced in 2009 and paid incentives to the RCx agents and customers based on the successful completion of projects. The deadline for the completion of projects was increased in 2010 to a maximum of 18 months from project kickoff. Previously, projects had to complete within the same calendar year of kickoff. RCx agents will continue to be paid a flat rate for completion of the Planning and Investigation phases. Incentives are based on the verified energy savings as a result of completing cost effective measures identified in the RCx project. Incentives are paid at \$0.017 per kWh of energy saved, with a project cap of \$10,000. This was the basis for both the RCx agents' payment for the Verification phase, and the incentive for the customer. The interest in RCx continues to increase as several new firms have been added to the list of qualified RCx Agents, bringing the total to 20. A larger attendance at the annual kick-off meeting (building owners, management companies, and potential new RCx Agents) points to a growing interest in this program. The market is far from being transformed. With the new lower requirements of the RCx Fast Track Program, many more facilities are now eligible to participate in the program. Since the program started in 2004, approximately 60 projects have been completed. With the vast number of buildings in the greater Houston area, the RCx program has a tremendous potential for growth over the next few years.

Multi-Family Water & Space Heating MTP Program

The Multi-Family Water/ Space Heating MTP promotes the installation of energy efficient non-electric water heating and space heating in multi-family housing projects.

In 2010, the Multi-family Water and Space Heating MTP paid incentives on 517 apartment units in the CenterPoint Houston service area. Of these units, 424 were classified as Hard-To-Reach

and 93 units were classified as Market Rate residential complexes. Two apartment complexes installed gas boiler systems and the remaining three projects installed individual gas hot water heaters.

The multi-family gas market continues to improve in spite of economic pressures. Prior multi-family gas projects which were postponed due to the economy are now beginning the construction phase and are expected to be complete in late 2011 or early 2012. Interest in the program continues to be favorable. CenterPoint Houston received 11 applications for the 2011 Multi-family Water & Space Heating Program which represents 1,184 units with an estimated total incentive payment of \$487,000. In addition developers, architects and builders will be invited to attend a Multi-family Water & Space Heating Program kickoff meeting in May 2011.

The Texas SCORE / CitySmart MTP

The mission of the SCORE/City Smart MTP is to provide viable energy efficiency and demand reduction solutions for K-12, higher education, cities and counties and state governmental agencies to minimize the impacts of volatile energy costs, ease budget pressures, provide infrastructure improvements, and optimize learning/working environments in their buildings.

In 2010, the SCORE/City Smart MTP budget was increased by \$1 million dollars due the program budget being fully utilized in 2009, and increased interest from city and counties. The program achieved 6,467 kW and 15,511,280 kWh with 17 school districts, two higher education facilities, six participating cities and one state agency. Most of the school districts in the CenterPoint footprint have been participating in the program since the program's inception, however a few smaller districts have just recently joined. The newer districts in the program need the most non-cash incentives.

In 2011, a new component of the program will be offered, SCORE Lite, to those school entities that do not require technical assistance or any of the other non-cash incentive components. The SCORE Lite will provide a higher kW and kWh incentive than the full SCORE/City Smart MTP. The 2011 kick off meeting saw more cities and governmental entities in attendance as this market segment has just been targeted over the past year.

Agencies in Action MTP

The Agencies in Action program involves partnerships with a number of community action agencies in the CenterPoint Houston service area that can provide energy efficiency services to low-income customers. This program is designed to cost-effectively reduce the energy consumption and energy costs of CenterPoint Houston's low-income customers. Appropriate weatherization measures and basic on-site energy education will be provided to eligible residential energy consumers. Funds are made available annually to non-profit community agencies that can provide or arrange to provide energy efficiency measures such as attic and wall insulation, energy-efficient lighting, ENERGY STAR® appliances and other home improvements that can have a significant impact on energy bills. Frontier Associates administers the program for CenterPoint Houston.

In 2010 Frontier Associates contracted with nine different agencies throughout the CenterPoint Houston service area. These agencies are Baytown Resource and Assistance Center, Chinese Community Center, Vietnamese Teamwork, Sheltering Arms Senior Services, Fort Bend Corps, Antioch Baptist Church, City of Houston, Houston Works, and Baytown Housing Authority. The Agencies in Action program served 909 participants in 2010 with kW savings of 903 and kWh savings of 2,822,403.

In 2011 CenterPoint will continue to focus on expanding the program to under-served areas of the CenterPoint electric footprint, and promoting a whole-house retrofit approach for low-income customers. A successful project was completed in 2010 with 80 Baytown Housing Authority residential units receiving energy efficiency retrofits. CenterPoint and its implementer will pursue other opportunities with local housing authorities in 2011. CenterPoint Energy and Frontier Associates are also evaluating potential program structure changes for 2011. Currently, the participating agencies are responsible for marketing the program, conducting home assessments, and ensuring that eligible energy efficiency retrofits are properly installed. The proposed changes to the program would only require the agencies to be responsible for outreach, qualification of low-income residents, and home assessments through a qualified assessor. Frontier Associates

would manage the installation of energy efficiency retrofits through a bidding process with independent contractors.

TDHCA Low Income Weatherization (SB-712)

The TDHCA 712 Low Income Weatherization program is bundled with the Agencies in Action program and follows the same program guidelines. The only distinction between the two programs is that incentives are split between the Agencies in Action program itself and the SB-712 requirement for the TDHCA Low Income Weatherization program.

In 2010, the TDHCA program served 127 customers with 107 kW and 353,000 kWh of demand and energy savings.

A/C Distributor MTP

The A/C Distributor MTP provides incentives to air conditioning distributors who agree to facilitate the installation of high-efficiency (>16 SEER/12 EER) air conditioners and heat pumps in single-family homes, multi-family homes and small commercial businesses within CenterPoint Houston's electric distribution service territory.

ICF Associates contracted with CenterPoint Houston to help implement the 2010 program. CenterPoint Houston and ICF held A/C dealer training sessions with each distributor in order to educate various A/C dealers on how to participate with their distributors. CenterPoint began the 2010 program year with the same requirements for the 2009 pilot program year (>14.5 SEER/12 EER). ICF Associates asked each distributor for their sales history in 2009 and their sales prediction for 2010 broken out by SEER level in order to accurately distribute funds throughout the program. Once the results were in, it was clear that the A/C distributors were successfully marketing units below 15 SEER, therefore CenterPoint decided to increase the minimum SEER level to 16 in order to continue the program's goal of transforming the market.

The 2010 program had 8 participating A/C Distributors and five out of the eight distributors exceeded their original contract amount. In 2010, the A/C Distributor MTP served 2,557 customers resulting in 2,012 kW savings and 6,443,764 kWh savings.

Solar Energy Pilot Project

The Houston Advanced Research Center (HARC), on behalf of the Houston Architecture Foundation and the City of Houston, has completed the installation and performance testing of two 50 kW solar energy systems and the associated research measurement equipment on the George R. Brown Convention Center in Houston. HARC partnered with the Houston Architecture Foundation and the City of Houston to install and test the two 50 kW solar energy systems. Test results concluded that the BP Global poly-crystalline 51.3 kW DC solar array and the Uni-Solar 49.0 kW DC thin-film amorphous silicon panels performed within the acceptable energy production tolerances for the monthly and annual production estimates modeled using U.S. National Renewable Energy Laboratory (NREL) PVWATTS calculator. Both systems exceeded the guaranteed annual energy production by 15% for Year 1 (August 2009 – July 2010).

X. Current Energy Efficiency Cost Recovery Factor (EECRF)

CenterPoint Houston's 2011 EECRF was approved by the Public Utility Commission of Texas in Docket No. 38213 in November of 2010 for the amount of \$10,865,852, the incremental amount of energy efficiency revenue requirement not included in base rates. The amount that is recovered in base rates is \$22,925,492.

XI. Revenue Collected Through EECRF

In 2010, CenterPoint Houston collected a total of \$30,594,941 for energy efficiency related costs; \$22,925,492 through base rates and \$7,669,449 through the EECRF Rider.

XII. Over or Under-recovery of Energy Efficiency Program Costs

In Docket No. 36952, the PUC approved energy efficiency costs to be recovered in 2010 of \$30,930,082 consisting of:

\$ 27,952,697	Program Costs
\$ 2,854,336	Bonus
<u>\$ 123,049</u>	Deferred Interest
\$ 30,930,082	Total

This was approved to be recovered through base rates in the amount of \$22,925,492, and \$8,004,590 through the EECRF Rider. In 2010, the adjusted program costs were \$28,143,399 for a total of \$31,120,784 in energy efficiency related costs. Total revenues collected through base rates and the EECRF Rider were \$30,594,941, resulting in overall under-recovery of \$525,843.

XIII. Under-served Counties¹⁹

There were no counties within the CenterPoint Houston service territory that were under-served by the Company's energy efficiency programs in 2010. All of CenterPoint Houston's energy efficiency programs were accessible to all counties within the Company's electric service area. Appendix C lists the counties served by CenterPoint Houston and the amount of savings each county experienced in 2010 through the Company's energy efficiency programs.

¹⁹ PUC Subst. R. 25.181(m)(2)(T) requires utilities to include in their EEPRs filed in 2011 "a list of any counties that in the prior year were under-served by the energy efficiency program."

XIV. Performance Bonus Calculation

In 2010, CenterPoint Houston's total spending on the implementation of Energy Efficiency programs was \$28,806,909.

Per Substantive Rule § 25.181, the calculation of the performance bonus is the lesser of:
Percentage of net benefits or 20% of program costs.

Due to exceeding the 2010 goal by 209%, CenterPoint Houston reached the maximum allowable performance bonus by rule of 20% of program costs. Therefore, CenterPoint Houston will request a performance bonus of \$5,761,382 as part of the 2011 EECRF filing.

Table 12 shows the performance bonus calculation for CenterPoint Houston for 2010.

Table 12: Performance Incentive Calculation

Performance Incentive for Calendar Year 2010	kW	kWh
2010 Program Goals	39,209	68,693,818
2010 Program Savings		
<i>Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)</i>	120,982	139,664,780
<i>Reported/Verified Hard-to-Reach</i>	4,622	13,265,515
Percentage Excess of Goal		209%
Avoided Cost		
<i>per kW</i>		\$80
<i>per kWh</i>		\$0.064
<i>Inflation Rate</i>		2.0%
<i>Discount Rate</i>		7.5%
<i>PV(Avd Capacity Cost)</i>		\$606.142
where - $\$80 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$		
<i>PV(Avd Energy Cost)</i>		\$0.485
where - $\$0.064 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$		
<i>Measure Life Avg. Yrs</i>		10
Total Avoided Cost		\$141,057,282
where - TTL Av. Cost = (Reported kW * PV(Av. \$/kW) + Reported kWh * PV(Av. \$/kWh))		
2010 Program Costs		\$28,806,909
Net Benefits = Total Avoided Cost - Total Program Costs		
Net Benefits		\$112,250,373
Bonus Based on Net Benefits = (% Excess of Goal/2) * Net Benefits		
		\$117,053,153
Bonus based on 20% of Program Costs		
		\$5,761,382

APPENDIX A: ACRONYMS

(a) Acronyms

CCET	Center for the Commercialization of Electric Technologies
DR	Demand Response
DSM	Demand Side Management
EECRF	Energy Efficiency Cost Recovery Factor
EEP	Energy Efficiency Plan, which was filed as a separate document prior to April 2008
EEPR	Energy Efficiency Plan and Report
EER	Energy Efficiency Report, which was filed as a separate document prior to April 2008
ERCOT	Electric Reliability Council of Texas
HERS	Home Energy Ratings
HTR	Hard-To-Reach
MTP	Market Transformation Program
PUCT	Public Utility Commission of Texas
RCx	Retro-Commissioning
REP	Retail Electrical Provider
RES	Residential
RESNET	Residential Energy Services Network
SCORE	Schools Conserving Resources
SOP	Standard Offer Program

APPENDIX B: GLOSSARY

(b) Glossary

Actual Weather Adjusted -- Actual Weather Adjusted peak demand and energy consumption is the historical peak demand and energy consumption adjusted for weather fluctuations using weather data for the most recent ten years.

Average Growth -- Average historical growth in demand (kW) over the prior 5 years for residential and commercial customers adjusted for weather fluctuations.

Capacity Factor -- The annual kilowatt-hour sales divided by the product of the total hours in a year (8760) and the rated capacity or peak demand of the utility in kilowatts.

Commercial customer -- A non-residential customer taking service at a metered point of delivery at a distribution voltage under an electric utility's tariff during the prior calendar year or a non-profit customer or government entity, including an educational institution. For purposes of this section, each metered point of delivery is considered a separate customer.

Deemed savings -- A pre-determined, validated estimate of energy and peak demand savings attributable to an energy efficiency measure in a particular type of application that an electric utility may use instead of energy and peak demand savings determined through measurement and verification activities.

Demand -- The rate at which electric energy is used at a given instant, or averaged over a designated period, usually expressed in kilowatts (kW) or megawatts (MW).

Demand savings -- A quantifiable reduction in demand.

Energy efficiency -- Improvements in the use of electricity that are achieved through facility or equipment improvements, devices, or processes that produce reductions in demand or energy consumption with the same or higher level of end-use service and that do not materially degrade existing levels of comfort, convenience, and productivity.

Energy efficiency measures -- Equipment, materials, and practices at a customer's site that result in a reduction in electric energy consumption, measured in kilowatt-hours (kWh), or peak demand, measured in kilowatts (kW), or both. These measures may include thermal energy storage and removal of an inefficient appliance so long as the customer need satisfied by the appliance is still met.

Energy efficiency program -- The aggregate of the energy efficiency activities carried out by an electric utility under this section or a set of energy efficiency projects carried out by an electric utility under the same name and operating rules.

Project sponsor -- An energy efficiency service provider or customer who installs energy efficiency measures or performs other energy efficiency services under the Energy Efficiency Rule. An energy efficiency service provider may be a retail electric provider or commercial customer.

Energy Efficiency Rule -- PUCT Substantive Rules § 25.181 and § 25.183.

Energy savings -- A quantifiable reduction in a customer's consumption of energy.

Growth in demand -- The annual increase in demand in the Texas portion of an electric utility's service area at time of peak demand, as measured in accordance with the Energy Efficiency Rule.

Hard-to-reach (HTR) customers -- Residential customers with an annual household income at or below 200% of the federal poverty guidelines.

Incentive payment -- Payment made by a utility to an energy efficiency service provider under an energy-efficiency program.

Inspection -- Examination of a project to verify that an energy efficiency measure has been installed, is capable of performing its intended function, and is producing an energy saving or demand reduction.

Load control -- Activities that place the operation of electricity-consuming equipment under the control or dispatch of an energy efficiency service provider, an independent system operator or other transmission organization or that are controlled by the customer, with the objective of producing energy or demand savings.

Load management -- Load control activities that result in a reduction in peak demand on an electric utility system or a shifting of energy usage from a peak to an off-peak period or from high-price periods to lower price periods.

Market transformation program (MTP) -- Strategic efforts to induce lasting structural or behavioral changes in the market that result in increased adoption of energy efficient technologies, services, and practices.

Measurement and verification (M&V) -- Activities intended to determine the actual energy and demand savings resulting from energy efficiency projects as described in this section.

Peak demand -- Electrical demand at the times of highest annual demand on the utility's system.

Peak demand reduction -- Reduction in demand on the utility system during the utility system's peak period.

Peak period -- For the purpose of this EEPR, the peak period consists of the hours from one p.m. to seven p.m., during the months of June, July, August, and September, excluding weekends and Federal holidays.

Projected Demand and Energy Savings -- Peak demand reduction and energy savings for the current and following calendar year that CenterPoint Houston is planning and budgeting for in the EEPR. These projected savings reflect CenterPoint Houston's goals required by the Energy Efficiency Rule (Substantive Rule § 25.181) and the additional savings expected based on the current funding requirements.

Renewable demand side management (DSM) technologies -- Equipment that uses a renewable energy resource, as defined in Substantive Rule §25.173(c) that, when installed at a customer site, reduces the customer's net purchases of energy, demand, or both.

Standard offer program (SOP) -- A program under which a utility administers standard offer contracts between the utility and energy efficiency service providers

APPENDIX C: REPORTED DEMAND AND ENERGY REDUCTION BY COUNTY

Appendix C
CenterPoint Energy Houston Electric, LLC Efficiency Programs
Energy Efficiency Programs
2010 Demand (kW) and Energy (kWh) Savings at Meter By County

Programs	C O U N T I E S											
	Austin	Brazoria	Chambers	Fl Bend	Galveston	Harris	Liberty	Matagorda	Montgomery	Waller	Wharton	Total
Large Commercial SOP	kW	30.9		595.9		9,925.6				44.3		10,596.7
	kWh	176,875.2		4,669,405.6		45,717,919.0				313,907.8		50,878,107.6
The Texas Score MT	kW	11.8	75.5	1,120.6	135.8	5,122.8			1.1			6,467.5
	kWh	53,046.0	187,076.0	2,927,075.0	229,188.0	12,112,267.0			2,628.0			15,511,280.0
Large Commercial Load Management	kW	1,085.5	760.5	3,410.5		76,152.2			109.1			81,517.7
	kWh	2,171.0	1,521.0	6,821.0		152,304.5			218.1			163,035.5
Retro-Commissioning MT	kW					1,718.0						1,718.0
	kWh					9,081,041.0						9,081,041.0
Energy Star MT	kW	4.6	536.8	5237.4	30.4	5,159.8			789.9	5.0		11,823.3
	kWh	9,721.3	1,240,065.8	121,807.1	11,078,264.8	65,335.6			1,732,715.5	11,393.4		25,640,831.4
Res & SC SOP	kW	4.7	29.2	72.5	37.8	550.8			29.5	2.3		729.4
	kWh	14,160.0	67,804.0	5,801.0	107,253.0	1,433,142.0			75,705.0	4,495.0		1,897,538.0
Statewide CFL Program	kW		67.7	152.5	58.3	853.5			18.8			1,150.7
	kWh		921,463.0	2,077,095.0	793,410.0	11,622,499.0			256,421.0			15,670,888.0
Multi-Family Water & Space Htg - RES	kW					39.1						39.1
	kWh					422,534.0						422,534.0
A/C Distributor Pilot Program	kW	6.8	95.5	427.4	11.3	1,422.2			21.1	7.1	11.9	2,012.7
	kWh	23,141.0	303,791.0	1,386,409.0	36,045.0	4,527,038.0			66,208.0	23,554.0	45,914.0	6,443,764.0
City of Houston Weatherization - RES	kW		0.9	14.2	0.4	288.5			0.2			304.2
	kWh		3,764.0	57,734.0	1,794.0	626,280.0			673.0			690,245.0
Hard-To-Reach SOP	kW		22.0	128.9	133.1	1,425.0			41.0	1.9		1,755.1
	kWh		62,051.0	379,818.0	334,227.0	3,803,431.0			97,540.0	7,885.0		4,695,158.0
Multi-Family Water & Space Htg - HTR	kW		40.3			137.8						178.1
	kWh		385,369.0			1,416,607.0						1,801,976.0
TDHCA Low-Income Weatherization (SB-712)	kW					107.9						107.9
	kWh					353,001.7						353,001.7
Affordable Single Family Homes	kW					83.8						83.8
	kWh					71,220.3						71,220.3
City of Houston Weatherization - HTR	kW	2.3		24.4		923.4						950.0
	kWh	5,529.0		93,567.0		1,980,524.0						2,079,620.0
Rebuilding Together Houston	kW					641.7						644.0
	kWh					1,433,309.0						1,442,135.0
Agencies in Action MT	kW		10.6	198.3	10.0	684.6						903.5
	kWh		42,949.2	715,780.0	21,196.8	2,042,477.8						2,822,403.8
Programs - TOTAL												
Total kW Savings		1,313.3	1,672.1	76.8	11,382.5	417.1	105,236.5	0.0	0.0	1,010.7	60.6	119,981.6
Total kWh Savings		102,239.2	3,398,258.2	178,304.1	23,581,147.4	1,588,449.4	108,177,123.3	0.0	0.0	2,232,108.6	361,235.2	139,664,779.9

DOCKET NO. _____

APPLICATION OF CENTERPOINT	§	
ENERGY HOUSTON ELECTRIC,	§	PUBLIC UTILITY COMMISSION
LLC FOR APPROVAL OF AN	§	
ADJUSTMENT TO ITS ENERGY	§	OF TEXAS
EFFICIENCY COST RECOVERY	§	
FACTOR	§	

DIRECT TESTIMONY OF

MATTHEW A. TROXLE

FOR

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

April 29, 2011

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<u>Exhibit</u>	<u>Description</u>
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Exhibit MAT-2	Calculation of Rider EECRF Charges
Exhibit MAT-3	Rider EECRF
Exhibit MAT-4	Revenue Losses from Energy Efficiency expenditures
Exhibit MAT-5	Future Revenue Losses

1 **DIRECT TESTIMONY OF MATTHEW A. TROXLE**

2 **I. INTRODUCTION AND BACKGROUND**

3 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

4 A. My name is Matthew A Troxle. I am a Manager of Rates for CenterPoint Energy
5 Service Company, LLC (“CenterPoint Energy”). My business address is 1111
6 Louisiana St., Houston, Texas 77002.

7 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
8 **EXPERIENCE.**

9 A. Exhibit MAT-1, included with this direct testimony, summarizes my education
10 and professional experience.

11 **Q. WHAT ARE YOUR PRESENT RESPONSIBILITIES?**

12 A. My duties include the development and implementation of strategy around cost of
13 service, cost allocation, rate design, and tariffs for delivery rates in various
14 jurisdictions across six different states. I also coordinate the development and
15 implementation of risk mitigation strategies relating to revenues and costs. This
16 includes review, analysis, and participation in the formulation of law, rules, and
17 policy at the state and federal level.

18 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

19 A. I am testifying on behalf of CenterPoint Energy Houston Electric, LLC
20 (“CenterPoint Houston” or the “Company”).

21 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE PUBLIC**
22 **UTILITY COMMISSION OF TEXAS (“COMMISSION”)?**

23 A. Yes. I have filed testimony at the Commission in several proceedings. In
24 addition, I have offered testimony in proceedings before the Railroad Commission

1 of Texas, the Arkansas Public Service Commission, and the Minnesota Public
2 Utilities Commission. A list of these proceedings is provided in Exhibit MAT-1.

3 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
4 **PROCEEDING?**

5 A. The purpose of my testimony is to: (1) explain the removal of energy efficiency
6 costs from base rates and incorporation of these costs into CenterPoint Houston's
7 Rider EECRF - Energy Efficiency Cost Recovery Factor ("Rider EECRF") as a
8 result of CenterPoint Houston's 2010 general rate case, and (2) explain and
9 support the overall level of costs in Rider EECRF to recover energy efficiency
10 costs for 2012.

11 **Q. WHAT EXHIBITS HAVE YOU INCLUDED WITH YOUR TESTIMONY?**

12 A. In addition to Exhibit MAT-1, I have included Exhibits MAT-2, MAT-3, MAT-4
13 and MAT-5 which were prepared under my direct supervision.

14 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE DIRECT**
15 **TESTIMONY OF CENTERPOINT HOUSTON WITNESS CHARLES**
16 **FLYNN?**

17 A. My testimony focuses on the design of, and the rates included in, Rider EECRF,
18 while Mr. Flynn's testimony calculates and discusses the amounts CenterPoint
19 Houston is entitled to recover through Rider EECRF due to 2012 program costs
20 and 2010 goal achievement. Additionally, I address the calculation of lost
21 revenues associated with the verified and reported savings related to 2010
22 program expenditures. Mr. Flynn's testimony addresses the performance of the
23 2010 program expenditures in greater detail.

II. ENERGY EFFICIENCY COSTS IN CURRENT RATES

Q. WILL CENTERPOINT HOUSTON'S BASE RATES IN 2012 INCLUDE AN AMOUNT FOR ENERGY EFFICIENCY PROGRAM COSTS?

A. No. Pursuant to the proposal for decision and the Commission's oral decisions to date in CenterPoint Houston's 2010 general rate case, Docket No. 38339, *Application of CenterPoint Energy Houston Electric, LLC for Authority to Change Rates*, energy efficiency program costs are to be removed from base rates and recovered via Rider EECRF.¹ Consistent with this directive, commencing with the implementation of the Company's compliance rates in mid-2011, energy efficiency-related costs for 2011 will be removed from base rates and recovered via an amended Rider EECRF. Because this proceeding addresses the Company's 2012 energy efficiency program costs, I have designed Rider EECRF to recover all of CenterPoint Houston's energy efficiency program costs, with no program cost recovery occurring through base rates.

Q. WHAT LEVEL OF ENERGY EFFICIENCY COSTS IS CENTERPOINT HOUSTON PROPOSING TO RECOVER THROUGH RIDER EECRF IN 2012?

A. In 2012, CenterPoint Houston is proposing to recover a total of \$44,336,207 including energy efficiency-related costs, amounts relating to under-recovery of 2010 costs, a performance bonus, and 2010 lost revenues related to energy efficiency. However, as detailed below and in the testimony of Mr. Flynn, should the Commission follow its performance incentive and lost revenue adjustment

¹ While the Commission's Final Order has not been issued as of the date of this filing, no party in Docket No. 38339 contested the Company's proposal to remove all energy efficiency costs from base rates via Rider EECRF.

1 mechanism (“LRAM”) decisions in Docket Nos. 36952, *Application of*
2 *CenterPoint Energy Houston Electric, LLC to Defer Energy Efficiency Cost*
3 *Recovery and for Approval of an Energy Efficiency Cost Recovery Factor*, and
4 38213, *Application of CenterPoint Energy Houston, LLC for Approval of an*
5 *Adjustment to its Energy Efficiency Cost Recovery Factor* (the Company’s two
6 previous EECRF proceedings), the Company has included in this filing evidence
7 that would alternatively recover between \$40,013,223 and \$42,203,505,
8 depending on the level of the performance incentive and whether a lost revenue
9 component is included.

11 **III. CALCULATION OF RIDER EECRF CHARGES**

12 **Q. HOW DID YOU CALCULATE THE RIDER EECRF CHARGES?**

13 A. The Rider EECRF charges are the sum of: (1) the Company’s 2012 energy
14 efficiency program costs; (2) the 2010 energy efficiency program performance
15 bonus earned by the Company; (3) 2010 lost revenue; and, (4) under-recovery of
16 2010 costs. These amounts form the total energy efficiency program revenue
17 requirement, by rate class, which is then divided by forecasted billing
18 determinants for each rate class. The resulting Rider EECRF charges are shown
19 in Schedule A, page 1 of Exhibit MAT-2.

20 **Q. FOR CENTERPOINT HOUSTON’S PROPOSED 2012 RIDER EECRF,** 21 **WHAT COSTS ARE ASSOCIATED WITH THE AFOREMENTIONED** 22 **CATEGORIES?**

23 A. Rider EECRF would permit CenterPoint Houston to recover, as calculated by Mr.
24 Flynn: (1) estimated 2012 energy efficiency program costs of \$35,858,700; (2) an

1 energy efficiency performance bonus based on CenterPoint Houston's 2010
2 program achievements of \$5,761,382; (3) the amount of lost revenues due to
3 verified and reported 2010 energy savings of \$2,190,282; and (4) \$525,843 for
4 under-recovery of 2010 program costs.

5 **Q. HOW DO YOU PROPOSE TO ALLOCATE THE ENERGY EFFICIENCY**
6 **PROGRAM COSTS INCLUDED IN RIDER EECRF?**

7 A. Substantive Rule §25.181(f)(3) requires that Rider EECRF's costs be recovered
8 "from the customer classes that receive services under each program." The
9 Company has made a direct assignment of the 2012 cost of each energy efficiency
10 program to the rate classes, which is provided in Exhibit MAT-2, Schedule B.

11 **Q. PLEASE DESCRIBE THE PERFORMANCE BONUS FOR ENERGY**
12 **EFFICIENCY PERFORMANCE.**

13 A. Under Substantive Rule §25.181(h), the energy efficiency performance bonus for
14 recovery in 2012 is based upon 2010 achievements. Substantive Rule §25.181(h)
15 provides that a utility that exceeds its demand reduction goal "*shall* be awarded a
16 performance bonus" (emphasis added). Substantive Rule §25.181(h)(3) states
17 that the performance bonus shall equal 1% of the net benefits the utility's energy
18 efficiency programs achieve for every 2% that the utility exceeds the demand
19 reduction goal, up to a maximum of 20% of the utility's program costs.

20 **Q. WHAT ARE THE VERIFIED AND REPORTED ACHIEVEMENTS OF**
21 **2010 ENERGY EFFICIENCY PROGRAM EXPENDITURES?**

1 A. The verified and reported savings associated with 2010 program expenditures are
2 presented on a kWh and kW basis in Schedules C and D, respectively, of Exhibit
3 MAT-2 and discussed in greater detail in Mr. Flynn's testimony.

4 **Q. PLEASE DESCRIBE HOW THE PERFORMANCE BONUS IS**
5 **ALLOCATED TO RATE CLASSES.**

6 A. CenterPoint Houston has allocated its 2010 performance bonus of \$5,761,382,
7 shown at Schedule E of Exhibit MAT-2, to rate classes in the same manner as the
8 Company's previous Rider EECRF in Docket No. 38213. In 2010, \$22,925,492
9 in energy efficiency-related costs within base rates were allocated to rate classes.
10 This consisted of \$12,925,492 allocated using the Average and Excess Four
11 Coincident Peak ("4CP") based on Docket No. 22355, *Application of Reliant*
12 *Energy HL&P for Approval of Unbundled Cost of Service Rate Pursuant to*
13 *PURA §39.201 and Public Utility Commission Substantive Rule §25.344*; and
14 \$10,000,000 in spending agreed to in Docket No. 32093, *Petition By Commission*
15 *Staff for a Review of the Rates of CenterPoint Energy Houston Electric, LLC*
16 *Pursuant to PURA §136.151*, allocated to rate classes, excluding the transmission
17 voltage and lighting classes, based on 2005 base revenue plus TCRF revenue
18 using the March 1, 2006, TCRF factors.

19 **Q. HAVE YOU ALSO CALCULATED THE COMPANY'S PERFORMANCE**
20 **BONUS CONSISTENT WITH THE COMMISSION'S DECISIONS IN**
21 **DOCKET NOS. 36952 AND 38213?**

22 A. Yes, in the event the Commission decides to follow the precedent it set in Docket
23 Nos. 36952 and 38213 with respect to the performance bonus calculation, at

1 Exhibit MAT-2, Schedule A, page 2, I provide an alternative Rider EECRF
2 calculation showing 2012 energy efficiency costs but with a performance bonus
3 based only upon the \$12,925,492 in energy efficiency program spending in 2010
4 base rates. This \$12,925,492 in program spending consists of the total
5 \$22,925,492 in energy efficiency related costs in base rates in 2010 minus the
6 \$10,000,000 in energy efficiency program spending agreed to in the settlement of
7 Docket No. 32093.

8 **Q. HOW DO YOU PROPOSE TO ALLOCATE THE LOST REVENUE**
9 **AMOUNT TO RATE CLASSES?**

10 A. Substantive Rule §25.181(f)(3) requires that Rider EECRF's costs be recovered
11 "... from the customer classes that receive services under each program." Lost
12 revenue is a cost to the Company. Therefore, CenterPoint Houston has made a
13 direct assignment to each rate class of the lost revenue associated with each
14 energy efficiency program's verified 2010 savings. This assignment of lost
15 revenue by rate class is provided in Exhibit MAT-2, Schedule F.

16 **Q. WHY ARE LOST REVENUES INCLUDED IN THE CALCULATIONS IN**
17 **THIS DOCKET?**

18 A. CenterPoint Houston appealed the Commission's decisions related to LRAM in
19 Project No. 37623, *Rulemaking Proceeding to Amend Energy Efficiency Rules*,
20 and Docket No. 38213. Consistent with its positions in Project No. 37623 and
21 Docket No. 38213, while those cases are on appeal the Company has included
22 LRAM in the present docket as well. Exhibit MAT-4 includes detailed
23 information on the Company's lost revenue associated with energy efficiency

1 expenditure since 2007 and the Company's expected revenue losses through
2 2014. A rate case could level set revenues and reduce or eliminate the future
3 impact of prior year programs. As indicated in Exhibit MAT-5, however, if those
4 programs are continued, lost revenues in future years will continue to accrue. Mr.
5 Flynn's testimony addresses the lost-revenue issue in greater detail.

6 **Q. HAVE YOU CALCULATED THE COMPANY'S REQUEST WITHOUT**
7 **ITS PROPOSED LRAM?**

8 A. Yes, similar to the performance bonus issue, I have included an alternative Rider
9 EECRF calculation in Exhibit MAT-2, Schedule A, page 3, which shows 2012
10 energy efficiency costs without reflecting the lost revenue.

11 **Q. PLEASE DESCRIBE THE CALCULATION FOR OVER/UNDER**
12 **RECOVERY OF 2010 PROGRAM COSTS?**

13 A. For 2010, the total energy efficiency revenue requirement to be recovered was
14 \$30,930,082. This consisted of \$27,952,697 in forecasted program costs, a
15 performance bonus of \$2,854,336, and \$123,049 in deferred interest. This
16 revenue requirement was approved by the Commission in Docket No. 38213, to
17 be recovered through base rates in the amount of \$22,925,492 and \$8,004,590
18 through the 2010 EECRF Rider. In 2010, actual program costs excluding
19 carryover expenditures were \$28,143,399, which, along with the performance
20 bonus and deferred interest, resulted in total energy efficiency-related program
21 costs of \$31,120,784. Total revenues collected through base rates and the EECRF
22 Rider were \$30,594,941, resulting in overall under-recovery of \$525,843. The

1 calculation for over/under recovery of 2010 program costs is provided in Exhibit
2 MAT-2, Schedule I, page 1.

3 **Q. HOW HAVE YOU ALLOCATED THE OVER/UNDER RECOVERY OF**
4 **2010 PROGRAM COSTS TO THE RATE CLASSES?**

5 A. The overall 2010 under-recovery of \$525,843 is comprised of a 2010 residential-
6 class over-expenditure (compared to the 2010 program budget) of \$772,550, a
7 commercial-class under-expenditure of \$240,703 and an overall under-collection
8 of revenues. Substantive Rule §25.181(f)(3) requires that Rider EECRF's costs
9 be recovered "... from the customer classes that receive services under each
10 program." Consistent with this, I have allocated the 2010 residential over-
11 expenditure to the residential class in 2012 and credited the 2010 commercial
12 class under-expenditure to the secondary < 10 kVA and secondary > 10 kVA
13 commercial classes in 2012. I have allocated the remaining 2010 under-recovery
14 of \$285,140 to all classes in 2012 in proportion to program expenditures in base
15 rates in 2010. This 2012 allocation of over/under recovery of 2010 program costs
16 is provided in Exhibit MAT-2, Schedule I, page 2.

17 **Q. WHAT BILLING DETERMINANTS ARE USED TO CALCULATE**
18 **RIDER EECRF CHARGES?**

19 A. Consistent with CenterPoint Houston's most recent EECRF applications approved
20 by the Commission, a monthly fixed charge per customer is used except for the
21 lighting class where a per-lamp charge is utilized. These decisions include the
22 Company's 2009 EECRF Application in Docket No. 36952, and the compliance
23 Tariff which was administratively approved by the Commission on June 3, 2010,

1 and the Company's 2010 EECRF Application in Docket No. 38213, approved by
2 the Commission on November 12, 2010.

3 **Q. OVER WHAT TIME PERIOD ARE THE BILLING DETERMINANTS**
4 **FORECASTED?**

5 A. I have designed Rider EECRF with an effective date of December 16, 2011, the
6 commencement of the January 2012 billing cycle, and used the forecasted billing
7 units from January through December 2012. Rider EECRF will be reset with
8 each January billing cycle. Schedule G of Exhibit MAT-2 provides forecasted
9 billing units by month for 2012 and the latest annual actual billing units at the
10 time of filing. Schedule H of Exhibit MAT-2 provides the 4CP data for the
11 governmental, non-profit and education transmission class customers that, in
12 2010, were eligible to subscribe to energy efficiency programs. This data is used
13 in the calculation of the performance bonus in Rider EECRF for these customers.

14 **Q. WERE SYSTEM LOSSES OR LINE LOSSES USED IN CALCULATING**
15 **THE RIDER EECRF CHARGES?**

16 A. No. The use of customer counts and lamps as billing determinants requires no
17 adjustment for system losses or line losses.

18

19 **IV. TARIFF FOR RETAIL DELIVERY SERVICE**

20 **Q. HAVE YOU PREPARED A PROPOSED RIDER EECRF TO BE**
21 **INCLUDED IN THE TARIFF FOR RETAIL DELIVERY SERVICE?**

22 A. Yes. Exhibit MAT-3 presents the proposed Rider EECRF rate schedule, which
23 shows the Rider EECRF charges by class consistent with the Substantive Rule
24 §25.181(f)(3).

1

2 **V. SUMMARY AND RECOMMENDATIONS**

3 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND**
4 **RECOMMENDATIONS.**

5 A. I have calculated the 2012 energy efficiency costs by rate class and allocated the
6 performance bonus, lost revenue, and under recovery balance to the rate classes to
7 determine the total energy efficiency revenue requirement by rate class. I divided
8 this revenue requirement by forecasted billing determinants to determine the
9 charges and proposed adjustments to Rider EECRF to be included in the Tariff for
10 Retail Delivery Service.

11 I have also provided additional calculations showing, respectively, the
12 2012 Rider EECRF with a performance bonus based only upon the \$12,925,492
13 in base rates in 2010, which excludes the \$10,000,000 in program expenditures
14 agreed to in the Docket No. 32093 settlement, the 2012 Rider EECRF without the
15 2010 lost revenue allocation, and finally, a calculation in Exhibit MAT-2,
16 Schedule A, page 4, which combines both alternatives, *i.e.*, the 2012 Rider
17 EECRF without a performance bonus calculated on the \$10,000,000 in settlement
18 expenditures and without a 2010 lost revenue allocation.

19 The adjustments to Rider EECRF are consistent with the Commission's
20 current Substantive Rules and the Commission's decisions so far in CenterPoint
21 Houston's 2010 rate case. The proposed 2012 Rider EECRF is calculated
22 correctly, is just and reasonable, and I recommend approval of the adjusted Rider
23 EECRF with an effective date beginning December 16, 2011, the commencement
24 of the January 2012 billing month.

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A. Yes, it does.**


AFFIDAVIT

The State of Texas §

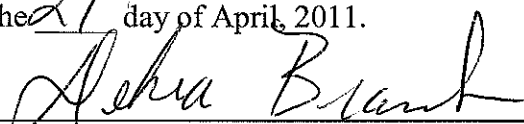
County of Harris §

BEFORE ME, the undersigned notary public, this day personally appeared Matthew A. Troxle, to me known, whom being duly sworn according to law, deposes and says:

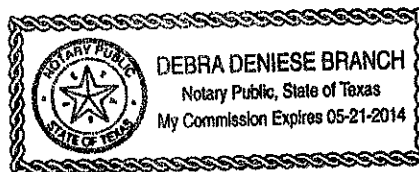
“My name is Matthew A. Troxle. I am of legal age and a resident of the State of Texas. The foregoing testimony and the opinions stated therein are, in my judgment and based upon my professional experience, true and correct.”


Matthew A. Troxle

SWORN TO AND SUBSCRIBED before me on the 29 day of April, 2011.


Notary Public in and for the State of Texas

(SEAL)



MATTHEW A. TROXLE
Manager of Rates, Rates & Regulatory Research
CenterPoint Energy Service Company, LLC
1111 Louisiana Street, Houston, Texas 77002

CURRENT RESPONSIBILITIES (2008 – Present)

Overall responsibilities include assisting in the development and implementation of strategy around cost of service, cost allocation, rate design, and tariffs for delivery rates in many jurisdictions across six different states. Also coordinates with many departments, the development and implementation of risk mitigation strategies for changes in revenues and costs. This includes review, analysis, and participation in the formulation of law, rules, and policy at the state and federal level.

PREVIOUS PROFESSIONAL EMPLOYMENT

Public Utility Commission of Texas – 1999 - Dec 2007

Director, Tariff and Rate Analysis	2007
Director, Retail Market Oversight	2005-2007
Senior Rate Analyst, Retail Market Oversight	2000-2005
Rate Analyst, Costing & Pricing	1999-2000

Louisiana Public Service Commission – 1997-1999

Economist, Economics & Rate Analysis Division	1997-1999
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EDUCATION

Louisiana State University, B.S., Business Administration/Pre-Law, 1995

Louisiana State University, M.S., Economics, 1997

PREVIOUS TESTIMONY

Railroad Commission of Texas:

Docket No. 9902 – *Statement of Intent of CenterPoint Energy Resources Corp., D/B/A CenterPoint Energy Entex and CenterPoint Energy Texas Gas To Increase Rates On a Division Wide Basis In the Houston Division – July 2009, Rebuttal – October 2009.*

Arkansas Public Service Commission:

Docket No. 10-010-U – *In the Matter of a Notice of Inquiry Into Energy Efficiency – March 2010, Rebuttal – April 2010.*

Docket No. 07-081-TF – *In the Matter of the Application of CenterPoint Energy Arkansas Gas For Approval of its "Quick Start" Energy Efficiency Program, Portfolio and Plan Including Its Cost Recovery Rider – July 2009, Rebuttal – September 2009, Surrebuttal – October 2009.*

Public Utilities Commission of the State of Minnesota:

Docket No. G-008/GR-08-1075 – *In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas For Authority to Increase Rates for Natural Gas Utility Service in Minnesota – November 2008, Rebuttal – July 2009.*

Public Utility Commission of Texas:

Docket No. 38339 – *Application Of CenterPoint Electric Delivery Company, LLC, For Authority To Change Rates – June 2010, Rebuttal – October 2010.*

Docket No. 36701 – *Petition Of Texas Utility Solutions LLS For Declaratory Order Of Eligibility As A Transmission Service Customer – February 2010.*

Docket No. 32766 – *Application Of Southwestern Public Service Company For (1) Authority To Change Rates; (2) Reconciliation Of Its Fuel Costs For 2004 And 2005; (3) Authority To Revise The Semi-Annual Formulae Originally Approved In Docket – January 2007.*

Docket No. 32907 – *Application of Entergy Gulf States, Inc. For Determination Of Hurricane Reconstruction Costs – October 2006.*

Docket No. 32093 – *Petition By Commission Staff For A Review Of The Rates Of CenterPoint Energy Houston Electric, LLC Pursuant To PURA §36.151 – August 2006.*

Docket No. 28466 – *Application of Cap Rock Energy Corporation For Electric Service Tariff – August 2005.*

Docket No. 30216 – *Notice Of Violation By Cap Rock Energy Of PURA Section 36.004(a) Relating To Equality Of Service And Rates And P.U.C. Subst. R. 25.241(b) Relating To Form And Filing of Tariff – April 2005, Rebuttal – June 2005.*

Docket No. 30215 – *Notice Of Violation By Cap Rock Energy Of P.U.C. Subst. R. 25.28(b) Relating To Bill Payments And Adjustments – April 2005, Rebuttal - June 2005.*

Docket No. 30706 – *Application Of CenterPoint Energy Houston Electric, LLC For A Competition Transition Charge (CTC) – March 2005.*

Docket No. 28813 – *Petition To Inquire Into The Reasonableness Of The Rates And Services Of Cap Rock Energy Corporation – September 2004.*

Docket No. 28840 – *Application Of AEP Texas Central Company For Authority To Change Rates – February 2004.*

Docket No. 28980 – *Petition Of CenterPoint Energy Houston Electric, LLC For Finding That The 40% Threshold Under PURA §39.202(e) Has Been Met For Small Commercial Customers – January 2004.*

Docket No. 28563 – *Compliance Filing Of Oncor Electric Delivery Company Pursuant To Subst. R. 25.311 Regarding Competitive Meter Ownership – November 2003.*

Docket No. 28562 – *Compliance Filing And Petition Of CenterPoint Energy Houston Electric, LLC To Provide Competitive Metering Service Credit Pursuant To PUC Subst. R. 25.311 – November 2003.*

Docket No. 28560 – *Compliance Filing Of AEP Texas North Company To Provide Competitive Metering Credit – November 2003.*

Docket No. 28559 – *Compliance Filing Of AEP Texas Central Company To Provide Competitive Metering Credit – November 2003.*

Docket No. 28556 – *Texas-New Mexico Power Company's Compliance Filing To Provide Competitive Metering Credit Pursuant To Subst. R. 25.311 – November 2003.*

Docket No. 28585 – *Application Of TXU SESCO Energy Services Company To Increase Price To Beat Fuel Factors And Reduce Price To Beat Base Rates – October 2003 – Adopted Testimony of Brian H. Lloyd.*

Docket No. 25421 – *Application of LCRA Transmission Services Corp. to Charge Rates for Transmission and Transformation Utility Cost of Service – October 2002.*

Docket No. 25429 – *Appeal of Oncor From An Ordinance of the City of Allen and Request for Interim Relief – August 2002.*

Docket No. 25960 – *Application of Brazos Electric Power Cooperative, Inc. to Change Rates for Wholesale Transmission Service – Interim Rates Phase – August 2002.*

Docket No. 25874 – *Application of Mutual Energy WTU, LP to Increase Price to Beat Fuel Factors – May 2002.*

Docket No. 24449 – *Application of Southwestern Electric Power Company to Implement the Fuel Factor Component of Price to Beat Rates – October 2001.*

Docket No. 24336 – *Application of Entergy Gulf States, Inc. for Approval of Price to Beat Fuel Factor – September 2001.*

Docket No. 24194 – *Application of Texas-New Mexico Power Company to Establish Price to Beat Fuel Factor – August 2001.*

Docket No. 24040 – *Application of TXU Electric Company to Implement Price to Beat Fuel Factors – August 2001.*

Docket No. 23950 – *Petition of Reliant Energy, Inc. to Establish Price to Beat Fuel Factor and Request for Good Cause Exception to Subst. R. 25.41 – July 2001.*

Docket No. 22351 – *Application of Southwestern Public Service for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – February 2001.*

Docket No. 22350 – *Application of TXU Electric Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – February 2001.*

Docket No. 22356 – *Application of Entergy Gulf States Inc. for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – January 2001.*

Docket No. 22355 – *Application of Reliant Energy Incorporated for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – December 2000.*

Docket No. 22350 – *Application of TXU Electric Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – November 2000.*

Docket No. 22349 – *Application of Texas-New Mexico Power Company for Approval of Unbundled Cost of Service Rate Pursuant to PURA §39.201 and Public Utility Commission Substantive Rule §25.344 – ECOM Phase – September 2000.*

Exhibit MAT-2

CenterPoint Energy Houston Electric 2011 Annual EECRF Filing

Docket No. _____

Schedules A - I

<u>Schedule</u>	<u>Description</u>
Schedule A	Calculation of 2012 Rider EECRF
Schedule B	2012 Energy Efficiency Program Costs
Schedule C	2010 kWh Savings
Schedule C WP1:	2010 kW and kWh savings breakout
Schedule C WP2:	2010 kWh savings breakout assuming \$12.925492 MM in EE expenditures
Schedule D	2010 kW Savings
Schedule D WP1:	2010 kW savings breakout assuming \$12.925492 MM in EE expenditures
Schedule E	Calculation of 2010 Performance Bonus (By Customer Class)
Schedule E WP1:	Calculation of Performance Bonus based on 2010 Performance
Schedule E WP2:	Calculation of Performance Bonus based on \$12.925492 MM in base rates
Schedule F	Calculation of Lost Revenue for 2010
Schedule G	Rider EECRF Billing Determinants
Schedule G WP1:	Customer Count Data for updated information (March 2010 through February 2011)
Schedule G WP2:	Security/Guard Lighting Lamp count series and monthly forecast for 2012
Schedule G WP3:	2011 Customer Count Forecast
Schedule G WP4:	2012 Customer Count Forecast
Schedule H	Calculation of 4CP for Government, Non-Profits and Educational Transmission Class Customers Eligible for EE Programs
Schedule I	Calculation of Over/Under Amounts for Over/Under Recovery of Energy Efficiency Costs and Allocation to Rate Classes
Schedule I WP1:	Calculation of Percentage of Energy Efficiency Costs in 2010 Base Rates

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Rider EECRF (Energy Efficiency Cost Recovery Factor) Effective January - December 2012 Billing Months								Schedule A - page 1
Customer Class	2012 Energy Efficiency Costs	2010 Performance Bonus Recovery	2010 Lost Revenue Recovery	2010 Under-recovery of Program Costs	2012 Total Rider EECRF Recovery	2012 Billing Determinants	Rider EECRF Charges Effective January 1, 2012	
	(1)	(2)	(3)	(4)	(5) (1) + (2) + (3) + (4)	(6)	(7) (5) / (6)	
Residential	\$ 20,356,200	\$ 2,698,280	\$ 1,580,158	\$ 908,240	\$ 25,542,878	23,047,716	\$1.1083	
Secondary <=10 Kva	\$ 102,405	\$ 64,585	\$ 10,664	\$ (15,364)	\$ 162,290	1,751,904	\$0.0926	
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	\$ 15,400,095	\$ 2,323,835	\$ 599,460	\$ (392,844)	\$ 17,930,547	1,303,654	\$13.7541	
Transmission - Industrial	\$ -	\$ 661,707	\$ -	\$ 25,440	\$ 687,147	2,112	\$325.354	
Lighting	\$ -	\$ 12,975	\$ -	\$ 371	\$ 13,346	5,298,844	\$0.0025	
Total	\$35,858,700	\$5,761,382	\$2,190,282	\$525,843	\$44,336,207	31,404,230		

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Rider EECRF (Energy Efficiency Cost Recovery Factor) Effective January - December 2012 Billing Months								Schedule A - page 2 Alternative Calculation Performance Bonus only on \$12,925,492 MM	
Customer Class	2012 Energy Efficiency Costs (1)	2010 Performance Bonus Recovery (2)	2010 Lost Revenue Recovery (3)	2010 Under-recovery of Program Costs (4)	2012 Total Rider EECRF Recovery (5) (1)+(2)+(3)+(4)	2012 Billing Determinants (6)	Rider EECRF Charges Effective January 1, 2012 (7) (5)/(6)		
Residential	\$ 20,356,200	\$1,699,452	\$ 1,580,158	\$ 908,240	\$ 24,544,050	23,047,716	\$1.065	Per Retail Customer Per Month	
Secondary <=10 Kva	\$ 102,405	\$40,678	\$ 10,664	\$ (15,364)	\$ 138,382	1,751,904	\$0.079	Per Retail Customer Per Month	
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	\$ 15,400,095	\$1,463,617	\$ 599,460	\$ (392,844)	\$ 17,070,328	1,303,654	\$13.094	Per Retail Customer Per Month	
Transmission - Industrial	\$ -	\$416,762	\$ -	\$ 25,440	\$ 442,201	2,112	\$209.376	Per Retail Customer Per Month	
Lighting	\$ -	\$8,172	\$ -	\$ 371	\$ 8,543	5,298,844	\$0.0016	Per Lamp Per Month	
Total	\$35,858,700	\$3,628,680	\$2,190,282	\$525,843	\$42,203,505	31,404,230			

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Rider EECRF (Energy Efficiency Cost Recovery Factor) Effective January - December 2012 Billing Months								Schedule A - page 3 Alternative Calculation <u>No Lost Revenue amounts</u>
Customer Class	2012 Energy Efficiency Costs (1)	2010 Performance Bonus Recovery (2)	2010 Lost Revenue Recovery (3)	2010 Under-recovery of Program Costs (4)	2012 Total Rider EECRF Recovery (5) (1) + (2) + (3) + (4)	2012 Billing Determinants (6)	Rider EECRF Charges Effective January 1, 2012 (7) (5) / (6)	
Residential	\$ 20,356,200	\$ 2,698,280	\$ -	\$ 908,240	\$ 23,962,720	23,047,716	\$1.040	Per Retail Customer Per Month
Secondary <=10 Kva	\$ 102,405	\$ 64,585	\$ -	\$ (15,364)	\$ 151,626	1,751,904	\$0.087	Per Retail Customer Per Month
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	\$ 15,400,095	\$ 2,323,835	\$ -	\$ (392,844)	\$ 17,331,086	1,303,654	\$13.294	Per Retail Customer Per Month
Transmission - Industrial	\$ -	\$ 661,707	\$ -	\$ 25,440	\$ 687,147	2,112	\$325.354	Per Retail Customer Per Month
Lighting	\$ -	\$ 12,975	\$ -	\$ 371	\$ 13,346	5,298,844	\$0.0025	Per Lamp Per Month
Total	\$35,858,700	\$5,761,382	-	\$525,843	\$42,145,925	31,404,230		

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Rider EECRF (Energy Efficiency Cost Recovery Factor) Effective January - December 2012 Billing Months								Schedule A - page 4 Alternative Calculation Combo. of both alternatives: No Lost Revs. and Perf. Bonus based only on \$12,925,492 MM	
Customer Class	2012 Energy Efficiency Costs	2010 Performance Bonus Recovery	2010 Lost Revenue Recovery	2010 Under-recovery of Program Costs	2012 Total Rider EECRF Recovery	2012 Billing Determinants	Rider EECRF Charges Effective January 1, 2012		
	(1)	(2)	(3)	(4)	(5) (1) + (2) + (3) + (4)	(6)	(7) (5) / (6)		
Residential	\$ 20,356,200	\$ 1,699,452	\$ -	\$ 908,240	\$ 22,963,892	23,047,716	\$0.996	Per Retail Customer Per Month	
Secondary <=10 Kva	\$ 102,405	\$ 40,678	\$ -	\$ (15,364)	\$ 127,718	1,751,904	\$0.073	Per Retail Customer Per Month	
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	\$ 15,400,095	\$ 1,463,617	\$ -	\$ (392,844)	\$ 16,470,868	1,303,654	\$12.634	Per Retail Customer Per Month	
Transmission - Industrial	\$ -	\$ 416,762	\$ -	\$ 25,440	\$ 442,201	2,112	\$209.376	Per Retail Customer Per Month	
Lighting	\$ -	\$ 8,172	\$ -	\$ 371	\$ 8,543	5,298,844	\$0.0016	Per Lamp Per Month	
Total	\$35,858,700	\$3,628,680	-	\$525,843	\$40,013,223	31,404,230			

2012 EE Costs per Program for EECRF	Program Amount:	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY	TRANSMISSION	TOTAL
Large Commercial:	\$ 15,502,500		\$102,405	\$12,249,069	\$1,297,312	\$1,853,715	
Large Commercial SOP		\$ -	\$ -	\$6,664,746	\$ 436,637.92	\$ -	\$ 7,101,384.18
The Texas Score MTP		\$ -	\$ 78,015.82	\$2,078,850	\$ 142,352.23	\$ -	\$ 2,299,217.84
Large Comm. Load Management SOP		\$ -	\$ 10,697.99	\$2,514,673	\$ 718,321.60	\$ 1,619,914.69	\$ 4,863,607.01
Retro-Commissioning MT		\$ -	\$ 13,690.98	\$990,800	\$ -	\$ 233,800.23	\$ 1,238,290.98
R&D		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential and Small Comm:	\$ 14,179,000						
Energy Star MTP		\$3,332,900	\$ -	\$ -	\$ -	\$ -	\$ 3,332,900.00
Residential SOP		\$559,200	\$ -	\$ -	\$ -	\$ -	\$ 559,200.00
Advanced Lighting Program		\$1,120,100	\$ -	\$ -	\$ -	\$ -	\$ 1,120,100.00
A/C Distributor Program		\$2,165,000	\$ -	\$ -	\$ -	\$ -	\$ 2,165,000.00
Residential In-Home Display Pilot MTP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Home Performance with Energy Star		\$1,115,300	\$ -	\$ -	\$ -	\$ -	\$ 1,115,300.00
REP Pilot Program		\$3,640,700	\$ -	\$ -	\$ -	\$ -	\$ 3,640,700.00
Energy Ambassador Pilot Program		\$596,700	\$ -	\$ -	\$ -	\$ -	\$ 596,700.00
R&D		\$1,649,100	\$ -	\$ -	\$ -	\$ -	\$ 1,649,100.00
Hard-to-Reach:	\$ 6,177,200						
Hard-To-Reach SOP		\$1,959,400	\$ -	\$ -	\$ -	\$ -	\$ 1,959,400.00
Multi-Family Water & Space Htg MTP		\$453,000	\$ -	\$ -	\$ -	\$ -	\$ 453,000.00
Low-Income Weatherization (SB-712)		\$2,662,500	\$ -	\$ -	\$ -	\$ -	\$ 2,662,500.00
City of Houston Weatherization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community Weatherization Program		\$1,102,300	\$ -	\$ -	\$ -	\$ -	\$ 1,102,300.00
Agencies in Action MTP		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R&D		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL		\$20,356,200	\$ 102,404.78	\$ 12,249,068.56	\$ 1,297,311.74	\$ 1,853,714.92	\$ 35,858,700.00
Breakout of Planned 2012 Program Expenditures:							
		RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE	
2012 TOTAL - ALL PROGRAMS		\$ 20,356,200.00	\$ 102,404.78	\$ 12,249,068.56	\$ 1,297,311.74	\$ 1,853,714.92	\$ 35,858,700.00
		61.96%	0.31%	37.28%	3.95%	5.64%	

Source: Docket No. 39105 CenterPoint Energy Houston Electric, LLC 2011 Energy Efficiency Plan and Report.

2010 kWh Savings - CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Schedule C

2010 kWh Savings	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE
Large Commercial					
Large Commercial SOP	-	390,034	46,593,358	3,894,716	-
The Texas Score MT	-	93,714	14,331,292	1,086,274	-
Large Commercial Load Management SOP	-	459	84,244	24,064	54,269
Retro-Commissioning MT	-	-	6,291,882	-	2,789,159
Residential and Small Commercial					
Customers:					
Energy Star MT	25,640,831	-	-	-	-
Res & SC SOP	1,897,538	-	-	-	-
Statewide CFL Program	15,670,888	-	-	-	-
Multi-Family Water & Space Htg - RES	422,534	-	-	-	-
A/C Distributor Pilot Program	6,443,764	-	-	-	-
City of Houston Weatherization - RES	690,245	-	-	-	-
R&D	-	-	-	-	-
Hard-to-Reach Customers:					
Hard-To-Reach SOP	4,695,158	-	-	-	-
Multi-Family Water & Space Htg - HTR	1,801,976	-	-	-	-
Low-Income Weatherization (SB-712)	353,002	-	-	-	-
Affordable Single Family Homes	71,220	-	-	-	-
City of Houston Weatherization - HTR	2,079,620	-	-	-	-
Rebuilding Together Houston	1,442,135	-	-	-	-
Agencies in Action MT	2,822,404	-	-	-	-
TOTALS	64,031,315.27	484,206.66	67,300,775.43	5,005,054.42	2,843,427.60
	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE
2010 kWh Savings - ALL PROGRAMS	64,031,315.27	484,206.66	67,300,775.43	5,005,054.42	2,843,427.60
	45.85%	0.35%	48.19%	3.58%	2.04%
Source: Docket No. 39105 CenterPoint Energy Houston Electric, LLC 2011 Energy Efficiency Plan and Report.				kWh Sum:	139,664,779

	kW	Total kWh	Secondary < 10 kVA		Secondary > 10 kVA		Primary		Transmission		Secondary < 10 kVA %	Secondary > 10 kVA %	Primary %	Transmission %
			kW	kWh	kW	kWh	kW	kWh	kW	kWh				
Large Commercial Customers:														
Large Commercial SOP	10,597	50,878,108	115	390,034	9,837	46,593,358	644	3,894,716			1.1%	92.8%	6.1%	0.0%
The Texas Score MT	6,467	15,511,280	31	93,714	6,024	14,331,292	413	1,086,274			0.5%	93.1%	6.4%	0.0%
Large Commercial Load Management	81,518	163,035	229	459	42,122	84,244	12,032	24,064	27,134	54,269	0.3%	51.7%	14.8%	33.3%
Retro-Commissioning MT	1,718	9,081,041			1,390	6,291,882			328	####	0.0%	80.9%	0.0%	19.1%
Residential and Small Commercial Customers:														
Energy Star MT	11,823	25,640,831												
Res & SC SOP	729	1,897,538												
Statewide CFL Program	1,151	15,670,888												
Multi-Family Water & Space Htg - RES	39	422,534												
A/C Distributor Pilot Program	2,013	6,443,764												
City of Houston Weatherization - RES	304	690,245												
Hard-to-Reach Customers:														
Hard-To-Reach SOP	1,755	4,695,158												
Multi-Family Water & Space Htg - HTR	178	1,801,976												
TDHCA Low-Income Weatherization (SB-712)	108	353,002												
Affordable Single Family Homes	84	71,220												
City of Houston Weatherization - HTR	950	2,079,620												
Rebuilding Together Houston	644	1,442,135												
Agencies in Action MT	904	2,822,404												

2010 kWh Savings - CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC - Statutory \$12.925492 MM expenditures.

2010 kWh Savings - \$12.925492 MM EE spending	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE	TOTAL
Large Commercial	-	-	15,227,980	1,262,332.36	-	16,490,312
Large Commercial SOP	-	-	14,425,006	1,086,274.00	-	15,511,280
The Texas Score MT	-	-	163,035	-	-	163,035
Large Commercial Load Management SOP	-	-	-	-	-	-
Retro-Commissioning MT	-	-	-	-	-	-
Residential and Small Commercial	-	-	-	-	-	-
Energy Star MT	25,640,831	-	-	-	-	25,640,831
Res & SC SOP	1,897,538	-	-	-	-	1,897,538
Statewide CFL Program	15,670,888	-	-	-	-	15,670,888
Multi-Family Water & Space Htg - RES	422,534	-	-	-	-	422,534
A/C Distributor Pilot Program	6,443,764	-	-	-	-	6,443,764
R&D	-	-	-	-	-	-
City of Houston Weatherization - RES	-	-	-	-	-	-
Hard-to-Reach	-	-	-	-	-	-
Hard-To-Reach SOP	4,695,158	-	-	-	-	4,695,158
Multi-Family Water & Space Htg - HTR	1,801,976	-	-	-	-	1,801,976
TDHCA Low-Income Weatherization (SB-712)	353,002	-	-	-	-	353,002
Affordable Single Family Homes	71,220	-	-	-	-	71,220
City of Houston Weatherization - HTR	-	-	-	-	-	-
Rebuilding Together Houston	-	-	-	-	-	-
Agencies in Action MT	-	-	-	-	-	-
TOTAL	56,996,911.44	-	29,816,021.00	2,348,606.36	-	-
		SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE	Sum:
2010 kWh Savings - ALL PROGRAMS	56,996,911.44	-	29,816,021.00	2,348,606.36	-	89,161,539
	63.93%	0.00%	33.44%	2.63%	0.00%	

Source: Docket No. 39105 CenterPoint Energy Houston Electric, LLC 2011 Energy Efficiency Plan and Report.

2010 kW Savings	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY	TRANSMISSION
Large Commercial Customers:					
Large Commercial SOP	-	115.15	-	644.47	-
The Texas Score MT	-	31.00	-	412.50	-
Large Commercial Load Management SOP	-	229.33	42,122	12,032.21	27,134.30
Retro-Commissioning MT	-	-	1,390	-	328.00
Residential and Small Commercial Customers:					
Energy Star MT	11,823	-	-	-	-
Res & SC SOP	729	-	-	-	-
Statewide CFL Program	1,151	-	-	-	-
Multi-Family Water & Space Htg - RES	39	-	-	-	-
A/C Distributor Pilot Program	2,013	-	-	-	-
City of Houston Weatherization - RES	304	-	-	-	-
R&D		-	-	-	-
Hard-to-Reach Customers:					
Hard-To-Reach SOP	1,755	-	-	-	-
Multi-Family Water & Space Htg - HTR	178	-	-	-	-
TDHCA Low-Income Weatherization (SB-712)	108	-	-	-	-
Affordable Single Family Homes	84	-	-	-	-
City of Houston Weatherization - HTR	950	-	-	-	-
Rebuilding Together Houston	644	-	-	-	-
Agencies in Action MT	904	-	-	-	-
TOTAL	20,681.70	375.48	59,372.92	13,089.18	27,462.30

	RESIDENTIAL	SECONDARY < 10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE
2010 kW Savings - ALL PROGRAMS	20,681.70	375.48	59,372.92	13,089.18	27,462.30
	17.09%	0.31%	49.08%	10.82%	22.70%
				Sum kW:	120,981.58
kW Savings by Meter Type					
Non-IDR	20,682	31	4,991.00	-	-
IDR	-	115	12,260.02	1,056.97	328.00
IDR Load Management (Excluded From Lost Revenue)	-	229	42,121.90	12,032.21	27,134.30
Total IDR	-	344	54,381.92	13,089.18	27,462.30
Totals	20,682	375	59,372.92	13,089.18	27,462.30
				Sum kW:	120,981.58

Source: Company Witness Charles Flynn.

2010 kW Savings - \$12,925,492 MM EE spending	RESIDENTIAL	SECONDARY <10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE
Large Commercial					
Large Commercial SOP	-	33.28	2,843	186.26	-
The Texas Score MT	-	31.00	6,024	412.50	-
Large Commercial Load Management SOP	-	-	81,518	-	-
Retro-Commissioning MT	-	-	0	-	-
Residential and Small Commercial					
Energy Star MT	11,823	-	-	-	-
Res & SC SOP	729	-	-	-	-
Statewide CFL Program	1,151	-	-	-	-
Multi-Family Water & Space Htg - RES	39	-	-	-	-
A/C Distributor Pilot Program	2,013	-	-	-	-
R&D		-	-	-	-
City of Houston Weatherization - RES		-	-	-	-
Hard-to-Reach					
Hard-To-Reach SOP	1,755	-	-	-	-
Multi-Family Water & Space Htg - HTR	178	-	-	-	-
TDHCA Low-Income Weatherization (SB-712)	108	-	-	-	-
Affordable Single Family Homes	84	-	-	-	-
City of Houston Weatherization - HTR		-	-	-	-
Rebuilding Together Houston		-	-	-	-
Agencies in Action MT		-	-	-	-
TOTAL	17,879.98	64.28	90,384.74	598.76	-
	RESIDENTIAL	SECONDARY <10 kVA	SECONDARY > 10 kVA	PRIMARY VOLTAGE	TRANSMISSION VOLTAGE
2010 kW Savings - ALL PROGRAMS	17,879.98	64.28	90,384.74	598.76	-
	16.41%	0.06%	82.98%	0.55%	0.00%
				Sum:	108,927.76
<u>Savings by Meter Type</u>					
Non-IDR	17,879.98	64.28			-
IDR	-	-			-
IDR Load Management (Excluded From Lost Revenue)	-	-			-
Total IDR	-	-			-
Total	17,879.98	64.28	-	Sum:	17,944.26

Source: Company Witness Charles Flynn.

Calculation of 2010 Performance Bonus (By Customer Class)				Schedule E - page 1	
Customer Class	Docket No. 38339	2010		2010	
		A&E 4CP		Performance	
		Allocator		Bonus to Allocate:	
				\$ 5,761,382	
		(1)	(2)	(3) = (Col (2) * (3) Total	
Residential	46.834%			\$	2,698,280
Secondary <=10 Kva	1.121%			\$	64,585
Secondary > 10 Kva	36.275%			\$	2,089,935
Primary	3.648%			\$	210,192
Transmission - Non-Profit/Governmental	0.411%			\$	23,707
Transmission - Industrial	11.485%			\$	661,707
Lighting	0.225%			\$	12,975
Total	100.00%				\$5,761,382

Calculation of 2010 Performance Bonus (By Customer Class) based on \$12.925492 MM EE in base rates and resultant \$3.628 MM bonus.

Schedule E - page 2

<u>Customer Class</u>	Docket No. 38339 A&E 4CP Allocator	2010	
		Performance	2010
		Bonus to Allocate: *	Performance
		\$ 3,628,680	Bonus
	(1)	(2)	(3) = (Col (2) * (3) Total
Residential	46.8339%		\$ 1,699,452
Secondary <= 10 Kva	1.1210%		\$ 40,678
Secondary > 10 Kva	36.2749%		\$ 1,316,300
Primary	3.6483%		\$ 132,385
Transmission - Non-Profit/Governmental	0.4115%		\$ 14,932
Transmission - Industrial	11.4852%		\$ 416,762
Lighting	0.2252%		\$ 8,172
Total	100.00%		\$ 3,628,680

<u>Performance Incentive Calculation for Calendar Year 2010</u>		kW	kWh
2010 Program Goals		39,209	68,693,818
2010 Program Savings			
Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)		120,982	139,664,779
Reported/Verified Hard-to-Reach		4,622	13,265,515
Percentage Excess of Goal			209%
Avoided Cost			
	per kW		\$80
	per kWh		\$0.064
	Inflation Rate		2.0%
	Discount Rate		7.5%
	PV(Avd Capacity Cost)		\$606,142
where - $\$80 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$			
	PV(Avd Energy Cost)		\$0.485
where - $\$0.064 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$			
	Measure Life Avg. Yrs		10
Total Avoided Cost			\$141,057,270
where - TTL Av. Cost = (Reported kW * PV(Av. \$/kW) + Reported kWh * PV(Av. \$/kWh))			
2010 Program Costs			\$28,806,909
Net Benefits = Total Avoided Cost - Total Program Costs			
Net Benefits			\$112,250,361
Bonus Based on Net Benefits = (% Excess of Goal/2) * Net Benefits			
			\$117,053,111
Bonus based on 20% of Program Costs			
			\$5,761,382
Source: Company Witness Charles Flynn.			

<u>Performance Incentive Calculation for Calendar Year 2010</u> <u>based on \$12.925492 MM EE in base rates</u>		kW	kWh
2010 Program Goals		39,209	68,693,818
2010 Program Savings			
<i>Reported/Verified Total (including HTR, measures with 10yr EUL, and measures with EULs < or > 10 years)</i>		108,928	89,161,539
<i>Reported/Verified Hard-to-Reach</i>		2,125	6,921,356
Percentage Excess of Goal			178%
Avoided Cost			
	<i>per kW</i>		\$80
	<i>per kWh</i>		\$0.064
	<i>Inflation Rate</i>		2.0%
	<i>Discount Rate</i>		7.5%
	<i>PV(Avd Capacity Cost)</i>		\$606.142
where - $\$80 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$			
	<i>PV(Avd Energy Cost)</i>		\$0.485
where - $\$0.064 \times [(1 + 2\%) / (8\% - 2\%)] \times [1 - ((1 + 2\%) / (1 + 8\%)) \text{ to the power } (10 \text{ years})]$			
Total Avoided Cost	<i>Measure Life Avg. Yrs</i>		10
			\$109,261,259
where - TTL Av. Cost = (Reported kW * PV(Av. \$/kW) + Reported kWh * PV(Av. \$/kWh))			
2010 Program Costs			\$18,143,399
Net Benefits = Total Avoided Cost - Total Program Costs			
Net Benefits			\$91,117,859
Bonus Based on Net Benefits = (% Excess of Goal/2) * Net Benefits			
			\$81,010,419
Bonus based on 20% of Program Costs (used in Schedule E, page 2)			
			\$3,628,680
Source: Company Witness Charles Flynn.			

Calculation of Lost Revenue for 2010 - CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC Calculation of Lost Revenue for 2010 EE Program Performance					
Customer Class	kWh Savings ¹	kW Savings ¹	Rate ²	Units	Lost Revenue
Residential	64,031,315	20,682	\$ 0.024678	kWh	\$ 1,580,158
Secondary <=10 Kva	484,207	375	\$ 0.022023	kWh	\$ 10,664
Secondary > 10 Kva	67,300,775				
Non-IDR		4,991	\$ 4.574893	kW	\$ 91,333
IDR		12,260	\$ 5.018728	kW	\$ 246,119
Primary	5,005,054	-	\$ 5.027788	kW	\$ -
Non-IDR		1,057	\$ 4.875604	kW	\$ 20,613
IDR		27,462	\$ 2.197511	kW	\$ 241,395
Transmission - Non-Profit/Governmental	2,843,428	-			\$ -
Transmission - Industrial Lighting	-	-			\$ -
Total	139,664,779	66,827			\$ 2,190,282

1. As reported in Docket No. 39105 CenterPoint Energy Houston Electric, LLC 2011 Energy Efficiency Plan and Report

2. Includes rates for Distribution, Transmission, Transmission Cost Recovery Factor in effect during 2010. For Rate TCRF, a weighted rate is used for the year.

Rate	Residential	Secondary <=10 Kva	Secondary > 10 Kva Non-IDR	Secondary > 10 Kva IDR	Primary Non-IDR	Primary IDR	Transmission - Non-Profit/Gov't.
Distribution	\$ 0.01765	\$ 0.01685	\$ 3.11814	\$ 3.11814	\$ 2.91927	\$ 2.91927	\$ 0.30064
Transmission	\$ 0.00534	\$ 0.00395	\$ 1.10270	\$ 1.47090	\$ 1.51400	\$ 1.50300	\$ 1.47600
RURC	\$ (0.00004)	\$ (0.00003)	\$ (0.00820)	\$ (0.01091)	\$ (0.01057)	\$ (0.01127)	\$ (0.01096)
TCRF **	\$ 0.00173	\$ 0.00126	\$ 0.36226	\$ 0.44060	\$ 0.60509	\$ 0.46461	\$ 0.43184
Total	\$ 0.02468	\$ 0.02202	\$ 4.57489	\$ 5.01873	\$ 5.02779	\$ 4.87560	\$ 2.19751

* RURC ended as of Sept. 2, 2010. Consequently, a weighting of the days in 2010 in which RURC was in place is used 244 days/365 days in the year.

*Calculation of weighted 2010 TCRF rate:

Rate	Residential	Secondary <=10 Kva	Secondary > 10 Kva Non-IDR	Secondary > 10 Kva IDR	Primary Non-IDR	Primary IDR	Transmission - Non-Profit/Gov't.
Jan. thru Feb. 2010	\$ 0.0016	\$ 0.0012	\$ 0.3242	\$ 0.4002	\$ 0.4738	\$ 0.4346	\$ 0.3574
Mar. thru Aug. 2010	\$ 0.0016	\$ 0.0012	\$ 0.3470	\$ 0.4209	\$ 0.5923	\$ 0.4589	\$ 0.4191
Sep. thru Dec. 2010	\$ 0.0019	\$ 0.0014	\$ 0.4042	\$ 0.4903	\$ 0.6900	\$ 0.4882	\$ 0.4882
Weighted 2010 TCRF Rate:	\$ 0.00173	\$ 0.00126	\$ 0.36226	\$ 0.44060	\$ 0.605094	\$ 0.464607	\$ 0.431841

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Actual Apr-08 (1)	Actual May-08 (2)	Actual Jun-08 (3)	Actual Jul-08 (4)	Actual Aug-08 (5)	Actual Sep-08 (6)	Actual Oct-08 (7)
Residential	1,810,808	1,813,621	1,820,092	1,821,773	1,821,043	1,824,238	1,819,488
Secondary <= 10 Kva	143,175	144,423	144,656	144,899	144,494	144,492	145,143
Secondary > 10 Kva	98,340	98,427	98,278	98,340	98,698	98,938	98,511
Primary	727	731	729	732	730	731	728
Transmission - Non-profit/Governmental							
Transmission - Industrial	169	169	169	169	169	169	169
Lighting (Lamp Count)	422,858	422,701	423,655	432,626	426,561	426,640	418,236
Total	2,476,077	2,480,072	2,487,579	2,498,539	2,491,695	2,495,208	2,482,275

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Actual Nov-08 (8)	Actual Dec-08 (9)	Actual Jan-09 (10)	Actual Feb-09 (11)	Actual Mar-09 (12)	Actual Apr-09 (13)	Actual May-09 (14)
Residential	1,823,369	1,821,267	1,824,522	1,833,036	1,838,766	1,840,308	1,842,409
Secondary <=10 Kva	145,513	147,551	144,551	143,743	144,354	144,874	145,325
Secondary > 10 Kva	97,740	95,146	98,060	98,924	98,914	98,830	98,685
Primary	729	721	723	727	727	728	732
Transmission - Non-profit/Governmental							
Transmission - Industrial	169	169	168	170	169	172	171
Lighting (Lamp Count)	421,867	421,505	415,672	425,599	426,579	426,644	427,659
Total	2,489,387	2,486,359	2,483,696	2,502,199	2,509,509	2,511,556	2,514,981

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Actual Jun-09 (15)	Actual Jul-09 (16)	Actual Aug-09 (17)	Actual Sep-09 (18)	Actual Oct-09 (19)	Actual Nov-09 (20)	Actual Dec-09 (21)
Residential	1,846,908	1,849,148	1,850,582	1,849,158	1,847,165	1,848,196	1,849,019
Secondary <=10 Kva	145,627	145,435	145,325	144,707	143,910	143,804	144,384
Secondary > 10 Kva	98,777	99,261	99,525	100,075	100,577	100,276	99,898
Primary	725	732	734	733	734	737	736
Transmission - Non-profit/Governmental							
Transmission - Industrial	172	173	172	174	174	174	173
Lighting (Lamp Count)	429,105	430,769	432,402	435,339	434,646	435,594	438,128
Total	2,521,314	2,525,518	2,528,740	2,530,186	2,527,206	2,528,781	2,532,338

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Actual Jan-10 (22)	Actual Feb-10 (23)	Actual Mar-10 (24)	Actual Apr-10 (25)	Actual May-10 (26)	Actual Jun-10 (27)	Actual Jul-10 (28)
Residential	1,851,942	1,855,139	1,858,403	1,860,693	1,863,626	1,866,699	1,866,913
Secondary <=10 Kva	144,366	143,750	143,705	143,328	143,496	143,228	141,830
Secondary > 10 Kva	100,167	100,981	101,762	102,445	102,578	102,857	103,968
Primary	737	737	741	731	738	737	737
Transmission - Non-profit/Governmental							
Transmission - Industrial	175	174	175	174	173	174	174
Lighting (Lamp Count)	435,137	435,286	434,206	435,403	434,975	435,983	436,237
Total	2,532,524	2,536,067	2,538,992	2,542,774	2,545,586	2,549,678	2,549,859

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Actual Aug-10 (29)	Actual Sep-10 (30)	Actual Oct-10 (31)	Actual Nov-10 (32)	Actual Dec-10 (33)	Actual Jan-11 (34)	Actual Feb-11 (35)
Residential	1,867,815	1,868,421	1,869,279	1,871,891	1,874,508	1,878,659	1,882,151
Secondary <=10 Kva	141,538	141,629	141,569	141,366	140,337	138,965	137,308
Secondary > 10 Kva	104,301	104,633	104,676	105,156	106,373	107,744	109,415
Primary	739	738	737	736	743	739	739
Transmission - Non-profit/Governmental							
Transmission - Industrial	174	174	174	175	174	173	174
Lighting (Lamp Count)	437,083	435,636	436,455	436,696	439,300	438,108	438,304
Total	2,551,650	2,551,231	2,552,890	2,556,020	2,561,435	2,564,388	2,568,091

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Forecast Mar-11 (36)	Forecast Apr-11 (37)	Forecast May-11 (38)	Forecast Jun-11 (39)	Forecast Jul-11 (40)	Forecast Aug-11 (41)	Forecast Sep-11 (42)
Residential	1,876,811	1,879,448	1,874,331	1,876,811	1,879,448	1,882,046	1,884,371
Secondary <=10 Kva	142,552	142,706	142,861	143,016	143,171	143,326	143,481
Secondary > 10 Kva	105,318	105,433	105,548	105,663	105,778	105,893	106,008
Primary	746	746	748	749	750	751	753
Transmission - Non-profit/Governmental							
Transmission - Industrial	175	175	175	175	175	175	175
Lighting (Lamp Count)	438,501	438,699	438,896	439,093	439,291	439,489	439,687
Total	2,564,103	2,567,207	2,562,559	2,565,507	2,568,613	2,571,680	2,574,475

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Schedule G
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Customer Class	Forecast Oct-11 (43)	Forecast Nov-11 (44)	Forecast Dec-11 (45)	Forecast Jan-12 (46)	Forecast Feb-12 (47)	Forecast Mar-12 (48)	Forecast Apr-12 (49)
Residential	1,887,279	1,889,718	1,893,505	1,901,838	1,904,449	1,907,866	1,911,498
Secondary <=10 Kva	143,636	143,792	143,948	144,260	144,573	144,886	145,200
Secondary > 10 Kva	106,123	106,238	106,354	106,584	106,815	107,046	107,278
Primary	753	755	755	758	759	761	761
Transmission - Non-profit/Governmental				11	11	11	11
Transmission - Industrial	175	175	175	176	176	176	176
Lighting (Lamp Count)	439,884	440,082	440,280	440,478	440,677	440,875	441,073
Total	2,577,850	2,580,760	2,585,017	2,594,105	2,597,460	2,601,621	2,605,997

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Schedule G
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Customer Class	Forecast May-12 (50)	Forecast Jun-12 (51)	Forecast Jul-12 (52)	Forecast Aug-12 (53)	Forecast Sep-12 (54)	Forecast Oct-12 (55)	Forecast Nov-12 (56)
Residential	1,915,077	1,918,279	1,922,285	1,925,645	1,930,861	1,934,010	1,936,665
Secondary <= 10 Kva	145,515	145,830	146,146	146,463	146,780	147,098	147,417
Secondary > 10 Kva	107,510	107,743	107,976	108,210	108,444	108,679	108,914
Primary	763	764	765	766	768	768	770
Transmission -							
Non-profit/Governmental	11	11	11	11	11	11	11
Transmission - Industrial	176	176	176	176	176	176	176
Lighting (Lamp Count)	441,272	441,470	441,669	441,868	442,067	442,266	442,465
Total	2,610,324	2,614,273	2,619,028	2,623,139	2,629,107	2,633,008	2,636,418

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
Rider EECRF Billing Determinants
Customer Count for Residential to Transmission Classes
and Lamp Count for Lighting Class

Customer Class	Forecast Dec-12 (57)	Total	
		Jan-12 to Dec-12 (46)	
Residential	1,939,243	<u>23,047,716</u>	
Secondary <=10 Kva	147,736	<u>1,751,904</u>	
Secondary > 10 Kva	109,150	<u>1,294,349</u>	
Primary	770	<u>9,173</u>	
Transmission - Non-profit/Governmental	11	<u>132</u>	
Transmission - Industrial	176	<u>2,112</u>	
Lighting (Lamp Count)	442,664	<u>5,298,844</u>	
Total	2,639,750	<u>31,404,230</u>	

Customer Count Data for Updated information (March 2010 through February 2011)											
Schedule G - Worksheet 1											
	Actual Mar-10	Actual Apr-10	Actual May-10	Actual Jun-10	Actual Jul-10	Actual Aug-10	Actual Sep-10	Actual Oct-10	Actual Nov-10	Actual Dec-10	Actual Jan-11 Feb-11
Lamp Counts:											
Street Lighting:	391,422	392,709	392,434	393,571	393,935	394,865	393,476	394,390	394,708	397,351	396,640
Security/Guard Lamp:	42,784	42,694	42,541	42,412	42,302	42,218	42,160	42,065	41,988	41,949	41,664

Customer Type:											
RES	1,858,403	1,860,693	1,863,626	1,866,699	1,866,913	1,867,815	1,868,421	1,869,279	1,871,891	1,874,508	1,882,151
SVS	143,705	143,328	143,496	143,228	141,830	141,538	141,629	141,569	141,366	140,337	137,208
SVL	100,238	100,906	101,046	101,320	102,422	102,781	103,093	103,141	103,633	104,844	107,878
PVS	409	399	407	407	407	408	405	407	405	406	403
PVS	332	332	331	330	330	331	333	330	331	337	336
SVL	1,524	1,539	1,532	1,537	1,546	1,520	1,540	1,535	1,523	1,529	1,537
TVS	175	174	173	174	174	174	174	174	175	174	174

Source: Company Revenue Statistics.

Average Actual Monthly % Growth for the period 2/08 to 2/11: 0.045%

Month:	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Forecasted Count using .045%/mo. growth:	423,048	422,891	423,846	432,821	426,753	426,832	418,424	422,057	421,695	415,859

Month:	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Forecasted Count using .045%/mo. growth:	425,791	426,771	426,836	427,851	429,298	430,963	432,597	435,535	434,842	435,790

Month:	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
Forecasted Count using .045%/mo. growth:	438,325	435,333	435,482	434,401	435,599	435,171	436,179	436,433	437,280	435,832

Month:	Target:			438,304.00	Forecast		<i>Forecast Starts in Mar. '11 and continues to Dec. '12.</i>			
	Nov-10	Dec-10	Jan-11	Feb-11	Match:		Mar-11	Apr-11	May-11	Jun-11
Forecasted Count using .045%/mo. growth:	436,651	436,893	439,498	438,305.15	99.9997%		438,501	438,699	438,896	439,093

Forecast continues:

Month:	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
Forecasted Count using .045%/mo. growth:	439,489	439,687	439,884	440,082	440,280	440,478	440,677	440,875	441,073	441,272

Forecast continues and ends in Dec. 2012:

Month:	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Forecasted Count using .045%/mo. growth:	441,470	441,669	441,868	442,067	442,266	442,465	442,664

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC - 2011 CUSTOMER COUNT FORECAST

Schedule G - Worksheet 3

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
	1	2	3	4	5	6	7	8	9	10	11	12	13
RS	1,872,436	1,874,331	1,876,811	1,879,448	1,882,046	1,884,371	1,887,279	1,889,718	1,893,505	1,895,791	1,897,718	1,899,590	1,886,087
COM SVS	142,244	142,398	142,552	142,706	142,861	143,016	143,171	143,326	143,481	143,636	143,792	143,948	143,094
COM SVL NONDR	101,904	102,014	102,125	102,236	102,347	102,458	102,569	102,680	102,791	102,902	103,013	103,125	102,514
COM SVL IDR	1,637	1,639	1,641	1,643	1,645	1,647	1,649	1,651	1,653	1,655	1,657	1,659	1,648
COM PVS NONDR	255	255	256	256	256	256	256	256	257	257	257	257	256
COM PVS IDR	153	154	154	154	155	155	155	156	156	156	157	157	155
COM MLS	-	-	-	-	-	-	-	-	-	-	-	-	-
COM SLS	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMERCIAL	246,193	246,460	246,728	246,995	247,264	247,532	247,800	248,069	248,338	248,606	248,876	249,146	247,667
IND SVL IDR	1,548	1,550	1,552	1,554	1,556	1,558	1,560	1,562	1,564	1,566	1,568	1,570	1,559
IND PVS IDR	335	335	336	336	337	338	339	339	340	340	341	341	338
IND TVS	175	175	175	175	175	175	175	175	175	175	175	175	175
INDUSTRIAL	2,058	2,060	2,063	2,065	2,068	2,071	2,074	2,076	2,079	2,081	2,084	2,086	2,072
MUN SLS	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,120,687	2,122,851	2,125,602	2,128,508	2,131,378	2,133,974	2,137,153	2,139,863	2,143,922	2,146,478	2,148,678	2,150,822	2,135,826
DISTR	2,120,512	2,122,676	2,125,427	2,128,333	2,131,203	2,133,799	2,136,978	2,139,688	2,143,747	2,146,303	2,148,503	2,150,647	2,135,651
TRANS	175	175	175	175	175	175	175	175	175	175	175	175	175

Source: Company forecast.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC - 2012 CUSTOMER COUNT FORECAST

Schedule G - Worksheet 4

CLASS	JAN 1	FEB 2	MAR 3	APR 4	MAY 5	JUN 6	JUL 7	AUG 8	SEP 9	OCT 10	NOV 11	DEC 12	ANNUAL 13
RS	1,901,838	1,904,449	1,907,866	1,911,498	1,915,077	1,918,279	1,922,285	1,925,645	1,930,861	1,934,010	1,936,665	1,939,243	1,920,643
COM SVS	144,260	144,573	144,886	145,200	145,515	145,830	146,146	146,463	146,780	147,098	147,417	147,736	145,992
COM SVL NONIDR	103,348	103,572	103,796	104,021	104,246	104,472	104,698	104,925	105,152	105,380	105,608	105,837	104,588
COM SVL IDR	1,663	1,667	1,671	1,675	1,679	1,683	1,687	1,691	1,695	1,699	1,703	1,707	1,685
COM PVS NONIDR	258	258	259	259	259	259	259	259	260	260	260	260	259
COM PVS IDR	158	159	159	159	160	160	160	161	161	161	162	162	160
COM MLS	-	-	-	-	-	-	-	-	-	-	-	-	-
COM SLS	-	-	-	-	-	-	-	-	-	-	-	-	-
COMMERCIAL	249,687	250,229	250,771	251,314	251,859	252,404	252,950	253,499	254,048	254,598	255,150	255,702	252,684
IND SVL IDR	1,573	1,576	1,579	1,582	1,585	1,588	1,591	1,594	1,597	1,600	1,603	1,606	1,590
IND PVS IDR	342	342	343	343	344	345	346	346	347	347	348	348	345
IND TVS	176	176	176	176	176	176	176	176	176	176	176	176	176
INDUSTRIAL	2,091	2,094	2,098	2,101	2,105	2,109	2,113	2,116	2,120	2,123	2,127	2,130	2,111
MUN SLS	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,153,616	2,156,772	2,160,735	2,164,913	2,169,041	2,172,792	2,177,348	2,181,260	2,187,029	2,190,731	2,193,942	2,197,075	2,175,438
DISTR	2,153,440	2,156,596	2,160,559	2,164,737	2,168,865	2,172,616	2,177,172	2,181,084	2,186,853	2,190,555	2,193,766	2,196,899	2,175,262
TRANS	176	176	176	176	176	176	176	176	176	176	176	176	176

Source: Company forecast.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Calculation of 4CP for Government, Non-Profits and Educational Transmission Class Customers Eligible for EE Programs. Source: Customer Count and 4CP Data from Linda Wagner, Revenue Accounting, CenterPoint Energy. Transmission Losses: 1.02321 From Docket No. 32093 Rate Case WP ERCOT CEHE 2008 4CP: 15,189,357 PUC Docket No. 38900									
Cust	2008								
	4CP								
1	16558				Transmission Load in EE Programs			108,344	
2	23826				Transmission Losses			2,514	
3	26753				Total Transmission in EE			110,858	
4	1354				Load Ratio Share (using 2010 CEHE 4CP)			0.73%	
5	252								
6	12198								
7	8623								
8	2881								
9	4311								
10	10440								
11	1148								
Total	108344								

2010 EECRF Estimated Over/Under Calculation and Allocation to Rate Classes
Calculation of 2010 Over/Under Calculation

Revenue Requirement	Actual	Approved EECRF	Source
2010 Program Costs excluding Carryover expenditures:*			
2008 Bonus:	\$28,143,399	\$27,952,697	CEHE for 2010 Actual; 2010 Budget from EECRF filing
2010 Carrying Costs:	\$2,854,336	\$2,854,336	PUCT Order in Docket No. 36952, Finding of Fact 14
Total	\$123,049	\$123,049	PUCT Order in Docket No. 36952, Finding of Fact 33
	\$31,120,784	\$30,930,082	
Revenue			
EE in Base Rates in 2010:	\$22,925,492		PUCT Order in Docket No. 36952, Finding of Fact 27, 33.
EECRF			
July	907,800.22		CenterPoint Energy Revenue Statistics for 2010
August	1,347,204.21		" " "
September	1,349,214.34		" " "
October	1,345,331.75		" " "
November	1,352,586.56		" " "
December	1,367,311.96		" " "
Total EECRF	7,669,449.04		Total of above
Total 2010 Revenue:	\$30,594,941.04		
EECRF Over/(Under):	(\$525,842.96)		

* Excludes \$663,510 in carryover expenditures made in 2010.

Customer Class	Total Over (Under)-recovery Amount for 2010:	% of 2010 EE Expenditures in base rates (see Schedule I - WPI)	2010 Over (Under) expenditure by Class * (See below for Commercial allocation)	Remaining Under-recovery amount to Recover in 2012 (4) = Col. (2) % * Col. 4 total of \$285,139.96	Total Net Over/Under recovery for 2012: Sum of Col. (3) plus Col. (4)
Totals:	(1) (\$525,842.96)	(2)	(3) \$ 240,703	\$ 285,139.96	\$ 525,842.96
Residential					
Secondary <=10 Kva		47.587%	\$ 772,550	\$ 135,689.90	\$ 908,239.90
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental		1.632%	\$ (20,017)	\$ 4,653.44	\$ (15,363.87)
Transmission - Industrial					
Lighting					
		41.729%	\$ (511,830)	\$ 118,985.52	\$ (392,844.17)
		8.922%	\$ -	\$ 25,439.74	\$ 25,439.74
		0.130%	\$ -	\$ 371.36	\$ 371.36
Total:		100.000%	\$ 240,703	\$ 285,139.96	\$ 525,842.96

* Allocation of 2010 Commercial under-expenditures credit to Commercial classes:

Commercial class:	% of 2010 EE Expenditures in base rates	% of 2010 Commercial EE Expenditures (3) = Col. (2) / Total % in Col. 2	Commercial class Credit to Allocate = \$531,847 (4)	2010 Commercial Credit (5) = Col. (3) * (4) Total of \$531,847.
(1)	(2)			
Secondary <=10 Kva	1.632%	3.76%		\$ 20,017
Secondary > 10 Kva, Primary, Transmission-Non-Profit/Governmental	41.729%	96.24%		\$ 511,830
Total:	43.361%		\$ 531,847	\$ 531,847

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC						
Calculation of Percentage of Energy Efficiency Costs in 2010 Base Rates						
Customer Class	Dkt. No. 22355	Dkt. No. 22355	Energy Efficiency	Total Energy	EE costs in 2010	
	A&E 4CP	Energy Efficiency	Costs Added	Efficiency Costs in	Base Rates	
	Allocator		Dkt. No. 32093	2010 Base Rates	as % of Total	
	(1)	(2)	(3)	(4)	(5)	
		(2) * (3) Total		(3) + (4)	(5) as %	
Residential	41.2253%	\$5,328,573	\$5,581,009	\$10,909,582	47.5871%	
Secondary <=10 Kva	0.9560%	\$123,568	\$250,573	\$374,141	1.6320%	
Secondary > 10 Kva	36.1545%	\$4,673,147	\$3,800,115	\$8,473,262	36.9600%	
Primary	4.8790%	\$630,635	\$368,303	\$998,938	4.3573%	
Transmission - Non-Profit/Governmental	0.7298%	\$94,336	\$0	\$94,336	0.4115%	
Transmission - Industrial	15.8244%	\$2,045,376	\$0	\$2,045,376	8.9218%	
Lighting	0.2310%	\$29,858	\$0	\$29,858	0.1302%	
Total	100.0000%	\$12,925,492	\$10,000,000	\$22,925,492	100.0000%	

PUC DOCKET NO. _____

EXHIBIT MAT - 3

Rider EECRF

April 29, 2011

CenterPoint Energy Houston Electric, LLC
Applicable: Entire Service Area

Pursuant to Public Utility Regulatory Act §39.905 and Public Utility Commission of Texas Substantive Rule §25.181, the energy efficiency cost recovery factor (EECRF) is a non-bypassable charge applicable to all Retail Customers.

METHOD OF CALCULATION

EECRF charges shall be calculated annually and shall equal by rate class the sum of: forecasted energy efficiency costs not in base rates, any adjustment for past over-recovery or under-recovery of EECRF costs, any energy efficiency performance bonus, and any deferred energy efficiency costs plus interest; divided by the forecasted billing units for each class.

MONTHLY RATE

A Retail Customer's EECRF for the billing month shall be determined by multiplying the appropriate EECRF charge shown below by the Retail Customer's applicable billing unit for the current month.

Rate Class	EECRF Charge	Billing Unit
Residential Service	\$1.11	Per Retail Customer Per Month
Secondary Service Less than or Equal to 10 kVA	\$0.09	Per Retail Customer Per Month
Secondary Service Greater than 10 kVA	\$13.75	Per Retail Customer Per Month
Primary Service	\$13.75	Per Retail Customer Per Month
Transmission Service – Non-Profit/Governmental	\$13.75	Per Retail Customer Per Month
Transmission Service – Industrial	\$325.35	Per Retail Customer Per Month
Lighting Services	\$0.0025	Per Lamp Per Month

NOTICE

This Rate Schedule is subject to the Company's Tariff and Applicable Legal Authorities.

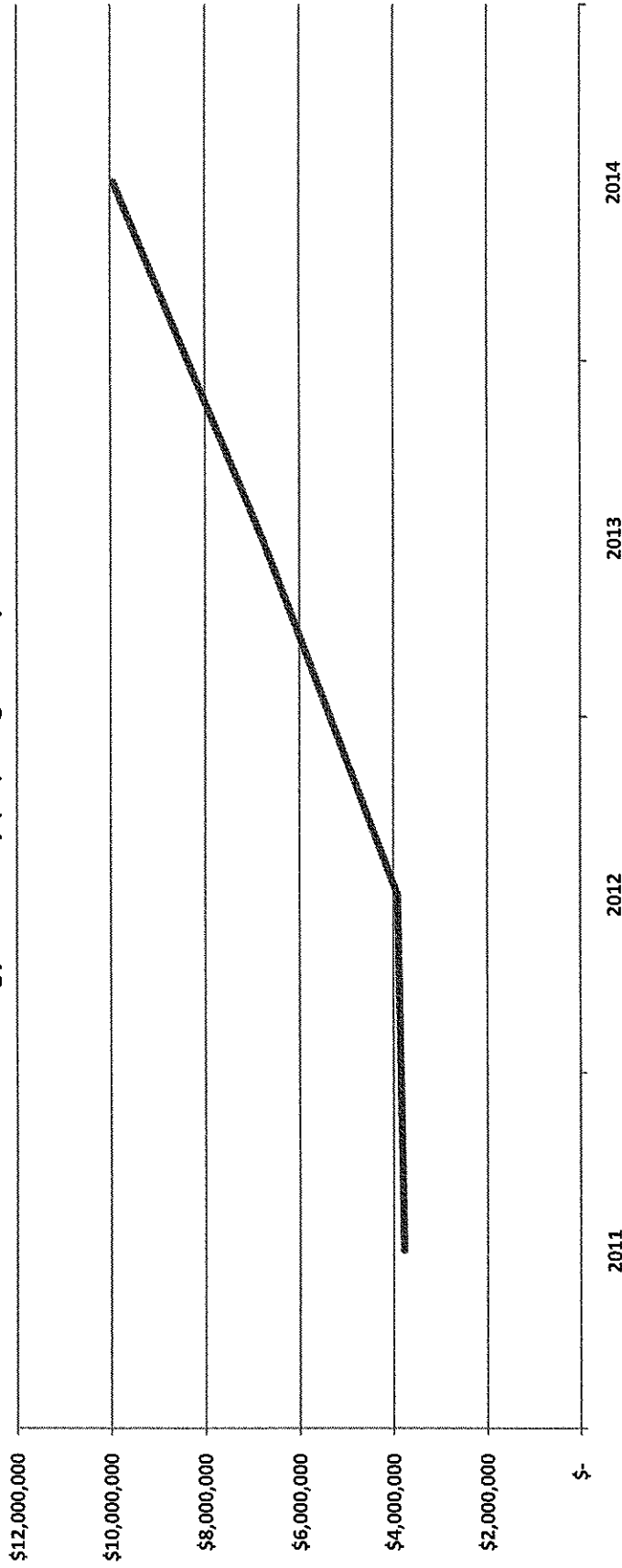
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

Exhibit MAT-4

Actual and Estimated Annual and Cumulative Revenue Losses for the period 2007 to 2014 from Energy Efficiency (EE) Program Expenditures. ¹

<u>Year:</u>	2007	2008	2009	2010	2011 (1st half)	2011 (2nd half)	2012	2013	2014
<u>Revenue Losses from:</u> ²									
EE Programs Implemented in 2007	\$ 811,139	\$ 811,139	\$ 811,139	\$ 811,139	\$ 405,570				
EE Programs Implemented in 2008		\$ 1,300,748	\$ 1,300,748	\$ 1,300,748	\$ 650,374				
EE Programs Implemented in 2009			\$ 1,436,550	\$ 1,436,550	\$ 718,275				
EE Programs Implemented in 2010				\$ 2,190,282	\$ 1,095,141				
EE Programs Implemented in 2011					\$ 916,194	\$ 934,703	\$ 1,850,897	\$ 1,850,897	\$ 1,850,897
EE Programs Implemented in 2012							\$ 2,067,221	\$ 2,067,221	\$ 2,067,221
EE Programs Implemented in 2013								\$ 2,872,207	\$ 2,872,207
EE Programs Implemented in 2014									\$ 3,147,749
<u>Total Revenue Loss Per Year:</u>	\$ 811,139	\$ 2,111,887	\$ 3,548,437	\$ 5,738,719	\$ 3,785,553	\$ 934,703	\$ 3,918,118	\$ 6,790,325	\$ 9,938,074
<u>Total Cumulative Revenue Loss:</u> ³	\$ 37,576,955								
<p><u>Note 1:</u> Revenue losses for EE programs implemented during 2007-2010 and planned to be implemented during 2011-2014 are based on residential kWh savings (rates times kWh savings) and commercial kW savings (4CP kW savings). Savings from Load Management programs have been excluded. Commercial energy (i.e., kWh) and kW savings in shoulder months have not been quantified and are not included in the above. As such, the above quantification of revenues losses is conservative and is likely to be materially higher.</p>									
<p><u>Note 2:</u> Revenue losses from EE programs occur from the first year a program is implemented and continue for successive years. When a general rate case occurs and new rates are put into place, as will be the case for the Company in 2011, revenue losses re-commence starting in the year new rates are put into effect. There is no compensation, however, for past revenue losses in the rate case process. For the purposes of this analysis, it is assumed that new rates are put into place in July of 2011 (i.e., mid-year). As such, the total revenue loss for 2011 from 2007-2010 EE programs is 50% of what it would otherwise be, and the 2011 revenue loss occurring due to the implementation of 2011's EE programs is divided into revenue losses occurring in the 1st half of the year under old rates, and revenue losses occurring in the 2nd half of the year under the assumed new rates.</p>									
<p><u>Note 3:</u> The cumulative revenue loss of \$37,576,955 is compared with a cumulative performance bonus of \$21,418,900.</p>									

CEHE Forecasted 2011-2014 Revenue Losses from Energy Efficiency (EE) Program Expenditures *



* The rate case process re-sets revenues and test-year billing determinants and reduces the impact of prior year EE programs, although the lost revenue in the prior years is never recovered. As such, due to new rates being put into effect in 2011, the Company's 2011's cumulative lost revenue is lower than lost revenue in 2012-2014.