



CenterPoint Energy 2010 Multifamily Water and Space Heating Market Transformation Program

Program Manual

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1 Introduction

This document presents detailed requirements for participation in the 2010 CenterPoint Energy Multifamily Water and Space Heating Market Transformation Program.

This manual is designed to help project sponsors prepare applications for participation in the 2010 Program. Project sponsors are developers who can commit to signing a contract with CNP for the completion of specific installation goals.

CenterPoint Energy, Inc. (CNP), headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission and distribution, natural gas distribution and sales, and interstate pipeline and gathering operations. The company serves nearly five million customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Missouri, Oklahoma, and Texas. With about 9,000 employees, CNP and its predecessor companies have been in business for more than 130 years. For more information, visit the Web site at www.CenterPointEnergy.com.

1.1 Project Background

This is the seventh year of CNP's Multifamily Water and Space Heating Market Transformation Program. The Program is intended to increase the awareness of alternatives to electric water heating and space heating in multifamily residences. Designed in compliance with Public Utility Commission of Texas (PUCT) Substantive Rule §25.181, which implements the energy efficiency goal of Senate Bill 7 (1999), the primary purpose of this Program is to help CNP achieve its goal of reducing peak demand by a minimum of 15% of projected annual load growth. To achieve this goal, CNP implements a range of "standard-offer" and "market transformation" programs that result in reduced peak demand and annual energy consumption. "Market transformation programs" such as this Program are strategic efforts, including incentives, training, public awareness, and/or education programs designed to lower market barriers and increase the adoption rate for energy-efficient technologies and practices.

In the single-family residential sector, gas water heating and space heating systems are preferred by homebuyers, primarily because of their lower operating costs. However, a market research study conducted by CNP in 2005 indicated that Houston-area developers used electric resistance water heating and space heating systems in over 95% of affordable low-rise multifamily properties, primarily because of their lower installation costs. Because of this, CNP has selected this market transformation program to help meet its mandated annual energy efficiency goal. This Program complies with the Multifamily Water and Space Heating Market Transformation Program template approved by the Texas Public Utility Commission (PUCT).

1.2 Program Description

The Program provides incentives to multifamily project developers who agree to facilitate the installation of non-electric water heating in both market rate and affordable rate multifamily projects

within CNP's electric distribution service territory. In addition to water heating, CNP also wishes to encourage the adoption of alternatives to electric resistance space heating in these same projects. The principal target of the Program is new construction. Existing multifamily properties may receive incentives for other measures under CNP's existing standard offer incentive programs.

The primary barrier to the installation of non-electric technologies in multifamily properties is the higher initial cost associated with the installation of gas lines and gas appliances. The Program will address this market barrier by offering incentives to project sponsors who install non-electric domestic water heating systems. These actions are designed to further increase public awareness of and create market pull for non-electric water and space heating systems in multifamily properties.

1.3 Program Goals and Objectives

The primary objective of the Program is to increase the market penetration of high-efficiency gas water and space heating in multifamily properties. The goal for the 2010 Program is the installation of non-electric water and space heating systems in a minimum of 1,400 multifamily units.

2 Program Specifications

Developers who agree to facilitate the installation of qualifying high-efficiency non-electric water heating in eligible multifamily projects are subject to the following requirements:

- The Program incentives apply to multifamily units within CNP's *electric* distribution service territory.
- All water heating equipment to be installed must meet or exceed applicable federal efficiency standards or local building codes, as applicable. For storage tank water heaters, these standards were revised in 2004. For natural gas storage tank water heaters, the current federal standards are:

Size	EF
40 gallon	0.59
50 gallon	0.58

- There are no project limits, however it is CNP's desire to award contracts to multiple project sponsors.
- The application submittal period for the Program ends on December 11, 2009 or when the incentive funding is exhausted. Application requirements are discussed in further detail in subsequent sections of this document.

2.1 2010 Incentives and Budget

The total incentives for the 2010 program will be \$400,000.

2.1.1 Projects With Individual Water Heaters

For projects involving the installation of individual water heaters, the Program provides different incentive levels for market-rate (“residential”) and affordable (“hard-to-reach,” or HTR). The 2010 incentive rates and budget are summarized below:

Residential (market rate projects) incentive, per unit	HTR (affordable projects), incentive, per unit
\$250	\$450

The incentive amount is based on the PUCT-approved deemed savings values for replacing an electric resistance water heater with a natural gas water heater which meets or exceeds minimum efficiency standards.

The installation of non-electric space heating equipment is also encouraged. While additional incentives are not available for the installation of heating equipment, one of the application selection criteria is the residents’ projected annual energy bill savings. Applications that include the installation of gas space heating are likely to be rated higher, based on this criterion.

2.1.2 Projects With Central Service Water Heating Systems

Certain mid- and high-rise new construction projects with central water heating systems may also be eligible for incentives. In order to be eligible for incentives, the project sponsors must demonstrate that the installation of gas water heating systems would not have occurred in the absence of the CNP’s Multifamily Water and Space Heating Program. Project sponsors who are developing potentially eligible mid- and high-rise new construction projects are urged to contact the CNP Program Manager for more project-specific requirements prior to submitting a proposal. For projects with central water heating systems, the incentives are based on the projected annual kWh and peak kW savings for the project. (The methodology for calculating these savings is outlined in Section 2.3.2.). The incentive rates for these projects are as follows:

Residential (market rate projects) incentive, per unit	HTR (affordable projects), incentive, per unit
\$200	\$350

2.2 Hard-to-Reach Eligibility Standards

Under the PUCT definition, hard-to-reach is defined as a utility customer with a total household income of 200% or less of the current federal poverty guidelines. Using TDHCA criteria, a qualified low income housing development means any development for residential rental occupancy which meets either of the following requirements:

- Twenty percent (20%) or more of the residential units in such development are both rent restricted and occupied by individuals whose income is fifty percent (50%) or less of Adjusted Median Family Income (AMFI); or
- Forty percent (40%) or more of the residential units in such development are both rent restricted and occupied by individuals whose income is sixty percent (60%) or less of AMFI.

Multifamily projects are categorically eligible if the property falls under one of the following categories:

- State or Local Housing Trust Fund
- HUD, including HOME, CDGB, Sec. 202, Sec. 811, Section 8
- Low Income Housing Tax Credit Program
- USDA/Rural Development
- Multifamily Bond

Project sponsors are encouraged to consult with the CNP Program Manager prior to submitting a proposal to confirm the eligibility status of any proposed project.

2.3 Equipment Eligibility and Efficiency Standards

2.3.1 Individual Unit Water Heaters

To be eligible for incentive payments under this Program, the proposed equipment should replace, at minimum, an electric resistance water heater. The water heating equipment must comply with current federal efficiency standards. Equipment efficiencies shall be as listed in the current *Consumer's Directory of Certified Energy Efficiency Ratings for Heating and Water Heating Equipment*. This directory is produced by the Gas Appliance Manufacturer's Association (GAMA) and may be downloaded for free from www.gamanet.org. (Click on "Product Certification," then "Product Directories," then "Gas Water Heaters.>"). Equipment must also comply with TDHCA and local codes, as applicable.

To be eligible for incentives, this equipment must not receive incentives from any concurrent electric utility program.

2.3.2 Service Water Heating Systems to Serve Multiple Units

To be eligible for payments, the proposed equipment must exceed the most current IECC standards for service water heating in commercial buildings adopted by the State of Texas.

For these projects, peak kW and annual kWh savings will be determined based on building simulation modeling, using DOE-2, with eQUEST 3.60 used as the interface. Net energy savings will be calculated using 10,500 BTU/kWh as the heat rate to convert the gas consumption of the proposed system to equivalent kWh.

Project sponsors are encouraged to contact the CNP Program Manager prior to submitting a proposal for further details regarding the savings calculation methodology for these projects.

2.4 CenterPoint Energy's Role

This Program is an electric energy efficiency program, and is being administered directly by the electric distribution affiliate of CNP. All project sponsors will be required to sign a contract with CNP. CNP will perform the following administrative functions:

- Selecting project sponsors from among the applicants.
- Managing the Program, its goals and milestones.
- Verifying installations.
- Managing and allocating available incentive funds.
- Processing all invoices for incentive payments.
- Providing other oversight functions, as required.

2.5 Program Procedures

2.5.1 Funding Reservation Period

Once a sponsor's application is accepted and approved, CNP will reserve incentive funds for that particular project. CNP will monitor the progress of each project during the reservation period. During this period, CNP may request copies of LIHTC Progress Reports, extension requests, or other TDHCA-required reports. Funding may be withdrawn if the project falls substantially behind the completion schedule included in the proposal.

A sponsor will be required to notify CNP as soon as the sponsor becomes aware of any change in development plans or any other circumstance which could result in the project's completion date being significantly delayed. Project sponsors who fail to observe this requirement may be precluded from Program participation in future years.

Projects whose completion dates have been delayed beyond the November 1, 2010 deadline may be eligible to participate in the 2011 Program, although this does not represent a commitment by CNP to reserve future incentive amounts.

2.5.2 Required Information

The following data needs to be provided for each multifamily residence:

- Plan name
- Unit address
- # of Bedrooms
- # of Bathrooms
- Square footage
- Manufacturer
- Model #
- Serial #
- Size (gallons)
- Efficiency Factor (EF)

Project sponsors will utilize CNP's spreadsheet template to provide the above-listed data. This file will be available for download from the Multifamily Water and Space Heating Program web page, which may be accessed from www.centerpointwaterheater.com.

Installation Verification and Site Inspection

Prior to issuing incentive payments, CNP or its representative will verify that the installed equipment meets the minimum efficiency standard(s), and will verify that the installation sites are within CNP's electric distribution service territory. CNP will also conduct random site inspections of units during this period. After the verification and site inspection activities have been completed, and after adjusting for any discrepancies found during invoice processing, CNP will issue the incentive payment.

2.6 Submittal Procedure

All applications are to be submitted to:

By Mail

David Dzierski
CenterPoint Energy
963-D
P. O. Box 1700
Houston, Texas 77251-1700

By Hand Delivery

David Dzierski
CenterPoint Energy
1111 Louisiana
Floor 9
Houston, Texas 77002

By E-Mail

david.dzierski@centerpointenergy.com

Respondents may elect to mail applications or have them delivered. Respondents are encouraged to submit their applications prior to the deadline. CenterPoint shall bear no responsibility for late delivery.

To be considered during the initial project award cycle, **applications must be received no later than 4:00 p.m. December 11, 2009**. After the initial project award cycle, proposals may be submitted if the 2009 incentive budget has not been fully allocated. Proposals received after the initial project award cycle will be reviewed on a first-come, first-served basis until the 2009 incentive budget has been completely reserved.

This manual, application, and any subsequent submittals may become part of a formal agreement between the selected Contractor and CNP, and will be incorporated by reference in a contract, or a contract supplement.

Specific program-related questions and correspondence may be directed to David Dzierski, Multifamily Water and Space Heating Program Manager, at (713) 207-3341, or by e-mail at david.dzierski@centerpointenergy.com.

Questions or comments regarding this manual may be either verbal or written. Upon receipt of any written question or comment, CNP will respond in writing and will forward a copy of each question or comment and CNP's official response to all parties who have indicated an interest in submitting an application. Only written responses shall be binding on CNP.

3 2010 Program Timeline

CenterPoint Energy has set the following deadlines to ensure that funds are committed in accordance with its budget and scheduling requirements.

Critical Dates for 2010 Program

<i>Activity/Submittal</i>	<i>Date / Deadline</i>
Program Kickoff	October 22, 2009
Application due	December 11, 2009
Awards Announced	December 18, 2009

Activity/Submittal	Date / Deadline
Installation Must be Complete By	November 1, 2010

4 Application
