

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben	Chair
Hwikwon Ham	Commissioner
Valerie Means	Commissioner
Joseph K. Sullivan	Commissioner
John A. Tuma	Commissioner

In the Matter of CenterPoint Energy's  
Natural Gas Innovation Plan

DOCKET No. G-008/M-23-215

ANSWER IN RESPONSE TO THE  
REQUEST FOR RECONSIDERATION  
FILED BY THE OFFICE OF THE  
ATTORNEY GENERAL

**INTRODUCTION**

The Minnesota Center for Environmental Advocacy (MCEA), The Sierra Club, and Communities Organizing for Latine Power and Action (COPAL) respectfully submit this Answer in response to the Request for Reconsideration filed by the Office of the Attorney General – Residential Utilities Division (OAG) in Docket No. G-008/M-23-215, In the Matter of CenterPoint Energy's Natural Gas Innovation Act (NGIA) Plan. We agree with the legal arguments presented by the OAG in its request regarding why the decision to approve CenterPoint's Urban Tree Carbon Offsets project (Pilot G) should be reconsidered and incorporate them by reference here.<sup>1</sup>

We submit this Answer to the OAG's request to elaborate on why we think reconsideration of the approval of Pilot G is important. Specifically, while we agree with the Commission that the Green Cities Accord urban tree planting program provides benefits to communities and sincerely hope the program continues, we do not believe this program is appropriate for inclusion in an NGIA plan. We are concerned that approving Pilot G in CenterPoint's initial plan conflicts with the language of the NGIA law, slows progress toward decarbonization and achievement of NGIA goals, and will set a problematic precedent for future NGIA plans for all utilities.

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<sup>1</sup> *Request for Reconsideration*, Minn. Pub. Util. Comm'n Docket No. G-008/M-23-215, Request of the Office of the Attorney General – Residential Utilities Division (June 28, 2023).

## ANALYSIS

### I. The purchase of carbon offsets from the Green Cities Accord urban tree planting program is not appropriate for inclusion in an NGIA plan

In its first NGIA plan, CenterPoint Energy proposed Pilot G, which involves purchasing carbon offset credits from the Green Cities Accord program.<sup>2</sup> The Green Cities Accord program was created to promote “urban climate resilience through the protection and expansion of urban tree canopies.”<sup>3</sup> To achieve this, the program funds the planting, maintenance, and protection of urban trees throughout Minnesota.

We agree with the Commission that the Green Cities Accord program has important climate benefits. Its goal is to enhance communities’ resilience to the effects of climate change, and it does just that. This is especially important for populations most impacted by the negative effects of climate change, and in serving those communities, the program provides important environmental justice benefits as well.<sup>4</sup> We thoroughly support the Green Cities Accord program. We believe it is achieving its goal of enhancing climate resiliency, applaud its accomplishments, and hope it continues to serve our communities. However, while the program is a great climate resiliency program, simply being a good program is not enough to qualify for NGIA funding. Moreover, we think the program’s inclusion in an NGIA plan could be problematic for three reasons, discussed further below.

#### A. Pilot G is not eligible for inclusion in NGIA plans under the law

First, as clearly articulated in the record and the OAG’s request for reconsideration, Pilot G does not meet the statutory definition of an NGIA innovative resource. The NGIA defines “innovative resource” as “biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, carbon capture, strategic electrification, district energy, and energy efficiency.”<sup>5</sup> CenterPoint classified Pilot G as a carbon capture project in its NGIA plan, which the NGIA defines as “the capture of greenhouse gas emissions that would otherwise be released into the atmosphere.”<sup>6</sup> As the OAG explains in its Request, Pilot G does not meet this definition because:

[T]he NGIA unambiguously states that to be a carbon-capture innovative resource, greenhouse gas emissions must be prevented (i.e., captured) prior to atmospheric release. The Act does not contemplate pulling carbon *from the atmosphere* and sequestering it through tree-planting programs or otherwise. Instead, the statute’s

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<sup>2</sup> *Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215 at 5 (June 28, 2023).

<sup>3</sup> Our Story, Green Cities Accord (November 7, 2024, 1:12 PM), <https://greencitiesaccord.org/about/>.

<sup>4</sup> *Order Approving Natural Gas Innovation Plan with Modifications*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215 at 12 (October 9, 2024).

<sup>5</sup> Minn. Stat. § 216B.2427, subd. 1(h).

<sup>6</sup> *Id.*, subd. 1(c).

plain language shows that the Legislature intended that utilities invest in new technologies that capture greenhouse gases *before* their release into the air.<sup>7</sup>

The OAG further explains that CenterPoint’s effort to make Pilot G meet the NGIA definition of carbon capture by changing the definition wording to “the capture of greenhouse gas emissions that would otherwise ~~be remain~~ released ~~into~~ the atmosphere” is not legally permissible.<sup>8</sup>

Going into the first hearing about CenterPoint’s NGIA plan, there was broad agreement amongst parties on this legal issue. In fact, prior to the hearing, *no parties other than CenterPoint opposed decision option 34: “Deny Pilot G”*.<sup>9</sup> The Department of Commerce (DOC), the OAG, Center for Energy and Environment (CEE), the Citizens Utility Board (CUB), the Clean Energy Organizations (CEOs) and Laborers International Union of North America (LIUNA) all supported decision option 34: “Deny Pilot G.” Geo Exchange and International Union of Operating Engineers Local 49 indicated no position on the decision option.<sup>10</sup> Moreover, staff’s analysis in the briefing papers also supported denying Pilot G, stating, “[s]taff does not believe that this type of project qualifies for inclusion in an NGIA plan based on the plain language of the statute” and that “although the Department requested a modified proposal, it is not clear that any modified version of Pilot G would fulfill the statutory definition of ‘carbon capture’.”<sup>11</sup>

CenterPoint argued at the hearing that Pilot G could qualify as an “energy efficiency” innovative resource because trees shelter buildings from wind in the winter, thereby reducing natural gas usage for heating.<sup>12</sup> Referencing other sections of 216B, the NGIA defines “energy efficiency” as:

[M]easures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.<sup>13</sup>

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<sup>7</sup> *Request for Reconsideration*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215, Request of the Office of the Attorney General – Residential Utilities Division at 6-7 (June 28, 2023).

<sup>8</sup> *Id.*, at 7.

<sup>9</sup> *Updated Decision Options*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215 at 50, (July 22, 2024).

<sup>10</sup> *Id.*

<sup>11</sup> *Staff Briefing Papers*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215 at 56, (July 10, 2024).

<sup>12</sup> July 23, 2024 Hearing Video at 4:24:30 – 4:25:30 [https://minnesotapuc.granicus.com/player/clip/2400?view\\_id=2&redirect=true](https://minnesotapuc.granicus.com/player/clip/2400?view_id=2&redirect=true).

<sup>13</sup> Minn. Stat. § 216B.241, subd. 1(f) (2020), available at <https://www.revisor.mn.gov/statutes/2020/cite/216B.241>.

In its Request, the OAG clearly explained that Pilot G does not qualify as an “energy efficiency” innovative resource because “tree-planting programs do not ‘target consumer behavior, equipment, processes, or devices’ to decrease electricity or natural gas consumption.”<sup>14</sup>

Because Pilot G simply does not meet the statutory definition of the type of innovative resource project that can be included in an NGIA plan, we do not believe it can be included in CenterPoint’s plan. Doing so departs from the requirements of the NGIA law.

**B. Pilot G does not test the type of changes required to decarbonize the gas system**

Second, Pilot G is not appropriate for inclusion in NGIA plans because it does not involve piloting the type of systemic changes that are needed to decarbonize the gas system and does not advance utility learnings in the new technologies and systems we will use to achieve decarbonization. Decarbonizing the gas distribution system will be challenging and the Commission has an obligation to ensure that any and all ratepayer dollars invested in this effort are directed toward solutions that will actually help us learn what changes can be made to the gas distribution system to effectively and equitably reduce gas throughput and decrease GHG emissions. Offset investments, which allow gas utilities to pay others to reduce emissions while making no changes to their own gas distribution system or underlying business model, neither contribute to this critical learning nor advance the systemic changes we need to make to achieve state climate targets. Because the offset project proposed in Pilot G does not test the type of changes that will be required to decarbonize the gas system, we do not believe it should be included in CenterPoint’s plan.

**C. Authorizing the Green Cities Accord urban tree planting program in CenterPoint Energy’s first NGIA plan could set a detrimental precedent that will slow progress toward achieving NGIA goals**

Finally, the approval of Pilot G in CenterPoint’s plan could create a detrimental precedent that utilities rely on for continued and potentially increased investment in offset programs in the future. This in turn would divert funds from new and innovative technological solutions that actually change the gas business model, gas throughput, or emissions produced by the gas system. The Commission seemed to indicate it may revisit the decision to allow carbon offset projects in NGIA plans in its review of subsequent plan filings, stating:

Other approaches to carbon capture may be more reasonable in future iterations of innovation plans, but those will be explored upon reflection of the pilot’s effectiveness and continuing examination of the issues, which will facilitate careful consideration of possible program refinements or changes that other approaches to carbon capture may be more reasonable in future iterations of innovation plans.<sup>15</sup>

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<sup>14</sup> *Request for Reconsideration*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215, Request of the Office of the Attorney General – Residential Utilities Division at 8-9 (June 28, 2023).

<sup>15</sup> *Order Approving Natural Gas Innovation Plan with Modifications*, Minn. Pub. Util. Comm’n Docket No. G-008/M-23-215 at 12-13 at 13 (October 9, 2024).

However, we are concerned that the decision to approve this carbon offset project in the first NGIA plan in the State will be considered precedential by utilities and used by them to justify continued inclusion of offset projects in future NGIA plans, potentially at increased funding levels. We anticipate gas utilities will continue to find carbon offset projects to be attractive additions to their NGIA portfolios because they represent comparatively low-effort investments relative to projects that legally qualify as innovative resources. Perhaps more importantly, these offset programs do not require utilities to change their business model. As stated above, offset projects provide no learning on how to change the gas distribution system to achieve throughput and greenhouse gas reductions. Hence, the inclusion of carbon offset projects in NGIA plans impedes critical learning, and by extension slows progress toward achieving the greenhouse gas and throughput reduction goals of the NGIA statute. Therefore, allowing offsets in the first-ever NGIA plan could set a damaging precedent that sets us on a trajectory for the ongoing pursuit of these programs by utilities.

## CONCLUSION

For the foregoing reasons, we agree with the OAG that the Commission should reconsider its decision to approve Pilot G in CenterPoint's NGIA plan, as it does not develop or provide an innovative resource under the terms of the law and may create a detrimental precedent that slows NGIA progress.

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