May 15, 2024 **PUBLIC DOCUMENT**

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **PUBLIC Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-23-215

Dear Mr. Seuffert:

Attached are the **PUBLIC** comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

In the Matter of the Company's First Natural Gas Innovation Act Innovation Plan

The Petition was filed by CenterPoint Energy on June 28, 2023.

The Department recommends the that the Commission approve CenterPoint Energy's Natural Gas Innovation Plan (NGIP) with modifications. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ Dr. Sydnie Lieb
Assistant Commissioner of Regulatory Analysis

SL/ad
Attachment

Before the Minnesota Public Utilities Commission

PUBLIC Comments of the Minnesota Department of Commerce
Division of Energy Resources

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

I. INTRODUCTION/BACKGROUND

A. INTRODUCTION

The Minnesota Department of Commerce, Division of Energy Resources (Department) is providing comments in response to the Minnesota Public Utilities Commission (Commission, MPUC) Notice of Comment Period (NOC) and Notice of Extended Comment Period dated July 17, 2023, and October 31, 2023, respectively.

The NOC included one issue and the following five topics:

- Issue – Should the Commission approve, reject, or modify CenterPoint Energy's 2023 Natural Gas Innovation Plan?
- Topics –
  - Should the Commission approve, reject, or modify CenterPoint Energy's 2023 Natural Gas Innovation Plan (2023 NGIA Plan)?
  - Should the Commission grant CenterPoint Energy's request to spend up to 25 percent more than budgeted for pilots with higher-than-expected expenditures without seeking additional approval from the Commission, provided the increase does not cause the plan, as a whole, to exceed its statutory cost cap or fail to satisfy any other statutory requirements?
  - Should the Commission approve CenterPoint Energy's plan for recovering the costs associated with its 2023 NGIA plan, including the requested variance to Minn. R. 7825.2400?
  - Should the Commission approve CenterPoint Energy's cost-effectiveness objectives?
  - Should the Commission approve CenterPoint Energy's proposed plan for filing its annual status reports?
  - Are there any other issues or concerns related to this matter?

B. BACKGROUND

The Legislature enacted the Natural Gas Innovation Act (NGIA or the Act) in 2021.[1] The following press release issued shortly after the Act was passed explains the NGIA's purpose.[2] On June 26, 2021, Minnesota's NGIA (Special Session HF6, the Commerce and Energy Omnibus) was presented to and signed into law by Governor Walz.

The NGIA establishes a regulatory framework for natural gas utilities to contribute to meeting Minnesota's greenhouse gas reduction and renewable energy goals through the development of "innovation plans" using "innovative resources." Innovative resources include biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, carbon capture, strategic electrification, district energy and energy efficiency, as defined by Minn. Stat. 216B.2427 Subd. 1(h).

A natural gas utility that obtains approval of an innovation plan from the Commission can seek limited cost recovery for reasonable and prudently incurred costs. The Natural Gas Innovation Act requires that by June 1, 2022, the Commission issue an order establishing a framework to calculate lifecycle greenhouse gas emissions intensities of each innovative resource.[3]

The Commission opened a proceeding to develop the framework in Docket No. G999/CI-21-566.[4] In this proceeding, the Commission issued two orders in that proceeding delineating the framework to calculate lifecycle greenhouse gas emissions intensities of each innovative resources, consistent with the NGIA.[5] Using the Commission's framework and the NGIA as guides, CenterPoint Energy Minnesota (CenterPoint, CPE, Company) developed its first NGIA plan and filed it June 28, 2023.[6] The Company then filed its reply comments on March 15, 2024,[7] to which these supplementary commends respond.

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[1] Minnesota Laws 2021, 1st Special Session, ch. 4, art. 8, §§ 20-21, 27. Minn. Stat. § 216B.2427.
[2] www.lexology.com/library/detail.aspx?g=0b9c812b-ccf6-47c9-b2b4-1b4166318015.
[3] Minn. Stat. 216B.2428.
[4] *In the Matter of Establishing Frameworks to Compare Lifecycle Greenhouse Gas Emissions Intensities of Various Resources, and to Measure Cost-Effectiveness of Individual Resources and of Overall Innovative Plans.*
[5] *Id.*, ORDER ESTABLISHING FRAMEWORKS FOR IMPLEMENTING MINNESOTA'S NATURAL GAS INNOVATION ACT, issued June 1, 2022 and an Order dated September 12, 2022 providing clarification between projects filed as part of NGIA filings and those filed under the utility's current conservation improvement plan (CIP) Triennial Plan.
[6] *In the Matter of Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G008/M-23-215, CPE Petition, (June 28, 2023). (eDocket No. 20236-196995-01). *Hereinafter* "CPE petition."
[7] *Id.,* CPE reply comments, (March 15, 2024). (eDocket No. 20243-204399-04). *Hereinafter* "CPE reply comments."

II. RESPONSE TO COMMISSION QUESTIONS/LEGISLATIVE CONTEXT/FILING SUMMARY

The Department responds to the questions included in the Commission's NOC's first in this section. The Department then provides a summary of CenterPoint's reply comments and the Department's response to these replies in Section III. The Department then summarizes its final recommendations in Section IV.

A. SHOULD THE COMMISSION APPROVE, REJECT, OR MODIFY CENTERPOINT ENERGY'S 2023 NATURAL GAS INNOVATION PLAN?

The Department recommends the Commission approve CenterPoint's Natural Gas Innovation Plan (NGIP, the Plan) with modifications. The Department explains the rationale for the Department's proposed modifications in the following sections of these Comments.

B. *SHOULD THE COMMISSION GRANT CENTERPOINT ENERGY'S REQUEST TO SPEND UP TO 25 PERCENT MORE THAN BUDGETED FOR PILOTS WITH HIGHER-THAN-EXPECTED EXPENDITURES WITHOUT SEEKING ADDITIONAL APPROVAL FROM THE COMMISSION, PROVIDED THE INCREASE DOES NOT CAUSE THE PLAN, AS A WHOLE, TO EXCEED ITS STATUTORY COST CAP OR FAIL TO SATISFY ANY OTHER STAUTORY REQUIREMENTS?*

No, the Commission should not approve CenterPoint's request. The Department is concerned the Company may be attempting to inoculate itself from some portion of the prudency risk associated with funding pilots at cost levels that the Commission has not explicitly approved. The Commission should allow CenterPoint Energy's management to make determinations as to what are the appropriate pilots to fund and at what level if the Company doesn't believe the Commission's approved cost estimates continue to be relevant. The Commission should then review the Company's decisions as to whether the Company's determinations were prudent or not. The NGIA has the word innovation in its title. Innovation is defined as: "the act of introducing something new or the act of innovating, the introduction of new things or methods."[8] The legislature likely understood the meaning of innovation when it crafted the legislation such that it would allocate the risks associated with the innovative new technologies appropriately between CenterPoint's shareholder and ratepayers.

C. SHOULD THE COMMISSION APPROVE CENTERPOINT ENERGY'S PLAN FOR RECOVERING THE COSTS ASSOCIATED WITH ITS 2023 NGIA PLAN, INCLUDING THE REQUESTED VARIANCE TO MINN. R. 7824.2400?

Yes. The NGIA statute allows for recovery of NGIA costs through the Purchased Gas Adjustment (PGA). The Commission should approve the requested variance to Minn. R. 7824.2400.

[8] See Duckduckgo.com/?q=definitions+of+innovationa&atb=314-1&ia=web.

D. SHOULD THE COMMISSION APPROVE CENTERPOINT ENERGY'S PROPOSED COST-EFFECTIVENESS OBJECTIVES?

The Department does not take a position on the specific cost-effectiveness objections themselves. Rather, the Department advocates the Commission consider pilot-level criteria as well as plan-level criteria to incentivize the Company to ensure all of its pilots are successful. The Department recommends that individual pilots be evaluated at minimum, based on an annual GHG reduction per annualized cost metric.

E. SHOULD THE COMMISSION GRANT CENTERPOINT REQUEST TO INCREASE THE STATUTORY BUDGET CAP FOR THE COMPANY'S NEXT NGIA PLAN, AS PERMITTED BY MINN. STAT. § 216B.2427, SUBD. 3 (C) & (D), UNDER THE CONDITION THAT 'A MAJORITY" OF THE APPROVED COST-EFFECTIVENESS OBJECTIVES ARE ACHIEVED?

The Department recommends that the Commission reject CPE's proposal to meet only the majority of all proposed cost-effectiveness objectives, and instead recommends that three-quarters of the cost-effectiveness objectives meet at least 90 percent of their stated goals. In addition to this requirement, the Department recommends that three quarters of all individual pilots meet at least 90 percent of their stated goals.

F. SHOULD THE COMMISSION APPROVE CENTERPOINT ENERGY'S PROPOSED PLAN FOR FILING ITS ANNUAL STATUS REPORTS?

The Department has included specific recommendations for each pilot in CPE's NGIA Plan. The Department recommends the Commission make a pilot-by-pilot decision and approve/modify/reject pilots per the Department's recommendations for each specific pilot. For the pilots that are either approved in their proposed form or approved after suggested modifications, the Department recommends that Commission order CPE to file annual status reports.

G. ARE THERE OTHER ISSUES OR CONCERNS RELATED TO THIS MATTER?

As stated by the Department in its initial comments, concerns remain about the likelihood of CPE receiving its anticipated participation levels. The Department suggests that the Commission may want to provide an enhanced level of oversight to address this issue.

III. DEPARTMENT ANALYSIS

A. RESPONSE TO GENERAL COMMENTS FROM CPE

In this section, the Department analyzes two general arguments that CPE makes and cites throughout its reply comments. This section begins with an analysis of statements made by CPE, where the Company argues that the Department does not allow room for any programs to be placed in NGIA if they can be administered in ECO. The Section then considers statements made by CPE, where the

Company argues that it should be allowed to utilize its full requested budgets without first identifying potential project participants.

1. GENERAL RESPONSE TO ECO VS NGIA

i. Overview of Initial Comments

In initial comments, the Department made recommendations to deny several pilots because CPE does not sufficiently justify why the programs could not reasonably be included in Energy Conservation and Optimization (ECO).[9] These pilots include:

- Pilot H: Carbon Capture Rebates for Commercial Buildings
- Pilot J: Decarbonizing Existing District Energy Systems
- Pilot K: New District Energy System
- Pilot L: Industrial Electrification Incentives
- Pilot M: Commercial Hybrid Heating

While the Department will address each of these pilots individually, to avoid duplication, the Department addresses a general statement made by CPE in its reply comments in this section.

ii. CPE Response to Department's Initial Comments

In Section III.g of CPE's reply comments, the Company provides a broad justification for why the Commission should deny the Department's recommendations to deny approval of programs where the Company did not demonstrate why the programs could not be administered in ECO. As outlined below, the justification includes several points, including statutory intent, program novelty, administrative support, and others.

CPE makes several claims in support of retaining the programs in its petition. CPE's main argument explores the legislative intent behind the passing of the NGIA:

> Given that both ECO and NGIA were passed in the same legislative session, with NGIA passing after ECO, it is clear that the legislature did not intend any provision of NGIA to be meaningless in light of ECO. Because both statutes encourage utilities to deploy energy efficiency and strategic electrification, it is important to find a way to co-apply the two statutes so that utilities can meaningfully deploy those resources under both the NGIA and CIP/ECO frameworks. To assist in understanding the roles of the two statutes, NGIA specifies that energy efficiency and strategic electrification do "not include energy conservation investments that the commissioner

[9] Previously referred to a Conservation Improvement Program (CIP)

> [of Commerce] determines could reasonably be included in a utility's conservation improvement program…" Importantly, the NGIA statute uses the term "investments" rather than "measures" or "technologies."[10]

CPE asserts that, in general, the proposed pilots are not fit for ECO because either the pilots are designed to serve difficult-to-serve customer segments, or because CPE intends to provide significant customer support that is not standard in the Company's ECO program. CPE states that the Department's approach to deny all pilots that have a commonality with ECO obstructs the ability of the Company to explore new, underutilized technologies and further refine its methods to serve its customers cost effectively. CPE cites the CEOs' emphasis of the word "investments" employed in the Joint Commenter's filing, on which the Department was a signatory, as stated in the preceding quotation. By contrast the CEOs assert that the employment of the term "investments" provides flexibility in the interpretation of which programs can be included in NGIA, which is also discussed in the preceding quotation. CPE uses the example of the mandated cold climate heat pump and deep energy retrofit pilot as support for its position, because CPE has already offered both of these programs in ECO. The Company further cites this example to support its assertion that a more holistic approach to delivering complex incentives offered in several of its programs justifies the inclusion of a program in NGIA instead of ECO.

iii. Department Response to Reply Comments

The rationale behind the Department's recommendations to refer these pilots for ECO program review is simple and worth re-iterating. Energy efficiency in the context of Natural Gas Innovation Plans is clearly defined in Minn. Stat. § 216B.2427, subd. 1, (f), which states:

> "Energy efficiency" has the meaning given in section 216B.241, subdivision 1, paragraph (f), but does not include energy conservation investments that the commissioner determines could reasonably be included in a utility's conservation improvement program.

In this definition, the statute provides a clear guidance that "energy efficiency" does not include programs that could reasonably be included in a utility's ECO program. The definition for Strategic Electrification includes the same clause, which is stated in Minnesota Statute § 216B.2427, Subd. 1, (q):

> Strategic electrification does not include investments that the commissioner determines could reasonably be included in the natural gas utility's conservation improvement program under section 216B.241.

Despite the clarity offered by these statutory definitions, there was still disagreement between stakeholder groups about how to delineate projects between ECO and NGIA, which resulted in a

[10] CPE reply comments at 19, (March 15, 2024) (eDocket No. 20243-204399-04).

postponed decision to allow for increased stakeholder discussion. This process resulted in a Joint Commenter's letter filed under the docket that established the cost benefit analysis framework for the NGIA.[11] In this recommendation, the Joint Commenters included three eligibility criteria that utilities must meet for a program to be included in an NGIA plan, where utilities must:

1. Demonstrate that proposed energy efficiency and strategic electrification investments are not included in the utility's current CIP Triennial Plan, and state whether the utility does or does not intend to include any of the proposed investments in future CIP Triennial Plans;
2. For proposed energy efficiency and strategic electrification investments in measures that have been included in past CIP plans, provide historical measure level performance data since 2010; and
3. Clearly demonstrate why the proposed energy efficiency and strategic electrification investments could not reasonably be included in the utility's conservation improvement program.[12]

The first recommendation provides the initial standard, which requires the utility to demonstrate that the program is not included in the Company's ECO program. This requirement clearly articulates the intent of the NGIA Statute to avoid making duplicative NGIA investments when programs are currently run in ECO. The third recommendation forms the basis of the Department's analysis, which requires that utilities clearly demonstrate why these programs could not be administered in ECO.

The Department notes that the statutory provision created by the legislature, and the subsequent order points issued by the Commission, makes practical sense for several reasons. First, offering the same program under two different delivery mechanisms is not just duplicative, but is also administratively burdensome and potentially confusing for customers. Second, the ECO Unit has a long history of administering energy efficiency programs with established frameworks for program design, analysis, tracking, and compliance. Therefore, pilots should maximize the usage of the ECO framework to the maximum extent practicable.

Given the clear requirement for the utility to demonstrate why a program cannot be administered in ECO, the onus lies on the Company to demonstrate why its programs cannot be run in ECO. Counter to the CEOs' point that CPE has already filed its 2024 – 2026 ECO Triennial Plan, which makes adding pilots to ECO inconvenient,[13] the ECO Unit regularly updates its Triennial Plans, and adding new programs is not administratively burdensome compared to administering entire new programs via NGIA. Further, while both the CEOs and CPE claim that the use of the word "investments"[14] in the NGIA statute helps provide flexibility in the interpretation of which programs apply for ECO, the Company's explanation of why these "investments" cannot be included in ECO is inadequate.

[11] *In the Matter of Establishing Frameworks to Compare Lifecycle Greenhouse Gas Emissions Intensities of Various Resources, and to Measure Cost-Effectiveness of Individual Resources and of Overall Innovative Plans,* Docket No. G999/CI-21-566, Joint Comments (July 1, 2022) (eDocket No. **20227-187134-01**)
[12] id., at 3.
[13] CEOs Reply comments at 2 (March 15, 2024) (eDocket No. 20243-204388-01).
[14] CPE Reply Comments at 19 (March 15, 2024) (eDocket No. 20243-204399-04).

The Company was given an opportunity before submitting its reply comments to provide further justification why its proposed pilots could not be included in ECO, and largely it chooses to rely on the comments summarized in the previous subsection. As an example, the Department met internally to discuss whether the proposed justification shows the programs would be ineligible for ECO, and the conclusion of the Department was that the Company's justification is inaccurate. CPE could have had the same conversation with the Department's ECO unit, but elected not to do so. Consequently, the Department stands by the recommendations made in its initial comments on this topic.

The Department does not intend to obstruct the delivery of the proposed pilots, but rather to follow statutory requirements and Commission Orders. The Department's recommendation to deny a pilot in NGIA does not mean the Department recommends that the pilot not be pursued, but rather that the utility has not demonstrated compliance with statutory provisions.

2. GENERAL RESPONSE TO LIMITING PARTICIPATION

i. Overview of Initial Comments

In its initial comments, the Department made recommendations to limit the size of several pilots because CPE does not sufficiently identify potential participants. This uncertainty subjects the proposed budget to an unreasonable amount of uncertainty and ratepayer risk. These pilots include:

- Pilot C: Renewable Natural Gas RFP
- Pilot E: Industrial or Large Commercial Hydrogen and Carbon Capture Incentives
- Pilot F: Industrial Methane and Refrigerant Leak Reduction
- Pilot L: Industrial Electrification Incentives
- Pilot N: Residential Deep Energy Retrofits and Electric Air Source Heat Pumps
- Pilot O: Small/Medium Business GHG Audit

While the Department will address each of these pilots individually, in order to avoid duplication, the Department addresses a general statement made by CPE in its reply comments in this section.

ii. CPE Response to Department's Initial Comments

In Section III.f of CPE's reply comments, the Company provides a broad justification for why the Commission should deny the Department's recommendations.

CPE makes several claims in support of retaining the programs in its petition. CPE's main argument identifies three main disadvantages to the Department's recommendations:

1. Pilot designs may be modified in the regulatory process, causing some participants to lose interest and/or causing new participants to become interested in participating in the modified pilot;

2. Significant costs for participant marketing and outreach would be incurred before the Commission and interested parties would have an opportunity to evaluate pilot proposals and estimated costs;

3. Additional participants may become interested during the five-year plan period and be required to wait until the next NGIA plan or until a plan modification is approved to move forward with their projects. [15]

CPE makes three additional arguments in support of its request to deny the Department's recommendations. First, CPE argues that approval of a pilot does not preclude a prudency review during a cost recovery proceeding, when interested stakeholders will be given the opportunity to review costs for reasonableness. Second, CPE also states that if a pilot does not receive sufficient interest, then it will not spend money that it does not need on the pilot. Finally, the Company asserts that the ECO budget model allows the Company to adjust the budget as needed throughout the implementation of the plan, and the same flexibility should be offered in NGIA.

iii. Department Response to Reply Comments

The Department draws its conclusions from the record presented by CPE. For each of the pilots recommended for reduction in size, CPE fails to present sufficient interest in identified participation for the proposed pilots. The identification of sufficient participation is the minimum standard that CPE should be required to meet in order for a budget to be approved. A more ideal standard is that reflected in the Pilot B budget, where CPE completed significant cost estimation and scoping before requesting the project for approval. Even when this due diligence has been completed, CPE reports that Hennepin County has withdrawn Pilot A (Renewable Natural Gas RNG) Produced from Hennepin County Organic Waste) from consideration,[16] and a newly stated delay in the anticipated rollout of the CarbinX pilot already results in a reduced budget of $690,645 for Pilot H and $294,199 for Pilot O.[17] In addition, the budget for Pilot B is revised down in CPE's reply comments from a purchase of 80 percent of the RNG produced to 50 percent.[18] The Department emphasizes that all three of these pilots have defined scopes of work, and yet the initial due diligence still is not sufficient to maintain the Company's initial participation estimates, which suggests that pilots with less due diligence will suffer from even lower rates of participation.

If these projects continue to lose interest from participants, CPE will find itself with an increasing amount of funding to spend on projects with no known participants. As CPE makes clear, the Company has no intention of not pursuing the maximum allowable funding available.[19] Once pilot budgets are approved, CPE might define new projects that will be designed to pass a prudency review, but the Commission's only tool to prevent unwanted spending on these projects after the approval of each

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[15] *Id*., at 17.
[16] Id., at 28.
[17] CPE Reply Comments at 30 (March 15, 2024) (eDocket No. 20243-204399-04).
[18] *Id.*, at 29.
[19] *Id*., at 35.

pilot is to deny *future* spending for a pilot. This issue would become more pertinent if the Commission approves CPE's request for 25% budget flexibility, as unrealized budgets could then be allocated to projects preferred by the Company without Commission approval. CPE has already demonstrated in its reply comments that reduced budgets in other pilots will likely be transferred to the RNG request for proposal (RFP),[20] and this reallocation may serve as an indication of future budget reallocations. It is further in the interest of CPE to ensure that its participation estimates are accurate, as the final cost effectiveness objectives approved by the Commission will measure outcomes that will not be achievable if participation estimates are not met.

The argument that ECO offers flexibility in its programming is not equivalent to the proposed pilots. Since the NGIA Pilots are significantly different from each other, the Department evaluated each pilot on its own and explained the rationale behind its recommendation pilot by pilot. The majority of ECO offerings are for standard, approved programs, which deliver reproducible solutions with known outcomes, whereas the majority of NGIA pilots are novel to the Company and have in some cases untested outcomes, as evidenced by the Company's first hydrogen blending pilot reported outcomes to date. Some of the NGIA Pilots involve significant capital investment on behalf of the participants, which may exceed a hundred million dollars. While ECO does offer custom rebates, these programs require a review and approval by the ECO Unit before the rebates are awarded where staff go through details of the proposal, which is not being proposed as part of CPE's petition. Even standardized pilots have a significant amount of uncertainty, as argued by the Office of the Attorney General (OAG) in its initial comments in regard to Pilot F gas leak reduction estimates.[21]

Contrary to CPE's first claim that regulatory processes may affect participant interest, the potential loss of current interested parties further justifies the Department's position that additional interested parties are needed to ensure that anticipated participation estimates are met. In response to CPE's second claim that significant marking and outreach would be required to obtain the Department's requested participation interest, the potential for cost overruns on custom projects, such as in Pilot I, significantly outweighs any costs required to identify potential participants. With the exception of Pilot C, the Department has not recommended that the Company limit participation to known interested parties as implied by CPE its third claim, which says that future participants may wish to participate who have not been able to express interest in participation. Rather, the Department used interest as a proxy for future pilot viability.

B. RESPONSE TO PILOT SPECIFIC RECOMMENDATIONS

In this section, the Department provides an analysis of each recommendation made in the Department's initial comments for each pilot and for the R&D portfolio, which includes: i) an overview of the Department's initial comments, ii) how CPE responded to the Department's comments, iii) the Department's response to CPE, and iv) a summary of the Department's final positions.

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[20] *Id.*, at 30.
[21] OAG-RUD Initial Comments at 3 (January 12, 2024) (eDocket No. 20241-202155-02).

1. PILOT B – RNG PRODUCED FROM RAMSEY & WASHINGTON COUNTIES ORGANIC WASTE

i. Overview of Initial Comments

In its initial comments, the Department recommended approval of Pilot B with modifications. The Department made two recommendations:

1. Pilot B be modified such that CPE is allowed to buy up to 30 percent or up to 50 percent of the environmental attributes associated with the RNG volume proposed for this pilot. The incremental cost for Pilot B should be according to either Department Alternative 1 ($4,240,218) or 2 ($5,217,315).
2. Pilot B should be included as part of the competitive bidding process and draft Request for Proposals proposed in Pilot C.

The first recommendation is intended to both maximize ratepayer value and to provide budget flexibility for CPE to maintain its required 50 percent hydrogen, biofuel, and RNG requirement in lieu of a shortfall in the estimated participation. The second recommendation is intended to maximize the value of the procurement, ensuring price competition to maximize ratepayer value.

ii. CPE Response to Department's Initial Comments

CPE provides a discussion of Pilot B in Section V.[22]

CPE states in its reply comments that Pilot B will only procure 50 percent of the RNG produced at the Ramsey & Washington Counties' facility instead of the planned 80 percent in order to diversify the facility's contract duration. This contraction of the scope of Pilot B results in a budget reduction of $3,639,573 over the five-year budget period. CPE states that this budgeted amount, as well as the canceled Pilot A budget, will each be added to the Pilot C budget.

The Company does not respond directly to the Department's first recommendation, to limit the purchase of environmental attributes, but discusses this aspect of the proposal in its Pilot C discussion.

In response to Department's second recommendation, CPE states that competitive bidding is not required by the NGIA. The Company asserts that Pilot B was selected because it fulfills legislative objectives to divert food waste from landfills, promotes a circular economy and RNG development, generates biochar, reduces methane emissions from landfills, and is unlikely to be replicated by other potential RNG projects. These goals are used as justification for not subjecting the pilot to competitive bidding.

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[22] CPE Reply Comments at 35 – 40. Department responses are addressed on pages 37 – 40 (March 15, 2024) (eDocket No. 20243-204399-04).

The Company, in responding to the Department's concerns about a noncompetitive selection, gives two reasons why the selection is reasonable. First, the Company states that, while it anticipates that cost benchmarking at the time of contracting will be appropriate to determine cost reasonableness, the cost will also be compared to the Company's Pilot C RFP, which will add additional market cost comparison information. CPE states that it is actively engaging in soliciting an RFP to obtain proposals in advance of the Commission meeting. Second, with regard to construction risk, the Company states that customers will not be billed if the project is not completed on time, and thus the contracting structure alleviates the construction risk.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***the Department recommends that Pilot B be modified such that CPE is allowed to buy up to 30 percent or up to 50 percent of the environmental attributes associated with the RNG volume proposed for this pilot. The incremental cost for Pilot B should be according to either Department Alternative 1 ($4,240,218) or Department Alternative 2 ($5,217,315).***

The Department addresses this recommendation in the Pilot C (Section III.B.2) discussion, as this discussion pertains to both Pilots B and C. In this discussion, the Department maintains its position in this recommendation.

Finally, because CPE, in its reply comments, revises down the estimated volume for RNG purchase, the Department revises its Alternative 1 and 2 cost estimates down. The total estimates are further revised down, because the Department adds new recommendations to deny Pilot O and R, and thus revises down the portion of RNG required to be purchased from 30 percent to 25 percent for Alternative 1, and from 50 percent to 40 percent for Alternative 2. The Department modifies its recommendation as follows:

The Department recommends that Pilot B be modified such that CPE is allowed to buy up to ~~30~~25 percent or up to ~~50~~40 percent of the environmental attributes associated with the RNG volume proposed for this pilot. The incremental cost for Pilot B should be according to either Department Alternative 1 ($~~4,240,218~~1,828,882) or Department Alternative 2 ($~~5,217,315~~2,767,203)

The Department recommended in initial comments that ***Pilot B should be included as part of the competitive bidding process and draft Request for Proposals proposed in Pilot C.***

The Department understands the arguments made by CPE, and does not dispute the merits of the project. While the project still faces construction risks that could cause delays, CPE has demonstrated that potential delays should not significantly impact the price of RNG purchased, and thus construction risks should not significantly impact rates. CPE has not provided any new information in regard to the project, except for connecting the price comparison to be used to establish a fair price during contract negations to a pending RFP that will be circulated in advance of the Commission meeting.[23] While additional price comparison is helpful to establish a fair price during contract negotiations, the Department maintains that maximizing competition ensures the greatest value to ratepayers. As CPE is already planning to issue an RFP, it is not unreasonable to request that the Ramsey & Washington Counties Organic Waste facility submit a proposal as part of the broader RNG procurement process. Each RNG Project is unique as the they have different carbon intensities that lead to varying market prices. Thus, comparing the RFP Responses from Pilot C to Pilot B can only make sense if there is another similar project utilizing a similar production process that results in a similar carbon intensity. Since this is unlikely, the comparison will be misleading and unhelpful. Instead, making all RNG projects go through the same RFP creates a transparent mechanism for price discovery. The Department maintains its position in this recommendation.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 1: Summary Recommendation Table for Pilot B

Recommendation	Final Position
Pilot B be modified such that CPE is allowed to buy up to 25 percent or up to 40 percent of the environmental attributes associated with the RNG volume proposed for this pilot. The incremental cost for Pilot B should be according to either Department Alternative 1 ($1,828,882) or 2 ($2,767,203).	Modify Position
Pilot B should be included as part of the competitive bidding process and draft Request for Proposals proposed in Pilot C.	Maintain Position

2. Pilot C – RNG Request for Proposals

i. Overview of Initial Comments

In its initial comments, the Department recommended approval of Pilot C with modifications. The Department issued two requests for information:

1. The Department asks CenterPoint to discuss the potential advantages and disadvantages of developing a standard RNG contract which can be included in its RFP in its reply comments.
2. The Department requests that CenterPoint in its Reply Comments, clarify, and provide detailed explanations for the following:
   a) If the goal above is to support the qualitative benefit, for example driven by corporate sustainability goals and customer preferences, or for example large end users of natural gas maybe looking into

[23] *Id.,* at 38 – 39.

RNG as an option to reduce their GHG emissions, does M-RETS offer the ability to purchase environmental attributes without the RNG commodity?

b) In reference to the above question in subpart (a), does it have to be bundled with the RNG commodity?

c) In reference to the above questions in subparts (a) and (b), would this be considered offsets for customers in Minnesota?

d) Above the Company mentioned that M-RETS defines an RTC as a "whole RTC" and includes all environmental attributes. In its tracking, certification, and verification system, does MRETS offer anything other than a "whole RTC"?

e) Do the RTC's in M-RETS system expire? If they do expire, what is the duration or shelf life of the RTC's before expiration?

f) Above, given that CenterPoint claims that RTCs may not also be claimed by any other party, does M-RETS track, verify, and certify the RTCs by cross validating with for example, including but not limited to EMTS? California LCFS? Oregon LCFS?

g) Are the M-RETS RTCs tradeable?

h) Can the M-RETS RTCs be banked?

i) Can the M-RETS RTCs be transferred?

j) Does M-RETS submit data on the RTCs to the Department of Treasury, Internal Revenue Service? Is the data based on a calendar year basis?

k) Is M-RETS participation limited in any way, for example to the Midwest? The Lower 48 States? North America? North America and Europe?

l) Does an entity have to take title to the gas to own the environmental attributes?

m) How CenterPoint determined that "the systems" are reasonable?

In addition to these requests for information, the Department made four recommendations:

1. The Company identify three contract terms for each bidder: 5-, 10-, and 10-years in the Draft RFP.

2. The Company develop a standard of model RNG contract to be used as an evaluation tool in the RFP.

3. RNG Archetype for Wastewater and Landfill be denied without prejudice.

4. Pilot C be modified as follows:
   - Participants in the Pilot C RFP be allowed to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes) and unbundled RNG (just brown gas).
   - CPE is allowed to buy to up 30 percent or 50 percent of the environmental attributes associated with the RNG volume proposed for this pilot.
   - The incremental cost for Pilot C should be according to either Department Alternative 1 ($6,953,651) or 2 ($11,131,465).

The first recommendation is intended to allow for shorter contract lengths that could result in lower financial impacts to ratepayers. The second recommendation is to standardize the procurement process to ensure consistency in bid review so that all bids are evaluated under the same framework. The third recommendation was made because CPE did not identify any potential bidders for its Wastewater and Landfill archetypes. As demonstrated by the Department in its initial comments, and shown in Table 2 and 3 below, the final selection of feedstock can have a significant effect on both cost and carbon reduction, which affects the Company's planned cost and emissions estimates. This variation means that if these archetype goals are not met, and the Company opts to allocate funding to a different archetype, the shift will result in significantly different outcomes.

Table 2: Expected Price and Quantity of RNG From Different Feedstocks in Pilot C

Source	Expected Price/Dth	Expected Quantity/year
Wastewater Resource Recovery Facility	$21	50,000 Dth
Dairy Manure	$50	10,000 Dth
Food Waste	$24	220,000 Dth
Landfill Gas	$16	128,750 Dth

Source: Department Initial Comments Table 9

Table 3: Range of Carbon Intensity (CI) Scores for Different Feedstocks in the CA LCFS Market

Feedstock Source	Max CI (gCO2e/MJ)	Min CI (gCO2e/MJ)	CPE Assumption (gCO2e/MJ)
Dairy Manure	-445.37	-532.74	-31.10
Wastewater	52.36	7.75	12.35
Food Waste	-28.20	-79.91	-47.06
Landfill Gas	80.98	7.39	12.12

Source: Department Initial Comments Table 12

The fourth recommendation is intended to both maximize ratepayer value and to provide budget flexibility for CPE to maintain its required 50 percent hydrogen, biofuel, and RNG requirement in lieu of a shortfall in the estimated participation. Department Alternative 1 is the purchase of 30 percent of the environmental attributes, and Alternative 2 is the purchase of 50 percent of the environmental attributes.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot C in Section V.[24]

CPE provides an update to the Pilot C budget, to reflect the removal of Pilot A, the reduction in the purchase volume of Pilot B, the IRA incentives captured in Pilot D, and the reduction in estimated participation estimates for CarbinX in Pilots H and O, as described below:

> The Company has reallocated the incremental cost reductions from Pilots A, B, D, H, and O to Pilot C. In the revised NGIA portfolio modelling this increase in Pilot C funding was implemented by including larger purchases of the landfill gas and dairy manure RNG archetype projects, but as noted previously, CenterPoint Energy intends the mix of RNG feedstock sources contracted through Pilot C to depend on the results of the RFP process. The updated levels of annual RNG purchases included in Pilot C were selected so that the overall NGIA portfolio spending aligns closely with the statutory cost cap (in this case about $3,000 under the cost cap) and to ensure greater than 50 percent of Plan costs are for low-carbon fuels, as required under the NGIA statute. These changes collectively increased Pilot C's incremental costs over the five-year term of the plan by $7,902,615, relative to the costs included in the Petition.[25]

CPE provides its reallocated archetype budgets in Exhibit E. These cost estimates are summarized in Table 4 below. Pilot B is estimated to spend $6,520,485. Pilot C is estimated to spend $40,271,426. The combined total for Pilots B and C is $46,791,911, which represents 44.3 percent of the total NGIA budget.

[24] *Id.,* at 40 – 55. Department responses are addressed on pages 43 – 44 and 47 – 50.
[25] *Id.,* at 30 – 31.

Table 4: Summary of CPE Revised Pilots B and C Budgets by Archetype

RNG Archetype / Project	% of RNG Budget	Total NGIA 5-Year Budget
Food Waste: Ramsey & Washington County	13.9%	$6,520,485
Food Waste: RFP	41.8%	$19,577,493
Dairy Manure: RFP	9.5%	$4,433,472
Landfill Gas: RFP	26.1%	$12,191,759
Wastewater: RFP	8.7%	$4,068,702

Source: CPE Reply Comments – Exhibit E

In response to Department's first information request and the Department's second recommendation, CPE generally agrees with the Department's recommendations to adopt a standardized contract. CPE further clarifies:

> Other utilities have used the North American Energy Standards Board ("NAESB") standard contracting forms for bundled RNG purchase transactions, documenting the legal terms of the transaction through a Base Contract and transaction-specific details such as volume, price, delivery location, quality specifications, and regulatory requirements related to the environmental attributes in a Transaction Confirmation. Additionally, NAESB recently adopted a Renewable Natural Gas Addendum for purchases and sales of RNG. CenterPoint Energy will incorporate a standard contract with the RFP that uses or draws from the NAESB agreements and RNG addendum.[26]

In response to Department's second information request, CPE submits its response in Exhibit G of the Company's reply comments. The benefits are outlined over the course of four pages, and only the main findings are summarized in this section. In Response to the Department's questions, CPE states that MRETs does allow for the tracking purchasing, trading, and retiring of Renewable Thermal Certificates (RTC), which is the gas analog to the Renewal Energy Certificate (REC) process used in electricity.[27] The Company would be allowed to purchase or forgo purchase of RTCs with or without the brown gas component. While MRETS does track carbon reductions of RTCs, these are not considered carbon offsets, similar to how the purchase of RECs cannot be used to claim negative emissions. Further, while MRETS allows for the transfer and trading of RTCs, it does not support financial transactions, and thus these transactions must take place outside of MRETS. Finally, the Company notably did not respond to m), requesting that the Company explain how it has determined that MRETS system is reasonable.

[26] *Id.,* at 49 – 50.
[27] *Id.*, Exhibit G at 2.

In response to the Department's first recommendation, the Company agrees, with the caveat that bidders be allowed to submit bids that do not conform to strict 5-, 10-, or 15-year schedules or be forced to submit proposals for each potential contract length.

In response to Department's third recommendation, the Company provides new information for review. The Company states:

> To date, CenterPoint Energy has been in contact with **[TRADE SECRET DATA EXCISED]** producers who have existing or planned projects in Minnesota or neighboring states. Each of these producers has indicated interest in participating in a future RFP. The planned projects have estimated production start dates between 2024 and 2026. Collectively, there are **[TRADE SECRET DATA EXCISED]** identified projects that are expected to produce over **[TRADE SECRET DATA EXCISED]** per year by 2026. The feedstocks include landfill, food waste, and animal manure. Estimated carbon intensity scores from some projects are as low as**[TRADE SECRET DATA EXCISED]** (which is approximately equivalent to **[TRADE SECRET DATA EXCISED]**). A majority of this RNG would be produced in Minnesota.[28]

The Company further explains that it believes there are additional volumes available for purchase that have not been reflected in its initial review. The Company states that it had additional conversations with three RNG marketers who expressed interest in submitting bids to an RFP, and identified "several" additional producers to inform them about the RFP. The Company states that it now intends to purchase 614,000 Dth by year 3, compared to **[TRADE SECRET DATA EXCISED]** identified, with producers either located in Minnesota or who have strong ties to the state.

In addition to providing the above information, CPE provides additional information about a pending RFP:

> Additionally, through these discussions with developers, CenterPoint Energy has determined that multiple Minnesota projects are seeking to secure offtake agreements in advance of final investment decisions, which are anticipated to occur this summer. Accordingly, CenterPoint Energy believes it is advantageous to issue the Pilot C RFP in the coming months and intends to issue the RFP and potentially work through contract negotiations in that timeframe, prior to a final Commission decision. CenterPoint Energy will make it clear that any final agreement is contingent on Commission approval of Pilot C within the NGIA Plan.

[28] *Id.,* at 43.

> Based on the identified resource availability and project specifications received in RFP replies, CenterPoint Energy may issue additional RFPs within the five-year Plan period if desired portfolio criteria are not fulfilled in the first round. Additionally, the Company may choose to issue a subsequent RFPs if selected projects experience unforeseen delays, performance issues, or other circumstances laid out in contract contingencies that result in lower than expected volumes of RNG or lower than expected GHG reductions, opening opportunities for producers whose projects will have further developed since the initial RFP.[29]

In response to Department's fourth recommendation, CPE provides several reasons why the Company believes it should purchase all of the environmental attributes. First, the Company states that it believes that purchasing brown gas without environmental attributes runs counter to the goal of the NGIA to help meet the State's GHG reduction goals. Second, CPE states that purchases of gas without environmental attributes would not be allowable under Minn. Stat. § 216B.2427, subd. 2(a)(10)(i), where environmental attributes are not allowed to be claimed for any other program.

CPE replies to the Department's statement that CPE applies its handling of environmental attributes in Pilot C inconsistently with Pilot E by stating that while it will allow customers to retire environmental attributes, it will not allow the customers to resell the environmental attributes. CPE adds an exception to this rule:

> As described in Exhibit W to the Petition, the only time CenterPoint Energy may grant an exception to the prohibition on customers' reselling or transferring environmental attributes is situations where "there are sufficient controls and tracking to ensure that the environmental attributes and their benefits are retired on behalf of an entity within the state of Minnesota." These conditions ensure the environmental benefits of the pilots will not be claimed for any other program, consistent with the NGIA statute. The fact that the NGIA does not require a utility "to purchase all the output of an innovative resource that produces environmental benefits like RNG," does not mean that purchases of unbundled commodity gas without environmental attributes would meet the NGIA's purpose.[30]

Based on these statements, CPE concludes that the Department's recommendations are not reasonable, and should be denied.

iii. Department Response to Reply Comments

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[29] *Id.,* at 43 – 44.
[30] *Id.,* at 48.

The Department recommended in initial comments that ***the Company identify three contract terms for each bidder: 5-, 10-, and 15-years in the Draft RFP***.

CPE agrees to include standard contract term lengths, but adds flexibility for alternative contract lengths and does not want to force bidders to submit proposals for each contract length. These terms are acceptable to the Department, and the Department withdraws this recommendation.

The Department recommended in initial comments that ***the Company develop a standard of model RNG contract to be used as an evaluation tool in the RFP.***

CPE proposes to use the NAESB standard contract with the RNG addendum. The contract is used as a standard throughout the industry, and is an acceptable modification to CPE's proposal. This accommodation satisfies the Department's contracting expectations, and the Department withdraws this recommendation.

The Department recommended in initial comments that ***the RNG Archetype for Wastewater and Landfill be denied without prejudice.***

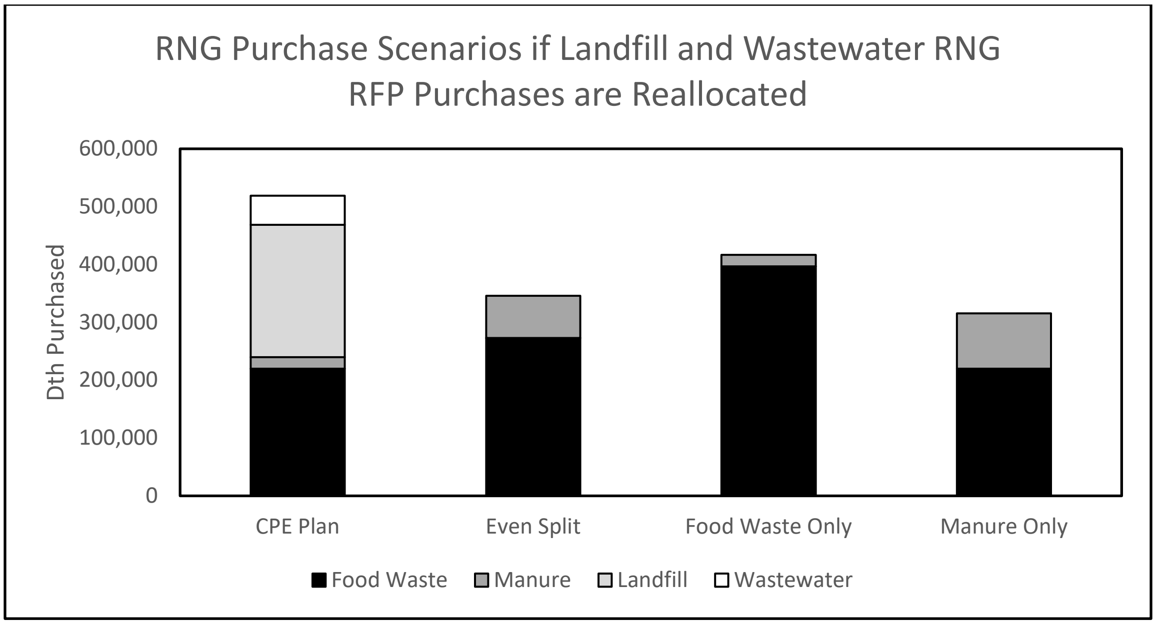
CPE relies on its general response to limiting participation, described above in Section III.A.2, as well as provide additional information, which is outlined as follows. CPE appears to have contacted additional RNG suppliers since its initial filing. CPE states that it has identified a Landfill archetype potential bidder, but did not identify a Wastewater archetype potential bidder.[31] CPE does not provide archetype-specific estimates for available RNG, but rather presents a total RNG availability, which obscures the ability of the Department to refine its estimated participation budget reduction estimates. Instead, CPE states that **[TRADE SECRET DATA EXCISED].** While CPE appears to have identified adequate overall RNG supply, the Department notes CPE is not the only potential buyer for RNG in Minnesota or neighboring states. As the experience with Pilot B indicates, project developers can be unwilling to sell all their output to CPE despite producing RNG locally. While CPE identifies the Landfill archetype in its reply comments, in response to the Department's recommendation to deny the project, it provides no additional information about the project beyond its existence, and does not identify the developer or status of the project.

The final volume of RNG purchased can vary dramatically based on the source of RNG. For example, in the RNG portfolio proposed by CPE, the Company would procure 518,750 Dth, based on the NGIA 5-year average price of each RNG source.[32] The final volume of RNG will shift if the Company is unable to procure RNG from either a Wastewater or Landfill archetype, and the Commission allows the Company to redirect its purchases to the remaining Food Waste and Manure RNG archetypes. If two archetypes are split evenly between Food Waste and Manure, the Company would purchase 345,699 Dth, which is

[31] *Id.,* at 43.
[32] This cost is based on the 5-year average incremental cost for each RNG pilot, as listed in CPE Reply Comments – Exhibit E. Purchase volumes are also listed in Exhibit E. CPE plans to purchase RNG based on the total dollar amount, and thus the RNG volume purchased will changed based on the cost.

only 67 percent of the original planned RNG volume, because the Landfill archetype is the cheapest source of RNG. If all of the RNG is allocated to Food Waste, the volume would increase to 416,583 Dth, which is 80 precent of the original planned RNG volume, because Food Waste RNG is less than half as expensive as Manure. Conversely, if all of the RNG is allocated to manure, the Company would purchase only 315,412 Dth, which is only 61 percent of the planned RNG volume. These results are summarized in Figure 1 below. The results for avoided greenhouse gas emissions are similarly volatile, as shown in Table 3.

Figure 1: RNG RFP Purchase Scenarios



Source: CPE Reply Comments – Exhibit E

CPE further seeks to avoid the Department's recommendations by issuing an RFP outside of the comment period, but before the Commission issues its final decision. This action prevents the Department and stakeholder groups from being able to review the received proposals on the record, which is not standard practice for RFP procurement.

Given the information provided, and without the ability to analyze CPE's proposals, the Department does not have enough information to change its position.

The Department recommended in initial comments that ***Pilot C be modified as follows:***

- ***Participants in the Pilot C RFP be allowed to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes) and unbundled RNG (just brown gas).***
- ***CPE is allowed to buy to up 30 percent or 50 percent of the environmental attributes associated with the RNG volume proposed for this pilot.***

- ***The incremental cost for Pilot C should be according to either Department Alternative 1 ($6,953,651) or 2 ($11,131,465).***

CPE provides a number of responses to the Department's recommendations. First, the purchase of RNG without environmental attributes is consistent with the following definition of RNG and goals of the NGIA:

- Subd. 1, (o): "Renewable natural gas" means biogas that has been processed to be interchangeable with, and that has a lower lifecycle greenhouse gas intensity than, natural gas produced from conventional geologic sources.
- Subd. 2, (b)(2): the plan promotes the use of renewable energy resources and reduces or avoids greenhouse gas emissions at a cost level consistent with subdivision 3;
- Subd. 10: It is the goal of the state of Minnesota that through the Natural Gas Innovation Act and Conservation Improvement Program, utilities reduce the overall amount of natural gas produced from conventional geologic sources delivered to customers.

As long as any fraction of environmental attributes are purchased along with brown gas, CPE can claim an emissions reduction and reduction of conventional geologic natural gas throughput. Note that the cost levels referenced in Subd. 2, (b)(2) reference cost caps, and not the cost effectiveness of RNG emissions reductions.

Second, CPE states that purchase of gas without environmental attributes would not be allowable under Minn. Stat. § 216B.2427, subd. 2(a)(10)(i). This statement runs counter to what CPE states in Department Information Request 24, where the Department requests the following information:

> Please provide a legal analysis of Minnesota Statute 216B.2427 (the NGIA statute) that identifies whether emissions credits produced by "Innovative Resources" as defined in that statute must be sold and subsequently retired in the Minnesota jurisdiction.[33]

[33] Department's Initial Comments, Attachment A.3, Department Information Request 024, (January 16, 2024) (eDocket No. 20241-202261-02) .

CPE responds as follows:

> Minn. Stat. § 216B.2427 (the NGIA Statute) does not contain any provision that requires emissions credits produced by Innovative Resources must be sold or retired in the Minnesota jurisdiction.
>
> Minn. Stat. §216B.2427, subd. 2(a)(10), requires that a utility filing an innovation plan include, as applicable, a description of third-party systems and processes the utility plans to use to (i) track the innovative resources included in the plan so that environmental benefits produced by the plan are not claimed for any other program; and (ii) verify the environmental attributes and greenhouse gas emissions intensity of innovative resources included in the plan. These requirements are addressed in Exhibits D and W of CenterPoint Energy's NGIA Plan.
>
> Subd. 1(r) of the NGIA Statute defines the "total incremental cost" of a utility innovation plan to be the costs of the plan less any "value received by the utility upon the resale of innovative resources or innovative resource byproducts, including any environmental credits included with the resale of renewable gaseous fuels or value received by the utility when innovative resources are used as vehicle fuel." This provision does not purport to require the sale of emissions credits produced by Innovative Resources but instead addresses how the value of any such sales of environmental credits, if they do occur, are accounted for in determining "total incremental cost" under the NGIA Statute.[34]

Finally, as referenced in the previous section, CPE has not only provided a legal analysis demonstrating that environmental attributes can be sold and retired outside of Minnesota, but affirms in the previous section that it may grant an exemption to sell or transfer environmental attributes, provided there are sufficient controls and tracking to ensure that environmental attributes are retired in the state of Minnesota.

By including the option to sell environmental attributes, CPE affirms that it believes that environmental attributes can be sold. This option is the subject of the Department's second information request, asking about the MRETS system, which allows for the tracking, transfer, and retirement of the environmental attributes without brown gas. While CPE does not provide an explanation as to why the Company believes the MRETS system is reasonable, the Department's additional review of the system supports the Company's use of the system based on it being the only known third party system by CPE

[34] *Id.*

to track RNG environmental attributes,[35] the current use by CPE,[36] its integration with the GREET Model, and broader market basis for the system.[37]

From a material (process) lifecycle analysis perspective, the generation, transfer, and use of brown gas contain all associated emissions benefits, and thus the purchase of brown gas accomplishes all environmental benefits attributed to RNG. For example, a facility cannot sell environmental attributes without the sale of brown gas because there would be no environmental benefits, but a facility can sell the environmental attributes separately if the gas is purchased elsewhere. While RTCs allow CPE or any other party to finance and claim ownership of the environmental attributes of RNG, from a societal perspective the environmental attributes are still achieved if RTCs are sold to outside entities. The attribution of the environmental attributes to the purchase of RTCs supports CPEs claims to reduce its own emissions by financing the larger share of RNG production. Again, zooming out of the system boundaries of CPE or the State of Minnesota results in societal environmental attribute benefits that are not locally enjoyed, but rather globally due to the impact of reduced emissions. Therefore, focusing on stimulating new RNG production via the interconnection and purchase of brown gas supports the environmental goals of the NGIA.

The main reasons behind the Department's recommendation to allow for a partial purchase of environmental attributes are to stimulate new RNG facilities to interconnect to the natural gas supply infrastructure, to maximize the customer value of RNG purchases, and to provide budget flexibility for CPE to remain compliant with the 50 percent requirement for RNG, biogas, hydrogen, or ammonia. The 30 percent purchase in Alternative 1 is consistent with all of the recommended budgetary reductions the Department makes in its initial comments, while the 50 percent requirement in Alternative 2 allows for CPE to purchase additional environmental attributes if it is unable to secure the anticipated amount of RNG while still maintaining its 50 percent required budget quota.

As CPE has not provided any new substantive information on the subject, the Department maintains its position.

Finally, because CPE, in its reply comments, revises up the estimated volume for RNG purchase, the Department revises its Alternative 1 and 2 cost estimates up. Despite this increase, the total estimates are revised down, because the Department adds new recommendations to deny Pilot O and R, and thus revises down the portion of RNG required to be purchased from 30 percent to 25 percent for Alternative 1, and from 50 percent to 40 percent for Alternative 2. The Department modifies its recommendation as follows:

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[35] *Department Information Request 54. See Attachment A.*

[36] See https://sustainability.centerpointenergy.com/centerpoint-energys-green-hydrogen-facility-is-first-ever-to-register-and-issue-certificates-on-m-rets-renewable-thermal/

[37] See https://www.mrets.org/m-rets-renewable-thermal-tracking-system/

Pilot C be modified as follows:

- ***Participants in the Pilot C RFP be allowed to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes) and unbundled RNG (just brown gas).***
- ***CPE is allowed to buy to up ~~30~~20 percent or ~~50~~40 percent of the environmental attributes associated with the RNG volume proposed for this pilot.***
- ***The incremental cost for Pilot C should be according to either Department Alternative 1 ($~~6,953,651~~6,633,036) or 2 ($~~11,131,465~~10,108,622).***

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 5: Summary Recommendation Table for Pilot C

Recommendation	**Final Position**
The Company identify three contract terms for each bidder: 5-, 10-, and 10-years in the Draft RFP	Withdraw Position
The Company develop a standard of model RNG contract to be used as an evaluation tool in the RFP.	Withdraw Position
RNG Archetype for Wastewater and Landfill be denied without prejudice	Maintain Position
Pilot C be modified as follows: • Participants in the Pilot C RFP be allowed to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes) and unbundled RNG (just brown gas). • CPE is allowed to buy to up 25 percent or 40 percent of the environmental attributes associated with the RNG volume proposed for this pilot. • The incremental cost for Pilot C should be according to either Department Alternative 1 ($6,633,036) or 2 ($10,108,622).	Modify Position

3. PILOT D – GREEN HYDROGEN BLENDING INTO NATURAL GAS DISTRIBUTION SYSTEM

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot D. The Department made two requests for information:

1. The Department recommends a thorough review of causes of the poor performance at the existing facility before moving forward with a second demonstration pilot. If the

source of the poor performance is related to the design of the facility, then the Company should work with the manufacturer to help resolve those design flaws. If the unit's poor performance is due to operational issues then CenterPoint should determine the cause of those operational failings and rectify them before being allowed to pursue additional investment in a second power-to-hydrogen facility.

2. The Department notes that since the time of this filing the U.S. Treasury Department has released draft rules on the production tax credit (PTC) for clean hydrogen ("45V") that was created under the Inflation Reduction Act (IRA). We believe that this production tax credit could be leveraged to substantially lower the cost of hydrogen production and improve the potential performance of this proposed pilot, if the pilot is designed to capture some or all of the available PTC. CPE should provide information in their reply comments regarding the ability of the pilot to capture the PTC and a revised cost estimate that incorporates the federal incentives.

In addition to these requests, the Department made one recommendation:

> Pilot D be rejected due to the poor performance of CenterPoint's existing electrolyzer and the pilot's current structure.

The first request for information and the Department's recommendation are based on the poor performance of CPE's existing hydrogen electrolyzer. The Department chose not to recommend the addition of a second electrolyzer until the Company could demonstrate that its existing electrolyzer is performing at the expected capacity factor. The second request for information is intended to maximize the benefits of the IRA, as the Department of Treasury issued additional guidance for its draft 45V hydrogen tax credit.[38]

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot D in Section V.[39]

CPE provides the following response to the Department's first information request and the Department's recommendation:

> While cognizant of the challenges associated with implementing and operating a custom installation, the Company disagrees with the assessment of "poor performance" at the existing Minneapolis hydrogen production and blending facility. The production has significantly increased

[38] See Federal Register :: Section 45V Credit for Production of Clean Hydrogen; Section 48(a)(15) Election To Treat Clean Hydrogen Production Facilities as Energy Property

[39] CPE Reply Comments at 55 – 59. Department responses are addressed on pages 56 – 58, (March 15, 2024) (eDocket No. 20243-204399-04).

> over time and while it has not yet reached its maximum potential, the Minneapolis facility has already contributed to invaluable learning and improvements to hydrogen production system design and operations including such items as water processing, drying systems, and oxygen handling. The testing, equipment procurement, repairs, software changes, and personnel training at the existing facility have helped validate the design and integration into the distribution system, which will inform the planning and design for Pilot D and streamline the process for getting the new installation online.[40]

CPE responds to the Department's second information request as follows:

> The Company agrees that the PTC could be leveraged to lower Pilot costs and has included revised cost scenarios based on available information in Exhibit F. The Company notes that at this time, only draft proposed rules have been issued and there are some remaining uncertainties regarding how projects like this Pilot may be evaluated. The Company anticipates that these uncertainties will be clarified with the final rules. The analysis in Exhibit F includes a "conservative approach" and an "optimistic approach" to the assumptions used for PTC tax credits that would reduce the cost of this Pilot in the NGIA Plan. The conservative and optimistic approaches are tied to how grid electricity may qualify for the PTC at present and in the future.
>
> The conservative hydrogen PTC approach is estimated to increase the IRA funding received from $1.5 million (based on the ITC) to approximately $2.1 million, although this PTC funding would be spread out over a 10-year period. The optimistic PTC approach is estimated to result in approximately $5.1 million in federal PTC funding for the pilot over the same 10-year period. CenterPoint Energy has assumed the conservative approach for purposes of the revised NGIA Plan presented in these Reply Comments. The revised plan also accounts for additional costs for annual GHG verifications, as required by the PTC regulations, and a slight increase in the utility's annual revenue requirement, given the higher upfront capital investment without the upfront ITC credit for the electrolyzer. The Company concludes this updated cost projection is reasonable based on current information and because the details of the regulations are still being finalized. Final guidance may allow for greater generation of PTC value and the Company will look to find the best approach to leverage

[40] *Id.,* at 56.

> federal tax incentives based on the final regulations. Proposed modifications for this pilot can be found in Exhibit A and Exhibit E.[41]

CPE provides a breakdown of IRA funding for its conservative and optimistic scenarios in Exhibit F of the Company's reply comments. An excerpt of CPE's breakdown of available funding is shown in Figure 2.

Figure 22: Excerpt of CPE's Estimated IRA 45V Tax Credit Savings for Pilot D

Investment Tax Credit (ITC)
Production Tax Credit (PTC)

Capital Cost		ITC		PTC
Solar PV Capital Investment:	$2,200,000	30%	$660,000	
Rest of Hydrogen Investment:	$2,800,000	30%	$840,000	$3 /kg

	Plan Year:	Total for All Years (undiscounted)	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028
Annual Hydrogen Production (for Pilot Size B)	Hydrogen production from on-site solar electricity (kg)	612,374			15,702	31,404	31,404
	Hydrogen from renewable grid electricity (kg)	2,449,494			62,808	125,615	125,615
	Total Hydrogen Production (kg)	**3,061,868**			**78,509**	**157,019**	**157,019**
IRA Tax Credit Options							
Original Plan - ITC for Solar and Electrolyzer	Total	**$1,500,000**	**$0**	**$0**	**$1,500,000**	**$0**	**$0**
Conservative Adjusted PTC Plan - ITC for Solar, PTC for Electrolyzer, Conservative Interpretation of Current Draft Rules	ITC for Solar	$660,000	$0	$0	$660,000	$0	$0
	PTC based on on-site solar portion	$895,008			47,106	94,211	$94,211
	PTC based on renewable grid electricity portion	$565,268			$188,423	$376,845	$0
	Total	**$2,120,275**	**$0**	**$0**	**$895,528**	**$471,057**	**$94,211**
Conservative Option is Being Used in Revised NGIA Portfolio		Note: Current draft PTC regulations require hourly matching to begin at end of 2027 may not qualify for PTC credit from 2028 onward.					
Optimistic Adjusted PTC Plan - ITC for Solar, PTC for Electrolyzer, Favorable Final Rules	ITC for Solar	$660,000	$0	$0	$660,000	$0	$0
	PTC based on on-site solar portion	$895,008			$47,106	$94,211	$94,211
	PTC based on renewable grid electricity portion	$3,580,030			$188,423	$376,845	$ 376,845
	Total	**$5,135,038**	**$0**	**$0**	**$895,528**	**$471,057**	**$471,057**

Source: CPE Reply Comments – Exhibit F

iii. Department Response to Reply Comments

The Department requested in initial comments ***a thorough review of causes of the poor performance at the existing facility before moving forward with a second demonstration pilot. If the source of the poor performance is related to the design of the facility, then the Company should work with the manufacturer to help resolve those design flaws. If the unit's poor performance is due to operational issues then CenterPoint should determine the cause of those operational failings and rectify them before being allowed to pursue additional investment in a second power-to-hydrogen facility.***
The Department also recommended in initial comments that ***Pilot D be rejected due to the poor performance of CenterPoint's existing electrolyzer and the pilot's current structure.***

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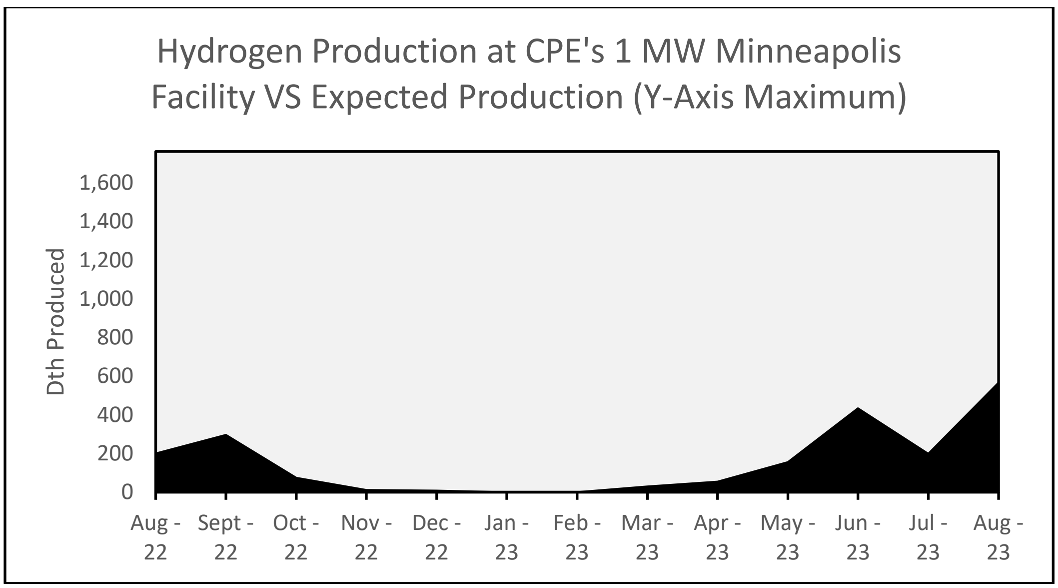
[41] *Id.*, at 57 – 58.

CPE mostly did not respond to the Department's request for an explanation of why its existing 1 MW green hydrogen facility in Minneapolis is not performing at its anticipated production of approximately 21,160 Dth/yr, as modeled similar to the Company's Pilot H production. Instead, the Company explained that production has been increasing over time and that it has had valuable learning opportunities in a number of different areas. CPE had the opportunity to update its 1 MW green hydrogen facility production numbers in support of its argument, but did not supply this information. In order to illustrate the poor performance of the Minneapolis facility, the Department presents Figure 3. The maximum expected annual average hydrogen production is 1,763 Dth / month, and the highest capacity factor the facility has reached to date is only 32 percent in August of 2023.

Figure 33: Comparison of the 1 MW Minneapolis Green Hydrogen Facility to its Expected Hydrogen Production



Source: Department Information Request 52, as included in the Department's Initial Comments.

In addition to the Department's concerns about the lack of demonstrated feasibility of the pilot, the Department also has concerns about the high relative cost of $66/Dth of the pilot compared to other pilots. As the Company has not sufficiently explained the poor performance of its existing Minneapolis facility, which creates risks for even higher costs of hydrogen, the Department maintains its position. In addition, an increase in the percentage of solar energy supplied to obtain higher tax credits has the potential to result in higher costs if the levelized cost of energy is higher than the planned grid purchased electricity.

The Department requested a discussion in initial comments, stating that ***the Department notes that since the time of this filing the U.S. Treasury Department has released draft rules on the production tax credit (PTC) for clean hydrogen ("45V") that was created under the Inflation Reduction Act (IRA). We believe that this production tax credit could be leveraged to substantially lower the cost of hydrogen production and improve the potential performance of this proposed pilot, if the pilot is***

designed to capture some or all of the available PTC. CPE should provide information in their reply comments regarding the ability of the pilot to capture the PTC and a revised cost estimate that incorporates the federal incentives.

Should the Commission decide not to accept the Department's recommendation, CPE provides an updated cost estimate that includes the availability of additional IRA 45V tax credits. Given that the rules have not been finalized, the Department finds CPE's conservative approach to be reasonable for budgetary purposes, but notes that in order to receive the full tax credit, CPE must demonstrate that its green power supply is sourced from additional (new) zero carbon electricity and will have a future hourly matching requirement.[42] Simply purchasing power from an existing green tariff will not be sufficient to obtain the full tax credit.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 6: Summary Recommendation Table for Pilot D

Recommendation	Final Position
Pilot D be rejected due to the poor performance of CenterPoint's existing electrolyzer and the pilot's current structure.	Maintain Position

4. PILOT E – INDUSTRIAL OR LARGE COMMERCIAL HYDROGEN AND CARBON CAPTURE INCENTIVES

i. Overview of Initial Comments

In its initial comments, the Department recommended acceptance of Pilot E with modifications. The Department made two recommendations:

1. The component of Pilot E that is related to a power-to-hydrogen project for an industrial or large commercial customer be approved with the budget set for one customer.
2. Pilot E's Carbon Capture component be modified such that:
   - the proposed scoping study that will be completed in year 1 of the Plan be classified as R&D spending;
   - any budgeted amounts beyond the cost of that study be removed from the NGIA budget until the Company has provided additional information on applicable cost-effectiveness of the technology; and
   - the Company has identified one or more customers interested in participating in the carbon capture component of Pilot E.

[42] See https://www.law.georgetown.edu/environmental-law-review/blog/making-sense-of-the-inflation-reduction-acts-low-carbon-hydrogen-credit/

The Department's first recommendation is not contested, and is therefore not discussed further. The Department's second recommendation was made because CPE **[TRADE SECRET DATA EXCISED]**.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot E in Section V.[43]

In response to the Department's second recommendation, CPE provides several reasons why the Commission should reject the Department's recommendation. First, the company cites its general response to limiting participation (See above, Section III.A.2). The Company clarifies that it is requesting flexibility to select multiple customers for both aspects of the pilot, rather than selecting only a single customer as the Department recommended. The Company also explains that it is aware of several large customers who have aggressive GHG reduction goals and high-temperature processes that are well suited to pilot a carbon capture project. The Company states that it will begin reaching out to these customers this summer to gauge their interest in participation in advance of conducting the Company's scoping study.

In response to the Department's sub-recommendation to move the scoping study into an R&D expense, the Company states that Pilot E is anticipated to achieve the fourth-highest GHG reduction amongst all of the pilots. The Company states that the scoping study does not meet the Company's R&D criteria defined in its petition. The Company's R&D criteria as defined as follows:

- The pilot is a research project or study that is relatively small in scale compared to other pilots being considered;
- The lifecycle GHG benefits of the pilot are uncertain, difficult to quantify, or likely to be nominal (although learnings from the pilot may lead to significant future reductions).[44]

The Company further states that it considers the scoping study to be an integral part of the entire pilot, and should not be separated, and therefore rejects the Department's recommendation.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***the component of Pilot E that is related to a power-to-hydrogen project for an industrial or large commercial customer be approved with the budget set for one customer.***

CPE requests flexibility to select multiple participants, rather than just one participant to reach Pilot E's quotas. As the Department recommended limiting pilots because of a lack of participation, the

[43] CPE Reply Comments at 59 – 61. Department responses are addressed on page 60, (March 15, 2024) (eDocket No. 20243-204399-04).
[44] CPE Petition at 15 (June 28, 2023) (eDocket No. 20236-196995-01).

Department accepts CPE's request for flexibility, provided that any deviation from a single customer keeps the budget unchanged and provides the same level of benefits totaled amongst all participants.

The Department modifies its recommendation:

The component of Pilot E that is related to a power-to-hydrogen project for an industrial or large commercial customer be approved with the budget set ***to meet the full anticipated participation of the pilot*** *~~for one customer~~.*

The Department recommended in initial comments that ***Pilot E's Carbon Capture component be modified such that:***

- ***the proposed scoping study that will be completed in year 1 of the Plan be classified as R&D spending;***
- ***any budgeted amounts beyond the cost of that study be removed from the NGIA budget until the Company has provided additional information on applicable cost-effectiveness of the technology; and***
- ***the Company has identified one or more customers interested in participating in the carbon capture component of Pilot E.***

The Department responds to CPE's general statement on limiting participation above in Section III.A.2.

CPE did not identify **[TRADE SECRET DATA EXCISED]** in its reply comments. While CPE argues that the scoping study does not fit into its R&D criteria, the Department notes that these criteria were defined internally, and are not defined by NGIA statute. Therefore, the existence of the criteria would not prevent the Company from transitioning the carbon capture portion of the pilot to the R&D budget. While CPE does provide additional information on potential project participation, the Company fails to provide the expected level of information needed for the Department to establish basic feasibility based on identified interested parties. Therefore, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 7: Summary Recommendation Table for Pilot E

Recommendation	Final Position
The component of Pilot E that is related to a power-to-hydrogen project for an industrial or large commercial customer be approved with the budget set to meet the full anticipated participation of the pilot.	Modify Position
Pilot E's Carbon Capture component be modified such that: • the proposed scoping study that will be completed in year 1 of the Plan be classified as R&D spending; • any budgeted amounts beyond the cost of that study be removed from the NGIA budget until the Company has provided additional information on applicable cost-effectiveness of the technology; and • the Company has identified one or more customers interested in participating in the carbon capture component of Pilot E.	Maintain Position

5. PILOT F - INDUSTRIAL METHANE AND REFRIGERANT LEAK REDUCTION

i. Overview of Initial Comments

In its initial comments, the Department recommended acceptance of Pilot F with modifications. The Department made one recommendation:

> Pilot F be modified and its budget reduced to what would be required for supporting 10 participants in each year for the first two years of the NGIA plan.

The Department's recommendation is based on CPE's identification of only one potential participant, and thus the Department recommended a lower participation number based on the identified interest.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot F in Section V.[45]

CPE responds to the Department by citing the general response to limiting participation, as described above in Section III.A.2. In addition to this statement, the Company states that the Company plans to

[45] CPE Reply Comments at 61 – 63. Department responses are addressed on page 62, (March 15, 2024) (eDocket No. 20243-204399-04).

engage in targeting marketing and outreach, and based on its experience implementing customer programs, the Company believes it can reach its full participation estimate.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot F be modified and its budget reduced to what would be required for supporting 10 participants in each year for the first two years of the NGIA plan.***

The Department responds to CPE's general response to limiting participation above in Section III.A.2. The Company has not provided additional substantive discussion about how it can meet its participation goal with only one participant identified to date. Therefore, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 8: Summary Recommendation Table for Pilot F

Recommendation	Final Position
Pilot F be modified and its budget reduced to what would be required for supporting 10 participants in each year for the first two years of the NGIA plan.	Maintain Position

6. PILOT G - URBAN TREE CARBON OFFSETS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot G. The Department made one recommendation:

> Pilot G not be approved. The Commission should ask CPE to modify this pilot to ensure the spending through this pilot ensures additional trees are planted such that the GHG emission reductions are additional.

The Department's recommendation is based on the fact that the trees were already planted, and do not represent newly initiated carbon sequestration, but rather the financing thereof.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot G in Section V.[46]

CPE responds to the Department's primary recommendation by providing additional information on how the Green Cities Accord generates its City Forest Carbon+ Credits, where the program issues carbon credits as carbon is sequestered by the trees, and not up front when the trees are planted. The Company states that additionality is built into the credits because new trees were planted to sequester carbon, which were not otherwise planned for.

The Company also responds to the Department's suggestion to ensure that trees are planted in areas to rectify historical inequities. The Company responds that the Green Cities Accord targets areas with limited tree coverage that are associated with high levels of poverty.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot G not be approved. The Commission should ask CPE to modify this pilot to ensure the spending through this pilot ensures additional trees are planted such that the GHG emission reductions are additional.***

While CPE responds to the Department's critique that the credits are not additional, and would not result in new carbon sequestration, the Company does not directly address the latter argument. Instead, the Company states that additionality is built into the carbon credits. This statement is technically true, as carbon markets rely on that additionality to sell credits and claim environmental benefits. There is new carbon sequestration happening right now, and if the sequestration is financed through the purchase of carbon credits, then CPE can claim the carbon reduction benefit. However, the pilot is relying on a technicality to make its claim. No new trees are being planted through this pilot and trees once planted grow on their own. If the Green Cities Accord went bankrupt and the program was discontinued, presumably the majority of carbon sequestration, minus maintenance to avoid premature death, would happen anyway. Financing the project will therefore not result in new emissions reductions. Planting new trees that would not have otherwise been planted will result in tangible new emissions reductions that could reasonably be claimed by CPE to reduce its emissions and affect the global carbon budget. As CPE did not address the crux of the Department's central claim, the Department maintains its position.

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[46] *Id.,* at 63 – 66. Department responses are addressed on pages 64 - 66.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 9: Summary Recommendation Table for Pilot G

Recommendation	Final Position
Pilot G not be approved. The Commission should ask CPE to modify this pilot to ensure the spending through this pilot ensures additional trees are planted such that the GHG emission reductions are additional.	Maintain Position

7. PILOT H - CARBON CAPTURE REBATES FOR COMMERCIAL BUILDINGS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot H. The Department made one recommendation:

> Pilot H as currently structured not be approved.

The Department arrives at this recommendation because CPE does not demonstrate why the program cannot be administered in ECO, as it is currently included in the ECO R&D program. Further, the Department argued in initial comments that if the Commission decides to accept the proposal, then it should be included in the Company's R&D portfolio instead of in its pilot portfolio.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot H in Section V.[47]

CPE provides an update to the expected participation numbers for Pilot H, citing a longer than anticipated process due to market barriers, including permitting delays. The pilot's budget is revised down by $690,645 to reflect its lower participation rate, and the budget surplus is allocated to Pilot C.

The Company responds to the Department's recommendation first by citing its general response to ECO vs NGIA, as described in Section III.A.1. The Company provides further explanation, stating that CarbinX is requested in NGIA because ECO does not account for emissions reductions, and a substantial portion of the project benefits are due to carbon sequestration instead of energy efficiency. The Company states that it has not claimed carbon capture benefits in its ECO program. The Company states that the Department did not respond to the Company's claim that ECO does not include carbon sequestration benefits.

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[47] *Id.* at 66 – 68. Department responses are addressed on pages 67 - 68.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot H as currently structured not be approved.***

The Department responds to CPE's general response to ECO vs NGIA above in Section III.A.1.

CPE emphasizes its original claim that carbon sequestration benefits are not included in ECO, rather than address the Department's underlying point. While the Department focused on the lack of statutory compliance of CPE's pilot in initial comments, in this section the Department provides a response to CPE's claim about not counting carbon sequestration. Based on an extensive stakeholder involvement process, including the Cost-Effectiveness Advisory Committee recommendations, the Department adopted its changes to the Minnesota cost-effectiveness policies on March 31, 2023.[48] This change resulted in the adoption of the Minnesota Test as the primary tool to evaluate cost effectiveness in ECO. Specifically, natural gas utilities are now required to use the 2024 – 2026 BENCOST inputs, as outlined in Appendix L of the Department's Order filing.[49] In Appendix L, the document outlines an Environmental Damage Factor, as described below:

> **Input 9: The Gas Environmental Damage Factor ($3.83/Dth in 2023 and escalated through 2043)**: The long-term "external" cost to society and the environment from burning natural gas.
>
> The factor includes damage factors associated with both criteria air emissions and greenhouse gases (GHGs). The value for the criteria emissions component is calculated using the high range of the final metropolitan fringe environmental cost values approved by the Minnesota Public Utilities Commission (Commission) for sulfur dioxide (SO_2), fine particulate matter ($PM_{2.5}$), carbon monoxide (CO), nitrogen oxides (NO_x), and lead (Pb), along with estimated natural gas emission factor (or factors) for each pollutant provided by the U.S. Environmental Protection Agency. For the carbon dioxide (CO_2) GHG, Staff used as the starting point the high externality value of $45.16/ton in 2023 from the Commission's January 3, 2018 Order Updating Environmental Cost Values.[50]

The ECO program does consider the benefits of avoided carbon emissions as part of the Societal and Minnesota Tests. GHG emission reduction benefits are one of the key benefits of the ECO program and CPE's statement that "ECO does not account for emissions reductions" is wrong and misleading. While the framework does not address carbon sequestration explicitly, there is a framework in place to value

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[48] See https://mendotagroup.com/mn-cost-effectiveness-ac/
[49] *In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor Owned Utilities*, Docket No. E,G999/CIP-23-46 (March 31, 2023). (EDocket #: 20233-194403-01)
[50] *Id.*

carbon. In the Department's initial comments, the Department included several information requests asking about Minnesota Test results for different pilots, although the Department did not request Minnesota Test information about this pilot specifically.

CPE does not provide any additional information explaining why Pilot H cannot be administered in ECO. The argument about carbon sequestration does not explain why the program cannot be administered in ECO. Despite this claim, the program is currently administered in ECO, and as the Department explained in its initial comments, CPE has over $16 million remaining in its ECO R&D budget to continue to administer the program.[51] CPE has not presented a compelling reason why Pilot H cannot be administered in ECO, and thus the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 10: Summary Recommendation Table for Pilot H

Recommendation	Final Position
Pilot H as currently structured not be approved.	Maintain Position

8. PILOT I - NEW NETWORKED GEOTHERMAL SYSTEMS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot I, and a refiling with modifications. The Department made one recommendation:

> Pilot I not be approved. CPE file a modified version of Pilot I that funds a feasibility study for a networked geothermal system for new construction on a greenfield or brownfield site.

The Department recommended that Pilot I not be approved because of the lack of due diligence in site analysis and budget preparation completed by CPE before the filing of its petition.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot I in Section V.[52]

CPE provides an indirect response to the Department's recommendation. The Company states:

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[51] Department Initial Comments at 47 – 48 (January 17, 2024) (eDocket No. 20241-202261-02).
[52] CPE Reply Comments at 68 – 70. Department responses are addressed on pages 69 – 70, (March 15, 2024) (eDocket No. 20243-204399-04).

> The Company first clarifies that the Pilot as proposed by the Company begins with a detailed feasibility study and site selection, which will be filed with the Commission in an annual status report to provide updated information on expected costs and GHG reductions. Stakeholders will have opportunities, through Commission processes, to provide feedback on the more detailed planning for the new networked geothermal system and the Commission will have the ability to adjust budgets for the Pilot through the annual status report process. The Company thanks the Department for its suggestions on the content of that feasibility study and will incorporate its recommendations into this first stage of work.[53]

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot I not be approved.*** Additionally, the Department recommended that ***CPE file a modified version of Pilot I that funds a feasibility study for a networked geothermal system for new construction on a greenfield or brownfield site.***

Both CPE and the CEOs[54] recommend that the Commission allow the Company to seek budget approval in the annual reporting process. While the Department does not dispute the authority of the Commission to withhold a portion of the project's budget, there remains a substantial amount of work that needs to be completed in order to develop a shovel-ready project. The lack of site specification or any technical information means that the budget could swing dramatically based on findings from any particular site. The uncertainty surrounding the proposed project could additionally result in over- or under-estimated benefits and cost effectiveness objectives based on the final specifications of the site.

While the Department understands the enthusiasm expressed by other parties for this project, the Department cannot condone the risk to ratepayers from such indeterminate costs. The level of information provided by CPE is insufficient to determine the reasonableness of the project for all of the reasons cited in the Department's initial comments.[55] Conditional approval of budgets is typically reserved for situations in which future costs have a higher level of certainty with more off-the-shelf type solutions, whereas the highly custom nature of the proposed pilot eliminates such predictability.

The CEOs additionally state that environmental review should not be a part of the feasibility study.[56] The Department maintains its recommendation to include environmental review, as the highly site-specific nature of the final project could suffer from delays or cancellations if environmental constraints are found during the review process. The Department does not oppose conducting these studies after the technical and economic feasibility has been demonstrated, as the CEOs suggest. As

[53] *Id.,* at 69 – 70.
[54] CEOs Reply Comments at 5 – 6 (March 15, 2024) (eDocket No. 20243-204388-01).
[55] Department Initial Comments at 50 – 52, (March 15, 2024) (eDocket No. 20243-204399-04).
[56] CEOs Reply Comments at 6, (March 15, 2024) (eDocket No. 20243-204388-01).

stated by the Company in its reply comments outlined in the previous section, the Company adopts the Department's recommendations for the feasibility study.

The CEOs also request that the project not be limited to new construction.[57] The Department maintains its recommendation, because new construction projects are subject to fewer risks, including homeowner site access, building retrofits and technical/routing feasibility. The application of a networked geothermal system in existing construction is better applied once CPE can demonstrate the viability of a less complicated system.

Finally, denial of the project in NGIA does not mean that the project would not have any other avenues for funding. CPE has multiple venues to request funding, such as a rate case or a special filing for the system. Should the feasibility study result in a feasible and economically beneficial project, any party could recommend the project be pursued in a different cost recovery proceeding once all feasibility information is well studied and defined.

For the reasons outlined above, the Department maintains its position on Pilot I.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 11: Summary Recommendation Table for Pilot I

Recommendation	Final Position
Pilot I not be approved. CPE should file a modified version of Pilot I that funds a feasibility study for a networked geothermal system for new construction on a greenfield or brownfield site.	Maintain Position

9. PILOT J - DECARBONIZING EXISTING DISTRICT ENERGY SYSTEMS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot J. The Department made one recommendation:

> Pilot J not be approved as it is currently structured.

The Department recommended rejection of Pilot J because the pilot does not meet the statutory definition of district energy. While the Company states that the pilot could meet the definition of energy efficiency or strategic electrification, the Company does not demonstrate why these programs

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[57] *Id.*

could not be administered in ECO, or how the proposed solutions meet the definitions of innovative resources.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot J in Section V.[58]

CPE responds to the Department's recommendation as follows:

> CenterPoint Energy does not disagree with the Department that projects implemented within this Pilot may not meet the NGIA's definition of district energy. The Company specifically acknowledged and addressed this in its Petition, explaining that, depending on the specific projects implemented within this Pilot, the projects and associated costs may be classified as another innovative resource rather than district energy under the NGIA. However, all projects implemented within this Pilot need not meet the definition of district energy in order to qualify as innovative resources under the NGIA and be approved by the Commission. The fact that projects under the Pilot may meet the definition of strategic electrification, energy efficiency, or another innovative resource does not provide a justification to exclude this Pilot from the approved plan. As noted by CEOs, "Pilot J is essentially an energy efficiency and strategic electrification pilot since it is decarbonizing existing district energy systems that currently use natural gas." The Company proposed this Pilot partially as an energy efficiency and strategic electrification Pilot, including by discussing coordination with CIP/ECO in the Petition, Exhibit I, but in fact, projects undertaken pursuant to Pilot J could include any of the innovative resources under the NGIA. The fact that projects within the Pilot may not qualify as district energy does not justify exclusion from the approved Plan.[59]

CPE also describes the Hennepin County Energy Center decarbonization study. The Company criticizes the Department for recommending that budgets get cut for not having identified sufficient participation while recommending denial of the decarbonization study.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot J not be approved as it is currently structured.***

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[58] CPE Reply Comments at 70 – 73. Department responses are addressed on pages 71 – 72, (March 15, 2024) (eDocket No. 20243-204399-04).
[59] *Id.,* at 71 – 72.

While CPE does not cite its general response to ECO vs NGIA, the Company implicitly relies on this argument to justify the inclusion of Pilot J in the NGIA. Therefore, the Department refers to its response outlined above in Section III.A.1. As proposed, the existing systems do not meet the statutory definition of district energy and may not meet the definition upon completion. Therefore, the proposed pilot should be requested under either strategic electrification or energy efficiency. Given the change in scope, CPE then has a responsibility to demonstrate why these programs cannot be administered in ECO, and how the proposed project meets the definition of innovative resources.

The Department disputes CPE's claim that the Department applies its recommendations to limit participation unevenly because the Company assumes the Department faults the Company for pre-identifying a participant. Rather, the Department bases its recommendations to limit participation in other pilots on statutory requirements, which do not involve any argument about participation. CPE does not provide any additional information to justify why the proposed pilot cannot be included in ECO, and thus the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 12: Summary Recommendation Table for Pilot J

Recommendation	**Final Position**
Pilot J not be approved as it is currently structured.	Maintain Position

10. PILOT K - NEW DISTRICT ENERGY SYSTEM

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot K. The Department made one recommendation:

> Pilot K not be approved as it is currently structured.

The Department recommended rejection of Pilot K because it is not clear if any of the candidates would meet the statutory definition of district energy. While the Company states that the pilot could meet the definition of energy efficiency or strategic electrification, the Company does not demonstrate why these programs could not be administered in ECO, or how the proposed solutions meet the definitions of innovative resources.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot K in Section V.[60]

CPE responds to the Department's recommendation as follows:

> CenterPoint Energy clarifies that its expectation is that most potential participants in Pilot K would satisfy the statutory definition for district energy. However, CenterPoint Energy is aware of one potential project that would not meet the definition because the project involves one large building rather than multiple buildings. The Company does not believe the legislature intended to exclude such projects from participating in NGIA pilots and, in fact, there is a simple way to include it because the type of system the project envisions is a type of "strategic electrification" as defined by NGIA. Accordingly, the Company has proposed this Pilot to include both district energy and strategic electrification projects and included information on CIP/ECO coordination in Exhibit I of the Petition.
>
> With respect to their recommendation that all feasibility studies be required to include a full electrification/decarbonization scenario, CenterPoint Energy interprets this recommendation to be a requirement that the feasibility study consider the possibility that the entire heating and cooling load of the building or buildings be fully decarbonized as opposed to decarbonizing only part of the heating/cooling load. The Company is hesitant to make this a requirement as the feasibility studies will be conducted by the customer in consultation with a vendor they will select. If a full electrification/decarbonization scenario is not of interest to the customer, the Company would prefer not to force them to include such a scenario. [61]

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot K not be approved as it is currently structured.***

While CPE does not cite its general response to ECO vs NGIA, the Company implicitly relies on this argument to justify the inclusion of Pilot J in the NGIA. Therefore, the Department refers to its response outlined above in Section III.A.1. As proposed, the existing systems may not meet the statutory definition of district energy and may not meet the definition upon completion. This problem

[60] *Id.,* at 73 – 74. Department responses are addressed on pages 73 – 74.
[61] *Id.,* at 73 – 74.

is exemplified in the second paragraph of CPE's response to the Department's recommendation, where the Company does not wish to require full decarbonization for the customer to participate. Therefore, at minimum, all of the proposed projects that do not meet the statutory definition of district energy should be requested under strategic electrification or energy efficiency. Given the change in scope, CPE then has a responsibility to demonstrate why these programs cannot be administered in ECO, and how the proposed project meets the definition of innovative resources.

Given that CPE has not demonstrated how the projects meet the definition of innovative resources, and why the programs cannot be administered in ECO, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 13: Summary Recommendation Table for Pilot K

Recommendation	Final Position
Pilot K not be approved as it is currently structured.	Maintain Position

11. PILOT L - INDUSTRIAL ELECTRIFICATION INCENTIVES

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot L. The Department made one recommendation:

Pilot L not be approved.

The Department made its recommendation for reasons. First, the Company has not identified a sufficient number of potential customers to demonstrate sufficient willingness of participants. Second, the Department states that the program appears to be better suited for ECO, where the Company offers rebates for electrification. Third, the Department states that the ECO R&D budget, with over $16 million available, has sufficient funding to test new and innovative solutions.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot L in Section V.[62]

The Company refers to its general response to ECO vs NGIA, as outlined above in Section III.A.1. In addition to this response, the Company notes that the Department did not address industrial strategic electrification in its ECO Triennial Plan, but states that custom incentives are available in ECO if the

[62] *Id*., at 74 – 76. Department responses are addressed on pages 75 – 76.

projects meet cost effectiveness criteria. The Company asserts that less developed and more uncertain projects with limited commercial availability are a better fit for NGIA instead of ECO.

The Company also refers to its general response to limiting participation, as outlined above in Section III.A.2. In addition, the Company states:

> Specific to Pilot L, the Company notes that the first step in this Pilot is a study phase, which would include a customer identification component. This was included because the Company believes that finding the appropriate customers requires a level of effort and technical expertise that was not appropriate for the scope of the general innovation plan development work. Customer outreach to recruit specific customers will be more effective if informed by the output of the study phase. The total participation for this Pilot is estimated at just three customers, and based on general conversations with customers and knowledge of many customers' interest in decarbonization, the Company is optimistic that the study's customer identification process and subsequent targeted outreach will result in full participation for this Pilot.[63]

Finally, in response to the Department's recommendation that CPE fund less than the full cost of the measures in order to take advantage of IRA incentives, the Company states that the nascency of the technology creates complications for customers and expresses uncertainty as to whether the projects would be eligible for IRA incentives.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot L not be approved.***

In its reply comments supporting Pilot L, CPE primarily relies on its general responses to ECO vs NGIA and to limiting participation, which are outlined with Department responses above in Section III.A.1 and Section III.A.2, respectively. While the Company provides potential reasons why the programs cannot be administered in ECO, such as the nascency and uncertainty of the measures, the Company does not respond to the Department's statement that the ECO R&D program could instead fund these riskier measures. The Company instead affirms that it does currently offer custom incentives in its ECO program if they meet cost effectiveness criteria, and these custom incentives could be potentially applied to Pilot L. The Company does not affirm if any of the projects to be included in NGIA would be referred to NGIA only if the project does not meet the cost effectiveness criteria. The Company does not explain why the proposed programs cannot be administered in ECO.

[63] *Id*., at 75 – 76.

In addition, the Company expresses confidence that there are enough industrial customers with interest to participate in the pilot. The Company states that it does not think that it is currently appropriate to identify suitable customers before the completion of the study phase. The Company still does not identify any potential participants for this project in its reply comments. The Department contends that industrial facilities have unique processes and operating requirements, which cannot be delivered off-the-shelf to an already limited pool of potential industrial customers. Therefore, the Company should at least demonstrate interest from potential customers.

As CPE has not added new information to address the Department's recommendations, the Department maintains its position.

Should the Commission reject the Department's recommendation, the Department emphasizes that the request of customer cost share to obtain IRA incentives is not unreasonable, and will maximize ratepayer benefits.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 14: Summary Recommendation Table for Pilot L

Recommendation	Final Position
Pilot L not be approved.	Maintain Position

12. PILOT M - COMMERCIAL HYBRID HEATING

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot M. The Department made one recommendation:

> Pilot M Not be Approved.

The Department made its recommendation because CPE does not clearly demonstrate why the Company cannot reasonably administer its program in ECO. While the Company states that the program does not meet the Minnesota Test for cost effectiveness, the Department does not receive an explanation of why other utilities are able to run similar programs in ECO, as well as justify why a vendor that works in other programs is able to cost effectively administer the programs.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot M in Section V.[64]

The Company cites its general response to ECO vs NGIA, as outlined in Section III.A.1. In addition to this response, the Company states that while other utilities can cost effectively administer similar programs, the current program differs in its higher level of customer support offered to participants. CPE states that the customer support elements are valuable to encourage adoption of the proposed measures.

The Company also addresses the Department's contact of an RFI respondent. The Company states that the RFI respondent does not speak for the Company and that the Company's proposal is not copied from the RFI respondent.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot M Not be Approved.***

CPE cites its general response to ECO vs NGIA, and therefore, the Department refers to its response outlined above in Section III.A.1. While the Company provides additional information that the level of effort CPE proposes to conduct its pilot is higher than programs offered by other utilities, the Company does not provide additional information to explain why the program cannot be administered in ECO. Therefore, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 15: Summary Recommendation Table for Pilot M

Recommendation	Final Position
Pilot M not be approved.	Maintain Position

13. PILOT N - RESIDENTIAL DEEP ENERGY RETROFITS AND ELECTRIC AIR SOURCE HEAT PUMPS

i. Overview of Initial Comments

In its initial comments, the Department recommended approval of Pilot N with modifications. The Department made one recommendation:

Id., at 76 – 77. Department responses are addressed on page 77.

Pilot N be approved but modified by scaling its budget to $4,885,520.

The Department made its recommendation because CPE's budget does not conform to the budget proposed by the Company's RFI respondents. The Company identifies more than double the participants identified in its RFIs, but does not provide further justification for the proposed numbers. In addition, the Department stated that similar offerings are included in the Company's ECO plan and higher participation numbers than the limit set by the Department could be met instead in ECO.

ii. CPE Response to the Department's Initial Comments

The Company responds to the Department's recommendation by citing its general response to limiting participation, as outlined above in Section III.A.2. The Company further adds that its research and field-testing components will provide further insight on which customers to target as well as which measures to include.

The Company provides additional justification for why its proposed budget is higher than the RFI responses. The Company states that it intends to include multifamily buildings that were not included in the RFI responses. The Company also states that RFI responses were only a starting point for its pilot design, and gathered additional information from other parties to develop its cost and participation estimates.

iii. Department Response to Reply Comments

CPE provides a discussion of Pilot N in Section V.[65]

The Department recommended in initial comments that ***Pilot N be approved but modified by scaling its budget to $4,885,520.***

CPE cites its general response to limiting participation, and therefore, the Department refers to its response outlined above in Section III.A.2. CPE provides additional information to the discussion. As discussed in the Department's Initial Comments, the Department requests information about the Company's RFI respondents for Pilot N in Information Request 23.[66] While the information request estimates savings for multifamily buildings, the request does not outline any specific information about a multifamily program other than broad participation levels and estimated funding for the program. The response provided by CPE does not provide additional information about its multifamily program, but rather clarifies its existence, and states that additional budget estimates were developed based on information not included in CPE's petition. CPE still does not demonstrate any information demonstrating identified programs that establish a multifamily program. With the considerable

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[65] Id., at 77 – 79. Department responses are addressed on pages 78 – 79.
[66] Department Initial Comments at 59, (January 17, 2024) (eDocket No. 20241-202261-02).

ambiguity surrounding CPE's participation estimates, as well as the ability for CPE to increase participation levels at a later time in ECO, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 16: Summary Recommendation Table for Pilot N

Recommendation	Final Position
Pilot N be approved but modified by scaling its budget to $4,885,520.	Maintain Position

14. PILOT O – SMALL/MEDIUM BUSINESS GHG AUDIT

i. Overview of Initial Comments

In its initial comments, the Department recommended approval of Pilot O with modifications. The Department made one request for information:

> The Department requests CPE to provide the relevant cost estimate in its reply comments for this pilot based on 200 participants per year for the next 5 years.

The Department also made one recommendation:

> Pilot O be modified by scaling it down to conduct 200 audits per year during the first innovation plan. CPE should provide relevant cost estimates in its reply comments.

Both the request for information and the Department's recommendation are made to conform the Pilot O participation levels to historical participation levels from ECO in the proposed program. The Department identified that since 2010, the Company averaged 116 audits per year, while more recent participation levels are 17 percent lower than proposed.[67]

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot O in Section V.[68]

CPE provides an update to the expected participation numbers for Pilot O, citing a longer than anticipated process due to market barriers, including permitting delays. The pilot's budget is revised down by $294,199 to reflect its lower participation rate, and the budget surplus is allocated to Pilot C.

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[67] *Id.,* at 62.
[68] CPE Reply Comments at 79 – 81. Department responses are addressed on pages 80 – 81, (March 15, 2024) (eDocket No. 20243-204399-04).

CPE points out that a request for information made in Pilot R was instead intended for Pilot O. The Company states:

> The Department also made a comment regarding Pilot R, which the Company believes may have been intended to be applied to Pilot O stating that "The Department will defer on making any recommendations on this pilot until it has an opportunity to review the Company's reply comments. Given the Department's recommendations for Pilots H, L, and M, it is not clear there are any remaining proposed NGIA pilots that can be recommended to the auditee."[69]

The Company then addresses the request for information with respect to Pilot O:

> With respect to suggestions and concerns from parties, first, the Company agrees with the Department that Commission approval of Pilot O may not provide much value if the Commission adopts the Department's recommendations to deny Pilots H and M. Pilot O is intended to promote NGIA measures that may be of interest to small to mid-sized commercial customers through the CIP/ECO NGEA project which provides audits and recommendations to those customers. The Department has recommended denial of all other proposed NGIA pilots targeting the small and medium business customer segment pursuant to their approach to CIP/ECO coordination, leaving nothing to promote through NGEA. While CenterPoint Energy agrees that Pilot O does not provide much value if the Commission adopts the Department's recommendations with respect to Pilots H and M, the Company wishes to highlight this as a demonstration of why the Department's approach to CIP/ECO coordination is problematic, as it excludes entire customer segments from the NGIA framework.[70]

In regard to the Department's recommendation to limit participation, the Company responds:

> Regarding the Department's recommendation that this Pilot's budget be scaled down to 200 participants per year, the Company notes that participation levels in this Pilot were chosen to align exactly with participation goals for NGEA in the Company's approved 2024 – 2026 ECO plan. This Pilot is designed to be an expansion of NGEA, and NGIA services offered through this Pilot would be integrated seamlessly with the NGEA

[69] *Id.,* at 80.
[70] *Id.,* at 80 – 81.

> offering. To set budgets based on different participation levels would be problematic since it could lead to NGIA services running out of budget and being cut off, while CIP/ECO NGEA services were still short of goal. This could lead to customer confusion and would cause administrative burden and possibly additional costs if integrated implementation systems or marketing materials needed to be adjusted to remove NGIA-related content.[71]

iii. Department Response to Reply Comments

The Department requested information in initial comments, stating that ***the Department will defer on making any recommendations on this pilot until it has an opportunity to review the Company's reply comments.*** Given the Department's recommendations for Pilots H, L, and M, it is not clear there are any remaining proposed NGIA pilots that can be recommended to the auditee.

The Department agrees with CPE's assessment that this request for information is better suited for Pilot O, but asserts that Department recommended programmatic removals would also affect Pilot R. As the Company includes Pilot H (CarbinX) in the scope of Pilot R, a removal of Pilot H would affect the Pilot R scope of work. However, removal of Pilot H and Pilot M (Commercial Hybrid Heating) would have a more pronounced affect on the Pilot O scope of work. As the Company concludes, the pilot would not have much value if pilot H and M are transferred to ECO. Based on CPE's response the Department makes a new recommendation:

The Department recommends Pilot O not be approved.

In initial comments the Department asked ***CPE to provide the relevant cost estimate in its reply comments for this pilot based on 200 participants per year for the next 5 years.***

The Department also recommended in initial comments that ***Pilot O be modified by scaling it down to conduct 200 audits per year during the first innovation plan. CPE should provide relevant cost estimates in its reply comments.***

Should the Commission decide not to accept the Department's recommendations to remove Pilots H and M, the Department provides further commentary on its initial recommendation. CPE does not provide a relevant cost estimate in its reply comments for 200 participants per year, but rather explains that it would be administratively burdensome to run two programs under the same audit program with different levels of participation. Administration of programs with different levels of funding could lead Pilot O to run out of funding before the NGEA quota. While the Department's primary concern with this pilot is historical participation rates compared to anticipated rates, Pilot O's

[71] *Id*., at 81.

anticipated participation aligns with ECO 2024-2026 Triennial plan participation rates. Based on the information provided, the Department withdraws its recommendation.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 17: Summary Recommendation Table for Pilot O

Recommendation	Final Position
The Department recommends Pilot O not be approved.	New Position
Pilot O be modified by scaling it down to conduct 200 audits per year during the first innovation plan. CPE should provide relevant cost estimates in its reply comments.	Withdraw Position

15. PILOT P – RESIDENTIAL GAS HEAT PUMPS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot P. The Department made one recommendation:

Pilot P not be approved.

The Department made its recommendation due to the comparative strength of electric air source heat pumps, which are more efficient, are commercially mature, cost effective and have higher adoption rates. In addition, the Minnesota Energy Technology Accelerator (ETA) is currently considering evaluating gas heat pumps, and the program does not propose to leverage IRA incentives.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot P in Section V.[72]

CPE responds to the Department's statement about energy, adoption, and cost effectiveness by stating that the Department incorrectly assumes that gas heat pumps need to perform better than electric heat pumps in order to support the lowering of CPE's greenhouse gas emissions. CPE states that gas heat pumps may be more appropriate for certain buildings than others due to hydronic heating, electricity capacity issues, or customer preference.

[72] *Id.,* at 81 – 84. Department responses are addressed on pages 82 – 83.

CPE responds to the Department's statement about the ETA by stating that gas heat pumps are a low priority for the ETA, which many not see investment for several years, and indicates that residential gas heat pumps may not be studied by the organization at all.

CPE responds to the Department's statement about the maturity by stating that Stone Mountain Technologies Inc. began to sell residential gas heat pumps in February 2024.[73]

Finally, CPE responds to the Department's statement about IRA incentives by stating that the maximum available incentive for the pilot is $12,000, and compares this estimate to the overall IRA contribution of CPE's proposal, which the Company values at over $17 million. The Company states that customers would have to contribute $4,600 each on average, and would also have to allow measurement and verification from the Company, which the Company believes is too high of a burden to participation.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot P not be approved.***

The Company provides additional discussion about Pilot P, which is helpful to understand the benefits and risks of the pilot. In response to the Company's statement about the relative performance of gas vs electric heat pumps, Minn. Stat. 216B.2427 Subd. 2(a)(6) provides a justification for removal of Pilot P:

> the cost-effectiveness of innovative resources calculated from the perspective of the utility, society, the utility's nonparticipating customers, and the utility's participating customers compared to other innovative resources that could be deployed to reduce or avoid the same greenhouse gas emissions targeted for reduction by the utility's proposed innovative resource;

Given that residential air source heat pumps and gas heat pumps both accomplish the same primary heating goals, a comparative apples-to-apples exercise is reasonable and justifies the exclusion of the Pilot. Further, hydronic heating systems are not a barrier to air source heat pump adoption, as several air-to-water heat pump models are available, and have advantages over air-to-air heat pumps, while sharing the water heating functionality of gas heat pumps.[74]

The Company's statements about the ETA and its information about a commercially available gas heat pump provide additional support for the Company's request to deny the pilot as per the Department's recommendations. The ETA program takes a holistic look at market readiness and potential of different

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[73] *Id.,* at 82.
[74] See https://www.energystar.gov/partner_resources/products_partner_resources/brand-owner/eta-consumers/air-water-heat-pumps-2019

technologies, thus can help inform the design of other pilots. Neither of these arguments offer a compelling reason to change the Department's position, as the primary redundancy and out-competing by electric air source heat pumps in the residential sector is a more substantive justification for removal of the pilot. For these reasons, the Department maintains its position.

Finally, should the Commission reject the Department's recommendation, the Department maintains its position that IRA benefits should be maximized. While the Department understands that the overall level of funding available is small, the Company has a responsibility to ensure maximum ratepayer value.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 18: Summary Recommendation Table for Pilot P

Recommendation	Final Position
Pilot P not be approved.	Maintain Position

16. PILOT Q – GAS HEAT PUMPS FOR COMMERCIAL BUILDINGS

i. Overview of Initial Comments

In its initial comments, the Department recommended rejection of Pilot Q with modification. The Department made one recommendation:

> The Department recommends Pilot Q be approved with modifications to ensure maximal utilization of federal funds to cover installation costs.

The Department made its recommendation because Pilot Q is the only pilot left addressing heating needs for the commercial sector after the Department recommended removal of Pilot M (Commercial Hybrid Heating). The Department requested a modification of Pilot Q to include the maximum available IRA incentives.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot Q in Section V.[75]

CPE responds to the Department's requested IRA incentive modification as follows:

[75] CPE Reply Comments at 84. Department responses are addressed on page 84, (March 15, 2024) (eDocket No. 20243-204399-04).

> Regarding the recommendation to require a customer copay for this pilot, the Department and others made the same recommendation for Pilot L: Industrial Electrification Incentives, and the Company offers a similar response here. As with Pilot L, the Company proposed to pay the full project cost of for this technology because it is an early-stage, emerging technology. Additionally, as with projects funded under Pilot L, there is significant uncertainty whether the projects completed under this pilot would be eligible for IRA benefits, and even if they were, the dollar amount of the IRA benefits would be a fraction of the participant co-pay. Additionally, fully funding gas heat pumps may make additional IRA benefits more likely by helping a customer to achieve the 20 percent GHG savings threshold required for IRA tax credit eligibility. Accordingly, the Company does not propose to require a copay for Pilot Q.[76]

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***Pilot Q be approved with modifications to ensure maximal utilization of federal funds to cover installation costs.***

While the Department understands that IRA tax credits may not be broadly available in the commercial space, based on the unique circumstances in each building, the Department maintains that when available, the Company should maximize the benefits of the IRA. The Department notes that installation of a gas heat pump, even with a moderate cost share, offers short paybacks given the operating efficiencies of gas heat pumps compared to conventional heating systems.

In response to the CEOs' statement that the Department did not consider Pilot M (Commercial Hybrid Heating) when making its recommendation,[77] the Department asserts that its recommendation to deny Pilot M negates this argument.

For these reasons, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 19: Summary Recommendation Table for Pilot Q

Recommendation	Final Position
The Department recommends that Pilot Q be approved with modifications to ensure maximal utilization of federal funds to cover installation costs.	Maintain Position

[76] *Id.,* at 84.
[77] Id., at 8.

17. PILOT R – INDUSTRIAL AND LARGE COMMERCIAL GHG AUDIT

i. Overview of Initial Comments

In its initial comments, the Department made one request for information:

> Based on its review, the Department recommends CPE explain the relevance of this Pilot assuming Pilots H, L and M are rejected by the Commission in its reply comments. If the Company thinks that Pilot R is still relevant, the Department requests CPE to provide revised incremental cost estimates based on a rebate cap of $15/Dth.

The Department's request for information is made because the of the Department's request to deny Pilots H, L, and M will impact the Pilot R scope of work. The Department also expressed that an incentive of $25/Dth is high compared to the incentive of $10/Dth offered for Commercial and Industrial customers in the Company's ECO program, and instead suggested an incentive of $15/Dth to maintain cost effectiveness of the program.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of Pilot R in Section V.[78]

The Company responds to the Department's request for information, as described in the Pilot O discussion in Section III.B.14. CPE responds:

> The Department observed that if the Commission agrees with the Department that they should deny Pilots H, L, and M there would be no resources offered specifically for industrial/large commercial customers through NGIA and therefore, there would be nothing to recommend through Pilot R. As discussed below, the Company believes this comment may have been intended for Pilot O.
>
> The Department's comment that due to their recommendations to deny Pilots H, L, and M there remaining no resources left to offer through Pilot R, was possibly intended for Pilot O. Pilot O would promote measures available through other NGIA offerings to small/medium business customers. Pilot R in contrast would target industrial and large commercial

[78] *Id*., at 85 – 86. Department responses are addressed on pages 85 – 86.

> customers and promote a wider variety of measures including custom offerings not available through any other CIP/ECO project or NGIA pilot. [79]

In response to the Department's recommend incentive cap of $15/Dth, CPE responds:

> The Company also disagrees with the Department's proposed incentive cap. As discussed above, CenterPoint Energy contends that that neither the value of this Pilot or any of the NGIA pilots should be boiled down to exclusively GHG emissions, and therefore incentives should not be determined by simple comparison to pilots of other innovative resources on cost per emissions reduction basis. That said, the Company notes that the Department's comparison of incentive levels in Pilot R and Pilot C is not apples to apples. CenterPoint Energy's proposed incentive level for Pilot R is $25 per Dth of *annual* gas savings calculated for the project, paid to the customer one time upfront. The measure or measures installed would continue to accrue Dth savings over the lifetime of the project with no additional rebates paid out on an ongoing basis. This is similar in structure to the Company's custom rebates offered through its CIP/ECO plan. In Pilot C, the Department's cited cost of $21.75 is on a per Dth purchased basis and would be paid on an ongoing basis as additional Dth of RNG are purchased over the term of the contract. Therefore, it is incorrect to say that the Company is proposing to provide a higher incentive in Pilot R than in Pilot C, even when accounting for the negative carbon intensity in Pilot C. In fact, Pilot R is estimated to have one of the lowest costs per ton of GHG reduction, and is a good demonstration of why it is the policy of the state that "cost-effective energy savings are preferred over all other energy resources…" Even at the high end of the proposed incentive range ($25/Dth), Pilot R projects would result in some of the lowest cost GHG savings in the portfolio. As summarized in the Petition, CenterPoint Energy's proposed incentive levels for the Pilot are based on a comparison with incentives available for energy efficiency through CIP/ECO and the Company's expectations of what incentives will be necessary to drive customer action. Accordingly, the Company does not agree with the Department's proposed incentive levels.[80]

iii. Department Response to Reply Comments

The Department requested in initial comments that ***CPE explain the relevance of this Pilot assuming Pilots H, L and M are rejected by the Commission in its reply comments. If the Company thinks that***

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[79] *Id*., at 85.
[80] *Id.,* at 85 – 86.

Pilot R is still relevant, the Department requests CPE to provide revised incremental cost estimates based on a rebate cap of $15/Dth.

As discussed above in Section III.B.14, in regard to Pilot O, the Department agrees with the Company that this recommendation is better suited for pilot O. Pilot R includes measures such as electric heat pumps, electric hybrid heat pumps, CarbinX, industrial heat pumps, solar thermal walls, onsite biogas production/use, and energy efficiency/strategic electrification measures that are not cost effective under the CIP/ECO Societal Cost Effectiveness Test.[81] The Department notes that it recommends rejection of commercial hybrid heat pumps and CarbinX, which could include the large commercial segment of this pilot. However the Company proposes technologies not covered by the Company's other pilots, and thus there is still room for the pilot to recommend other measures. The Department also notes that the ECO Societal Cost Effectiveness test should be replaced by the Minnesota Test, and that these programs still need to demonstrate both how they meet the definition of innovative resources and why the programs cannot be administered in ECO.

The Department accepts CPE's argument that comparing continuous RNG incentives to one-time incentives is not an apples-to-apples comparison. However, the Department maintains that CPE's proposed $25/Dth incentive level is unreasonably high, with a cost at 150 percent higher than the current ECO incentive level of $10/Dth. The Department's proposed incentive level that is 50 percent higher than the ECO incentive level is more appropriate, and ensures ratepayer value.

CPE does not address the underlying problem with CPE's petition, where the Company does not adequately justify why its programs cannot be administered in ECO. The Company does not provide additional information to justify inclusion of the proposed programs. Therefore, the Department makes one new recommendation:

Pilot R not be approved.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 20: Summary Recommendation Table for Pilot R

Recommendation	Final Position
Pilot R not be approved.	New Position

[81] CPE Petition, Exhibit D at 54, (June 28, 2023) (eDocket No. 20236-196995-01).

18. RESEARCH AND DEVELOPMENT PROJECTS

i. Overview of Initial Comments

In its initial comments, the Department made two recommendations:

1. Six R&D projects that include specific proposals should be approved that amounts to $1,785,000.

2. The remaining R&D budget of $8,785,462 should be denied.

The Department made its first recommendation because CPE is currently piloting CarbinX as part of the Company's ECO Research and Development program, and thus can reasonably include a second CarbinX research project in ECO. The Department made its second recommendation because the Company has not defined any projects to spend the remainder of the NGIA funding allocation.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of its R&D projects in Section V.[82]

The Company responds to the Department's first recommendation by stating that it has already responded to the Department's recommendation in regard to Pilot H, which is discussed above in Section III.B.7.

CPE responds to the Department's second recommendation as follows:

> The Company first clarifies that its plan to use R&D funding for future, at this time unspecified, R&D projects is not intended to circumvent Commission review. The Company's proposal is to propose additional R&D pilots in future annual NGIA status reports, providing opportunity for comment from interested parties, and ultimately culminating in approval, denial, or modifications to the proposals by the Commission.[83]

The Company then cites its petition, which stated that the Company intends to reserve funding in future years due to the rapidly changing landscape for available GHG reduction technologies. The Company states that it expects to learn from its first NGIA plan, which will best inform future R&D efforts. The Company states that allowing for deferral will allow the Company to consider the most relevant R&D projects to best advance NGIA objectives. The Company then asserts that the Department does not respond to this statement.

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[82] CPE Reply Comments at 86 – 89. Department responses are addressed on pages 87 – 88, (March 15, 2024) (eDocket No. 20243-204399-04).
[83] *Id.,* at 87.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***six R&D projects that include specific proposals should be approved that amounts to $1,785,000.***

The Department responds to CPE's general response to ECO vs NGIA above in Section III.A.1. The Company states that ECO does not consider carbon sequestration, and thus CPE should be allowed to include the program in NGIA. The Department responds that the Company does not address why the program cannot be administered in ECO, when the Company is currently running, for the proposed R&D project, and identical program in ECO. As the Company does not address the Department's recommendation directly, the Department maintains its position.

The Department recommended in initial comments that ***the remaining R&D budget of $8,785,462 should be denied.***

As discussed above in regards to Pilot I (New Networked Geothermal), Section III.B.8, the Department does not recommend that the Commission approve costs that are not known or defined, or when CPE does not have any projects planned to spend the remainder of the given funding. However, as discussed previously, the Company has more than $16 million in its ECO R&D budget which is not currently allocated. Accordingly, any new research projects could be reasonably added to the Company's ECO R&D portfolio instead of adding them to a pending NGIA R&D budget. Further, R&D projects are subject to many of the same limitations as Pilot I, where the projects offer custom and unique solutions that require considerably time for design before the solutions can ever be tested. While academic research institutions may have projects ready to be funded, it will still take a considerable amount of time between the identification of research projects, Commission approval, implementation of the projects, and final dissemination of the results. A proposed second round of research project funding would have four years left in the NGIA budget period, and would likely not be able to be informed by existing NGIA efforts, as CPE believes is beneficial, because many of these projects would likely still be in the planning, design, or construction phases. For these reasons, the Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 21: Summary Recommendation Table for R&D Portfolio

Recommendation	Final Position
Six R&D projects that include specific proposals should be approved that amounts to $1,785,000.	Maintain Position
The remaining R&D budget of $8,785,462 should be denied.	Maintain Position

C. RESPONSE TO MISCELLANEOUS RECOMMENDATIONS

In this section, the Department responds to a number of recommendations that are made in the Department's Initial Comments about topics that are miscellaneous in nature, rather than thematically linked.

1. REQUEST FOR 25% COST FLEXIBILITY

This subsection addresses the second Commission Notice Topic:

SHOULD THE COMMISSION GRANT CENTERPOINT ENERGY'S REQUEST TO SPEND UP TO 25 PERCENT MORE THAN BUDGETED FOR PILOTS WITH HIGHER-THAN-EXPECTED EXPENDITURES WITHOUT SEEKING ADDITIONAL APPROVAL FROM THE COMMISSION, PROVIDED THE INCREASE DOES NOT CAUSE THE PLAN, AS A WHOLE, TO EXCEED ITS STATUTORY COST CAP OR FAIL TO SATISFY ANY OTHER STAUTORY REQUIREMENTS?

i. Overview of Initial Comments

In its initial comments the Department made one recommendation:

> The Commission should not accept CPE's 25 percent budget flexibility proposal.

The Department made its recommendation because the CPE is attempting to inculcate itself from a portion of the prudency risk associated with funding pilots at approved levels.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of its request for budget flexibility in Section III.e.[84]

CPE responds to the Department's recommendation as follows:

> The proposed budget flexibility is modeled after ECO, where utilities are permitted to spend up to 25% more in any segment without notifying or seeking approval from the Department. This policy "is intended to give utilities … the flexibility to continue program and segment activities that are performing better than anticipated without requiring the administrative burden and potential delay associated with filing a plan modification." Some pilots will inevitably do better, and some will inevitably do worse, so they can reallocate funding from low participation

[84] *Id.,* at 13 – 17. Department responses are addressed on pages 15 – 17.

> pilots. The plan is evaluated based on the cost effectiveness objectives, so that should be the standard for performance.[85]

The Company continues to explain that the purpose of the NGIA statute is to spur utility investments in new and innovative technologies, and that plans and budgets may reasonably change throughout the NGIA period, particularly given the novelty of the pilots, and that flexibility should be allowed.

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***the Commission should not accept CPE's 25 percent budget flexibility proposal.***

The Department continues to assert that CPE should conduct thorough due diligence for its projects to ensure that both budget estimates and estimated participation levels are in line with future expectations. The Department understands that changes will occur throughout project implementation, but the requested budget flexibility number is too high. To add in budget flexibility, the Department instead proposes a 30 to 50 percent purchase of the environmental attributes for Pilot C, as outlined above in Section III.B.2, to achieve reasonable flexibility for the Commission to meet statutory compliance. Pilot C has the largest budget allocation among all pilots, and therefore is the best suited to offer the Company some budget flexibility. While the Department does not advocate an increase in the funding level for any pilot without Commission approval through this flexibility, the flexibility would instead allow the Company to maintain its program compliance by increasing the funding for environmental attributes if participation in Pilot C is not sufficient to retain the 50 percent requirement for RNG, biogas, hydrogen, or ammonia.

The Department maintains its position.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 22: Summary Recommendation Table for 25% Budget Flexibility Request

Recommendation	Final Position
The Commission should not accept CPE's 25 percent budget flexibility proposal.	Maintain Position

2. PRICE FORECASTS

This section covers a series of recommendations the Department made about the price forecasting process employed by CPE.

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[85] *Id*., at 14.

i. Overview of Initial Comments

In its initial comments, the Department made three recommendations:

1. The Commission require CenterPoint to adopt NYMEX futures prices to calculate future avoided geologic gas costs.

2. The Department's recommendation is that the Commission adopt a more market-based approach for determining forecasted geologic natural gas commodity prices doesn't rise to the level of an alternative methodology, but we still believe it would benefit the Commission by allowing it to make a more-informed decision as to the costs of the NGIA.

3. If the Commission doesn't agree with the Department's recommendation that utilities use NYMEX prices to calculate the avoided cost of geologic natural gas, CenterPoint should be required to use these updated BENCOST inputs in any analysis included in its reply comments.

The Department's recommendations center around the accuracy of using a flat negative escalation rate based on currently declining natural gas prices to forecast natural gas prices, when longer term forecasts will result in unrealistic estimates for natural gas prices. The Department also proposed that if the Commission does not wish to use the Departments recommendations, that CPE be required to use ECO BENCOST assumptions instead of those proposed by the Company.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of price forecasts in Section VI.b.[86]

The Company responds to the Department's recommendations as follows:

> Scenario A incorporates the first and second Department recommendations listed above and Scenario B incorporates all three recommendations, replacing the gas commodity cost and variable O&M escalation inputs from the 2024-2026 BenCost with the NYMEX futures pricing and normalized load growth for non-CIP exempt customers. Overall, using the most recent BenCost inputs increases the amount of revenue credits applied to the Plan's incremental costs, which results in total incremental costs below the statutory cap. By contrast, using the NYMEX futures prices for avoided geologic gas costs decreases the

[86] *Id.,* at 96 – 98. Department responses are addressed on pages 96 – 98.

> expected commodity savings, which results in total incremental costs in excess of the statutory cap. Nevertheless, in both cases the overall impact on total incremental costs is less than +/- 1.5 percent. The impact of the Department's recommended changes to the variable O&M costs is also minimal, offering slightly higher O&M savings, but the overall impact on total incremental costs is less than 0.01 percent.[87]

CPE provides Table 23 to show its analysis of the Department's requests.

Table 23: CPE Reply Comment Table 5: Comparison of Impacts to Revised Portfolio of Alternative Structural Values

Budget Component	Revised Portfolio	Scenario A	Scenario B
Fixed O&M	$69,586,000	$69,117,300	$70,089,270
Est. Revenue Requirement for Capital Projects	$3,131,329	$3,131,329	$3,131,329
Incentives	$18,606,019	$18,606,019	$18,606,019
Less Peak Demand Savings	($1,543,434)	($1,975,395)	($1,975,395)
Less Commodity Savings	($4,296,141)	($4,598,584)	($4,158,309)
Less Variable O&M Savings	($36,703)	($45,754)	($45,754)
Subtotal 5-year NGIA Pilot Cost	$85,447,069	$84,234,913	$85,647,158
Subtotal 5-year R&D Budget	$10,570,462	$10,570,462	$10,570,462
Subtotal 5-year Overhead costs	$9,683,983	$9,683,983	$9,683,983
Total 5-Year Incremental Cost	**$105,701,515**	**$104,489,359**	**$105,901,604**
Statutory Budget Cost Cap[408]	*$105,704,618*	*$105,704,618*	*$105,704,618*
Over Cap (if positive) / Under Cap (if negative)	*($3,104)*	*($1,215,260)*	*$196,985*
Low-Carbon Fuels %	*51.3%*	*51.3%*	*51.6%*

The Company continues with the following justification:

> Taken together, the Department's recommendations regarding the structural values do not have a significant impact on estimated costs. However, it is important to note that the Department's recommendations regarding structural values are not consistent with the methodologies and approaches approved in the Frameworks Order. In particular, Order Point 28 states that "utilities shall use structural cost-benefit values following the methods described in Appendix H of the Minnesota Department of Commerce's February 11, 2020, CIP BenCost Input Decision in Docket No. G-999/CIP-18-782, Inputs 1–13, with the modifications reflected in the Structural Values Modifications to CIP Approach table filed by the Joint Commenters." Furthermore, Order Point 29 states that "Utilities shall update structural cost-benefit values with the filing of each innovation

[87] *Id.*, at 97.

> plan or each annual NGIA report filing." In rejecting the Department's recommendation to wait to incorporate 2024-2026 cost-effectiveness assumptions into NGIA, the Commission concluded "that the potential benefit of waiting to see what the advisory committee recommends for future CIP filings does not outweigh the interest in providing clear guidance for the gas utilities seeking to develop NGIA innovation plans in the near future." For these reasons, the Company does not support modifications to the structural values at this time.[88]

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***the Commission require CenterPoint to adopt NYMEX futures prices to calculate future avoided geologic gas costs.***

The Department also recommended in initial comments that ***the Commission adopt a more market-based approach for determining forecasted geologic natural gas commodity prices doesn't rise to the level of an alternative methodology, but we still believe it would benefit the Commission by allowing it to make a more-informed decision as to the costs of the NGIA.***

The Department also recommended in initial comments that ***if the Commission doesn't agree with the Department's recommendation that utilities use NYMEX prices to calculate the avoided cost of geologic natural gas, CenterPoint should be required to use these updated BENCOST inputs in any analysis included in its reply comments.***

The Department recommended the use of these forecasts to improve the accuracy of natural gas price forecasts and to better reflect realistic cost scenarios. CPE's analysis demonstrates that the increases in forecast accuracy are marginal, while the compliance effort to update the NGIA requirements at this stage in the comment process outweighs the benefits of increased accuracy, particularly because this docket is not the only NGIA proceeding. The Department agrees with the Company's assessment, and withdraws all three of its recommendations.

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[88] *Id.,* at 99.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 24: Summary Recommendation Table for Price Forecasts

Recommendation	Final Position
The Commission require CenterPoint to adopt NYMEX futures prices to calculate future avoided geologic gas costs.	Withdraw Position
The Department's recommendation is that the Commission adopt a more market-based approach for determining forecasted geologic natural gas commodity prices doesn't rise to the level of an alternative methodology, but we still believe it would benefit the Commission by allowing it to make a more-informed decision as to the costs of the NGIA.	Withdraw Position
The Department approved updated inputs for the 2024-2026 CIP Triennial filings on March 31, 2023. If the Commission doesn't agree with the Department's recommendation that utilities use NYMEX prices to calculate the avoided cost of geologic natural gas, CenterPoint should be required to use these updated BENCOST inputs in any analysis included in its reply comments.	Withdraw Position

3. COST ALLOCATION IN IAC AND IAA

This subsection outlines a proposal by the Department to simplify the cost allocation methodology used by CPE to split costs between customer classes.

i. Overview of Initial Comments

In its initial comments, the Department made one recommendation:

1. The Commission use annual forecasted throughput for Sales customers as the criterion for determining revenue apportionment by class for both the IAC and the IAA instead of CenterPoint's proposed approach.

The Department made its recommendation because the Company proposes to allocate costs for the Innovation Act Charge (IAC) and Innovation Act Adjustment (IAA) by the benefits of pilots. The Department argued that instead, it would be simpler and more appropriate to allocate costs between customer classes by volumetric sales rather than benefits.

ii. CPE Response to the Department's Initial Comments

CPE provides a discussion of the Department's cost allocation request in Section VI.a.ii.[89]

CPE responds to the Department's recommendation as follows:

> With respect to the Department's recommendation that the Commission use annual forecasted throughput for cost recovery of both the IAC and the IAA, the Department acknowledged that it had "not calculated the effects of this proposed change on rates, or customer bills, but assuming the Residential and Commercial classes have similar level of annual volumetric sales, the effects on rates should be minimal." CenterPoint Energy conducted an evaluation of the forecasted impacts of the Department's proposed volumetric recovery methodology as compared to the Company's proposal to allocate pilots to customer classes. The Department's proposal is expected to increase the Residential customer bill impact for an average Residential customer by approximately 6 percent or approximately $4 over the five years of the Plan.[90]

iii. Department Response to Reply Comments

The Department recommended in initial comments that ***the Commission use annual forecasted throughput for Sales customers as the criterion for determining revenue apportionment by class for both the IAC and the IAA instead of CenterPoint's proposed approach.***

After reviewing CPE's analysis provided in reply comments, the Department does not believe the outcome of its recommendation is desirable, given the 6 percent increase in cost for the residential class. The Department withdraws its recommendation.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 25: Summary Recommendation Table for Cost Allocation in IAC and IAA

Recommendation	Final Position
The Commission use annual forecasted throughput for Sales customers as the criterion for determining revenue apportionment by class for both the IAC and the IAA instead of CenterPoint's proposed approach.	Withdraw Position

[89] *Id.,* at 94 – 96. Department responses are addressed on pages 94 – 96.
[90] *Id*., at 94.

4. COST EFFECTIVENESS OBJECTIVES

This subsection addresses the fourth Commission Notice Topic:

SHOULD THE COMMISSION APPROVE CENTERPOINT ENERGY'S PROPOSED COST-EFFECTIVENESS OBJECTIVES?

i. Overview of Initial Comments

In its initial comments, the Department did not make a recommendation, but stated:

> The Department doesn't have adequate information to make the requested determination at this time. Based on CPE's reply comments, the Department will recommend a set of cost-effectiveness objectives for the Commission to establish that the Company should demonstrate its compliance through a report.
>
> In support of this position the Department notes Minn. Stat. 216B.2427 Subd. 2 parts (a).6 and 15 state:
>
> *Subd 2.(a) A natural gas utility may file an innovation plan with the commission. The utility's plan must include, as applicable, the following components:*
> *….*
> *(6) the cost-effectiveness of innovative resources calculated from the perspective of the utility, society, the utility's nonparticipating customers, and the utility's participating customers compared to other innovative resources that could be deployed to reduce or avoid the same greenhouse gas emissions targeted for reduction by the utility's proposed innovative resource;*
> *….*
> *(15) a report of the utility's progress toward achieving the cost-effectiveness objectives established by the commission with respect to the utility's previously approved innovation plan, if applicable; and*[91]

The Department asserted that CPE does not provide information on the cost effectiveness of proposed pilots and states that several pilots do not have identified participants. Due to the fact that both costs and outcomes are currently speculative, the Department concluded that it is not reasonable to develop cost effectiveness metrics.

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[91] Department Initial Comments at 7, (January 17, 2024) (20241-202261-02).

ii. CPE Response to the Department's Initial Comments

In Section III.h,[92] CPE devotes a substantial portion of its reply comments to addressing feedback about the Company's proposed cost effectiveness objectives. Most of CPE's discussion dedicated to responding to stakeholder groups, but the Department summarizes relevant replies, where appropriate.

In response to the Department's statement, CPE replies:

> In response to the Department and Minneapolis, CenterPoint Energy agrees that the Commission cannot determine at this time whether the Company "has successfully achieved the cost-effectiveness objectives established in the utility's most recently approved innovation plan." The Company clarifies that it is not proposing the Commission find, at this time, that the Company has already demonstrated successful achievement of the cost-effectiveness objectives and is entitled to increase the statutory budget cap for the Company's next NGIA plan. Rather, the Company is only proposing that the Commission establish both the cost-effectiveness objectives and the standard by which the Commission will evaluate "successful achievement" at the same time the Commission approves the NGIA Plan. Under the Company's proposal, CenterPoint Energy then must demonstrate that a majority of the established cost-effectiveness objectives are actually achieved through Plan implementation before the Company may propose to increase the statutory budget cap in accordance Minn. Stat. § 216B.2427, subd. 3 (c) and (d).[93]

CPE provides a general discussion of its rationale for its request to meet the cost-effectiveness objectives for a majority of objectives, rather than all objectives:

> The Company also proposed in its Petition that the Commission establish clear direction for determining when the threshold for having "successfully achieved the cost-effectiveness objectives" has been met for purposes of increasing the statutory cost cap. In particular "CenterPoint Energy proposes that the test for an increase in funding be achievement of the majority of [the] proposed objectives." The Company explained its rationale for recommending that the Commission set the determination of "successful achievement" based on achieving a majority of cost-effectiveness objectives, noting that the Company had proposed numerous objectives, reflecting the many different goals of the NGIA

[92] CPE Reply Comments at 20 – 28, (March 15, 2024) (eDocket No. 20243-204399-04).
[93] *Id.,* at 22 – 23.

> statute and the broad cost-effectiveness framework established in the Commission's Frameworks Order. However, some of these objectives are in tension with one another. For example, objectives to increase the use of renewable resources or deploy many different innovative resources may be in tension with objectives to maximize GHG reductions or the cost per ton reduced. If CenterPoint Energy achieves a majority of the proposed objectives, it will have demonstrated substantial value to its customers and the state and it would be appropriate to begin increasing the scale of future NGIA plans.[94]

The Company responds to a recommendation by the CEOs about pilot-specific criteria:

> The CEOs fault CenterPoint Energy's Plan for failing to specify learning objectives or metrics of success for each pilot. The Company notes that neither the NGIA nor the Frameworks Order requires the Company to articulate pilot-by-pilot learning objectives or metrics, nor was the idea brought to CenterPoint Energy's attention during its extensive engagement process with interested parties prior to Plan filing. While not necessarily opposed to articulating pilot-specific learning objectives, the Company believes it may be unproductive to do so in this docket at this time. There would be limited opportunity for stakeholders to debate the merits of any proposed pilot-specific learning objectives or metrics or to discuss what implications those learning objectives or metrics should have.[95]

The company elaborates that it believes the NGIA requires that the NGIA be evaluated as a whole, and cites Minn. Stat. § 216B.2427, subd. 2(e), which states:

> (e) Upon approval of a utility's plan, the commission shall establish cost-effectiveness objectives for the plan based on the cost-benefit test for innovative resources developed under section 216B.2428. The cost-effectiveness objective for each plan must demonstrate incremental progress from the previously approved plan's cost-effectiveness objective.

The Company responds to CUB's request that the Commission should evaluate pilot-specific outcomes:

> CUB stated that it found the proposed environmental objectives to be generally reasonable, but also stated that they believed the Commission should "evaluate pilot-specific outcomes in addition to aggregate-level

[94] *Id.,* at 21 – 22.
[95] *Id.,* at 23.

> emissions reductions…The Commission can thereafter use that data to inform its decisions on whether the Plan is performing in a cost-effective manner, or whether certain pilots should be modified, put to higher and better uses, or discontinued altogether." The Company agrees with CUB that individual pilot-level data will be informative for the Commission, the Company, and other interested parties working to maximize the benefits of CenterPoint Energy's Plan, and should be used in conjunction with other information to determine which pilots should be continued, discontinued, or modified. The Company supports filing pilot-specific GHG information in annual status reports. However, the Company does not agree, if this was CUB's suggestion, that increased budget caps, described in Minn. Stat. § 216B.2427, subd. 3(c) and (d), should require achievement of GHG objectives by every pilot individually.[96]

Finally, CPE includes an update to its cost-effectiveness metrics in Exhibit B of its reply comments, but does not include pilot-specific criteria as requested by the Department.

iii. Department Response to Reply Comments

As stated by the Department in its initial comments, outlined above, the Department does not have enough information to establish the cost effectiveness criteria necessary to recommend Commission approval. As outlined throughout the Department's comments, there is a substantial amount of uncertainty surrounding projects that have yet to be defined with known levels of participation. Attempting to set any cost-effectiveness objective would be subject to variations, which would ultimately subject the Company to increased risk of non-compliance. The Department attempts to control for this variation by limiting CPE pilots to realistic levels of participation that are supported by well planned projects that should be able to deliver a similar level of benefits that CPE anticipates. Allowing programs to proceed that do not meet this standard will make the evaluation of cost-effectiveness increasingly difficult.

While recognizing this uncertainty, the Department understands that the Commission must set cost effectiveness objectives to evaluate CPE's plan, as articulated by CPE in its response to the Department's position in initial comments. In addition, the Department understands CPE's position that introducing new criteria for evaluation at this time will potentially reduce the ability for stakeholder feedback, however this position is not an attempt to undermine criteria introduced by any stakeholder group.

The Department does not take a position on the reasonableness of specific criteria, as stakeholder groups have contributed a lively discussion to this topic. Rather, the Department focuses on the process of cost-effectiveness evaluation itself. The Department aligns with the CEOs and CUB in the

[96] Id., at 26 – 27.

group's recommendations that pilots be evaluated individually. Counter to CPE's point that the plan be evaluated as a whole, there is no statutory limitation to define how the whole plan be evaluated. Furthermore, an evaluation of the sum of total outcomes of individual plans accomplishes the goal of evaluating the whole plan.

The imbalance of cost between pilots illustrates the need for individual plan evaluation. The scale of Pilot C, which represents 42 percent of the entire pilot budget, means that the success or failure of this pilot will overshadow the results of many other pilots. For example, the Pilot C budget is over 50 times larger than the budgets for Pilots G, H, J, K, L, P, and Q. In addition to these pilots, Pilot C's budget is also over 10 times larger than the budgets of Pilots E, F, O, and R, which collectively represents two thirds of all pilots, but only 12 percent of the budget. By choosing to evaluate all pilots as a group, CPE can focus its attention on ensuring that its most expensive pilots are successful, while ignoring the effects of its smaller pilots, which will have a demonstrably smaller impact on the plan's overall cost-effectiveness.

The Department does not believe that this approach is sufficiently balanced to incentivize the Company to ensure that all of its pilots are successful. Allowing the Company to take a whole-portfolio perspective and allowing the company to re-allocate spending between pilots would enable to Company to continue to insufficiently plan and execute its pilots and then reallocate funding to more successful pilots. The Department also recognizes that some pilots will not achieve the planned outcomes, as illustrated by the 1 MW Hennepin County Green Hydrogen Facility's reported output. However, as the Company stands by its estimated participation numbers and overall due diligence of its pilots, the Company may not disagree to having its cost-effectiveness gauged by its estimated pilot outcomes.

At its most basic level, each pilot should be evaluated based on its verified GHG reductions during the NGIA budget period. As stated by CPE, it already plans to gather pilot-specific data, and this information will not be a burden for the Company to supply. The uncertainty around "innovation" can also be controlled for by allowing the Company sufficient time for learnings to occur, such that in year four of the Company's plan, each pilot be evaluated for its most recent 12-month performance in anticipation of the Company's next NGIA filing. As implied by the term cost-effectiveness, it is not unreasonable to evaluate GHG reductions based on the actual cost of the pilot, and in this regard, the Department proposes to evaluate pilots based on the annualized cost of the pilot per 12-month GHG, which is listed in CPE's Cost Effectiveness Objectives as $/MTCO$_2$e.[97] This exercise can be repeated for any criteria the Commission decides should be evaluated at an individual pilot level. To repeat, the Department does not propose any specific criteria other than the criterion just referenced, but rather recommends that select criteria proposed either by CPE or stakeholder groups at the plan-level be operationalized at the individual pilot level. The total number of criteria could be as few as the $/MTCO$_2$e criterion mentioned, to one or multiple criteria per benefit category.

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[97] *Id*., – Exhibit B at 2.

Some pilots, as proposed, do not currently have a full scope of work or site-specific modeled benefits, and so the definition of cost-effectiveness cannot be applied until the scope of work is defined. While the Department attempts to limit these instances, should a pilot not have a defined scope of work at the time of Commission approval, the Department proposes to apply the cost-effectiveness criteria at the time of cost encumbrance, and for these metrics to be reported to the Commission during the annual reporting process.

The Department does not agree with the Company's proposed methodology to allow for the majority of cost-effectiveness objectives to be the standard for approval. The Department understands the Company's explanation of tradeoffs, but the fulfillment of a majority of objectives is too low of a bar for performance. The Company proposes a wide range of benefits to result from its NGIA portfolio–including job creation, equity, emissions reduction, and innovation–but then requests that only half of these objectives actually be achieved. The Department does not believe this result to be a reasonable outcome. Rather, the Department recommends that three-quarters of the cost-effectiveness objectives meet at least 90 percent of their stated goals. In addition to this requirement, the Department recommends that three quarters of all individual pilots meet at least 90 percent of their stated goals.

The Department's recommendations are summarized in the next section.

iv. Summary of Department Positions

The Department summarizes its final positions in the table below.

Table 26: Summary Recommendation Table for Cost Effectiveness Objectives

Recommendation	Final Position
The Department recommends that each pilot be evaluated for its cost-effectiveness individually, using at least an annualized cost metric per annual GHG reduction metric.	New Position
The Department recommends that three-quarters of the cost-effectiveness objectives meet at least 90 percent of their stated goals. In addition to this requirement, the Department recommends that three quarters of all individual pilots meet at least 90 percent of their stated goals.	New Position

IV. SUMMARY OF DEPARTMENT RECOMMENDATIONS

The summary of Department recommended budget modifications is presented in Table 27 below. Department Alternative 1 is to purchase 25 percent of the environmental attributes from the RNG purchases in Pilots B and C, and Department Alternative 2 is to purchase 40 percent of the environmental attributes.

Table 27: Summary of Department Recommended Budget Adjustments

Pilot	CPE Revised Budget	Department Alt 1 Budget	Department Alt 2 Budget
A: Hennepin County RNG	$0	$0	$0
B: Ramsey & Washington County RNG	$6,520,485	$1,828,882	$2,767,203
C: RNG Request for Proposals	$40,271,426	$6,633,036	$10,108,622
D: Green Hydrogen Blending Into Distribution System	$4,646,943	$0	$0
E: Ind/Comm Hydrogen and Carbon Capture Incentives	$3,793,912	$1,156,798[98]	$1,156,798
F: Industrial Methane and Refrigerant Leak Reduction	$1,247,828	$499,131	$499,131
G: Urban Tree Carbon Offsets	$329,301	$0	$0
H: Carbon Capture Rebates for Commercial Buildings	$612,377	$0	$0
I: New Networked Geothermal Systems	$11,625,947	$200,000[99]	$200,000
J: Decarbonizing Existing District Energy Systems	$598,794	$0	$0
K: New District Energy System	$215,644	$0	$0
L: Industrial Electrification Incentives	$504,436	$0	$0
M: Commercial Hybrid Heating	$7,068,602	$0	$0
N: Residential Deep Energy Retrofits & Heat Pumps	$13,617,633	$4,885,520	$4,885,520
O: Small/Medium Business GHG Audits	$1,997,007	$0	$0
P: Residential Gas Heat Pumps	$380,761	$0	$0
Q: Gas Heat Pumps for Commercial Buildings	$749,464	$749,464	$749,464
R: Ind/Comm GHG Audits	$950,494	$0	$0
Total for full pilots	**$95,131,054**	**$15,952,832**	**$20,366,738**
R&D Projects	$10,570,462	$2,040,000	$2,040,000
Total	**$105,701,516**	**$17,992,832**	**$22,406,738**
Percent RNG, Biogas, Hydrogen, or Ammonia[100]	**51.3%**	54.0%	63.1%

[98] Includes only the cost of the hydrogen portion of Pilot E, which is presented as Size A in CPE Reply Comments – Exhibit E, tab CNP08. The total cost for the pilot also includes tab CNP11 for the carbon capture portion, but this portion is recommended by the Department to be rejected by the Commission.
[99] Includes only the cost of the scoping study. Data from CPE Reply Comments – Exhibit E, tab CNP14.
[100] CPE proposal includes an extra $1,585,569 in R&D funding that is allocated to low carbon fuels to exceed the 50% threshold. In the Department's revised portfolio, only the Green Ammonia Novel Technology Pilot, valued at $100,000, is included to calculate the percentage allocated to low carbon fuels, because the Department recommended denial of the remainder of the R&D budget.

The Department's recommendations are summarized thematically, as follows:

Pilot B: Ramsey and Washington Counties RNG
The Department recommends that Pilot B be modified such that CPE is allowed to buy up to 25 percent or up to 40 percent of the environmental attributes associated with the RNG volume proposed for this pilot. The incremental cost for Pilot B should be according to either Department Alternative 1 ($1,828,882) or 2 ($2,767,203).
The Department recommends that Pilot B should be included as part of the competitive bidding process and draft Request for Proposals proposed in Pilot C.

Pilot C: RNG Request for Proposals
The Department recommends that the RNG Archetype for Wastewater and Landfill be denied without prejudice
The Department recommends that Pilot C be modified as follows: • Participants in the Pilot C RFP be allowed to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes) and unbundled RNG (just brown gas). • CPE is allowed to buy to up 25 percent or 40 percent of the environmental attributes associated with the RNG volume proposed for this pilot. • The incremental cost for Pilot C should be according to either Department Alternative 1 ($6,633,036) or 2 ($10,108,622).

Pilot D: Green Hydrogen Blending Into Natural Gas Distribution System
The Department recommends that Pilot D be rejected due to the poor performance of CenterPoint's existing electrolyzer and the pilot's current structure.

Pilot E: Industrial or Large Commercial Hydrogen and Carbon Capture
The Department recommends that the component of Pilot E that is related to a power-to-hydrogen project for an industrial or large commercial customer be approved with the budget set to meet the full anticipated participation of the pilot.
The Department recommends that Pilot E's Carbon Capture component be modified such that: • the proposed scoping study that will be completed in year 1 of the Plan be classified as R&D spending; • any budgeted amounts beyond the cost of that study be removed from the NGIA budget until the Company has provided additional information on applicable cost-effectiveness of the technology; and • the Company has identified one or more customers interested in participating in the carbon capture component of Pilot E.

Pilot F: Industrial Methane and Refrigerant Leak Reduction
The Department recommends that Pilot F be modified and its budget reduced to what would be required for supporting 10 participants in each year for the first two years of the NGIA plan.

Pilot G: Urban Tree Carbon Offsets
The Department recommends that Pilot G not be approved. The Commission should ask CPE to modify this pilot to ensure the spending through this pilot ensures additional trees are planted such that the GHG emission reductions are additional.

Pilot H: Carbon Capture Rebates for Commercial Buildings
The Department recommends that Pilot H as currently structured not be approved.

Pilot I: New Networked Geothermal Systems
The Department recommends that Pilot I not be approved. CPE should file a modified version of Pilot I that funds a feasibility study for a networked geothermal system for new construction on a greenfield or brownfield site.

Pilot J: Decarbonizing Existing District Energy Systems
The Department recommends that Pilot J not be approved as it is currently structured.

Pilot K: New District Energy System
The Department recommends that Pilot K not be approved as it is currently structured.

Pilot L: Industrial Electrification Incentives
The Department recommends that Pilot L not be approved.

Pilot M: Commercial Hybrid Heating
The Department recommends that Pilot M not be approved.

Pilot N: Residential Deep Energy Retrofits and Electric Air Source Heat Pumps
The Department recommends that Pilot N be approved but modified by scaling its budget to $4,885,520.

Pilot O: Small/Medium Business GHG Audit
The Department recommends that Pilot O not be approved.

Pilot P: Residential Gas Heat Pumps
The Department recommends that Pilot P not be approved.

Pilot Q: Gas Heat Pumps for Commercial Buildings
The Department recommends that Pilot Q be approved with modifications to ensure maximal utilization of federal funds to cover installation costs.

Pilot R: Industrial and Large Commercial GHG Audit
The Department recommends that Pilot R not be approved.

R&D Projects
The Department recommends that the six R&D projects that include specific proposals should be approved that amounts to $1,785,000.
The Department recommends that the remaining R&D budget of $8,785,462 should be denied.

25% Budget Flexibility
The Department recommends that the Commission should not accept CPE's 25 percent budget flexibility proposal.

Cost Effectiveness Objectives
The Department recommends that each pilot be evaluated for its cost-effectiveness individually, using at least an annualized cost metric per annual GHG reduction metric.
The Department recommends that three-quarters of the cost-effectiveness objectives meet at least 90 percent of their stated goals. In addition to this requirement, the Department recommends that three quarters of all individual pilots meet at least 90 percent of their stated goals.

State of Minnesota
Minnesota Department of Commerce

Utility Information Request

Docket Number: Dkt. G-008/M-23-215 - NGIA	Date of Request: 9/5/2023
Requested From: CenterPoint Energy Minnesota Gas	Response Due: 9/15/2023

Analyst Requesting Information: Adway De/Andy Bahn/John Kundert/Sachin Shah

Type of Inquiry: Other

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
DOC 054	Each response must be submitted as a text searchable PDF, unless otherwise directed. Please include the docket number, request number, and respondent name and title on the answers. If your response contains Trade Secret data, please include a public copy. Reference(s): In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, (CPE, CenterPoint Energy, or Company), Natural Gas Innovation Act (NGIA) Filing In the Draft RFP for RNG included in Exhibit Q, CPE states: “By definition, the RTCs may not also be claimed by any other party, such as an entity selling the attributes into programs such as the California Low Carbon Fuel Standard or any state or provincial clean or renewable fuels program. Additionally, the attributes cannot be claimed by any party also generating Renewable Identification Numbers (RINs) from the same gas for satisfaction of obligations within the Renewable Fuel Standard.” Please explain if there is any statutory provision in Minnesota Statute 216B.2427 that dictates that such a provision has to be included in the RFP. **Response:** Minnesota Statutes § 216B.2427, subd. 2(a)(10), requires CenterPoint Energy to include in its NGIA Plan: (10) a description of third-party systems and processes the utility plans to use to:

Response By: Betsy Lang
Title: Lead Analyst, Regulatory & Legislative
Department: Regulatory Services
Telephone: 612-321-4318

(i) track the innovative resources included in the plan so that environmental benefits produced by the plan are not claimed for any other program; and

(ii) verify the environmental attributes and greenhouse gas emissions intensity of innovative resources included in the plan.

The intent of a tracking system is to prevent double counting of environmental benefit claims. To CenterPoint Energy's knowledge, M-RETS is the only third-party tracking system that provides functionality to track Renewable Thermal Certificates ("RTC"), defined as 1 Dth of thermal energy (and associated environmental attributes) produced from renewable sources. Additionally, under M-RETS rules, all environmental attributes are included in the renewable thermal certificate, so no other program can claim renewable or greenhouse gas ("GHG") related benefits using the same Dths. Since M-RETS is the only available tracking system, CenterPoint Energy intends to require its use for all renewable natural gas ("RNG") projects.

Response By: Betsy Lang
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Department: Regulatory Services
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CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

Minnesota Department of Commerce
Public Comments

Docket No. G008/M-23-215

Dated this **15th** day of **May 2024**

/s/Sharon Ferguson

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Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012131	Electronic Service	Yes	OFF_SL_23-215_Official

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