

Staff Briefing Papers

Meeting Date May 13, 2021 Agenda Item 13**

Company CenterPoint Energy Resources Corp., d/b/a/
CenterPoint Energy Minnesota Gas (CenterPoint, CPE,
Company)

Docket Nos. **G-008/M-20-889**

In the Matter of an Inquiry into CenterPoint Energy's Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic.

G-008/M-21-48

In the Matter of an Inquiry into CenterPoint Energy's Request for Approval of its Advanced Metering Project.

E,G-999/CI-20-492

In the Matter of an Inquiry into Utility Investments that May Assist in Minnesota's Economic Recovery From the COVID-19 Pandemic.

Issues Should the Commission approve immediate implementation of one or more of CenterPoint's proposed Tranche 1 investments: Accelerated Pipe Replacement, Additional Hydrogen Projects, High-Tech Demonstration Kitchen, Workforce Training and Development, Damage Prevention Campaign, and Hennepin County RNG Project?

Should the Commission approve CenterPoint's request for approval of deferred accounting for its six proposed tranche 1 investments?

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The attached materials are work papers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless noted otherwise.



Relevant Documents

Date

Docket G-008/M-20-889

CenterPoint Energy – Initial Filing	December 18, 2020
LIUNA Minnesota & North Dakota – Comments	February 16, 2021
Minnesota Department of Commerce – Comments	March 17, 2021
Office Attorney General – Residential Utilities Division – Comments	March 17, 2021
CenterPoint Energy – Reply Comments with Attachments	March 30, 2021 ¹
LIUNA Minnesota & North Dakota – Reply Comments	March 30, 2021 ²

Docket G-008/M-21-48

CenterPoint Energy – Initial Filing	January 19, 2021
CenterPoint Energy – Letter	February 3, 2021
Minnesota Department of Commerce – Comments	March 23, 2021
Citizens Utility Board of Minnesota – Comments	March 29, 2021
CenterPoint Energy – Reply Comments	April 15, 2021

¹ CenterPoint’s initial reply comments filed on March 29, 2021 inadvertently did not include attachments.

² Edockets shows a filing date of March 30, 2021; however, the document is date March 29, 2021.

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I. Statement of the Issues

Should the Commission approve immediate implementation of one or more of CenterPoint's proposed Tranche 1 investments: Accelerated Pipe Replacement, Additional Hydrogen Projects, High-Tech Demonstration Kitchen, Workforce Training and Development, Damage Prevention Campaign, and Hennepin County RNG Project?

Should the Commission approve CenterPoint's request for approval of deferred accounting for its six proposed tranche 1 investments?

II. Background

On March 13, 2020, Governor Walz issued Emergency Executive Order 20-01, declaring a peacetime emergency to protect Minnesotans from the novel coronavirus disease 2019 (COVID-19) outbreak.

On March 25, 2020, the Chair of the Commission and the Commissioner of the Minnesota Department of Commerce sent a joint letter to Minnesota Electric and Gas Utilities requesting all utility providers extend the protections of Minnesota's Cold Weather Rule by restricting disconnection of residential customers, waive late fees and arrange payment plans for the duration of the national security or state peacetime emergency.

On May 5, 2020, in Docket No. E,G-999/CI-20-425, Commissioner Joseph K. Sullivan issued a Memo proposing the Commission open a docket to request information from the regulated electric and gas utilities on the possibilities for investments that would assist in Minnesota's economic recovery from the COVID-19 pandemic. The Commission issued its Order Approving Accounting Request and Taking Other Action Related to COVID-19 Pandemic on May 22, 2020 in Docket No. E,G-999/CI-20-425, requesting that all rate-regulated electric and gas utilities provide a list of all ongoing, planned, or possible investments that meet conditions introduced in Commissioner Sullivan's Memo and adopted by the Commission in its Order on May 20, 2020, the Commission issued a Notice in Docket No. E,G-999/CI-20-492.

On June 17, 2020, CenterPoint filed a response to the Commission's May 20, 2020 notice focusing on investments the Company could undertake in the immediate term in 2020, which did not require additional Commission action.

On August 12, 2020, the Commission issued a Notice requesting Utilities file a Tranche of investments that could begin construction in 2021 and comment on how the Commission should proceed in evaluating the Utilities' filings of Tranche 1 investments.

III. Introduction

Docket 20-889

On September 15, 2020 CenterPoint filed a response listing seven projects and requested Commission approval for the immediate implementation and deferred accounting for cost recovery of the six projects.

On December 18, 2020, CenterPoint filed a petition for review of the proposed Tranche 1 investments and, to review CPE's projects independently from other utilities' projects, the Commission opened Docket No. G-008/M-20-889.³

On February 16, 2021, LIUNA Minnesota & North Dakota (LIUNA) filed comments recommending approval of CenterPoint's Petition.

On March 17, 2021, the Minnesota Department of Commerce (Department) filed comments recommending that only the following projects be approved:

- Accelerated Pipe Replacement,
- Workforce Training and Development,
- Completion of the Digitization of service line location component of the Damage Prevention Campaign, and
- Translation Project.

However, the Department recommended that approval be deferred until a full understanding of the customer rate impact of the recent polar vortex is provided.⁴

On March 17, 2021, the Office Attorney General – Residential Utilities Division (OAG) filed comments recommending that the proposed projects not be approved.

On March 29, 2021, CenterPoint filed reply comments reiterating its request that the proposed projects be approved.

On March 30, 2021, LIUNA filed reply comments reiterating its support for approval of the proposed projects.

³ *In the Matter of an Inquiry into CenterPoint Energy's Investments that May Assist in Minnesota's Economic Recovery from the COVID-19 Pandemic.*

⁴ CenterPoint's filing on the polar vortex effects on customers was made in dockets G-999/CI-21-135 and G-008/M-21-138 and the procedural process in that matter is also in this agenda meeting.

Docket 21-48

On January 19, 2021 CenterPoint filed a copy of its December 18, 2020 filing in docket 20-889. On February 3, 2021, the Company made a filing explaining that the intent of its January 19 filing was to separate its Advanced Meter Project from the other six projects.

On March 23, 2021, the Department filed comments recommending that CenterPoint's Advanced Meter Project not be approved.

On March 29, 2021, the Citizens Utility Board of Minnesota (CUB) filed comments recommending that CenterPoint's Advanced Meter Project not be approved.

On April 15, 2021, CenterPoint filed reply comments reiterating its request that the Advanced Meter Project be approved.

IV. Parties' Comments

A. Economic Recovery – Tranche 1 Investment Proposal - Docket G-008/M-20-889

1. CenterPoint Energy – Initial Filing

CenterPoint initially proposed seven projects that the Company said will assist in Minnesota's economic recovery through the creation of jobs directly and indirectly, and through economic stimulus within Minnesota. Additionally, the projects are consistent with the Commission's objectives identified in its May 20, 2020, Notice in Docket No. E,G-999/CI-20-492:

- Provide significant utility system benefits;
- Are consistent with approved resource plans, approved natural gas distribution infrastructure or pipeline safety plans, triennial conservation plans, and existing Commission orders;
- Reduce carbon or other pollutant emissions in the power sector or across economic sectors;
- Increase access to conservation and clean energy resources for Minnesotans;
- Create jobs or otherwise assist in economic recovery for Minnesotans; and
- Use woman, veteran, or minority-owned businesses as much as possible and provide documentation of these efforts.

A summary of the seven proposed projects along with their estimated incremental investment and their forecasted job creation is shown in Table 1.

Table 1 - Projects Proposed to Assist in Minnesota's Economic Recovery

Proposed Investment	Estimated Incremental Investment ⁵	Forecasted Job Creation
Accelerated Pipe Replacement	\$31.8 million	122 full time equivalent ("FTE") contractors in 2021
Renewable Hydrogen Projects	\$5.5 million	1.5 FTE contractors per year through 2023
High-Tech Demonstration Kitchen	\$6 million	30 FTE contractors for construction of facility through 2022 and 3 permanent FTE (2022 and after)
Workforce Training and Development	\$2.5 million	Goal of training and supporting 300 tradespeople in 2021
Damage Prevention Campaign	\$6 million	29 FTE contractors in 2021
Translation Project	\$2 million	Contract translators will be used to complete this project. Possible indirect job creation through increased participation in conservation programs.
Advanced Meter Project ⁶	\$1.5 million	Possible indirect job creation associated with manufacturing of meters in 2021
Total	\$55.3 million	185 jobs (permanent and temporary)

CenterPoint explained that the proposed projects, if approved, will result in the following benefits:

- **Addressing Climate Change:** Accelerated pipe replacement, renewable hydrogen, the high-tech demonstration kitchen, workforce training and diversity, and the damage prevention campaign projects will all reduce emissions. Historically marginalized groups will be the most harmed by climate change. Accordingly, efforts to combat climate change will have the most benefit to these same groups.
- **Keeping Rates Low:** Recovery of project costs can be structured to mitigate and smooth rate impacts to ensure natural gas service remains affordable for our customers. The Company's request for deferred accounting and proposal to recover capital costs in a future rate proceeding allow these significant investments to be made now, yielding

⁵ This reflects the overall estimated incremental cost for the project. While CenterPoint proposes to begin work on each of these projects in 2021, the Company anticipates that a number of these projects will continue into 2022 and beyond.

⁶ The Advanced Meter Project was subsequently moved to docket G-008/M-21-48. The record in that docket and recommendations regarding the Advanced Meter Project are discussed in a separate section of these briefing papers.

economic, reliability, and safety benefits without imposing additional financial burdens on customers.

- Improving Access to Conservation: The proposed translation project is intended to improve accessibility, equity, participation, and engagement by making utility information, including information regarding conservation programs and opportunities, available to more customers who do not have English language proficiency. Additionally, the workforce development project will specifically target increasing participation in energy efficiency by Minority/Women-owned Business Enterprises (MWBEs) and increasing the number of diverse workers in the energy efficiency workforce, which will also increase access to conservation. The high-tech demonstration kitchen project aims to increase access to conservation for those in the foodservice industry.
- Supporting the Foodservice Industry: The high-tech demonstration kitchen investment is specifically targeted to help Minnesota's restaurant and foodservice industry access energy efficiency as it recovers from the pandemic and economic recession. The foodservice industry has been especially hard hit during the pandemic and has a relatively high proportion of minority-owned businesses compared to other industries.
- Workforce Training and Development: The Company has proposed that twenty percent of the workforce training and development investment be particularly targeted at fostering MWBEs. The Company also anticipates that women and minorities will participate in the other portion of this proposal targeted at supporting the education and training of individual tradespeople.

a. Accelerated Pipe Replacement Project

To comply with federal safety standards and to ensure continued safe and reliable natural gas service, CenterPoint has increased its rate of pipe replacement in recent years. Prior to the COVID-19 pandemic, resulting economic recession, and the Commission's request for proposed accelerated utility investments, the Company had planned to annually spend approximately \$200 million from 2021-2025 on pipe replacement projects. Since introducing its accelerated pipe replacement proposal in its September 15, 2020 filing,⁷ CPE undertook further evaluation and, with this filing, proposed an acceleration of this system integrity work, with incremental capital spending of approximately \$31.8 million for the accelerated pipe replacements in 2021.

The scope of the proposed accelerated replacement project includes the replacement of approximately 18 miles of bare steel main; approximately 3 miles of older protected steel main; approximately 10 miles of legacy polyethylene main; approximately 8 miles of main requiring replacement due to leaks, corrosion, or other issues; and approximately 2,500 service lines requiring replacement due to known issues. These proposed accelerated replacement projects will be undertaken in accordance with CenterPoint's distribution integrity management

⁷ Docket No. E,G-999/CI-20-492.

program (DIMP) and in compliance with federal Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations in 49 C.F.R. 192, subpart (P).

Project benefits and revenue requirements impacts are summarized in Tables 2 and 3, respectively.

Table 2 - Accelerated Pipe Replacement Project Benefits

Benefit	Value
Creation of New Jobs	122 FTE jobs in 2021
Avoided Natural Gas Commodity Purchases	Approximately 9,500 Dth or \$28,500 of lost gas avoided due to project acceleration
Reduced Greenhouse Gas Emissions	Approximately 6,000 metric tons CO ₂ e emissions avoided due to project acceleration, with environmental cost value of approximately \$50,000 - \$250,000
Other Benefits	Acceleration of DIMP work and mitigation of distribution system risks Safety benefits due to reduced and avoided gas leaks across CenterPoint Energy's system

Table 3 - Accelerated Pipe Replacement Project Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$2,942,501	\$1.92
2023	\$2,928,880	\$1.91
2024	\$2,846,799	\$1.86
2025	\$2,696,056	\$1.76

If the Commission approves the accelerated pipe replacement project, CenterPoint proposes to, until the project is completed, track and report annually on the following project-specific metrics and data:

- General project information, including total spent on the project, the scope of work completed, the scope of work remaining to be completed, estimated remaining costs, and the proposed timeline for completion of the project;
- Job creation, economic stimulus, and use of women, veteran, and minority-owned businesses, including the number of contractors and new employees hired and where possible, details regarding employee and contractor residency, union status, race/ethnicity, sex, disability status, and veteran status, apprentice hours worked (if applicable), use of certified MWBEs, including the amount spent and sex and race/ethnicity of ownership details, and indirect economic benefits;
- Environmental benefits including estimated greenhouse gas emissions reductions and the method used to calculate such reductions; and

- Customer and system benefits including reporting on reduced gas leaks and improved system reliability.

This information would be filed on or before April 1 each year to reflect the prior calendar year reporting.

b. Renewable Hydrogen Pilot Projects

CenterPoint plans to construct a 1 MW renewable hydrogen pilot project in Minneapolis in 2021. This project will convert renewable electricity into hydrogen for blending into the Company's distribution system, providing energy to CPE's gas customers.

The Company estimates that its pending renewable hydrogen project will result in annual emission reductions of approximately 1,200 tons of carbon dioxide equivalent emissions (CO₂e). Additionally, CenterPoint Energy will purchase renewable electricity for its Minneapolis renewable hydrogen pilot project which may lead to the construction of more renewable electricity generation. The Minneapolis pilot provides an opportunity to gain experience with this technology, which could play an important role in decarbonizing Minnesota's energy system.

Through this filing, the Company proposes two additional, slightly larger hydrogen pilot projects. With approval and completion of design and planning work in 2021, the Company anticipates construction on these two renewable hydrogen projects to begin in 2022 with overall forecasted spending of approximately \$5.5 million through 2023.

Project benefits and revenue requirements impacts are summarized in Tables 4 and 5, respectively.

Table 4 - Renewable Hydrogen Projects Benefits

Benefit	Value
Creation of New Jobs	1.5 FTE contractors per year performing skilled labor for engineering, design, evaluation, and construction
Avoided Natural Gas Commodity Purchases	Approximately 1.5 million Dth or \$4.5 million in gas not purchased
Reduced Greenhouse Gas Emissions	Reduction of estimated 82,000 metric tons CO ₂ e emissions, environmental cost value of \$900,000 - \$4.1 million
Other Benefits	CenterPoint Energy and Minnesota-based engineering contractor gain experience with incorporating hydrogen into gas supply, expanding opportunities for future projects Increases access to clean energy

Table 5 - Renewable Hydrogen Projects Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$8,527	\$0.01
2023	\$211,694	\$0.13
2024	\$431,927	\$0.29
2025	\$408,261	\$0.27

If the Commission approves the renewable hydrogen projects, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

c. High-Tech Demonstration Kitchen

CenterPoint's Commercial Foodservice program provides foodservice customers including restaurants, schools, and health care facilities the opportunity to learn through hands-on and lecture-style training about the benefits of high-efficiency natural gas equipment. Currently, the Company has a small demonstration space located within its Linden Avenue office building.

Because restaurants use five to seven times more energy per square foot compared to any other commercial facilities, foodservice customers inability to test new high-efficiency natural gas foodservice equipment prior to purchasing presents a barrier to significant energy savings and operating cost savings. In 2019, the CenterPoint rebated equipment for 200 foodservice customers estimated to lead to over 740,000 Dth saved and over 45,000 tons of CO2 emissions avoided.

To assist with Minnesota's economic recovery, CenterPoint proposed constructing a new high-tech demonstration kitchen that is forecasted to cost approximately \$6 million to construct, with ongoing expense for newly-hired employees to run the facility and provide demonstrations. If approved, CPE will begin planning and design in 2021 with construction to be completed in 2022. As the economy recovers, the Company anticipates this timing will align well with increasing foodservice equipment investments associated with existing restaurants re-openings and new restaurant openings. The new kitchen will be used to train and promote commercial participants with a goal of over 800 annual participants by 2023. The primary audience would remain commercial customers and trade allies who are in the workforce, interested in building on their skills and knowledge or for trainees who are just entering the workforce. Finally, a main component of the kitchen's success is that the Company will partner with manufacturers to bring in and rotate the newest state-of-the-art natural gas technology in the market.

Project benefits and revenue requirements impacts are summarized in Tables 6 and 7, respectively.

Table 6 - Test Kitchen Project Benefits

Benefit	Value
Creation of New Jobs	30 FTE contractors for construction of the facility and 3 permanent FTE This project is also expected to result in the creation of indirect jobs within the foodservices industry by making conservation savings opportunities more accessible for restaurants and other foodservice businesses
Avoided Natural Gas Commodity Purchases	Approximately 900,000 Dth or \$2.7 million in gas not purchased
Reduced Greenhouse Gas Emissions	Approximately 47,000 metric tons CO ₂ e emissions avoided with environmental cost value of \$550,000 - \$2.3 million
Other Benefits	Targeted economic stimulus benefits to Minnesotans by creating resources for the foodservice industry as it recovers from the impacts of the COVID-19 pandemic, mandatory closures, and the economic recession Supports Minnesota's restaurant/foodservice industry, a relatively high proportion of which are minority-owned businesses Increases access to conservation Potential for secondary benefits by increasing access to the Company's commercial conservation programs

Table 7 - Test Kitchen Project Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$27,527	\$0.02
2023	\$657,675	\$0.43
2024	\$621,217	\$0.41
2025	\$591,312	\$0.39

If the Commission approves the test kitchen project, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

d. Workforce Training and Development

Investing in the training and development of a trade workforce with knowledge in energy efficiency can help increase access to energy conservation and overall energy conservation investments and savings.

With this project, CenterPoint proposed to invest \$2.5 million in incremental 2021 costs to increase the number of workers who have the skills, training, and experience necessary to deliver energy efficiency in Company's service area. The focus will be on developing and training additional air sealing and insulation professionals, which are in short supply in many parts of CPE's service area. The Company has also seen a growing need in the residential sector for tradespeople with the capability of completing weatherization projects. CenterPoint proposed to achieve these objectives, which will increase access to conservation, through the following activities and investments, beginning in 2021:

- Provide funding and scholarships for programs incorporating energy efficiency education and training through existing partnerships with trade schools such as Dunwoody College of Technology, Century College, and Minnesota State Community and Technical College that offer two-year degrees and partnerships with other college internship programs such as the Minnesota Technical Assistance Program internship program;
- Partner with non-profits to provide funding for internships providing hands-on experiences to diverse high-school students in the areas of energy efficiency, to help move interested students into careers related to energy efficiency;
- Provide funding for weatherization certifications for women and minority-owned businesses;
- Develop a new training and education program in cooperation with MWBEs and diverse tradespeople focused on helping to build new weatherization businesses for participation in CIP; and
- Offer enhanced rebates for MWBEs and diverse tradespeople to complete the Building Operator Certification.⁸

CenterPoint explained that the project's scope is above and beyond the existing workforce training and development investments currently in rates. To help train, expand, and develop the energy efficiency workforce through existing and expanded programs, CPE proposed that 80% of the incremental spending be used for financial support through scholarships, internships, and certifications, with the goal of supporting over 200 tradespeople and other workers engaged in energy efficiency. CenterPoint also proposed to invest approximately 20% project's costs on building new workforce development initiatives focused on increasing MWBE participation in energy efficiency programs and improving the diversity of tradespeople, with the goal of supporting 100 participants.

Project benefits and revenue requirements impacts are summarized in Tables 8 and 9, respectively.

⁸ Starting in 2021, CenterPoint plans on offering rebates to cover a portion of the cost of Building Operator Certification. Due to cost effectiveness concerns, the rebate only covers about 33% of the certification but proposes to include additional rebates through the proposed workforce development project for MWBE and diverse tradespeople to help improve access to such certification programs and participation in conservation.

Table 8 - Workforce Development Project Benefits

Benefit	Value
Creation of New Jobs	<p>Goal to support the training of 300 tradespeople and others engaged in energy efficiency</p> <p>This project will also result in economic stimulus through the creation of direct and indirect jobs, and by providing opportunities for job advancement in energy efficiency. For this project, the Company proposes to specifically allocate 20 percent project spending for employees and owners of MWBEs</p>
Avoided Natural Gas Commodity Purchases	Gas saving likely associated with more energy efficiency contractors
Reduced Greenhouse Gas Emissions	CO ₂ e emissions avoidance likely associated with increases in energy efficiency
Other Benefits	<p>Supports training opportunities and career advancement for women and minority tradespeople and generates opportunities for MWBEs engaged in energy efficiency</p> <p>Increases access to conservation</p> <p>Increased conservation can result in reduced O&M expense associated with natural gas delivery and possible overall reductions to customer peak demand</p>

Table 9 - Workforce Development Project Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$0	\$0.00
2023	\$1,469,518	\$0.96
2024	\$1,469,518	\$0.96
2025	\$0	\$0.00

If the Commission approves the workforce development project, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

e. Damage Prevention Campaign

In recent years, CenterPoint has undertaken a number of measures targeted at reducing gas line damages which can result in interruption to natural gas service. As reported in its 2019 Gas Service Quality report,⁹ CenterPoint had a slight decrease in damage incidents caused by the Company in 2019; however, gas line damages caused by factors outside of the Company's

⁹ Docket No. G-008/M-20-453.

control increased somewhat. As discussed in CPE's Reply Comments in that docket, "excavation around our facilities increases risk, and the presence of new construction companies operating in the Company's service area increases the need for public awareness and education of Minnesota one call law and safe digging practices."

With the damage prevention campaign, CenterPoint proposed to invest \$5 million in incremental O&M and \$1 million in capital in 2021. CPE proposes to undertake the following initiatives in 2021 which target reducing damages to its distribution system:

- Auditing excavators with the most locate requests and most damage incidents, at a forecasted incremental O&M expense of \$3 million;
- Creating a city ambassador program for the top 20 cities with the most locate activity, at a forecasted incremental O&M expense of \$2 million; and
- Completing research and field verification to compile and verify service line information in our geographic information system, with forecasted capital costs of \$1 million.

By establishing a formalized audit program, the Excavator Audit Project builds on the outreach efforts CenterPoint has historically undertaken. The majority of damages on CPE's gas lines are caused by factors outside of the utilities control, including third-party excavation damages. While these damages decreased slightly in 2018, they increased somewhat in 2019 - due to increasing construction activities.

CenterPoint proposed to begin this project in 2021 with the goals of identifying misunderstandings or communication issues, providing training and education on best practices, and building stronger relationships between the Company and excavators. The audit program would target excavators with the highest numbers of locate requests and excavators who are most frequently responsible for damaging lines. The results of each audit will be communicated to participating excavators to provide timely feedback and information to improve excavation practices and prevent gas line damages. The Company also proposes to identify those excavators with multiple damages on a routine basis and to visit job sites to identify any locate or excavation issues, providing feedback and additional training to excavators. Additionally, CPE proposed to work with excavation companies to develop and implement a damage prevention program.

The City Ambassador Project would be implemented in 2021 for the twenty cities with the most locate requests. Each City Ambassador would work with their assigned city's engineering and permitting departments to better coordinate activity around city projects. The goals would be to identify misunderstandings and communication issues, educate city personnel on best practices, and build stronger relationships between the Company and city personnel to encourage regular communications and help prevent gas line damages.

Driven in part by municipal road, sewer, and other public works projects, the total number of locate requests has continued to annually increase. Between 2015 and 2019, the total number of locate tickets received increased more than 6% which creates additional risk for damage to natural gas facilities. In order to help reduce the number of overall damages, thereby also reducing the risk of service interruptions and potential injury or damage to property, the

proposed City Ambassador project would target those cities where the highest volume of construction activity is taking place.

Regarding the Research and Field Verification of Service Line Data, CenterPoint explained that the vast majority of its existing records have been validated and digitized through the Permanent Records Integrity Management Excellence (PRIME) project. However, the scope of that project did not include records that could not be fully digitized or validated for various reasons. For example, some paper records are so old that they have become faded and other records appear to be incomplete. Starting in 2021, the Company proposed to validate these approximately 45,000 records. The validation will require additional research and input from the field and will cost \$1 million to complete.

PHMSA regulations require that as the pipeline operator, CenterPoint must demonstrate knowledge of its system developed from reasonably available information and identify additional information and provide a plan for gaining that information over time. This project is the next step in the Company's plan to gather available information regarding its system, in accordance with PHMSA regulations. Completion of this project results in more complete, accurate, and usable service line information, which will help prevent damages.

Project benefits and revenue requirements impacts are summarized in Tables 10 and 11, respectively.

Table 10 - Damage Prevention Campaign Benefits

Benefit	Value
Creation of New Jobs	29 FTE contractors per year
Reduced Greenhouse Gas Emissions	Estimated 480 metric tons CO ₂ e emissions reduced, environmental cost value of \$4,000 - \$19,000
Other Benefits	Increased safety and reliability through reduced damages and resulting service interruptions

Table 11 - Damage Prevention Campaign Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$92,421	\$0.06
2023	\$3,031,029	\$1.98
2024	\$3,028,451	\$1.98
2025	\$84,680	\$0.06

If the Commission approves the damage prevention campaign, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

f. Translation Project

This proposed project is focuses on improving accessibility, equity, participation, and engagement by expanding the customer communications and information that are available in Spanish, Hmong, and Somali communities. The COVID-19 pandemic has highlighted the importance of this effort in to ensure customers can access important utility information, whether or not they have English language proficiency. Additionally, the compounding effects of widespread civil unrest has underscored the importance of, and need for, accessibility of utility communications. While the Company has already taken steps to ensure its customers who speak languages other than English are able to access utility information, including providing language translation services for customer service calls, the proposed translation project is an important next step in expanding the accessibility of information to customers who either do not have English language proficiency or who may be more comfortable with communications in Spanish, Hmong, or Somali.

With approval, CenterPoint proposed to issue a request for proposals (RFP) in order to hire a contractor who can translate the customer information posted to our website, including rates and billing information, natural gas safety information, and energy efficiency program information in 2021. Initial forecasted project costs to complete the translation project are \$2 million in incremental O&M expense to be incurred in 2021.

Project benefits and revenue requirements impacts are summarized in Tables 12 and 13, respectively.

Table 12 - Translation Project Benefits

Benefit	Value
Creation of New Jobs	CenterPoint anticipates hiring contractors to assist with the translation project and is planning to issue an RFP for this project Possible indirect job creation through increased participation in conservation programs
Gas Cost Savings from Increased Conservation	Improved access to information regarding energy efficiency programs and offerings is likely to result in additional participation
Reduced Greenhouse Gas Emissions	Emissions reductions due to increased participation in conservation
Other Benefits	Improved accessibility, equity, participation, and engagement

Table 13 - Translation Project Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$0	\$0.00
2023	\$1,175,615	\$0.77
2024	\$1,175,615	\$0.77
2025	\$0	\$0.00

If the Commission approves the translation project, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

2. LIUNA Minnesota & North Dakota – Comments

LIUNA stated that CenterPoint’s proposed investments will provide critical job creation, while helping Minnesota achieve its clean energy goals by embracing innovative clean energy technologies. CenterPoint is proposing accelerated pipe replacement, innovative hydrogen projects, the development of a high-tech demonstration kitchen, workforce training and development, and a Hennepin County Renewable Natural Gas project.

LIUNA highlighted four investments that align with the core goal of the utility stimulus docket to help Minnesota recover from the economic downturn caused by COVID 19:

- The accelerated pipe replacement will invest over \$30 million in critical gas infrastructure, create approximately 122 FTE jobs in 2021, improve the safety and reliability of critical gas infrastructure and reduce greenhouse gas emissions. If approved, this project will contribute to Minnesota’s economic recovery by creating good family-supporting construction jobs, while helping the State of Minnesota meet its ambitious decarbonization goals. It is also important to highlight that based on research from New Jersey’s utility stimulus program from the last Great Recession, we know that gas pipe and service jobs are among the most effective job creators.¹⁰ On a dollar for dollar basis, gas pipe or service jobs created 62% more jobs compared to electric projects.¹¹
- The new hydrogen infrastructure will create immediate jobs, while creating an opportunity to learn about the challenges and opportunities of this exciting technology. The pilot projects will have both immediate job creation benefits as well as long term benefits in helping Minnesota continue to lead the region in its implementation of low carbon energy sources.
- The high-tech demonstration kitchen will not only create immediate construction job opportunities, but the facility will provide a space to encourage the wide-scale adoption of high-efficiency natural gas equipment. Energy efficiency jobs, from the

¹⁰ Docket Nos. EO09010049, GO09010050, and ER09110936, Analysis of Appendix B, PSEG, <https://www.nj.gov/bpu/pdf/boardorders/2011/20110706/7-14-11-2D.pdf>

¹¹ Ibid.

- installation of high-efficiency energy products to work on home energy audits, provide a significant source of employment in Minnesota. Encouraging adoption of more energy efficient appliances has the potential to induce much greater job creation as major food service institutions embrace more efficient appliances and employ highly-trained workers to install the new equipment.
- The workforce training and development proposals and the commitment to equity and workforce diversity. LIUNA shares CenterPoint's commitment to find new pathways into family-supporting careers in the skilled trades for BIPOC communities.

LIUNA noted CenterPoint's commitment to the Energy Utility Diversity Group (EUDG) stakeholder group's recommendations for maximizing the benefits of these economic recovery projects. The EUDG has highlighted the need to strengthen education and outreach efforts, and to address barriers to employment that range from mobility to requirements related to education or criminal background.

In order to mitigate potential rate impacts in the near term, LIUNA believes it would be reasonable to approve the use of deferred accounting. LIUNA recognize that deferred accounting is a tool that should be used sparingly; however, they believe that deferred accounting is well-suited to the extraordinary circumstances in which we find ourselves today, facing a pandemic-induced economic recession that has already produced historic job losses, and that has the potential to create long-term economic scarring. Deferred accounting would allow CenterPoint to accelerate investments that will create jobs while giving the Commission the flexibility needed to defer cost recovery until the economy can better afford it. In light of the benefits that acceleration would provide, LIUNA also believes that it would be appropriate to authorize CenterPoint to recover what LIUNA considers modest carrying costs.

3. Minnesota Department of Commerce – Comments

a. Accelerated Pipe Replacement

The Department noted that, to ensure reliability and Company compliance with federal pipeline standards, CenterPoint is already replacing certain bare steel mains and legacy polyethylene mains. The Department said that, in response to DOC IR No. 2, CenterPoint states that it currently plans to spend \$27.5 million on Bare Steel Main Replace and \$2.4 million on Legacy Plastic Service Line Replacement in 2021. The Department understands the \$31.8 million pipe replacement spending proposed in this proceeding would be in addition to the Company's planned spending. The Department recommended approval of CenterPoint's proposed accelerated pipe replacement project, and recommended the Company be directed to separately track accelerated pipe replacement expenditures from its existing pipe replacement spending.

b. Renewable Hydrogen Projects

The Department stated that CenterPoint's projected spending on the two proposed projects appears inconsistent with its projections for its existing project. For example, in response to DOC IR No. 3, the Company expects \$14,000 in O&M expenses for its current renewable hydrogen project, but between \$69,000 and \$79,000 in O&M expenses for its proposed

projects. The Department added that, before undertaking additional renewable hydrogen projects with the potential of a \$150 million revenue requirement over their lives, the Department recommended that the Company evaluate the operation and performance of its existing project. The Department recommended denial of CenterPoint's proposed Renewable Hydrogen Project.

c. High-Tech Demonstration Kitchen

The Department stated that CenterPoint has an existing kitchen that appears to be serving its needs at this time. In response to a Department IR asking about the Company's plans to modify its CIP goals or make program design changes to the Commercial & Industrial Training and Education program or to the Commercial Foodservice and Equipment Rebates Program, the Company responded that it expects any changes to occur once the kitchen is fully operational in 2023. In addition, CenterPoint noted that it, may adjust participation goals and budget for the Commercial Foodservice Equipment Rebate program, but given current and ongoing economic uncertainties in the foodservice industry, adjustments to the Company's already ambitious participation and energy savings goals will need to depend on future market conditions.

Based on this information, the Department concluded that, while replacing the existing facility may be necessary at some future point in time, its current replacement will not necessarily result in additional participation or energy savings through the Company's CIP Programs. The Department recommended that the project not be approved.

d. Workforce Training and Development

In response to DOC IR No. 8, CenterPoint stated that goals for weatherization under its current 2021-2023 Triennial CIP plan are unlikely to be affected by the Company's funding for workforce training, but that such efforts and spending may influence goals in its 2024-2026 Triennial CIP Plan. Since CenterPoint's spending proposal on workforce training can have an impact on future job opportunities for participants, and encourage additional spending on energy efficiency and weatherization in the future, the Department recommended approval of this project.

e. Damage Prevention Campaign

The Department noted that, in 2020, CenterPoint's planned and actual spending on damage prevention costs were \$4.9 million and \$5.5 million, respectively. The increase was the result of higher locate requests and higher vendor contract costs. CenterPoint indicated that it currently audits its locators, and has processes in place to reach out to excavators with frequent or recurrent issues. Consequently, the Department does not see significant benefit from an additional \$5 million spending and; therefore, recommended that this project not be approved.

As with the excavator audit, the Department does see sufficient additional benefit from the City Ambassador spending proposal over the Company's current processes and; therefore, recommended that this project not be approved.

CenterPoint proposes to spend an additional \$5 million on a damage prevention campaign, including auditing excavators, creating a city ambassador program for the top 20 cities with the most locate requests, and \$1 million for completion of research and field verification to verify service line information in the Company's GIS system.

CenterPoint stated that it has approximately 45,000 older records that have not yet been digitized and may require additional research before being input into the Company's digital records. Since ensuring the completeness and validity of the Company's service line information in the Company's GIS system will assist in damage prevention in the location and excavation work going forward, the Department recommended approval of the \$1 million spending on this project.

f. Translation Project

CenterPoint incurred \$1,248 in 2020 for translation expense related to Minnesota's Energy Assistance Program. The Department supports approval of CenterPoint's \$2 million translation project because equitable access to information is important for all customers.

4. Office Attorney General – Residential Utilities Division – Comments

The OAG noted that, if the Commission approves the full \$55.3 million stimulus investment, the average residential customer would experience an annual bill impact of \$2.14 in 2022, rising to \$6.35 in 2023. This impact would be incremental to any other base-rate increases that the Company receives. For example, the Commission recently granted CenterPoint a \$38.5 million base-rate increase that will result in a \$33 annual bill impact for residents and the Company has also indicated that it intends to seek another base-rate increase in November 2021. These rate impacts are likely to be compounded by the recent wholesale gas price spike, which CenterPoint estimates will cost the average residential customer \$300 to \$400 (assuming that the Company justifies rate recovery of the full amount).

The OAG stated that while prudent utility investments benefit the broader economy, the Commission's primary economic role is to ensure that utilities do not overspend on unnecessary or duplicative facilities, or operate inefficiently, at ratepayers' expense. The first question in analyzing ratepayer-funded stimulus must therefore be whether a project is *needed* to serve ratepayers.

a. Accelerated Pipe Replacement

Prior to the pandemic and the Commission's invitation to propose stimulus projects, CenterPoint had planned to spend \$200 million on pipe replacement from 2021 to 2025. This amount was presumably sufficient to ensure that CenterPoint's distribution network would continue to operate safely and reliably. The Company now proposes to increase its 2021 pipe-replacement investments by \$32 million as a stimulus measure. But CenterPoint has provided no analysis showing that any benefits of accelerating pipe replacements would outweigh the costs; therefore, the OAG recommended that the project not be approved.

b. High-Tech Demonstration Kitchen

The Company already has a foodservice learning program to promote high-efficiency natural gas appliances but suggests that this new kitchen would augment its program by helping more customers to adopt efficient equipment. CenterPoint has not shown, however, that this \$6 million capital expenditure for a new kitchen is needed to increase energy conservation, or that the project would be cost-effective compared to alternative ways of increasing conservation.

CenterPoint also has not demonstrated the project's prudence. Establishing prudence requires comprehensively cataloguing the costs and benefits of a project and comparing them to the costs and benefits of alternatives. CenterPoint's petition includes no alternatives analysis and, moreover, makes any such comparison impossible by failing to quantify all the relevant costs of its proposal. The petition identifies only one specific cost— the \$6 million capital investment— which alone would nearly double the annual revenue requirement of CenterPoint's current foodservice program. The petition omits other relevant costs such as the cost of the additional rebates that would be required to increase program participation from 500 customers, as contemplated by its current CIP, to 800 customers, as contemplated by its stimulus proposal. It also mentions, but fails to quantify, the cost of hiring three full-time employees to run the new kitchen. Without this information, a benefit-to-cost ratio cannot be calculated for the project or compared with alternatives, such as simply increasing CIP outreach and making more rebates available.

The OAG recommended that the project not be approved.

c. Workforce Training and Development

The OAG stated that CenterPoint's proposal is very similar to a proposal that Xcel Energy submitted to the Department of Commerce as an addition to Xcel's 2021–2023 CIP.¹² CenterPoint's proposal would support CIP efforts and should be submitted to the Department for review and potential inclusion in the Company's 2021–2023 CIP. Minn. Stat. § 216B.241, tasks the Department with overseeing utilities' conservation-improvement programs. A workforce-development program is a type of "indirect" CIP measure. It does not directly save energy but instead is designed to support other CIP programs by increasing the availability of skilled labor to install energy conservation improvements. This proposal should be evaluated by the Department to ensure that they are consistent with the standards used to assess indirect CIP programs and fit within the broader suite of CIP measures. For these reasons, the Commission should decline to approve CenterPoint's workforce-development proposal.

5. CenterPoint Energy – Reply Comments

CenterPoint made the following modifications to its proposal:

¹² Docket No. E,G-002/CIP-20-473, Request to Add New Programs attach. C (Dec. 23, 2020) (describing proposed workforce-development program).

- CPE withdrew its deferred accounting request for the following projects: the accelerated pipe replacement project, the hydrogen pilot projects, the high-tech demonstration kitchen, and the verification of GIS service line information.
- Since there is now insufficient time to complete the work that would be required to plan for and implement the proposed excavator audit and city ambassador projects, CenterPoint withdrew its request for these projects.
- With respect to the workforce development project and the translation project, if the deferred accounting request is not approved, CenterPoint would be unable to recover these O&M investments; therefore, the Company will not move forward with these projects.
- CPE continues to believe that it would be appropriate to authorize carrying charges.

CenterPoint's filing provided additional information and updates to the projects discussed below.

a. Accelerated Pipe Replacement

CenterPoint's initial filing proposed incremental 2021 capital spending of \$31.8 million. As summarized in Table 14, the Company revised its incremental cost estimate to \$27.66 million.

Table 14 - Updated Budgeted and Proposed Accelerated Pipe Replacement

Budgeted Pipe Replacement Spending (2021)	Proposed Accelerated Pipe Replacement (2021)	Total 2021 Pipe Replacement (Budgeted and Accelerated Pipe Replacement Projects)
\$13,600,000	\$27,660,802	\$41,260,802

In response to the OAG comments, CenterPoint explained that replacement of obsolete materials and mitigation of other known risks on the gas distribution system are multi-year initiatives. The Company must evaluate the level of threat posed and establish a schedule that is achievable in light of resource and other construction constraints. As a result, obsolete material replacements are completed on a multi-year basis, with annual asset replacement selections being driven by risk analysis. In 2012, CenterPoint began to replace or cathodically protect 479 miles of unprotected bare steel main. In 2019, the Company determined an additional 29 miles of inadequately protected bare steel main needed to be included in the project. Similarly, the legacy plastic service line replacement project began in 2016 and involves the replacement of service lines made from materials identified by PHMSA in a series of advisory bulletins. The legacy steel pipe replacement project involves the replacement of certain vintage steel pipe known to have been manufactured, constructed, and/or operated using legacy practices that are no longer considered sufficient for effective risk management.

The OAG's suggestion that acceleration of these important distribution integrity programs is not justified on the basis of providing benefits through enhanced safety and reliability misunderstands the nature of such distribution integrity investments. The benefit of the accelerated pipe replacement project is not a "theoretical increase[] in the system's safety and reliability" as characterized by the OAG but an actual enhancement in system safety by

removing known risks from the system more quickly. The accelerated pipe replacement project will also avoid approximately 9,500 dekatherms (Dth) of lost gas and an estimated 6,000 metric tons of carbon dioxide-equivalent emissions as a result of accelerating these projects to 2021. These avoided gas losses and emissions would not be realized in the absence of the acceleration of these investments.

Because the accelerated pipe replacement project is a capital project, the Company also agreed to withdraw deferred accounting request for this project. Instead, CenterPoint requested that the accelerated pipe replacement project be found to be consistent with the Commission's request for proposals that could assist with economic recovery in the May 22, 2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of this project shall not be a basis for any disallowance of cost recovery in the future. CenterPoint stated that it intends to continue with pipe replacement activities based on the updated schedule and costs will be included in the next general rate case filing. In that proceeding, interested parties and the Commission will have an opportunity to evaluate the reasonableness and prudence of the costs. CenterPoint also accepted the Department's proposal to separately track accelerated pipe replacement expenditures from its existing pipe replacement investments based on the \$13.6 originally budgeted 2021 pipe replacement costs.

b. Renewable Hydrogen Projects

The renewable hydrogen pilot projects are two projects that will provide energy to CenterPoint's customers by converting renewable electricity into hydrogen for blending into the Company's distribution system. The first hydrogen project is a 1.0 – 1.5 MW electrolyzer that is expected to be placed in service in 2022. The second hydrogen project is a 1.5 – 2.0 MW electrolyzer that is expected to be placed in service in 2023. These two projects will complement the Company's 1.0 MW renewable hydrogen pilot in Minneapolis, which is expected to be in service in 2021.

The Department recommended denial of the two proposed renewable hydrogen pilot projects in order to provide an opportunity for CenterPoint to complete and evaluate its current pilot project. The Department also questioned why the proposed pilot projects have higher O&M expenses as compared to the currently pending 1 MW pilot project. CenterPoint is continuing to refine and evaluate the O&M costs for these two pilot projects.

As work on these two renewable hydrogen pilot projects will not occur until 2022 and 2023, CenterPoint acknowledged that the Commission does not need to take immediate action on these two projects. Instead, CenterPoint Energy requested that the Commission find that these two pilot projects are consistent with the Commission's request for proposals that could assist with economic recovery in its May 22, 2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of these projects shall not be a basis for any disallowance of cost recovery. These findings are consistent with the Commission's March 12, 2021 Order on Xcel Energy's proposed economic recovery projects and will allow CenterPoint Energy to potentially bring these projects forward in its next rate case, at which time the Department and other parties will have an opportunity to evaluate the reasonableness and prudence of the projects.

c. High-Tech Demonstration Kitchen

In response to the Department and the OAG taking issue with the proposed high-tech demonstration kitchen, CenterPoint explained that the existing location is not a viable option since the Linden Avenue office building is at capacity; thus, the Company determined that it would not be feasible to update the existing kitchen facilities due to building and space limitations. Such a remodel would require an upgrade to the existing ventilation, which would cause unreasonable disruption to other operations within the office. Further, such upgrades would require significant investment while not addressing any of the other constraints on the current facility such as sufficient space, parking, and storage. As a result, at a minimum, the current commercial kitchen space will need to be moved to a new space in order to allow for either an expansion or an upgrade.

The proposed high-tech demonstration kitchen is not a second demonstration kitchen but, in order to address deficiencies in that facility that will need to be addressed in the near term, a necessary replacement for the existing facility. The proposed high-tech demonstration kitchen is intended to provide the following important benefits:

- A dedicated first floor space that can accommodate trainings and educational programs for large groups as well as showcasing energy efficient commercial foodservice technologies. This dedicated space would allow foodservice professionals to test new high-efficiency foodservice technologies and see the Company's rebate offerings;
- Accessible training facilities with capacity for up to seventy-five participants per training;
- Kitchen equipment and amenities including energy efficient hoods, preparation and serving counters, refrigerators, freezers, sinks, and a separate dish room;
- A secure loading area for rotating equipment/appliances and adequate storage; and
- A separate entrance and adequate parking for end use customers and trade allies to attend trainings and demonstrations.

The proposed high-tech demonstration kitchen would be designed to demonstrate commercial energy efficiency and provide benefits to the entire Commercial and Industrial (C&I) CIP Portfolio through an Energy Star rated high energy efficiency building. Remote training capability at this new facility would also create opportunities to make such trainings accessible to customers across the Company's service area.

Despite the significant economic hardship for the foodservice industry, the Company's 2021-2023 CIP plan has a Commercial Foodservice program goal of 60,527 Dth, which is in alignment with historic program performance prior to COVID-19 and any associated economic downturn. Given current economic conditions, the proposed high-tech demonstration kitchen will be important to allow the Company to reach and exceed energy savings goals in the Commercial Foodservice Equipment Rebate program in the coming years. Further CenterPoint plans to modify its CIP plan to incorporate the results of the proposed high-tech demonstration kitchen. While the specific parameters of such modification are not known with certainty, the Company has stated that the proposed high-tech demonstration kitchen will be used to train and promote commercial CIP participants with a goal of over 800 participants per year by 2023. The

Company would plan on modifying participant goals for its Commercial and Industrial Training and Education in alignment with those goals.

CenterPoint disagreed with the OAG's suggestion that project costs are not justified in light of the benefits. As shown in the Company's Petition, the estimated average annual residential bill impact of this project is \$0.43 and benefits include estimated avoided gas costs of 900,000 Dth or \$2.7 million, 47,000 metric tons of CO₂e emissions avoided with environmental cost value of \$550,000 to \$2.3 million, and increased access to conservation. While the Company continues to advocate for a new high-tech demonstration kitchen as proposed in its Petition, a smaller scale project consisting of a demonstration kitchen co-located within another CenterPoint Energy building could be considered instead. The Company estimates that this alternative would cost approximately \$3 million and would deliver fewer benefits in terms of economic stimulus, job creation, increased access to CIP, and training and education for the foodservice industry.

Because the high-tech demonstration kitchen is a capital project and given the timing of the anticipated project, CenterPoint withdrew its request for deferred accounting with respect to this project. Instead, CenterPoint Energy requested that the Commission approve the high-tech demonstration kitchen project as consistent with the Commission's request for proposals that could assist with economic recovery in the May 22, 2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of this project, which was already needed and planned to be undertaken in the near term, shall not be a basis for any disallowance of cost recovery in the future. If CenterPoint Energy proceeds with the project, it will be included in its next rate case filing which will allow interested parties and the Commission an opportunity to evaluate the reasonableness and prudence of the costs.

d. Workforce Training and Development

In response to the OAG's recommendation that CenterPoint include this project in its 2021-2023 CIP plan, the Company stated that the participants in the proposed programs will likely not enter the workforce until the end of current CIP plan. Further, because the proposed workforce training and development project will not result in direct energy savings, including it in the Company's CIP would harm the portfolio's overall cost effectiveness. As a result, it would not be appropriate to add the workforce training and development project to CIP.

e. Damage Prevention Campaign

CenterPoint continues to advocate that the excavator audit and city ambassador projects; however, since there is insufficient time to complete the work that would be required to plan for and implement these projects in 2021, CPE withdrew its proposal to complete these projects in 2021. However, the Company stated that it may propose these initiatives in its next rate case.

Because the GIS verification project is a capital project, CenterPoint withdrew its request for deferred accounting with respect to this project. Instead, CenterPoint Energy requested that the Commission approve the high-tech demonstration kitchen project as consistent with the Commission's request for proposals that could assist with economic recovery in the May 22,

2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of this project, which was already needed and planned to be undertaken in the near term, shall not be a basis for any disallowance of cost recovery in the future. CenterPoint Energy intends to proceed with the project and will include it in its next rate case filing which will allow interested parties and the Commission an opportunity to evaluate the reasonableness and prudence of the costs.

f. Translation Project

While CenterPoint appreciates the Department's support for the translation project, the Company noted that its \$2 million in incremental O&M expenses are not included in base rates; therefore, deferred accounting is needed to allow CPE to complete this project in 2021. Absent that, CenterPoint stated that it will not proceed with the project in 2021 and instead will evaluate whether to propose the translation project as part of its next rate case.

6. LIUNA Minnesota & North Dakota – Reply Comments

LIUNA continues to believe that the proposed investments are prudent, and also consistent with the Commission's call for proposals that provide system benefits while supporting economic recovery and advancing environmental and equity goals.

CenterPoint's proposal to accelerate planned replacement of bare steel mains and legacy polyurethane pipe is the kind of smart investment that the economic recovery docket has made possible. These pipe materials are obsolete and included in CenterPoint's replacement program. The question is not whether they would be replaced, but when. There is no evidence that ratepayers will pay any more for accelerated replacement. To the contrary, the record in the 20-492 docket clearly shows that the economic benefits of the project can be maximized by making the investments now, when demand is relatively slack due to the COVID-19 pandemic. For LIUNA members, this investment will amount to jobs now, when they are most needed, rather than later, when we have reason to believe that other opportunities will be available.

LIUNA also supports the two proposed hydrogen pilots. While the number of immediate jobs created by these projects is modest, LIUNA believes that they are crucial to the longer-term effort to cost-effectively decarbonize buildings and industries while preserving hundreds of jobs for LIUNA members and others that safely maintain our natural gas distribution infrastructure.

The recent natural gas price spike that originated in Texas is cited by both the Department and the OAG as a reason to deny or defer approval of proposed investments. But in the case of the hydrogen pilots, the price spike reinforces the need to support innovation in the natural gas industry to build local supply and reduce reliance on national commodity markets. LIUNA believes that it would be a mistake to retreat from making beneficial investments based on the recent price spike, especially when the Commission has tools, including deferred accounting, that can and should be used to mitigate rate impacts resulting from the storm.

B. Advanced Meter Project - Docket G-008/M-21-48

1. CenterPoint Energy – Initial Filing

CenterPoint's filing was an exact copy of the initial filing in Docket No. G-008/M-20-889. As mentioned above, this section will only address the Advanced Meter Project.

CenterPoint explained that, between 2017 and 2019, it was involved, along with other major utilities, in the testing and evaluation of the Itron Intelis residential gas meters. With a view to adopting the Itron Intelis meter as the Company's standard residential meter for new and replacement installations, CenterPoint installed a small number of Itron Intelis meters to confirm that they are compatible with the Company's meter reading technology and that they can withstand outdoor winter conditions.

Based on evaluation of the safety features and benefits, CenterPoint proposed to begin installing Itron Intelis meters in the ordinary course of replacing or installing new meters. With this project, in 2021, CPE proposed to install 23,000 Itron Intelis meters for new residential service and in cases of damaged, obsolete, or failed residential meters which require replacement. Due to the higher cost of this next generation meter, CenterPoint forecasted that this project will result in incremental 2021 capital costs of \$1.5 million.

The primary benefits of the proposed next generation meters are increased safety and quality of service. The meters proposed for implementation have significant safety enhancements, including:

- Integrated flow measurement which detects high-flow conditions, automatically shutting off gas flow and sending an alarm to the utility. This integrated excess flow monitoring can help to detect an anomalously high flow that may signal a severed gas line within the residence.
- If a customer smells gas and contacts the utility, a technician can turn off the meter remotely, reducing the safety risks to both employees and customers.
- The meter contains a temperature sensor, which can automatically stop the flow of gas in the case of a fire, and can detect air in the meter in the event the meter is removed due to theft, damage, or other potentially dangerous conditions. These next generation meters may also help to reduce emissions through the embedded leak detection and automatic shutoff, which can improve responsiveness to gas leaks. These meters also utilize state-of-the-art ultrasonic metrology, which may improve meter accuracy.

Overall project benefits and revenue requirements impacts are summarized in Tables 15 and 16, respectively.

Table 15 - Advanced Meter Project Benefits

Benefit	Value
Creation of New Jobs	Possible indirect job creation associated with manufacturing of meters in 2021.
Potential Cost Savings	Remote shut-off capabilities may reduce O&M expense in responding to gas emergencies. Potential Reductions in lost gas due to inaccurate meters, theft, and diversion.
Reduced Greenhouse Gas Emissions	Because the meters automatically shut off in the event of a large leak and allow for remote shutoff, methane emissions can be avoided.
Other Benefits	Significant safety features including built-in high flow alarm and temperature sensor, along with integrated shutoff valve, detects potentially dangerous conditions such as open fuel lines or fires, automatically triggering shutoff. Air detection alerts of potential meter removal, sending an alarm to the utility operations center, improving safety and theft detection.

Table 16 - Advanced Meter Project Revenue Requirements

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$203,461	\$0.13
2023	\$256,144	\$0.17
2024	\$248,810	\$0.16
2025	\$181,445	\$0.12

If the Commission approves the advanced meter project, CenterPoint proposed to, until the project is completed, use the same tracking and reporting metrics as those mentioned in the accelerated pipe section.

2. Minnesota Department of Commerce – Comments

The Department noted that, in its September 15, 2020 filing in Docket No. E,G-999/CI-20-492, CenterPoint indicated that, because it required additional analysis and review, its Advanced Meter Project was included as a Phase II project, not a Phase I project. Specifically, the Company indicated it planned to provide

“(1) an evaluation of project alternatives; and (2) further detail around the scope of these projects, year by year.” In a subsequent letter, the Company stated it “determined it would be valuable to move a limited scope of the full Advanced Meter Project into 2021...while we continued to develop and refine the details of the full Phase 2 plan.”

Despite earlier statements that additional analysis and review was needed and that the Company would provide an evaluation of project alternatives, CenterPoint now proposes to proceed with the Advanced Meter Project, albeit on a small scale; however, the Company did not undertake additional analysis or review, and did not provide an evaluation of alternatives. Therefore, the Department does not see a benefit to rushing a portion of the Project forward without the analysis the Company initially intended to provide. CenterPoint is free to request consideration of the Advanced Meter Project as part of its Phase 2 proposals once it has completed its evaluation of alternatives.

The Department recommended denial of the Advanced Meter Project. However, if the Commission wishes to approve the projects, the Department recommended that final approval be deferred until a full understanding of the rate impact of the recent polar vortex on customer bills is known.

3. Citizens Utility Board of Minnesota – Comments

CUB stated that CenterPoint has not provided nearly enough information to allow the Commission to adequately balance anticipated benefits of installing the meters against their anticipated costs. Further, the Phase 1 AMI Project does not meet the conditions the Commission established in the Economic Recovery Docket to identify utility investments that, if accelerated, could enhance Minnesota's economic recovery in the wake of the COVID-19 pandemic. Finally, it would be untimely for the Commission to accelerate a \$1.5 million discretionary investment to promote economic recovery just as the CPE's ratepayers will be asked to pay surcharges on their bills to help the Company recover \$500 million in costs the Company incurred during the recent extreme weather event in February 2021 (February Market Event).

Rather than accelerating approval of the Phase 1 AMI Project based on a limited record, CUB believes it would be prudent to, along with any other investments planned or needed to enable full functionality of the Itron meters, undertake a more thorough analysis of the Company's full \$280 million proposed investment in its Phase 2 AMI Project. Doing so would help ensure that investments in an accelerated Phase 1 would not lead to an incomplete project and stranded assets if the Commission, following more thorough record development, decides to not authorize the Phase 2 AMI Project.

Since CenterPoint produced very limited information or analysis demonstrating how the Itron meters would mitigate existing safety concerns, in discovery, CUB asked the Company to provide the number of incidents in the past five years when the Company sent personnel to a customer's home or business within Minnesota to respond to a severed gas line, a potential gas leak, and/or a fire – and how often such incidents required Company personnel to manually shut off gas supply to the affected property. CUB also asked for information on total gas leakage incidents over the past ten years. Table 17 summarizes CenterPoint's reply.

Table 17 - CenterPoint Energy's 2015-2020 Gas Leak Information

	2015	2016	2017	2018	2019	2020
Total gas leaks	6,972	6,648	6,807	6,572	7,502	6,124
Total incidents requiring dispatch of personnel	933	912	933	932	948	966
Total incidents requiring manual shut off	758	753	606	612	618	655
% gas leaks requiring dispatch of personnel	13%	14%	14%	14%	13%	16%
% of gas leaks requiring manual shut off	11%	11%	9%	9%	8%	11%

Over the past five years, CenterPoint dispatched personnel to 14% of the gas leaks occurring and only about 10% of yearly gas leaks led to manual shut offs. If we were to assume that the remote shut off capabilities of Itron meters only help mitigate those incidents that currently involve sending personnel to physically investigate leaks, it seems the Company's AMI investments would not help mitigate the 86% or more of the yearly gas leaks it currently experiences that do not require dispatch of personnel. Even in the 14% of incidents when Itron meters could allow remote mitigation of gas leaks, CenterPoint has not demonstrated the degree to which advanced meters would reduce the need to send personnel to customer properties and/or engage in manual shutoffs. In fact, as discussed below, the Company's responses to CUB's information requests suggest that the meters' remote meter reading capabilities and real-time alerts will not be fully functional unless and until CPE installs an advanced communication system, the costs of which are not included in the cost estimates of either Phase 1 or Phase 2 of the project.

CUB noted that, historically, CenterPoint has installed meters in new homes at about double the rate that it has replaced damaged or obsolete meters in existing homes. If that trend continues, the majority of the Itron meters installed in Phase 1 of the project would be installed in new homes. As the Company does not track information about the age of buildings where leaks occur, CPE has not demonstrated that installing Itron meters in more new homes than older homes is a prudent way to mitigate overall gas lost and unaccounted for on its system.

CUB recognized the above assumptions likely oversimplify an assessment of how well the Itron meters could help reduce gas leaks across the CenterPoint's system, but that oversimplification underscores their point: the Company needs to provide a deeper analysis into how it diagnoses the problems addressed by the Itron meters, and how well Itron meters address those problems as compared to other alternatives. Without that deeper analysis, CenterPoint has not provided justification supporting its request for accelerated approval for Phase 1 of the project.

CUB also asked the Company (i) whether the proposed \$1.5 million Phase 1 cost estimates or the \$280 million Phase 2 cost estimates include costs of purchasing and/or installing field area network (FAN) equipment, a meter data management system or other software, and/or any other infrastructure necessary to allow for full connectivity and functionality of the Itron meters; and (ii) if the Company intends to rely on its existing infrastructure, whether any existing geographic or technological limitations will affect where CenterPoint can and cannot install new Itron meters or replace existing meters with Itron meters. The Company's full response to this request is reproduced below:

Neither CenterPoint Energy's proposed \$1.5 million Phase 1 cost of installing 23,000 Itron meters or the proposed Phase 2 Advanced Meter Project proposal include costs for the purchase and/or installation of field area network (FAN) equipment, a meter data management system or other software, and/or any other infrastructure. CenterPoint Energy is currently upgrading the software used in the mobile meter reading vehicles and plans to continue to use drive-by, mobile meter reading to collect consumption data. **Many** Intelis meter benefits (e.g. safety benefits, increased accuracy) do not require advanced communication infrastructure, and the Company is not planning to install advanced communication infrastructure at this time. (Emphasis added.)

CUB read this response to suggest many, but not *all*, of the purported Itron meters' benefits would be functional without additional investments. CUB asked what benefits would not be utilized without additional investment and was surprised to learn CenterPoint did not include costs of data management systems, software, or other infrastructure in the \$280 million in estimated costs for Phase 2. Therefore, CUB submitted an additional information request asking whether the Itron meters the Company intends to install also include features or provide benefits that the Company and/or its Minnesota customers will not be able to utilize unless CenterPoint installs advanced communication infrastructure. The Company responded as follows:

An advanced communication system would allow CenterPoint Energy to (1) gather daily gas consumption readings which, under the current drive-by mobile meter reading, consumption is only captured once per month (not daily), (2) receive alerts in near-real time from the meter such as excessive flow or tamper alerts, and (3) subject to commission approval, remotely shut off the gas meter rather than driving to the customer address in non-gas emergency situations.

CUB read this response to suggest: (i) the Company would be unable to gather daily gas consumption readings or receive "near real-time" alerts from Itron meters *unless* the Company invests in and installs an advanced communication system, and (ii) until the advanced communication system is installed, the Company will collect consumption data no more frequently than it currently collects it (which is monthly) using drive-by meter reading. In CUB's view, this significantly undermines the beneficial use arguments made in support of the Phase 1 AMI Project. CUB does not understand, for example, how the meters can "automatically send an alarm to the utility and shut off gas flow when the meters detect high flow conditions" if the meters do not allow the Company to "receive alerts in near-real time from the meter, such as excessive flow" without the installation of an advanced communication system.

CenterPoint's response also suggests the Company is at least contemplating that the meters, coupled with an advanced communication system, could allow CPE (with the Commission's approval) to remotely shut off a customer's gas in a non-gas emergency situation. CUB is concerned that this would open the door to the Company remotely shutting off customers' gas supply in the event of a nonpayment on a bill – something CUB and other consumer advocates are highly likely to oppose.

CUB also asked whether the CenterPoint planned to eliminate any employee or contractor positions currently utilized to read the Company's existing meters and/or to otherwise respond to customer requests that require the Company to send personnel to a customer's home or place of business in Minnesota. In response, CenterPoint indicated it has no plans to reduce the size of the workforce as a result of this initiative. Although this lack of workforce reduction may help preserve CenterPoint jobs in Minnesota, proponents of AMI investments in other jurisdictions have often cited reduced workforce-related costs among the primary benefits of investing in AMI. CUB thinks it is important for the Company to provide a more detailed analysis of how investments in AMI will affect its workforce-related costs, including any workforce cost savings that would result from the investment, and whether any such cost savings would be considered as part of the Company's efforts to recover costs of the AMI project from ratepayers.

CenterPoint included the AMI Project as one of several economic recovery projects proposed in the Economic Recovery Docket.¹³ The AMI-related benefits the Company has identified as purportedly aligning with the Commission's stated purpose in opening the Economic Recovery Docket (beyond the safety and leak mitigation benefits described above) are hypothetical, minor, indirect, or unclear. For example, CenterPoint, in its petition, noted that the Phase 1 AMI Project could lead to possible indirect job creation associated with manufacturing of meters in 2021. However, in response to an information request asking for clarification on these possible indirect jobs, the Company noted that, while Itron currently provides 360 jobs at a manufacturing facility located in Waseca, Minnesota, Itron has no plans for facility expansion at that location. CenterPoint suggested that approval of the Company's proposed investments in Itron meters could help preserve existing jobs at the Waseca facility. However, given that Itron is based in Washington State and owns numerous other manufacturing facilities around the world, CUB is not convinced that approval of the Company's Petition ensures job security for Itron's Waseca workers. The Company did not otherwise identify any new jobs likely to be created as a result of the Phase 1 AMI Project or Phase 2 AMI Project.

CenterPoint also noted that methane emissions can be avoided if the Company is able to reduce the amount of gas lost through leaks. In discovery, the CPE provided information on the number of gas leaks the Company has experienced in recent years and the estimated volume of gas lost or unaccounted for in those leaks. However, the Company has not introduced into the record any analysis showing the extent to which Itron meters are likely to reduce methane emissions associated with gas leaks on its system, or showing that Itron meters are more likely to reduce methane emissions than other methods. Without more quantitative analysis, it is impossible to assess whether investing in Itron meters is likely to meaningfully reduce emissions, or whether any such reductions could be similarly achieved via less costly alternatives.

For these reasons, CUB disagrees with the CenterPoint's suggestion that the Phase 1 AMI Project provides the type of economic recovery benefits the Commission sought to identify when opening the Economic Recovery Docket. Therefore, there is no reason to accelerate

¹³ Docket No. E,G-999/CI-20-492

approval of the Phase 1 AMI Project prior to conducting a more comprehensive review of the full Phase 2 AMI Project.

Under CenterPoint's proposal, Itron meters would be installed in new homes built in the Company's service territory, and would be used to replace damaged, obsolete, or failed standard meters in existing homes. Over the past five years, CenterPoint, on average, installed about 19,982 new residential meters per year. By comparison, it replaced an average of 9,173 residential meters per year. If the Company were to continue this trend in the Phase 1 AMI project, the number of Itron meters the Company installs in new homes would be about double the number of Itron meters the Company installs to replace damaged, obsolete, or failed meters in existing homes. This suggests that, although CenterPoint would seek to recover the costs of the Phase 1 AMI Project from all of its ratepayers, owners of newly constructed homes in the Company's service territory are more likely to directly benefit from the Phase 1 AMI Project than owners or renters of older homes. Due to prevalent inequities in homeownership in Minnesota, CUB is concerned that this project would exacerbate existing inequities rather than help reduce them.

CenterPoint filed its Economic Recovery Petition prior to the February Market Event. CUB does not fault the Company for not taking the February Market Event into consideration before seeking approval for the Phase 1 AMI Project. However, CUB finds it impossible to ignore the February Market Event's impacts when considering the Company's Petition. In Docket G-008/M-21-138, CenterPoint is seeking to recover \$500 million (plus financing costs) in for the additional costs incurred when purchasing natural gas at inflated prices. If CenterPoint is authorized to recover these costs, the average household could face approximately \$394 in additional surcharges spread out over the next two years. Expecting the Company's ratepayers to also share in the costs of Itron meters in order to help boost the economy would pile unnecessary additional financial burdens on ratepayers already struggling to navigate the COVID-19 pandemic, the related economic recession, and now the impending February Market Event surcharges. Many CenterPoint ratepayers are in no position to help fund discretionary spending with the objective of boosting the economy under these circumstances.

For the reasons discussed above, CUB recommended that the \$1.5 million investment in the Phase 1 AMI Project be denied. However, as discussed below, if approved, CUB recommended that deferred accounting and carrying costs be denied.

4. CenterPoint Energy – Reply Comments

So that it can utilize the remaining stock of meters before transitioning to the new meters going forward, CenterPoint now expects to install 15,200 advanced meters in 2021 with an incremental cost of approximately \$1.2 million. The revision results in a 2022 annual impact to residential customers of \$0.10. The Company explained that the increase in the per meter cost is due to the lower number of meters planned for implementation.

CenterPoint requested that the Commission approve the Phase 1 advanced meter project as consistent with the Commission's request for proposals that could assist with economic recovery in the May 22, 2020, Order in Docket No. E,G-999/CI-20-425 and find that the

acceleration of this project should not be a basis for any disallowance of cost recovery in the future. The Company intends to move forward with Phase 1 activities beginning in 2021 and the costs will be included in the next general rate case filing. In that proceeding, interested parties and the Commission will have an opportunity to evaluate the reasonableness and prudence of the costs.

CenterPoint noted that, as CUB rightly points out, there are additional benefits that can be realized if the meters are connected to a communication network; however, the Company listed the following safety that will occur without a communication network:

- Automatic Shutoff – High Gas Flow: meters feature a built-in high flow alarm that identifies potentially dangerous conditions such as open fuel lines, automatically triggering shutoff,
- Automatic Shutoff – High Temperature: meters incorporate a temperature sensor that automatically triggers shutoff, and
- Remote Shutoff – These meters can be remotely shut off using current radio technology from within 1,000 feet of the meter.

There is also a safety benefit in that these meters are approximately 70% lighter than the residential meters the Company has previously installed. As a result of the lighter weight and smaller size, there is a lower risk of injury to technicians and warehouse personnel from handling, moving, and installing these meters.

In response to CUB’s questioning of remote shutoff’s value, CenterPoint Energy explained that its practice is to dispatch a technician to investigate leak calls or leaks detected through the Company’s proactive monitoring program. With the meter’s automatic shut-off feature, CPE can respond more quickly to certain types of inside leaks and fires. In other scenarios, CenterPoint personnel can shut off the meter from a safe distance rather than being required to shut off gas at the meter. These additional response capabilities reduce the risks to employees, customers, and communities, especially when the meter is located within the home.

As summarized in Table 18, the Company provided a list of additional operational benefits.

Table 18 - Advanced Meter Project Other Operational Benefits of Phase 1 Deployment

Benefit	Value
Environmental Benefits	Reduced methane emissions due to meters automatically shutting off in response to a gas leak. Environmental benefits in transporting the meters due to smaller size and lower weight as compared to traditional meters.
Measurement Accuracy	State-of-the art ultrasonic metrology allows for enhanced measurement accuracy and reduced unaccounted-for gas.
Improved Reliability	Reduced service interruption duration due to reduced time and effort needed to shut off a meter.

Benefit	Value
Notification of Meter Issues	Alerts from the meter can notify the Company to issues with the meter including those caused by meter tampering.

CUB contended that the advanced meter project “does not meet the goals or conditions the Commission established when opening the Economic Recovery Docket.” For instance, CUB suggests that beginning to install advanced meters in the ordinary course of business may exacerbate existing inequalities as new meters will be installed disproportionately in newer homes. CenterPoint clarified that it annually replaces approximately twice as many meters than it installs new ones.

In addition to the immediate benefits of installing individual meters, other benefits could result if the meters are connected to a communication network include:

- Potential future integration with on-premise methane detection devices that will allow meter to shut off if methane is detected.
- Shutoff capability from a distant central location.
- Ability to receive alerts from the meter at a distant central location.
- Meter reading from a distant central location.

Although some meter benefits will not be achieved without installation of advanced communications infrastructure, the future potential of this technology is relevant to the decision of whether to continue to install old style meters in 2021. For example, advanced meters coupled with an advanced communications infrastructure would enable conservation and demand response programs that are currently out of reach. While CenterPoint Energy will not realize such benefits in 2021, it will be in a better position to eventually realize those benefits if advanced meters are installed in the ordinary course of replacing meters, rather than continuing to install older technology.

CenterPoint agreed with the Department suggestion that further analysis, including an evaluation of alternatives, should be completed and presented before Phase 2 of the advanced meter project moves forward. The Company intends to provide additional details and discussion regarding that proposed plan, costs, and alternatives. CPE will explore the cost and benefits of possible implementation of an advanced communication system as part of Phase 2 and will provide additional details regarding that evaluation and available alternatives in a future filing.

C. Rate Mitigation, Rate Recovery and Deferred Accounting

1. CenterPoint Energy – Initial Filing

CenterPoint is not requesting any increase to customer rates with this filing. Instead, to ensure these investments do not add to customers’ burdens during the pandemic and current economic crisis, the Company proposed to undertake these investments and delay recovery of their associated costs until a future rate proceeding.

In order to implement the projects outlined in this filing, the CenterPoint requested approval for the Company to proceed with the proposed projects and authorization for deferred accounting of incremental O&M expenses incurred for these projects and actual depreciation expense and return on capital investments undertaken and placed into service, at a return of 6.86%.¹⁴ The Company proposed to continue the deferral until the balance is recovered in rates. Because the deferred balance would not be recovered until some future time, CPE also requested that the Commission approve carrying costs on the tracker balance, set at the same cost of capital. This deferral and amortization in a future rate proceeding will help mitigate the rate impact of the proposed investments.

Specific customer rate impacts of the proposed projects will depend on a number of factors, such as the timing of future rate case filings and recoveries, the amortization period on the regulatory asset, and the apportionment of revenue responsibility by rate class and rate structure approved in a future rate case proceeding. Table 19 summarizes the projected revenue requirements and illustrates potential rate impacts for the investments proposed to be undertaken in 2021.

Table 19 - Forecasted Revenue Requirement and Average Annual Residential Rate Impacts of Proposed Investments

Year	Estimated Revenue Requirement Impacts	Estimated Average Annual Residential Bill Impact
2022	\$3,274,437	\$2.14
2023	\$9,730,555	\$6.35
2024	\$9,822,338	\$6.41
2025	\$3,961,755	\$2.58

CenterPoint explained that deferred accounting is a regulatory tool used primarily to hold utilities harmless when they incur out-of-test-year expenses that, because they are unforeseen, unusual, and large enough to have a significant impact on the utility's financial condition, should be eligible for possible rate recovery in the next rate case. Deferred accounting has also been permitted when utilities have incurred sizeable expenses to meet important public policy mandates. Under Minn. R. 7825.0300, subp. 4, the Commission has authority to approve a public utility's request for an exception to a provision of the applicable uniform system of accounts for good cause. CenterPoint Energy requested an exception to the standard accounting treatment of proposed O&M expense and capital costs to be incurred, which would otherwise be ineligible for cost recovery because they are incurred between rate cases. The Company addressed the deferred accounting requirements as follows:

- Unforeseen and Unusual Circumstances - As the Commission has recognized, the circumstances of the COVID-19 pandemic, declaration of a peacetime public health emergency, and resulting economic recession, are exceptional and unusual. The

¹⁴ 6.86% is the cost of capital approved in the Commission's March 1, 2021 Order in docket G-008/GR-19-524.

Commission's call to action in Docket No. E,G-999/CI-20-492 reflects the exceptional circumstances currently stemming from the COVID-19 pandemic and severe economic downturn and their impact on Minnesotans. Absent the current economic circumstances and the Commission's request for accelerated utility investment proposals, the Company would not undertake the additional and accelerated projects proposed in this filing at this time.

- Proposed Investments Are Significant - The proposed project investments, if approved for implementation, are large enough to have a significant impact on the Company's financial condition. Total forecasted incremental capital and O&M spending for these projects is \$55.3 million.
- Investments Are Proposed to Meet Important Public Policy Objectives - Each of the projects advance important policy objectives. The proposed investments are designed to assist in Minnesota's economic recovery from the COVID-19 pandemic and economic recession through the direct creation of new jobs, and through the creation of indirect jobs and economic growth resulting from such investment and economic activity. Additionally, as discussed above, each of the projects proposed meets other important policy objectives identified by the Commission in its call to action in Docket No. E,G-999/CI-20-492. A number of the proposed investments, most notably the advanced meter project, the damage prevention project, and the accelerated pipeline replacement project, are also targeted to serve the important public policy objective of enhanced natural gas distribution system safety.
- Costs Will Be Subject to Review for Reasonableness and Prudence - CenterPoint recognized that the costs to be deferred will be subject to review for prudence and reasonableness at the time of a future rate proceeding.
- Deferred Accounting Can Help Smooth Rate Impacts - By allowing the CenterPoint to shift recovery to a later date when the pandemic is behind us and the economy is stronger, deferred accounting is an effective tool to mitigate the rate impacts associated with the proposed investments. However, the Company noted that, in order to pursue additional investments in Minnesota, it will be necessary for CPE to have the opportunity to defer such costs for future recovery, including a return on the incremental capital investments. For instance, in Docket No. E017/M-20-181, the Commission concluded that deferred accounting that applied only to costs incurred between the Commission's order and the utility's next general rate case would "protect[] ratepayers by limiting the amount of expenses eligible for cost recovery, while recognizing the importance of engaging utilities as quickly as possible in developing uniquely innovative programs."¹⁵

¹⁵ *In the Matter of Otter Tail Power Co.'s Request for Approval of Elec. Vehicle Charging and Infrastructure Programs*, Docket No. E-017/M-20-181, ORDER APPROVING PILOT PROGRAM, GRANTING DEFERRED ACCOUNTING, AND SETTING ADDITIONAL REQUIREMENTS at 9 (Oct. 27, 2020).

CenterPoint acknowledged that, under standard ratemaking principles, deferred costs are not guaranteed rate recovery. Those costs are merely deferred for later consideration as potentially recoverable and the Company still bears the burden of proving that the deferred costs are reasonable, prudent, and otherwise eligible for recovery from ratepayers.

Finally, CenterPoint requested authorization to apply a 6.86 carrying charge on the deferred account balance. The Company recognized that carrying charges are often disallowed on the basis that, in cases of rider recovery, the rider mechanism ordinarily results in timely and efficient recovery of costs. However, the Company is not seeking rider recovery for the costs proposed in this filing. Instead, because CPE is requesting authority for deferred accounting to track the costs incurred for future recovery in a rate case proceeding; therefore, there is no proposed expedited recovery through a rider. Further, the Commission has recognized that in cases where the circumstances leading to the request for carrying costs are highly unusual, and the proposal mitigates rate impacts by spreading costs recovery over a longer period of time, authorization of carrying charges is warranted.¹⁶

2. Minnesota Department of Commerce – Comments (Docket 20-889)

The Department stated that it supports the use of deferred accounting when spending is (1) unusual, unforeseeable, and/or extraordinary (2) financially significant in amount, (3) related to utility operations, and (4) likely to provide or did provide ratepayer benefit. Whether the spending is pursuant to a public policy mandate is also a relevant factor to contemplate when evaluating a deferred accounting request. The Department considered how each of these criteria/factors apply:

- Unusual/unforeseeable/extraordinary: In this case, the projects being proposed are unusual only in their timing in that they reflect spending that was likely to be proposed at some future time. The Department does not consider these projects to be unusual/unforeseeable/ extraordinary since they are a part of normal course of business operations.
- Financially significant in amount: In total the projects may be financially significant, but not necessarily as individual projects. The Department notes that a utility's base rates are not intended to achieve dollar-for-dollar cost recovery; instead, it is expected that a utility's capital and non-capital expenditures would fluctuate somewhat between rate cases, resulting in a relatively balanced combination of minor under- and over-recovery. For a large utility such as CenterPoint, spending \$1 million on either the translation project or the GIS portion of the Damage Prevention Project would be well-within the range of expected expenditure fluctuation between

¹⁶ *In the Matter of the Application of Otter Tail Power Co. for Auth. to Increase Rates for Elec. Serv. In Minn.*, Docket No. E-017/GR-15-1033, ORDER AUTHORIZING COST RECOVERY, ANNUAL RATE ADJUSTMENT, CARRYING CHARGES, AND REQUIRING COMPLIANCE FILING (Nov. 10, 2020) (authorizing carrying charges on Otter Tail Power Company's transmission cost recovery rider for Otter Tail's Big Stone Access Transmission line project, which had been included in the rider pending appeal, and which Otter Tail proposed to recover over two years to minimize ratepayer impacts).

rate cases. The accelerated pipe replacement project while sizeable financially could also be addressed in CenterPoint's next rate case which is anticipated to be filed later this year.

- Related to utility operations: As noted in the first bullet point in this list, CenterPoint's proposed projects are unusual only in their timing, but not in their purpose or nature. Even without the Commission solicitation for utility spending in the instant docket, the Company would still plan to pursue these projects as a part of its normal utility operations, albeit over a longer time period.
- Likely to provide ratepayer benefit: CenterPoint details the benefits of these projects including job creation, avoided gas costs, reduced greenhouse gas emissions, and improved access, equity and engagement. Additionally, the Company summarized the potential annual residential rate impact for the projects (Table 16, above). Table 17, below, summarizes the estimated residential rate impact of the projects for which the Department recommended approval.

Table 17 - DOC Summary of Estimated Annual Average Residential Bill Impacts

Year	Pipe Project	Workforce Training	GIS portion of Damage Prevention	Translation	Total
2022	\$1.92	\$0.00	\$0.06	\$0.00	\$1.98
2023	\$1.91	\$0.96	\$0.06	\$0.77	\$3.70
2024	\$1.86	\$0.96	\$0.06	\$0.77	\$3.65
2025	\$1.76	\$0.00	\$0.06	\$0.00	\$1.82

The Department concluded that CenterPoint's proposals do not meet the majority of the typical criteria used to evaluate deferred accounting requests. However, if the Commission wishes to approve the projects under the public policy requirement, the Department recommended that deferred accounting be limited to the three full projects and one partial project discussed above.

The Department commented on the February polar vortex that resulted in record cold weather across the middle section of the United States led to price spikes in natural gas prices. Although Minnesota was not affected by outages as experienced in Texas, natural gas price increases will ultimately be passed through to Minnesota customers. Until the Commission has a full understanding of the rate impact natural gas prices resulting from the polar vortex will have on Minnesota customers, the Department recommends deferring approval on any of CenterPoint's Tranche I projects. CenterPoint customers have experienced a 4.7% rate increase as a result of the Company's recent rate case (Docket No. G008/GR-19-524), and are likely to see another rate case filed later this year. Although the Company has not proposed current recovery for any of its Tranche I spending and instead proposes deferred accounting, the Department is hesitant to recommend approval of future spending projects without a fuller understanding of the polar vortex's rate impact. Any rate increase, whether the result of the recent rate case, cold weather and higher natural gas prices, or the result of deferred recovery on Tranche I projects will impact customers already struggling under tough economic conditions; therefore, the

Department recommended that final approval of projects be deferred until a full understanding of the rate impact of the recent polar vortex on customer bills is known.

3. Minnesota Department of Commerce – Comments (Docket 21-48)

The Department’s deferred accounting evaluation as it relates to the Advanced Meter Project is almost identical to its comments in docket 20-889 and are repeated here. The Department did state that, in this case, there is nothing unusual/unforeseeable or extraordinary about the project. The Company has planned to undertake its Advanced Meter Project for some time its proposed spending in this instance is a small portion of the total \$280 million cost of the total Project. Although, the spending in the current case may represent an acceleration of planned spending, the Department does not consider the Advanced Meter Project to be unusual/unforeseeable/ extraordinary since they are a part of normal course of business operations.

The Department concluded that CenterPoint’s Advanced Meter Project does not meet the majority of the typical criteria used to evaluate deferred accounting requests. However, if the Commission wishes to approve the projects under the public policy requirement, it recommended that deferred accounting be limited to (1) an overall cap of \$1.5 million, the project cost estimate provided by the Company for 2021, and (2) the costs that CenterPoint incurs for the project from the date the Commission approves deferred accounting until the Company files its next rate case.

4. Office Attorney General – Residential Utilities Division – Comments (Docket 20-889)

a. Deferred Accounting

The OAG stated that the Commission may not grant an exception to the uniform system of accounts absent a showing of good cause. The Commission generally finds good cause for deferred accounting when a utility incurs costs that are unforeseen, unusual, and large enough to have a significant impact on the utility’s financial condition. It has also allowed deferred accounting when utilities have incurred sizeable expenses to meet important public policy mandates. The Commission authorizes deferred accounting sparingly because “[c]onsidering one expense in isolation, without considering where costs may have declined” increases the risk the utility will over-recover its costs.¹⁷

Deferred accounting is a tool to make utilities whole when unforeseen events like natural disasters, environmental cleanup, or new regulations oblige them to incur substantial costs to serve customers. It has not traditionally been used for items like ratepayer-funded stimulus that are not needed to deliver safe and reliable utility service. The COVID-19 pandemic is certainly an unusual and unexpected event; however, the Commission has already authorized utilities to defer pandemic-related costs that were incurred to maintain utility service. Using

¹⁷ *In the Matter of Minnesota Power’s Petition for Approval of Deferred Accounting Related to Pension Plan Contributions and Expenses*, Docket No. E-015/M-11-1264, Order Denying Petition at 2 (Mar. 11, 2013).

deferred accounting for discretionary stimulus projects would represent a substantial departure from how the Commission has used this tool in the past and should not be done without careful consideration of the risk to ratepayers.

CenterPoint argues that the Commission should grant deferred accounting because the stimulus projects “advance important policy objectives”. But advancing important policy objectives is not a standard that the Commission has used for deferred accounting. What the Commission has done is to allow deferred accounting of costs incurred to comply with public policy *mandates*. Requiring that deferred-accounting requests be supported by a policy mandate, or at least by a specific legislative goal, protects ratepayers by ensuring that any exceptions to the uniform system of accounts are necessary, rare, and supported by good cause.

CenterPoint can point to no legislative policy goal in favor of ratepayer-funded stimulus, much less a mandate for it and, while there may be policy reasons to explore ratepayer-funded stimulus, there are also reasons for caution. Utility-driven economic stimulus is uncharted territory for the Commission. Moving too far, too fast carries a risk of unintended consequences, such as suppressing economic growth by increasing the price of an essential service. Moreover, using private utility companies as “middlemen” to conduct public stimulus would introduce unnecessary costs because of these companies’ profit motive and need to secure a return on investment for their shareholders. Finally, CenterPoint 6.86 % cost of capital is expensive when compared to federal and state bond rates, which are available for Congress and the legislature to fund stimulus plans.

CenterPoint argued that the Commission has granted deferred accounting for safety-related investments in the past and cited three prior cases involving farm-tap replacements, excess-flow-valve installations, and federally mandated pipeline-safety programs. Those cases involved investments that were required to meet the safety needs of the system and are not comparable to the present case. While some of CenterPoint’s stimulus projects have theoretical safety benefits, those benefits are ancillary to the projects’ primary purpose: providing economic stimulus to the broader economy. And there is no showing that CenterPoint’s system will not be safe without these investments.

The OAG does not consider the projects are not large enough, individually or in the aggregate, to have a significant impact on CenterPoint’s financial condition. Deferred accounting addresses only specific costs, without considering potential offsetting revenue increases or cost decreases in other areas of the utility’s operations. For this reason, the significance of the costs proposed to be deferred has been an important factor in the Commission’s good-cause analysis. There is no hard-and-fast rule for what constitutes a “significant” impact, but the Commission has compared proposed deferred costs to metrics like a utility’s annual operation and maintenance (O&M) expenses to determine if the deferred costs are significant. In one recent case, the Commission found that manufactured-gas-plant cleanup costs amounting to 3.39% of a utility’s annual O&M expenses and only 0.67% using a five-year amortization period were not significant in amount and should not be deferred.¹⁸ In this case, CenterPoint’s total proposed

¹⁸ *In the Matter of the Petition of Northern States Power Company for Approval of Deferred Accounting*

O&M spending is \$5.5 million, or 2.1% of its 2020 O&M costs for 2020, or 0.41% percent when amortized over five years if *all* of its proposals are approved. CenterPoint's total proposed capital investment is \$49.8 million, or 3.1% of its net plant in service. The near-term revenue-requirement impact of the proposed investments is much smaller: in 2021, the annual depreciation expense and return for all investments would total only \$232,358,42, or 0.26% its 2020 revenue requirement. Even in 2024, with projects fully in service, the annual depreciation expense and return for all proposed investments would total only \$4.1 million, or 4.6% of its 2020 revenue requirement. CenterPoint asserted that, when combined with these robust ongoing investments, the stimulus investments are significant. But the relevant question is not whether proposed deferred costs are significant when *combined* with baseline spending. The question is whether they are significant *compared* to baseline levels.

The OAG concluded that CenterPoint has failed to establish good cause to track these out-of-test-year costs; therefore, its deferred accounting request should be rejected.

b. Carrying Charges

If the Commission grants deferred accounting for any stimulus projects, it should reject the CenterPoint's request for carrying charges because such charges would not be in the public interest. CenterPoint framed deferred accounting as a tool to mitigate the rate impacts of its proposed stimulus projects and protect customers; however, because of the carrying charge proposal, deferred accounting would actually serve to increase the total cost of the stimulus projects, not mitigate them. CenterPoint proposed not only to earn its full 6.86 % cost of capital on the investments, but also to charge ratepayers 6.86% interest on the uncollected deferred balance as carrying charges. Thus, if the Company's proposal is approved, ratepayers would effectively be paying interest on interest for stimulus projects.

The OAG recommended that CenterPoint' carrying charges request not be approved.

5. Citizens Utility Board of Minnesota – Comments (Docket 21-48)

The brief arguments CenterPoint presented to support its deferred accounting request refer generally to all seven of the projects the Company proposed in the Economic Recovery Docket and not specifically to the Phase 1 AMI Project. CenterPoint's own explanation for why it is seeking approval to invest in Itron meters contradicts arguments the Company would need to make to show it meets the four-pronged test to grant deferred accounting. For example, in its Petition, the Company discusses the unforeseeable and unusual circumstances surrounding the COVID-19 pandemic, noting:

Absent the current economic circumstances and the Commission's request for accelerated utility investment proposals, the Company would not undertake the additional and accelerated projects proposed in this filing at this time.

CUB does not think that the COVID-19 pandemic and related economic conditions were unforeseen and unusual. However, it is the foreseeability of CenterPoint's costs – not the foreseeability of the pandemic – that is at issue when determining whether deferred accounting is appropriate under the four-part test. The Company's own statement confirms the investment is not needed at this time; rather, it is discretionary and entirely foreseeable. Also, CenterPoint can avoid incurring significant costs associated with the AMI Project simply by not pursuing it.

In most prior instances when the Commission has granted deferred accounting, the utility had incurred expenses to directly meet an important public policy mandate identified by the Commission, imposed by the Legislature, or arising from an imminent threat that required the utility's immediate attention. For example, the Commission previously granted deferred accounting for expenses utilities incurred: (1) to replace aging and potentially dangerous customer-owned gas lines with utility-owned lines;¹⁹ (2) to make "extraordinary efforts" to restore power to 15,000 customers experiencing flood-related power outages;²⁰ (3) to comply with a state statute requiring utilities to propose, then construct and install, new utility facilities within Minnesota's Central Corridor;²¹ (4) to comply with a Commission order requiring the utility to design a time-of-use rate pilot program;²² (5) to comply with a state statute that required the utility to file a tariff that allows a customer to purchase electricity solely for the purpose of recharging an electric vehicle;²³ and (6) to comply with a state statute designed to reduce mercury emissions.²⁴ In contrast, the Company has not identified any regulatory, legislative, or urgent public policy mandate specifically calling for the Company to install smart meters in its Minnesota service territory.

CUB recommended that the Commission deny the CenterPoint's request for deferred accounting treatment, including carrying costs, for costs incurred to implement that project.

6. CenterPoint Energy – Reply Comments (Docket 20-889)

As discussed above, CenterPoint withdrew its deferred accounting request for all capital projects. However, the Company explained that, if deferred accounting is not approved for O&M projects, it will be unable to recover those; therefore, absent that approval, CPE will not proceed with those projects.

¹⁹ Minnesota Public Utilities Commission, Order Approving Phase 1 of Farm Tap Replacement Projects with Conditions, Docket No. G-011/M-17-409 (Nov. 30, 2017).

²⁰ Minnesota Public Utilities Commission, Order Authorizing Deferred Accounting Treatment Subject to Conditions, Docket No. EG001/M-08-728 (April 23, 2009).

²¹ Minnesota Public Utilities Commission, Order Accepting Withdrawal, Granting Deferred Accounting, And Setting Filing Requirements, Docket No. E-002/M-09-1488 (Dec. 27, 2010).

²² Minnesota Public Utilities Commission, Order Approving Deferred Accounting, Docket No. E-002/M-03-1462 (Feb. 25, 2005).

²³ Minnesota Public Utilities Commission, Order Approving Pilots with Modifications, Authorizing Deferred Accounting, and Setting Reporting Requirements, Docket No. E-002/M-18-643 (July 17, 2019).

²⁴ Docket No. E-002/M-06-1315 (Jan. 31, 2007).

7. CenterPoint Energy – Reply Comments (Docket 21-48)

As with the other capital projects, CenterPoint withdrew its deferred accounting request for the Advanced Meter Project.

V. Staff Comments

CenterPoint has withdrawn its deferred accounting request for capital projects. However, if such approval is not given for the Workforce Training and Development and Translation Projects, the Company has stated it will not move forward with either project. Staff points out that CenterPoint did not state whether it still requires carrying charges as well. Before the Commission approves either project, if it is so inclined, then the Commission may want ask the Company to confirm its position on carrying charges.

Staff notes that CenterPoint’s alternative for a “scaled down” High-Tech Demonstration Kitchen only included the estimated \$3 million cost but did not include the additional details that were included with the “full” version. Before the Commission considers approving the alternative, it may want to ask the Company to furnish additional information such as the one shown in Tables 6 and 7.

Staff points out that CenterPoint’s assertion that its renewable hydrogen projects will not start until 2022 and 2023 seems to indicate that a decision on those projects is unnecessary at this time. However, the Commission may want to confirm this fact. If no decision is necessary, CenterPoint can include these projects as part of its anticipated rate case filing this fall.

Staff notes that the Department has recommended that some projects be approved; however, it has recommended that such approval be contingent on the Commission’s decision regarding the Company’s \$500 million request related to the February polar vortex gas costs in docket G-008/M-21-138. Staff believes that delaying approval of the projects proposed in this proceeding for that reason could be equivalent to denying approval. For instance, a decision in docket 21-138 may not be made until late summer, such a delay could impair CenterPoint’s ability to complete the Accelerated Pipe Replacement Project this year because summer is typically the peak construction months for pipe replacement projects. Before the Commission decides whether to accept the Department’s contingency, it may want to ask the Company to confirm which accelerated projects could be jeopardized by such a prospective delay.

VI. Decision Alternatives

Accelerated Pipe Replacement Project

1. Approve CenterPoint's Accelerated Pipe Replacement Project. (CPE, LIUNA, DOC)
2. Do not approve CenterPoint's Accelerated Pipe Replacement Project.

Renewable Hydrogen Projects

3. Approve CenterPoint's Renewable Hydrogen Projects. (CPE initial filing, LIUNA)
4. Do not approve CenterPoint's Renewable Hydrogen Projects. (DOC)
5. Find that CenterPoint's Renewable Hydrogen Projects are consistent with the Commission's request for proposals that could assist with economic recovery in its May 22, 2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of these projects shall not be a basis for any disallowance of cost recovery. (CPE alternate)
6. Take no action.

High-Tech Demonstration Kitchen

7. Approve CenterPoint's High-Tech Demonstration Kitchen. (CPE initial filing, LIUNA)
8. Approve CenterPoint's a scaled down version of High-Tech Demonstration Kitchen that would be collocated in another CenterPoint building. (CPE alternative)
9. Do not approve CenterPoint's High-Tech Demonstration Kitchen. (DOC)

Workforce Training and Development

10. Approve CenterPoint's Workforce Training and Development Project. (CPE, LIUNA, DOC)
11. Do not approve CenterPoint's Workforce Training and Development Project.

Damage Prevention Campaign

12. Approve CenterPoint's one or more of the following Damage Prevention Campaign projects:

- Excavator Audit Project (CPE initial position, now withdrawn)
- City Ambassador Project (CPE initial position, now withdrawn)
- Research and Field Verification of Service Line Data (CPE, DOC)

13. Do not approve CenterPoint's one or more of the following Damage Prevention Campaign projects:

- Excavator Audit Project (DOC)
- City Ambassador Project (DOC)
- Research and Field Verification of Service Line Data

Translation Project

14. Approve CenterPoint's Translation Project. (CPE, DOC)

15. Do not approve CenterPoint's Translation Project.

Advanced Meter Project

16. Approve CenterPoint's Advanced Meter Project. (CPE)

17. Do not approve CenterPoint's Advanced Meter Project. (DOC)

Deferred Accounting

18. Approve CenterPoint's deferred accounting request on all projects and under Minn. R. 7825.0300, subp. 4. (CPE initial position, LIUNA)

19. Approve CenterPoint's deferred accounting request for the Workforce Training and Development and Translation projects only and under Minn. R. 7825.0300, subp. 4. (CPE revised position)

20. Do not approve CenterPoint's deferred accounting request. (DOC, OAG)

Carrying Costs

21. Allow CenterPoint to accrue carrying costs for all projects that receive deferred accounting. (CPE, LIUNA)
22. Do not allow CenterPoint to accrue carrying costs. (OAG)

Timing

23. Allow CenterPoint to begin immediate work on any approved projects. (CPE, LIUNA)
24. Defer approval of any of CenterPoint's Tranche I projects until a full understanding of the customer rate impact of the recent polar vortex is provided. (DOC)

Tracking

25. Order CenterPoint to separately track all costs associated with any approved projects. (DOC, CPE agreed)
26. Take no action.

Reporting Requirements

27. For any approved projects, order CenterPoint to track and, on or before April 1, report annually on the following project-specific metrics and data until each project is completed: (CPE)

- General project information, including total spent on the project, the scope of work completed, the scope of work remaining to be completed, estimated remaining costs, and the proposed timeline for completion of the project;
- Job creation, economic stimulus, and use of women, veteran, and minority-owned businesses, including the number of contractors and new employees hired and where possible, details regarding employee and contractor residency, union status, race/ethnicity, sex, disability status, and veteran status, apprentice hours worked (if applicable), use of certified MWBEs, including the amount spent and sex and race/ethnicity of ownership details, and indirect economic benefits;
- Environmental benefits including estimated greenhouse gas emissions reductions and the method used to calculate such reductions; and
- Customer and system benefits including reporting on reduced gas leaks and improved system reliability.

Other Findings

28. Find that all approved projects are consistent with the Commission's request for proposals that could assist with economic recovery in the May 22, 2020 Order in Docket No. E,G-999/CI-20-425 and find that acceleration of these projects shall not be a basis for any disallowance of cost recovery in the future. (CPE)