COMMERCE DEPARTMENT

January 26, 2024

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G011/M-23-489

Dear Mr. Seuffert:

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

> Petition of Minnesota Energy Resources Corporation for a Renewable Natural Gas Interconnection Tariff.

Richard Stasik, Director of State Regulatory Affairs at MERC, filed the petition on November 28, 2023.

The Department requests additional analysis from MERC and will provide a final recommendation after reviewing MERC's reply comments. The Department is available to answer any questions the Minnesota Public Utilities Commission may have.

Sincerely,

/s/ LOUISE MILTICH
Assistant Commissioner of Regulatory Analysis

/s/ STEPHEN COLLINS
Financial Analyst

LM/SC/ar
Attachment

COMMERCE DEPARTMENT

Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G011/M-23-489

I. INTRODUCTION

On November 28, 2023, Minnesota Energy Resources Corporation (MERC or the Company) filed a petition requesting the Minnesota Public Utilities Commission (Commission) approve MERC's proposed:

- Renewable Natural Gas (RNG) Interconnection Service tariff, provided as Attachment A to the petition;
- Process to implement interconnections under the proposed tariff, including MERC's proposed:
  - RNG Interconnection Agreement form, provided as Attachment B, which would require RNG sellers to pay all the upfront and ongoing costs of interconnection, and
  - Natural Gas Purchase Agreement form, provided as Attachment C; and
- Recovery of costs to purchase RNG at the same price MERC would otherwise pay to purchase natural gas,[1] not including the associated environmental attributes (pursuant the Purchase Agreement form), through MERC's Purchased Gas Adjustment (PGA), consistent with other natural gas commodity purchases.

The petition, if approved, would allow RNG producers in Minnesota to directly interconnect to MERC's distribution system. MERC requests the Commission act on the petition by June 30, 2024, to allow MERC to proceed with a requested customer interconnection. MERC's proposed effective date would be upon Commission approval.

On December 19, 2023, the Commission issued a Notice of Comment Period requesting comments on MERC's petition, with the following Topics Open for Comment:

- Should the Commission approve MERC's proposed:
  - Interconnection Tariff (Attachment A),
  - Interconnection Agreement (Attachment B),
  - Natural Gas Purchase Agreement (Attachment C), and
  - RNG Interconnection Reporting (Page 12, Section D)?
- Should the Commission approve MERC's proposal to recover RNG commodity purchase costs through its PGA rider?
- Should the Commission consider whether the costs associated with MERC's RNG interconnection tariff are reasonable to potential RNG interconnection producers?

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[1] Based on Northern Venture first-of-month index prices.

- How should the Commission consider MERC's proposal within the context of CenterPoint Energy's RNG Interconnection Tariff in Docket 20-434?
- How should the Commission consider MERC's proposal within the context of statewide greenhouse gas reduction goals, as stated in Minn. Stat §216H.02, subd. 1?
- How should the Commission consider lessons learned from other dockets, such as Docket No. G999/CI-21-566 regarding Lifecycle Greenhouse Gas Emissions Accounting for natural gas innovation plans under Minn. Stat. § 216B.2427, to assess MERC's petition?
- How should the Commission consider MERC's proposal in the context of the evolving RNG market nationally?
- Has MERC appropriately discussed its plans to maximize the benefits of the Inflation Reduction Act (IRA) and the IRA's impact on the utility's planning assumptions pursuant to Order Point 1 of the Commission's September 12, 2023 Order in Docket No. E,G-999/CI-22-624?
- Are there other issues or concerns related to this matter?

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviews these topics below, prefaced with some background information.[2]

II. BACKGROUND

A. RENEWABLE NATURAL GAS

Renewable natural gas is natural gas derived from biomass or another renewable source that has lower lifecycle greenhouse gas (GhG) emissions per unit of energy than conventional geological gas. Examples of such sources include landfills, livestock operations, and wastewater treatment plants.[3] According to MERC (page 5 of the petition), RNG reduces GhG gas emissions by capturing methane-generating organic matter (principally animal waste) that would ordinarily decompose in fields and emit methane directly to the atmosphere. MERC states that converting biogas to RNG usable as a substitute for traditional natural gas requires increasing the methane content by removing water vapor, carbon dioxide, hydrogen sulfide, and other impurities.

MERC also states (again on page 5 of the petition) that the environmental attributes associated with the lower GhG gas emissions (per unit) of RNG can be sold into various environmental markets such as the U.S. Environmental Protection Agency Renewable Identification Number market and California and Oregon Low Carbon Fuel Standards market. See also the discussion on page 4 of the Commission's January 26, 2021 Order approving CenterPoint's RNG interconnection tariff issued in Docket No. G008/M-20-434.

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[2] The Department does not explicitly list each topic in its analysis, but has covered all topics.

[3] See: Minn. Stat. § 216B.2427, subd. 1, and the American Gas Association report referenced on page 4 of the petition, and the Commission's January 26, 2021 Order approving CenterPoint's RNG interconnection tariff issued in Docket No. G008/M-20-434, pages 3-4.

B. OTHER RNG INTERCONNECTION TARIFFS

To the Department's knowledge, the only other Commission-regulated gas utility with an RNG interconnection tariff is CenterPoint Energy (CenterPoint). The Commission approved CenterPoint's RNG tariff through an Order issued January 26, 2021 in Docket No. G008/M-20-434. CenterPoint submitted a compliance filing with the approved tariff interconnection feasibility study agreement, and RNG interconnection agreement on February 25, 2021, in the same docket.[4]

According to CenterPoint's most recent compliance filing in Docket No. G008/M-20-434, filed on January 31, 2023, CenterPoint had not yet completed an RNG interconnection, stating on page 2:

> CenterPoint Energy has not yet interconnected a producer of RNG to its system. ... CenterPoint Energy has engaged in discussions with several RNG producers and completed two RNG interconnection studies, previously filed in this docket on August 19, 2021. Since the February 1, 2022, compliance filing, CenterPoint Energy has completed three additional RNG interconnection studies for interested producers, with an additional three potential projects in the early development stages. The lead time for RNG projects is long, often due to taking one or two years for producers to secure necessary permits, land, feedstock supply agreements, gas offtake agreements, and digestate offtake agreements. While ability to interconnect with a utility is helpful to the development of RNG projects, interconnection is only one of several challenges projects must overcome. We are hopeful that we will interconnect one or more RNG producers in the next one to two years and are exploring options to facilitate the development of RNG projects in Minnesota as part of our Innovation Plan for the Natural Gas Innovation Act [NGIA].

The Department notes that MERC has not filed an innovation plan under the NGIA statute, Minnesota Statutes § 216B.2427. For information on CenterPoint's proposed NGIA plan, see Docket No. G008/M-23-215.

CenterPoint also stated that it has not identified any reason to modify its gas quality standards.

III. SUMMARY OF PETITION

A. OVERVIEW

Overall, the petition requests approval of the general terms and conditions of RNG interconnection (the tariff), the process by which an RNG seller would connect to MERC's distribution system, the costs to be charged for the interconnection, and how MERC proposes to recover the costs of purchasing RNG interconnected under the tariff.

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[4] The tariff has not changed since and the most recent version was filed on September 30, 2022 in CenterPoint's rate case compliance in Docket No. G008/GR-21-435.

The tariff would be available to any seller of RNG (a "customer" for the purpose of the tariff) who has signed an RNG Interconnection Agreement for the delivery of RNG at a metered location on the customer's premises. The tariff would apply to all RNG sellers, with each seller having their own RNG Interconnection Agreement with MERC, based on the standard form.

In addition to complying with the terms of the tariff (Attachment A) and RNG Interconnection Agreement based on the standard form (Attachment B), each seller would also sign a Natural Gas Purchase Agreement (Attachment C) to sell MERC the gas at first-of-the-month Northern Natural Gas – Ventura (NNG-Ventura) index prices.[5] MERC states this is the same price MERC would otherwise pay to purchase natural gas. MERC would not purchase the environmental attributes associated with the RNG. MERC would then recover the costs of the purchases through its PGA, consistent with other gas purchases.

Under the proposed tariff, a seller would pay for the capital costs of the interconnection through an upfront contribution in aid of construction (CIAC) subject to true-up based on actual interconnection costs. The seller would also pay for the ongoing operation and maintenance (O&M) costs of the interconnection through monthly O&M payments. MERC would design and install the distribution interconnection facilities, which would include pipe, gas monitoring equipment, control valves, and other facilities needed to interconnect, ensure gas quality, and protect MERC's distribution system.

B. PROPOSED INTERCONNECTION PROCESS

After receiving an interconnection request from a potential RNG seller, MERC would conduct a preliminary review of feasibility based on the project's location and load. Based on the preliminary review, MERC would provide the potential seller with a high-level, non-binding cost estimate for interconnection.

If the developer decides to proceed after reviewing MERC's preliminary evaluation and cost estimate, MERC would then conduct a more detailed engineering analysis to design the interconnection facilities and develop a more detailed cost estimate. Interconnection facilities would include piping, metering and regulation equipment, communication equipment, gas sampling and chromotography equipment, cathodic protection equipment, and other equipment as necessary. MERC would then provide the potential seller with the a detailed estimate of the costs the seller would be required to pay: the capital costs required for the interconnection, which the seller would have to pay upfront, subject to true-up based on actual costs, and projected monthly O&M costs, which the seller would have to pay each month, subject to annual escalation to account for inflation over the term of the interconnection agreement.

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[5] Minn. Stat. § 216B.2427, subd. 4, defines "Ventura and Demarc index prices" as "the daily index price of wholesale natural gas sold at the Northern Natural Gas Company's Ventura trading hub in Hancock County, Iowa, and its demarcation point in Clifton, Kansas."

If the more detailed engineering analysis and cost estimates are acceptable, the potential seller would then enter into an RNG Interconnection Agreement, using the form provide in Attachment B to the petition. The RNG Interconnection Agreement would describe the seller's obligations and requirements to receive service under the tariff, including the required payments, operational requirements, required deliveries, and satisfaction of gas quality and testing standards. As noted above, the customers would also have to comply with the terms and conditions of the tariff.

In addition, before construction, the seller would be required to make the required CIAC, equal to the estimate interconnection capital costs, including applicable taxes, set forth in the RNG Interconnection Agreement. Attachment E to the petition lists the components included in the CIAC and O&M expense reimbursements. The included components are all standard components plus any other applicable cost items.

Once the RNG Interconnection Agreement is signed and MERC receives the CIAC, MERC would then proceed with construction of the interconnection facilities.

Prior to the sale and purchase of RNG, MERC and the seller would also sign a Natural Gas Purchase Agreement, using the form provided as Attachment C to the petition. As noted above, the agreement would require MERC to purchase the gas (and not the environmental attributes) at the Northern Venture first-of-month index prices, which MERC states is equivalent to the price paid for its other natural gas baseload supplies. MERC would then recover these purchases through its PGA, consistent with other natural gas purchases.

C. PROPOSED QUALITY AND TESTING REQUIREMENTS

MERC is not requesting approval of its proposed RNG quality and testing requirements.[6] However, for transparency purposes MERC outlines the requirements in its petition, which MERC states are consistent with the Company's obligation to provide safe and reliable service. MERC proposes to publish the quality standards on its website and to update the standards on its website and via compliance filings with the Commission as necessary. The petition states that MERC designed the proposed quality and testing requirements to ensure that RNG entering the distribution system is interchangeable with conventional natural gas. Specifically, the RNG sold would have to meet MERC's quality standards at a pressure sufficient to flow into MERC's distribution system.

Ensuring these standards are met would require initial and ongoing testing and monitoring of the RNG, which would be paid for under the O&M cost reimbursement. The petition states that MERC would determine the exact testing standards and requirements based on the nature of each RNG facility.

[6] MERC states this is consistent with the Commission's decisions in Docket No. G008/M-20-434 regarding CenterPoint Energy's RNG interconnection tariff.

Attachment D provides MERC's proposed RNG quality standards and required testing procedures applicable to RNG derived from dairy or other animal waste, which may cover the bulk and/or all of RNG interconnections. The petition states that these specifications are designed to ensure that gas entering the distribution system is interchangeable with conventional natural gas.

MERC is not proposing to establish RNG gas quality and testing specifications for any other sources of RNG at this time, as the requests for interconnection received to date have been livestock-waste-derived RNG only. If a producer of RNG derived from another feedstock requests to interconnect to MERC's distribution system, MERC will determine appropriate gas quality specifications for such RNG at that time and make the specifications available on the Company's website.

MERC would require RNG sellers to notify MERC before making any significant changes to their RNG feedstock or processing equipment. MERC would then have the right to require additional testing or temporarily suspend RNG injection until MERC confirms that the RNG continues to meet quality standards.

IV. DEPARTMENT ANALYSIS

The Department reviews MERC's petition in terms of whether it is consistent with the public interest. The Department's key criterion in reviewing this standard is that the petition benefits, or at a minimum does not harm, MERC's existing customers.[7] The Department also reviews MERC's proposed reporting.

A. PUBLIC INTEREST IN GENERAL

MERC states that existing customers will benefit from interconnecting RNG sellers also consuming natural gas (due to needing to consume gas for their operations) and therefore contributing to fixed costs. MERC also points out that the additional RNG directly connected to MERC's distribution system provides locally-produced natural gas supply[8] and may reduce interstate pipeline costs. Further, MERC states that the proposed tariff and processes would ensure existing customers would not bear any of the costs of interconnection, while customers would generally pay the same amount for RNG as they would pay for natural gas.

The Department agrees with MERC's general analysis. The Department believes MERC has structured its petition so that existing customers are not harmed and can only benefit from the interconnection of RNG. Combined with MERC's proposal to ensure RNG meets rigorous quality standards before being injected into the distribution system, the Department concludes the petition generally seems to be in the public interest. However, the Department examines the individual components of the petition below, while also reviewing the need for reporting requirements.

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[7] Minnesota Stat. §. 216B.03, Reasonable Rate, states that rates shall not be unreasonably prejudicial.
[8] Given the local nature of MERC's potential RNG interconnections and the frameworks MERC has set in place, the Department does not believe the Commission need consider national RNG trends specifically, as referenced in the Notice of Comment Period, in approving MERC's interconnection framework.

B. INTERCONNECTION TARIFF, RNG INTERCONNECTION AGREEMENT, AND NATURAL GAS PURCHASE AGREEMENT

The Department reviewed MERC's proposed RNG interconnection tariff as provided in Attachment A, for reasonableness and to ensure it would not harm other customers. As noted above, service under the tariff is subject to the terms and conditions of the Interconnection Agreement, which is provided in a standard format as Attachment B. Further, the Interconnection Agreement stipulates that the parties must enter into a Natural Gas Purchase Agreement on the same date. The Department therefore also reviewed MERC's proposed RNG Interconnection Agreement and Natural Gas Purchase Agreement.

1. Tariff

Key terms and conditions of service under the tariff would be as follows. RNG sellers (customers) would supply gas at maximum volumes designated in the RNG Interconnection Agreement consistent with quality requirements established in MERC's RNG quality standards. Sellers would be required to sign a separate RNG Interconnection Agreement for each delivery point. MERC would be required to install, own, operate, operate, and maintain the interconnection facilities on MERC's side of the interconnection. Consistent with the Interconnection Agreement, the seller would be required to reimburse MERC for all interconnection costs incurred by MERC, including the payment of a monthly maintenance fee. MERC would also be responsible for measuring gas and testing gas quality. The Department concludes MERC's proposed tariff reasonably protects other customers, is not unreasonable to potential RNG sellers given sellers would be the principal beneficiaries of the interconnection, and does not have any objections.

2. RNG Interconnection Agreement

The RNG Interconnection Agreement is a 17-page form to be signed by MERC and each RNG seller. The RNG Interconnection Agreement likewise stipulates that MERC will design, construct, own, and operate the interconnection facilities on its side of the interconnection, with costs reimbursed by the RNG seller. The seller would be responsible for the facilities on the seller's side, including interconnecting piping up to the metering and regulation equipment, compression equipment, and filters. The Interconnection Agreement would set forth the maximum daily and hourly throughput of the facilities. Additional terms of the Interconnection Agreement include the process for designing and constructing the interconnection and associated facilities. As noted above, the RNG seller would pay MERC a CIAC equal to the estimate capital costs to be incurred by MERC for the interconnection, which would then be trued-up to actual costs following construction, within 30 days. The RNG seller would also pay a monthly O&M fee. The RNG Interconnection Agreement also contains several clauses protecting MERC (and thus ratepayers) from liability of any issues caused by the seller. The RNG Interconnection Agreement would remain in effect for a primary period of 20 years, subject to both early cancellation and subsequent continuation. The Department concludes MERC's proposed RNG Interconnection Agreement reasonably protects other customers and does not have any objections.

Exhibit B to MERC's proposed RNG Interconnection Agreement includes gas quality specifications and testing procedures for RNG derived from dairy or other animal waste. (MERC also provided these specifications and testing procedure as Attachment D to the petition.) As noted above, MERC is not requesting approval of these specifications and testing procedures, which is consistent with the Commission's January 26, 2021 Order approving CenterPoint's RNG interconnection, in which the Commission ordered:

> In lieu of approving CenterPoint's proposed RNG Quality Standards (RNG Interconnection Petition, Exhibit C), the Commission directs CenterPoint to do the following:
>
> A. Ensure that any biogas interconnection or service is consistent with its obligations to provide safe and reliable service.
> B. Maintain on CenterPoint's website the most up-to-date biogas quality standards and testing requirements for those injecting biogas into the distribution system under CenterPoint's RNG interconnection program.
> C. Periodically update its gas quality standards according to the best available science, after consulting with stakeholders, the Minnesota Department of Commerce, and the Minnesota Office of Pipeline Safety.
> D. Notify the Commission when it changes its service quality standards.
> E. Starting with its annual report in 2022, report on its discussions with stakeholders on its gas quality standards.

The Department agrees with MERC that the Commission's action in CenterPoint's RNG interconnection docket is reasonable enough for ensuring the gas quality of RNG. The Department therefore recommends the Commission direct MERC as it did CenterPoint and order as follows:

- Ensure that any RNG interconnection or service is consistent with its obligations to provide safe and reliable service.
- Maintain on MERC's website the most up-to-date RNG quality standards and testing requirements for those injecting RNG into the distribution system under CenterPoint's RNG interconnection program.
- Periodically update its gas quality standards according to the best available science, after consulting with stakeholders, the Minnesota Department of Commerce, and the Minnesota Office of Pipeline Safety.
- Notify the Commission when it changes its service quality standards.
- In its annual reports (the Department reviews MERC's proposed annual reporting below), report on any discussions with stakeholders on its gas quality standards.

3. Natural Gas Purchase Agreement (Attachment C)

The Department reviewed MERC's proposed Natural Gas Purchase Agreement form for reasonableness and to ensure it would not harm other customers. The Natural Gas Purchase Agreement notes that MERC and seller are also subject to a RNG Interconnection Agreement providing for the construction of interconnection facilities and reimbursement of seller for costs incurred by MERC. The Natural Gas Purchase Agreement supplements the RNG Interconnection Agreement, with the same contract term, by setting forth additional terms and conditions for MERC's purchases of natural gas from the RNG seller. Natural gas is defined as gas meeting the quality specifications in Exhibit B of the RNG Interconnection Agreement and does not include the environmental attributes, with RNG defined as natural gas derived from the decomposition of organic matter.

As indicated above, the purchase price is set forth as the Platt's Inside FERC (IFERC) Northern Ventura First-of-Month index price. However, subtracted from the index price is MERC's cost to operate and maintain the interconnection facilities. The Department reviews the base price selection below and then MERC's proposal to subtract the Company's O&M costs.

i. Base Price

The petition (page 10) states that using first-of-month index prices provides price stability and protection against price spikes in the daily natural gas market. The petition (pages 10-11) also states that the Commission's February 17, 2023 Order in Docket No. G999/CI-21-135 required gas utilities to incorporate a greater degree of baseload purchases price at first-of-month index prices into their gas supply portfolios. MERC cited the Department's October 14, 2022 comments (pages 2-3) in that docket, which stated as follows:

> Each of the Gas Utilities described purchasing a greater portion of its overall supply needs with baseload. The Department supports this practice and, in the prudence review, had noted that greater levels of baseload were possible for each Gas Utility. Higher volume baseload purchases directly offset the required volume of spot or daily purchases, which represent the portion of gas supply exposed to the risk of a short-term price spike. Baseload can be purchased at a monthly index (FOM [first-of-month]) or at an otherwise agreed upon fixed price. Going into a month, the Gas Utilities cannot be certain whether the baseload price will result in higher or lower than the average price of spot or daily gas for that month. However, the potential premium comes with the benefit of assurance that the Gas Utility avoids excessive costs associated with a price spike on the additional volume supplied via baseload.
>
> As discussed at length in the prudence investigation, the Gas Utilities cannot meet an unlimited portion of their needs with baseload gas. There are operational limits to how much gas the Gas Utilities can take each day

> and complete reliance on a single form of supply would not be reasonable. However, the prudence review revealed that the Gas Utilities were generally purchasing baseload to meet their expected monthly minimum load. The Gas Utilities can manage a baseload supply that exceeds load requirements on a small number of days in a month by injecting into storage, selling back to the market, or otherwise utilizing flexibility that their pipeline contracts afford on warmer days. The Department supports the Gas Utilities incorporating a greater degree of baseload purchases to mitigate spot price spike exposure.

The Department agrees with MERC that using first-of-month (FOM) prices is reasonable. **However, the Department requests MERC explain, in reply comments, how it would protect ratepayers under MERC's proposal in the Natural Gas Purchase Agreement for MERC and the seller to use a "mutually agreed upon replacement FOM index as a basis for the per MMBTU price" in cases where "an INFERC Northern Venture FOM price is unavailable or not reported."**

ii. Subtraction of MERC's O&M costs

To the Department's understanding, with the purchase price subtracting MERC's O&M costs for the interconnection facilities, MERC would thus receive reimburse for the O&M costs through the RNG Interconnection Agreement, then essentially pay this same amount back to the RNG seller through the Natural Gas Purchase Agreement. MERC would therefore, in effect, not receive any reimbursement for its O&M costs. As such either MERC's shareholders or ratepayers would end up paying for O&M costs of the facility. **The Department requests MERC explain in reply comments why this proposal is reasonable**. **The Department will provide a final recommendation on MERC's proposed pricing after reviewing MERC's reply comments.**

C. RECOVERY OF GAS COMMODITY COSTS THROUGH THE PURCHASE GAS ADJUSTMENT

As noted above, MERC requests the Commission approve recovering the costs incurred to purchase the natural gas commodity through MERC's PGA, consistent with the recovery of other natural gas commodity costs. As background, MERC noted with Minn. Stat. § 216B.16, subd. 7 and Minn. R. 7825.2390-7825.2850, the Commission's PGA rules enable regulated gas utilities to adjust their rates through the purchased gas adjustment mechanism to reflect changes in the commodity-delivered gas cost and demand-delivered gas cost for purchased gas. MERC further noted that the RNG gas commodity purchase costs will be indistinguishable from MERC's other baseload gas purchased.

The Department agrees with MERC that the PGA is the appropriate mechanism for recovering these costs. MERC is correct that RNG purchases would, under MERC's proposed structures, be the same in substance to other gas purchases. Therefore, using the same recovery mechanism is reasonable while also being the least-burdensome approach from a regulatory perspective.

D. QUALITY STANDARDS

As noted in section above summarizing the petition, MERC is not requesting approval of its proposed RNG quality and testing requirements. However, MERC proposes to publish the quality standards on its website and to update the standards on its website and via compliance filings with the Commission as necessary.

The Department concludes MERC's proposal regarding quality standards is reasonable. MERC's quality standards are, according to MERC, designed to ensure the RNG is equivalent to conventional gas and therefore should not disrupt the distribution system. Moreover, maintaining the standards on MERC's' website and keeping the Commission apprised of any changes via compliance filings ensure the standards are reasonably transparent. Finally, the Department believes MERC's proposal is reasonably consistent with the Commission's requirements for CenterPoint's proposed RNG quality standards as set forth in Order Point 4 of the Commission's January 26, 2021 Order in Docket No. G008/M-20-434.

E. REPORTING

The petition (pages 12-13) proposes a multi-faceted reporting process.

First, MERC would submit a compliance filing within 30 days of each new RNG interconnection. The filing would provide information on seller, feedstock used, and expected amount of RNG to be produced.

Second, MERC would submit annual reports by February 1 of each year to the Commission on RNG interconnections, providing the following information:

- Costs MERC incurred for each RNG seller that interconnects with MERC's distribution system.
- RNG received from each RNG seller, and
- Any updates to gas quality standards based on continuous evaluation.

Third, in MERC's next rate case, MERC would provide a discussion and analysis of all customers added to lines built to accommodate RNG connections, along with associated costs and revenues.

MERC states its reporting proposals are consistent with the Commission's January 26, 2021 Order approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.

The Department concludes that MERC's proposed reporting process is generally reasonable, as it would keep the Commission and other interested stakeholders reasonably updated on MERC's RNG outcomes. The Department also agrees that MERC's proposed reporting is generally consistent with the Commission's January 26, 2021 Order, Order Points 10 and 11.

However, the Department notes Order Point 10 of the January 26, 2021 CenterPoint Order required the following:

> Each time CenterPoint accepts another producer's renewable natural gas into its system, CenterPoint shall make a compliance filing within 30 days with the following information:
>
> A. The producer's feedstock or feedstocks.
> B. The total amount of RNG expected to be provided by the producer.
> C. The mix of end-uses of the digestate.
> D. If known, the state(s) in which the entity or entities purchasing the RNG from the producer are located and the end-use for which the RNG is being purchased.
> E. Methane leakage control and mitigation measures employed by the producer at the production and upgrade facility.
> F. Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.
> G. Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer— and a description of the methodology used to develop the lifecycle analysis.

It is not clear to the Department whether MERC is proposing to include an analysis of items E-G in the list above. Further, it is not clear to the Department how MERC would verify that the RNG would indeed have lower GhG gas intensity than conventional natural gas, which presumably would be verified by these requirements. **The Department therefore requests MERC state in reply comments whether the Company would be amendable to reporting on these items in its proposed one-time compliance filings for each RNG interconnection.**

Regarding MERC's proposed annual reporting, the Department notes that Order Point 11 of the January 26, 2021 CenterPoint Order required as follows:

> By each February 1, beginning in 2022, CenterPoint shall file the following information:
>
> A. The total number of interconnected RNG producers supplying RNG to the CenterPoint system in the previous calendar year.
> B. The amount of RNG volumes taken onto the CenterPoint system each year in total and from each of those producers.
> C. The mix of feedstock used by RNG producers connected to CenterPoint's system and volumes provided to the system broken out by primary feedstock for the previous calendar year.
> D. The mix of end-uses of the digestate for each producer interconnected to CenterPoint's system.

> E. The estimated methane emissions associated with the total amount of RNG received on CenterPoint's system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.
> F. Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on CenterPoint's system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on CenterPoint's system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.
> G. Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filing described in Ordering Paragraph 10.

Like the Department's query regarding the one-time reporting for each RNG interconnection, **the Department requests MERC clarify in reply comments whether the Company would be amenable to filing all the information required for CenterPoint as listed above, to keep the Commission fully appraised on not only the quantities sold and sellers of RNG, but also the GhG gas characteristics.**

The Department will provide a final recommendation on MERC's proposed reporting after reviewing MERC's reply comments.

F. GREENHOUSE GAS EMISSION ACCOUNTING

Order Point 12 of the January 26, 2021 Order stated as follows:

> Within 90 days and before filing any revised tariff for marketing RNG to its retail customers, CenterPoint shall file in a new docket a proposal based on consultation Center for Energy and the Environment, Fresh Energy, Minnesota Center for Environmental Advocacy, the Sierra Club, and other interested stakeholders for –
> A. an accounting framework to evaluate and verify the carbon intensity of different RNG sources and validate its effectiveness in reducing carbon emissions; and
> B. a threshold of carbon intensity that should be required for RNG interconnection producers.

On May 7, 2021, CenterPoint filed a proposed framework, in Docket No. G008/M-21-324.

On August 5, 2021, the Commission suspended the comment period in Docket No. G008/M-21-324, referring to Docket No. G999/CI-21-566, *In the Matter of Establishing Frameworks to Compare Lifecycle Greenhouse Gas Emission Intensities of Various Resources, and to Measure Cost Effectiveness of Individual Resources and of Overall Innovation Plans*, as an alternative docket for establishing a GhG accounting framework for RNG.

On January 27, 2022, the Commission issued an Order in Docket No. G999/CI-21-566, setting forth as follows:

- The Commission encourages CenterPoint to work with their consultant, ICF, and independent neutral facilitator, the Great Plains Institute, to engage stakeholders in developing and proposing a lifecycle greenhouse gas accounting framework and cost-benefit analysis framework for the Natural Gas Innovation Act in this docket.
- CenterPoint Energy and any interested entity or regulated utility shall file proposed lifecycle greenhouse gas accounting frameworks and cost-benefit analysis frameworks for the Natural Gas Innovation Act in this docket no later than January 30, 2022.

On June 1, 2022, in the same docket, the Commission issued an Order Establishing Frameworks for Implementing Minnesota's Natural Gas Innovation Act, including parameters regarding calculating greenhouse gas intensity. Among other items, the Commission ordered as follows:

- For purposes of the NGIA, the lifecycle greenhouse gas emissions per dekatherm of geologic natural gas shall be calculated using the Argonne GREET (Argonne National Laboratory's Greenhouse Gases, Regulated Emissions, and Energy Use in Technologies) model, using GREET's most up-to-date default assumptions for fugitive methane leakage associated with geologic natural gas. Currently, the greenhouse gas intensity of geologic natural gas delivered to end use customers via the natural gas distribution system is calculated as 66.16 kilograms per dekatherm using the Argonne GREET model. As reliable data becomes available, utilities may submit utility-specific methane leakage data to estimate the lifecycle greenhouse gas emissions intensity of geologic gas in innovation plans.

The Commission also delegated authority to the Executive Secretary to resume Docket No. G008/M-21-324 and request comment on CenterPoint's proposed Minnesota-GREET framework for determining the lifecycle greenhouse gas intensity of renewable natural gas producers interconnecting to CenterPoint's distribution system. However, no further filings in that docket have been made.

The Department requests that MERC state in reply comments whether it has a reasonable greenhouse gas accounting framework in place, consistent with the June 1, 2022 Order in Docket No. G999/CI-21-566, for calculating greenhouse gas emissions from RNG, and whether MERC has any specific proposals for a threshold of carbon intensity based on conventional gas emissions.

On the question in the Notice of Comment Period regarding how the Commission should consider MERC's proposal within the context of Minnesota's GhG reduction goals as set forth in Minn. Stat §216H.02, subd. 1, the Department believes establishing a reasonable GhG framework will ensure RNG interconnections on MERC's system are at a minimum carbon-neutral (relative to conventional natural gas) and therefore contributing to these goals. The Department will provide final recommendations on MERC's proposed GhG reporting, with these state-wide goals in mind, after reviewing MERC's reply comments.

G. AFFILIATED INTERESTS

MERC states that it would seek Commission approval of any affiliated interest transactions regarding RNG interconnections. The Department appreciates MERC's clarity on this issue and concludes no action is required by the Commission given MERC's commitment to seek Commission approval. The Department also concludes that MERC's proposal is consistent with Order Point 8 of the Commission's January 26, 2021 approving CenterPoint's RNG interconnection process in Docket No. G008/M-20-434.

H. INFLATION REDUCTION ACT

As noted in the Notice of Comment Period, on September 12, 2023, in Docket No. E,G999/CI-22-624, *In the Matter of a Joint Investigation into the Impacts of the Federal Inflation Reduction Act*, the Commission issued an Order Setting Requirements related to the Inflation Reduction Act (IRA), with the first Order Point requiring utilities to maximize the benefits of the IRA in future dockets. The Department therefore requests MERC explain in reply comments how it is maximizing IRA benefits in its proposed RNG interconnection process, to the extent applicable.

V. PRELIMINARY RECOMMENDATIONS AND REQUEST FOR ADDITIONAL ANALYSIS

The Department is generally supportive of MERC's petition, which overall provides robust ratepayer protections while also not appearing overly burdensome to potential RNG sellers wanting to interconnect to MERC's system. However, before providing any final recommendations, the Department requests MERC provide the following:

- How MERC would protect ratepayers under MERC's proposal in the Natural Gas Purchase Agreement for MERC and the seller to use a "mutually agreed upon replacement FOM index as a basis for the per MMBTU price" in cases where "an INFERC Northern Venture FOM price is unavailable or not reported;"
- The Department requests MERC explain in reply comments the reasonableness of MERC's proposal in the Natural Gas Purchase Agreement to subtract MERC's O&M costs for the interconnection facilities from the purchase price;
- Whether MERC would be amendable to reporting on the following items in its proposed one-time compliance filings for each RNG interconnection:
    - Methane leakage measurement, control, and mitigation measures employed by the producer at the production and upgrade facility.
    - Estimated amount of methane leakage for the producer and a description of the methodology used to develop that estimate.
    - Analysis of the lifecycle greenhouse gas emissions, including emissions associated with the upgrade facility, of RNG volumes provided by the producer— and a description of the methodology used to develop the lifecycle analysis.
- Whether MERC would be amenable to filing in its annual reports all the information below, similar to that required for CenterPoint as listed above, to keep the Commission fully appraised on not only the quantities sold and sellers of RNG, but also the GhG gas characteristics:

- The total number of interconnected RNG producers supplying RNG to MERC's system in the previous calendar year.
- The amount of RNG volumes taken onto MERC's system each year in total and from each of those producers.
- The mix of feedstock used by RNG producers connected to MERC's system and volumes provided to the system broken out by primary feedstock for the previous calendar year.
- The mix of end-uses of the digestate for each producer interconnected to MERC's system.
- The estimated methane emissions associated with the total amount of RNG received on MERC's system in the previous calendar year and by primary feedstock, and a description of the methodology for estimating methane emissions.
- Estimated lifecycle greenhouse gas emissions, including emissions associated with the upgrade facilities, of the RNG received on MERC's system in the previous calendar year in total and by primary feedstock compared to lifecycle emissions of geological natural gas on MERC's system, along with a description of the methodology for determining those lifecycle greenhouse gas emissions.
- Updated information for each interconnected RNG producer using the same data points as included in the per-producer compliance filings.

- Whether MERC has a reasonable greenhouse gas accounting framework in place, consistent with the June 1, 2022 Order in Docket No. G999/CI-21-566, for calculating greenhouse gas emissions from RNG, and whether MERC has any specific proposals for a threshold of carbon intensity based on conventional gas emissions.
- Explain how it is maximizing IRA benefits in its proposed RNG interconnection process, to the extent applicable.

The Department will provide final recommendations after reviewing MERC's reply comments.

CERTIFICATE OF SERVICE

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

Minnesota Department of Commerce
Comments

Docket No. G011/M-23-489

Dated this **26th** day of **January 2024**

/s/Sharon Ferguson

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Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_23-489_M-23-489
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