

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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March 3, 2026

**In the Matter of CenterPoint Energy’s Natural Gas
Innovation Plan**

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

COMMENTS OF FRESH ENERGY

Fresh Energy appreciates the opportunity to provide these Initial Comments in response to the Minnesota Public Utilities Commission’s January 30, 2026 Notice regarding CenterPoint Energy’s request to modify the budget for its Natural Gas Innovation Act (NGIA) hydrogen blending pilot (Pilot D).¹

In October 2024, the Commission approved CenterPoint’s first NGIA plan, with modifications.² The approved plan includes Pilot D, which proposes to own and operate a 1 MW green hydrogen electrolyzer in Mankato, Minnesota, powered by on-site solar generation, to produce and blend hydrogen into the natural gas distribution system. The Commission approved the pilot with a five-year budget of approximately \$4.65 million and established guardrails requiring Commission review of any budget increase exceeding 25 percent. In January 2026, CenterPoint requested approval to increase the pilot’s budget by approximately \$1.4 million citing updated engineering estimates, inflation, and evolving labor and materials costs.³ Because the requested increase

¹ Minnesota Public Utilities Commission. Notice of Comment Period. *In the Matter of CenterPoint Energy’s Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215 (January 30, 2026)

<https://efiling.web.commerce.state.mn.us/documents/%7B00AE109C-0000-C819-82AE-6D8253101289%7D/download?contentSequence=0&rowIndex=1>.

² Minnesota Public Utilities Commission. Order. *In the Matter of CenterPoint Energy’s Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215 (October 9, 2024)

<https://efiling.web.commerce.state.mn.us/documents/%7BD05A7292-0000-CD11-BA97-696D335AE151%7D/download?contentSequence=0&rowIndex=40>.

³ CenterPoint Energy. Request for Approval of Budget Modification and Compliance Filing. *In the Matter of CenterPoint Energy’s Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215 (January 22, 2026)

<https://efiling.web.commerce.state.mn.us/documents/%7BC0B8E79B-0000-C317-8EF0-102B13AFEE42%7D/download?contentSequence=0&rowIndex=2>.

exceeds the Commission's approved flexibility threshold (more than 25 percent above the approved amount), the proposal is now before the Commission for review and comment.

Fresh Energy respectfully urges the Commission to pause and carefully reconsider approval of the proposed budget increase for Pilot D. The significant cost escalation, combined with the project's already high per-ton abatement cost, uncertainty surrounding federal hydrogen tax incentives, limited emissions-reduction potential, and lack of demonstrated long-term scalability, raises substantial prudence concerns. The Commission should require updated cost-effectiveness modeling reflecting the full capital cost range, portfolio-wide comparisons across NGIA pilots, and sensitivity analyses addressing federal policy and construction risk before authorizing additional ratepayer investment. Absent clear evidence that hydrogen blending remains competitive within the NGIA portfolio and aligned with the Commission-approved cost-effectiveness objective, approval of the requested increase would not be justified.

I. Pilot D significantly exceeds the NGIA \$200/MTCO₂e cost-effectiveness standard

The Commission approved a cost-effectiveness objective that the overall greenhouse gas (GHG) savings achieved by all approved pilots be achieved at a cost of no more than \$200 per metric ton of CO₂e reduced. For this objective, costs are measured on a lifetime basis using the utility cost test and GHG savings are also measured on a lifetime basis.

The table below, drawn from CenterPoint's March 2024 filing,⁴ shows that even prior to the requested budget increase, the hydrogen blending pilot was projected to achieve emissions reductions at a cost substantially above this \$200/MTCO₂e benchmark. Among the approved pilots, hydrogen blending is second only to the residential gas heat pump pilot in terms of high cost per ton of emissions reduced.

⁴ Exhibit A: Revised Quantitative Metrics, Cost Recovery, and Pilot Details. Reply Comments of CenterPoint Energy. *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215; Page 2 of 8 Table A.1: Summary Quantitative Metrics for Proposed Pilots (March 15, 2024) <https://efiling.web.commerce.state.mn.us/documents/%7B60DF438E-0000-C87F-90F2-20D024BD3E85%7D/download?contentSequence=0&rowIndex=2>.

	Estimated Lifetime Utility Cost⁵	Estimated Lifecycle GHG Reductions (Metric Tons CO₂e)	Cost per Metric Tons CO₂e Reduced
RNG Produced from Hennepin County Organic Waste	REMOVED	REMOVED	REMOVED
RNG Produced from Ramsey & Washington Counties' Organic Waste	\$17,538,491	92,414	\$190
Renewable Natural Gas RFP Purchase	\$83,367,472	423,134	\$197
Green Hydrogen Blending into Natural Gas Distribution System	\$23,053,705	27,993	\$824
Industrial or Large Commercial Hydrogen and Carbon Capture Incentives	\$2,720,474	107,196	\$25
Industrial Methane and Refrigerant Leak Reduction	\$1,132,645	33,763	\$34
Urban Tree Carbon Credits	\$299,909	4,500	\$67
Carbon Capture Rebates for Commercial Buildings	\$30,481	23,757	\$1
New Networked Geothermal Systems	\$42,224,178	107,355	\$393
Decarbonizing Existing District Energy Systems	-\$3,419,905	124,030	-\$28
New District Energy System	-\$784,412	40,882	-\$19
Industrial Electrification Incentive	\$113,108	11,896	\$10
Commercial Hybrid Heating	\$5,545,369	25,609	\$217
Residential Deep Energy Retrofit and Electric Air Source Heat Pump	\$10,590,172	66,760	\$159
Small/Medium Business GHG Audit	\$1,694,181	4,380	\$387
Residential Gas Heat Pumps	\$343,823	235	\$1,463
Gas Heat Pumps for Commercial Buildings	\$635,129	2,154	\$295
Industrial and Large Commercial GHG Audit Pilot	-\$242,238	35,560	-\$7
Total for full Pilots	\$184,842,581	1,131,617	\$163
R&D Pilots	\$10,570,462	--	--
Total	\$195,413,043	1,131,617	\$173
Average Cost per Metric Tons CO₂e Reduced Across the Pilots⁶			\$247
Weighted Average Cost per Metric Tons CO₂e Reduced Across the Pilots⁷			\$324

The hydrogen blending pilot was already among the least cost-effective projects in the NGIA portfolio prior to the proposed capital increase. The Company now seeks approval of an additional \$2.4 million in capital costs, with a Front-End Engineering Design (FEED) study range extending as

⁵ This represents the expected net cost impact to customers over the lifetime of each pilot. Many pilots will require continued investment by CenterPoint Energy after the end of the five-year term of this NGIA plan.

⁶ Calculated as the average of the Cost per Metric Tons CO₂e Reduced across the 17 pilots, as compared to the total Estimated Lifetime Utility Cost divided by the total Estimated Lifecycle GHG Reductions.

⁷ Calculated as the weighted average of the Cost per Metric Tons CO₂e Reduced across the 17 pilots (weighted by Estimated Lifetime Utility Cost), as compared to the total Estimated Lifetime Utility Cost divided by the total Estimated Lifecycle GHG Reductions.

high as \$9.2 million. Even assuming some offset from Production Tax Credits (PTCs), the underlying capital intensity of the project remains high. Any increase in capital cost will necessarily increase the cost per ton of emissions reduced.

Given this context, the Commission should require CenterPoint to submit an updated lifetime cost and cost-effectiveness analysis reflecting low, mid, and high capital scenarios before approving the modification. That filing should clearly state the updated lifetime revenue requirement and revised \$/MTCO₂e.

The Commission should also require a side-by-side comparison of cost per ton across all NGIA pilots so that it can evaluate how additional investment in Pilot D affects overall portfolio performance relative to the \$200/MTCO₂e objective.

Unless the Company can demonstrate that Pilot D remains competitive within the NGIA portfolio under updated assumptions, the Commission should decline approval of the requested budget increase. At a time when ratepayers face affordability pressures, approving additional ratepayer investment in one of the portfolio's least cost-effective pilots warrants scrutiny.

II. Pilot D has exposure to federal incentive uncertainty and capital cost volatility

The Company's FEED study estimates total capital costs at approximately \$7.4 million, with a ±25 percent margin of error. This places projected costs in a range of roughly \$5.9 million to \$9.2 million – substantially above the pilot's originally approved budget and indicative of significant cost volatility at this stage of development.

CenterPoint suggests that federal hydrogen PTCs may offset a substantial portion of these higher costs. However, the projected value of those credits depends on several uncertain and evolving factors, including federal implementation of hourly clean energy matching requirements, the availability and pricing of hourly renewable energy credits, and the project's ability to meet in-service deadlines necessary to qualify for full credit value. Construction delays or regulatory changes could materially reduce or eliminate anticipated PTC benefits.

Given this uncertainty in both capital costs and federal incentive eligibility, the Commission should require updated lifetime revenue requirement estimates under low, mid, and high capital cost scenarios. The Company should also provide explicit sensitivity analysis addressing potential reductions in PTC value and construction timing risk. Without this analysis, the magnitude of potential ratepayer exposure remains unclear and may be materially understated.

III. Limitations of hydrogen blending into the gas distribution system are well-documented

Fresh Energy and other clean energy organizations have previously detailed the various technical, economic, and strategic limitations of hydrogen blending into the gas distribution system in prior

comments in this docket.⁸ We do not wish to rehash those concerns in these comments but briefly summarize them below for context. Our original concerns with this pilot remain and are exacerbated by the request for a significant increase in budget.

Low-percentage hydrogen blending delivers only incremental emissions reductions relative to total system emissions, while retaining on-site combustion and associated NOx and co-pollutant impacts. The conversion of electricity to hydrogen and back to heat involves significant efficiency losses, making blending a comparatively energy-intensive pathway where direct electrification alternatives are available.

Hydrogen blending also presents meaningful scalability constraints. Achieving higher blend percentages would likely require substantial additional system upgrades, appliance compatibility review, and ongoing safety evaluation. Even at elevated blend levels, emissions reductions remain modest relative to the long-term decarbonization challenge facing the gas distribution system.

These limitations are consistent with national analyses and federal strategy documents, which consistently prioritize clean hydrogen for hard-to-electrify sectors such as industrial high-heat processes, heavy-duty transportation, and long-duration energy storage.⁹ Residential space heating and low-percentage blending into gas distribution systems are not identified as priority uses. Absent identification of a hard-to-decarbonize industrial offtaker or anchor load, directing scarce and expensive green hydrogen toward residential blending represents a lower-value use of the resource.

In addition, blending risks reinforcing continued reliance on long-lived gas infrastructure at a time when state climate policy anticipates a gradual decline in fossil gas use.¹⁰ Additional capital investment tied to blending may extend the useful life of distribution assets that could otherwise face declining throughput, increasing the risk of stranded costs and long-term ratepayer exposure.

These concerns are particularly salient given that CenterPoint already operates an existing hydrogen blending pilot in Minneapolis.¹¹ The Company has not demonstrated why expansion through Pilot D is necessary at this stage, nor how this additional investment meaningfully

⁸ Clean Energy Organizations. Initial Comments. *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215 (January 16, 2024), pg. 8-12, 24-29.

<https://efiling.web.commerce.state.mn.us/documents/%7B3001148D-0000-C821-AFA0-75BDBA1021D0%7D/download?contentSequence=0&rowIndex=111>.

⁹ U.S. Dep't of Energy, U.S. National Clean Hydrogen Strategy and Roadmap 2 (June 2023), <https://www.hydrogen.energy.gov/library/roadmaps-vision/clean-hydrogen-strategy-roadmap>; NRDC, Hydrogen Pathways Report (November 2025) https://www.nrdc.org/sites/default/files/2025-11/Hydrogen_Pathways_Report_R_25-10-C_04_locked.pdf.

¹⁰ Minnesota Climate Action Framework (February 2026) <https://climate.state.mn.us/minnesotas-climate-action-framework>.

¹¹ Press Release, CenterPoint Energy, CenterPoint Energy Launches Green Hydrogen Project in Minnesota (June 3, 2022), <https://investors.centerpointenergy.com/news-releases/news-releasedetails/centerpoint-energy-launches-green-hydrogen-project-minnesota>.

advances system-wide decarbonization beyond what has already been learned from the current pilot.

Fresh Energy recognizes that early investment in green hydrogen may contribute to technology learning, supply chain development, and broader market formation. However, those potential benefits must be weighed against the high per-ton abatement cost reflected in the Company's filings and the availability of lower-cost emissions-reduction alternatives within the NGIA portfolio. Where NGIA resources are limited, prioritizing the most scalable and cost-effective pathways is essential to protecting ratepayers while advancing Minnesota's decarbonization goals.

IV. Conclusion and request for additional information

For the reasons discussed above, Fresh Energy respectfully urges the Commission to proceed cautiously before approving the proposed budget modification for Pilot D.

As demonstrated in the record, even before the proposed capital increase, Pilot D significantly exceeded the NGIA's \$200/MTCO₂e cost-effectiveness objective and ranked among the least cost-effective pilots in the portfolio. As noted in July 2024 briefing papers, several parties recommended that the Commission deny Pilot D from inclusion in CenterPoint's plan, including the Minnesota Department of Commerce, the Office of the Attorney General Residential Utilities Division, the Clean Energy Organizations (consisting of Fresh Energy, Minnesota Center for Environmental Advocacy, and Sierra Club), the Citizens Utility Board, and the City of Minneapolis.¹² The requested capital increase and associated uncertainty only exacerbate widespread concerns about this pilot.

First, the Commission should require CenterPoint to submit updated lifetime cost projections and a revised cost-effectiveness analysis for Pilot D before granting further approval. This analysis should reflect the FEED study's full ±25 percent capital cost range and provide transparent calculation of cost per metric ton of CO₂e reduced under low, mid, and high scenarios.

Second, the Commission should require a side-by-side comparison of cost per ton of CO₂e across all NGIA pilots. The record already shows that hydrogen blending was among the least cost-effective pilots even before the requested increase. An updated portfolio comparison is necessary to ensure that ratepayer funds are directed toward the most effective emissions-reduction opportunities.

Third, the Commission should require sensitivity analysis reflecting federal policy uncertainty, including potential changes to hydrogen PTCs, the implementation of hourly matching requirements, renewable energy credit market development, and construction delay risk. Given the

¹² Minnesota Public Utilities Commission. Updated Decision Options. *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*. PUC Docket Number G-008/M-23-215 (July 25, 2024), at pg. 4 <https://efiling.web.commerce.state.mn.us/documents/%7B800BEA90-0000-C11C-81BA-13C20F687AA2%7D/download?contentSequence=0&rowIndex=44> .

magnitude of potential capital cost variability and reliance on federal offsets, these sensitivities are essential to a prudency determination.

We request that CenterPoint provide the results of these additional analyses in reply comments or, preferably, as an update to the docket prior to the reply comment deadline to allow sufficient time for stakeholder review.

Given the wide capital cost range, reliance on uncertain federal incentives, limited emissions reductions, and ongoing affordability pressures facing Minnesota households, the Commission should decline approval of the requested budget increase unless CenterPoint can demonstrate that hydrogen blending is competitive within the NGIA portfolio and consistent with the Commission-approved cost-effectiveness objective.

At minimum, the Commission should pause further development of Pilot D unless and until the Company can identify a hard-to-decarbonize industrial offtaker or other higher-value end use that materially improves scalability and cost-effectiveness.

Hydrogen may play an important role in long-term decarbonization, particularly in industrial sectors and other hard-to-electrify applications. However, under current assumptions, blending hydrogen into the residential gas distribution system represents one of the highest-cost and least scalable emissions-reduction pathways in the NGIA portfolio. Absent stronger evidence of cost-effectiveness and strategic alignment, additional ratepayer investment would not be prudent.

Respectfully submitted,

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