

Staff Briefing Papers

Meeting Date November 6, 2025

Agenda Item 5**

Company CenterPoint Energy Resources Corp. d/b/a CenterPoint
Energy Minnesota Gas

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

**In the Matter of a Petition by CenterPoint Energy Minnesota Gas for Approval of
its First Natural Gas Innovation Plan**

Issues Should the Commission approve, modify, or deny CenterPoint's annual report and
its proposed Innovation Act Adjustment charges?

Staff Sophie Nikitas Sophie.nikitas@state.mn.us 651-539-1062

✓ **Relevant Documents**

Date

CenterPoint Energy Minnesota Gas: Annual Report and Exhibits D, E,
G, and K May 30, 2025

MN Public Utilities Commission: Notice of Comment Period June 13, 2025

Office of the Attorney General – Residential Utilities Division:
Comments (Public and Trade Secret) July 28, 2025

Department of Commerce – Division of Energy Resources: Comments July 28, 2025

CenterPoint Energy Minnesota Gas: Reply Comments August 27, 2025

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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.

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BACKGROUND

On May 30, 2025, CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy, CenterPoint, or the Company) filed its first annual status report detailing the work completed in 2024 under its approved Natural Gas Innovation Act (NGIA) Innovation Plan.

The Minnesota Public Utilities Commission (the Commission) approved CenterPoint's NGIA Innovation Plan with modifications on October 9, 2024.¹ The approved plan included 18 pilot projects focused on deploying one or more "innovative resources"² as well as seven research and development projects, with the potential for additional research and development projects to be proposed in future annual reports.

Because CenterPoint's Innovation Plan was approved in October 2024, the current status report describes the work completed between October and December 2024. The report includes:

- A summary of accomplishments,
- Quantitative results,
- Pilot performance details,
- A summary of activities regarding workforce development and diversity,
- Proposed plan modifications,
- Information on budget flexibility compliance,
- A cost recovery proposal that would modify the Company's Innovation Act Adjustment rider, and
- Progress toward achieving cost effectiveness objectives.

Minn. Stat. § 216B.2427 Subd.2(g) states that when evaluating annual NGIA reports, the Commission may:

1. Approve the continuation of a pilot program included in the plan, with or without modifications;
2. Require the utility to file a new or modified pilot program or plan; or
3. Disapprove the continuation of a pilot program or plan.

CenterPoint's filing represents the first annual NGIA status report submitted for Commission review.

¹ Docket No. G-008/M-23-215, *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, [Order Approving Natural Gas Innovation Plan with Modifications \(October 9, 2024\)](#).

² Innovative resources include biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, carbon capture, strategic electrification, district energy, thermal energy networks, and energy efficiency. Minn. Stat. § 216B.2427, Natural Gas Utility Innovation Plans. <https://www.revisor.mn.gov/statutes/cite/216B.2427>.

REPORT DETAILS

Pilot Progress

Because there was only two months from when the order was filed and when the calendar year ended, CenterPoint's report provided fairly preliminary information on the pilots' progress. However, the report described the groundwork that the Company has laid to deploy the pilots and will serve as a blueprint for future years' reports. CenterPoint's work between October – December 2024 included activities such as negotiating contracts with implementation vendors, developing requests for proposals, negotiating with renewable natural gas suppliers, and onboarding new staff to support the Plan's implementation.

CenterPoint also included a look ahead at planned 2025 activities, including the creation and publication of a page on the Company's website to update the public on a regular basis regarding the plan's progress, and a communications plan for its networked geothermal pilot.^{3, 4} Additionally, CenterPoint provided some new information from 2025 activities in later comments.

Below is an overview of specific activities reported on pilots. Please note that any updates to IRA credit assumptions are found in the "IRA Updates" section on page 10.

I. Pilot B: RNG Produced From Ramsey & Washington Counties Organic Waste

Under this pilot, CenterPoint will purchase Renewable Natural Gas (RNG) from an anaerobic digestion facility that will process source-separated food waste from Washington and Ramsey Counties' organics recycling program and a smaller quantity of yard waste.

CenterPoint worked towards negotiating a contract with DCHZI Bioenergy, LLC, which owns and operates the facility, and stated that it expects to finalize the contract in 2025 and begin purchasing RNG when the facility is fully operational in 2027.

II. Pilot C: RNG RFP

Under this pilot, CenterPoint issued an RFP to purchase RNG (both as bundled gas and environmental attributes, as well as solely the environmental attributes) from various sources. Per the Commission's order, the Company was required to prioritize RNG as such:

- a. RNG interconnected with CenterPoint's Minnesota distribution system;
- b. RNG within Minnesota; and
- c. RNG in neighboring regions.⁵

³ <https://www.centerpointenergy.com/NGIA>

⁴ CenterPoint 2024 Annual Report, Exhibit F.

⁵ [Order Approving Natural Gas Innovation Plan With Modifications \(October 9, 2024\)](#), Ordering Paragraph 3.a-c.

CenterPoint reported that it had issued its RFP, evaluated responses, and initiated negotiations.⁶ The Company stated that it expects to finalize contracts in 2025. As no RNG was purchased, the Company could neither report on its verification, tracking and retirement plan of environmental attributes, nor provide information on average herd sizes, although it did provide data on average herd sizes for Minnesota dairy farms against which it will compare data from RNG vendors in future reports.⁷

Table 1. Pilot C Herd Sizes for Dairy Manure RNG Purchases in 2024

Average Herd Size for RNG Purchases from Dairy Farms through Pilot C	-
Range of Herd Sizes for RNG Purchases from Dairy Farms through Pilot C (Smallest – Largest)	-
Average of Herd Sizes for Minnesota Dairy Farms	294
Range of Herd Sizes of Minnesota Dairy Farms (10th percentile – 90th percentile)	43-1040

III. Pilot D: Green Hydrogen Blending into Natural Gas Distribution System

Under this pilot, CenterPoint Energy will own and operate a green hydrogen plant at an existing Company facility in Mankato Minnesota. The Company will install dedicated solar panels, an electrolyzer (assumed 1MW capacity), a hydrogen storage system, and other necessary equipment to generate, store, and blend hydrogen into the gas distribution system.

CenterPoint reported that it had not yet begun construction, and that it planned to meet with relevant Mankato city staff in September 2025 to share an overview of the pilot and solicit feedback from city staff.⁸ It also reported that its engineering study had included an expected timeline, with construction beginning in 2026 and the electrolyzer being placed into service by the end of 2027.

IV. Pilot E: Industrial or Large Commercial Hydrogen and Carbon Capture Incentives

Under this pilot, CenterPoint Energy will identify a small number of large commercial or industrial customers interested in installing either power-to-hydrogen or carbon capture demonstration projects and support their projects by providing financial assistance towards feasibility studies and project costs.

⁶ CenterPoint Report, p. 18.

⁷ *Id.*, p. 19.

⁸ CenterPoint Reply Comments, pp. 7-8.

CenterPoint reported that it began work on an initial scoping study to identify customers in 2024.

V. Pilot F: Industrial Methane and Refrigerant Leak Reduction

Under this pilot, CenterPoint Energy will hire a vendor to conduct surveys of participating industrial and large commercial facilities for methane and refrigerant leaks behind the customer gas meter. CenterPoint Energy will also offer incentives to partially offset the cost of leak repair.

CenterPoint reported that it issued a request for proposals in early 2025 to select a vendor for this pilot, and intended to launch with preliminary customers by the end of 2025. In response to the Commission order, CenterPoint will also track leak rates for customers in future reports.⁹

VI. Pilot G: Urban Tree Carbon Offsets

Under this pilot, CenterPoint Energy will purchase carbon offsets from local non-profit, Green Cities Accord. Green Cities Accord works with local tree planting partners across the 7-county Twin Cities Metro area to plant trees in urban areas and funds their work by selling carbon offsets.

Because no offsets were purchased in 2024, CenterPoint had no progress to report.

VII. Pilot H: Carbon Capture Rebates for Commercial Buildings

Under this pilot, CenterPoint Energy will provide rebates to commercial customers that install CarbinX carbon capture systems manufactured by Clean O2. These units connect to existing natural gas heating equipment, capture CO₂, and convert it into chemicals that are resold for commercial uses.

While CenterPoint had no metrics to report in 2024, it noted that CleanO2 is developing a next generation of its product (version 4.0) to capture a higher proportion of carbon emissions. CenterPoint will field test this in its “Assessing Next Generation Micro-Carbon Capture for Commercial Buildings” R&D project and offer rebates for that model should the results be favorable.¹⁰

VIII. Pilot I: New Networked Geothermal Systems

Under this pilot, CenterPoint Energy will develop a new networked geothermal system to provide building heating and cooling for a neighborhood currently served by the Company. This

⁹ Order Approving Natural Gas Innovation Plan With Modifications, Ordering Paragraph 8.

¹⁰ CenterPoint Report, p. 24.

pilot starts with a study phase to identify the location, technologies, and business model for the system.

CenterPoint reported that it plans to complete a Request for Proposal (RFP) to select a vendor that will support the site selection and feasibility study by the end of 2025. CenterPoint noted that, when it released its Request for Information in December 2024, it received interested responses from over 40 entities across metro, suburban, and rural areas of the Company's Minnesota service territory. Once the site selection and feasibility study is complete, CenterPoint plans to select the project site.

In response to Commission order, CenterPoint will file the result of its feasibility study in an annual report or in a separate filing in this docket for Commission review and approval prior to implementation if:

- a. The total costs will exceed plan estimates by more than 10%, or
- b. Lifetime GHG (greenhouse gas) emissions will be less than 90% of estimates in the approved plan.¹¹

CenterPoint also filed additional information on how it plans to facilitate stakeholder and community engagement in Exhibit I of its report. CenterPoint described four main audiences – regulatory, local government, initial community, and general public – for which it has developed a targeted engagement plan, including meetings and digital and physical materials to provide updates on the project, solicit feedback, and enable transparency.¹²

IX. Pilot J: Decarbonizing Existing District Energy Systems

Under this Pilot, CenterPoint Energy will help existing district energy systems that currently use geologic gas to identify opportunities to reduce the lifecycle GHG impact of their systems via funding for feasibility studies and financial support for following through with study recommendations.

While CenterPoint does not yet have a participant, it reported that it conducted a decarbonization study with Hennepin County to identify potential GHG reduction projects. CenterPoint stated that Hennepin County is currently sharing its findings with County Administration, partners, and customers before determining whether it will move forward with the project.¹³

¹¹ [Order \(October 9, 2025\)](#), Ordering Paragraph 12.

¹² CenterPoint Report, Exhibit I.

¹³ CenterPoint Report, p. 27.

X. Pilot K: New District Energy System

Under this pilot, CenterPoint Energy will help current natural gas customers considering developing district energy systems by providing funding for feasibility studies and financial support to follow through with feasibility study recommendations.

CenterPoint reported that it began discussions with existing customers in 2024 on potential participation.¹⁴

XI. Pilot L: Industrial Electrification Incentives

Under this pilot, CenterPoint Energy will support industrial customers to electrify low-to-medium heat processes using heat pump technologies. This pilot begins with a study phase to identify promising heat pump technologies and potential industrial applications.

CenterPoint stated that it intends to dedicate internal staffing resources to the pilot in 2025.

XII. Pilot M: Commercial Hybrid Heating

Under this pilot, CenterPoint Energy will provide support for small-to-medium commercial buildings interested in replacing Heating, Ventilation, and Air Conditioning (HVAC) systems with hybrid systems using electric heat pumps and gas backup.

CenterPoint did not begin work on the pilot in 2024 but reported that it issued an RFP for a qualified vendor in 2025 for both implementation as well as measurement and verification of the project's impacts. CenterPoint stated that it intends for the vendor to do initial installations later in 2025. CenterPoint will, once it has participants, report on small business and environmental justice area participation in the pilot.¹⁵

XIII. Pilot N: Residential Deep Energy Retrofits and Electric Air Source Heat Pumps

Under this pilot, CenterPoint Energy will provide support for residential customers interested in retrofitting their homes to significantly improve energy efficiency and installing air source heat pumps with gas back-up. This pilot starts with a study phase to identify appropriate measures and home characteristics for deep energy retrofits.

CenterPoint signed a contract with a vendor for phase 1 of this pilot (modeling different combinations of residential building types and energy conservation strategies, including innovative and emerging weatherization measures) in May 2025.¹⁶

¹⁴ *Id.*, p. 28.

¹⁵ *Id.*, p. 31.

¹⁶ CenterPoint Report, pp. 32-33.

XIV. Pilot O: Small/Medium Business GHG Audits

Under this pilot, CenterPoint Energy has expanded its pre-existing ECO Natural Gas Energy Analysis project to include identification of non-ECO GHG reducing opportunities for small and medium-sized businesses.

CenterPoint reported that it executed a contract with a vendor to implement this pilot in 2024, and that relevant customers began receiving audits in early 2025,¹⁷ with 84 customers reported in July 2025.¹⁸

XV. Pilot P: Residential Gas Heat Pump

Under this pilot, CenterPoint Energy will fund the development and testing of a small number of ‘combi’ space and water heating gas heat pump systems in Minnesota homes.

CenterPoint reported that it intends to begin work on this pilot in 2025.¹⁹

XVI. Pilot Q: Gas Heat Pumps for Commercial Buildings

Under this pilot, CenterPoint Energy will fund the development and testing of a small number of gas heat pump systems in commercial buildings.

CenterPoint reported that it intends to begin work on this pilot in 2025.²⁰

XVII. Pilot R: Industrial and Large Commercial GHG Audit

Under this pilot, CenterPoint Energy has expanded its existing ECO Process Efficiency and Commercial Efficiency projects to include identification of non-ECO GHG reduction measures and payment of incentives for the installation of identified non-ECO measures.

CenterPoint reported that it contracted with an implementation vendor in 2024 and began enrolling customers in 2025.²¹

¹⁷ *Id.*, p. 34.

¹⁸ OAG Comments, Attachment 4 (Note: contains Trade Secret information).

¹⁹ CenterPoint Report, p. 34.

²⁰ *Id.*, p. 35.

²¹ *Id.*, p. 36.

XVIII. Research & Development Projects

	Project	Progress
1	CenterPoint Energy Minnesota Net Zero Study	Not begun.
2	Weatherization Blitzes	Not begun, waiting until final design of IRA HEAR programs to select vendor and finalize design.
3	High Performance Commercial New Construction Building Envelope Initiative	Signed contract with implementation vendor.
4	Assessing Next-Generation Micro-Carbon Capture for Commercial Buildings	Not begun.
5	Green Ammonia Novel Technology	Contracted with university to support testing.
6	RNG Potential Study	Agricultural Utilization Research Institute (AURI) began performing a preliminary technoeconomic analysis of potential for RNG projects in three selected geographic areas in 2024. AURI will provide a report of their findings in 2025 with information to be included in the Company's next annual status report.
7	Utilization of Green Ammonia for Thermal Energy Applications	Finalizing scope of work with university research team, expects to finalize contract in 2025.

Proposed Plan Modifications

In response to Commission order,²² the Company met with representatives of the Department of Agriculture in September 2024 to discuss the possibility of incentivizing more Minnesota small family agricultural operations to participate in the development and sale of RNG, with the goal of proposing a new R&D project in a future annual report.²³ CenterPoint stated that it will do additional information gathering before proposing the project, which it expects to file with 2026's annual report.

Financials

I. Funds Spent

Table 2 shows how much CenterPoint has spent so far on developing each pilot. Given the short reporting timeframe, CenterPoint reported that no actual GHG emissions had been achieved by any projects in its plan as of December 31, nor were there any official participants. The

²² Ordering Paragraph 39.

²³ CenterPoint Report, p. 16.

Company also provided its NGIA Tracker with details of its accounting in Exhibit D of its annual report.²⁴

Table 2. Funds Spent in 2024²⁵

Pilot	Primary Innovative Resource	Approved 5-Year Budget	2024 Actual Spend	2024 as % of Total Budget
B: RNG Produced From Ramsey & Washington Counties Organic Waste	RNG	\$6,520,485	\$191,163	3%
C: RNG RFP	RNG	\$40,271,426	\$1,090,048	3%
D: Green Hydrogen Blending	Hydrogen	\$4,646,943	\$120,855	3%
E: Industrial or Large Commercial Hydrogen and Carbon Capture Incentives	Hydrogen	\$3,793,912	\$98,999	3%
F: Industrial Methane and Refrigerant Leak Reduction	Carbon Capture	\$1,247,828	\$37,349	3%
G: Urban Tree Carbon Offsets	Carbon Capture	\$329,301	\$10,230	3%
H: Carbon Capture Rebates for Commercial	Carbon Capture	\$612,377	\$17,483	3%
I: New Networked Geothermal	District Energy	\$11,625,947	\$342,693	3%
J: Decarbonizing District Energy	Strategic Electrification	\$598,794	\$50,720	8%
K: New District Energy System	Energy Efficiency	\$215,644	\$10,903	5%
L: Industrial Electrification Incentives	Strategic Electrification	\$504,436	\$14,717	3%
M: Commercial Hybrid Heating	Strategic Electrification	\$7,068,602	\$186,487	3%
N: Residential Deep Energy Retrofits and Electric ASHP	Strategic Electrification	\$13,617,633	\$361,454	3%
O: Small/Medium Business GHG Audit	Energy Efficiency	\$1,997,007	\$68,715	3%
P: Residential Gas Heat Pumps	Energy Efficiency	\$380,761	\$11,548	3%
Q: Gas Heat Pumps for Commercial	Energy Efficiency	\$749,464	\$20,995	3%
R: Industrial and Large Commercial GHG Audits	Energy Efficiency	\$950,494	\$36,751	4%
R&D Projects	R&D	\$10,570,462	\$15,922	0%
Total		\$105,701,516	\$2,687,032	3%

²⁴ CenterPoint Report, [Exhibit D](#).

²⁵ CenterPoint Report, pp. 8-9.

II. Budget Flexibility

In its Order approving CenterPoint’s plan, the Commission required any budget increases exceeding 25 percent of the total five-year pilot budget to go through the annual review process.²⁶ No pilot exceeded this threshold for 2024.²⁷

III. IRA Updates

The Company provided information on how any changes to the Inflation Reduction Act (IRA) might potentially impact pilots. The federal budget reconciliation bill signed into law on July 4th, 2025²⁸ modified or eliminated many tax credits, including some for technologies in CenterPoint’s plan. However, based on current information, CenterPoint did not anticipate changes to its projected receipt of tax credits. Below is an overview of which pilots included IRA credits in their budgets, along with the anticipated impacts on both CenterPoint and participating customers.

Pilot D: Green Hydrogen Blending into Natural Gas Distribution System

Initially, CenterPoint projected it would be eligible for two types of tax credits under the IRA – Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) – totaling over \$2 million to support the cost of the project.

Table 3. Expected IRA Tax Credits for Pilot D²⁹

Tax Credit	Amount
ITC for Solar	\$660,000
PTC based on on-site solar portion	\$895,008
PTC based on renewable grid electricity portion	\$565,268
Total	\$2,120,275

In Reply Comments, the Company provided an update on these tax credits based on changes from the federal budget reconciliation bill signed July 4, 2025.

- **Hydrogen Production Tax Credits (PTCs) (26 U.S.C. § 45V):** The federal budget reconciliation bill terminated the credit for any hydrogen projects that commence construction after January 1, 2028. CenterPoint stated that it expects to begin construction before this deadline and therefore anticipates maintaining eligibility for the

²⁶ [Order](#), Ordering Paragraph 26.b.

²⁷ CenterPoint Report, p. 39.

²⁸ H.R. 1 – One Big Beautiful Bill Act. <https://www.congress.gov/bill/119th-congress/house-bill/1>

²⁹ CenterPoint Reply Comments, [Exhibit F \(March 15, 2024\)](#).

credit.³⁰

- **Investment Tax Credit (ITC) (26 U.S.C. § 48E):** The federal budget reconciliation bill modified this credit to terminate for wind and solar facilities placed into service after December 31, 2027. Additionally, the bill places restrictions on “material assistance from prohibited foreign entities,” which may restrict what countries CenterPoint Energy may source solar array components. As of CenterPoint’s August 2025 reply comments, further guidance had not been published to clarify these restrictions. However, CenterPoint anticipated being able to conform to both the timeline and foreign entity restrictions.³¹

Pilot I: New Networked Geothermal

In its Petition, CenterPoint Energy indicated that it would be eligible for an ITC under 26 U.S.C. § 48E for this pilot, but has since determined it may be eligible for an alternative credit under 26 U.S.C. § 48.³² As the federal budget reconciliation bill did not modify Section 48, CenterPoint continues to expect to receive the credit.³³ In addition, guidance released on December 12, 2024 supported CenterPoint’s intended ownership model, in which CenterPoint would own the water loop and customers would own the equipment in their home or business.³⁴

Tax Credits for Vendors and Participants

In its Petition, CenterPoint expected that customers of certain pilots might qualify for various IRA tax credits, and that this would incentivize participation. While the changes listed below will not affect CenterPoint’s projected budget, the Company stated that some of the modifications may impact customer participation:³⁵

Tax Credit	Pilot(s)	Modifications and Potential Impact
IRA §§ 50121 and 50122: <i>HOMES and</i>	Pilot N (Residential Deep Energy Retrofits and Electric Air Source Heat	No changes; CenterPoint expects Pilot N participants to continue to qualify.

³⁰ CenterPoint Reply Comments, pp. 3-4.

³¹ CenterPoint Reply Comments, pp. 7-8.

³² “Section 48 has expired with respect to most technologies covered by the statute. However, a special provision allows geothermal systems such as the one to be constructed under Pilot I, to claim the credit until January 1, 2035. 26 U.S.C. 48(a)(3)(A)(vii). It might be possible in the alternative to claim a credit under Section 48E as described in the Petition, but a taxpayer cannot claim both credits. 26 U.S.C. § 48E(b)(3)(C)(vi).” *Id.*, p. 4.

³³ *Id.*, p. 4.

³⁴ CenterPoint Report, p. 15.

³⁵ CenterPoint Reply Comments, pp. 5-6.

<i>HEAR Rebates</i>	Pumps), Phase 3	
26 U.S.C. § 25D: <i>Residential Efficiency Credit</i>	Pilot N (Residential Deep Energy Retrofits and Electric Air Source Heat Pumps)	This credit now terminates after December 31, 2025, earlier than customers will likely make expenditures. Therefore, this may discourage participation.
26 U.S.C. § 45Q: <i>Carbon Capture</i>	Pilot E (Industrial or Large Commercial Hydrogen and Carbon Capture Incentives)	The federal budget reconciliation bill modified this credit to prohibit specified foreign entities from claiming credit. However, CenterPoint stated it does not expect those modifications to impact participation, as it was already unclear whether participants will capture sufficient carbon to qualify.
26 U.S.C. 48: <i>Investment Tax Credit</i>	Pilot B (Ramsey County RNG) Pilot C (RNG RFP) Pilot J (Decarbonizing District Energy System) Pilot K (New District Energy System)	Not modified; no impacts expected.
26 U.S.C. 48C: <i>Advanced Production Credits</i>	Pilots L (Industrial Electrification Incentives) Pilot R (Industrial and Large Commercial GHG Audit)	The federal budget reconciliation bill made a minor modification to Section 48C ³⁶ but CenterPoint posited that these changes do not make it significantly more or less likely that a participating customer may qualify for the credit.
26 U.S.C. §	Pilot J (Decarbonizing District Energy System)	The federal budget reconciliation bill ended this deduction for property whose

³⁶ The modification relates to situations where a project has been certified by the Secretary of the Treasury as eligible for the credit, but that certification is later revoked.

179D: <i>Commercial Deduction</i>	Pilot M (Commercial Hybrid Heating)	construction begins after June 30, 2026. However, CenterPoint was uncertain whether participants would qualify anyway, so this may not impact participation. ³⁷
IRA § 50161 & IJJA §§ 40521 or 41008: <i>Industrial Grant Programs</i>	Pilots L (Industrial Electrification Incentives) Pilot R (Industrial and Large Commercial GHG Audit)	The federal budget reconciliation bill rescinded the unobligated amounts available under IRA § 50161 but did not change the programs under IJJA §§ 40521 or §§ 41008, so these credits may still be available to customers.

IV. Cost Recovery

In its Order approving the Plan, the Commission approved CenterPoint Energy's cost recovery proposal to recoup relevant costs using three mechanisms. CenterPoint Energy recovers Purchased Gas Adjustment (PGA)-eligible expenses through the PGA. Other costs are recovered through a combination of base rates (the Innovation Act Charge or IAC) and a rider with annual true-up (the Innovation Act Adjustment or IAA).³⁸

Purchased Gas Adjustment (PGA)

Because CenterPoint has not purchased any fuel, it did not recover costs through the PGA.

Innovation Act Charge (IAC)

The Company currently recovers expenses through the Innovation Act Charge, which was approved in its 2023 Rate Case settlement.³⁹ The IAC in the Settlement is as follows:

- **\$0.0618 per Dth** for Commercial and Industrial (C&I) customers
- **\$0.0360 per Dth** for Residential customers

The Company expects to begin charging customers in September 2025.⁴⁰

³⁷ CenterPoint Reply Comments, p. 5.

³⁸ Ordering Paragraph 27.

³⁹ Docket No. G-008/GR-23-173, *In The Matter Of The Application Of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas For Authority To Increase Rates For Natural Gas Service In Minnesota, Settlement (November 25, 2024)* and *Order Accepting Settlement Agreement (June 27, 2025)*.

⁴⁰ CenterPoint Report, p. 40.

Innovation Act Adjustment (IAA)

CenterPoint proposed IAA charges to true-up differences between anticipated recovery under the IAC and actual spending on NGIA activities. The IAA amount is subject to Commission approval in this proceeding.

To determine its IAA proposal, the Company forecasted 2025-2026 spending and recovery.⁴¹ The Company used 2023 Rate Case forecasted volumes and budget from the NGIA to project the IAA.

Therefore, the Company requested approval to charge the following IAA to meet projections:

- **\$0.0998 per Dth** for C&I customers and
- **\$0.0636 per Dth** for Residential customers

[Decision Option 3]

The Company proposed these charges be effective on January 1, 2026, and include the following bill message to customers:

*The PUC has approved an Innovation Act Adjustment (IAA) factor of \$0.00998 per therm for C&I customers and \$0.00636 per therm for Residential customers. This charge will be used to fund innovative decarbonization activities and has been added to your delivery charge. For more information, please call or visit our website.*⁴² **[Decision Option 4]**

V. Cost Effectiveness

Given that pilots had not launched at the time of its annual report filing, CenterPoint had minimal updates to report. However, CenterPoint did share a list of events in which it had engaged the public on its NGIA plan in Exhibit K as part of its socioeconomic cost effectiveness objective to support workplace development.⁴³

Workforce Development and Diversity

As none of the pilots launched during the report period, the Company reported no FTE jobs created from its plan so far. However, the Company reported that 19% of funds spent on

⁴¹ *Id.*, Exhibit E.

⁴² Staff notes that the bill message is in dollars per therm, while the IAA adjustment request is presented in dollars per dekatherm.

⁴³ CenterPoint Report, Exhibit K.

vendors (e.g. external project implementors) have gone to those qualified as diverse vendors, which follows the definition of Minn. Stat. § 216C.51 subd. 3(2) to be “female-owned, minority-owned, veteran-owned, and small business enterprises.”⁴⁴

Table 4. Diverse Vendor Spend

Total 2024 Plan Spend	\$ 2,687,032.00
Vendor Spend	\$ 25,922.00
Diverse Vendor Spend	\$ 5,000.00
% Diverse Vendor Spend	19%

DISCUSSION

The Office of the Attorney General – Residential Utilities Division (OAG) and the Department of Commerce – Division of Energy Resources (Department) commented in this proceeding.

Pilot Progress

I. Pilot D: Green Hydrogen Blending Into Natural Gas Distribution System

The OAG expressed concern about how changes to the IRA tax credits might impact CenterPoint’s Green Hydrogen Blending pilot. As stated on pages 10-11, CenterPoint continued to assume that it would receive over \$2 million in PTCs and ITCs related to the IRA.

However, the OAG raised concerns that the shortened timelines for construction and early termination of the credit risked ratepayers needing to cover a potential shortfall. The OAG acknowledged that CenterPoint’s construction and in-service date appear to qualify them for ITCs and PTCs.⁴⁵ However, the OAG noted that CenterPoint’s expected in-service date of 2027 is close to the cutoff date for ITC qualification for the solar array; should solar array construction be delayed, CenterPoint may seek to recover an additional \$660,000 from ratepayers. The OAG asked CenterPoint to assess the potential impacts of the federal changes on the estimated tax benefits of Pilot D and to describe the steps it will take to receive the full tax benefits estimated at the time that the Commission approved the pilot. The OAG also recommended requiring CenterPoint to file a notification in this docket if its estimated beginning-of-construction or in-service dates for the electrolyzer and solar array are delayed in any way. **[Decision Option 2]**⁴⁶

In response, CenterPoint voiced confidence in its ability to meet the timelines established by

⁴⁴ *Id.*, p. 14 and CenterPoint Reply Comments, p. 6.

⁴⁵ OAG Comments, Attachment 1, p. 3.

⁴⁶ *Id.*, p. 7.

the new law.⁴⁷ CenterPoint explained that it had contracted with Standby Systems, Inc. to produce a Front-End Engineering Design study, which included the development of an estimated schedule for the project: it plans to begin construction in 2026 and put the electrolyzer into service in 2027. CenterPoint stated that it had begun early engagement with contractors as one of its steps to keep the project on track. CenterPoint did not object to filing notifications in this docket if its estimated beginning-of-construction or in-service dates for the electrolyzer and solar array are delayed in any way **[Decision Option 2]**.

The OAG also expressed concern about the timeline for engaging with the city of Mankato on the project, stating that “the slow pace of community engagement” might reduce the ability for meaningful community engagement before construction, or potentially delay construction or placing the electrolyzer into service if concerns need more time to be addressed, further jeopardizing the receipt of tax credits discussed above.⁴⁸

CenterPoint stated in response that it planned to meet with Mankato city staff in September 2025, and that it remained “committed to conducting engagement aligned with the standards of agencies and jurisdictions with purview over the Pilot throughout planning, construction and operation.”⁴⁹

II. Pilot M: Commercial Hybrid Heating

The OAG expressed concern, after reviewing the RFP for vendors, that CenterPoint may not choose a vendor with sufficient experience working with small businesses in environmental justice areas.⁵⁰ CenterPoint replied that it had since selected the Center for Energy and Environment, which “has extensive experience delivering energy efficiency programs to small businesses as well as to customers in environmental justice areas” including those in Minneapolis’ Green Zones.⁵¹

III. Pilot O: Small/Medium Business GHG Audits

The OAG also challenged whether the Company was appropriately targeting “small and medium sized businesses” for Pilot O’s Small/Medium Businesses GHG audits, stating that over half of the 84 businesses audited so far did not meet the definition of “small business” governed by Minn. Stat. § 645.445.⁵²

⁴⁷ CenterPoint Reply Comments, pp. 7-8.

⁴⁸ OAG Comments, p. 8.

⁴⁹ CenterPoint Reply Comments, p. 8.

⁵⁰ OAG Comments, pp. 11-12.

⁵¹ CenterPoint Reply Comments, p. 8.

⁵² “Small business means a business entity organized for profit . . . which entity: (1) is not an affiliate or subsidiary of a business dominant in its field of operation; and (2) has 20 or fewer full-time employees; or (3) in the preceding

CenterPoint argued that it has limited view into its customers' actual business size (e.g. how many full-time employees they have), and has opted to identify businesses by their gas usage, with "small business" being defined as customers using under 5,000 therms per year, and medium businesses as those using 5,000 therms or more per year.⁵³

The OAG encouraged CenterPoint to "make an additional effort to work with its vendor to target small businesses so that the pilot can achieve the goals of the Legislature's directive."⁵⁴ In response, CenterPoint stated that it would "create a dedicated marketing campaign for small businesses that encourages participation in the pilot by explaining the benefits of a combined energy efficiency and decarbonization audit."⁵⁵

Financials

IV. Cost Recovery

The Department confirmed that the Company appropriately calculated its NGIA tracker balance, and found the IAA rates were reasonable, recommending approval by the Commission **[Decision Option 3]**.⁵⁶ Additionally, the Department recommended that the Commission approve CenterPoint's proposed customer bill message. **[Decision Option 4]**

In response to the Commission's question in the Notice of Comment, both the Department and Company acknowledged that requiring the Company to file its IAA request separately from its report narrative in the future could have advantages and disadvantages. However, neither party objected to the proposed change.⁵⁷ The Department ultimately recommended the change, and the Company clarified that it would not object, provided it could file the separate IAA report in the same docket and on the same date as its annual report.⁵⁸ Both the Department and the Company acknowledged potential downsides, including increased administrative burden for the parties. **[Decision Option 5]**

STAFF ANALYSIS

Given the preliminary nature of most of the report, Staff focuses on two points of analysis.

fiscal year has not had more than the equivalent of \$1,000,000 in annual gross revenues; or (4) if the business is a technical or professional service, shall not have had more than the equivalent of \$2,500,000 in annual gross revenues in the preceding fiscal year." <https://www.revisor.mn.gov/statutes/cite/645.445>

⁵³ OAG Comments, Attachment 4, IR Responses E and F.

⁵⁴ *Id.*, p. 14.

⁵⁵ CenterPoint Reply Comments, p. 9.

⁵⁶ Department Comments, pp. 10-11.

⁵⁷ *Id.*, pp. 12-13.

⁵⁸ CenterPoint Reply Comments, pp. 6-7.

First, staff does not object to **Decision Option 2**, given that changes to the timeline that risk the receipt of tax credits would significantly increase cost of the pilot to ratepayers.

Staff also believes that separating the two IAA filings could be beneficial, as this could allow both the Department and Public Utilities Commission to dedicate separate, finance-focused staff to the consideration of cost recovery. This is similar to how rate cases, Purchased Gas Adjustments, and other financial filings are handled. Staff recommends **Decision Option 5**.

DECISION OPTIONS

Decision Option 3 amended on 10/31/25 to correct an error.

Natural Gas Innovation Plan

1. Approve the continuation of all pilots within CenterPoint's plan without modification. *(CenterPoint, Department)*
2. Require CenterPoint to file a notification in this docket if its estimated beginning-of-construction or in-service dates for the electrolyzer and solar array for Pilot D are delayed in any way that may jeopardize the receipt of expected federal tax credits. *(OAG; CenterPoint not opposed)*

Cost Recovery

3. Approve CenterPoint's proposal to charge \$0.0998 per Dth to Commercial & Industrial customers and \$0.0636 per Dth for Residential customers for its Innovation Act **Charge Adjustment**, effective January 1, 2026. *(CenterPoint, Department)*

AND

4. Approve the bill message for customers:

The PUC has approved an Innovation Act Adjustment (IAA) factor of \$0.00998 per therm for C&I customers and \$0.00636 per therm for Residential customers. This charge will be used to fund innovative decarbonization activities and has been added to your delivery charge. For more information, please call or visit our website.

(CenterPoint, Department)

5. Require CenterPoint to file its proposed Innovation Act Adjustment rider proposals as a separate filing on June 1 of each year in this docket. *(Staff; CenterPoint, Department not opposed)*

Discontinuation

6. Discontinue CenterPoint's plan.