

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Joseph Sullivan	Vice-Chair
Hwikwon Ham	Commissioner
Audrey Partridge	Commissioner
John Tuma	Commissioner

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

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

Initial Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota (“CUB”) respectfully submits these comments in response to the Minnesota Public Utilities Commission’s (the “Commission”) Notice of Comment Period issued on January 30, 2026, in the above-referenced matter.

I. Background

The Commission approved CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas’ (“CenterPoint” or the “Company”) first Natural Gas Innovation Act (“NGIA”) plan, with modifications, on October 9, 2024.¹ Pursuant to statute, a utility operating under an approved plan must file annual reports describing work completed under the plan, as well as proposed modifications to elements of the plan.² As part of its Order, the Commission required CenterPoint to submit a filing requesting approval for any proposed budget increases exceeding 25 percent of the respective pilot’s approved total five-year budget, and prohibited use of the budget flexibility mechanism before the third plan year.³

On May 30, 2025, CenterPoint filed its first annual report (“First Annual Report”) describing plan progress for calendar year 2024, and requesting approval without any proposed modifications.⁴ At that time, CenterPoint reported spending \$120,855—or 3 percent of the approved budget—on Pilot D: Green Hydrogen Blending into Natural Gas Distribution System (“Hydrogen Blending Pilot” or “Pilot D”).⁵ CenterPoint indicated no changes to the pilot were being contemplated at that time. On August 27, 2025, the Company filed reply comments related to its First Annual Report further explaining that it contracted with Standby Systems, Inc. to produce “a Front-End Engineering Design (“FEED”) study, which included the development of an estimated schedule for the project,” although the results of

¹ *In the Matter of CenterPoint Energy’s Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, Order Approving Natural Gas Innovation Plan with Modifications (Oct. 9, 2024) (hereinafter Commission’s Order).

² Minn. Stat. § 216B.2427, Subd. 2(f).

³ Commission’s Order at 36, Order Point 26(b).

⁴ *In the Matter of CenterPoint Energy’s Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, CenterPoint Energy’s Annual Report (May 30, 2025) (hereinafter First Annual Report).

⁵ *Id.* at 8.

that study were not discussed.⁶ The Annual Report came before the Commission and was subsequently approved on November 6, 2025.⁷ As part of its approval, the Commission ordered 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 were delayed in any way that might jeopardize the receipt of expected federal tax credits.⁸

On January 22, 2026, CenterPoint submitted a compliance filing requesting approval of a budget modification to Pilot D.⁹ CenterPoint noted the requested modification exceeds the 25 percent automatic budget flexibility cap set by the Commission, and that delay or failure to approve the requested budget modification would impact projected construction deadlines, potentially jeopardizing the receipt of expected federal tax credits.¹⁰

The Commission issued the instant Notice of Comment Period on January 30, 2026, requesting input on whether to approve CenterPoint's request for budget modification, and if so, where the funds should be reallocated from.¹¹ CUB appreciates the opportunity to weigh in on this potentially significant change to the anticipated cost of Pilot D. Although we do not seek to relitigate issues decided by the Commission in approving CenterPoint's initial NGIA Plan, we recognize that the requested increase may have a substantial impact on the cost-effectiveness of this pilot and therefore recommend the Commission consider the possibility of pausing or eliminating Pilot D at this time.

II. CenterPoint's Requested Budget Modification

Through Pilot D, CenterPoint proposes to own and operate a 1 MW green hydrogen plant at an existing Company facility in Mankato. Under the Company's initial NGIA Plan, Pilot D represented the fourth most expensive pilot in terms of Estimated Lifetime Utility Costs, while ranking only twelfth in terms of Estimated Lifecycle GHG Reductions.¹² The total 5-year NGIA budget approved for Pilot D was \$4,646,943, with an estimated lifetime total revenue requirement of \$8,172,579.¹³

⁶ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, CenterPoint Energy Reply Comments (Aug. 27, 2025).

⁷ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, Order Approving First Annual Report (Nov. 13, 2025).

⁸ *Id.* at Order Point 2.

⁹ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, CenterPoint's Request for Approval of Budget Modification and Compliance Filing at 1, fn. 1 (Jan. 22, 2026) (hereinafter CenterPoint Request for Budget Modification).

¹⁰ *Id.* at 1.

¹¹ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, Notice of Comment Period (Jan. 30, 2026).

¹² The initially proposed Pilot D budget estimated approximately \$22,961,186 in Lifetime Utility Costs while achieving only 27,993 metric Tons of CO₂e reductions. *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, CenterPoint's NGIA Petition at 9 (June 28, 2023) (hereinafter CenterPoint NGIA Plan).

¹³ CenterPoint Request for Budget Modification, Attachment 1, Tab "5-yr NGIA Budget."

In the instant filing, CenterPoint requests to increase the approved 5-Year Pilot D budget by \$1,404,384, or approximately 30 percent.¹⁴ This results in total incremental costs against the 5-year NGIA budget of \$6,051,327, and an estimated lifetime total revenue requirement of \$16,542,702.¹⁵ This total request, as described in more detail below, combines both an initial budget increase to meet the FEED study's estimated higher capital costs, as well as an additional request for contingency funds that provides a 25 percent buffer on top of the initial increase.

CenterPoint indicates that revisions to the estimated project capital costs are the primary driver of the budget adjustment.¹⁶ In devising the initial Pilot cost estimates, CenterPoint contracted with third-party consultant Standby Systems Inc. ("Standby"), to produce a "technical memo" that included "a preliminary capital cost estimate based on early understandings of the Pilot's intended scope and technical requirements."¹⁷ These initial estimates assumed that a "packaged electrolyzer" would be available as a more cost-effective option than a custom system based on costs that were being "'floated' and not specifically quoted by packagers."¹⁸ Moreover, the cost to winterize a packaged unit "was also estimated without deep engineering into what it would take to meet Minnesota environmental constraints."¹⁹

Following Pilot approval, CenterPoint engaged Standby to conduct a Front-End Engineering Design ("FEED") study that now projects an increase in capital costs related to both the solar and electrolyzer facilities. Unlike the initial technical memo, the new cost estimates were developed based on "vendor quotations, similar project experience, and industry benchmarks."²⁰ Based on this analysis, the Company determined it requires the more costly, custom-built electrolyzer—similar to what is currently being used at its existing Minneapolis plant—because the packaged units are unable to function in Mankato's cold weather conditions without significant weatherization modifications.²¹ Standby now estimates the total capital costs to be \$7.4 million, with a plus or minus 25 percent range of accuracy.²²

CenterPoint's requested modification can be separated into two parts: 1) an "Initial Budget Increase Request" for \$468,412, which accounts for a 47 percent increase in total capital costs for the project, and a 10 percent increase in the 5-year plan budget; and 2) a "Contingency Budget Increase Request" for an additional \$935,972, which accounts for the "plus 25 percent" range estimate Standby provided,

¹⁴ *Id.* (calculating $((6,051,327-4,646,943)/4,646,943)*100$).

¹⁵ *Id.* Notably, this figure for the estimated lifetime total revenue requirement is different from the estimated lifetime utility costs, which CenterPoint's filing does not appear to provide an updated calculation of under the requested budget modification. Unlike the lifetime utility costs, CUB understands that the lifetime total revenue requirement does not include O&M costs.

¹⁶ CenterPoint Request for Budget Modification at 1.

¹⁷ *Id.* at 3.

¹⁸ CenterPoint Response to OAG IR 013 (CUB Attachment 1).

¹⁹ *Id.*

²⁰ CenterPoint Request for Budget Modification at 3.

²¹ *Id.* at 3-4. CenterPoint notes that the "significant weatherization modifications" may impact commercial guarantees.

²² *Id.* at 3.

and, combined with the initial budget increase, results in an overall 84 percent increase to total capital costs.²³

i. The Commission should deny CenterPoint's requested budget modification and eliminate Pilot D.

CUB,²⁴ the Minnesota Department of Commerce,²⁵ the Office of the Attorney General,²⁶ Clean Energy Organizations²⁷ and the City of Minneapolis²⁸ initially opposed Pilot D, citing concerns around the cost-effectiveness, scalability, and redundancy of the pilot when compared with the Company's existing hydrogen blending project that has been operating since 2022.²⁹ CUB understands the Commission's initial decision to approve Pilot D sought to ensure a wide range of technologies were tested under the plan.³⁰ While we appreciate the Commission may still wish to proceed with the Pilot, we note that the instant changes to costs further exacerbate the concerns parties previously iterated. For example, CUB and the Department previously asserted Pilot D should not be approved until the Company has an opportunity to analyze and understand the lessons learned from its existing Minneapolis Green Hydrogen unit.³¹ That facility, which was only operating at 10 percent capacity when CenterPoint's NGIA Plan was approved, could have offered valuable insights into technological feasibility and cost-savings measures for any subsequent hydrogen blending project, including Pilot D. For example, the Company could have utilized its experience with the existing hydrogen blending facility to better understand the feasibility of operating a packaged unit in Minnesota's cold climate. Incorporating those lessons-learned into the Company's NGIA proposal could have allowed the Company to more accurately estimate Pilot D project costs and related cost-effectiveness.

Given the Company is still in the early stages of pilot development—and can derive substantially similar learnings from its existing hydrogen blending project—we question the reasonableness and prudence of continuing to expend funds on a facility that is already costing ratepayers more than anticipated.

²³ CenterPoint Request for Budget Modification, Attachment 1, Tab "5-yr NGIA Budget" (calculating $((9,205,976 - 5,000,000)/5,000,000)*100$).

²⁴ *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Citizens Utility Board of Minnesota at 3-5 (Jan. 16, 2024) (hereinafter CUB Initial Comments).

²⁵ *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Minnesota Department of Commerce, Division of Energy Resources at 40-41 (Jan. 16, 2024) (hereinafter Department Initial Comments).

²⁶ *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Minnesota Office of the Attorney General, Residential Utilities Division at 5-8 (Jan. 12, 2024).

²⁷ *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Clean Energy Organizations at 24-29 (Jan. 16, 2024).

²⁸ *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the City of Minneapolis at 4 (Jan. 16, 2024).

²⁹ CenterPoint NGIA Plan, Exhibit B at 18.

³⁰ Commission's Order at 9.

³¹ CUB Initial Comments at 4-5; Department Initial Comments at 40.

In order for the Commission to make a well-informed decision on whether to continue with Pilot D, CUB requests that CenterPoint provide in reply comments a description of all costs incurred for Pilot D thus far, as well as an updated cost-effectiveness analysis and estimated total lifetime utility costs based on the increased budget request.

ii. If the Commission approves the continuation of Pilot D, it should only grant the initial budget increase request of \$468,412.

Should the Commission decide to continue with Pilot D under an increased budget, CUB recommends the Commission approve only the initial budget increase request of \$468,412 and not the additional \$935,972 in contingency funding. While we appreciate and understand the need for flexibility in testing out newer technologies, appropriate guardrails should be implemented to ensure the Company is prudently investing in its pilots. The primary concern CenterPoint identified regarding timing relates to the federal solar investment tax credits for the project, which require construction for the on-site solar generation to begin by July 4, 2026.³² CenterPoint does not identify specific concerns in its filing to suggest the Company would be unable to meet this requirement with the initial increase request alone.

We also note that the Commission approved budget flexibility for Pilots starting in year three of the NGIA Plan, at which time CenterPoint is allowed to reallocate up to 25 percent of approved total 5-year pilot budgets without filing an additional request.³³ CUB appreciates the Company providing information about potential future cost increases, and the Commission should consider whether it is reasonable to move forward with the Pilot under the substantially higher budget amount. However, approving the maximum increase as requested is premature. If the Commission continues with Pilot D, it should only approve the initial budget increase request, and direct CenterPoint to revisit the issue should additional flexibility be needed at a later date. should provide updates on its progress and cost estimates in future Annual Reports and the Commission should require the Company to make an additional request for any future increases exceeding 25 percent as it becomes necessary. Those filings should detail the additional costs the Company must incur and why they are necessary, in line with the Commission's intention in approving the budget flexibility mechanism.

III. Conclusion

CUB appreciates the many challenges CenterPoint faces in implementing its expansive NGIA Plan over the next several years. The high costs of pilot D, in addition to the lack of scalability and duplication of CenterPoint's existing project—as detailed in CUB's initial NGIA Plan comments³⁴—continue to concern us. The now updated capital cost estimates introduce additional uncertainty to the cost-effectiveness of the Pilot, and with this new information CUB recommends the Commission consider

³² CenterPoint Request for Budget Modification at 2.

³³ Commission's Order at Order Point 26(b).

³⁴ CUB Initial Comments at 3-5; *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Supplemental Comments of the Citizens Utility Board of Minnesota at 22-23 (May 15, 2024).

elimination of Pilot D. If the Commission nonetheless moves forward with Pilot D, we recommend granting only the initial budget request until CenterPoint identifies a specific need for additional increases.

Sincerely,

March 3, 2026

/s/ Olivia Carroll

Olivia Carroll

Regulatory Advocate

Citizens Utility Board of Minnesota

332 Minnesota St., Suite W1360

651-300-4701, ext. 5

oliviac@cupminnesota.org

State of Minnesota
Minnesota Office of the Attorney General

Utility Information Request

Docket Number: Dkt. G-008/M-23-215 - NGIA
Requested From: CenterPoint Energy Minnesota Gas

Date of Request: 2/3/2026
Response Due: 2/13/2026

Analyst Requesting Information: utilityinfo@ag.state.mn.us

Type of Inquiry: Financial

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

Request No.	
OAG 013	<p>Reference: January 22, 2026 Request for Approval of Budget Modification and Compliance Filing at 3-4.</p> <p>For example, the initial estimate for electrolyzer costs assumed a lower-cost packaged unit would be used. However, the revised estimate assumes a higher-cost custom-built electrolyzer, similar to that used at the Minneapolis hydrogen plant, would be requested due to available packaged units failing to meet Mankato's cold-weather conditions without significant weatherization modifications that may impact commercial guarantees.</p> <p>Request:</p> <ul style="list-style-type: none">A. State all reasons why the initial estimate for electrolyzer costs were chosen.B. Provide any supporting documentation, including correspondence, related to why the initial estimate for electrolyzer costs was chosen.C. Provide all research and analysis that CenterPoint or Standby Systems performed to determine that using the assumption of a lower-cost packaged unit would be appropriate for the March 15, 2024 filing.D. Provide the difference in cost between the initial estimate for electrolyzer costs and the revised estimates. <p>Any responsive documents must be provided in their unlocked native format with all formulas and links intact.</p> <p>Response:</p> <ul style="list-style-type: none">A. The production of green hydrogen is an emerging industry, particularly for pilot-scale applications. In 2023, Standby believed that suitable packaged units would be available by the time of the pilot project. Standby checked pricing on large cost items, estimated others based on

Response By: Michael Fogarty
Title: Senior Project Manager
Department: Gas Innovation & Decarbonization
Telephone: 612-321-4830

their experience with CenterPoint Energy's Minneapolis hydrogen plant, and used general industry knowledge to fill in any gaps.

It was noted in the 2023 memo that the low production nature of this pilot project lacks significant pricing data as the market was emergent and not well understood. According to Standby, pricing used for packaged electrolyzers were those being "floated" and not specifically quoted by packagers. The cost to winterize was also estimated without deep engineering into what it would take to meet Minnesota environmental constraints, and no information was available in the marketplace to guide this estimate. Standby had experience with custom-built units from their work on CenterPoint Energy's Minneapolis hydrogen plant, which provided a basis of comparison for the estimated packaged unit costs, however Standby lacked significant experience with potential packaged systems.

Since 2023, CenterPoint Energy's understanding is that two primary factors emerged that affected the availability of commercialized packaged units compatible with this pilot. First, packagers realized No packager Standby consulted was interested in altering their design in time for this project to accommodate these conditions. Third-party modifications were mentioned by some packagers, however these modifications presented alternative issues, such as voiding commercial guarantees and equipment certifications, that could not be worked around. Second, the primary market for green hydrogen moved to other countries under the current federal administration, and the focus of the packaged-unit industry transitioned from pilot-plant-sized systems into larger production-sized units which limited options for packaged 1 MW systems.

Given the high-cost and operational incompatibilities of the packaged units, it was decided to improve upon the familiar custom system used in Minneapolis. CenterPoint Energy and Standby have experience with the custom system, reducing the learning curve, and many of the parts will be similar for each plant, reducing maintenance overhead. The custom system also provides greater flexibility in designing controls that allow different uses of the plant. Further, the custom system allows for greater accessibility for maintenance by CenterPoint Energy and its local contract partners.

B. See the response to Request C.

C. Standby provided CenterPoint with the following information:
The emerging hydrogen market is steeped in NDAs and confidentiality agreements, and Standby Systems maintains several NDAs with electrolyzer manufactures and have discussed their systems at various

levels of detail. Since the 2023 estimate, Standby has gained first-hand knowledge in trying to apply one of these manufactures packaged units into a project having similar conditions to the Mankato site. We learned a great deal on what manufactures will and will not do in altering their packages to fit Minnesota's environment.

CenterPoint Energy has designated information in all correspondence as trade secret. The information meets the definition of trade secret in Minn. Stat. § 13.37, subd. 1(b), as follows: (1) the information was supplied by CenterPoint Energy, the affected organization; (2) we have taken all reasonable efforts to maintain the secrecy of the information, including protecting it from disclosure in this proceeding; and (3) the protected information contains budgetary information and technological specifications provided to CenterPoint Energy by potential project partners, which derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other persons who could obtain economic value from its disclosure or use.

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