

Staff amended several notes made under the “Cost Effectiveness Objectives” section.

DECISION OPTIONS

Plan Approval or Modification (Proposed Pilots and Research & Development Projects)

1. Approve CenterPoint’s 2023 Natural Gas innovation plan as described by CenterPoint in its March 15, 2024, reply comments. [CenterPoint, CEE, RNG Coalition, GeoExchange, IUOE Local 49]

-OR-

2. Approve CenterPoint’s 2023 Natural Gas innovation plan as described by CenterPoint in its March 15, 2024, reply comments, with the modifications identified below. [DOC, OAG, CUB, MPLS, CEOs]

Plan Modifications

Staff notes that the decision options below are all modifications of proposed pilots. Should the Commission wish to proceed with a pilot as proposed by CenterPoint, it should not select a decision option to modify that specific pilot.

Pilot B

3. Require CenterPoint to use the same Request for Proposals (“RFP”)/Competitive bidding process for Pilot B as it will with Pilot C. [DOC]
 4. Modify Pilot B such that CenterPoint is allowed to buy up to 25% of the environmental attributes associated with the RNG volume proposed for this pilot. The total incremental costs for Pilot B should thus be \$1,828,882. [DOC Budget Alternative 1]
- OR-
5. Modify Pilot B such that CenterPoint is allowed to buy up to 40% of the environmental attributes associated with the RNG volume proposed for this pilot. The total incremental costs for Pilot B should thus be \$2,767,203. [DOC Budget Alternative 2]
 6. Withhold approval of the innovation plan until CenterPoint has provided information demonstrating that it has considered nearby industrial off-takers or other innovative ways, including incorporation of federal funding or tax credits, to utilize the RNG resource in Pilot B rather than injecting the RNG into the distribution system. [CEOs, Minneapolis]

Pilot C

7. Limit CenterPoint’s authorized budget for Pilot C to no larger than necessary to bring the low-carbon fuel pilots up to 50 percent of CenterPoint’s NGIA Plan budget. That is, Pilot C’s budget shall be reduced dollar-for-dollar with the elimination or reduction of any non-low-carbon fuel pilot project in the approved plan. [OAG, CUB, MPLS]

-OR-

8. Reject CenterPoint's proposal to reallocate cost reductions from Pilots A, B, D, H, and O to Pilot C. [CUB, Minneapolis]

-OR-

9. Modify Pilot C such that CenterPoint is allowed to buy up to 25% of the environmental attributes associated with the RNG volume proposed for this pilot. The total incremental costs for Pilot C should thus be \$6,633,036. [DOC Budget Alternative 1]

-OR-

10. Modify Pilot C such that CenterPoint is allowed to buy up to 40% of the environmental attributes associated with the RNG volume proposed for this pilot. The total incremental costs for Pilot C should thus be \$10,108,622. [DOC Budget Alternative 2]

11. Modify Pilot C to require CenterPoint to only accept bids that include the procurement and delivery of physical RNG. Do not allow CenterPoint to accept bids under its request for proposals solely for the environmental attributes of RNG. [CEOs, OAG, CUB]

-OR-

12. Direct CenterPoint to assign the lowest priority to purchasing unbundled environmental attributes through Pilot C. [CUB Alternative]

-OR-

13. Allow Participants in the Pilot C Request for Proposals to sell bundled RNG (brown gas and environmental attributes), unbundled RNG (just environmental attributes), and unbundled RNG (just brown gas). [DOC]

14. Clarify that greenhouse gas emissions reductions from RNG sources outside of Minnesota should not be considered in Commission findings under Minn. Stat. § 216B.2427, subd. 2(b)(2) and (7). [OAG]

15. Modify Pilot C to require CenterPoint to only accept bids for projects that are interconnected with CenterPoint's Minnesota distribution system, or otherwise located within Minnesota. [CEOs, MPLS]

16. Deny the RNG Archetype of Wastewater and Landfill. [DOC]

-OR-

17. Encourage CenterPoint to identify customers for its wastewater and landfill project archetypes. [CEOs]

18. Deny the RNG Archetype of Food Waste and Dairy Manure. [CEOs]

19. Require CenterPoint to define clear objectives for the RFPs in Pilot C. [CEOs]

20. Require CenterPoint to Consider nearby industrial off-takers or other innovative ways,

including incorporation of federal funding or tax credits, to utilize the RNG resource in Pilot C rather than injecting the RNG into the distribution system. [CEOs]

Pilot D

21. Deny Pilot D. [DOC, OAG, CUB, MPLS, CEOs]

-AND-

22. Reallocate Pilot D's budget to Pilot E's green hydrogen archetype. This additional budget for Pilot E shall be specific to projects that target large industrial and commercial customers for power-to-hydrogen projects, and are not to be used to fund Pilot E's carbon capture project archetype. [OAG, CUB]

-OR-

23. Require CenterPoint to specify the source of power it will use for Pilot D. [OAG Alternative]

-OR-

24. Direct CenterPoint to pursue an alternative to Pilot D that consists of a hydrogen facility that is dedicated only to hard-to-electrify customers. [CEO Alternative]

Pilot E

25. Approve the Power-to-Hydrogen Archetype for Pilot E (\$1,156,798). [DOC]

26. Deny all Pilot E Carbon Capture Archetype budgeted amounts beyond the cost of the scoping study scheduled to be completed in year 1 of the pilot (\$255,000) until CenterPoint has provided additional information on applicable cost-effectiveness of the technology and the Company has identified one or more customers interested in participating in the carbon capture archetype of Pilot E. [DOC]

27. Require a minimum amount of Dth of natural gas savings for customers to qualify for the Pilot E Power-to-Hydrogen Archetype. [CEOs, CUB]

28. Encourage CenterPoint to continue working with its customers to identify opportunities to work on a hydrogen project for a dedicated hard-to-decarbonize customer within the Pilot E Power-to-Hydrogen Archetype. [CEOs]

29. Modify Pilot E to require the customer to contribute at least 50% of project installation costs instead of CenterPoint's proposal to pay 100% of capital costs for project installation, up to a maximum of \$1.5 million for a single project. [MPLS]

Pilot F

30. Modify Pilot F by reducing its budget to what would be required for supporting 10 participants in each year for the first two years of the NGIA Plan (\$499,061). [DOC]

31. Approve Pilot F conditioned on CenterPoint filing the information necessary to support its claims of environmental benefits for the project within 30 days of the order. [OAG]

32. Require CenterPoint to solicit contractors from in-state to maximize the local economic development benefits of Pilot F. [MPLS]

32 Alternative. Require CenterPoint to prioritize contractors from in-state to maximize the local economic development benefits of Pilot F. [Staff Alternative to MPLS]

33. Modify Pilot F to: [CEOs]

- A. Include the evaluation of both indoor piping and appliances;
- B. Detail repair costs separately for piping and appliances;
- C. Require CenterPoint to replace gas appliances with electric appliances when possible to avoid future leaks;
- D. Require CenterPoint to provide a justification for why any appliances replaced with gas technology could not have been replaced with an electric appliance; and
- E. Extend the pilot with any unused funds to include additional customer leak surveys if the Company cannot verify that a significant number of super-emitting leaks were detected.

Pilot G

34. Deny Pilot G. [DOC, CEOs, OAG, CUB]

35. Require CenterPoint to propose a modified Pilot G that ensures the spending through this pilot ensures additional trees are planted such that the GHG emission reductions are additional. [DOC]

-OR-

36. Find that greenhouse gas offset projects of any type do not meet the statutory definition of carbon capture in the NGIA. [CEOs]

-AND-

37. Find that NGIA pilots must satisfy the NGIA's throughput goal (subd. 10) goal to reduce the amount of natural gas delivered to customers. [CEOs]

Pilot H

38. Deny Pilot H. [DOC, CUB, CEOs]

Pilot I

39. Modify Pilot I to fund a feasibility study for a networked geothermal system for new construction on a greenfield or brownfield site that includes the information and analysis described in the Department of Commerce's January 17, 2024, initial comments. Require CenterPoint to file the modified version of Pilot I in this docket. [DOC, CEOs opposed]

-OR-

40. Modify Pilot I to only fund the feasibility study (\$200,000) and permit CenterPoint to request a modification of Pilot I to include additional costs for the implementation stage of

Pilot I. CenterPoint's request shall be made after, or in conjunction with, the publication of Pilot I's feasibility study results and shall include, but is not limited to, at least the following information:

- A. A description of the geothermal system's characteristics (including assumed heating capacity, location, and lifespan), the type of geothermal technology to be installed, the suitability of the proposed location for the installation, the number and types of buildings to be connected, and the customers that would be served by the system;
- B. A description of the project costs, broken down by installation, equipment, and operation and maintenance costs while taking into account any incentives, rebates, and tax credits assumed to reduce these costs; and
- C. A description of the estimated benefits of the project, including throughput reduction, efficiency gains, load management possibilities, and customer financial benefits. [OAG, CEOs]

-AND-

- 41.** Specify that any additional funding for Pilot I will be allocated during the annual review process. [OAG]

-OR-

- 42.** Approve Pilot I with the following requirements: [MPLS]
- A. Complete at least two networked geothermal systems with distinct profiles: 1) new construction (mixed use development and/or multifamily); and 2) An existing corridor with both residential and commercial customers.
 - B. Provide dedicated staff to assist customers with utility and federal incentive opportunities.
 - C. Develop monitoring and evaluation plans to track system performance, emissions reductions, identify potential issues, and optimize operations.
 - D. Evaluate the proposed budget to determine if more funds from year one could be allocated to serving more customers.
- 43.** Require CenterPoint to prioritize the installation of the networked geothermal system for low-income and environmental justice areas within the Company's service territory with special attention to segments due for pipe replacements or upgrades. [CEOs, CUB]
- 44.** Require CenterPoint to file additional information about how it will facilitate stakeholder engagement with chosen communities during each stage of Pilot I, and assess community support and customer interest in the implementation phase of Pilot I. This discussion shall detail how CenterPoint will use this information to inform decisions about the project location. [Staff interpretation of CEOs and CUB]

Pilot J

- 45.** Deny Pilot J. [DOC, CEOs opposed]
- 46.** Find that Pilot J does not count toward the statutory 20% district energy floor unless the resulting district energy system meets the statutory definition. [CEOs]

47. Require the feasibility study for Pilot J to include a full electrification/decarbonization scenario. [CEOs]
48. Maintain the cost cap and increase the feasibility incentive to 50% of the costs up to \$30,000 from 20% of the costs up to \$30,000. [MPLS]

Pilot K

49. Deny Pilot K. [DOC, CEOs Opposed]
50. Require the feasibility study for Pilot K to include a full electrification/decarbonization scenario. [CEOs]
51. Find that Pilot K does not count toward the statutory 20% district energy floor unless the resulting district energy system meets the statutory definition. [CEOs]

Pilot L

52. Deny Pilot L. [DOC; CEOs Opposed]

-OR-

53. Modify Pilot L as follows: [CEOs]
 - A. Require Pilot L to not be limited to hybrid heating systems.
 - B. Require the prioritization of electric heating equipment rather than the installation of new gas backup in hybrid heating systems.
 - C. Require CenterPoint to consider including geothermal heat pumps.
 - D. Require CenterPoint to collect data on how often gas backups are needed in any hybrid heat pump systems included.
54. Require that the end use applications be truly novel and innovative to be eligible for inclusion in Pilot L. [MPLS]
55. Require CenterPoint to propose a pilot structure where the participants contribute cost share rather than the program paying for 100% of the cost. [MPLS]

Pilot M

56. Deny Pilot M. [DOC; CEE Opposed]
57. Modify Pilot M as follows: [CEOs]
 - A. Require Pilot M to not be limited to hybrid heating systems.
 - B. Require the prioritization of electric heating equipment rather than the installation of new gas backup in hybrid heating systems.
 - C. Require CenterPoint to consider including geothermal heat pumps.
 - D. Require CenterPoint to collect data on how often gas backups are needed in any

hybrid heat pump systems included.

- 58.** Require CenterPoint to monitor the number and type of customers that enroll in Pilot M and report its findings in annual status reports. If CenterPoint finds that a disproportionately low number of participants are small businesses or are located in environmental justice areas, CenterPoint shall propose modifications to Pilot M through an annual status report. [Staff Proposed Decision Option]

Pilot N

- 59.** Modify Pilot N by scaling its budget down to \$4,885,520. [DOC]
- 60.** Require CenterPoint to pursue a goal of having 100% of the residences participating in phase 2 of Pilot N, where CenterPoint proposed to fund the retrofit projects with no required participant contribution, be low-income residences. [CEOs; CenterPoint Opposed]
- 61.** Require that Pilot N not be limited to hybrid heating systems, and require that Pilot N prioritize investments in electric heating equipment rather than the installation of new gas backup in hybrid heating systems. [CEOs, MPLS; CenterPoint Opposed]
- 62.** Require 40% of participating residential units be qualified as low-income or be located in a disadvantaged community. [MPLS]

Pilot O

- 63.** Deny Pilot O and require CenterPoint to file a new pilot proposal compliant with subd. 6 of the NGIA within 60 days of the Commission's Order on the Company's innovation plan. [DOC]
- 64.** Require that CenterPoint prioritize incentives for weatherization and energy efficiency over carbon capture. [Minneapolis, CEOs; CenterPoint Opposed]

Pilot P

- 65.** Deny Pilot P. [DOC, MPLS, CEOs]

Pilot Q

- 66.** Modify Pilot Q by Requiring CenterPoint to ensure the maximal utilization of federal funds to cover the installation costs associated with this project. [DOC, CEOs opposed]
- 67.** Deny Pilot Q [MPLS, CEOs]

Pilot R

68. Deny Pilot R. [DOC]

-OR-

69. Reduce Pilot R's maximum incentive to \$15/Dth from \$25/Dth. [Staff interpretation of DOC]

-AND-

70. Require CenterPoint to use the Minnesota Test instead of the Societal Test to check for cost effectiveness under CIP/ECO for Pilot R. [Staff interpretation of DOC]

Research and Development Projects

71. Modify R&D project #1, "CenterPoint Energy Minnesota Net Zero R&D Study," as follows: [CEOs]

- A. Require CenterPoint to add and describe a process for including stakeholder input on the design assumptions.
- B. Require CenterPoint to include a full decarbonization scenario.

72. Modify R&D project #1, "CenterPoint Energy Minnesota Net Zero R&D Study," to require an estimation of CenterPoint's role in producing greenhouse gas emissions in Minnesota and a description of how the Plan, as a whole, helps the company reduce greenhouse gas emissions in proportion to the emissions associated with CenterPoint's Minnesota service, and according to the timeline and incremental goals established by the legislature. [CUB]

73. Modify R&D project #2, "Weatherization Blitzes," to require CenterPoint to promote a "bonus rebate" for when customers pair incentives for installation of electric air source heat pumps with incentives for building shell improvements. [CEOs]

74. Modify R&D Project #2, "Weatherization Blitzes," to require that 40% of participating residential units be qualified as low-income or be located in a disadvantaged community. [MPLS]

75. Deny R&D Project #4 (assessing next generation micro-carbon capture for commercial buildings). [CEOs]

-OR-

76. Deny R&D Project #4 (assessing next generation micro-carbon capture for commercial buildings) and approve the R&D budget associated with the other proposed R&D projects (\$1,785,000). Additionally, deny the remaining \$8,785,462 of the requested R&D budget not associated with specific R&D projects proposed in CenterPoint's innovation plan. [DOC]

77. Modify R&D Project #6, "Renewable Natural Gas Potential Study," to include a process for including stakeholder input on the design and assumptions for project. [CEOs]

78. Require CenterPoint to propose an R&D pilot to promote heat pump water heaters and ground source heat pumps and evaluate what pilot strategies are effective and could be included in ECO or future NGIA efforts. [CEOs]

Consideration of Greenhouse Gas Emissions and Future Plan Recommendations

- 79.** In future NGIA plans, require CenterPoint to: [CEOs]
- A. Define clear learning objectives and metrics for success for all proposed pilots.
 - B. Articulate how the plan will help it meet its fair share of state greenhouse gas emission reductions.
 - C. Prioritize district energy pilots that meet the statutory definition of the resource.

Cost Allocation

- 80.** Require CenterPoint to limit the allocation of costs for Pilots E, F, H, and J through R to only customer classes that are eligible to participate in the pilots, and require CenterPoint to track and report on the costs and participation of the classes of customers for all customer participation pilots (Pilots E through R) to ensure fair cost allocation and provide pilot learnings. [OAG]

Request to Spend up to 25% More Than Budgeted for Pilots with Higher-Than-Expected Expenditures

- 81.** Approve CenterPoint's request to spend up to 25% more than budgeted for pilots with higher-than-expected expenditures [CenterPoint]
- OR-**
- 82.** Deny CenterPoint's request to spend up to 25% more than budgeted for pilots with higher-than-expected expenditures. [DOC, OAG, CUB, MPLS]
- OR-**
- 83.** Approve CenterPoint's request for a 25% variance subject to the following restrictions: [CUB Alternative; CEOs not opposed]
- A. Prohibit using the variance to reduce any single pilot budget by more than 25%
 - B. Require any budget increases or decreases exceeding 25% to go through the annual review process. The Company's annual review filing must identify any avenues that could be taken to increase enrollment or improve performance of underperforming pilots and provide a justification for why these options are not reasonable.
 - C. Require CenterPoint to explain how budgets were modified and why such modifications were warranted in annual review filings.
 - D. Prohibit using the variance until the third year of the Plan in order to provide sufficient time for pilots to reach maturity and enroll participants.
 - E. Require CenterPoint to conduct a wide-ranging analysis of pilot performance that takes into account both participation levels and realized cost-effectiveness when determining whether the variance can be employed to alter pilot budgets.
- AND-**
- 84.** Require that CenterPoint exclude Pilot N and the Weatherization Blitz research and development project from being cut or reduced in size. [CUB Alternative]

Only consider if approving any version of CenterPoint's request.

- 85.** Clarify that any budget flexibility between individual pilots is capped by the total amount of

the approved NGIA plan budget, and not the statutory cost cap. [OAG]

Cost Recovery Proposal

86. Approve CenterPoint’s cost recovery proposal, including the requested five-year variance to recover renewable natural gas costs and the costs associated with electricity used to create hydrogen through the purchased gas adjustment (PGA). [CenterPoint, DOC, CUB]

-AND-

87. Require CenterPoint to seek recovery for investments in biogas upgrading systems through general rate cases. [CUB; CenterPoint Opposed]

-AND-

88. Require CenterPoint to consider cost impacts to low- and moderate-income customers and provide a review of these impacts in its first annual NGIA report filing. CenterPoint must detail the steps it has taken or plans to take to reduce plan costs on a wider scale to account for both low- and moderate-income customers. [CUB]

-AND-

89. Require CenterPoint to include relevant information from monthly PGA filings and AAA in annual reports. [CUB]

90. Order CenterPoint to incorporate, in its annual filing, a capital true-up that reconciles capital investments’ revenue requirements to actuals. [Staff Proposed]

Cost Effectiveness Objectives

Staff notes that Decision Options [92](#), [95](#), [100](#), and [101](#) each involve the evaluation of CenterPoint’s Cost-Effectiveness objectives and should therefore be considered mutually exclusive.

91. Approve CenterPoint’s proposed cost effectiveness objectives without modification. [CenterPoint]

92. Approve CenterPoint’s request to evaluate cost-effectiveness based on the “majority” of cost effectiveness objectives being met. [CenterPoint]

-OR-

93. Reject CenterPoint’s request to evaluate cost-effectiveness based on the “majority” of cost effectiveness objectives being met. [DOC, CUB, MPLS]

94. Require CenterPoint to include a cost effectiveness objective that would evaluate each pilot based on its verified greenhouse reductions during the NGIA planning period using an annualized cost metric per annual greenhouse gas reduction metric such as \$/MTCO_{2e} [Staff interpretation of DOC]

95. Require that three-quarters of the cost-effectiveness objectives meet at least 90% of their

stated goals, and three quarters of all individual pilots meet at least 90% of their stated goals, for CenterPoint to be eligible for the increased incremental cost cap for the Company's next innovation plan under Minn. Stat. § 216B.2427, subd. 3(d). [DOC]

- 96.** Remove the third cost-effectiveness objective under CenterPoint's "perspectives" category. [CEOs; CUB not opposed; CenterPoint Opposed]
- 97.** Add a new cost-effectiveness objective under CenterPoint's "perspectives" that states the following: "All alternative fuel project(s) for commercial/industrial customers utilize the fuels on-site or nearby and none of the alternative fuel projects involve blending the alternative fuels into the distribution system." [CEOs]
- 98.** Replace the first and second cost effectiveness objectives under CenterPoint's "environment" category with a single objective which states: "The Plan achieves, or makes meaningful progress toward achieving, Company-wide emission reductions of at least 30% by 2029 relative to a 2020 baseline." [CEOs, CUB]
- 99.** Remove the third and fourth cost effectiveness objectives under CenterPoint's "environment" category. [CEOs]
- 100.** CenterPoint's ability to claim the increased incremental cost cap for the Company's next innovation plan under Minn. Stat. § 216B.2427, subd. 3(d) shall be based on the Commission's assessment of whether the Plan achieved, or made meaningful progress toward achieving, Company-wide emissions reductions of at least 30% by 2029 relative to the Company's 2020 baseline. [CEOs].
- 101.** Commit to adopting a holistic evaluation methodology for reviewing Plan cost-effectiveness and determining whether CenterPoint's next innovation plan may utilize the increased incremental cost cap for the Company's next innovation plan under Minn. Stat. § 216B.2427, subd. 3(d). [CUB]

-OR-

- 102.** Remove the first objective under CenterPoint's "innovation" category. [CUB Alternative; CenterPoint Opposed]

-AND-

- 103.** Remove the second objective under CenterPoint's "innovation" category. [CUB Alternative; CenterPoint Opposed]
- 104.** Require CenterPoint to file a compliance filing with updated cost-effectiveness objectives within 30 days of the Commission issuing its Order approving the Plan, subject to a 30-day negative check-off. If no parties raise disagreements with the updated objectives within 30 days of the Company's filing, the comment period will close and the cost-effectiveness objectives will go into effect. If any filed comments raise contested issues, the Commission will issue a Notice of Comment and the matter will be brought to an agenda meeting. [CUB]

Decision Option [105](#) is only available if the Commission does not adopt Decision Option [98](#).

Decision Options [105](#) and [106](#) are available if the Commission approves Decision Option [104](#).

- 105.** Modify CenterPoint’s first cost-effectiveness objective under the “environment” category of objectives to compare the Company’s 2020 emissions to actual annual emissions reductions achieved during each year of the 5-year innovation plan term. Through a compliance filing updating its cost-effectiveness objectives within 30 days of the Commission’s order, CenterPoint shall propose goals for each year based on predicted annual emissions reductions from each approved pilot. [Staff Proposed]
- 106.** Require CenterPoint to propose a new cost-effectiveness objective that supports the NGIA’s throughput goal (Minn. Stat. § 216B.2427, subd. 10) through its compliance filing updating its cost-effectiveness objectives. [Staff Proposed]

Proposed Plan for filing Annual Status Reports

- 107.** Approve CenterPoint’s proposed plan for filing its annual status reports. [CenterPoint, CUB, CEOs]
- 108.** Require CenterPoint to provide updates on IRA implementation and pilot-specific data on greenhouse gas emissions reductions in annual status report filings. [CUB; CenterPoint not Opposed]
- 109.** Within 30 days of the Commission’s final Order, require CenterPoint to propose reporting requirements for its NGIA innovation plan’s annual status reports. The proposed list of reporting requirements shall include content required by the NGIA and relevant Commission Orders, and shall clearly articulate what information will be provided for each individual pilot and research and development project (including updates on progress, project results, project cost and budget impacts, and relevant updates to cost-benefit metrics using project data), and the plan in aggregate. CenterPoint may file earlier as a joint filing with relevant stakeholders in this Docket, including the Department.

Delegate authority to the Executive Secretary to approve the compliance filing via notice if no objections are filed within 30 days of the Company’s filing.

Additionally:

- A. Require CenterPoint to propose updates to its list of reporting requirements when proposing new, or modified, pilots and/or research and development projects.
- B. Require CenterPoint to file similar list of reporting requirements for its NGIA annual status reports with future NGIA innovation plans.
- C. Delegate authority to the Executive Secretary to update the approved reporting requirements list consistent with decisions made in this and subsequent NGIA-

related dockets.
[Staff Proposed]