

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

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| Joseph K. Sullivan | Vice Chair |
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| Audrey Partridge | Commissioner |
| John Tuma | Commissioner |

In the Matter CenterPoint Energy’s Natural
Gas Innovation Plan

DOCKET NO. G-008/M-23-215

**INITIAL COMMENTS OF THE OFFICE
OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION**

INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits these initial comments in response to the Public Utilities Commission’s Notice of Comment Period issued on January 30, 2026.

CenterPoint Energy requests to modify its budget for Pilot D of its Natural Gas Innovation Act (NGIA) Plan to increase its capital costs by 47%—representing a \$4.8 million increase in lifetime capital costs.¹ This would significantly increase Pilot D’s budget. CenterPoint, therefore, proposes to either (1) move the budget from the five-year budget for Pilot C (RNG procurement contracts); or (2) move the budget from Research and Development (R&D) reserve funds that are not tied to current or planned R&D projects. CenterPoint prefers the first option but would not oppose the second.²

If the Commission chooses to grant CenterPoint’s request to increase its budget, the OAG recommends several modifications: First, to prevent similar issues recurring in CenterPoint’s next

¹ CenterPoint Energy Request for Approval of Budget Modification and Compliance Filing at 5 (Jan. 22, 2026) (CenterPoint Budget Modification Request).

² *Id.* at 9.

NGIA plan, the OAG recommends the Commission require CenterPoint to conduct more thorough budget analyses prior to proposing pilots with capital components in its next plan. This will allow the Commission to have more reliable budget estimates on which to base its determination that an NGIA plan provides net benefits.³ Second, to incentivize CenterPoint to contain costs, the OAG recommends limiting any authorization of budget flexibility to only the estimated budget increase, not including contingency funds. Failing to do so, could implicitly condone an over 100 percent increase, as opposed to simply the already large 47 percent increase.⁴ Last, moving funds from Pilot C is only possible because several of the projects underlying CenterPoint's Renewable Natural Gas (RNG) contracts start later in the five-year plan. Therefore, the OAG recommends instead moving any funds from CenterPoint's R&D reserve funds, which are not currently planned or dedicated to specific projects.

ANALYSIS

I. THE COMMISSION SHOULD REQUIRE CENTERPOINT TO CONDUCT MORE COMPREHENSIVE ANALYSIS SUPPORTING BUDGET ESTIMATES FOR CAPITAL PROJECTS IN ITS NEXT NGIA.

The OAG is troubled by CenterPoint's significant budget increase. While the OAG understands that costs are generally increasing, generalized inflation is not the major cause of the increase. Instead, CenterPoint's 47 percent estimated budget increase appears to be due to a failure to conduct a thorough budget analysis when the pilot was proposed.

To be clear, these budget overruns are not due to the loss of tax credits from changes to federal tax incentives. In fact, the budget increase is expected to be mitigated by a change to

³ See Minn. Stat. § 216B.2427, subd. 2(b)(1).

⁴ The OAG understands the 47 percent increase to be based on a \$4.8 million increase in lifetime capital costs referenced in CenterPoint's filing. This does not include the 25% contingency estimates. If those are included, the lifetime total revenue requirement would jump from \$8.17 million to \$16.58 million—a 100 percent increase. See Attach. 1 to CenterPoint Budget Modification Request.

requirements for Production Tax Credits for hydrogen production.⁵ Instead, CenterPoint attributes budget increase to conducting “a more refined preliminary capital cost estimate.”⁶ CenterPoint explains that its initial cost estimate was informed by a Technical Memo provided by Standby Systems, Inc. in 2023 based on “early understandings of the Pilot’s intended scope and technical requirements.”⁷ Standby has since conducted a Front-End Engineering Design (FEED) study “based on vendor quotations, similar project experience, and industry benchmarks.”⁸

CenterPoint gives several reasons for the steep cost increases including “updated understandings of the technical requirements for the project, expansion of scope included in the estimates, increases in market pricing of critical components, general inflation, and high-levels of uncertainty typically associated with early-stage cost estimates for large infrastructure projects.”⁹ While CenterPoint relies on these numerous justifications, upon further investigation the core cause of the cost increases appears to be not sufficiently investigating whether using a “packaged system” would be feasible, causing Centerpoint to change plans to instead use a custom built system that will require a dedicated building and storage.¹⁰

To understand the discrepancy between the cost estimates in the Technical Memo and the FEED study, the OAG requested that CenterPoint explain why the initial estimates were chosen¹¹ and asked CenterPoint to provide more specific information about the specific cost drivers.¹²

⁵ See CenterPoint Budget Modification Request at 4.

⁶ *Id.* at 3.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ Attach. A (CPE Response to OAG IR No. 13); Attach. B (CPE Response to OAG IR No. 14).

¹¹ Attach. A (CPE Response to OAG IR No. 13).

¹² Attach. B (CPE Response to OAG IR No. 14).

Regarding why the initial estimates were chosen, CenterPoint gave several reasons related to the previous plan to use a “packaged” system, as opposed to a customer-built system that CenterPoint now plans for the Mankato project. CenterPoint said Standby used prices that were being “floated” and not specifically quoted for the packaged system.¹³ CenterPoint also acknowledge that Standby “lacked significant experience with potential packaged systems.”¹⁴ The cost to winterize the packaged unit was also estimated without “deep engineering into what it would take to meet Minnesota environmental constraints.”¹⁵ This, in part, caused the assumed packaged system to be not feasible requiring CenterPoint to pursue a custom system.¹⁶ The custom system is estimated to cost \$2,650,000, excluding costs associated with storage and a site building, which will add another \$550,000 each.¹⁷

While the OAG understands that pilot projects in NGIA plans will necessarily include some amount of uncertainty when pilot technology is novel, ensuring that pilot budgets are not unreasonably understated is necessary to protect ratepayers and provide accurate information for the Commission to make the required determinations under the statute.¹⁸ Importantly, these determinations include a requirement that the size, scope, and scale of the plan produces net benefits under the Commission’s cost-benefit framework.¹⁹ Making an accurate determination of net benefits is not possible without an accurate estimate of pilot costs. Further, reasonably accurate

¹³ Attach. A (CPE Response to OAG IR No. 13).

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Attach. B (CPE Response to OAG IR 14). Although it is not clear from CenterPoint’s response to OAG IR No. 14, the OAG believes these figures represent total lifetime revenue requirement for capital cost figures. If this is incorrect, the OAG requests that CenterPoint provide clarification in reply.

¹⁸ *See* Minn. Stat. § 216B.2427, subd. 2(b).

¹⁹ Minn. Stat. § 216B.2427, subd. 2(b)(1).

budget estimates are necessary to ensure that sufficient learnings will be able to arise from future NGIA plans, because capital projects' useful life and budget will extend into subsequent NGIA plans.²⁰

To avoid such drastic budget increases in future NGIA plans, the OAG recommends that the Commission require CenterPoint to provide a more searching budget analysis when proposing pilots for any capital projects.²¹ CenterPoint should ensure that, at a minimum, the items below are considered or pursued when developing its budget estimates:

- Budget estimates should incorporate quotes from vendors for any major components, not simply costs that are “floated.”
- In developing budget estimates, the utility should consult companies, engineers, or other organizations that are familiar with the technology and systems to be used.
- For any project with a renewable energy or electrification component, the cost estimate should include the results of consultation with the local retail electric utility including any estimates for interconnection.
- All budget estimates should be developed considering the impact of Minnesota’s climate and ensure that comparable costs from other locations have been updated to include winterization or other necessary protections due to Minnesota’s cold winter climate, humid summer climate, or any other environmental factors.

II. THE COMMISSION SHOULD LIMIT ANY BUDGET MODIFICATION TO THE ESTIMATED INCREASE AND NOT INCLUDE CONTINGENCY COSTS.

The Commission should not authorize the movement of any funds to cover CenterPoint’s contingency budget for Pilot D. CenterPoint states that it is requesting \$1,404,384 be moved to cover both the estimated budget increase and a 25 percent cost contingency to cover the full range of accuracy estimated by the FEED study.²² The breakdown of these costs is below:

²⁰ See *In re Xcel Energy’s Natural Gas Innovation Plan*, Docket No. G-002/M-23-518, Order Approving Natural Gas Innovation Plan with Modifications at 26-27 (May 16, 2025) (providing that continued pilots in subsequent NGIA plans “must include the subsequent costs in the budgets of those subsequent plans”).

²¹ Should CenterPoint propose any new or modified pilot projects with capital components in an annual report, the OAG also recommends these parameters be followed.

²² CenterPoint Budget Modification Request at 6.

Table 1 (5-Year Budget Increase)

| | |
|------------------------------------|-------------|
| Initial Budget Increase | \$468,412 |
| Contingency Budget Increase | \$935,972 |
| Total: | \$1,404,384 |

The Commission should not take action now to approve the contingency budget increase. A 25 percent cost contingency is large, particularly in light of the 47 percent existing budget increase. Notably, combined with the already estimated cost overruns it exceeds contingency budgets for capital projects in Xcel’s NGIA—which ranged from 10.3% to 26.3%.²³ Approving this contingency risks the Commission signaling it would approve a 100 percent increase over the initial estimate, rather than the 47 percent increase that CenterPoint signals in its filing.²⁴ Providing CenterPoint with the ability to move an additional \$935,972 from another pilot or program to Pilot D, without the need for further Commission or party review, would not provide it with sufficient incentives to manage its costs.

CenterPoint will also not be overburdened by the Commission declining to approve the cost-contingency now. If costs do exceed the FEED study estimates even with CenterPoint’s prudent actions, CenterPoint has the ability to either 1) come back to the Commission to request additional funds, or 2) depending on the size of the increase, use the negative check off provided

²³ See *In re Xcel Energy’s Natural Gas Innovation Plan*, Docket No. G-002/M-23-518, OAG Initial Comments at 47 (Aug. 19, 2024).

²⁴ CenterPoint Budget Modification Request at 5. The OAG understands the \$4.8 million capital cost increase referenced in CenterPoint’s filing not to include the 25% contingency estimates. See *id.* at 5. If the contingency was included, the lifetime total revenue requirement would instead jump from \$8.17 million to \$16.58 million—a 100% increase. See Attach. 1 to CenterPoint Budget Modification Request.

for budget flexibility in the Commission’s order after three years of plan implementation.²⁵ This is not a heavy burden. The Commission should deny CenterPoint’s request to move funds from another pilot or program to cover the cost contingency without prejudice.

III. THE COMMISSION SHOULD MOVE FUNDS FROM CENTERPOINT’S R&D PROGRAMS, BECAUSE MOVING FUNDS FROM PILOT C WOULD BE ILLUSORY.

CenterPoint proposes to move the funds to cover the budget increase for Pilot D from Pilot C. In the alternative, CenterPoint proposes to use funds from its R&D reserves to cover the Pilot D budget increase. Because moving the funds from Pilot C is only an option because funds have been shifted to future plan years, not because CenterPoint actually expended less on the RNG contracts than anticipated, the OAG recommends using R&D funds if the Commission approves CenterPoint’s budget increase request. Using R&D reserves better fits the spirit of the statutory cost cap that the Legislature required in the NGIA.²⁶

In Pilot C, CenterPoint issued a request for proposal (RFP) to purchase RNG. CenterPoint explains that several of the RNG facilities with which it ultimately contracted have in-service dates later than anticipated when it developed the pilot.²⁷ Because this will delay CenterPoint’s purchase of RNG, the five-year budget is reduced. However, CenterPoint is still committed to purchasing this RNG after the five-year plan is over.²⁸

However, simply because the RNG pilots started later does not mean these costs will not be incurred—they will just be incurred in subsequent plans. Because this does not appear to meet the spirit of the statutory cost cap, nor the budget flexibility provisions of CenterPoint’s NGIA,

²⁵ See Order Approving Natural Gas Innovation Plan with Modifications at 36-37 (Oct. 9, 2024) (allowing CenterPoint to request budget flexibility after the third year of the plan under 25 percent by notifying the Department and the OAG 30-days prior to flexing the budget).

²⁶ See Minn. Stat. § 216B.2427, subd. 3 (limitations on utility customer costs).

²⁷ CenterPoint Budget Modification Request at 6.

²⁸ *Id.* at 7.

any Commission order allowing an increase to Pilot D's budget should pull the funds from CenterPoint's R&D reserve funds.

RECOMMENDATION

If the Commission chooses to grant CenterPoint's request to increase its Pilot D budget, the OAG recommends the Commission take several actions:

1. To prevent similar issues from recurring, the OAG recommends requiring CenterPoint in its next NGIA plan to conduct more thorough budget analysis for capital projects prior to plan approval. This should include a showing that at least the following items were considered in developing budget estimates:
 - a. Vendor quotations for any major components;
 - b. Consultation with companies, engineers, or other organizations that are familiar with the technology and systems to be used;
 - c. For any project with a renewable energy or electrification component, consultation with the local retail electric utility including any estimates for interconnection; and
 - d. Consideration of the impact of Minnesota's climate and verification that any comparable costs from other locations have been updated to include winterization or other necessary protections due to any environmental factors.
2. To incentivize CenterPoint to contain costs, the OAG recommends limiting the authorization of budget flexibility to only the estimated budget increase, not including contingency funds.
3. The OAG recommends moving any funds from CenterPoint's R&D reserve funds rather than Pilot C.

Dated: March 3, 2026

Respectfully submitted,

KEITH ELLISON
State of Minnesota
Attorney General

/s/ **Katherine Hinderlie**

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ATTORNEYS FOR MINNESOTA
OFFICE OF THE ATTORNEY GENERAL—
RESIDENTIAL UTILITIES DIVISION

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.

State of Minnesota
Minnesota Office of the Attorney General

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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 014 | <p>Reference: Compliance filing dated January 22, 2026, Table 1.</p> <p>Request: Provide a breakout of the cost variances for each of the capital cost categories shown (e.g. Solar, Hydrogen, Permitting/etc.) by the type of factors shown below:</p> <ol style="list-style-type: none">1. General inflation2. Use of lower-cost packaged unit costs3. PTCs from the production of hydrogen4. Operating costs from reducing half year of operations during Year35. Any other factors not listed above (please specify) <p>Any responsive documents must be provided in their unlocked native format with all formulas and links intact.</p> <p>Response: As noted in CenterPoint Energy’s response to IR 012, the budget estimates in the 2023 technical memo and the 2025 FEED study did not provide a breakdown of costs on a comparable component-by-component basis, given the respective stage of design at the time of each estimate. Please see below for important factors that drove the capital cost increases between the 2023 technical memo and the 2025 FEED study.</p> <ul style="list-style-type: none">1 The U.S. Bureau of Labor Statistics estimates Consumer Price Index Inflation at 7.3% between March 2023 and August 2025. This is not specific to any cost category noted below, and is included here for general reference. (Bureau of Labor Statistics Inflation Calculator)1 At the time of the 2023 technical memo, it was believed that suitable packaged electrolyzer units would be available by the time of this pilot. |

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However, significant cost increases and operational incompatibility for packaged units made this approach nonviable, which drove the need to instead pursue a custom electrolyzer system. The FEED study estimated the custom system to cost \$2,650,000, excluding costs associated with storage or the site building.

- 1 Costs for compression and storage components required for mobile hydrogen storage capabilities were not considered at the time of the 2023 technical memo. These costs were included in the 2025 FEED study, and were estimated to cost \$550,000 total.
- 1 A winterized packaged unit would not be required to be housed in a site building, therefore costs for a site building were not included in the 2023 technical memo. The need for a custom system in the 2025 FEED study required a site building to house the equipment, which was estimated to cost \$555,000.
- 1 Both estimates largely calculated these costs as a percentage of equipment costs. Therefore, changes in the estimated costs of permitting, design, and installation generally mirrored other components of the project.
- 1 PTC eligibility does not impact capital cost of the project. However, the revised PTC assumptions reduced estimated operations costs during the five-year project plan by \$376,846.
- 1 Operating costs during Year 3 do not impact capital cost of the project. However, the revised cost estimate for the half year of production during Year 3 reduced operating expenses by \$450,325 during the five-year plan.