

Staff Briefing Papers

Meeting Date **December 19, 2024** **Agenda Item 4****

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

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

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

Issues Should the Commission reconsider its decision to approve Pilot G (Urban Tree Carbon Offsets) as a part of CenterPoint’s 2023 Natural Gas Innovation Plan?

Staff	Tera Dornfeld	Tera.Dornfeld@state.mn.us	651-201-2195
	Trey Harsch	Trey.Harsch@state.mn.us	651-201-2232
	Sophie Nikitas	Sophie.Nikitas@state.mn.us	651-539-1062

✓ Relevant Documents	Date
PUC Order Approving Natural Gas Innovation Plan with Modifications	9 October 2024
OAG Reconsideration	29 October 2024
LIUNA Minnesota / North Dakota Reply Comments	7 November 2024
MCEA, SC, & COPAL Response to Request for Reconsideration	7 November 2024
CenterPoint Energy Minnesota Gas Response to OAG Request for Reconsideration	8 November 2024

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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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ISSUE

Should the Commission reconsider its decision to approve Pilot G (Urban Tree Carbon Offsets) as a part of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas' (CenterPoint's or CPE's) 2023 Natural Gas Innovation Plan?

BACKGROUND

On June 26, 2021, Governor Walz signed, The Natural Gas Innovation Act (NGIA), into law. The Act established Minn. Stat. § 216B.2427¹ as a framework to allow natural gas utilities to use innovative resources to work towards Minnesota's greenhouse gas reduction goals. The goal of NGIA is to reduce the amount of natural gas produced from conventional geologic sources delivered to customers.²

The NGIA allows natural gas utilities to file, for Commission approval, innovation plans. Innovation plans are comprised of a set of pilot projects that directly deploy and/or encourage the deployment of "innovative resources," which displace or reduce the use of fossil natural gas and reduce greenhouse gas emissions associated with the natural gas system.³ Importantly, the NGIA lists and defines the types of projects that can be piloted as innovative resources: 1) biogas, 2) renewable natural gas, 3) power-to-hydrogen, 4) power-to-ammonia, 5) carbon capture, 6) strategic electrification, 7) district energy, and 8) energy efficiency.⁴

On June 28, 2023, CenterPoint Energy (CPE) filed its first NGIA innovation plan (Plan). CPE's proposed plan included 17 pilots that would result in the deployment of up to seven of the eight innovative resources identified by the NGIA as well as seven research and development (R&D) projects of which some will explore the eighth resource, power-to-ammonia. The Plan was predicted to reduce or avoid roughly 1.2 million metric tons of carbon dioxide equivalent emissions and create 3,000 full-time equivalent jobs in Minnesota, with a budget of \$105.7 million.

On October 9, 2024, the Commission issued its Order approving CPE's innovation plan and all proposed pilots and R&D projects, but with several modifications. In approving the Plan, the Commission stated that CPE had "crafted a plan that utilizes innovative resources to reduce greenhouse gas emissions and natural gas throughput." The Commission then stated that the Plan's approval was the "first step in an iterative process in which CPE and stakeholders learn the most effective way to implement these resources." The Order also stated that as the Commission reviewed CPE's Plan, it was particularly mindful of the following three considerations: 1) the NGIA encourages utilities to learn and that utilities must implement innovative resources and learn what works and what does not from that implementation; 2)

¹ <https://www.revisor.mn.gov/statutes/cite/216B.2427>

² Minn. Stat. § 216B.2427 subd. 10.

³ Minn. Stat. § 216B.2427, subd. 2.

⁴ Per Minn. Stat. § 216B.2427, subd. 1.(f), energy efficiency as an innovative resource does not include energy conservation investments that the commissioner determines could reasonably be included in a utility's conservation improvement program (CIP).

approval of CPE’s innovation plan does not set the plan in stone, and through evaluating CPE’s annual reports the Commission has authority to modify or even to disapprove the continuation of a pilot program or plan; and 3) cost recovery will be contingent on CPE demonstrating costs incurred were reasonable.⁵

On October 29, 2024, the OAG filed its Request for Reconsideration of CPE’s Pilot G, Urban Tree Carbon Offsets. Within the 10-day response window, per Minnesota Rules 7829.3000, CPE, LIUNA as well as together, Minnesota Center for Environmental Advocacy (MCEA), Sierra Club (SC), and Communities Organizing for Latine Power and Action (COPAL), filed responses.

SUMMARY OF PILOT G: URBAN TREE CARBON OFFSETS

For one pilot in its NGIA plan, CenterPoint proposed to purchase carbon offsets from a local non-profit, Green Cities Accord (formerly Green Minneapolis) as a carbon capture innovative resource as defined in the NGIA.⁶ Green Cities Accord works with local tree planting partners across the 7-county Twin Cities Metro area. Local partners plant trees and Green Cities Accord sells carbon offsets generated by the projects. The offsets are registered as City Forest Carbon+ Credits, the national carbon registry. CPE will spend \$295,780 to purchase carbon offsets from Green Cities Accord which will in turn, fund the planting of new trees and the upkeep of existing trees. Pilot G represents a significant time commitment as credits are issued over the lifetime of the trees, not upfront at the time a tree is planted.⁷ Issuing carbon credits over time reflects that the sequestering of carbon in trees takes place over many years. CPE also cited additional ecological and social benefits of tree planting.⁸

In response to CPE’s initial NGIA petition, the City of Minneapolis supported Pilot G while the Department, CEOs, CUB, and OAG recommended rejection. Per Minn. Stat. § 216B.2427, subd.1 (c), Carbon capture is, “the capture of greenhouse gas emissions that would otherwise be released into the atmosphere.”

- Those against Pilot G said that trees do not capture carbon that would otherwise be released but rather that has already been released.
- In defense, CPE stated that trees capture carbon that would otherwise remain released in the atmosphere.

⁵ Minn. Stat. § 216B.2427, subd. 2(g). See quoted text from Order Approving Natural Gas Innovation Plan with Modifications issued October 9, 2024 in docket no. G008/M-23-215 at 3-4.

⁶ Minn. Stat. § 216B.2427, subd. 1(i).

⁷ <https://www.cityforestcredits.org/wp-content/uploads/2023/02/City-Forest-Credits-Standard-V3.pdf>. See also CPE initial petition filed June 28, 2023 in docket no. G008/M-23-215 Exhibit D page 21, Table 20, amount \$295,780 calculated from “Project Delivery” row.

⁸ Ecological- reducing stormwater runoff, air pollution, heating and cooling costs, and urban heat effects. Social- Green Cities Accord focuses in urban areas and on planting trees to address the most harmful impacts of climate change on residents, with particular interest in areas of limited tree coverage which are highly correlated with areas of concentrated poverty.

At the Commission's July 23, 2024 agenda meeting Pilot G was discussed.⁹ CPE reasoned that Pilot G could also be considered an energy efficiency innovative resource because trees shield homes from winter wind and thus, could decrease natural gas throughput.¹⁰ CPE did not include the argument for Pilot G as an energy efficiency resource in its initial petition.¹¹

In its Order, the Commission explained its action. The Commission "was persuaded that Pilot G should be approved." The Commission reasoned that:

- Trees combat "climate change by absorbing- or capturing- carbon dioxide from the air and releasing oxygen" and,
- Echoing CPE's agenda meeting argument, "[i]n winter, trees can shelter homes from wind that causes heat loss, thereby reducing the need to operate gas-fired furnaces as often" and thus reducing throughput.
- Noting CPE's observance, "trees planted in urban areas benefit populations that are often most impacted by the negative effects of climate change."

Addressing a Department concern, the Commission required CPE to include in its annual reports the number of new trees planted and cost of new trees.¹²

The Commission concluded "while there are reasonable and differing interpretations of the NGIA's approach to carbon capture, the Commission is unpersuaded that this first application of the statute calls for its narrowest reading. Other approaches to carbon capture may be more reasonable in future iterations of innovation plans, but those will be explored upon reflection of the pilot's effectiveness and continuing examination of the issues, which will facilitate careful consideration of possible program refinements or changes." Last, the Commission found Pilot G's minimal budget to be a suitable protection for ratepayers and appropriate to meet public policy goals.¹³

⁹ OAG Request for Reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 8 citing July 23, 2024 Hearing Video. Staff viewed video, Pilot G is discussed by Commissioners in terms of equity impacts (4:21:00) and support for Pilot G fitting in the definition of innovation (4:23:20). Then, CPE mentioned low-income community benefits (4:24:35), explained how trees reduce throughput by providing wind blockage (4:24:40), and stated its belief that the Legislature did not intend to take a narrow view of what fits into the NGIA (4:25:00) and that "trees could be considered energy efficiency as well." Following CPE's comment, a commissioner pondered if NGIA is the program the Legislature intended to plant more trees (4:25:38). Pilot G discussion ended at 4:31:35.

https://minnesotapuc.granicus.com/player/clip/2400?view_id=2&redirect=true

¹⁰ Minn. Stat. § 216B.2427, subd. 10. "It is the goal of the state of Minnesota that through the Natural Gas Innovation Act and Conservation Improvement Program, utilities reduce the overall amount of natural gas produced from conventional geologic sources delivered to customers."

¹¹ Petition of CPE filed June 28, 2023 in docket no. G008/M-23-215 Exhibit D at 20-22.

¹² Order Approving Natural Gas Innovation Plan with Modifications issued October 9, 2024 in docket no. G008/M-23-215 quoted text at 12-13. Regarding new trees, see also July 23, 2024 Hearing Video at 4:26:00 Department and Commission discussion with questions to CPE.

¹³ Order Approving Natural Gas Innovation Plan with Modifications issued October 9, 2024 in docket no. G008/M-23-215 final phrase quoted from 13.

LEGAL STANDARD FOR RECONSIDERATION

Minn. Stat. § 216B.27, subd. 1 states that the Commission may grant a rehearing if it believes sufficient reason exists. Previously, the Commission reviewed a petition for reconsideration to determine whether the petition:

- Raised new issues,
- Pointed to new and relevant evidence,
- Exposed errors or ambiguities in the underlying order, or
- Otherwise persuaded the Commission that it should rethink decisions in its previous order.¹⁴

OAG'S PETITION FOR RECONSIDERATION

In its petition for reconsideration, the OAG stated that the Commission made a “material legal error” when authorizing CPE’s Pilot G, and contended that Pilot G does not qualify as an “innovative resource” under the NGIA. However, the OAG did not dispute the importance of trees in combating climate change or that mature trees provide additional benefits to urban populations that are most negatively impacted by climate change.¹⁵

A. Pilot G Does Not Qualify as a Carbon Capture Innovative Resource

The crux of the OAG’s argument for reconsideration was that removal of existing carbon from the atmosphere, as trees would do, is fundamentally different from preventing carbon emissions, which is stated in the Legislature’s definition of carbon capture. The OAG stated the Legislature’s definition of carbon capture as an innovative resource was not satisfied by Pilot G but the Commission, “fail[ed] to provide an alternative statutory interpretation and concedes that trees capture carbon from the air.”¹⁶

The OAG emphasized the plain language of the NGIA definition of carbon capture and cited two cases concluding that plain meaning of a statute must be applied and not abandoned in pursuit of the spirit of the law.¹⁷ Reiterating its critiques of Pilot G from CPE’s original NGIA petition, the OAG explained that while the Legislature stated that-

"Carbon capture" means the capture of greenhouse gas emissions that would otherwise be released into the atmosphere.¹⁸

- CPE’s explanation of Pilot G required a re-write of the underlined portion of the law, imbuing a

¹⁴ Original Order- Order Denying Petitions for Reconsideration, in Docket No. 13-868, issued July 13, 2015, p. 1. Referenced by parties in Docket Nos. E,G-999/M-19-505 and E,G-999/CI-12-1344 per staff briefing papers filed for May 18, 2023 agenda meeting.

¹⁵ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 5.

¹⁶ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 quoted text at 5.

¹⁷ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 6.

¹⁸ Minn. Stat. § 216B.2427, subd. 1 (c)

meaning the Legislature did not intend, such that Pilot G

Captures carbon dioxide that would otherwise ~~be~~ remain released ~~into~~ the atmosphere.¹⁹

B. Pilot G Does Not Qualify as Any Other Type of Innovative Resource

In response to CPE's contention during the Commission's July 23, 2024 agenda meeting, the OAG also argued that Pilot G could not be considered an energy efficiency resource. The OAG explained that CPE's defense of Pilot G ignores the definition of energy efficiency projects which, 1) "target consumer behavior, equipment, processes, or devices;" 2) are designed to decrease electricity or natural gas consumption; and 3) do not reduce service quality.²⁰

C. The Commission's Order Fails to Engage with the Statute's Language

The OAG found fault with three points in the Commission's Order.

1. Omitting Definition

The OAG argued that "The order fails to directly address the definition of 'carbon capture,' while at the same time tacitly acknowledging that tree-planting does not meet this definition."²¹ The OAG concluded that while the Commission "is unpersuaded that this first application of the statute calls for its narrowest reading." This analysis, however, fails to explain how the Commission resolved the dispute or what less "narrow" reading of the statute it actually adopted."²² Thus, the Commission did not adequately explain why it would have authority to approve a project that is not piloting a defined NGIA resource.

2. Minimizing Cost

"The order incorrectly suggests that the relatively small cost of Pilot G and the potential to revisit the interpretation of carbon capture in future cases relieve CenterPoint of its obligation to follow the law in this case."²³ Further, the OAG stated, "no amount of ratepayer impact is acceptable for a pilot that does not meet the requirements of the statute."²⁴

3. Ignoring Necessary Tree Growth

The OAG stated there is no factual basis that Pilot G will reduce gas throughput. Indeed, while

¹⁹ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 7. See CPE's definition of Pilot G in CPE's response comments filed November 8, 2024 in docket no. G008/M-23-215 at 7.

²⁰ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 8. See also Minn. Stat. § 216B.2402, subd. 7.

²¹ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 quoted text at 9.

²² OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 10 quoting Order Approving Natural Gas Innovation Plan with Modifications, October 9, 2024 in docket no. G008/M-23-215 at 13.

²³ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 quoted text at 9.

²⁴ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 quoted text at 11.

trees may eventually provide the co-benefit to carbon capture of sheltering homes from wind and reducing need to run furnaces, the co-benefits would not be realized until trees matured. At the time of maturation (after 25 years) the OAG stated that we cannot know the state of the gas system and if such mature trees will contribute to overall throughput reductions.²⁵

D. The OAG's Conclusion

The OAG concluded that the Commission should reconsider its decision to approve Pilot G because Pilot G is not a carbon capture innovative resource (**Decision Option 2**). Alternatively, the Company could propose a new pilot that aligns with the Legislature's definition of carbon capture or benefits populations that are most impacted by the negative effects of climate change (**Decision Option 3**).²⁶

GROUPS RESPOND TO THE OAG'S PETITION

Per Minnesota Rules part 7829.3000, subp. 4, other parties to the proceeding shall file answers to a petition for rehearing, amendment, vacation, reconsideration, or reargument within ten days of service of the petition. Two groups as well as CPE responded to the OAG's request by the deadline. All responders agree with the benefits of trees, including capture carbon and improvements to building energy efficiency by blocking wind and sun to maintain a more constant and comfortable internal building temperature. Thus, the difference of opinion is not with the trees but with their inclusion as an innovative resource in CPE's NGIA plan.

A. MCEA, SC, and COPAL

MCEA, SC, and COPAL agreed with the OAG that Pilot G does not meet the statutory definition of an NGIA innovative resource under carbon capture or energy efficiency.

1. Pilot G Stifles Innovation

The group also introduced the opinion that Pilot G:

- Does not constitute a testing of the systemic changes to the gas system necessary to realize decarbonization goals.
- May set a precedent to favor carbon offsets over investment in other innovations, since offsets "represent comparatively low-effort investments."²⁷

As such, the group believed that directing funding to offsets rather than other innovation may stifle innovation especially as they do not require utilities to change their business model.

B. LIUNA

LIUNA said that while it originally did not support Pilot G, it does not believe the Commission's

²⁵ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 quoted text at 11-12.

²⁶ OAG request for reconsideration filed October 29, 2024 in docket no. G008/M-23-215 at 12.

²⁷ MCEA, SC, and COPAL response comments filed on November 7, 2024 in docket no. G008/M-23-215 at 5.

decision to approve the pilot constitutes a material legal error.

1. The Commission's Decision Promotes Innovation

In its disagreement with the OAG, LIUNA emphasized the promotion of innovation as the Legislature's overarching goal and said that narrowly interpreting statute could hamper that innovation. Specifically responding to MCEA, SC, and COPAL in terms of future pilots, LIUNA does "not agree that inclusion of the pilot establishes any precedent at all."²⁸

CPE RESPONDS TO THE PETITION

CPE's response began by quoting statements from Commissioners at the July 23 and 25, 2024 agenda meeting on CPE's Plan. CPE highlighted the opinions of some Commissioners that Pilot G presented an opportunity to invest in neighborhoods, especially those that have been harmed by climate change and pollution.

CPE also referenced Order language concluding that the Commission was "unpersuaded that this first application of the statute calls for its narrowest reading"²⁹ and therefore, in the context of NGIA, trees could absorb, or capture, carbon from the air as well as functionally reduce natural gas throughput. CPE noted that the Order was written following the Commission's review of the record and thus, was written in full knowledge of the OAG's position that Pilot G did not constitute an innovative resource.

Lastly, CPE emphasized the value of urban trees to reduce customer energy use and energy costs, advance other climate adaptation goals, and benefit populations most often burdened by climate change impacts.³⁰

In response to the OAG specifically, CPE asserted that the OAG's petition did not meet the legal standard for granting reconsideration. CPE believed the OAG did not raise any new evidence or issue but rather "reargues its positions that were considered and ultimately rejected by the Commission in its Order." CPE believes the Commission should deny reconsideration (**Decision Option 1**).³¹ CPE responded to the OAG's distinct arguments as follows:

A. Pilot G Qualifies as a Carbon Capture Innovative Resource

CPE argued that in the Commission's Order, the Commission chose not to narrow the interpretation of carbon capture as defined in the NGIA statute. Thus, the Commission concluded that Pilot G, citing especially the pilot's relatively small budget, furthered important public policy goals and that other types of carbon capture could be explored in future NGIA

²⁸ LIUNA response comments filed on November 7, 2024 in docket no. G008/M-23-215.

²⁹ CPE response filed November 8, 2024 at 4, citing Order Approving Natural Gas Innovation Plan with Modifications issued October 9, 2024 at 13, both documents filed in docket no. G008/M-23-215.

³⁰ CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 at 4.

³¹ CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 quoted text at 5 and position at 11.

plans.

CPE believed that within the definition of carbon capture, the phrase “otherwise be released” is ambiguous. As such, CPE reasoned that the OAG’s understanding of carbon capture imbues an unstated meaning to the Legislature’s words, “otherwise be released.” CPE explained, “nothing in the plain language of the NGIA statute requires the prevention of carbon emissions for a pilot to qualify as carbon capture.”³² To this extent, CPE believes that narrowing the definition of carbon capture would limit the innovation envisioned by the Legislature for the NGIA pilots.³³

B. Pilot G Also Qualifies as an Energy Efficiency Innovative Resource

CPE referenced evidence in the record stating that trees are energy efficiency resources because planting trees decrease electricity and natural gas consumption. CPE further compared trees to home insulation.³⁴ Finally, CPE referenced Minn. Stat. § 216B.241, Energy Conservation and Optimization chapter, as Legislative support for tree planting. Subd. 9, where CPE’s quoted text originates, states “The purpose of this subdivision is to establish cost-effective energy-efficiency performance standards for new and substantially reconstructed commercial, industrial, and institutional buildings that can significantly reduce carbon dioxide emissions by lowering energy use in new and substantially reconstructed buildings.” At subd. 9(e), utilities must offer design assistance aligned with sustainable building goals; the assistance program, CPE quotes, “must consider the strategic planting of trees and shrubs around buildings as an energy conservation strategy for the designed project.”³⁵

C. The Order Does Engage with the Statute’s Language

1. Omitting Definition

CPE reasoned that as the Commission was unpersuaded that the narrowest reading of the NGIA statute was required for CPE’s first petition, then trees’ function to remove carbon that has already been released is an appropriate interpretation of carbon capture.

2. Minimizing Cost

CPE stated that the OAG is wrong in its allegations that the Commission is allowing CPE to disregard the law because of the relatively inconsequential cost of Pilot G. CPE reiterated that the Order found the pilot to be an innovative resource, per NGIA, with a reasonable budget.

³² CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 at 8.

³³ CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 at 10. See quoted text supported by footnote 44.

³⁴ CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 at 11.

³⁵ Minn. Stat. § 216B.241 Energy Conservation and Optimization (ECO) subd. 9 “Building performance standards, Sustainable Building 2030. Quoted text from parts (a) and (e)

3. Ignoring necessary tree growth

CPE said that while City Forest Credits protocols “do not quantify those co-benefits until planted trees reach 25 years of age to ensure a conservative calculation of such benefits based on available research which has focused on fully matured trees,”³⁶ relying only on benefits to be realized at 25 years overlooks benefits from trees garnered during their first 24 years of life.

STAFF ANALYSIS

Staff reiterates that the analysis of Pilot G should not be interpreted as a statement on the merits of urban forestation and related carbon credits, or the work being done by Green Cities Accord. However, when Staff initially reviewed Pilot G, it believed that this type of project would not qualify for inclusion in NGIA based on the plain language of the statutory definition of “carbon capture.”³⁷ Of importance, the Commission reviewed Staff’s analysis of Pilot G prior to making the decisions reflected in its Order issued October 9, 2024. More, the OAG’s petition for reconsideration is largely a restatement of its previous arguments. Thus, the Commission heard many of the arguments for and against Pilot G previously and then decided the matter. With **Decision Option 4**, the Commission may clarify its reasons for approving Pilot G.

In case the Commission wishes to hear additional consideration on Pilot G, Staff provides comments in the following sections which cover information not included in Staff’s briefing paper filed for the July 25, 2024 agenda meeting date.

A. Pilot G as an Energy Efficiency Pilot

Regarding CPE’s July 23, 2024 agenda meeting argument that Pilot G would also classify as an energy efficiency pilot, Staff notes that the Company has been required to collect data on the number of carbon offsets purchased as well as the number and average cost of new trees planted. None of the data CPE will be collecting were designed to provide learnings or otherwise evaluate the energy efficiency co-benefits provided by this pilot. To this extent, existing data collection will provide information on how a tree planting company works with an offset company, not on running an energy efficiency pilot. Therefore, having no way to evaluate the extent to which Pilot G has impacted the energy efficiency of nearby residences, Staff has concerns categorizing this pilot as “energy efficiency” based on the reporting data currently established, despite the co-benefits Pilot G may provide.

B. Impact of Granting the OAG’s Petition and Removing Pilot G

If the Commission were to grant the OAG’s petition, removing the Tree Planting Pilot from the overall CPE NGIA Plan would require consideration of several implications. First, Minn. Stat. § 216B.2427, puts certain criteria forward for each NGIA plan that must be balanced across plan components. The table below shows the impact to these NGIA criteria with and without Pilot G,

³⁶ CPE response filed November 8, 2024 filed in docket no. G008/M-23-215 at 7.

³⁷ Staff briefing papers filed for July 25, 2024 meeting date in Docket No. G-008/M-23-215 at 56

considering Pilot G's cost of \$329,301.00.³⁸

Table 1. Compliance with NGIA Plan Requirements as listed in Minn. Stat. § 216B.2427

Reference	Requirement	With Pilot G	Without Pilot G
Subd. 2 (a)1	Lifecycle GHG emissions reductions (Pilot G reduces 4,500 metric tons or 0.4% of total CO2e reductions)	1,157,399 tons/CO2e	1,152,899 tons/CO2e ³⁹
Subd. 2 (a)6	Overall Plan Cost Effectiveness from nonparticipating customer perspective* ⁴⁰	(\$76,883,448) (negative value)	(\$76,617,061) (negative value)
Subd. 2 (d)1	50% or more of spending on RNG, biogas, hydrogen, and ammonia (includes R&D)	\$54,181,221/ \$105,701,515 ⁴¹ = 51.26%	\$54,181,221/ \$105,372,214 = 51.42%
Subd. 2 (d)2	No more than 20% of costs on District Energy	\$11,625,947/ \$105,701,515 = 10.998%	\$11,625,947/ \$105,372,214 = 11.03%
Subd. 3 (g)	Up to 10% of plan spending on R&D	\$10,570,462/ \$105,701,515 = 10.00%	\$10,570,462/ \$105,372,214 = 10.03%
Subd. 2(a)11	Projected Local Job Impacts, total for Plan is ~3,000 jobs created	Pilot G Creates 1 Direct Job	

*Cost Effectiveness values shown are quantitative. Importantly, the Commission also considered non-quantifiable (qualitative) characteristics when evaluating each Pilot.

As shown in Table 1, removing Pilot G will result in fewer tons of CO2e emissions reduced (shown in bold). The Commission may wish to consider if those reductions should be realized elsewhere in the plan. When it comes to ensuring a certain percent of the budget is allocated to certain NGIA components, without Pilot G, R&D spending is slightly greater than the allowed 10% (shown in bold). Staff notes that in its Plan petition CPE listed \$8,510,462 as R&D "Reserved Fundings."⁴² Reducing this amount by Pilot G's budget, or \$329,301, is one potential area for adjustment which would allow CPE's NGIA plan to remain compliant. Staff notes that in the current record no alternate carbon capture pilots were proposed. However, there is no requirement for the plan to include a carbon capture pilot.

³⁸ CPE Initial filing made June 28, 2023 Docket No. G-008/M-23-215 Exhibit E, source of value for Pilot G cost.

³⁹ CPE Initial filing made June 28, 2023 Docket No. G-008/M-23-215 Exhibit P at 1. Pilot A removed.

⁴⁰ CPE Initial filing made June 28, 2023 Docket No. G-008/M-23-215 Exhibit M: Commission Cost-Benefit Framework. Staff summation of NGIA Nonparticipating Customers Perspective (including specific impacts on low- and moderate-income customers) Quantifiable, with and without Pilot G.

⁴¹ CPE Initial filing made June 28, 2023 Docket No. G-008/M-23-215 Exhibit E, Total incremental costs for Total Portfolio used as value in denominator for this column's equations. The denominator for "Without Pilot G" column was calculated by subtracting the total incremental cost of Pilot G from the total portfolio incremental cost.

⁴² Staff Briefing Papers Docket No. G-008/M-23-215 agenda meeting date 25 July 2024, Table 11 at page 97

C. Implications for Xcel's NGIA Filing

Xcel Energy's December 15, 2023 NGIA initial filing in Docket No. G002/M-23-518 included two urban tree pilots. Pilot 8, called Green Minneapolis Urban Tree Planting Offsets, had an indicated cost of \$763,646. Pilot 7, in which, the non-profit National Indian Carbon Coalition and the Bois Forte Band of Chippewa will restore and manage tribal lands and create carbon offset credits to benefit the Tribe at a cost of \$2,389,998.⁴³ Decisions made on this issue in the instant docket may have implications for Xcel's two tree pilots, both of which are classified as carbon capture pilots.

DECISION OPTIONS

1. Deny the OAG's petition for reconsideration of the October 9, 2024, Order. [CPE, LIUNA]
2. Grant the OAG's petition for reconsideration of the October 9, 2024, Order, and rescind the Commission's approval of Pilot G. Remove Pilot G and its budget from CenterPoint Energy's approved NGIA plan. [OAG, MCEA, SC, COPAL]
 - A. Require CPE to make a compliance filing with an updated NGIA plan overview and budget within 30 days of the issuance of this order in docket no. G008/23-215. [Staff]
3. Require CenterPoint Energy to propose a new pilot program that captures greenhouse gas emissions that "would otherwise be released into the atmosphere," or provides an innovative resource that benefits populations that are most impacted by the negative effects of climate change. [OAG]
4. Clarify the Commission's reasons for approving Pilot G [Staff].

⁴³ Xcel Energy NGIA filing made December 15, 2023 in docket nos. G002/M-23-518 & G999/CI-21-566, exhibit B pages 36-46.