

**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

Supplemental Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota ("CUB") respectfully submits these supplemental comments in response to the Minnesota Public Utilities Commission's (the "Commission") Amended Notice of Comment Period issued on March 6, 2026, in the above-referenced matter.

I. The Commission should discontinue Pilot D or approve only CenterPoint's initial budget increase request.

CUB appreciates CenterPoint's responsiveness to our request for additional information in initial comments regarding several aspects of the Company's updated proposal, including updated cost-effectiveness calculations, total lifetime utility cost projections and total Pilot D expenses CenterPoint has incurred thus far. Having reviewed parties' initial comments and the updated information provided in the Company's reply,¹ CUB maintains our primary recommendation that the Commission terminate Pilot D or, in the alternative, limit CenterPoint's budget increase to its original request of \$468,412.

CUB continues to believe that discontinuation of Pilot D is appropriate based on the new budget CenterPoint requests. In initially approving Pilot D, the Commission noted that "CenterPoint expects the reduction in geologic gas throughput and GHG emissions to be significant, which furthers the goals of the NGIA."² This analysis was based on the pilot's proposed scope and costs at that time, which persuaded the Commission that Pilot D should be approved in the interest of exploring hydrogen as an innovative technology.³ However, CenterPoint's instant request significantly alters that cost analysis. Under the minimum increase requested by the Company to continue with Pilot D at this juncture, the lifetime utility costs would increase by over 18 percent to an estimated \$27,260,306.⁴ If approved at the Company's full budget request, the lifetime utility costs would

¹ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, CenterPoint Reply Comments (Mar. 17, 2026) (hereinafter CenterPoint Reply Comments).

² *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 at 9 (Oct. 9, 2024) (hereinafter Commission's Order).

³ *Id.* at 9.

⁴ Up from CenterPoint's initial plan estimate of \$23,053,705. CenterPoint Reply Comments at 13.

increase to \$30,449,814.⁵ Although the impacts of the request anticipated lifetime costs of Pilot D are significant and will not provide proportional GHG emissions reductions or consumer benefits.

CenterPoint's analysis for the updated cost-effectiveness under its full requested budget modification results in a 32 percent increase to Pilot D's per-ton abatement cost, from \$824 to \$1088/metric ton of CO₂e reduced.⁶ Although this is not the highest per-ton abatement cost in CenterPoint's plan, this pilot does not offer any direct benefits to customers and faces significant challenges in scalability. CUB is concerned by the high pilot costs in light of these limited potential benefits.

We also recognize that the broader conversation around affordability challenges for Minnesotans' energy costs has changed substantially since the approval of CenterPoint's initial NGIA plan in 2024. CUB agrees with CenterPoint's characterization that approval of the increased budget will not exceed the total approved five-year budget due to the reallocation of funds from within the Company's plan.⁷ However, discontinuing the pilot now would reduce the overall amount recovered from customers while CenterPoint will still have opportunities for exploration of hydrogen as a potential innovative technology via the Company's existing hydrogen blending facility in Minneapolis.

Critically, CenterPoint has not yet made significant investments in Pilot D that would result in substantial losses should the pilot be terminated. In total, CenterPoint has incurred less than **[TRADE SECRET]**⁸ in costs thus far—equivalent to less than **[TRADE SECRET]** percent of the pilot's estimated lifetime total revenue requirement for capital costs at the requested new budget amount.⁹

Should the Commission determine it is reasonable to continue with Pilot D at an increased budget, CUB recommends the Commission approve only the initial request for \$468,412, without contingency funding. CenterPoint has affirmed that the initial budget request "would provide the necessary financial certainty to proceed with the investments required to secure the anticipated solar ITCs."¹⁰ The Company identifies no other specific needs for the additional 25 percent contingency funding, but explains:

Standby noted that a range of accuracy between 15 percent and 25 percent was typically used for preliminary engineering estimates of this level. Based on the timeline and developing state of the green hydrogen industry, the upper end of the range was conservatively selected by Standby for the range of accuracy of the capital cost estimate in the FEED study.¹¹

⁵ *Id.*

⁶ *Id.* at 13, Table 1.

⁷ *Id.* at 4.

⁸ This total is excluding \$179,562 attributed to Pilot D as its allocation of "general portfolio costs." *Id.* at 12.

⁹ CenterPoint estimates \$16,542,702 as the lifetime total revenue requirement for capital costs for its overall budget increase inclusive of the 25 percent contingency funds, at current tax credit assumptions. *Id.* at 13.

¹⁰ *Id.* at 2.

¹¹ *Id.* at 11.

CUB believes this general reasoning is insufficient to support increasing the budget beyond \$468,412. Without identifying specific needs for that funding, granting a blanket contingency mid-way through the NGIA Plan is unreasonable. Notably, in discussing the proposal for budget flexibility in the initial hearing to approve CenterPoint's Plan, Commissioners recognized that pilots with larger capital investments may provide an adverse incentive for a utility to reallocate funds to for want of a greater return.¹² The Company should be encouraged to contain costs within approved pilot budgets to the greatest extent possible, rather than requesting an unjustified contingency fund mid-way through the plan.

Providing the Company with a firm budget encourages CenterPoint to spend prudently and avoid unnecessary cost overruns. If CenterPoint later needs an additional increase—prior to Year 3 of the plan or for more than a 25 percent increase over the initially approved budget¹³—then the Company can submit an updated request with revised cost estimates and supporting documentation.

II. CenterPoint should conduct a more thorough and transparent analysis in estimating initial pilot budgets in future NGIA plan proposals.

As an ancillary issue, CenterPoint's instant request highlights a broader question regarding the methodology utilized by the Company in proposing its initial NGIA plan portfolio and budget. As the Office of the Attorney General—Residential Utilities Division ("OAG") noted in Initial Comments, generalized inflation is not the major cause of the requested budget increase, but rather a miscalculation of whether "packaged" electrolyzer systems that can operate in Minnesota's climate would become available.¹⁴ The OAG noted that while "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."¹⁵ To that end, the OAG recommends the Commission require CenterPoint to conduct a more thorough budget analysis when proposing future pilots in subsequent NGIA plans.¹⁶

CUB is supportive of OAG's proposal to require more robust budget planning in future pilot proposals. As we stated in Initial Comments,¹⁷ it is inevitable that throughout the NGIA plan there will be costs

¹² *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, PUC Agenda Meeting on July 23, 2024 at 05:51:25; *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, PUC Agenda Meeting on July 25, 2024 at 01:47:44.

¹³ Pursuant to the Commission's order approving CenterPoint's NGIA Plan, the Company may exercise budget flexibility by reallocating funds between pilots without requesting prior approval, subject to certain parameters including that any increase must be below 25 percent the pilot's total approved five-year budget and cannot be utilized until prior to the third plan year. Commission's Order at 36.

¹⁴ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, Office of the Attorney General, Residential Utilities Division Initial Comments at 2-3 (Mar. 3, 2026) (hereinafter OAG Initial Comments).

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 5.

¹⁷ *In the Matter of CenterPoint Energy's Natural Gas Innovation Plan*, Docket No. G-008/M-23-215, Citizens Utility Board of Minnesota Initial Comments (Mar. 3, 2026) (hereinafter CUB Initial Comments).

incurred that are different—either lower or higher—than originally anticipated. By their very nature, these pilots are designed to test new innovative strategies and technologies for decarbonizing the gas system. The Company should not and is not expected to know for certain every detail at the outset of proposing its portfolio. However, we believe that “vendor quotations, similar project experience, and industry benchmarks”—the information CenterPoint utilized in formulating this new estimate—represent an appropriate level of detail that should be required when developing the initial plan and proposing pilot budgets.

In reply, CenterPoint responded to the OAG’s concerns by asserting that the miscalculation was not a product of the Company’s consultant’s lack of effort, technical expertise, or preparation, but rather “a consequence of working with nascent technologies in a rapidly changing environment.”¹⁸ CenterPoint argues that the initial analysis relied on an assumption that newly developed packaged systems sufficiently weatherized for Minnesota would be entering the market in time for implementation of the pilot, but that such a product did not ultimately materialize.¹⁹

While market shifts do represent a factor uncontrollable by the Company, we believe it is important to clearly identify when such predictions are being made to inform budget calculations, so that parties and the Commission can make an informed decision about the validity of such assumptions. For those reasons, CUB recommends the Commission provide additional guidance requiring such transparency as well as the recommendations by OAG.

CUB recognizes that this plan represents the Company’s—and the state’s—first ever NGIA plan, and that as Minnesota utilities work through this new process, we will likely identify elements that should be refined for ensuring successful future iterations. CUB also appreciates that the Company, parties, the Commission, and Commission staff devoted extensive time and effort to reviewing these plans to ensure ratepayer money is spent prudently and according to the state’s policy goals. To that end, having a well-devised plan with a budget as accurately and transparently calculated as possible ensures meaningful review moving forward.

III. Conclusion

CUB appreciates that the NGIA framework is intended to allow utilities to explore a variety of innovative strategies and technologies for reducing natural gas throughput and lowering system emissions. However, the Company’s request to increase Pilot D’s already high budget substantially alters the cost-effectiveness of a project that only marginally decreases GHG emissions and is unlikely to be scalable. Considering the Company has not yet invested significant funds into the project, CUB recommends the Commission discontinue Pilot D. If the Commission nonetheless moves forward with Pilot D, we recommend limiting the budget adjustment to CenterPoint’s initial budget increase request of \$468,412.

Sincerely,

March 27, 2026

¹⁸ CenterPoint Reply Comments at 6.

¹⁹ *Id.* at 6, 10.

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