STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Joseph K. Sullivan	Vice Chair
Hwikwon Ham	Commissioner
Valerie Means	Commissioner
John Tuma	Commissioner

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

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

SUPPLEMENTAL COMMENTS
OF THE OFFICE OF THE ATTORNEY GENERAL–
RESIDENTIAL UTILITIES DIVISION

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INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits the following supplemental comments. In initial comments, the OAG and several other stakeholders voiced concerns with aspects of CenterPoint's Natural Gas Innovation Act (NGIA or Act) plan and urged CenterPoint to engage in additional pilot development. In reply comments CenterPoint did not provide significant additional detail or support, and instead generally restated stakeholders' concerns and recited its initial recommendation, with a few exceptions. CenterPoint asks the Commission to overlook the lack of detail for how it plans to spend over $105 million in ratepayer funds and urges the Commission to evaluate its pilots in "the spirit of exploration."[1] While NGIA plans are by definition innovative, the Commission should provide CenterPoint with a map and a compass to ensure that ratepayer dollars are spent only for purposes intended by the Legislature and on pilots that will provide unique and informative learnings. To do this, the Commission should make several modifications to CenterPoint's NGIA plan to ensure it meets the Act's requirements and purpose while safeguarding ratepayer dollars.

ANALYSIS

In initial comments, the OAG stated several concerns with limited development and unsupported benefits of several pilots. Although these concerns remain, these supplemental comments focus on responding to CenterPoint's and other stakeholders' reply comments and providing recommended modifications to CenterPoint's plan. The OAG also supports, and in some cases expands on, concerns raised by other stakeholders regarding whether CenterPoint's plan aligns with statutory requirements of the NGIA. Overall, the OAG recommends that the Commission modify CenterPoint's NGIA plan to ensure that ratepayer dollars are used only as

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[1] CenterPoint Reply Comments Filing Letter at 2.

intended by the Legislature, to ensure that the costs and revenues projected under the plan are reasonable in comparison to other innovative resources the utility could deploy, to ensure that the costs of the specific pilots will be allocated to the ratepayer classes that stand to benefit from those pilots, and last to appropriately incentivize the utility to manage pilot costs to protect ratepayers' pocketbooks and provide a clear picture on the potential future of pilot technologies.

I. Pilot C – The NGIA's Text Requires that CenterPoint's Renewable Natural Gas Request for Proposal Be Limited to Gas that Can be "Procured and Distributed" and Not Include Bids Solely for Environmental Attributes.

A. Analysis

CenterPoint continues to load more and more of its NGIA budget into Pilot C. In Pilot C, CenterPoint proposes to issue a request for proposal (RFP) to purchase renewable natural gas (RNG). Although CenterPoint proposes to give a preference for "bundled RNG" (sale of both environmental attributes and brown gas) and a preference for projects in Minnesota and neighboring states, it would consider purchasing "unbundled gas" (only the environmental attributes) and has no geographical limitations on bids.[2] In reply comments, CenterPoint also proposed to move the approximately $2.8 million budget previously proposed to purchase gas from a Hennepin County anaerobic digester from organic waste (Pilot A) to further increase the budget of Pilot C.[3] In addition, CenterPoint proposed to reallocate the incremental cost savings from various budget reductions to Pilots B, D, H, and O to Pilot C.[4] Pilot C has essentially become a sliding scale of any amount necessary for CenterPoint to maximize all potential NGIA dollars under the statutory cap.[5] CenterPoint acknowledged as much, stating "[t]he updated levels of annual RNG purchases included in Pilot C were selected so that the overall NGIA portfolio

[2] *See* CenterPoint Initial Petition at 7.
[3] CenterPoint Reply Comments at 28.
[4] *Id.* at 30.
[5] *See* CenterPoint Reply Comments at 30.

spending aligns closely with the statutory cost cap (in this case about $3,000 under the cost cap)."[6] All in all, CenterPoint requests that the Commission allow it to spend over $40 million dollars for Pilot C with limited constraints.

Pilot C's expanding budget should not be approved in its current form. In addition to several pilot-design flaws and practical problems flagged by several stakeholders, several aspects of Pilot C, as proposed, pose legal problems. Particularly, CenterPoint's proposal to use Pilot C budgets to purchase only the environmental attributes of RNG is problematic because environmental attributes are not "innovative resources" under the Act and would not count towards the Act's requirement that 50% of a plan budget be for low-carbon fuels. Moreover, "greenhouse gas emissions" reductions from purchasing environmental attributes from RNG or biogas production outside of Minnesota may not count as under the statutory definition.

In light of these legal problems with CenterPoint's proposal, Pilot C must be limited to pursuing projects where CenterPoint could procure and distribute the physical RNG for use on its system. And greenhouse-gas emissions reductions from RNG sources outside of Minnesota should not be considered as the Commission weighs the plan. These requirements would align Pilot C more clearly with several goals of the NGIA: to reduce the amount of geologic natural gas that is delivered to Minnesota utility customers,[7] to promote local economic development,[8] and to assist the state in working towards its greenhouse gas reduction goals.[9]

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[6] *Id.*
[7] Minn. Stat. § 216B.2427, subd. 10.
[8] *Id.*, subd. 2(b)(3).
[9] *Id.*, subd. 2(b)(7).

1. **Purchasing solely the environmental attributes of RNG would not count towards the statute's requirement that 50% of the Plan be used for low-carbon fuels.**

In reply comments, CenterPoint continued to propose that Pilot C include "purchases of unbundled RNG environmental attributes" because it may "enable broader participation in the pilot."[10] But whether or not purchasing environmental attributes enables broader participation, the purchase of environmental attributes, without the associated gas, will not count towards the 50% floor required by the NGIA. Left as is, CenterPoint's proposal would not meet the statutory requirements for Commission approval of an NGIA plan. The Commission should therefore modify Pilot C to require that CenterPoint only accept bids for the "procurement and distribution of renewable natural gas."[11]

As the Citizens Utility Board (CUB) raised in initial comments,[12] purchasing solely the environmental attributes of RNG does not count towards the Act's requirement that "50 percent or more of the utility's costs approved by the commission for recovery under the plan are for the procurement and distribution of renewable natural gas, biogas, hydrogen produced via power-to-hydrogen, and ammonia produced via power-to-ammonia."[13] The statute further defines each of the listed resources. "'Renewable Natural Gas' means biogas that has been processed to be interchangeable with, and that has a lower lifecycle greenhouse gas intensity than, natural gas produced from conventional geologic sources."[14] The statute in-turn defines "biogas" as "gas produced by the anaerobic digestion of biomass, gasification of biomass, or other effective conversion processes."[15] "Innovative resource" is also a defined term in the statute, meaning

[10] CenterPoint Reply Comments at 53.
[11] Minn. Stat. § 216B.2327, subd. 2(d)(1).
[12] CUB Initial Comments at 7.
[13] Minn. Stat. § 216B.2427, subd. 2(d)(1).
[14] *Id.*, subd. 1(o).
[15] *Id.*, subd. 1(b).

"biogas, renewable natural gas, power-to-hydrogen, power-to ammonia, carbon capture, strategic electrification, district energy, and energy efficiency."[16]

Neither the definition for "biogas" or "renewable natural gas" contemplates standalone offsets, environmental attributes, or Renewable Thermal Certificates (RTCs). But the Legislature was clearly aware of the concept of environmental attributes when drafting the statute. Specifically, the Legislature required utilities' proposed plans to describe the third-party systems used to "verify the environmental attributes and greenhouse gas emissions intensity of innovative resources included in the plan" and to annually report on the tracking and retiring of these associated environmental attributes.[17] The Legislature also required the Commission not to approve a plan unless it determines that "the systems used to track and verify the environmental attributes of the innovative resources included in the plan are reasonable, considering the available third-party tracking and verification systems."[18] Yet the Legislature did not include environmental attributes in the definitions of RNG and biogas. Instead, the statute defines renewable natural gas as the physical biogas commodity produced through certain processes and that has a lower greenhouse gas intensity than geologic gas. Moreover, through the statutory cross-references, to be an "innovative resource" the RNG or biogas must be that physical commodity.

In response to CUB's showing that the purchases of environmental attributes would not qualify under the statute, CenterPoint says flatly that it is "consistent with the NGIA."[19] To make this claim, CenterPoint disregards principles of statutory interpretation by ignoring words in the statute and contorting the statutory definitions. CenterPoint argues: "Renewable Thermal

[16] *Id.*, subd. 1(h).
[17] *Id.*, subd. 2(a)(10)(ii), 2(f)(3).
[18] *Id.*, subd. 1(b)(5)
[19] CenterPoint Reply Comments at 53.

Certificates or RTCs are a unique representation of the environmental attributes associated with the production, transport, and use of one dekatherm of RNG. The proposed purchase or unbundled RTC's involves the *procurement* of specified volumes of RNG."[20] But the Legislature did not simply require that 50% of the utility's approved NGIA costs be for "the procurement" of low-carbon fuels. The Legislature required that 50 percent of the NGIA costs be "for the procurement *and distribution* of" low-carbon fuels.[21] The purchase of solely environmental attributes without the associated gas gives the utility no ability to control whether there is "distribution of" RNG. CenterPoint's interpretation would render superfluous the statutory reference to "distribution."[22] Instead, the statute should be read to give effect to both the requirement that the low-carbon fuel be "procured" and "distributed."[23]

The 50 percent requirement is clear. The Legislature intended that at least half of a utility's plan be for costs to purchase *and* distribute certain fuel types. Purchasing solely the environmental attributes does not meet the statutory requirement. Further, for the reason described in section I.A.3 below, requiring the Minnesota utility to both procure RNG and distribute it aligns with several key goals of the Act.

2. The statute ties greenhouse-gas emissions reductions for RNG and biogas to reductions from anthropogenic sources within Minnesota.

In addition to proposing that the RFP include purchasing only environmental attributes without associated gas, CenterPoint contemplates that a substantial amount of RNG will be

[20] *Id.* at 53–54.
[21] Minn. Stat. § 216B.2527, subd. 2(d)(1) (emphasis added).
[22] *State v. Thompson*, 950 N.W.2d 65, 69 (Minn. 2020) (stating courts "attempt to avoid interpretations that would render a word or phrase superfluous, void, or insignificant, thereby ensuring each word in a statute is given effect").
[23] *See, e.g. id.* at 69 ("The canon against surplusage 'favors giving each word or phrase in a statute a distinct, not an identical, meaning.'") (quoting *State v. Thonesavanh*, 904 N.W.2d 432, 437 (Minn. 2017)).

purchased from sources outside of Minnesota. While CenterPoint states that through its outreach efforts it believes that a majority of the RNG in Pilot C would be produced in Minnesota,[24] CenterPoint acknowledges that some projects would likely be located in other states.[25]

In order to approve an NGIA plan, the Commission must make several findings laid out in subdivision 2(b). These include that (1) "the plan . . . reduces or avoids greenhouse gas emissions" at a cost level consistent with the statutory cost caps, and (2) "the total amount of greenhouse gas emissions reduction or avoidance to be achieved under the plan is reasonable considering the state's greenhouse gas and renewable energy goals."[26] Again, the Act's definitions dictate how to interpret and measure "greenhouse gas emissions" that are to be reduced or avoided. The Act defines "greenhouse gas emissions" as "emissions of carbon dioxide, methane, [etc.] . . . emitted by anthropogenic sources within Minnesota and from the generation of electricity imported from outside the state and consumed in Minnesota."[27] Here the Legislature clearly draws a distinction between how it will measure greenhouse-gas emissions from electricity generation, on the one side, and for everything else, on the other. Renewable natural gas sits definitively on the everything-else side. As the Commission makes findings under subdivision 2(b) of the NGIA, therefore, consideration of greenhouse-gas emissions reductions from sources outside of Minnesota should be discounted, with the exception of electricity produced outside the state. While this may seem counterintuitive given the global nature and spread of greenhouse gas emissions, this interpretation aligns with the goals of the NGIA, as explained further below.

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[24] CenterPoint Reply Comments at 43.
[25] *See id.* at 43 (describing CPE's outreach to producers "who have existing or planned project in Minnesota *or neighboring states*" (emphasis added)) (stating "these projects would be located in Minnesota *or have strong economic ties to the state*" (emphasis added)).
[26] *Id.*, subd. 2(b)(2), (7).
[27] *Id.*, subd. 1(g).

3. Requiring CenterPoint's Pilot C to exclude the costs of purchasing solely environmental attributes and prioritizing in-state greenhouse gas emissions reductions aligns with the Act's goals.

Requiring 50% of the plan's costs be for procurement and delivery of physical renewable natural gas and prioritizing greenhouse-gas emissions reductions in Minnesota are not the result of reading the statute in a vacuum. These plain-language requirements align with the NGIA's goals of (1) reducing the throughput of geologic natural gas delivered to Minnesota utility customers, (2) promoting local economic development, and (3) helping the state achieve its greenhouse-gas emissions reduction goals.[28]

First, the NGIA states: "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."[29] Again, the Legislature's word choices are informative. The throughput goal seeks to reduce the "overall amount of [geologic] natural gas" that is "delivered to customers," focusing on the physical gas flowing through the utility's mains and service lines. Purchasing an environmental attribute, without the associated gas, does not reduce the amount of geologic natural gas that flows to customers. Instead, those customers receive the very same geologic gas they would have without the utility's purchase.

Second, the NGIA instructs the Commission that it cannot approve an innovation plan unless it finds, among other requirements, that "the plan promotes local economic development."[30] The purchase of solely the environmental attributes does not meet this goal. For example, purchasing an environmental attribute from an RNG facility in Oregon is unlikely to promote local

[28] *See id.*, subds. 2(g)(3), (7), 10.
[29] *Id.*, subd. 10.
[30] *Id.*, subd. 2(b)(3).

economic development in or near Minnesota. Again, the Act's goals show that local ratepayer money should not go into the ether of the Renewable Thermal Certificate market. Instead, Minnesota ratepayer dollars should only be used for the procurement and delivery of the amount of RNG required by the Act that promotes the development of a local RNG market.

Third, the NGIA requires that to approve a plan the Commission must find the "total amount of estimated greenhouse gas emissions reduction or avoidance to be achieved under the plan is reasonable considering the state's greenhouse gas and renewable energy goals, including those established under . . . section 216H.02, subd. 1." Section 216H.02, subd. 1, in turn states, "It is the goal of the state to reduce *statewide* greenhouse gas emissions across all sectors producing greenhouse gas emissions" by various amounts from 2015 to 2050.[31] The focus on "statewide," Minnesota emissions is clear. Purchasing environmental attributes from unspecified locations does not necessarily help Minnesota achieve its goal of reducing in-state emissions.

Reading the plain text of the statute in line with the Act's goals and legislative intent shows that an NGIA plan should not use ratepayer money to purchase solely environmental attributes of RNG. The Commission should only approve an NGIA plan that ensures ratepayer dollars are carefully expended to purchase the gas that serves them, to contribute to local economic development, and to help Minnesota achieve its greenhouse-gas emissions reduction goals. CenterPoint's proposal to use the Pilot C budget to purchase environmental attributes does none of these things. CenterPoint's plans for Pilot C are not reasonable. The Commission should modify Pilot C to require that ratepayer dollars be used to further the purpose of the NGIA and to follow the statute's requirements.

[31] Minn. Stat. § 216H.02, subd. 1 (emphasis added).

B. Recommendations.

- Modify Pilot C to not allow CenterPoint to accept bids under its RFP for solely the environmental attributes of RNG. Instead, CenterPoint should only accept bids for procurement and delivery of physical RNG.
- Greenhouse-gas emissions reductions from RNG sources outside of Minnesota should not be considered in Commission findings under subdivision 2(b)(2) and (7).
- Limit CenterPoint's authorized budget for Pilot C to no larger than necessary to bring the low-carbon fuel pilots up to 50% of CenterPoint's NGIA Plan. That is, Pilot C's budget should be reduced dollar-for-dollar with the elimination or reduction of any non-low-carbon fuel pilots in the approved plan.

II. PILOT D – THE COSTS OF PILOT D ARE NOT REASONABLE COMPARED TO OTHER INNOVATIVE RESOURCES, AND THE COMMISSION SHOULD MODIFY THE PLAN BY REALLOCATING PILOT D'S BUDGET TO PILOT E FOR POWER-TO-HYDROGEN PROJECTS.

A. Analysis

In initial comments several parties voiced concerns about CenterPoint's proposal to build a second electrolyzer to produce hydrogen that would be blended with natural gas into CenterPoint's distribution system. Specifically, the OAG and other parties raised concerns about the long-term costs of the project, the potential increased degradation of the distribution system, and therefore increased replacement costs, the relatively more promising potential of hydrogen in industrial uses, and the limited learnings available from an additional hydrogen blending pilot so similar to CenterPoint's Minneapolis hydrogen project. The OAG continues to have concerns about Pilot D as proposed by CenterPoint. Rather than a flat denial of the full budget of Pilot D, however, the OAG believes that other parties have made the case that power-to-hydrogen projects are better used for industrial projects. The Commission should therefore modify the plan to allocate the Pilot D budget to Pilot E and earmark those costs for power-to-hydrogen projects for large commercial and industrial customers.

CenterPoint's reply comments do not allay stakeholders' concerns with Pilot D. In response to claims about the duplicative nature of Pilot D and its existing hydrogen pilot, CenterPoint said only "encouraging the state's hydrogen economy will require a variety of production techniques and locations to evaluate renewable power, federal incentives, and system impacts at different injection points."[32] But CenterPoint appeared to reiterate in a footnote that the only material difference with the Minneapolis location is that it "does not have sufficient space to install on-site solar generation."[33] Responding to concerns about the limits of hydrogen blending and impact on distribution system maintenance costs, CenterPoint acknowledged that with how "the distribution system and customer appliances are currently designed and operated, there is an upper threshold on how much hydrogen can be safely blended into the distribution system."[34] CenterPoint responded that every innovative resource has limitations and emphasized greenhouse-gas emissions reductions, but it provided no response to the potential increased distribution system costs resulting from hydrogen blending.[35]

The OAG continues to believe that the potential direct long-term costs of an additional hydrogen blending pilot ($4,646,124 including substantial tax savings for the five-year NGIA plan and $23,053,705 in estimated lifetime utility costs[36]) and the potential of increased costs for

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[32] CenterPoint Reply Comments at 56.
[33] *Id.* at 56 n.226.
[34] *Id.* at 58.
[35] *See id.* at 58–59.
[36] CenterPoint Reply Comments, Ex. A at 2.

increased distribution system maintenance militate against approval of Pilot D.[37] Under the NGIA, the Commission must not approve an innovation plan unless several findings are made. One of these findings is that "the costs and revenues projected under the plan are reasonable in comparison to other innovative resources the utility could deploy to reduce greenhouse gas emissions, considering other benefits of the innovative resources included in the plan."[38] For Pilot D, the costs of the pilot are simply not reasonable compared to options.[39] Here, CenterPoint's plan includes a clear path to another innovative resource that CenterPoint could deploy instead—namely the implementation of demonstration power-to-hydrogen projects to serve industrial customers in Pilot E. The OAG, therefore, recommends the Commission modify CenterPoint's NGIA proposal to move the costs from Pilot D to increase the budget for Pilot E and dedicate the additional budget amounts for power-to-hydrogen projects.[40]

In Pilot E, CenterPoint proposes to identify large commercial or industrial customers interested in installing either power-to-hydrogen or carbon-capture demonstration projects.[41] CenterPoint would support these projects by paying 20 percent of the costs for a feasibility study and providing a rebate to help the customer move forward. CenterPoint would not own the hydrogen or carbon capture equipment, mitigating ratepayer costs by avoiding the weighted

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[37] *See generally* Topolski et al., Nat'l Renewable Energy Laboratory, Hydrogen Blending into Natural Gas Pipeline Infrastructure: Review of the State of Technology (Oct. 2022), *available at* https://www.nrel.gov/docs/fy23osti/81704.pdf (reviewing the research regarding the effects of blending hydrogen on pipeline materials and equipment performance within transmission and distribution networks).
[38] Minn. Stat. § 216B.2427, subd. 2(b)(6).
[39] *Id.*
[40] Although Pilot E currently permits proposals for carbon capture equipment, the NGIA's requirement that 50% of the plan be for power-to-hydrogen, power-to-ammonia, RNG, or biogas will be simpler to implement if a portion of the budget is dedicated for power-to-hydrogen rather than carbon capture projects.
[41] *See* CenterPoint NGIA Plan, Ex. D at 15.

average cost-of-capital being added to the costs of a project. In addition, because Pilot E does not require the same continued long-term capital investments proposed by Pilot D, ratepayers will not be stuck with the full $23 million in projected lifetime utility costs from CenterPoint's proposed electrolyzer project.[42] Instead, Pilot E seeks to induce private investments in power-to-hydrogen technology, rather than commit ratepayer dollars 20-years into the future.

CenterPoint also projects Pilot E to promote several other goals of the statute equal to or better than Pilot D. Although the OAG does not endorse CenterPoint's exact figures and believes that some of the environmental benefits of Pilot E may be overstated, the large discrepancies between the two pilots is telling. For example, the estimated lifecycle greenhouse-gas reductions of Pilot E are vastly superior to Pilot D.[43] Pilot D is projected at 27,993 metric tons CO2e, whereas Pilot E is projected at 107,196 metric tons CO2e.[44] While these projections may not perfectly scale dollar-for-dollar with additional budgeted costs, this stark difference should not be ignored in determining that Pilot D's costs are not "reasonable in comparison to other innovative resources the utility could deploy to reduce greenhouse gas emissions."[45] Likewise, for the Commission's required consideration of a plan promoting local economic development,[46] Pilot E, at its current proposed budget, has an estimated net job creation of 459 (FTEs), whereas Pilot D is projected at only 149 (FTEs) despite costing nearly $1 million more during the five-year plan and having a ten-fold lifetime utility cost.[47]

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[42] *See* CenterPoint Reply Comments, Ex. A, Table A.1 (showing estimated lifetime utility costs of $23,053,705 for Pilot D).
[43] *Id.*; *see also,* Minn. Stat. § 216B.2427, subd. 2(g)(6).
[44] CenterPoint Reply Comments, Ex. A, Table A.1.
[45] Minn. Stat. § 216B.2427, subd. 2(b)(6).
[46] *Id.*, subd. 2(g)(3).
[47] CenterPoint Reply Comments, Ex. A.

While Pilot E currently only assumes one hydrogen participant, CenterPoint proposed to scale as interest and budget allows.[48] CenterPoint stated that it "is aware of several large customers with aggressive GHG reduction goals and high-temperature processes that may be good fits for this technology and the Company intends to conduct proactive outreach with specific customers this summer."[49]

The statute directs that the Commission may not approve an NGIA plan unless it determines that the costs under the plan are reasonable in comparison to other innovative resources the utility could deploy. Here, CenterPoint has two pilots including power-to-hydrogen—one expensive and with several ongoing concerns, and one that shows promise in incentivizing nascent technological adoption for large industrial customers. The OAG recommends that the Commission modify CenterPoint's NGIA by moving Pilot D's five-year budget to expand Pilot E and earmark this portion of the budget for power-to-hydrogen demonstration projects.[50]

B. Recommendations

- Reject CenterPoint's proposed hydrogen blending pilot (Pilot D).
- Permit CenterPoint to modify Pilot E to increase the budget by the five-year NGIA budget previously allocated to Pilot D to target larger industrial and commercial customers for power-to-hydrogen projects.

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[48] CenterPoint Reply Comments at 60.
[49] *Id.*
[50] The OAG notes that the specific dollar amount of Pilot D moved will likely depend on how CenterPoint calculates Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) for various pilot projects. The OAG defers to CenterPoint on whether its initially proposed budget of $5,073,067, its updated budget of $4,646,943, or another amount, most closely reflects the tax treatment of power-to-hydrogen in Pilot E.

III. Pilot G – CenterPoint's Proposed Purchase of Carbon Offsets Associated with Planted Trees Does Not Meet the Definition of a Carbon-Capture Innovative Resource Under the Act.

A. Analysis

In reply comments, the Clean Energy Organizations (CEOs) aptly observe that CenterPoint's proposal to purchase Urban Tree Carbon Offsets are inconsistent with the intent of the NGIA.[51] But this does not go far enough. Not only is Pilot G inconsistent with the legislative intent of the NGIA, but it also proposes to put $300,000 in ratepayer funds towards resources that cannot qualify as "innovative" under the statute's plain language. Investments that sequester carbon from the atmosphere, rather than capturing carbon that would otherwise be released into the atmosphere, do not qualify as "innovative resources."[52] As such, the Commission should remove Pilot G from CenterPoint's plan.

Like many technical statutes, the NGIA includes numerous definitions for terms used within the Act. Relevant to Pilot G, the statute defines "innovative resource" as "biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, *carbon capture*, strategic electrification, district energy, and energy efficiency."[53] In turn, the NGIA defines "carbon capture" as "the capture of greenhouse gas emissions that would *otherwise be released into* the atmosphere."[54] That is, the NGIA unambiguously states that to be a carbon-capture innovative resource, greenhouse gas emissions must be prevented (i.e. captured) prior to atmospheric release. The Act does not contemplate pulling carbon *from the atmosphere* and sequestering it through urban tree planting programs or otherwise.

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[51] CEOs Reply Comment at 4–5.
[52] *See* Minn. Stat. § 216B.2427, subd. 1(h).
[53] Minn. Stat. § 216B.2427, subd. 1(h) (emphasis added).
[54] *Id.*, subd. 1(c) (emphasis added).

CenterPoint claims that Pilot G meets the definition of "carbon capture" because "trees will capture carbon that would otherwise remain released in the atmosphere."[55] CenterPoint's interpretation defies principles of statutory construction. Specifically, CenterPoint's definition requires inserting a word into the statute and changing another word, rewriting the definition to "the capture of greenhouse gas emissions that would otherwise [*remain*] released in[] the atmosphere." Words should not be added into a statute that the Legislature either "intentionally or inadvertently left out."[56] Adding and subtracting words to reach a particular meaning is not permissible under statutory interpretation principles.

If the Legislature had meant to include in the NGIA programs that pulled greenhouse-gas emissions *out of* the atmosphere—those that would "otherwise remain released" in the atmosphere—it would have used that language. Instead, the Legislature meant what it said. Paying an organization to plant trees to remove carbon that is already in the atmosphere does not capture greenhouse-gas emissions "that would otherwise be released into the atmosphere." Pilot G is not "carbon capture" under the statute and, therefore, is not an "innovative resource" under the statute. The Commission should not approve it as part of CenterPoint's plan.

The OAG understands that carbon sequestration and urban reforestation have a role to play in mitigating the worst impacts of climate change. And the OAG appreciates the work that Green Minneapolis and its tree planting partners do throughout the Twin Cities. But the Legislature was clear in directing the Commission as to the meaning of the "innovative resources" it wanted the NGIA to incentivize. The Legislature did not include resources that pull carbon from the atmosphere, instead choosing to focus on point-source carbon-capture technologies such as those

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[55] CenterPoint Reply Comments at 64.
[56] *Great River Energy v. Swedzinski*, 860 N.W.2d 362, 364 (Minn. 2015).

included in Pilot F.[57] While CenterPoint remains free to support this type of investment with its shareholder dollars outside of an NGIA plan, the Commission should remove Pilot G from CenterPoint's NGIA plan.

B. Recommendation

- Modify CenterPoint's NGIA plan to remove Pilot G as it does not qualify as an innovative resource.

IV. Pilot I – New Networked Geothermal Systems

A. Analysis

In initial comments, the OAG recommended that due to the undeveloped nature of Pilot I, CenterPoint should only be authorized to complete a feasibility study at this time.[58] The Department shared the OAG's concerns about the plan's lack of detailed analysis to support a comprehensive cost estimate and noted the necessity of further analysis given that "a networked geothermal system can exhibit substantial variation across locations due to a multitude of factors."[59] Because of this variation, the Department recommended that "CPE should propose a comprehensive feasibility study for a networked geothermal system that encompasses a thorough analysis of geological, climatic, and environmental conditions, along with an assessment of the economic viability and consumer interest."[60] While CenterPoint claimed to address the OAG's and Department's concerns in reply comments, it only stated that the pilot provided for a feasibility study and site selection.[61] CenterPoint provided no new data, analysis, or information in its reply comments, which are limited to just over two pages that summarize the parties positions and thank

[57] *See* CenterPoint Initial Filing, Ex. B at 3 (describing CarbinX carbon capture systems as connecting to existing natural gas heating systems to capture CO2).
[58] OAG Initial Comments at 8–9.
[59] Department Initial Comments at 51.
[60] *Id.* at 52.
[61] *Id.* at 69.

certain parties for their support of the project.[62] CenterPoint continued to request the full amount of its original budget for Pilot I.[63]

In reply comments, the CEOs suggested a middle path: Authorizing a budget for a feasibility study now, but allowing CenterPoint to seek approval for additional funding in annual status reports upon providing more detail on the costs, location, and technology for the pilot.[64]

The CEOs' proposal is sensible and fits within the statutory framework. The Act requires a utility operating under a plan to file annual reports to the Commission.[65] This report can include "modifications to elements of the plan proposed by the utility" for the Commission's consideration.[66] The Commission may then (1) approve the continuation of a pilot program included in the plan, with or without modifications; (2) require the utility to file a new or modified pilot program or plan; or (3) disapprove the continuation of a pilot program or plan.[67]

The Commission will be in a better position to assess whether the substantial costs in Pilot I should be approved following a feasibility study and more information about the specific project's cost, location, and specific technology. This information is currently not available, and the pilot is not sufficiently developed. However, the statute contemplates ongoing review and modification of utility proposals. The Commission should exercise its authority to ensure that the NGIA's goals are functioning throughout the term of the plan, and it is protecting ratepayers by waiting to approve additional budgets for Pilot I until CenterPoint provides further details in an annual filing.

[62] *Id.* at 68–70.
[63] *Id.* at 32, Table 2.
[64] CEO Reply Comments at 5–6.
[65] Minn. Stat. § 216B.2427, subd. 2(f).
[66] *Id.*, subd. 2(f)(7).
[67] *Id.*, subd. 2(g).

A more detailed proposal will also inform the Commission on which customer classes will be served by the project, once potential site locations are explored.

Although the OAG supports the CEOs' proposal to allow CenterPoint to request additional budgets for Pilot I beyond the feasibility study in the annual filings, the OAG recommends that CenterPoint complete a thorough feasibility study before coming back to the Commission for additional approval. Coming back early with only slightly more detail will be unhelpful for both intervening parties and the Commission to review whether any proposed new district energy systems should be approved.

B. Recommendations

- Limit approval of the budget for Pilot I to only the costs of the feasibility study.[68]
- Permit CenterPoint to request modification of Pilot I to include additional costs upon providing further detail, in conjunction with a feasibility study, including but not limited to project cost, location, and technology.

V. PILOTS E, F, H, AND J-R – THE COMMISSION SHOULD ENSURE THAT COSTS FOR PILOTS REQUIRING CUSTOMER PARTICIPATION ARE ALLOCATED TO ONLY CUSTOMER CLASSES PERMITTED TO PARTICIPATE.

In initial comments, the OAG raised several concerns with whether Pilots F, E, and H[69] were likely to achieve the benefits that CenterPoint represented. While the OAG continues to share other parties concerns about some aspects of these pilots, the OAG's supplemental comments focus on the risks to residential and small business ratepayers from CenterPoint's proposed investments. While many of these Pilot purport to serve, and have their costs allocated to,

[68] *See* CenterPoint Initial Filing, Ex. N at Tab CNP14 (CenterPoint appears to estimate that a feasibility study would cost approximately $200,000).

[69] Regarding Pilots H and E, the OAG appreciates CenterPoint's clarification that Pilot H will sell the stored carbon in various manufacturing processes, rather than involve storage in concrete. The OAG apologizes for confusing the environmental assumptions of Pilot E, with this other proposal for stored carbon.

commercial and industrial customers generally, this is too high a level of generality. The OAG is concerned that small commercial customers may end up bearing the costs of pilot programs that will not likely benefit them and for which, in some cases, they are not eligible to participate in. The Commission should direct CenterPoint, at a minimum, to allocate the costs of the non-system pilots only to customer classes that are eligible to participate in the pilot programs. Because of the nature of these pilots, however, some customer classes are likely to have greater levels of participation than others. Therefore, the Commission should require CenterPoint to track and report on the costs and participation of the customer classes in these pilots to ensure fair cost allocation and provide pilot learnings.[70]

A. Analysis

Customers with very different usage levels, and potentially very different usage patterns, are likely to participate in different pilot offerings and gain different benefits from the pilots. Recognizing this, CenterPoint has limited pilot participation for several pilots[71] to specific classes as shown in the Table 1a below:

[70] Through these cost allocation recommendations, the OAG does not necessarily support the underlying inclusion of these Pilot programs in CenterPoint's approved NGIA.

[71] For the pilots not listed, CenterPoint generally states that because the "pilot does not require customer participation" all sales customers will be attributed a share of the pilot costs. *See* CenterPoint NGIA Initial Filing, Ex. D at 5 (Pilot B), 8 (Pilot C), 10 (Pilot D), 21 (Pilot G). The OAG has not verified the accuracy of whether all customers will be served by these Pilots and reserves the right to challenge the appropriate allocation of these costs in the future. For Pilot I, CenterPoint acknowledges that it does not know whether residential and commercial customers would be served by a new networked geothermal system as very little is known about a potential site. *See id.*, Ex. D at 27. The OAG, therefore, recommends making a cost allocation determination on Pilot I at a later date.

Table 1a - Eligible Customer Classes for Customer Participation Pilots

Pilot	Description	Eligible Customer Classes
Pilot E	Industrial or Large Commercial Hydrogen and Carbon Capture Incentives	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm[72]
Pilot F	Industrial Methane and Refrigerant Leak Reduction Program	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm[73]
Pilot H	Carbon Capture Rebates for Commercial Buildings	All non-residential customer classes[74]
Pilot J	Decarbonizing Existing District Energy Systems	Open to all customers operating district energy systems[75]
Pilot K	New District Energy Systems	Open to all commercial and industrial customers[76]
Pilot L	Industrial Electrification	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial firm C, and Large Volume Firm[77]
Pilot M	Commercial Hybrid Heating	All non-residential customers[78]
Pilot N	Residential Deep Energy Retrofits and Electric Air Source Heat Pumps	Targeted at residential customers and multifamily building customers.[79]
Pilot O	Small/Medium business GHG Audit	All commercial and industrial eligible but targeted at small and medium business customers.[80]
Pilot P	Residential Gas Heat Pumps	Residential Customers[81]
Pilot Q	Gas Heat Pumps for Commercial Buildings	All commercial and industrial customers[82]
Pilot R	Industrial and Large Commercial GHG Audit	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm[83]

[72] CenterPoint NGIA Initial Filing, Ex. D at 15.
[73] *Id.*, Ex. D at 18.
[74] *Id.*, Ex. D at 23.
[75] *Id.*, Ex. D at 30.
[76] *Id.*, Ex. D at 33.
[77] *Id.*, Ex. D at 36.
[78] CenterPoint NGIA Initial Filing, Ex. D at 39.
[79] *Id.*, Ex. D at 42.
[80] *Id.*, Ex. D at 48.
[81] *Id.*, Ex. D at 51.
[82] *Id.*, Ex. D at 52.
[83] *Id.*, Ex. D at 55.

Because classes of customers use the utility system and programs in different ways, and cause different costs, cost allocation is important in all ratemaking. Here, it is particularly central when certain pilots and technologies stand to significantly benefit some classes over others, with both their direct impacts and future learnings. CenterPoint states that it proposes "to match cost recovery to the classes of customers receiving benefits from the proposed projects."[84] This aligns with cost causation principles, which dictate that costs for "items that can be directly attributed to a particular service . . . should be segregated and directly assigned to the appropriate customers."[85]

While CenterPoint has stated some intentions regarding cost-allocation, it has not provided class level detail about its plans—instead focusing on generalized customer types (e.g., residential, commercial, industrial). In responding to the Department's question on the basis for classifying cost recovery for the proposed pilots, CenterPoint responded: "Classifying the recovery of the costs of the proposed pilots by customer class was determined by the class of customer that was deemed to benefit from the pilot."[86] In response to DOC IR number 65, CenterPoint provided a breakout of the cost allocation. CenterPoint classified Pilots N and P as residential, but all other customer participation pilots as simply "Commercial & Industrial."[87] CenterPoint's customer classes, however, are much more specific than simply "Commercial and Industrial." Overlaying CenterPoint's response to the Department's IR onto the eligibility of customers for the pilots yields the following unsatisfying results, as shown in Table 1b below:

[84] CenterPoint NGIA Initial Filing at 20.
[85] *See* Gas Distribution Rate Design Manual, Nat'l Ass'n of Util. Regulatory Commissioners at 20 ("NARUC Gas Manual").
[86] *See* Department Comments, Attach. A.31.
[87] *See id.*

Table 1b - Eligible Customer Classes and Proposed Cost Allocation Comparison

Pilot	Description	Eligible Customer Classes	CPE Cost Allocation
Pilot E	Industrial or Large Commercial Hydrogen and Carbon Capture Incentives	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm	C&I
Pilot F	Industrial Methane and Refrigerant Leak Reduction Program	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm	C&I
Pilot H	Carbon Capture Rebates for Commercial Buildings	All non-residential customer classes.	C&I
Pilot J	Decarbonizing Existing District Energy Systems	All customers operating district energy systems.	C&I
Pilot K	New District Energy Systems	All commercial and industrial customers	C&I
Pilot L	Industrial Electrification	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial firm C, and Large Volume Firm	C&I
Pilot M	Commercial Hybrid Heating	All non-residential customers.	C&I
Pilot N	Residential Deep Energy Retrofits and Electric Air Source Heat Pumps	Targeted at residential customers and multifamily building customers.	Residential
Pilot O	Small/Medium business GHG Audit	All commercial and industrial eligible but targeted at small and medium business customers.	C&I
Pilot P	Residential Gas Heat Pumps	Residential Customers	Residential
Pilot Q	Gas Heat Pumps for Commercial Buildings	All commercial and industrial customers.	C&I
Pilot R	Industrial and Large Commercial GHG Audit	Small Volume Dual Fuel B, Large Volume Dual Fuel, Commercial/Industrial Firm C, and Large Volume Firm	C&I

CenterPoint's petition itself acknowledges that not all C&I customers are eligible to participate in all the pilots, the costs of which CenterPoint appears to propose to allocate to all C&I customers. Within the Commercial and Industrial Classes there is significant variation in customers gas usage and likely other characteristics. CenterPoint's 2024 annual forecast for its sales customers is shown below to illustrate the differences in the amounts consumed by these rate classes:

Table 2 - CenterPoint Use-Per-Customer (UPC) by Class – 2024 Rate Case[88]

Rate Class	Forecasted Annual Average UPC in Dekatherms
Residential	88.5
Commercial A	78.7
Commercial B	293.6
Commercial C	1,807.6
Commercial C – Transport	1,807.6
Industrial C – Transport	4,983.2
Industrial B	403.4
Industrial C	4,982.2
Large Gen. Serv. (Sales) – Small	46,901.0
Large Gen. Serv. (Sales) – Med.	0.0
Large Gen. Serv. (Trans.) - Small	77,221.0
Large Ge. Serv. (Trans.) – Med.	2,110,060.0
Sm. Dual Fuel A	4,508.0
Sm. Dual Fuel A – Trans.	4,508.0
Sm. Dual Fuel B	17,932.8
Sm. Dual Fuel B Trans.	17,932.8
Large Dual Fuel – System	34,719.0
Large Dual Fuel – System MR	183,501.0
Large Dual Fuel - Transport	103,656.0
Large Dual Fuel – Transport MR	1,024,730.0

The Commission should ensure that CenterPoint appropriately allocates the costs of these projects to the classes of eligible customers, as they will derive the direct benefits of these projects and the learnings are unlikely to provide future benefits for residential customers, small business, and other non-participating customers. For Pilots E, F, L, and R, only the very largest customers

[88] Data taken from Docket No. 23-173, DeMerritt Workpapers, Sched. 10 at 6 (eDocket No. 202311-200113-01).

will be eligible to participate. For example, the average annual usage of the smallest eligible rate class uses an average of 1,807.6 Dth per year—21 times the average annual usage of the smallest commercial customers (Commercial A).[89] While only offering these Pilots to larger customers may be appropriate, non-participating customers who are not eligible for the significant benefits of these Pilots (such as rebates for installation of new equipment, leak reductions creating greater efficiencies etc.), should not have to pay for them. Lumping the smallest commercial customers in with the larger industrial customers in allocating the costs of these pilots is not appropriate.

Some pilots are also likely to have more significant participation from a subset of eligible customer classes. For example, it is possible, or even likely, that Pilot H will cater to commercial customers with larger heating systems that will produce and capture more CO_2 in the CarbinX systems. A small commercial gas customer, who may not even own the heating equipment in a shared commercial building (but may own gas water heating, gas stoves, or other appliances), should not have to pay for a pilot that is primarily benefiting larger commercial and industrial customers. As the pilots roll out, CenterPoint should carefully track participation in these pilots not only for pilot analysis, but also to ensure that costs are allocated to the specific customer classes that benefit from the pilots. For the reasons explained further below, the OAG does not recommend making any cost allocation determinations at this time for Pilot I, as only a feasibility study should be authorized. Should the project move forward, cost allocation should be determined based on the class(es) of customers served by the project.

[89] Data taken from Docket No. 23-173, DeMerritt Workpapers, Sched. 10 at 6 (eDocket No. 202311-200113-01).

B. Recommendations

- Require that CenterPoint 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.
- 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.

VI. THE COMMISSION SHOULD SAFEGUARD RATEPAYER DOLLARS BY DENYING CENTERPOINT'S REQUESTS FOR PRE-APPROVED BUDGET OVERRUNS.

A. Analysis

In initial comments, the OAG, Department, and CUB recommended that the Commission deny CenterPoint's request to exceed its individual pilot budgets by up to 25% percent without further guidance from the Commission. As indicated by CenterPoint's decision to remove Pilot A from its proposal, developments during the five-year plan period could make a pilot project no longer viable or realistic. The removal or discontinuation of such projects should not automatically change the funding parameters for a different project that may or may not be meeting policy goals or delivering net benefits as was represented to and approved by the Commission. In reply, CenterPoint continued to press its case that it should be allowed to shift significant costs between pilots so long as it stays below "the statutory cost cap."[90] The OAG continues to recommend the Commission deny this request for several reasons: (1) CenterPoint appears to request flexibility to exceed its full NGIA budget, not simply shift the costs between individual pilots, which is unreasonable; (2) CenterPoint's invocation of CIP/ECO cost shifting is unavailing; and (3) pilot

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[90] CenterPoint Reply Comments at 14.

budgets are an essential element of the regulatory structure and will not "disrupt[] successful pilot delivery"[91] as CenterPoint suggests.

First, CenterPoint's proposal would not simply cap the budget at the amount the Commission approved but only at the statutory maximum amount.[92] But the NGIA does not require that the Commission approve the maximum amount of customer costs permitted by statute. Instead, the statute limits the amount of customer costs that may be proposed or approved to the lesser of "1.75 precent of the utility gross operating revenues" or "$20 per nonexempted customer."[93] Under CenterPoint's proposal, regardless of the full plan budget the Commission in fact approves, CenterPoint would be limited only by the statutory limit of approximately $106 million.[94] For example, if the Commission only approves $85 million of CenterPoint's requested costs, CenterPoint could exceed all pilot budgets by 25%, spending an additional $21 million without Commission intervention, and still stay within its statutory maximum of approximately $106 million.[95] An up to $21 million cost overrun with no Commission oversight is unreasonable. While the OAG continues to recommend denial of CenterPoint's request for pre-approval of budget overruns, should the Commission authorize some form of shifts between pilot budgets, it

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[91] *Id.* at 16.

[92] CenterPoint Reply Comments at 13–14. When arguing against the OAG's and Department's objection to the plan, CenterPoint claims that the budget flexibility only ensures "that shifts in spending between approved pilots within the Plan are still made pursuant to and consistent with the approved Plan." *Id.* at 15 (emphasis added). *See also id.* at 16 ("There would be an overall cap on exercising the authorized budget flexibility, as the Company would continue to ensure the Plan as a whole, does not exceed the *statutory* cost cap.") (emphasis added). But at other times, CenterPoint clearly states that CenterPoint would only be constrained by its statutory cost cap. *See* CenterPoint NGIA Initial Filing at 19; CenterPoint Reply Comments at 14.

[93] Minn. Stat. § 216B.2427, subd. 3(a). The statute permits additional amounts if related solely to purchase of RNG from specific sources. *Id.*, subd. 3(b).

[94] CenterPoint Reply Comments at 32.

[95] *Id.*

should be clear that the costs cannot exceed those of the "plan" approved by the Commission, not simply the statutory limit.

CenterPoint also claims the cost-cap increase is reasonable because a provision in CIP/ECO that allows utilities to spend up to 25 percent more in any segment (i.e. residential, low-income, commercial/industrial) without the Department's approval. CenterPoint's request is dissimilar from the CIP/ECO regime for several reasons. First, NGIA is a different statute administered by a different state entity. How the Department has chosen to administer the CIP/ECO program should not determine how the Commission administers NGIA. Further, as CenterPoint acknowledges in a footnote, the CIP/ECO flexibility is between "segments" (residential versus commercial) not specific pilots.[96] While CenterPoint states this makes its request more reasonable, the OAG disagrees. The Commission's setting of budgets at the pilot level serve to encourage utilities to behave within cost constraints that are present for companies within competitive markets. Ensuring that the utilities have some skin in the game at the pilot level not only helps contain ratepayer costs, but also incentivizes prudent pilot management to assess the viability of the projects and achieve the policy goals set out within simulated market constraints. For NGIA pilots, this is especially important. As CenterPoint emphasizes that NGIA pilots provide opportunities to test innovative resources "that could help provide a roadmap for wider-reaching programming" and the "NGIA serves an important step in the process to achieving [greenhouse-gas reduction] goals in a cost-effective and equitable manner."[97] Reviewing which pilots appear promising for expansion and which are most cost-effective and equitable will be

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[96] *Id.* at 14 n.49.
[97] *Id.* at 1–2.

made more difficult if CenterPoint is not incentivized to operate as efficiently as possible. For that reason, ensuring appropriate incentives to manage costs *at the pilot level* is paramount.

Last, the Commission should not yield to CenterPoint's threat that utilities will reduce NGIA investments. CenterPoint states "Requiring the Company to request formal modification through the annual NGIA report filing for *any deviation* from individual pilot budget forecasts . . . . [w]ould risk disrupting successful pilot delivery."[98] To be clear, opposing CenterPoint's request to go 25% overbudget on any given pilot does not require it to gain approval for "any deviation from individual pilot budget forecasts." CenterPoint is free to, and should be encouraged to, contain costs to come in under budget, as an entity in a competitive industry would seek to. Commission oversight of pilot budget overruns serves a necessary function to ensure ratepayer dollars are being used reasonably to provide safe and reliable service. As a regulated utility, having to operate within this regulatory structure will not disrupt[] [CenterPoint's] successful pilot delivery. Instead, it is standard practice that regulated utilities know how to operate within.

The OAG recommends that the Commission deny CenterPoint's request to exceed its individual pilot budgets by 25%. CenterPoint remains free to seek guidance from the Commission regarding any budget overruns in annual filings or in other Commission requests.

B. Recommendations

- Deny CenterPoint's request for budget flexibility.
- If the Commission grants CenterPoint's request, clarify that any budget flexibility between individual pilots is capped by the total amount of the approved NGIA plan budget, not simply the statutory cost cap.

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[98] *Id.* at 16.

SUMMARY OF RECOMMENDATIONS

The OAG appreciates the Commission's consideration of the following recommendations:

Pilot C

- Modify Pilot C to not allow CenterPoint to accept bids under its RFP for solely the environmental attributes of RNG. Instead, CenterPoint should only accept bids for procurement and delivery of physical RNG.
- Greenhouse-gas emissions reductions from RNG sources outside of Minnesota should not be considered in Commission findings under subdivision 2(b)(2) and (7).
- Limit CenterPoint's authorized budget for Pilot C to no larger than necessary to bring the low-carbon fuel pilots up to 50% of CenterPoint's NGIA plan. That is, Pilot C's budget should be reduced dollar-for-dollar with the elimination or reduction of any non-low-carbon fuel pilots in the approved plan.

Pilot D

- Reject CenterPoint's proposed hydrogen blending pilot (Pilot D).
- Permit CenterPoint to modify Pilot E to increase the budget by the five-year NGIA budget previously allocated to Pilot D to target larger industrial and commercial customers for power-to-hydrogen projects.

Pilot G

- Modify CenterPoint's NGIA plan to remove Pilot G as it does not qualify as an innovative resource.

Pilot I

- Limit approval of the budget for Pilot I to only the costs of the feasibility study.[99]
- Permit CenterPoint to request modification of Pilot I to include additional costs upon providing further detail, in conjunction with a feasibility study, including but not limited to project cost, location, and technology.

Cost Allocation for Pilot E, F, H, and J through R

- Require that CenterPoint 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.
- 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.

CenterPoint's Proposal to Increase Pilot Budget by 25% Without Commission Approval

- Deny CenterPoint's request for budget flexibility.
- If the Commission grants CenterPoint's request, clarify that any budget flexibility between individual pilots is capped by the total amount of the approved NGIA plan budget, not simply the statutory cost cap.

[SIGNATURE ON NEXT PAGE]

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[99] *See* CenterPoint Initial Filing, Ex. N at Tab CNP14 (CenterPoint appears to estimate that a feasibility study would cost approximately $200,000).

Dated: May 15, 2024

Respectfully submitted,

KEITH ELLISON
State of Minnesota
Attorney General

/s/ Katherine Hinderlie
KATHERINE HINDERLIE
Assistant Attorney General
Atty. Reg. No. 0397325

445 Minnesota Street, Suite 1400
St. Paul, Minnesota 55101-2131
(651) 757-1468 (Voice)
(651) 296-9663 (Fax)
katherine.hinderlie@ag.state.mn.us

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