STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
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In the Matter of a Commission Investigation into Gas Utility Resource Planning	Docket No. G008,G002,G011/CI-23-117
In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals	Docket No. G-999/CI-21-565

Initial Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota ("CUB"), with the assistance of its outside expert, Brad Cebulko of Current Energy Group, submits these Initial Comments in response to the Commission's Notice of Extended Comment Period issued on May 7, 2024.[1] CUB appreciates the time and effort of those who have participated in this docket's ancillary stakeholder process, as well as the staff of the Great Plains Institute ("GPI") for facilitating the discussion, and the PUC staff for working with stakeholders to develop this comment procedure. CUB looks forward to continuing discussions in both this comment period and future stakeholder meetings as the Commission finalizes initial requirements for gas integrated resource planning.

I. BACKGROUND

In February 2023, the Minnesota Public Utilities Commission (the "Commission") determined that gas integrated resource planning was in the public interest and that Minnesota's three largest investor-owned natural gas utilities—CenterPoint Energy Resources Corp. ("CenterPoint"), Northern States Power Company d/b/a Xcel Energy ("Xcel") and Minnesota Energy Resources Corporation ("MERC") (collectively, the "Gas Utilities")—would be required to file regular natural gas Integrated Resource Plans ("gas IRPs").[2]

On April 11, 2023, the Commission initiated the instant docket to establish an initial framework and procedure for gas IRPs.[3] CUB filed an initial comprehensive proposal, followed by an open comment

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[1] *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Notice of Extended Comment Period, Docket No. G008,G002,G011/CI-23-117 (May 7, 2024).
[2] *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Order Requiring Actions To Mitigate Impacts From Future Natural Gas Price Spikes, Setting Filing Requirements, And Initiating A Proceeding To Establish Gas Resource Planning Requirements, Docket No. G-999/CI-21-135 (Feb. 17, 2023) (hereinafter "Feb. 17, 2023 Order"), p. 2.
[3] *In the Matter of a Commission Investigation into Gas Utility Resource Planning,* Notice of Stakeholder Engagement Timeline and Docket Process*,* Docket No. G-008,G002, G011/CI-23-117 (Apr. 11, 2023).

period for parties responding to CUB's Proposal. The Commission held its first hearing on the matter on February 22, 2024, resulting in the Commission's March 27, 2024 Order Establishing a Framework for Natural Gas Utility Integrated Resource Planning (the "Commission's Framework Order").[4] The framework thus far includes an integrated resource planning objective, scope, key guidelines, procedural requirements, and a description of required plan components, such as a description of the planning environment, ten-year sales and greenhouse gas ("GHG") emissions forecasting, a five-year action plan, scenario and sensitivity analyses, supply-side disruption testing, and an Expansion Alternatives Analysis ("EAA").

On May 7, 2024, the Commission issued notice for a second comment period to give parties an opportunity to provide more detailed recommendations regarding the filing requirements and build on the components established in the Commission's Framework Order. MERC, CenterPoint and Xcel each filed a Straw Proposal with additional descriptions of how they proposed to incorporate required components in their initial plans.[5] CUB responds to the Gas Utilities' Straw Proposals below, and provides several additional initial recommendations for the Commission's consideration.

II. ANALYSIS

A. What, if any, additional filing requirements should the Commission adopt for natural gas integrated resource plans (Gas IRPs)?

1. Five-Year Action Plan

Pursuant to the Commission's Framework Order, gas IRPs require an action plan that identifies the specific steps the utility will take to implement its preferred plan over the next five years.[6]

Once a utility has defined which resource mix will best fit its demand forecast and achieve the evaluation criteria set out by the Commission,[7] the five-year action plan describes in more granular detail particular projects the utility hopes to carry out to achieve that resource mix. In its Straw Proposal, Xcel requested additional "high-level details on what would be included in the five-year action plan to level expectations," and recommended including justification of need, resource mix, project scope, construction timeline, and cost estimates.[8] CUB understands Xcel's recommendation to refer to those projects the utility proposes to carry out in the next five years, and that each will have its own justification as to why it's needed, how it contributes to the plans preferred resource mix, an overview of the project's scope, construction timeline, and estimated cost analysis. CUB is supportive

[4] *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G-008,G002, G011/CI-23-117, Order Establishing Framework for Natural Gas Utility Integrated Resource Planning (Mar. 27, 2023) (hereinafter "Commission's Framework Order").
[5] *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G-008,G002, G011/CI-23-117, Xcel Energy Straw Proposal (May 31, 2024) (hereinafter "Xcel's Straw Proposal"); *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G-008,G002, G011/CI-23-117, CenterPoint Energy's Straw Proposal (May 31, 2024) (hereinafter "CenterPoint's Straw Proposal"); *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G-008,G002, G011/CI-23-117, Minnesota Energy Resources Corporation Straw Proposal (May 31, 2024) (hereinafter "MERC's Straw Proposal").
[6] Commission's Framework Order at 11, Ordering Paragraph 50.
[7] *Id*. at 8, Ordering Paragraph 20(a)-(f).
[8] Xcel's Straw Proposal at 5.

of Xcel's proposal. In addition to these high-level requirements, CUB also recommends Gas Utilities be required to include a narrative discussion of equity impacts the project may have.

2. Consideration of Minnesota's 2050 GHG Emissions Reductions Goal

Pursuant to the Commission's Framework Order, "[t]he scope of integrated resource planning considers the State's economy-wide greenhouse gas reduction statutory goals."[9] In making this determination, the Commission noted the Minnesota legislature's recent adoption of a 2050 economy-wide net zero greenhouse gas emissions goal,[10] and stated:

> By enshrining this goal in statute, the legislature signaled that all Minnesota industries should find ways to reduce emissions and achieve this goal. Though the Commission will limit the forecast period to 10 years, the Commission believes this goal is highly relevant to gas resource planning and should inform the utilities' shorter-term goals. The Commission will therefore include the state's economy-wide greenhouse gas reduction statutory goals within the scope of integrated resource planning.[11]

CUB appreciates the Commission's recognition of both the difficulty and importance of incorporating greenhouse gas emission reduction goals into the gas planning process. In its Straw Proposal, Xcel discussed how the Company planned to incorporate consideration of the statutory goals into its integrated resource plan. Xcel's proposed decision option stated:

> Consider the State's economy-wide greenhouse gas reduction statutory goals consistent with Minn. Stat. § 216H.01 and 216H.02 using 2020 as the baseline year. Lifecycle GHG emission factors from filed Natural Gas Innovation Act (NGIA) Plans can also be considered in resource analysis to ensure lower emissions on a lifecycle basis.[12]

Minn. Stat. § 216H.02 uses a baseline year of 2005, not 2020 as proposed by Xcel. However, any baseline year may allow utilities and the Commission to gauge progress toward the net zero by 2050 goal.

We agree with Xcel's proposal to use full lifecycle GHG emission factors when evaluating a resource, although CUB is still considering whether those emission factors should be taken from the utilities' filed NGIA plans. Outside of Xcel's proposed decision option language, however, the Company characterized its consideration of emissions as looking at "in-state, anthropogenic emissions aligned with EPA reporting and other available data."[13] Unlike air pollutants that primarily have local effects, GHG emissions are important because of their global impacts; whether GHG is emitted within or outside Minnesota is of little relevance. CUB recommends expanding utility consideration to both in-state and out-of-state emissions.

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[9] Commission's Framework Order at 7, Ordering Paragraph 4.
[10] *Id.* at 3.
[11] *Id.* at 5.
[12] Xcel's Straw Proposal at 2.
[13] *Id*. at 2.

CUB asks that Xcel, CenterPoint and MERC provide an additional description of *how* emission factors from NGIA plans will be considered in the resource analysis. Furthermore, CUB recommends the Commission also require utilities provide a narrative description of how their preferred plan is estimated to meet the net zero by 2050 goal, or if it is not, why it is still the preferred plan.

3. Environmental Externalities

In addition to the Commission's broad language requiring consideration of the state's greenhouse gas emission goals, the Commission's Framework Order also requires specific consideration of environmental externality costs:

> Utilities should estimate the environmental externality costs of resource options.[14]
>
> Natural gas resource plans shall include the cost of each scenario and sensitivity presenting both the utility's revenue requirement and environmental costs and other externalities to the utility's revenue requirement.[15]

Xcel[16] and CenterPoint both recommend the utilities use the most recent externality values adopted by the Commission in Docket No. E-999/CI-14-643 when estimating the externality costs of resource options.[17] CUB supports this recommendation and agrees that continuing to update the externality cost assumptions with the latest Commission approved values from Docket No. 14-643 will provide an adequate representation of societal impacts. However, CUB also asks that the utilities share additional explanation of how, and to what extent, they intend to incorporate these costs in their plan analyses.

4. Load Forecasting and Scenario and Sensitivity Modeling

The primary objective of integrated resource planning is to analyze and evaluate a variety of resources in order to determine which mix best protects ratepayers, supports the public interest, maintains safe, reliable and affordable service, and advances state policy. Critically, the first step in planning *before* a utility can evaluate different resource mixes is identifying the utility's forecasted future demand. The Commission's Framework Order specifies, "[u]tilities shall provide utility load and customer forecast in their resource plans,"[18] and that utilities must "provide a high, medium, and low load forecast, along with relevant assumptions, in their resource plans."[19] The Gas Utilities are also required to include all information and assumptions used to develop the utility's design day criteria.[20]

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[14] Commission's Framework Order at 8, Ordering Paragraph 17.
[15] *Id*. at 11, Ordering Paragraph 49.
[16] Xcel proposes tying the externality cost assumptions to either the Commission's January 26, 2024 Notice of Final EPA Report on the Social Cost of GHGs in Docket No. E-999/CI-14-643, or to subsequent updates in that docket as referenced by the ECO and NGIA frameworks. Xcel's Straw Proposal at 4. However, the ultimate language proposed by Xcel's decision option reflects the latter, which is also aligned with CenterPoint's recommendation and supported by CUB above. *Id.*
[17] *Id* at 4; CenterPoint's Straw Proposal at 3.
[18] Commission's Framework Order at 10, Ordering Paragraph 39.
[19] *Id.* at 11, Ordering Paragraph 40.
[20] *Id.* at 11, Ordering Paragraph 41.

Once a high, medium and low load forecast have been identified, the utility must then incorporate each of those load forecasts into scenario and sensitivity analyses to evaluate best resource options.[21] At minimum, the utilities shall include an analysis of high, medium, and low natural gas price sensitivities in their resource plans.[22]

CenterPoint's Straw Proposal appears to conflate the process of determining a high, medium and low load forecast with the subsequent analysis to test various resource options that can meet each forecasted load. The Straw Proposal states:

> CenterPoint Energy envisions the current forecast methodology as providing the high range of results to ensure that reliability is met during the coldest winter days, and adequate supply is available year-round to meet customer requirements. . . . The Company envisions medium and low forecast ranges will take additional resources into consideration.[23]

CenterPoint also proposes a clarification to the Commission's Order Point that requires utilities include a high, medium and low load forecast, specifying that "the high load forecast may represent the Company's forecast for design day as provided in their most recent demand entitlement filing, and sales forecast as provided in the most recent rate case."[24]

First, contrary to CenterPoint's characterization, the load forecasts do not, on their own, seek to ensure reliability or explain how the utility will provide adequate supply. Second, *all* forecast scenarios should consider resources in addition to natural gas—not just the medium and low forecasts. Finally, it is unclear whether existing forecasts from the Company's demand entitlement filings would align with the appropriate year and forecast period to be an adequate forecast for gas IRPs. These forecasts should be expected to evolve over time, and gas utilities should rely on the most up-to-date forecast in an IRP. For those reasons, CUB recommends the Commission reject CenterPoint's proposed decision option 40.a.

Regarding scenario and sensitivity analyses, both CenterPoint and Xcel recommend that initial IRPs require only the high, medium and low load scenarios and price sensitivities already included in the Commission's Framework Order.[25] CUB believes this is a sufficient starting point and does not recommend any additional scenarios or sensitivities be prescribed at this time. Xcel proposed a decision option to reflect this recommendation, stating:

> In initial integrated resource plans, utilities shall analyze scenarios and sensitivities as specified in the March 27, 2024 Order in this docket. The Commission may later order additional scenarios and sensitivities.

However, CUB notes that the Commission's Framework Order already identifies that the Commission reserves the ability to require additional scenario and sensitivity analysis in future plans. We therefore

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[21] *Id.* at 11, Ordering Paragraph 45.
[22] *Id*. at 11, Ordering Paragraph 46.
[23] CenterPoint's Straw Proposal at 3.
[24] *Id.* at 3-4 (recommending the addition of new Order Point 40.a.).
[25] Xcel's Straw Proposal at 4.

recommend striking Xcel's last sentence to eliminate redundancy. CUB also emphasizes that, although the Commission may at any time order additional scenario and sensitivity analysis, utilities may also include additional analysis in the plans at their discretion. To incorporate those clarifications, CUB recommends modifying Xcel's proposed decision option as follows:

> In initial integrated resource plans, utilities shall, at minimum, analyze scenarios and sensitivities as specified in the March 27, 2024 Order in this docket. ~~The Commission may later order additional scenarios and sensitivities.~~

5. <u>Modeling Energy Efficiency</u>

The Commission's Framework Order included specific Guidelines regarding how to model energy efficiency in utility gas IRPs, in part:

> Energy efficiency must be treated as an energy resource alongside all other energy resources. Energy efficiency should be included in utility resource analysis and allowed to compete with supply-side and infrastructure resources to determine the optimal level of energy efficiency over the planning period.[26]

The Commission has determined gas utilities will need to incorporate energy efficiency as a resource option within supply-side modeling to determine the most cost-effective level the utility should procure over its five-year plan. On the electric side, Xcel has already begun using this method in the Company's 2020 Upper Midwest Integrated Resource Plan[27] and its most recently filed 2024-2040 Upper Midwest Recourse Plan.[28] Xcel's Straw Proposal also included a description of how the Company anticipated compliance with the Commission's prescribed energy efficiency modeling. The process includes creating multiple energy efficiency achievement scenarios, or "bundles," which are then weighed against all other supply-side resources. Xcel proposes to use a (1) base case scenario, (2) intermediate scenario, and (3) maximum scenario. The base case represents the current program achievement at spending levels included in the Company's current Energy Conservation and Optimization ("ECO") plan.[29] The intermediate scenario includes the incremental costs at higher or lower spending levels and the expected impact of resulting incremental achievement above or below the base case, taking into account changes in rebate levels. The maximum scenario includes incremental costs of a maximum spend level just above the highest intermediate scenario.

Xcel recommended two proposed decision options related to energy efficiency based off of the above process:

> <u>Proposed decision option [1]</u>: To treat energy efficiency alongside all other energy resource options, utility integrated resource plans should evaluate energy efficiency

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[26] Commission's Framework Order at 7, Ordering Paragraph 11.

[27] In the Matter of Xcel Energy's 2020-2034 Upper Midwest Integrated Resource Plan, Docket No. E-002/RP-19-368, Xcel 2020-2034 Upper Midwest Integrated Resource Plan, Appendix G-1 at 32-33 (July 1, 2019).

[28] *In the Matter of Xcel Energy's 2024-2040 Upper Midwest Integrated Resource Plan*, Docket No. 24-67, Xcel 2024-2040 Upper Midwest Resource Plan, Resource Plan Ch. 3 at 4 (Feb. 1, 2024).

[29] Xcel's Straw Proposal at 3.

achievement scenarios including expected program achievement to maximum achievement.

Proposed decision option [2]: The appropriate and cost-effective level of future energy efficiency procurement shall correspond to the maximum program spending level that remains cost-effective when compared to supply-side alternatives.[30]

CUB believes Xcel's methodology sufficiently captures the requirements set out in the Commission's Framework Order for considering energy efficiency, and supports Xcel's proposed decision option subject to a modification that strikes "supply-side" alternatives. This change is to ensure that energy efficiency is not limited to only competing against supply-side alternatives. CUB recommends the decision option read:

Proposed decision option [2]: The appropriate and cost-effective level of future energy efficiency procurement shall correspond to the maximum program spending level that remains cost-effective when compared to ~~supply-side~~ alternatives.

6. Expansion Alternatives Analysis

As part of the integrated resource planning process, the Commission has required the utilities include an Expansion Alternatives Analysis ("EAA") for certain capital investment projects the utility contemplates conducting in the future.[31] An EAA reviews a planned distribution system expansion project to determine whether an alternative, more environmentally friendly and cost-effective investment or activity could be done that would defer, reduce, or avoid the need for that planned project. The Gas Utilities are instructed to proactively identify areas with upcoming capacity needs above a certain cost threshold, to be determined by the Commission in this comment period. For the utilities' first plans, only two to three significant upcoming capacity expansion projects must be reviewed under a full alternatives evaluation.[32]

i. Additional definitions

Xcel, CenterPoint and MERC all proposed definitions seeking to clarify several terms related to the EAA in their Straw Proposals. CUB has no objection to the definitions offered by the utilities, but recommends adding an additional specification that projects that are geographically related and/or interdependent on each other should be considered as a single capacity expansion project for the purpose of determining EAA eligibility above the utility's cost threshold.

We also note a minor modification to Xcel's proposed decision that states, in relevant part:

[30] *Id*. at 3-4.
[31] Commission's Framework Order at 11-12, Ordering Paragraphs 51-54.
[32] *Id.* at 11, Ordering Paragraph 54.

> For the purposes of the natural gas integrated resource plan distribution system analysis, infrastructure costs shall include capital costs the utility would pay to do the project.[33]

Here, Xcel's reference to the "distribution system analysis," should instead read "expansion alternatives analysis."

ii. Eligible projects and cost threshold

Xcel and CenterPoint both included proposals for setting a cost threshold in their Straw Proposals. Xcel suggested $3 million, stating the threshold captures "our significant projects and provides consistency across our jurisdictions."[34] Xcel's service territory in Colorado is already required to complete a nearly identical alternatives analysis process with the project cost threshold set at $3 million in that state.

CenterPoint requested a threshold of $15 million, and noted that "in looking at past projects, CenterPoint Energy would historically have been able to provide analysis on two to three potential projects for a five-year period if an initial project estimate dollar threshold of $15,000,000 was set."[35] CenterPoint also highlighted the Commission's order that each utility conduct EAAs on two to three *significant* upcoming capacity expansion projects in its initial IRP, noting that $15 million represents five percent of the Company's annual capital spending and thus would qualify as a significant project.[36]

MERC did not offer a specific threshold in its Straw Proposal, but asked to defer the decision to after the utility filed its first IRP, so that it can propose a threshold after having been through the EAA process once.[37] MERC further noted that the Company "does not routinely complete expansion projects and therefore has limited relevant experience to draw from."[38] However, according to MERC's most recent rate case, the Company identified $5 million in investments made for "main extensions and new area growth" and $5.4 million in investment made for "new gas services" in 2023 alone.[39] Moreover, within the last five years, MERC has carried out two major expansion projects—the Rochester Natural Gas Expansion Project (the "Rochester Project") and the Worthington Lateral Project (the "Worthington Project")—which the Company identified as "key capital investments . . . that are separate from routine investments."[40] MERC describes the Rochester Project as "an expansion of the transportation capacity and reinforcement of MERC's distribution system in and near the City of Rochester, Minnesota."[41] As of MERC's last rate case, the Company reported spending over $26 million

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[33] *Id.* at 5 (emphasis added).
[34] Xcel's Straw Proposal at 6.
[35] CenterPoint Straw Proposal at 4.
[36] *Id*.
[37] MERC's Straw Proposal at 3-4.
[38] *Id*. at 4.
[39] *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-22-504, Direct Testimony and Schedules of Richard F. Stasik, Rate Case Overview, Capital Investments, Riders, and Compliance, Exhibit__(RFS-D) at 14 (Nov. 1, 2022) (hereinafter "Stasik Direct").
[40] *Id.* at 15-17.
[41] *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-22-504, Direct Testimony and Schedules of Ted F. Prosser,

in actual costs for the project during 2019 to 2022.[42] MERC's Worthington Project began in 2019 and was completed 2020, and included construction of a 12-inch high-pressure steel main that "added capacity [Northern Natural Gas][43] was lacking to meet MERC's firm service demand in the area."[44] MERC incurred capital costs of over $12.7 million related to the Worthington project.[45] CUB identifies these examples to clarify the types of projects we believe qualify under "capacity expansion" investments that are eligible for an EAA when above the to-be-determined cost threshold.

Furthermore, Minnesota Statute § 216B.1638 provides utilities the ability to petition the Commission outside of a general rate case for a rider to be billed to all of the utility's customers to recover the revenue deficiency from a qualifying "natural gas extension project" ("NGEP"). The statute defines NGEPs as "the construction of new infrastructure or upgrades to existing natural gas facilities necessary to serve currently unserved or inadequately served areas."[46] CUB believes any projects a utility seeks to recover through an NGEP rider should be considered as an expansion project and therefore eligible for an EAA when above the determined cost threshold.[47] If MERC does not view any of the above projects as capacity expansion projects, we respectfully request that MERC explain their reasoning in reply comments.

While the initial IRPs only require a complete alternatives analysis on two to three projects, the threshold for picking those projects should not be so high as to only identify two to three eligible projects at the outset. Because the most expensive investments are not necessarily the most promising projects for an alternative analysis, the threshold should be set low enough to allow for consideration of several candidate projects before the final few are selected for complete analysis.

Following the Gas Utilities' submission of their Straw Proposals, parties have since had additional stakeholder discussions on the topic. Through those conversations, CUB understands the Gas Utilities have agreed to provide data on the number of expansion projects each utility has had over the last five years above each of the following thresholds: $1 million, $3 million, $5 million, $10 million and $15 million. This information will allow the utilities, other stakeholders, and the Commission to better understand what a reasonable and workable cost threshold should be to allow a sufficient menu of project options for the utility to choose from in conducting an alternatives analysis.

Service Line Mapping Project, Rochester and Worthington Projects, Farm Tap Project, and Main and Service Extensions, Exhibit__(TFP-D) at 24 (Nov. 1, 2022) (hereinafter "Prosser Direct").

[42] *Id*. at 26-27. CUB understands that this figure represents total project costs such as surveys, easement acquisition, and additional engineering and design work, in addition to actual construction costs.

[43] Northern Natural Gas is contracted with MERC for the service of natural gas to a portion of customers in MERC's Minnesota Service Area. *See In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G011/GR-22-504, Minnesota Energy Resources Corporation's 30-Day Compliance Filing, Attachment B: Tariff and Rate Book, Rate Schedule GS-NNG General Service, 13th Revised sheet No. 5.00 (Nov. 22, 2023).

[44] Stasik Direct at 17; Prosser Direct at 33-34.

[45] Prosser Direct at 35.

[46] Minn. Stat. § 216B.1638.

[47] The Rochester Project costs were partially recovered through MERC's rate case and partially through five NGEP Riders the Company filed over the span of the projects life. Prosser Direct at 27-32.

CUB anticipates making a final recommendation on the question of cost thresholds in reply comments.

iii. Project selection process

Under the above-described approach, once a cost threshold is set and the utility has identified which projects meet the minimum cost requirement, the utility must then identify which subset of the projects will actually undergo the complete EAA. CUB recommends that, at least for initial plans, the utilities work with stakeholders in making this decision. As CUB noted in previous comment periods, a successful alternatives analysis must be robust and expansive, and can take a fair amount of work.[48] In endeavoring to ensure the process makes the best use of resources, we believe stakeholders should be involved as early in the process as possible. CUB hopes the current stakeholder group, facilitated by GPI, can continue and form the foundation for this process, although we recognize the members participating will likely need to evolve over time.

Finally, Xcel recommended that utilities be required to include a narrative discussion of the rationale for the projects selected for the alternatives analysis.[49] CUB supports this recommendation.

B. Which utility should file its plan first and why? When should that plan be filed? When should the other utilities file their plans?

All three Gas Utilities indicated late 2026 as the earliest time by which they could file their first plan with the Commission. As ordered in the first comment period, CUB supports the utilities following a staggered filing schedule.[50] While CUB appreciates both CenterPoint and Xcel's willingness to file the first plan, CUB believes Xcel is in the best position to file first. As dual fuel utility, Xcel already has extensive experience with electric IRPs and the general planning process.[51] Moreover, the Public Service Company of Colorado ("PSCo")—Xcel Energy's Operating Company that services Colorado—has had additional experience with planning on the natural gas side after filing Colorado's required Gas Infrastructure Plan and Clean Heat Plan.[52] Those plans include non-pipeline alternative analyses similar to what will be required of Minnesota utilities in performing an Expansion Alternative Analysis. Again, we believe Xcel's existing experience with these processes will help the utility successfully file the first natural gas IRP in Minnesota.

CenterPoint has also indicated that its ability to file by late 2026 rests on whether the Company can recover certain costs it has requested in its pending rate case,[53] an additional condition Xcel has not required.

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[48] *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G008,G002,G011/CI-23-117, Reply Comments of the Citizens Utility Board of Minnesota at 27-28 (Dec. 29, 2023) (hereinafter "CUB December 29 Reply Comments").
[49] Xcel's Straw Proposal at 6.
[50] Commission's Framework Order at 8, Ordering Paragraph 21.
[51] Xcel Straw Proposal at 5-6.
[52] *See In the Matter of the Gas Infrastructure Plan of Public Service Company of Colorado Filed Pursuant to 4 Code of Colorado Regulations 723-4-4552 of the Commission's Rules Regulating Gas Utilities*, Colorado PUC Docket No. 23M-0234G, Public Service Company of Colorado's Initial 2023-2028 Gas Infrastructure Plan (May 18, 2023).
[53] CenterPoint Straw Proposal at 5.

In consideration of the above reasons, CUB recommends Xcel file the first natural gas IRP in late 2026, followed by CenterPoint in late 2027, and finally MERC in late 2028.

C. For Xcel Energy, what, if any, direction should the Commission give regarding Xcel's analysis and reporting on methane emissions?

On January 26, 2024, the Commission issued an Order in the docket evaluating Xcel's performance-based regulation reports (the "PBR docket"), that, in relevant part, directed Xcel to move reporting of the Company's methane emission information to the instant natural gas IRP docket.[54] This directive included reference to reporting on all methane emissions from Xcel's distribution system, upstream methane emissions, and methane emissions across the full fuel cycle.[55] However, Xcel does not currently report on the upstream or methane emissions across the full fuel cycle based on the Company's position that "adequate data on actual upstream emissions associated with purchased natural gas does not exist" at this time.[56]

CUB asks that MERC, CenterPoint and Xcel provide an update on availability of their upstream methane emissions data in reply comments.

D. Are there any other issues or concerns related to this matter?

1. <u>Order Point Clarification</u>

In reviewing the Commission's Framework Order, CenterPoint and MERC identified a minor clarification needed to the language in Order Point 36. The Order Point describes the requirement for a nontechnical summary and mistakenly requires that utilities provide an analysis of "plan implementation on *electric* rates and bills." CenterPoint and MERC request that the Commission strike the word "electric," and CUB supports this recommendation.[57]

2. <u>Deferred Accounting</u>

MERC requested the Commission approve a path for recovery of the costs incurred by gas utilities in complying with the Commission's Framework Order and carrying out gas integrated resource planning.[58] Specifically, MERC recommends the Commission allow deferred accounting of the Gas IRP costs, as the Company claims it is "unique, will require rate-making flexibility and will require the Minnesota gas utilities to dedicate significant resources to this effort."[59]

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[54] *In the Matter of the Commission Investigation to Identify and Develop Performance Metrics and, Potentially, Incentives for Xcel Energy's Electric Utility Operations*, Docket No. E-002/CI-17-401, Order Accepting 2021 and 2022 Reports, Suspending Decisions on Baselines and Targets, and Modifying Reporting Requirements at 6, Ordering Paragraph 9 (Jan. 26, 2024).
[55] *Id.*
[56] Xcel's Straw Proposal at 7.
[57] CenterPoint's Straw Proposal at 3; MERC's Straw Proposal at 4.
[58] MERC's Straw Proposal at 4.
[59] *Id.* at 4-5.

In determining whether to allow deferred accounting, the Commission has generally reviewed four factors: whether the costs are (1) unusual, unforeseeable, and/or extraordinary, (2) financially significant in amount, (3) related to utility operations, and (4) likely to provide or did provide ratepayer benefit.[60] CUB disagrees that gas IRPs present an unusual, unforeseeable or extraordinary cost and thus believes MERC's request for deferred accounting should be denied.

MERC attempts to define IRP costs as "unusual, extraordinary or unforeseen," based on the fact that they "are not being recovered in current rates and are necessary to implement the Gas IRP."[61] Currently, the earliest the first utility plan is contemplated for filing is late 2026. CUB has recommended MERC be last to file, and that such filing not take place until late 2028. Under this schedule, MERC would have four years before the Company is required to file their first plan—meaning these costs are not unforeseeable. MERC further notes:

> The intent of the deferral is not to match costs with benefits, but to preserve the possibility for the utility to recover costs in a future rate case that have been incurred outside the test year used to establish rates. Because the use of deferred accounting for such a purpose is an exception to normal utility ratemaking concepts and general business accounting principles, it should be used with caution.[62]

Gas IRPs are to be filed on a regular, three-year basis, and so are not unusual or extraordinary, nor should costs associated with them be recovered through a process that is "an exception" to general business and accounting principles.[63] The mere fact that a cost has not been recovered through a rate case before does not make it extraordinary and eligible for deferred accounting—particularly when such costs are incurred to comply with a newly developed requirement that will apply on a recurring, cyclical basis moving forward.

Moreover, the Commission has previously denied requests for deferred accounting where the costs were not financially significant, or the utility failed to provide an adequate sense of the scale or scope of the costs.[64] For example, the Commission has previously found that utilities seeking deferred accounting treatment for matters involving $1.8 million, $2.9 million,[65] and $28 million,[66] in costs did not demonstrate that the "magnitude of the costs" would "have a significant impact on the utility's

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[60] See generally, *In the Matter of Deferred Accounting Treatment of Costs Related to the 2008 Flood*, Docket No. E,G001/M-08-728, STAFF BRIEFING PAPERS at 3 n. 2 (Feb. 26, 2009); *In the Matter of 2019 Ann. Revenue Decoupling Evaluation Rep. & Revenue Decoupling Mechanism Adjustment Calculation*, No. G-011/M-20-332, Commission Agreement and Adoption of the Department of Commerce's Comments at 13-14 (Mar. 8, 2021).
[61] MERC's Straw Proposal at 6.
[62] *Id*. at 5 (*quoting In the Matter of Deferred Accounting Treatment of Costs Related to the 2008 Flood*, Docket No. E,G001/M-08-728, STAFF BRIEFING PAPERS at 2-3 (Feb. 26, 2009)).
[63] Commission's Framework Order at 8, Ordering Paragraph 21.
[64] *In the Matter of the Petition for Approval of Deferred Accounting Treatment of Costs Related to the Cancelled Sutherland Generating Station Unit 4*, Docket No. E-001/M-09-336, Order Denying Petition for Deferred Accounting Treatment (Dec. 18, 2009).
[65] *In the Matter of the Petition of Northern States Power Company for Approval of Deferred Accounting for Manufactured-Gas-Plant Cleanup Costs*, Docket No. G-002/M-17-894, Order Denying Petition for Deferred-Accounting Treatment at 2-3 (Oct. 17, 2018) (denying Xcel's request for deferred accounting on two projects, one for $1.8 million and one for $2.9 million).
[66] *In the Matter of Xcel Energy's Petition for Deferred Accounting for Property Tax Costs*, Docket No. E-002/M-11-1263, Order Denying Petition at 4-5 (July 16, 2012).

financial condition." Although the Commission has stated that "in each case the Commission must decide whether the specific facts and circumstances support a finding of good cause" to allow for deferred accounting, these past cases provide an idea of what the Commission considers a "significant cost."[67]

MERC has provided no indication of the actual costs the Company expects to incur and seek to recover through deferred accounting. As the Commission is unable to weigh the scope or scale of such costs, it is, at minimum, premature for the Commission to approve MERC's request for deferred accounting now.

CUB recommends denying MERC's request to allow deferred accounting for gas integrated resource planning costs.

E. Equity

The Commission's notice for comment in the instant comment period specifically outlined several questions for parties to respond to regarding equity. CUB appreciates the Commission's commitment to considering these issues and actively seeking input from the public. As CUB, the Clean Energy Organizations ("CEOs"), and other parties have detailed in the previous comment period, gas IRPs present a unique and critical opportunity to discuss and evaluate concerns related to equity and the distribution of energy burdens across customers on the gas system.[68]

Of primary concern is the impact transitioning from natural gas to alternative energy sources may have on low-income and vulnerable households, renters and communities of color. Efforts to decarbonize natural gas assuredly means a decrease in the size of the gas system. At the same time, cost of existing natural gas infrastructure—often with lifespans of 30-40 years—will continue to be paid off by those customers who remain on the gas system.

If this transition takes place without policy intervention, the gas system may be left with a shrinking customer demand and increased rates to pay for those long-term investments. Critically, in the face of high upgrade and electrification costs and other barriers to installation, low-income households and renters are most likely to remain on the gas system for longer, meaning costs could increase—possibly drastically—for already vulnerable customers.

For these reasons, managing any future changes to the gas system is an integral role of the gas integrated resource planning process, and fertile ground for considering ways in which utility policies and programs can proactively address these equity concerns.

As noted previously in Section II(A)(i), CUB recommends utilities include a narrative discussion of equity impacts each project identified in the five-year action plan might have. We also believe the

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[67] *Id.* at 4.

[68] *See In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G008,G002,G011/CI-23-117, Proposal of the Citizens Utility Board of Minnesota at 7, 18 (Oct. 24, 2023) (hereinafter "CUB October 24 Proposal"); *In the Matter of a Commission Investigation into Gas Utility Resource Planning,* Docket No. G008,G002,G011/CI-23-117, Initial Comments of the Clean Energy Organizations at 10-13 (Nov. 30, 2023) (hereinafter "CEOs November 30 Initial Comments").

alternatives analysis process provides a critical opportunity for incorporating equity considerations into the integrated resource plans. Specifically, the selection of projects for EAAs should consider the disparate impacts of gas system emissions on various communities, and whether low- and moderate-income households will benefit from an alternative (through bill savings, air quality improvements, or other direct benefits).

CUB recommends that utilities engage diverse communities within its service territory in the identification of potential projects for EAAs and the selection of the two or three projects on which EAAs will be conducted.

CenterPoint included in its Straw Proposal that it looks to "evaluate ways to incorporate public data and mapping tools for low-income residents or disadvantaged communities in this IRP process."[69] CUB appreciates this consideration by CenterPoint and supports the use of mapping tools in gas planning to identify vulnerable communities and better understand the impact of utility decisions.

CUB notes that currently, Xcel has a proposal before the Commission to utilize U.S. Census data on income combined with the Company's data on individual customer bills to identify customers with high energy burdens to be eligible for an automatic bill credit pilot.[70] Xcel's petition in that docket includes several examples of currently available interactive maps and screening tools.[71] This includes an interactive map created by Xcel of the utility's service territory, containing certain reliability and service quality data overlaid with low-income program participation and U.S. Census Bureau data.[72] In particular, this type of data would seem especially beneficial when applied to new project proposals in the five-year plan as well as in the expansion alternatives analysis project selection process.

One example for use in the EAA that CUB highlighted in our previous comments is clustered electrification:

> Geographically targeted, or clustered, electrification is the process of grouping customers together for wider electrification efforts simultaneously rather than moving solely on an individual, customer-by-customer basis. . . . If a utility is able to map its planned distribution system investments overlaid with data identifying disadvantaged communities, it can help focus electrification in those communities—both on a scale that is cost-saving and that potentially avoids the expense of additional gas distribution system investments.[73]

For these reasons, CUB recommends incorporating this type of mapping information in both the five-year action plan, where the utility discusses equity impacts of a proposed project, and in the EAA section of the utility's plans.

[69] CenterPoint's Straw Proposal at 7.
[70] *In the Matter of Efforts to Advance Workforce Diversity, Inclusive Participation, and Equitable Access to Utility Services for Xcel Energy*, Petition for an Automatic Bill Credit Pilot Program, Docket Nos. E002/M-22-266, E002/RP-19-368 (Apr. 16, 2024) (hereinafter "Xcel Automatic Bill Credit Petition").
[71] *See, e.g., Id*. at 5, n. 4-7.
[72] *See*, Xcel Energy MN Electric Service Quality Interactive Map, ARCGIS, available at https://www.arcgis.com/apps/webappviewer/index.html?id=6b87f4d407864b939bcea05aad05bdd1.
[73] CUB October 24 Proposal at 37.

MERC suggested that the gas IRP process could consider how to enhance access to job opportunities in utility industry career areas.[74] Recently, in conjunction with a new project to construct the Company's Sherco Solar facility, Xcel developed a new workforce training program called Power Up.[75] The program specifically prioritizes increasing diversity of trade workforce through outreach and training to people of color, women and veterans.[76] The program provides education and job placement opportunities into union apprenticeships or energy-related construction jobs, leveraging a partnership with the Minnesota Department of Employment and Economic Development for expertise in training program oversight. This is one example of how workforce programs can be considered and incorporated into new projects, with equity at the forefront.

Notably, an Equity Stakeholder Advisory Group convened by Xcel[77] to specifically consider equity in electricity service identified "workforce and supplier diversification" as one of the primary core priorities they saw as a strategy to improve equity.[78] This type of programming is critical to addressing underline causes of undue energy burden to families—a mounting concern as Minnesotans continue to see households face economic hardship that makes paying monthly bills difficult.[79] Again, these workforce considerations would be particularly key considerations when reviewing projects in the five-year plan, and potential projects under the EAA.

CUB looks forward to reviewing comments from other parties on how equity may be incorporated into gas IRPs. We hope that the discussion will continue to expand as new opportunities are identified for ways to approach this critical topic of growing concern throughout gas planning and a potential energy transition.

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[74] MERC's Straw Proposal at 7.

[75] *See* Xcel Energy Power Up Program, Minn. Dept. of Employment and Economic Development, available at https://mn.gov/deed/programs-services/adult-career-pathways/grants/xcel-powerup/.

[76] *Id.*

[77] The Equity Stakeholder Advisory Group (ESAG) was convened by Xcel pursuant to the Commission's Order in Docket Nos. E002/M-22-266 and E002/RP-19-368.

[78] Xcel Automatic Bill Credit Petition at 2-3.

[79] Nick Williams and Mary Jo Webster, *Minnesota Household Income Continues to Decline, Putting More Families in Need*, Star Tribune (Sept. 14, 2023), available at https://www.startribune.com/minnesota-household-income-continues-to-decline-putting-more-families-in-need-food-groceries-poverty/600304505/.

III. CONCLUSION

CUB is grateful for the many hours of work and stakeholder engagement parties have contributed to the docket thus far. While CUB has provided initial recommendations outlined in this comment, we look forward to reviewing the comments of other parties before finalizing our recommendations in reply. We thank the Commission for the opportunity to provide these comments.

Respectfully submitted, June 28, 2024

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