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PO Box 59038
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August 23, 2018

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2147

**RE: Petition by CenterPoint Energy to Introduce a Renewable Natural Gas Pilot Program
Docket No. G-008/M-18-_____**

Dear Mr. Wolf:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, ("CenterPoint Energy" or the "Company") respectfully submits the following petition to introduce a five-year Renewable Natural Gas (RNG) pilot program (Pilot). If approved, the Pilot will be a voluntary green tariff offering that allows customers to purchase all or a portion of their natural gas from RNG sources.

The Pilot program participants will pay an extra fee to purchase a portion or all of their gas from RNG sources. Administrative and marketing costs for the program will be recovered, in part, from Pilot participants and will be, in part, deferred until the conclusion of the five-year pilot. The Company is also proposing a modest utility shareholder incentive, to be incorporated into the program charge.

In order to facilitate the Pilot offering, CenterPoint Energy is proposing to purchase a small amount of RNG for its general portfolio, the cost of which the Company proposes to recover from all customers through ordinary gas commodity charges. The purchase of RNG for CenterPoint Energy's general portfolio is intended to enable the Pilot offering by ensuring that the overall quantity of RNG purchased is sufficient to attract the interest of suppliers.

If approved by the Public Utilities Commission, the Pilot would be among the first such programs offered by an American gas utility. It would further Minnesota policy goals to increase the proportion of the state's energy derived from renewable resources, and it would answer customer demand for renewable energy options.

RNG is significantly more expensive than conventional natural gas, and the markets for RNG, for use by natural gas distribution utilities, are underdeveloped relative to markets for renewable electricity. Therefore, CenterPoint Energy believes that a voluntary renewable option is a logical first step to developing a stronger RNG market. By aggregating the demand of interested customers the Company hopes to help grow the RNG industry, in the same way that voluntary renewable electric programs helped support the early development of the renewable electricity market.

Please note that this filing is available through the eDockets system maintained by the Minnesota Department of Commerce and the Minnesota Public Utilities Commission. Access this document by going to eDockets through the websites of the Department of Commerce or the Public Utilities Commission or going to the eDockets homepage at <https://www.edockets.state.mn.us/EFiling/home.jsp>.

Please contact me at (612) 321-4613 or nick.mark@centerpointenergy.com with any questions.

Sincerely,

/s/ Nick Mark

Nick Mark
Manager, Conservation & Renewable Energy Policy

C: Service List

One Page Summary of Filing Required by Minnesota Rules 7829.1300, Subpart 1

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, (CenterPoint Energy) submits a Petition for approval of a five-year pilot renewable natural gas program. The proposed program is a voluntary green tariff program through which CenterPoint Energy customers may subscribe to purchase all or a portion of their natural gas from renewable natural gas sources for an additional fee. The Company is also proposing to add a small amount of renewable natural gas to CenterPoint Energy's general gas portfolio in support of the pilot offering.

CenterPoint Energy requests in this filing that the Minnesota Public Utilities Commission (Commission) approve the proposed program design and authorize CenterPoint Energy to collect additional revenues for the proposed program. The Company also requests to defer certain marketing and administrative expenses until the conclusion of the pilot, at which point the Company will propose a plan for recovery of the deferred expenses.

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

Erica R. Larson, being first duly sworn on oath, deposes and says that she is an employee in the office of CenterPoint Energy, Minneapolis, Minnesota 55402, and that on the 23rd day of August 2018, she delivered the enclosed notice of filing to those individuals and agencies listed on the attached pages, by:

 x placing such notice in envelopes, properly addressed with postage paid, and depositing the same in the United States Mail at Minneapolis, Minnesota, for delivery by the United States Post Office,

 personal service,

 express mail,

 delivery service,

 x electronic filing.

 /s/ Erica R. Larson
Erica R. Larson

Subscribed and sworn to before me
This 23rd day of August 2018.

 /s/ Melodee Sue Carlson Chang
Melodee Sue Carlson Chang
Notary Public (Commission Expires January 31, 2019)

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STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Nancy Lange
Dan Lipschultz
Matt Schuerger
Katie Sieben
John Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by CenterPoint Energy
To Introduce a Renewable Natural Gas Pilot Program

Docket No. G-008/M-18-_____

PETITION

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, (“CenterPoint Energy” or the “Company”) respectfully submits the following petition to introduce a five-year Renewable Natural Gas (RNG) pilot program (Pilot). If approved, the Pilot will be a voluntary green tariff offering that allows customers to purchase all or a portion of their natural gas from RNG sources.

The Company’s vision for the Pilot is similar in concept to electric green tariff programs (for example, Xcel Energy’s Windsource®): customers would opt in to purchase all or a portion of their natural gas from renewable sources for an additional price. The Company would recover the additional commodity cost of RNG sold to Pilot participants through program fees. The Pilot would be open to all CenterPoint Energy Minnesota customers receiving sales service and not in arrears on payments owed to CenterPoint Energy.

However, as discussed in more detail below, CenterPoint Energy’s proposed program will differ in certain aspects from traditional electric green tariff offerings. One of these differences is that the Pilot will ask customers to select their participation level in terms of a maximum dollar amount purchase rather than to specify a certain volume of gas or percentage of use. Administrative and marketing costs for the program would be recovered, in part, from Pilot participants and would be, in part, deferred until the conclusion of the five-year pilot.¹ The Company is also proposing a modest utility shareholder incentive, to be recovered through the Pilot rate.

¹ Inclusion of marketing and administrative costs in program charges is not unusual for offerings that go beyond the traditional utility model in order to meet important public policy goals; the Company’s proposed tracking mechanism is similar to mechanisms used to track expenses associated with electric green-tariff programs, *see e.g. In the Matter of the Petition of Northern States Power Company for Approval of a Voluntary Renewable Energy Rider*, Docket No. E-002/M-01-1479, Compliance Report and Semi-Annual Tracker Account Report, Attachment A (May 1, 2018), Conservation Improvement Programs, *see e.g. CenterPoint Energy’s Corrected 2017 Conservation Improvement Program Status Report*, Docket No. G-008/CI-10-111 *et al.*, p. 45 (May 18, 2018), and electric vehicle

In order to facilitate the Pilot, CenterPoint Energy is proposing to purchase a small amount of RNG for its general portfolio, the cost of which the Company proposes to recover from all customers through ordinary gas commodity charges. CenterPoint Energy understands from potential RNG suppliers that contracts for purchase of RNG below certain volumes are likely to be less favorable in terms of cost, if indeed they can be negotiated at all. The purchase of RNG for CenterPoint Energy's general portfolio is intended to enable the Pilot by ensuring that the overall quantity of RNG purchased is sufficient to attract the interest of suppliers.

If approved by the Public Utilities Commission, the Pilot would be among the first such programs offered by an American gas utility. It would further Minnesota policy goals to increase the proportion of the state's energy derived from renewable resources, and it would answer customer demand for renewable energy options.

RNG is significantly more expensive than conventional natural gas, and the markets for RNG, for use by natural gas distribution utilities, are underdeveloped relative to markets for renewable electricity. Therefore, CenterPoint Energy believes that a voluntary renewable option is a logical first step to developing a stronger RNG market. By aggregating the demand of interested customers the Company aims to help grow the RNG market, in the same way that voluntary renewable electric programs helped support the early development of the renewable electricity market.

This petition contains the following sections:

- I. Information Required by Minnesota Rule 7829.1300 and Service List Request under Minnesota Rule 7829.0700;
- II. Renewable Natural Gas Overview;
- III. Status of Renewable Natural Gas Policy and Markets in the United States;
- IV. Program Proposal Furthers State Policy Goals;
- V. Customer Interest in Renewable Natural Gas;
- VI. Proposed Program Design;
- VII. Proposed Addition of Renewable Natural Gas to General Gas Portfolio;
- VIII. Tracking, Reporting, and Customer Notification;
- IX. Timeline;
- X. Justification of a Modest Utility Incentive;
- XI. Request for Expense Deferral;
- XII. Conclusion; and
- XIII. Attachments.

offerings, see e.g. *In the Matter of Minnesota Power's Petition for Approval of Residential Off-Peak Electric Vehicle Service Tariff*, Docket No. E-015/M-15-120, 2018 Compliance Filing and Proposed EV Tariff Modification, p. 10 (June 1, 2018).

I. Information Required by Minnesota Rule 7829.1300 and Service List Request under Minnesota Rule 7829.0700

Minnesota Rule 7829.1300 Subparts 1 and 2: Summary of Filing

A one-page summary of this filing was included following the cover letter and served on the general service list.

Minnesota Rule 7829.1300 Subpart 3 (A): The name, address, and telephone number of the utility

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, a
Delaware Corporation
505 Nicollet Mall
PO Box 59038
Minneapolis, Minnesota 55402
(612) 372-4664

Minnesota Rule 7829.1300 Subpart 3 (B): The name, address, and telephone number of the attorney for the utility

Steven C. Clay, Senior Counsel
505 Nicollet Mall
Minneapolis, Minnesota 55402
(612) 321-4606

Minnesota Rule 7829.1300 Subpart 3 (C): The date of the filing and the date the proposed rate or service change will take effect

Date Filed: August 23, 2018
Effective Dates: September 15, 2019

Minnesota Rule 7829.1300 Subpart 3 (D): The statute that the utility believes controls the timeframe for processing the filing

CenterPoint Energy is unaware of any statute or rule that controls the timeframe for processing this filing. The Company proposes a timeline for Commission action and implementation of the program described in this filing in Section IX.

Minnesota Rule 7829.1300 Subpart 3 (E): The signature and title of the utility employee responsible for this filing

/s/
Nick C. Mark

Manager, Conservation & Renewable Energy Policy
(612) 321-4613

Minnesota Rule 7829.1300 Subpart 3 (F): A description of the filing, its impact on rates and services, its impact on any affected person, and reasons for the filing

The body of this filing includes the required content.

Minnesota Rule 7829.0700 Service List Request

CenterPoint Energy requests that the following employees be included in the service list for this proceeding.

Nick Mark
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II. Renewable Natural Gas Overview

Renewable Natural Gas (RNG) is methane produced from any of a number of biomass sources and processed to remove impurities in order to meet pipeline quality standards.² RNG can then be transported via existing natural gas pipelines and substituted for any end use for which conventional natural gas is used. Because RNG is interchangeable with conventional natural gas, it represents an opportunity to reduce fossil fuel consumption in natural gas end uses like space heating while leveraging existing natural gas transmission, storage, and distribution infrastructure. RNG is typically produced by diverting an existing waste stream; common sources include animal manure, wastewater treatment plants, food processor waste, and landfills. While the greenhouse gas (GHG) reductions associated with RNG vary depending on the source, substituting RNG for natural gas represents a significant (40 percent or more) carbon emissions reduction and, in some cases, results in net negative emissions.³ A summary

² RNG is also referred to as biomethane. Biogas is the term used for raw, un-refined biogenic methane which contains significant impurities which must be removed before the gas can be introduced to pipelines. To prevent potential confusion between the terms biomethane and biogas, this document avoids the use of the term biomethane in favor of RNG.

³ The main factor driving the variation in emissions is what would happen to the methane were it not processed for use as RNG. Gas that would otherwise be flared (as is common with landfill gas) represents a smaller reduction in

of the lifecycle impact assessments certified by the California Air Resources Board indicated that, on average, RNG produced from landfills is 44 percent less carbon intensive than natural gas, RNG produced from wastewater sludge is 77 percent less intensive, and RNG produced from anaerobic digestion of food and green waste and from dairy manure is more than 100% less intensive.⁴

Due to the variety of potential sources of RNG, estimating the size of the total resource is difficult; no centralized database for RNG production currently exists. However, an assessment performed by the National Renewable Energy Laboratory (NREL) estimated the potential at about 756 billion cubic feet (BCF) per year from four anaerobic digester feedstocks (wastewater treatment, landfills, animal manure, and industrial, institutional, and commercial organic waste). A study conducted by the American Gas Foundation (AGF) estimated potential RNG from thermal gasification of lignocellulosic feedstocks at between 612 and 1,563 BCF per year. The high end of the potential RNG resource from all sources estimated by the AGF study was about 2.4 trillion cubic feet per year.⁵ This volume of methane would be equal to roughly ten percent of current annual US natural gas consumption; CenterPoint Energy's Minnesota service area throughput averages about 160 BCF per year.

III. Status of Renewable Natural Gas Policy and Markets in the United States

Currently there are two primary policy tools driving the production of RNG, both of which focus on increasing the use of RNG as a vehicle fuel. The California Low Carbon Fuel Standard (LCFS) sets limits on emissions from vehicle fuels and allows RNG producers to create emission reduction credits used for compliance. Depending on the source of RNG, the value of these credits can range between \$5 and \$25 per thousand cubic feet (MCF); this value is in addition to the commodity value of the gas itself. The federal Renewable Fuel Standard (RFS) also creates a system of credits, Renewable Identification Numbers (known as RINs) for which RNG can be eligible; as with the LCFS, the source of the RNG can affect the resulting RIN value. Importantly, the same unit of RNG can qualify for both the LCFS and the RFS, significantly increasing its value. Combined, these two policies result in a total value for RNG that is currently averaging around \$35 per MMBTU, of which only around \$4 is represented by the commodity value of the gas.⁶

emissions, while gas that would have been released to the atmosphere as methane (e.g. from a manure lagoon) represents a dramatic reduction due to the greater climate impact of methane as compared to carbon dioxide.

⁴ Rebecca Gasper and Tim Searchinger, *The Production and Use of Renewable Natural Gas as a Climate Strategy in the United States*, World Resources Institute (April 2018) available at <http://www.wri.org/publication/renewable-natural-gas>. Emissions reductions from RNG obtained from certain sources can be greater than 100 percent if the production of RNG represents the capture of methane that would otherwise be released to the atmosphere.

⁵ NREL and AGF studies as summarized in Pye Russell, Dana Lowell, and Brian Jones *Renewable Natural Gas: The RNG Opportunity for Natural Gas Utilities*, M.J. Bradley & Associates (April 2017) available at <https://www.mjbradley.com/reports/renewable-natural-gas-rng-opportunity-natural-gas-utilities>.

⁶ Based on conversations CenterPoint Energy has had with RNG suppliers. RIN and LCFS values can fluctuate and the market is relatively illiquid, so accurate and timely pricing can be difficult to obtain outside of an active solicitation for purchase.

Other policies have focused on the use of biogas for electric generation (sometimes refined to RNG and sometimes burned in its raw form at the point of production).⁷ CenterPoint Energy is not aware of any policies, either at the state or federal level, to promote RNG use in the residential, commercial, or industrial sectors. If approved, the Pilot would be one of the first RNG programs of its kind offered by an American gas utility.⁸

In contrast, policies and programs promoting renewable electricity for use in homes and businesses have existed for decades. The first voluntary renewable power programs were introduced over twenty years ago,⁹ and electric utilities in 37 states now offer voluntary green pricing programs.¹⁰ In Minnesota, Xcel Energy, Minnesota Power, Otter Tail Power Company, and dozens of other utilities offer voluntary green pricing programs to their customers.¹¹ In addition, spurred by statutes and Commission Rules,¹² Minnesota electric utilities are including increasing amounts of renewable generation in their general portfolios.¹³

As a result of these policies and programs, there exist relatively well-established markets for the buying and selling of renewable electricity and its attributes. The markets for the purchase and sale of RNG, for non-transportation uses, is comparatively underdeveloped. For example, CenterPoint Energy is unaware of any environmental certification standard analogous to the renewable standards administered by Green-e¹⁴ or any tracking system similar to the Midwest Renewable Energy Tracking System (M-Rets) for non-transportation RNG.¹⁵ However, M-RETS and CenterPoint Energy are discussing possibilities for collaboration if the Pilot proposal receives Commission approval.

IV. Program Proposal Furthers State Policy Goals

Minnesota has a goal to derive 25 percent of its total energy from renewable energy resources by the year 2025.¹⁶ While the electric sector has made significant progress toward this goal, other sectors have

⁷ In Minnesota, for example, both the Methane Digester Loan Program (Minn. Stat. § 41B.049) and the Renewable Energy Production Incentive (Minn. Stat. § 216C.41) specifically and exclusively provide support for projects that generate electricity.

⁸ Attachment C describes other utility RNG programs in the United States and Canada of which CenterPoint Energy is aware.

⁹ Environmental Protection Agency, History of Voluntary Markets, <https://www.epa.gov/greenpower/history-voluntary-markets>.

¹⁰ National Renewable Energy Laboratory, Voluntary Green Power Procurement, <https://www.nrel.gov/analysis/green-power.html> (number of states included in the “utility green pricing programs” spreadsheet).

¹¹ Attachment C briefly describes some renewable energy programs offered by Minnesota electric utilities.

¹² See e.g., Minn. Stat. § 216B.1691.

¹³ See Minnesota Department of Commerce, Minnesota Renewable Energy Year in Review 2016, available at <http://mn.gov/commerce-stat/pdfs/2016-renewable-energy-update.pdf> (describing the status of renewable generation in Minnesota generally and by utility).

¹⁴ Green-e is a program of Center for Resource Solutions a global leader in clean energy certification.

¹⁵ M-RETS is a non-profit organization with a mission of validating the environmental attributes of energy to serve as a trusted centralized gateway to environmental markets. M-RETS maintains a web-based system that facilitates the transfer and tracking of electric Renewable Energy Certificates.

¹⁶ Minn. Stat. § 216C.05, Subd. 2.

not.¹⁷ Developing renewable options for natural gas end uses will support the achievement of the state's policy goal and create opportunities for the residential, commercial, and industrial sectors to participate in the transition toward renewable energy sources. In addition, substituting RNG for conventional natural gas may lead to substantial GHG emissions reductions (though quantifying GHG reductions will depend upon the source of RNG).

V. Customer Interest in Renewable Natural Gas

Many CenterPoint Energy customers would be willing to pay more for RNG. While preparing this proposal, CenterPoint Energy conducted two customer surveys to gauge interest in an RNG offering. The first survey, conducted in December 2017, received responses from 605 residential customers and 79 commercial customers; the second survey, conducted in April 2018, received responses from a separate set of 945 residential customers. In both surveys, roughly half of the respondents indicated that they would probably or definitely be willing to pay an extra charge for RNG.¹⁸ Most respondents indicated that the amount extra they would be willing to pay was between \$5 and \$25.

There are many reasons that customers may be interested in RNG. The surveys indicated that many customers may prefer RNG because they recognize it has environmental benefits as compared to conventional natural gas. Other customers may wish to support domestic energy production, improved waste management, a new revenue source for American farmers, or domestic job creation.¹⁹ The surveys also indicated that a significant portion of customers are unfamiliar with RNG or have questions about it; accordingly, part of the Pilot's marketing and implementation will be focused on educating and informing customers about RNG, as well as the program itself.

VI. Proposed Program Design

A. Pricing

The price the Company charges customers for Pilot RNG (Pilot Charge) will have the following components:

- (1) the price that the Company pays for RNG supply including the cost of any renewable attributes or credits that are bundled with the purchased RNG supply (RNG Commodity Price);
- (2) The Program Charge, consisting of:
 - a. a charge to collect a portion of the program's administration and marketing costs; and
 - b. a modest shareholder incentive.

¹⁷ Minnesota Department of Commerce, Minnesota's 2025 Energy Action Plan, <https://mn.gov/commerce/policy-data-reports/energy-data-reports/mn-action-plan.jsp>.

¹⁸ 49 percent of respondents to the first survey, and 56 percent of respondents to the second survey, stated that they would probably or definitely be willing to add an extra charge to their monthly bills for RNG.

¹⁹ See Renewable Natural Gas, American Gas Association, <https://www.aga.org/research/reports/renewable-natural-gas-rng/>.

As discussed in Section VIII, the Company will track Pilot expenses and revenues and provide expense and revenue information to the Commission and other interested parties annually; the Company also proposes to request approval for adjustments to the Pilot Charge on an annual basis. The Company has received indicative pricing from potential suppliers suggesting that \$3.50 per therm is a reasonable estimate for current RNG commodity prices; the Company has used this figure in estimating the total Pilot Charge. However, as discussed more fully in Section VI.E, CenterPoint Energy does not plan to finalize the RNG Commodity Price until after it has obtained Commission approval for the Pilot proposal and completed some initial RNG procurement.

The Company will set the Program Charge such that the RNG Commodity price is at least 90 percent of the customer's total Pilot Charge.²⁰ Thus, the Program Charge will depend on the final RNG Commodity Price. If the RNG Commodity Price is \$3.50 per therm, the Program Charge could be no more than \$0.38889 per therm. As discussed more fully in Section X, the Company is proposing a shareholder incentive of \$0.10 per therm of RNG sold through the Pilot. Subtracting the shareholder incentive from the maximum Program Charge leaves \$0.28889 per therm to put toward marketing and administrative costs. Based on initial participation estimates, the Company estimates that the Program Charge will provide approximately \$40,000 for marketing and administrative expenses in the first year of program operation, increasing to approximately \$85,000 per year as the program matures and participation grows.

The Company expects that, particularly in the early stages after launch, the revenue collected through the Program Charge will be less than the administrative and marketing expenses incurred. The Company will incur incremental one-time start-up costs prior to and during the first year of program implementation including, for example, costs to develop a program website and costs to modify CenterPoint Energy's billing system to accommodate the new customer option. The Company notes that the benefits of incurring these one-time start-up costs are not limited to the first year of program operation and it is therefore appropriate to spread out recovery over the length of the pilot program. The Company estimates it will incur approximately \$390,000 in marketing and administrative costs before and during the first year of program operation and approximately \$236,000 annually thereafter in continuing administrative and marketing costs. To the extent that revenues are insufficient to cover marketing and administrative expenses, the Company seeks to defer those expenses until the conclusion of the Pilot, at which point it will propose a plan for recovery of remaining marketing and administrative expenses.²¹

B. Supply

²⁰ The designation of the portion of program revenue that should go to RNG Commodity Costs as opposed to other items is to some extent arbitrary, but, in the Company's view, ninety percent is a reasonable minimum. At the initial launch of Xcel Energy's Windsource program, estimated marketing and administrative costs represented 12.8% of the program price. See *In the Matter of the Petition of Northern States Power Company D/B/A Xcel Energy for Approval of a Voluntary Renewable Energy Rider*, Docket No. E002/M-01-1479, Petition for Approval, Exhibit 2 (Dec. 31, 2001) (divide "Estimated Annual Marketing Cost (\$/kWh)" by "Rate Adjustment Charged to Customers (\$/kWh)").

²¹ See Section XI for more discussion of the deferral of marketing and administrative expenses.

The Company plans to meet demand for RNG by contracting with gas suppliers, who will obtain RNG directly or indirectly from producers. The Company will follow its normal natural gas supply procurement processes to obtain RNG.

At this time, the Company anticipates that most or even all of the RNG for the program will come from producers outside of Minnesota. CenterPoint Energy has had discussions with several potential Minnesota RNG producers about the possibility of interconnecting their production with the Company's distribution system. However, interconnection directly with producers raises operational and other challenges and the Company is not currently prepared to offer standard interconnection terms that could be incorporated into a tariff. The Company is interested in continuing to explore options for producers wishing to interconnect, and may propose an interconnection tariff in the future. Such a tariff could potentially be used by producers either to deliver gas for the Pilot or to bring RNG to other markets. At the current time, however, the Company anticipates purchasing RNG on the national market to supply the Pilot.

The Company will endeavor to match RNG supply to RNG purchases monthly. However, some imbalance of supply and demand is expected.²² The Company will commit to matching customer purchases with RNG supplied to its system in the calendar year of the customer RNG purchase (Reporting Year), the six months prior to the Reporting Year, or the three months following the Reporting Year (Matching Period).²³ To the extent that CenterPoint Energy fails to provide supply to meet customer demand within the Matching Period, it will refund participating customers for any shortage proportionately to their total purchase during the time period of shortage. The Company expects to maintain a modest surplus of supply during most of the Pilot's operation in order to facilitate fluctuations in customer demand. To the extent the program is oversupplied with RNG during the Matching Period, CenterPoint Energy will use the surplus RNG in its general gas portfolio and recover additional commodity charges through its general gas costs.²⁴ CenterPoint Energy will describe any shortage or surplus in its annual Pilot status reports.

C. Enrollment and Billing

When customers enroll in the Pilot they will be required to provide their desired maximum RNG purchase in dollars per month (RNG Purchase Amount). The minimum RNG Purchase Amount will be one dollar per month, and the Company will require RNG Purchase Amounts to be in whole dollar

²² A workable program will include some imbalance of supply and demand for two reasons. First, demand for RNG will be somewhat unpredictable. The Company has sought to minimize uncertainty about demand by requiring an initial minimum commitment period, but demand uncertainty will not be eliminated by the proposed program design. Second, the Company will seek to minimize program costs by securing lower RNG Commodity Prices. The Company will be better positioned to secure lower costs if it has a longer timeframe in which to secure supply to meet customer RNG demand.

²³ This commitment is intended to mirror the vintage requirements of eligible renewable electric generation suggested in the Green-e Framework for Renewable Energy Certification. See <https://www.green-e.org/programs/energy/documents>. Green-e is a program of Center for Resource Solutions, a global leader in clean energy certification.

²⁴ See further discussion in Section VII and Attachment D.

increments. The Company may provide less RNG for a particular customer in a particular month if the customer's total natural gas usage is less than the amount of RNG that the Company could supply at that customer's selected RNG Purchase Amount. All RNG delivered through the program will be subject to the Company's delivery charge as applicable for the customer's rate class and franchise fees and sales taxes will be applied as appropriate.

By way of example, a customer enrolling in the Pilot could select an RNG Purchase Amount of \$50 per month at a time when the Company is charging \$3.89 per therm of RNG. In such a case, the Company would provide up to 12.9 therms of RNG per month for that customer. If that customer uses more than 12.9 therms in a given month, the Company will supply 12.9 therms of RNG for that customer and charge the customer \$50 for RNG plus the commodity price of conventional natural gas for usage beyond 12.9 therms. On the other hand, if the customer uses less than 12.9 therms in a given month, the Company would provide RNG up to the customer's actual usage and charge that customer \$3.89 per therm for the RNG supplied. In either situation, the customer will be charged delivery charges for all natural gas used (whether RNG or conventional) as applicable for the customer's rate class.

The Company considered alternative enrollment options for customers, such as allowing customers to select their RNG purchase as a percentage of their total use or as a number of therms per month. However, the Company concluded that asking customers to provide a desired/maximum RNG purchase in dollars was preferable because it provides customers with cost certainty and transparency about the commitment they are choosing to make. Given the high price of RNG relative to conventional natural gas, the Company is concerned that offering RNG as a percentage of usage or number of therms might cause customers to select higher payment obligations than intended. The Company plans to provide resources on its website to inform customers about RNG and how their RNG Purchase Amounts will affect their bills. Customer service representatives will also be trained to assist customers with questions about the Pilot. The Company may request prospective adjustments to program design as it gains experience with the offering.

Subject to availability, the Company will allow new participants to sign up for the Pilot at any time. Except for customers that enroll during the initial enrollment period,²⁵ RNG Purchase Amounts will be effective in the customer's next billing cycle for customers who enroll at least 15 days before the start of the next billing cycle. Any CenterPoint Energy Minnesota sales customer will be able to enroll in the program except customers that are currently in arrears of payments owed to CenterPoint Energy. If a customer remains in the program beyond the Commitment Period (defined in Section IV.D) and then misses two or more monthly bill payments, CenterPoint Energy will cancel the customer's Pilot subscription.

D. Customer Commitment and RNG Purchase Amount Cancellation

Except for customers that enroll during the initial enrollment period,²⁶ the Company will require customers to commit to their RNG Purchase Amount for a period of time (Commitment Period). The

²⁵ See Section VI.E.

²⁶ See Section VI.E.

Company will require residential customers to commit to their selected RNG Purchase Amount for twelve months following enrollment. Commercial and industrial customers will be required to commit for the remainder of the program year in which they subscribed and the following two program years (for a maximum of three years). Requiring an initial commitment is necessary to allow the Company to enter into longer-term contracts for supply that are likely to reduce overall program costs.²⁷ The Company will prominently notify enrolling customers of the commitment they are making.

The Company will allow residential customers that have been enrolled for longer than the Commitment Period to cancel or reduce their RNG Purchase Amounts at any time, with changes appearing on bills that the customer receives 30 days after the customer requests a change. Commercial and industrial customers that wish to discontinue or reduce their subscription will be permitted to do so at the beginning of the next program year. Customers that fully cancel their RNG Purchase Amount and then re-enroll will be required to commit to their new RNG Purchase Amount for another twelve-month or two-program-year Commitment Period, as applicable.

Subject to availability, customers will be permitted to increase their RNG Purchase Amounts at any time, before or after expiration of the Commitment Period. If a customer increases the RNG Purchase Amount prior to the expiration of the Commitment Period, the customer will be committed to the increased RNG Purchase Amount for the duration of the Commitment Period, but the customer's Commitment Period will not be extended.

A residential customer will be permitted to cancel his or her RNG Purchase Amount prior to the expiration of the Commitment Period if the customer is moving to a location outside of CenterPoint Energy's Minnesota service territory. The Company may also allow residential customers to cancel RNG Purchase Amounts in cases of demonstrated financial hardship.

E. Initial Enrollment Period and Subsequent Price Updates

The price of RNG is driven largely by the price for credits in vehicle fuel compliance markets,²⁸ and there has been variation in the RNG price estimates that the Company has been provided by gas suppliers. The RNG Commodity Price that the Company obtains may be strongly affected by the volumes of RNG that the Company is able to commit to and the length of commitments the Company is able to make. Therefore, the Company is proposing to conduct some initial enrollment and procurement before it sets the initial RNG price for its customers.

Specifically, CenterPoint Energy is proposing an initial four-month enrollment period to take place before the Company sets a final Pilot Charge and begins providing RNG for its customers. During this initial enrollment period, the Company will provide enrolling customers with an estimated per therm Pilot Charge based on updated indicative pricing from RNG suppliers. Based on customer enrollment during this preliminary period, the Company will procure RNG sufficient to meet expected demand.

²⁷ All three of Minnesota's investor-owned electric utilities require initial customer commitments for their respective green tariff programs.

²⁸ Specifically, the LCFS and RIN markets.

Once the Company sets final prices based on actual procurement costs, the Company will notify enrolled customers of the final price and provide them with an opportunity to adjust or cancel their selected RNG Purchase Amount. During the initial enrollment period, the Company will prominently state at the time of customer enrollment that prices are not final and that enrolling customers will have an opportunity to adjust or cancel their RNG Purchase Amount after final prices are set and before they are charged for RNG.

The Company notes that because customers will select a maximum/desired RNG Purchase Amount in dollars, rather than by selecting a number of therms or a percentage of their total use, there is no risk that customers will be charged more for RNG than they agreed to be charged during this initial enrollment period regardless of the final per-therm Pilot Charge.

Annually, the Company will update the Program Charge along with RNG Commodity Costs. This update will not affect customers' selected RNG Purchase Amount, which will remain at the level chosen by the customer until the customer opts to change it. The price update may, however, change the amount of RNG purchased on the customer's behalf.

VII. Proposed Addition of Renewable Natural Gas to General Gas Portfolio

In addition to the voluntary RNG program discussed above, the Company proposes to add a small amount of RNG to its general gas portfolio. The Company believes, based on conversation with suppliers, that the cost of RNG may be reduced if it can purchase approximately 2,500 Dth per month or more. While the Company anticipates that Pilot purchases will eventually surpass 2,500 Dth per month, it believes that demand may take time to reach this level. In addition, the Company plans to maintain a modest surplus of RNG supply in order to accommodate Pilot enrollment fluctuations. For these reasons, the Company requests Commission approval to include a small amount of RNG in its general gas supply and recover costs from all customers through the Purchase Gas Adjustment (PGA) Rider mechanism. The Company proposes to limit the costs it recovers through the PGA Rider for RNG to no more than \$1,000,000 per year.²⁹ Expected PGA impacts are lower than \$1,000,000 annually. Having the ability to recover RNG costs through the PGA is an important enabling tool that will allow the Company to enter into purchase agreements to ensure supply for the Pilot, provide flexibility to meet potentially variable demand from Pilot customers, and likely obtain more favorable pricing for RNG purchases. The Company believes that the proposed limit on RNG cost recovery through the PGA strikes a reasonable balance between making the Pilot viable and limiting the impact on non-participating customers. At \$1,000,000 per year, the Company estimates that its per therm price of natural gas would be increased by \$0.0008, or \$0.70 per year for an average residential customer.³⁰ Only the cost of RNG (and its associated environmental attributes) would be recovered through the PGA; the Program Charge would be applied only to voluntary program participants.

²⁹ 2017 actual purchased gas costs were \$475,055,426 as reported in the Company's 2017 Gas Jurisdictional Annual Report, Docket No. PR-18-04, pp. G-33 (May 1, 2018).

³⁰ Based on total natural gas sales, total residential sales, and number of residential customers reported in the Company's 2017 Gas Jurisdictional Annual Report, Docket No. PR-18-04, pp. G-38,39 (May 1, 2018).

It is likely that the Company will not pay a single per unit price for all RNG it purchases in any given time period. The Company proposes to use a monthly average cost of all RNG purchased to determine the RNG commodity costs to allocate to the Pilot and to the general portfolio in each month. To the extent necessary, the per therm commodity price of gas will be adjusted on a monthly basis to recover costs allocable to the portfolio gas adjustment process.³¹ As discussed above, the Pilot Charge per therm will be adjusted annually. However, actual commodity cost expenses, based on the Company's average monthly RNG costs, will be allocated to the voluntary program on a monthly basis. An example of the proposed tracker for program expenses and revenues is included in Attachment B.

The Company proposes to include, in its annual program reporting, information about purchases of RNG for its general gas portfolio, including information about the commodity price of volumes purchased. More discussion of how the Company will allocate expenses to the voluntary program or general gas supply is provided in Attachment D.

VIII. Tracking, Reporting, and Customer Notification

The Company will establish procedures to verify the authenticity of the RNG it purchases. Based on conversations with gas suppliers, large gas suppliers already have processes developed to obtain attestations or other verification from producers of RNG.³² The Company will require suppliers to provide documentation of the authenticity of RNG that CenterPoint Energy purchases and implement appropriate procedures to ensure that any renewable credits or attributes are sold exclusively to CenterPoint Energy along with the underlying gas.³³ The Company will also limit its purchases to new sources of renewable natural gas.³⁴ The Company will ensure that it can document authentic and eligible RNG supply for all RNG sold through the Pilot within each program year.

The Company proposes to file a report on the Pilot annually on September 15. This report will cover a program year from July 1 to June 30. The annual program report will include at least the following items:

- An accounting of the balance of Pilot payments received and expenses incurred in the program year;³⁵
- Statistics on Pilot participation in terms of number of customers and Dths sold;
- A description of any mismatch between verified RNG supply and Pilot purchases;

³¹ See Minn. R. 7825.2390-7825.2920.

³² These processes were developed to ensure compliance with EPA rules regarding RINs and the California LCFS, but, the Company believes, can be adapted to verify RNG sold through the Pilot.

³³ The Company will retire any renewable credits or attributes it sells to Pilot participants.

³⁴ CenterPoint Energy intends to parallel the Green-e definition for new sources (for renewable electric generation) as closely as possible. In general, new sources will be those which began producing RNG (or, in the case of landfill producers, converted from flaring to selling RNG) within the previous fifteen calendar years. See *Green-e Framework for Renewable Energy Certification, Version 1.0*, Section III.C (July 7, 2017), available at <https://www.green-e.org/docs/energy/framework/Green-e%20Framework%20for%20Renewable%20Energy%20Certification.pdf>.

³⁵ An example of the proposed program tracker that would be filed as part of the annual program report is included as Attachment B.

- A description of RNG supplied in the general portfolio and expenses incurred for general portfolio RNG; and
- A description of any substantial changes in marketing approach or customer outreach.

In addition, the annual program report will include any requests that the Company has for program modifications, including requests to modify the per therm price of RNG sold through the Pilot. If the Company requests to modify the per therm price of Pilot RNG, it will attach an updated tariff sheet and a proposed customer notification for the Commission's review.³⁶ If the Company requests to modify the per therm price of RNG, the price will change on September 15, subject to refund.

The Company will provide notice to customers within 30 days of any changes to the price of RNG.³⁷ CenterPoint Energy will also notify customers that are approaching the end of their Commitment Period about how they can reduce or cancel their RNG Purchase Amount. Similar notifications will be sent annually to enrolled customers that have remained in the program beyond the Commitment Period.

IX. Timeline

If the Company receives Commission approval for the Pilot before the end of January 2019, the Company proposes the following timeline:

- April 1, 2019 – July 31, 2019: Initial enrollment period
- August 1, 2019 – August 31, 2019: Initial enrollment customers provided with final pricing, may cancel commitments
- September 15, 2019 – June 30, 2020: Program year 1
- July 1, 2020 – June 30, 2021: Program year 2
- July 1, 2021 – June 30, 2022: Program year 3
- July 1, 2022 – June 30, 2023: Program year 4
- July 1, 2023 – June 30, 2024: Program year 5
- September 15, 2023: Pilot evaluation report, proposed plan for any unrecovered program expenses, and, if desired by the Company, a request for a continuing program

The Company is aware that currently there are many complex dockets open. If the Commission's and parties' schedules do not allow for a full review of this proposal prior to the end of January 2019, the timeline above may require adjustment.

X. Justification of a Modest Utility Incentive

³⁶ Draft tariff pages for the Pilot are included as Attachment A.

³⁷ Note that because customers select a monetary RNG Purchase Amount rather than a number of therms or percentage of use at the time of enrollment, changes to the per therm price of RNG do not change how much customers pay for RNG but only the quantity of RNG that customers are purchasing.

Minnesota statute requires that, “[t]o the maximum reasonable extent, the commission shall set rates to encourage energy conservation and renewable energy use.”³⁸ The Commission has established rates that encourage CenterPoint Energy to pursue conservation opportunities.³⁹ In this filing, CenterPoint Energy requests that the Commission fulfill the second part of the statutory mandate by setting rates to encourage CenterPoint Energy’s renewable energy efforts.

As noted above, Minnesota has an energy policy calling for “25 percent of the total energy used in the state [to] be derived from renewable resources by 2025.” The use of RNG furthers this policy goal, which the state is not currently on track to meet despite dramatic increases in the use of renewable resources for electric generation.⁴⁰ It also furthers the state’s “vital interest in providing for ... the development and use of renewable energy resources wherever possible.”⁴¹ Because the use of RNG furthers state policy goals, CenterPoint Energy believes it is reasonable to use an incentive as a means to align shareholder interests with state policies. Moreover, approval of an incentive would signify the Commission’s support for utilities’ efforts to proactively develop offerings that support state goals without waiting for statutory or regulatory mandates.

Specifically, CenterPoint Energy requests that the Commission approve an incentive of \$0.10 per therm for RNG distributed through the Pilot, to be recovered through the Program Charge. The Company estimates that increasing the per therm price by \$0.10 will increase participant costs by approximately 3 percent. The Company does not propose any incentive for RNG included in the Company’s general gas portfolio.

When it established Conservation Improvement Program (CIP) financial incentives, the Commission acknowledged the legislature’s directive that “cost-effective energy savings” are to be “preferred over all other energy resources.”⁴² Allowing CenterPoint Energy a modest amount of incentive for operation of the Pilot would similarly align CenterPoint Energy’s incentives with the preference the legislature has assigned to renewables. Because energy savings are the legislature’s preferred resource choice, it is appropriate for the Commission to allow the largest monetary per-therm incentive for energy savings. Accordingly, the Company’s proposed incentive is significantly lower than the incentive CenterPoint Energy receives for its CIP efforts.⁴³ However, because renewable energy is to be preferred to non-renewable energy sources, it is also appropriate for rates to reflect this preference. The Company’s proposal would effectively translate policy preferences into shareholder priorities, by providing the

³⁸ Minn. Stat. § 216B.03.

³⁹ The Commission awards financial incentives to utilities such as CenterPoint Energy for cost-effective energy conservation programs. See e.g. *In the Matter of CenterPoint Energy’s 2016 Conservation Improvement Program Status Report, 2016 Demand Side Management Financial Incentive, Conservation Improvement Program Tracker Report, and 2016 Conservation Cost Recovery Adjustment Aggregated Compliance Filing*, Docket No. G-008/M-17-339, Order (Aug. 16, 2017).

⁴⁰ See *supra* note 13.

⁴¹ Minn. Stat. § 216C.05.

⁴² Minn. Stat. § 216B.2401.

⁴³ For comparison, the Company’s approved CIP incentives for 2014-2016 averaged \$0.74 per therm saved. Changes to the CIP incentive mechanism are expected to reduce this figure for 2017 and beyond, but it will likely remain well above the \$0.10 per therm proposed RNG incentive.

highest award for meeting customer energy needs with energy efficiency, followed by renewable energy to the extent the customer is willing to incur the associated cost, and finally conventional natural gas.

As noted above, the Company proposes that the incentive apply only to RNG sold to customers who have voluntarily enrolled in the Pilot. This will ensure that no customer will pay for the incentive who has not opted to pay for RNG. Moreover, because the customer's participation level is at a fixed dollar amount of their determination, the incentive will not cause customers to pay more for the program than they would otherwise. However, the incentive will reward the Company for success in marketing, educating customers about RNG, and growing program participation. In addition to encouraging CenterPoint Energy to seek increased Pilot participation, basing the incentive on the amount of RNG sold (rather than number of participants or dollar commitments) will encourage the Company to obtain the best terms possible for RNG purchases. In other words, under the proposed program design, customers will commit to purchase a certain dollar amount of RNG rather than a specific number of therms; however, by allowing a per-therm incentive for the Company, the Company's incentive is to procure as much RNG as possible for the money customers have provided.

In the Company's view, the proposed incentive appropriately aligns shareholder interest with Minnesota's policies and goals related to renewable energy, and does so in a way that is consistent with both the policy and the mechanisms used to encourage energy efficiency. These mechanisms have been successful at causing Minnesota utilities to pursue robust energy conservation programs; Minnesota's natural gas energy efficiency programs are widely regarded as among the best in the country.⁴⁴ The Company's proposal for a shareholder incentive component to the voluntary Pilot Charge is a reasonable extension of these tools to renewable energy in a way that meets the statutory requirement to "set rates to encourage energy conservation and renewable energy use."

If approved by the Commission, the incentive will be retained by shareholders and tracked separately from other revenues.

XI. Request for Expense Deferral

CenterPoint Energy is proposing to cap the recovery from participants of administrative and marketing costs and any utility incentive to represent no more than ten percent of the Pilot Charge. As a result, the Company anticipates that it will not fully recover marketing and administrative costs from Pilot participants, particularly during the first few years of program operation. As described above, the Company expects to incur approximately \$390,000 for marketing and administrative expenses during the first year of program operation, and approximately \$236,000 for marketing and administration in subsequent years. The Company projects that it will recover approximately \$40,000 from voluntary program participants for marketing and administrative costs during the first twelve months of program operation, building to approximately \$85,000 per year as the program matures.

⁴⁴ The American Council for an Energy-Efficient Economy (ACEEE) has ranked Minnesota as one of the top ten states for energy efficiency for the last four years. 2014-2017 ACEEE State Energy Efficiency Scorecards, available for each year at <http://aceee.org/state-policy/scorecard>.

The Company requests deferral of its incremental administrative and marketing costs incurred for the operation of the Pilot to the extent that revenues from the program do not result in full recovery of prudently incurred expenses. The Company proposes to use a tracker account to track costs and recovery for the program, analogous to the process the Company uses for CIP expenses and which the Commission has previously approved for electric green tariff programs. An example tracker is provided in Attachment B.

Deferred accounting is a regulatory tool used primarily to hold utilities harmless when they incur out-of-test year expenses that, because of their nature or size, should be eligible for rate recovery as a matter of public policy.⁴⁵ Granting deferred accounting does not guarantee rate recovery or create a presumption of rate-recoverability; it merely reflects a Commission finding that the costs in question warrant deferral for consideration in a later rate-setting proceeding.⁴⁶

Traditionally, deferred accounting has been reserved for costs that are unusual, unforeseeable, and large enough to have a significant impact on the utility's financial condition.⁴⁷ Deferred accounting is also sometimes permitted when utilities incur sizeable expenses to meet important public policy mandates.⁴⁸ The Commission has also permitted deferred accounting when it finds that unusual circumstances make deferred accounting the expense recovery option that is most equitable and consistent with the public interest.⁴⁹ In a recent Order, the Commission applied a four-part test to a request for deferred accounting. The Commission considered whether the expenses under consideration were:

1. Related to utility operations for which ratepayers have incurred costs or received benefits;
2. Significant in amount;
3. Unforeseen or extraordinary; and
4. Subject to review for reasonableness and prudence.⁵⁰

The marketing and administrative expenses associated with the Pilot satisfy this four-part test. First, the expenses are related to operation of a utility program which will benefit CenterPoint Energy's customers by satisfying their demand for an RNG option. Second, the expenses may be significant in amount. Because the Company is only requesting deferral of costs that are incremental to other utility

⁴⁵ *In the Matter of the Petition of Northern States Power Company for Deferred Accounting Treatment of Costs Relating to Identifying and Eliminating Sewer/Natural Gas Line Conflicts*, Docket No. G-002/M-10-422, Order Granting Deferred Accounting Treatment Subject to Conditions and Reporting Requirements, p.1 (Jan. 12, 2011) (Xcel 2011 Deferred Accounting Order).

⁴⁶ Xcel 2011 Deferred Accounting Order at 1.

⁴⁷ *In the Matter of the Petition by the Minnesota Energy Resources Corporation for Approval of Farm Tap Customer-Owned Fuel Line Replacement Plan, Tariff Amendments and Deferred Accounting*, Docket No. G-011/M-17-409, Order Approving Phase 1 of Farm Tap Replacement Project with Conditions, p. 9 (Nov. 30, 2017) (MERC 2017 Deferred Accounting Order), Xcel 2011 Deferred Accounting Order at 1.

⁴⁸ Xcel 2011 Deferred Accounting Order at 1.

⁴⁹ *In the Matter of the Petition of Minnesota Power for Approval of a Purchase Agreement for the Sale of the Aurora Service Center to Lakehead Constructors, Inc., et al.*, Docket No. E-015/PA-17-457, et al., Order Approving Purchases and Sales with Conditions, pp. 4-5 (Feb. 8, 2018).

⁵⁰ MERC 2017 Deferred Accounting Order at 9-10.

operations, the Company will not recover the costs through current rates. Moreover, if the Company is not permitted to defer marketing and administrative costs, but instead passes those costs on to Pilot participants, the costs per participant may be significant, particularly in the first years of the Pilot. Third, the expenses are unforeseen in the sense that the program was not in place or considered in the Company's most recent rate case, and they are extraordinary by nature of their association with this innovative proposal. Finally, the Company proposes that its administrative and marketing expenses for operation of the Pilot be reviewed by the Commission as part of the proposed annual program review.⁵¹

In addition, the Company believes that to the extent it incurs expenses for the Pilot, it is doing so in order to meet an important public policy goal: to increase the proportion of Minnesotans' energy which is derived from renewable resources. Moreover, the Company believes that because deferred accounting will enable the Company to pursue this important public policy goal, while still providing the Commission oversight of the Company's expenses, deferred accounting is the option that is most equitable and consistent with the public interest. In order to provide protection to non-participating ratepayers, the Company is also proposing to cap cumulative deferred expenses at no more than 1.5 million dollars.⁵²

The Company will track cumulative deferred expenses and offsetting program revenues and provide that information to the Commission in its annual program report. In its Pilot evaluation report, the Company will propose a mechanism for recovery of deferred expenses. If it appears that the voluntary RNG program is or will soon generate enough revenue to offset program marketing and administrative costs, and the Company is requesting permission to continue the Pilot, the Company may request to continue deferring expenses with the expectation that it will eventually recoup deferred administrative and marketing expenses through Program Charges. If the Company does not request a continuing RNG program, it may request recovery of deferred expenses in its next rate case following conclusion of the Pilot.

XII. Conclusion

As described in this filing, the Company believes that the the Pilot proposal will further state goals while answering customer demand for renewable energy options. The program would make the Company and Minnesota national leaders in RNG, and could help start a market development process similar to what renewable electric markets experienced in previous decades.

⁵¹ See Section VI.

⁵² Adding the proposed maximum RNG costs that the Company could include in the PGA and the proposed maximum deferred administrative and marketing expenses, the Company calculates that the maximum burden on non-participating ratepayers for the five-year pilot would be slightly less than 6.5 million dollars. (It is slightly less because RNG costs passed on to all ratepayers through the PGA substitute for conventional natural gas commodity prices.) If \$6.5 million were recovered from all customers on a per-therm basis, the average non-participating residential customer would pay approximately \$4.56 total in support of the Pilot over the course of the five-year pilot and any additional period in which deferred expenses are recovered.

The Company appreciates the opportunity to present this innovative proposal to the Commission, and requests approval by January 31, 2019.

XIII. Attachments

- A. Proposed Tariff Pages
- B. Draft Program Expense and Revenue Tracker
- C. Descriptions of other utility RNG programs offered in the United States and Canada and Minnesota electric utility voluntary renewable programs
- D. Additional Information about Proposed Allocation of RNG Costs to the Pilot Tracker and General Gas Portfolio

Proposed Tariff⁵³

The Company provides the following tariff pages in this attachment:

- Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider;
- Revised Purchase Gas Adjustment Rider;
- Revised Explanation of Billing Form; and
- Revised Layout of Bill Form.

In addition, the Company proposes to add the following paragraph to pages 1-6 of the Tariff book describing the effect of the proposed Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider:

Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider:

The bills of customers participating in the RNG Pilot are subject to the Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider, Section V, Page 12.

⁵³ Rates included in the proposed tariff pages are not final. In addition, the Company has not chosen a final marketing/public name for the RNG program offering. When a name is selected, it will be incorporated into the tariff pages. The Company will file final proposed tariff pages with the Commission after it has determined final rates and a program name prior to program launch.

Reserved for Future Use

VOLUNTARY RENEWABLE NATURAL GAS PURCHASE (RNG PILOT) RIDER

Purpose

The purpose of this Voluntary Renewable Natural Gas (RNG) Purchase Rider (Rider) is to allow customers to purchase all or a portion of the natural gas they use from renewable sources through the Company's RNG Pilot program. Amounts recovered by the Rider are used to pay for the commodity cost of renewable natural gas, including environmental attributes; renewable natural gas program administrative and marketing expenses; and utility shareholder financial incentive.

Availability

This Rider shall be available to all of CenterPoint Energy's Minnesota customers taking sales service that are not in arrears of any utility payments owed to CenterPoint Energy. This Rider exists pursuant to CenterPoint Energy's five-year RNG Pilot program, which will conclude on June 30, 2024. Prior to the conclusion of the RNG Pilot program, the Company will submit a proposal to the Minnesota Public Utilities Commission (Commission), either requesting to continue the program or a modified program after June 30, 2024 or proposing a plan for discontinuing the RNG Pilot offering. This Rider will be revised to reflect the Commission's decision on the Company's proposal.

Definitions

Conventional Gas Purchase: The amount billed to the customer, in a particular month, for conventional natural gas.

RNG Purchase Quantity: The amount of RNG sold to the customer in a particular month in therms.

RNG Maximum Purchase: A maximum monthly purchase of RNG, specified by the customer as a dollar amount.

RNG Price: **\$3.89** per therm.

RNG Pilot Purchase: The amount billed to the customer in a particular month for RNG.

Rider

Customers who choose to participate in the RNG Pilot program will designate their RNG Maximum Purchase. The RNG Purchase Quantity will equal the RNG Maximum Purchase divided by the RNG Price, or the customer's actual metered natural gas usage, whichever is less.

Each month, the RNG Pilot program will add an amount to participating customers' bills under the "Cost of Gas" heading as "Voluntary Renewable Gas Purchase." The RNG Pilot Purchase will equal the RNG Purchase Quantity multiplied by the RNG Price.

The customer's Conventional Natural Gas Purchase in a month will equal the customer's actual metered natural gas usage less the RNG Purchase Quantity multiplied by the per therm price of conventional natural gas as determined for the customer based on sales service tariff pages, Section V pages 1 through 7, and the Purchased Gas Adjustment Rider, Section V, page 22. The Conventional Gas Purchase will be shown under the "Cost of Gas" heading.

The RNG Pilot Purchase is not subject to the Purchase Gas Adjustment Rider, but is subject to any other applicable adjustments and surcharges, including city surcharge or sales tax. Demand charges and delivery margin will be charged per therm of RNG sold under this Rider. Accordingly, the total amount charged for demand charges and delivery margin will be unaffected by program participation.

VOLUNTARY RENEWABLE NATURAL GAS PURCHASE (RNG PILOT) RIDER (continued)**Use of Revenues and Revenue and Expense Tracking**

At least ninety percent of RNG Pilot Purchase revenues will be used to offset the commodity cost the Company pays for renewable natural gas supply, including environmental attributes. Up to ten percent of revenues collected through customers' RNG Pilot Purchases may be used to offset RNG Pilot program marketing and administrative expenses and provide a utility shareholder financial incentive. The utility shareholder financial incentive will not exceed ten cents per therm of renewable natural gas supplied to RNG Pilot voluntary program participants.

The Company will maintain an accounting of the monthly balance of total RNG Pilot Purchase revenues, expenses associated with offering the RNG Pilot program, including RNG purchases and administrative and marketing expenses, and the utility shareholder financial incentive. The Company may petition the Commission to annually adjust the RNG Price depending on the cumulative balance of revenues received and expenses incurred.

Renewable Natural Gas Purchase

The Company will purchase at least one therm of renewable natural gas for its distribution system for every \$3.89 of revenue received through this Rider. Due to variability of renewable resources, the Company may have an excess or shortage of renewable supply in any given month, but supply will approximately balance out over the course of a year. RNG may be purchased by the Company at any point during the calendar year in which the revenue is received, within six months prior to the start of that calendar year, or the three months following that calendar year.

Terms and Conditions

1. A customer must select an RNG Maximum Purchase Amount at the time of subscription. The minimum RNG Maximum Purchase Amount will be \$1 and the RNG Maximum Purchase Amount must be a whole dollar amount.
2. The minimum subscription period is twelve months from the time of subscription for residential customers and two RNG Pilot program years for commercial and industrial customers. The time of subscription is the first day of the first billing cycle in which the customer receives RNG Pilot program charges. RNG Pilot program years extend from July 1 to the following June 30, except for the first year which will extend from September 15, 2019 to June 30, 2020. In the event that a commercial or industrial customer subscribes to the RNG Pilot program in the middle of a program year, that customer's minimum subscription period will run through the remainder of the RNG Pilot program year in which the customer subscribed and continue through the following two RNG Pilot program years. After the minimum subscription period, residential customers may continue to subscribe on a month-to-month basis and may terminate their subscriptions with 30-days notice. Following the minimum subscription period, commercial and industrial customers may continue to subscribe on a year-to-year basis and may terminate their subscription with 30-days notice prior to the end of a RNG Pilot program year.
3. The Company will submit reports to the Commission each September 15, or as otherwise ordered in relation to RNG Pilot program operation and accounting.
4. CenterPoint Energy may, in its discretion, allow customers a limited subscription to this Rider for an event or series of events without requiring customers to make a purchase commitment for the minimum subscription period described above.
5. The sales arrangements of renewable natural gas from the RNG Pilot program supplies are such that the renewable natural gas supply is sold only once to retail customers.

The Company will remove participants from the program for delinquency if those customers have remained in the program beyond the applicable minimum subscription period (see 2 above). The Company will consider a customer to be delinquent, for this purpose, if the customer misses two or more monthly bill payments.

PURCHASED GAS ADJUSTMENT RIDER

Purchased Gas Adjustment (PGA)

In the event there is a change in the delivered cost of gas purchased that will result in a billing rate change that exceeds .3 ¢ per Therm, to be sold under CenterPoint Energy's gas service rate schedule(s), there shall be added to or deducted from the monthly bill computed thereunder the product of the monthly consumption and the amount per Therm to the nearest 0.001¢ by which the average annual purchased gas cost per Therm at the new rate is more or less than the "base gas cost" which is the cost of purchased gas established in CenterPoint Energy's latest company rate filing by rate class, expressed as a cost per Therm.

In the event CenterPoint Energy finds it necessary to supplement the supply of natural gas by means of peak shaving, an amount per Therm shall be added to or deducted from the Gas Cost Reconciliation factor applied to firm gas service sales. This peak shaving amount shall be determined by dividing the difference between the peak shaving costs for the current twelve (12) month period ending June 30, and the peak shaving costs for the base period used for establishing the rate schedules to which this rider applies, by the total Therm sales to firm gas service customers for the current twelve (12) month period (adjusted to reflect normal temperature). To the extent peak shaving is used to serve dual fuel customers, an appropriate adjustment will be made.

Cost of Gas by Component

- a) Annual demand unit cost is defined as annual demand costs less Large General Service demand costs divided by annual demand sales volumes net of Large Volume General Service sales. Annual demand sales volume is calculated pursuant to MPUC Rule 7825.2400.
- b) Large General Service demand unit cost is defined as annual demand costs divided by the firm peak day usage used to calculate the base demand unit cost for the Test Year. This amount is then divided by 12 to arrive at the monthly per unit billing demand rate.
- c) Commodity Unit Cost is defined as the system commodity related costs forecasted to be incurred during the next month for forecasted sales for the same month.

Annual Gas Cost Reconciliation:

For each twelve (12) month period ending June 30, an annual cost reconciliation by cost component will be determined based upon actual annual gas costs incurred by CenterPoint Energy compared with annual gas costs recovered from volumes of gas sold. The annual cost recovered by cost component is the product of the total unit rate used in calculating the PGAs during the twelve (12) month period and the applicable gas sales volumes identified as conventional natural gas sales volumes on customer bills during the period when each of the total unit rates were in effect. The difference between actual cost and recovered cost for each component will be used in calculating a Gas Cost Reconciliation (GCR) factor for each rate schedule. The GCR factor will be applied to customers' billings on September 1 and will be in effect for a twelve (12) month period.

Refund Procedure:

Refunds and interest on the refunds that are received from the suppliers or transporters of purchased gas and attributable to the cost of gas previously sold, will be annually refunded by credits to bills, except that cumulative refund amounts equal to or greater than \$5.00 per customer must be refunded within ninety (90) days from the date the refund is received from a supplier or transporter. Refunds will be allocated to customer classes in proportion to previously charged costs of purchased gas. Within classes, the refund amount per unit will be applied to bills on the basis of individual twelve (12) month usage. CenterPoint Energy will add interest to the un-refunded balance at the prime interest rate.

PURCHASED GAS ADJUSTMENT RIDER (continued)**Interaction with Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider, Section V, Page 12:**

Commodity Unit Cost as defined above may include renewable natural gas commodity-related costs forecasted to be incurred for purchases in excess of forecasted voluntary program sales. Commodity-related costs for renewable natural gas may include any renewable attributes or credits that are bundled with the purchased renewable natural gas supply.

Subject to the limitations described in the Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider, in the event that CenterPoint Energy forecasts that it will not have sufficient renewable natural gas supply to satisfy RNG Pilot Purchases in a given month, it may refund commodity costs associated with renewable natural gas previously included in the Cost of Gas and reallocate the expense to the accounting of RNG Pilot Purchase revenues and expenses associated with offering the RNG Pilot program, described in the Voluntary Renewable Natural Gas Purchase (RNG Pilot) Rider.

EXPLANATION OF BILLING FORM

- 1) Customer name
- 2) Service address
- 3) Account number
- 4) Billing date
- * 5) Date due
- * 6) Amount due
- 7) Average daily gas use (Therms)
- 8) Average daily temperatures
- * 9) Total amount due
- 10) Customer name and billing address
- 11) CenterPoint Energy's payment address

- * 12) Current gas charges (period's bill calculation)
- * 13) Rate
- 14) Meter number
- * 15) Current read date
- 16) Next scheduled read date
- 17) Next billing date
- * 18) Billing period (Actual or estimated meter readings and reading dates at the beginning and end of a billing period)
- 19) Therm factor (adjusts for heat content, pressure and temperature)
- * 20) ~~Gas~~Voluntary renewable natural gas purchase used in Therms
- * 21) ~~Conventional gas used in Therms~~State and local taxes separately itemized
- 22) ~~State and local taxes separately itemized~~
- * 23) Purchased Gas Adjustment (PGA)
- * 24) Other charges
- 25) Contact information to register any inquiry or complaint to CenterPoint Energy

- * Billing content information provided pursuant to Minnesota Rule 7820.3500



CenterPointEnergy.com

CUSTOMER
JOHN Q. CUSTOMER**SERVICE ADDRESS**
1234 Anywhere St. Brooklyn Park, MN 55429-5493**ACCOUNT NUMBER**
00000-0
BILLING DATE
Mon DD, YYYY**DATE DUE** Mon dd, yyyy
AMOUNT DUE \$00.00

Page 2 of 4

DEFINITIONS

Basic Charge is a flat amount each month, regardless of the amount of gas used, to cover a portion of costs incurred even if the customer does not use gas during the billing period.

Cost of Gas is the cost CenterPoint Energy pays for the gas it delivers to its customers.

Delivery Charge is based on the amount of gas delivered, to cover the costs of delivering gas not covered by the Basic Charge.

City Franchise Fee is a fee charged by a city to utility companies that provide natural gas, electricity or cable service. Utilities will collect the fee from individual customers and pay it to the city. Utilities receive no revenue from this fee.

Gas Affordability Program (GAP) covers costs to offer a low-income customer co-pay program to reduce natural gas service disconnections. This charge is billed to all non-interruptible customers.

Purchased Gas Adjustment reflects the difference between the base cost of gas established at the time of our most recent rate case and the price paid to purchase and transport the gas you used during this billing period.

Therm is the heating value of gas. Your meter measures CCF (hundreds of cubic feet) which we multiply by the therm factor to determine the heating capacity of the gas you used.

12 Current gas charges		13 Rate: Residential Rate	
Meter Number	Day Billing Period	Current read date	Next scheduled read date
14 00000000000000	00	Mon dd, yyyy	15 Mon dd, yyyy
17 Billing Period		Current Reading - Previous Reading = Total	x Therm factor = Adjusted Usage
00/00/00 - 00/00/00		0000	000 18 0.00000 19 000 Therms
Basic charge			\$00.00
Delivery charge		00 Therms x \$0.00000	00.00
Gas Affordability Program		00 Therms x \$0.00000	00.00
Cost of gas			
20 Voluntary Renewable Gas Purchase		00 Therms x \$0.00000	00.00
21 Conventional Gas Purchase		00 Therms x \$0.00000	00.00
City franchise fee			00.00
Special tax			00.00
22 County sales tax			00.00
State sales tax			00.00
Total current charges			\$00.00
23 *includes a purchased gas adjustment of \$0.00000			

For a more detailed description of each of the terms used on your bill, please visit CenterPointEnergy.com/definitions or call Customer Support at 612-372-4727.

Your account, managed your way

Sign up at CenterPointEnergy.com/myaccount

24/7 online account access. View and/or pay your bill, view usage history, sign up for account services and much more.

- **Go paperless.** Receive an email when your bill is ready to view and pay. Get convenience, get rid of clutter.

Pay automatically. Set up AutoPay by signing and returning the form below with your check payment. It's that easy!

Even out the highs and lows of your monthly bills. Enroll in Average Monthly Billing and spread your natural gas costs throughout the year.

Get bill reminders. Choose text or email, up to five days before your bill is due.

Other services. Report a payment made at a payment location, set up a payment extension and much more. View options from your online account or visit CenterPointEnergy.com/selfservice if you'd prefer not to register.

Moving? Please call us at 612-372-4727 at least two weeks before you move, or complete the forms at CenterPointEnergy.com/selfservice

25 Register any inquiry or complaint at CenterPoint Energy, 505 Nicollet Mall, PO Box 59038, Minneapolis, MN 55459-0038 Mail payments to CenterPoint Energy, PO Box 4671, Houston, TX 77210-4671

Late payment details/due date. Please pay your bill on time to reach our office by the due date shown at the top of your bill. Unpaid gas amounts over \$10 are charged a late payment fee of 1.5% (18% annual percentage rate) or \$1 minimum on the next billing date shown on your bill.

Returned check charge. There will be a \$10 charge for any check or AutoPay payment your bank returns to us.

Notice of customer information availability. Customer information is available upon request. Call 800-245-2377.

Personal checks sent for payment may be processed electronically. This means your check will not be returned by your financial institution. Any funds may be debited from your account as soon as the same day payment is received. If you have questions concerning this process, please contact customer service at 800-245-2377. For further information, visit <http://federalreserve.gov/pubs/checkcom/>

Enroll in AutoPay and your monthly natural gas payment will be automatically deducted from your bank account

To enroll, sign and date this form and return with your check payment. Money orders do not qualify for enrollment. Your next bill will be automatically deducted from the account listed on your check. For more information and to enroll electronically, go to CenterPointEnergy.com/autopay.

I authorize CenterPoint Energy to automatically deduct from the checking account shown on my enclosed check all future payments for my CenterPoint Energy bills. I will notify CenterPoint Energy if I decide to cancel my use of AutoPay. CenterPoint Energy also has the right to discontinue my AutoPay enrollment. Once I enroll, I understand that any past due balances will be drafted from my account three days after my application is processed.

Account holder's signature

Date

000002

Date Filed: ~~June 15, 2015~~ August 23, 2018Effective Date: ~~July 6, 2015~~ September 15, 2019

Docket No: G-008/M-14-753M-18-

Issued by: ~~Jeffrey A. Daugherty, Director, Regulatory and Legislative Affairs~~ Adam G. Pyles, Director, Regulatory Affairs

Draft Program Tracker

CenterPoint Energy Minnesota Gas

RNG Pilot Program Tracker and Balance

Proposed Tracker - Example Numbers

Estimated Rate of \$3.89/Dth of Admin and Incentive

Example Commodity Cost of \$35/Dth September-November

Example Commodity Cost of \$36/Dth Dec-Apr

Example Commodity Cost of \$33/Dth May-June

	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	June 20	Annual Summary
<u>Expenses</u>	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
1 Commodity Tracker Balance (\$) - Under / (Over) Recovered	0	0	0	0	2,400	4,500	7,000	9,500	12,200	7,600	7,600
2 Admin Tracker Balance (\$) - Under / (Over) Recovered	0	32,775	66,617	99,703	132,267	165,998	199,773	231,548	263,145	308,498	0
3 Commodity Costs for RNG allocated to Voluntary Program	87,500	77,000	91,000	86,400	75,600	90,000	90,000	97,200	75,900	95,700	866,300
4 Administrative and Marketing Costs	40,000	40,200	40,600	39,500	39,800	41,000	39,000	39,400	52,000	40,000	411,500
5 Incentive	2,500	2,200	2,600	2,400	2,100	2,500	2,500	2,700	2,300	2,900	24,700
6 Total Expenses & Incentive (Sum Lines 3-5)	130,000	119,400	134,200	128,300	117,500	133,500	131,500	139,300	130,200	138,600	1,302,500
<u>Recovery</u>											
7 Voluntary Program Volumes (Dth)	2,500	2,200	2,600	2,400	2,100	2,500	2,500	2,700	2,300	2,900	24,700
8 Amount Recovered for Commodity Costs	(87,500)	(77,000)	(91,000)	(84,000)	(73,500)	(87,500)	(87,500)	(94,500)	(80,500)	(101,500)	(864,500)
9 Amount Recovered for Admin + Incentive	(9,725)	(8,558)	(10,114)	(9,336)	(8,169)	(9,725)	(9,725)	(10,503)	(8,947)	(11,281)	(96,083)
10 Total Recovery (Sum Lines 8-10)	(94,725)	(83,358)	(98,514)	(90,936)	(79,569)	(94,725)	(94,725)	(102,303)	(87,147)	(109,881)	(935,883)
<u>Ending Tracker Balances</u>											
Ending Commodity Tracker Balance - Under/(Over) Recovered											
11 (Line 1 + Line 3 + Line 8)	0	0	0	2,400	4,500	7,000	9,500	12,200	7,600	1,800	1,800
Ending Administrative Tracker Balance - Under/(Over)											
12 Recovered (Line 2 + Line 4 + Line 5 + Line 9)	32,775	66,617	99,703	132,267	165,998	199,773	231,548	263,145	308,498	340,117	340,117

Other RNG Programs Offered by Utilities in the United States and Canada

Listed below are voluntary subscription RNG programs offered by utilities in the United States and Canada. This list includes only programs of which CenterPoint Energy is aware and may not be exhaustive.

- Vermont Gas Systems has received approval from the Vermont Public Utility Commission to pursue a voluntary RNG program similar in form to the program proposed in this filing. See Petition of Vermont Gas Systems, Inc. for a Renewable Natural Gas Program and Optional Tariff, Docket No. 8667, Vermont Public Utility Commission Order (Sept. 6, 2017). Vermont Gas Systems has recently started to allow customers to enroll in their program. See Vermont Gas Systems, VGS Renewable Natural Gas, <https://www.vermontgas.com/renewablenaturalgas/>.
- Fortis BC, in Canada offers a voluntary RNG program similar to the Pilot proposal. See Fortis BC, Renewable Natural Gas, <https://www.fortisbc.com/NaturalGas/RenewableNaturalGas/Pages/default.aspx>. However, the cost of RNG in the Fortis program is considerably subsidized by non-participating customers.
- DTE Gas Company (DTE) offers a voluntary program in which customers can select to pay \$2.50 per month to support the utility's purchase of RNG from landfills. DTE's program's design differs from the proposed Pilot in that DTE customers may not select to purchase more or less RNG than can be purchased with a \$2.50 premium. DTE Energy, Recycling Trash into Renewable Natural Gas, <https://www.newlook.dteenergy.com/wps/wcm/connect/dte-web/home/service-request/residential/renewables/biogreen-gas>.

In addition, CenterPoint Energy is aware that some natural gas utilities have sought to promote RNG development by interconnecting with specific RNG producers or issuing general interconnection tariffs.⁵⁴

Voluntary Renewable Electric Programs Offered in Minnesota

Xcel Energy, Minnesota Power, and Otter Tail Power each offer a wind subscription program that allows customers to pay extra for wind power in 100 kilowatt-hour blocks.⁵⁵ Xcel Energy also offers the Renewable*Connect program, which allows Xcel customers to subscribe to receive a mix of solar and wind energy in 100 kilowatt-hour blocks.

⁵⁴ See NW Natural, Renewable Natural Gas (RNG), <https://www.nwnatural.com/AboutNWNatural/EnvironmentalStewardship/RNG/>, SoCalGas, Biogas and Renewable Natural Gas, <https://www.socalgas.com/smart-energy/renewable-gas/biogas-and-renewable-natural-gas>, TECO Peoples Gas, TECO Peoples Gas launches innovative new waste-to-energy service, <https://www.peoplesgas.com/company/mediacenter/article/index.cfm?article=931>.

⁵⁵ The programs are called Windsource, WindSense, and TailWinds, respectively.

Many other Minnesota utilities, including utilities belonging to Basin Electric Power Cooperative, Dairyland Power Cooperative, Great River Energy, and Minnkota Power Cooperative, offer voluntary renewable programs to their customers.⁵⁶

⁵⁶ National Renewable Energy Laboratory, Voluntary Green Power Procurement, <https://www.nrel.gov/analysis/green-power.html> (listing programs offered by Minnesota utilities).

Additional Information about Proposed Allocation of RNG Costs to the Pilot Tracker and General Gas Portfolio

This attachment describes the Company's proposed process for allocating renewable natural gas commodity costs to all customers or to the Pilot tracker. The Company proposes to recover commodity costs allocated to all customers through the Purchase Gas Adjustment (PGA) mechanism. The Company intends to recover costs allocated to the Pilot tracker through the Pilot Program Charges. The Company will include the cost of any renewable attributes or credits bundled with renewable natural gas in its allocation of commodity costs.⁵⁷ The Company does not expect to incur any demand costs for renewable natural gas.

The Company intends to recover the cost of RNG primarily from program participants; however a limited amount of RNG cost may be recovered from non-participants, subject to a cap. The Company believes that its proposed system for allocating costs is best understood by considering a series of examples.

Example 1 (Simple Surplus)

In this example, the Company forecasts that it will purchase 2500 Dekatherm (Dth) of RNG in a certain month and that the average per Dth commodity cost of the RNG purchased will be \$35, for a total of \$87,500 in expense. The Company also forecasts that it will sell 2400 Dth of RNG through the Pilot. The Company has not experienced a shortage of RNG (voluntary program purchases in excess of RNG purchased) in any prior month in the previous or current calendar years.⁵⁸ The Company will allocate \$84,000 of commodity cost expense (\$35/Dth multiplied by 2400 Dth) to the Pilot tracker and \$3,500 to all customers to be recovered through the PGA mechanism. The table below summarizes the key figures from this example.

	Dths	Dollars
Total RNG Purchase Current Month	2500	\$87,500
Pilot Sales	2400	N/A
Previous Allocations to PGA in Matching Period	Irrelevant to example	Irrelevant to example
Previous RNG Shortages in Matching Period	0	N/A
Allocation to the Pilot	2400	\$84,000
Allocation to PGA	100	\$3,500

Example 2 (Simple Shortage)

⁵⁷ The cost of renewable attributes or credits bundled with the cost of renewable natural gas satisfies the definition of commodity-delivered gas cost in Minn. R. 7825.2400 since they are a cost incurred for gas supply that is a function of the volume taken.

⁵⁸ The surplus RNG could be matched with Pilot purchases occurring in the previous months of the current calendar year, or, if the surplus is occurring in the first three months of the year (January – March), with purchases made in the previous calendar year.

In this example, the Company forecasts that it will purchase 2500 Dth of RNG in a certain month and that the average per Dth commodity cost of the RNG purchased will be \$35, for a total of \$87,500 in expense. The Company also forecasts that it will sell 2700 Dth of RNG through the Pilot. The Company has not experienced a surplus of RNG (RNG purchased exceeding voluntary program purchases) in any prior month in the previous or current calendar years.⁵⁹ The Company will allocate \$87,500 of commodity cost expense (\$35/Dth multiplied by 2500 Dth) to the Pilot tracker. No costs will be allocated to all customers through the PGA. If the shortage cannot be cured in a later month (see Example 3) Pilot participants will be refunded for the shortage, but the refund will not affect amounts charged to all customers through the PGA. The table below summarizes the key figures from this example.

	Dths	Dollars
Total RNG Purchase Current Month	2500	\$87,500
Pilot Sales	2700	N/A
Previous Allocations to PGA in Matching Period	0	\$0
Previous RNG Shortages in Matching Period	Irrelevant to Example	N/A
Allocation to the Pilot	2500	\$87,500
Allocation to PGA	0	\$0

Example 3 (Surplus Cured by Previous Shortage)

In this example, the Company forecasts that it will purchase 2500 Dth of RNG in a certain month and that the average per Dth commodity cost of the RNG purchased will be \$35, for a total of \$87,500 in expense. The Company also forecasts that it will sell 2400 Dth of RNG through the Pilot. The Company experienced a shortage of RNG in a previous month within the same calendar year (see Example 2).⁶⁰ In that previous month, the voluntary program sales exceeded the RNG purchased by 300 Dth. The Company will allocate \$87,500 of commodity cost expense (\$35/Dth multiplied by 2500 Dth) to the Pilot tracker. 2400 Dth match with voluntary program purchases in the current month, and 100 Dth match with sales in the previous shortage month. No costs will be allocated to all customers through the PGA. The table below summarizes the key figures from this example.

	Dths	Dollars
Total RNG Purchase Current Month	2500	\$87,500
Pilot Sales	2400	N/A
Previous Allocations to PGA in Matching Period	0	\$0
Previous RNG Shortages in Matching Period	(300)	N/A
Allocation to the Pilot	2500	\$87,500

⁵⁹ The shortage could be satisfied with RNG purchased in a previous month of the current calendar year or the last six months of the previous calendar year.

⁶⁰ The surplus RNG could also be matched with a shortage from the previous calendar year, if the surplus event is occurring in the first three months (January – March) of the year.

Allocation to PGA	0	\$0
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Example 4 (Shortage Partially Cured by Previous Surplus)

In this example, the Company forecasts that it will purchase 2500 Dth of RNG in a certain month and that the average per Dth commodity cost of the RNG purchased will be \$35, for a total of \$87,500 in expense. The Company also forecasts that it will sell 2700 Dth of RNG through the Pilot. The Company experienced a surplus of RNG in a previous month within the same calendar year (see Example 1).⁶¹ In that previous month, the RNG purchased exceeded voluntary program purchases by 100 Dth, and in that month, the average per Dth commodity cost of RNG was \$30. The Company will allocate \$90,500 of commodity cost expense (\$35/Dth multiplied by 2500 Dth plus \$30/Dth multiplied by 100 Dth) to the Pilot tracker. A credit of \$3000 (\$30/Dth multiplied by 100 Dth) will be allocated to all customers through the PGA mechanism. The table below summarizes the key figures from this example.

	Dths	Dollars
Total RNG Purchase Current Month	2500	\$87,500
Pilot Sales	2700	N/A
Previous Allocations to PGA in Matching Period	100	\$3000
Previous RNG Shortages in Matching Period	0	N/A
Allocation to the Pilot	2700	\$90,500
Allocation to PGA	0	(\$3000)

True-Up Information

The Company will reconcile RNG commodity cost expenses with Pilot purchases and amounts allocated to all customers annually for the period July 1 to June 30. To the extent that the amount recovered from all customers through the PGA mechanism was greater or less than what should have been charged, based on actual RNG commodity costs and volumes purchased through the Pilot, the difference will be included in the calculation of the Gas Cost Reconciliation factor proposed each year in the Annual Automatic Adjustment Report filed on September 1. To the extent that the amount of commodity cost expense allocated to the Pilot tracker was greater or less than what should have been allocated based on actual RNG commodity costs and volumes purchased, the Company will make an adjustment to the Pilot tracker, to be filed with the Commission each year of the Pilot on September 15.

⁶¹ The shortage could also be matched with surplus Dths purchased in in the second half (July – December) of the previous year.