STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Dan Lipschultz	Vice Chair
Matthew Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

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

DOCKET NO. G-008/M-18-547

COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL

I. INTRODUCTION

The Office of the Attorney General—Residential Utilities and Antitrust Division ("OAG") submits these Comments in response to the August 23, 2018 Petition of CenterPoint Energy Minnesota Gas ("CenterPoint" or the "Company") to the Minnesota Public Utilities Commission ("Commission") to introduce a five-year Renewable Natural Gas pilot program ("RNG Pilot"). For the reasons set forth below, the OAG recommends that the Commission deny CenterPoint's request for a pilot program.

II. BACKGROUND

Green tariffs are optional products offered in regulated electricity markets that allow ratepayers to buy bundled renewable electricity via a special rate.[1] Xcel's Windsource and Renewable*Connect programs are both types of green tariffs.[2] In general, green tariffs allow ratepayers to pay a premium in exchange for offsetting a portion or all of their electricity use

[1] *See* U.S. Envt'l Prot. Agency, *Utility Green Tariffs*, https://www.epa.gov/greenpower/utility-green-tariffs (last updated Nov. 15, 2018).
[2] The E.P.A. notes that "green power products" are similar, but distinct, from green tariffs (Xcel's Windsource is more akin to a green power product, while its Renewable*Connect program is a green tariff). *Id.* For the purposes of these comments, however, this definitional distinction is not significant and "green tariff" will be used in under a more general definition of an optional tariffed rate that provides customers with "renewable" energy.

with additional renewable energy procured by the utility. For example, an average residential ratepayer can offset 100 percent of electricity use by paying a $5 monthly premium to Xcel via its Windsource program.[3]

CenterPoint has proposed a green tariff for renewable natural gas ("RNG"). RNG, sometimes called biogas or biomethane, can be produced from a variety of sources, including from agriculture, landfills, forests, and other waste streams.[4] While RNG is no different than conventional, fossil-based natural gas when it reaches the burner tip, converting raw biogas into pipeline-quality RNG requires a number of steps. Raw biogas must be captured, processed, purified, and tested before it can be transported and injected into the natural gas distribution system.[5] Possibly because of these complications, there is no existing market for RNG used in residential, commercial, and industrial applications, which is the focus of CenterPoint's RNG Pilot. The market for RNG in other jurisdictions is predicated upon the commercial potential of natural gas vehicles, especially long haul trucking.[6] In states like California, which have stringent low-carbon and renewable fuel standards, RNG is seen as an untapped resource to meet these standards while also developing a natural gas-fueled transportation fleet.[7]

Rather than focusing on developing long-haul natural gas vehicles, like other states, CenterPoint's RNG Pilot attempts to create a market for its natural gas utility customers. The RNG Pilot would allow customers to elect to purchase a set dollar amount of RNG per month. The Pilot Charge paid by customers who enroll in the pilot would have several components.

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[3] Xcel Energy, *Windsource—Frequently Asked Questions*, https://www.xcelenergy.com/programs_and_rebates/residential_programs_and_rebates/renewable_energy_options_residential/windsource_for_residences/windsource_faqs (last visited Dec. 21, 2018).
[4] PHILIP SHEEHY & JEFF ROSENFELD, I.C.F., DESIGN PRINCIPLES FOR A RENEWABLE GAS STANDARD 6 (2017).
[5] Rebecca Gasper & Tim Searchinger, *The Production and Use of Renewable Natural Gas as a Climate Strategy in the United States* 7–8 (World Res. Inst., Working Paper, Apr. 2018).
[6] AMY MYERS JAFFE, U.C. DAVIS, THE FEASIBILITY OF RENEWABLE NATURAL GAS AS A LARGE-SCALE, LOW-CARBON SUBSTITUTE, PREPARED FOR THE CAL. AIR RES. BOARD AND THE CAL. ENVT'L PROT. AGENCY 75 (2016).
[7] *Id.* at *passim*.

First, it would be based on the price that CenterPoint pays for RNG supply. Second, it would include a charge to collect "a portion of the program's administration and marketing costs."[8] Third, it would include a $0.10 per therm "shareholder incentive."[9] CenterPoint proposes to limit the second and third components so that they make up no more than 10 percent of the total Pilot Charge. CenterPoint appears to suggest that the Pilot Charge would be $3.88889 per therm, including $3.50 of RNG per therm, a $0.10 per therm shareholder incentive, with the administrative and marketing cost capped at $0.288889. Based on customer surveys, CenterPoint expects that residential ratepayers would be willing to pay an extra $5 to $25 per month toward RNG at a per-therm program charge of $3.88889.[10]

The actual cost of the RNG Pilot will depend on the price of RNG, which will not be known until CenterPoint reaches actual supply agreements. CenterPoint estimates that the price for purchasing RNG will be approximately $3.50 per therm, although the final cost will depend on agreements with RNG suppliers.[11] CenterPoint has not yet sought bids from RNG suppliers, but it expects that "most or even all of the RNG for the program will come from producers outside of Minnesota."[12] The Company states that it has been told that it must contract for a minimum amount—2,500 Dth—per month in order to reduce the per-therm cost of RNG.[13] The Company has said that "it may be difficult or even impossible to contract for quantities below 2,500 Dth per month."[14] The Company does not anticipate, however, that there will be demand for 2,500 Dth per month in the RNG Pilot. Because CenterPoint expects that it will need to purchase much more RNG than the program demand would dictate, it proposes to use non-

[8] CenterPoint Petition at 11.
[9] CenterPoint Petition at 12.
[10] CenterPoint Petition at 11–12.
[11] CenterPoint Petition at 12.
[12] CenterPoint Petition at 13.
[13] CenterPoint Petition at 16.
[14] CenterPoint Response to OAG IR 008, attached as Exhibit 1.

participant ratepayer funds collected via the purchased gas adjustment ("PGA") mechanism to secure the minimum purchase amounts of RNG.[15] The Company proposes to cap excess RNG costs that would be socialized in this manner at $1 million per year.

In addition, the Company expects to incur $390,000 in marketing and administrative costs in the first year of the program and $236,000 in each subsequent year, a total of $1.33 million over the course of the Pilot.[16] The $0.29 per therm charge would go toward these costs, but would only cover between $40,000 and $85,000 per year under the Company's projected participation level. CenterPoint proposes to recover the rest via deferred accounting.

CenterPoint cites to two reasons in support of its RNG proposal. First, the Company argues that an RNG Pilot would help Minnesota meet a state energy goal to obtain 25 percent of its energy from renewable sources.[17] Second, the Company argues that "many" of its ratepayers are supportive of the option to purchase RNG and that the pilot is simply meeting customer demand.[18]

III. LEGAL STANDARD

Minnesota law requires that "Every rate made, demanded, or received by any public utility . . . shall be just and reasonable."[19] In order to receive Commission approval, CenterPoint must demonstrate that its RNG Pilot is just and reasonable. The Commission cannot approve a rate that is "unreasonably preferential, unreasonably prejudicial, or discriminatory . . . ."[20] And "Any doubt as to reasonableness should be resolved in favor of the consumer."[21]

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[15] CenterPoint Petition at 16.
[16] CenterPoint Petition at 12.
[17] CenterPoint Petition at 10.
[18] CenterPoint Petition at 11.
[19] MINN STAT. § 216B.03 (2018).
[20] MINN STAT. § 216B.03 (2018).
[21] MINN STAT. § 216B.03 (2018).

The statute also addresses the setting of rates to "encourage energy conservation and renewable energy use" and to further other state goals embedded into statute.[22] Rates established for these purposes should be set to encourage the achievement of state goals to "the maximum reasonable extent."[23]

IV. ANALYSIS

The Commission should deny CenterPoint's proposal because the RNG Pilot would not result in the establishment of just and reasonable rates, and because it would not be a reasonable manner to accomplish the state's conservation and renewable energy goals. Section IV.A. will show why the costs of RNG, the marketing and administrative costs, and the shareholder financial incentive are unreasonable. Section IV.B. will describe how the RNG Pilot shifts an unreasonable amount of risk onto non-participating ratepayers. Section IV.C. will explain why it is unnecessary for the Company to shift this risk onto its ratepayers because there is no mandate for RNG or an RNG tariff and the extent of ratepayer demand for such a program is likely overstated. Finally, if the Commission decides that CenterPoint's RNG Pilot would result in just and reasonable rates, it should make the modifications recommended in Section IV.D. before implementation.

A. THE DESIGN OF CENTERPOINT'S RNG PILOT IS NOT REASONABLE.

CenterPoint's RNG Pilot contains three primary elements: the cost of RNG itself, marketing and administrative costs, and a shareholder financial incentive. All three elements raise serious concerns, both in cost and in design. Together, this leads to the conclusion that the Company's Pilot proposal is unreasonable and should be rejected.

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[22] MINN STAT. § 216B.03 (2018).
[23] MINN STAT. § 216B.03 (2018).

1. The cost of CenterPoint's RNG Pilot is unreasonably high.

The cost of CenterPoint's RNG Pilot is unreasonably high. The commodity cost of conventional natural gas is $0.40 per therm and residential customers average about 865 therms per year.[24] This adds up to gas costs of $350 per year.[25] The program cost of RNG is $3.89 per therm—ten-times more expensive than the same unit of conventional natural gas.[26] It would cost the average residential customer over $3,000 to offset an entire year's worth of conventional gas with RNG.[27] Figure 1, below, compares the per-therm cost of RNG versus conventional natural gas.

[24] The base cost of gas reflected in CenterPoint's tariff for residential customers was between $0.37 and $0.44 per therm between December 2016 through June 2018. *Annual Automatic Adjustment Report—CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas*, Docket No. G999/AA-18-374, ANNUAL REPORT Exhibit 1 (Sep. 4, 2018). Average use per residential customer taken from the test year sales forecast of CenterPoint witness George Fitzpatrick. *In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*, Docket No. G-008/GR-17-285, Direct Testimony of George Fitzpatrick 21 (Aug. 2, 2017).

[25] This calculation does not take into consideration the delivery costs and other charges that are included in a typical monthly residential gas bill.

[26] CenterPoint Petition at 12. $3.89 (per therm RNG program cost) / $0.38 (avg. per therm commodity cost) = 10.24, or 1,024 percent.

[27] 865 Therms * $3.89 per therm = $3,364.85 per year.

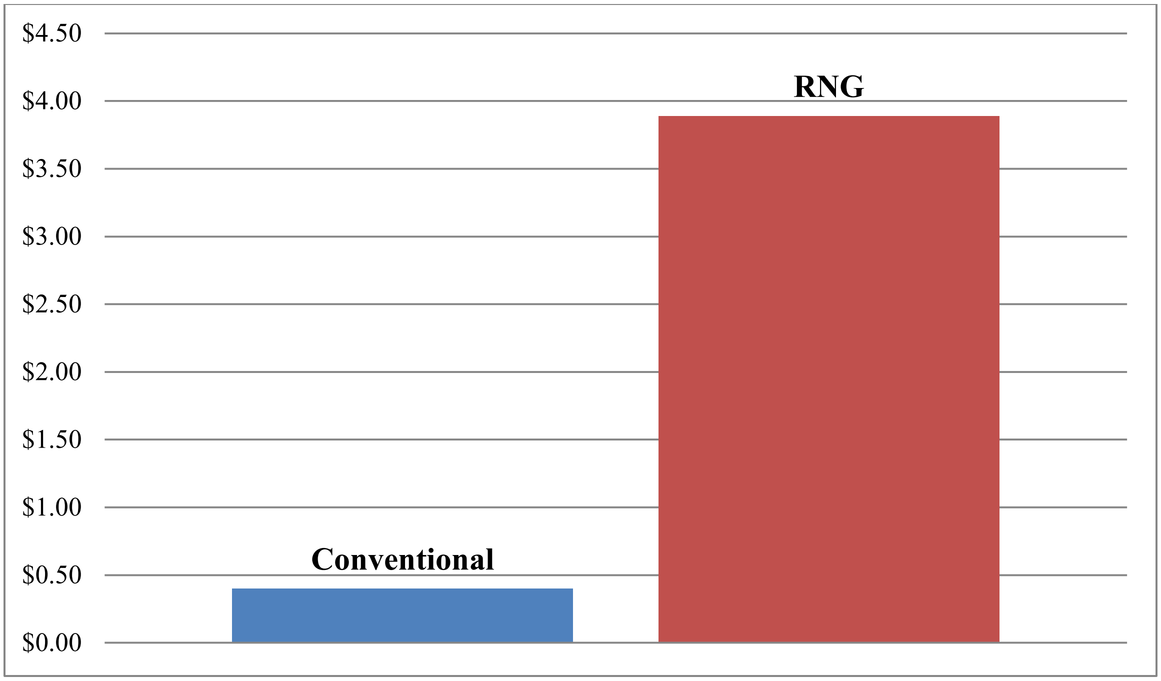

Figure 1. Comparison of representative commodity costs for conventional versus the program cost of CNP's renewable natural gas.

The high cost of RNG—even when using CenterPoint's assumptions, which could be overly optimistic—makes the program unworkable and thus unreasonable. Potential ratepayers seeking to add a renewable option to their natural gas portfolio face two bad choices. Ratepayers seeking to pay a modest sum toward RNG per month would not significantly offset their use of conventional natural gas. CenterPoint assumes that residential customers will commit $10 per month toward RNG, which would offset less than four percent of an average customer's consumption.[28] Conversely, for ratepayers seeking to offset all conventional gas use, the monthly price of the program would be exorbitant—roughly $280 *per month* for an average customer. The choice for potential participants is either to make a small, but relatively meaningless contribution, or to make an extraordinarily expensive contribution.

[28] This example assumes average residential gas usage of 865 therms annually, a $10 per month RNG commitment, and a $3.89 per therm RNG charge. Total RNG purchased over the year would be 30.8 therms, (($10*12) / $3.89), which is 3.6 percent of 865.

If customers want to invest in environmentally-friendly efforts, there are far more effective ways to do so than by paying $3.50 per therm of RNG. For example, a back-of-the-envelope calculation shows that an average residential ratepayer could purchase $50 of carbon offsets to replace an entire year's worth of carbon emissions associated with their natural gas usage.[29] In contrast, a $50 annual commitment of RNG would offset 12.8 therms,[30] which would offset only 1.5 percent of annual natural gas usage[31] and an even smaller percentage of associated carbon emissions, since RNG is generally not net-zero from a carbon emissions perspective.[32]

The high cost of RNG compared to conventional energy is not typical of other green tariffs in the energy sector. For instance, the incremental cost of Xcel's electric Windsource program adds about a 35 percent premium to the base cost of electricity.[33] Under Windsource, a typical residential customer could thus offset 100 percent of his or her monthly electicity usage for approximately $5 per month in additional costs.[34] For prospective participants, the value proposition of a program like Windsource is simply much greater than that of CenterPoint's RNG Pilot.

The high cost of RNG is due in large part to vehicle fuel policies, and the associated credits, in California and at the federal level. CenterPoint estimates that approximately 90

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[29] Assumptions and sources for this calculation can be found in Exhibit 2.
[30] $50 / $3.89 per therm = 12.8 therms.
[31] 12.8 therms / 865 therms = 1.49 percent.
[32] *See* CenterPoint Petition at 8–9 (noting that RNG can represent a reduction to carbon emissions compared to conventional natural gas, but only in some cases could RNG represent a net-zero carbon footprint).
[33] Xcel Tariff Section 5 7th Revised Sheet No 135 (eff. 10/1/2017); Xcel Energy, *Windsource for Residences—Pricing Terms and Conditions*, https://www.xcelenergy.com/programs_and_rebates/residential_programs_and_rebates/renewable_energy_options_residential/windsource_for_residences/windsource_for_residences_-_pricing_terms_and_conditions (last visited Nov. 29, 2018) (noting that the per-block charge for Windsource is $3.53 and the average 2017 fuel cost credit was $2.60, meaning that Windsource represents a 35 percent premium over the traditional fuel mix).
[34] Xcel Energy, *Windsource—Frequently Asked Questions*, https://www.xcelenergy.com/programs_and_rebates/residential_programs_and_rebates/renewable_energy_options_residential/windsource_for_residences/windsource_faqs (last visited Dec. 21, 2018).

percent of the price of RNG is driven by the value of credits for California's Low Carbon Fuel Standard ("LCFS") and the Federal Renewable Fuels Standard credit called a RIN.[35] These are credits that cannot be used by CenterPoint; rather, the Company would be paying a price to "compensate producers for foregoing the opportunity to generate and sell LCFS credits and/or RINs."[36] It is unreasonable for CenterPoint to ask its ratepayers to bear these costs when they provide no benefits.

The cost of RNG alone makes this program unreasonable. In addition, the administrative and marketing costs and the shareholder incentive are also unreasonable, for the reasons discussed in the following sections.

2. The marketing and administrative costs are unsupported.

CenterPoint anticipates that it will spend $1.33 million on marketing and administrative costs over the five-year pilot.[37] But aside from listing the top-line amount of estimated marketing and administrative costs, and noting that it would develop a website and modify its billing system, CenterPoint provided no other details regarding assumptions or other inputs to these estimates.[38] This makes it impossible to analyze the reasonableness of these costs. As such, it would be unreasonable for the Commission to rely upon such a meager showing for approval of a tariffed rate under its just and reasonable standard.

Even if the Commission approves the RNG Pilot tariff, the revenue dedicated toward marketing and administrative costs would cover only a quarter of the projected costs over the

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[35] CenterPoint Petition at 9 (noting that the total price of RNG on the market is $35 per MMBTU, of which only $4 is represented by the commodity price of the gas). "RIN" stands for Renewable Identification Number.
[36] CNP Response to OAG IR No. 015, attached as Exhibit 3.
[37] CenterPoint Petition at 12.
[38] *See* CenterPoint Petition at 12.

course of the five-year pilot.[39] CenterPoint proposes to recover the rest through deferred accounting. For comparison, Xcel's Windsource green tariff, which CenterPoint used as a basis for the design of its marketing program charge, covers *all* marketing and administrative costs via Windsource revenues.[40] The unreasonable shifting of the administrative and marketing costs onto non-participants will be discussed in greater detail below, in Section IV.B.

3. CenterPoint's proposed shareholder financial incentive has no basis in law or policy.

There is no justification, statutory or otherwise, for approval of the $0.10 per therm shareholder incentive proposed by CenterPoint for its RNG Pilot.

It is well-documented that shareholder incentives, such as the comparatively high financial incentive that Minnesota ratepayers pay to utility shareholders for energy conservation,[41] are one regulatory tool to employ in order to encourage utilities to undertake actions that they would otherwise lack an incentive to perform. An entity whose business model depends upon selling units of energy is not inclined to encourage its customers to use less. Modest financial incentives, in that limited case, can play a role.[42] Minnesota law provides utilities with the opportunity to earn a financial incentive for achieving cost-effective energy savings.[43]

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[39] CenterPoint estimates that it will generate $380,000 toward marketing and administrative from program revenues over the five-year program. This is 28.5 percent of the total estimated marketing and administrative costs of $1,334,000. CenterPoint Petition at 20.
[40] *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, REPLY COMMENTS 4 (Feb. 19, 2002).
[41] *See In the Matter of Commission Review of Utility Performance Incentives for Energy Conservation*, Docket No. E,G999/CI-08-133, OAG COMMENTS *passim* (Jan. 19, 2016). The Company's comparison of the CIP financial incentive being at $0.74 per therm saved compared to $0.10 per therm of RNG is intended to demonstrate that the proposed RNG incentive is small, but it really acts as additional evidence that the CIP financial incentive is much too large. CenterPoint Petition at 19, fn. 43.
[42] In addition to revenue decoupling, cost recovery, and a savings goal or requirement.
[43] MINN. STAT. § 216B.16, subd. 6c (2018).

A shareholder incentive for RNG, conversely, would exist outside of any statutory framework or requirement. No statute or Commission order requires CenterPoint to pursue an RNG program. The Company acknowledges this fact by arguing that approval of a "modest" shareholder 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."[44] This statement explicitly acknowledges the lack of statutory authority for the Company's Pilot proposal, much less a shareholder incentive, and nevertheless encourages the Commission to forge ahead and require participating ratepayers to reward CenterPoint's shareholders anyway.

Even if such an incentive were allowed, or at least not prohibited, it would still be unreasonable. If CenterPoint's RNG program—again, which it proposed upon its own volition—were to be approved as filed, Company shareholders would be placed under no additional risk. All costs associated with the RNG program would be covered by ratepayers, be they participants or non-participants. And, as-proposed, the Company would be explicitly encouraging the sale of expensive units of gas, an activity that should need no incentive under CenterPoint's business model.

Moreover, CenterPoint's claim that, "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," is misleading. Customers might not pay more, but they will buy less RNG—the presence of a shareholder incentive built into the program charge necessarily means that less RNG would be acquired by participants. In this way, too, the shareholder incentive will require non-participants to cover more of the costs of RNG since a

[44] CenterPoint Petition at 19.

portion of participants' RNG costs would be going toward shareholders and CenterPoint has indicated that it would be required to purchase a monthly minimum of RNG from suppliers. This is an unreasonable harm to inflict upon non-participants.

Finally, CenterPoint's claim that a shareholder incentive "will encourage the Company to obtain the best terms possible for RNG purposes"[45] is contrary to the obligation that utilities already have for acquiring gas supply on ratepayers' behalf. It suggests that, in the absence of a shareholder incentive, CenterPoint would not commit to obtaining the best possible terms for its customers with potential RNG suppliers. This raises obvious concerns and, if the Commission approves the Company's RNG proposal, it should take steps to ensure that the Company obtains the best terms possible for RNG purposes—without requiring a subsidized payout to its shareholders.

4. CenterPoint's RNG Pilot is unreasonably designed.

The three components of CenterPoint's RNG Pilot proposal are all unreasonable. First, the high cost of RNG compared to conventional natural gas makes the program unworkable. Second, the administrative and marketing costs are unsupported and program revenue would cover only a quarter of the projected costs. Third, the proposed shareholder incentive is both unauthorized by statute and would result in greater costs being shifted onto non-participating ratepayers. The next section will discuss the larger issue of how CenterPoint's RNG Pilot unreasonably shifts costs onto non-participating ratepayers.

B. CENTERPOINT'S RNG PILOT INEQUITABLY AND UNREASONABLY SHIFTS THE COSTS OF THE PROGRAM ONTO NON-PARTICIPATING RATEPAYERS.

CenterPoint's RNG Pilot would shift the excess RNG costs and excess administrative and marketing costs onto non-participants. CenterPoint's RNG proposal, as designed, will rely upon

[45] CenterPoint Petition at 20.

subsidization from non-participants in nearly every respect. Even at a cost nearly ten-times that of conventional natural gas, CenterPoint estimates that it will not generate enough revenue to cover either the cost of gas it needs to purchase or the marketing and administrative costs it expects to incur. In other words, the program is designed to harm non-participants.

It would be reasonable to interpret this as a signal that the program may be unworkable, but CenterPoint instead asks the Commission to require non-participating ratepayers to cover the difference.[46] The OAG is not aware of any other green tariff that asks non-participants to bear such a burden. In fact, other green tariffs that the Commission has considered in recent years are explicitly designed to ensure that non-participants are *not* harmed.[47] CenterPoint's RNG Pilot does the opposite and is therefore unreasonable.

1. The Company's proposal to recover excess RNG gas costs through the PGA is unreasonable.

CenterPoint expects to have to purchase approximately $1 million of RNG annually (2,500 Dth per month) via its general gas supply, the excess of which would be recovered from all ratepayers via the PGA mechanism. It is unreasonable to require non-participant ratepayers to cover these costs.

The reason that much of the risk of the RNG Pilot shifts to non-participating ratepayers is that many of the proposed costs are relatively fixed. The number of participants in the program is not likely to affect the RNG costs incurred by the Company over the five-year pilot. CenterPoint states that it must purchase 2,500 Dth of RNG per month in order to viably contract

[46] CenterPoint does agree to limit non-participant responsibility to $6.5 million over the five-year proposal. CenterPoint Petition at 22.
[47] *See, e.g., In the Matter of the Petition of Northern States Power Company for Approval of a Renewable*Connect Pilot Program*, Docket No. E002/M-15-985, PETITION 16 (describing a "neutrality adjustment" component to Xcel Energy's electric Renewable*Connect program that was designed to "minimize the impact of the program on non-participants").

for the gas supply.[48] In order to cover this purchase, the Company would need to enroll 8,000 customers at the monthly commitments assumed by the Company.[49] Fewer participating customers would not equate to lower purchases of RNG by the Company; fewer participating customers would simply shift more of these costs to non-participants.

It is unreasonable to require all non-participating ratepayers to fund excess RNG purchases made by the Company. The PGA mechanism should not be used as a revolving account to fund programs like the RNG Pilot, which is neither required nor likely to be self-sustaining. Costs recovered via the PGA mechanism should be for gas that is purchased on behalf of all sales customers, not to kick-start a market for RNG in Minnesota.

2. The Company's request to utilize deferred accounting to track excess administrative and marketing costs is unreasonable.

Similarly, CenterPoint expects that it will not be able to recover the majority of marketing and administrative costs via RNG Pilot revenue. CenterPoint requests deferred accounting for the remainder of these costs, which are projected to be roughly three-quarters of the total administrative and marketing costs. Setting aside the concerns about the unreasonableness of a program that is not designed to recover its own costs, which were discussed above, the Company's request to receive deferred accounting treatment of these costs is unreasonable, for two reasons.

First, the OAG is not aware of any other green tariff that uses deferred accounting to recover excess marketing and administrative costs. During the approval of its initial Windsource filing, for example, Xcel explicitly clarified that its tracker account would not be used for

[48] The OAG asked CNP whether it had contemplated a lower minimum amount; it responded that it would be "difficult or even impossible to contract for quantities below 2,500 Dth per month." Response to OAG IR 008, attached as Exhibit 1.

[49] Section IV.C.2, below, discusses why this level of participation assumed by CenterPoint is questionable.

deferred accounting purposes.[50] To the contrary, Xcel's Windsource revenue was, and is, sufficient to cover all incremental marketing and administration costs.

Second, CenterPoint's cursory analysis of its RNG Pilot under the deferred accounting standard is no more than a series of conclusory statements that its proposal passes muster.[51] It does not. Deferred accounting is "an extraordinary remedy used primarily to hold utilities harmless when they incur our-of-test-year expenses that, because of their nature or size, should be eligible for possible rate recovery as a matter of public policy."[52] The Commission has applied a four-part test to deferred accounting requests, which assesses whether the requested costs are:

1. Related to utility operations for which ratepayers have incurred costs or received benefits;
2. Significant in amount;
3. Unforeseen, unusual, or extraordinary; and
4. Subject to review for reasonableness and prudence.[53]

CenterPoint argues that the administration and marketing costs meet the first prong because they "are related to operation of a utility program which will benefit CenterPoint Energy's customers by satisfying their demand for an RNG option."[54] Setting aside the level of demand for an RNG option amongst CenterPoint's ratepayers, which will be discussed in Section IV.C.2 and is likely overstated, the Company's analysis suggests that the benefits of its RNG Pilot are related only to participating ratepayers. This means that the administration and marketing expenses will be incurred to benefit *only* those customers who sign up for the RNG

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[50] *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, REPLY COMMENTS 4 (Feb. 19, 2002).
[51] CenterPoint Petition 20–22.
[52] *In the Matter of a 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 9 (Nov. 30, 2017).
[53] *Id.* at 10.
[54] CenterPoint Petition at 21.

Pilot. That deferred accounting could lead to recovery of these costs from all ratepayers, the vast majority of which would receive no benefit stemming from the fulfilment of other ratepayers' decision to participate, is not a reasonable application of the Commission's deferred accounting treatment.

Second, the Company argues that "the expenses may be significant in amount" because the administrative and marketing costs will not be recovered through current rates.[55] Deferred accounting is intended to hold utilities harmless. In other words, the treatment is intended to ensure that significant, unforeseen costs do not negatively affect a utility's financial health.[56] The $1.3 million in marketing and administrative costs that CenterPoint expects it will incur for its RNG Pilot over the five years is roughly 0.03 percent of the $4.3 billion the Company is authorized to recover from customers over the same period.[57] This incremental cost is unlikely to affect the financial stability of CenterPoint Energy Minnesota Gas.

Third, the Company asserts that its expenses are "unforeseen in the sense that the program was not in place or considered in the Company's most recent rate case . . . ."[58] This interpretation strains the definition of unforeseen. Acceptance would mean that virtually any new dollar spent by a utility after a rate case is filed would meet this prong of the deferred accounting test. This is especially inapplicable for a project proposed unilaterally by the Company. CenterPoint cannot be taken by surprise by a program it developed and proposed, at a

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[55] CenterPoint Petition at 21–22.

[56] *See In the Matter of a Petition for Approval of Deferred Accounting Treatment of Costs Related to the 2016 Storm Response and Recovery*, Docket No. E-015/M-16-648, ORDER DENYING PETITION FOR DEFERRED ACCOUNTING TREATMENT 5 (Jan. 10, 2017) (noting, in denying a request for deferred accounting, that "deferred accounting has been reserved for costs that are . . . large enough to have a significant impact on a utility's financial condition.").

[57] The Commission approved an operating revenue of $862.9 million in CenterPoint's most recent rate case. 5 years * $866.8 million = $4.3 billion. *In the Matter of the Application of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas, for Authority to Increase Rates for Natural Gas Service in Minnesota*, Docket No. G-008/GR-17-285, SETTLEMENT 23 (Mar. 6, 2018).

[58] CenterPoint Petition at 22.

time of its own choosing. Similarly, the Company argues that the costs are "extraordinary by nature of their association with this innovative proposal."[59] Although CenterPoint's proposal is out of the ordinary, this fact alone does not confer upon it extraordinary status under the deferred accounting test.

Finally, CenterPoint argues that the marketing and administrative costs will be reviewed by the Commission as part of an annual filing.[60] This may be true, but the reviewability of costs should not outweigh the serious deficiencies of both the Company's RNG Pilot and of its deferred accounting analysis.

Be it through the PGA or deferred accounting, CenterPoint attempts to shift the cost of its RNG Pilot onto non-participating ratepayers. Shifting the costs of RNG onto non-participants is a symptom that the program itself is unworkable, unjust, and unreasonable. The next section will address why this shifting of risk is unnecessary given the lack of a statutory mandate for RNG and the lack of specific support for such a proposal from CenterPoint's ratepayers.

C. It is Unnecessary and Inadvisable for the Commission to Shift the Risk of CenterPoint's RNG Pilot onto Ratepayers.

The previous section describes how CenterPoint's RNG Pilot would hurt ratepayers by shifting risk onto them. This section will show why infliction of this harm is unnecessary. The Commission should not allow CenterPoint to inflict the risk associated with this proposal onto ratepayers. The RNG Pilot is neither responsive to any statutory requirement or mandate for renewable natural gas, nor is there any evidence that CenterPoint's ratepayers are demanding that such a program be available.

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[59] CenterPoint Petition at 22.
[60] CenterPoint Petition at 22.

1. A Policy Goal is not a Mandate.

The state's renewable energy policy goal does not itself create a mandate for renewable natural gas. Indeed, "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."[61] The Company interprets this as an opportunity to be a first-mover in the country on this topic, rather than a sign that there may be good reason for this state of play. Nevertheless, CenterPoint cites to the early years of renewable electricity generation as a historical analog for the RNG program it now proposes. A closer look at this history shows why this is not an apt comparison.

The electric green tariffs available today exist because of a statutory requirement that electric utilities provide ratepayers with such an option. Windsource was proposed in 2001 following a new law that *required* electric utilities to offer a green tariff.[62] Although the green tariff statute has undergone several changes since that time, no iteration has ever envisioned offering a tariff for RNG. This is a strong signal that the exclusion of natural gas utilities from offering green tariffs was a conscious decision by the Legislature, rather than a mere oversight.[63]

Another difference between renewable electricity and renewable gas is that electric utilities are also required by law to procure certain levels of renewable electricity via Minnesota's renewable electricity standard ("RES").[64] This mandate, and an accompanying energy policy goal, was explicitly tailored to address renewable electricity—and electricity only. The RES mandate requires most Minnesota electric utilities to generate or procure at least 25

[61] CenterPoint Petition at 10.
[62] 2001 Minn. Law Ch. 212, Art. 8, p. 937 (codified in Minn. Stat. § 216B.169, subd. 2). This requirement was repealed in 2007, but added again in 2009 as a permissive standard. 2007 Minn. Laws Ch. 3, p. 6–7; 2009 Minn. Laws Ch. 110 p. 9.
[63] *See* MINN. STAT. § 645.19 (2018); Maytag Co. v. Commissioner of Taxation, 218 Minn. 460, 463 ("Where a statute enumerates the persons or things to be affected by its provisions, there is an implied exclusion of others.").
[64] MINN. STAT. § 216B.1691 Subd. 2a (2018).

percent renewable electricity by 2025.[65] Several months after it first became law, as part of the 2007 Next Generation Energy Act, the Legislature further emphasized this requirement by adding a state energy policy goal in support of the RES.[66] The Legislature did not impose such a renewable mandate upon natural gas utilities and it is unreasonable to now draw upon inferences to create one, especially at such a high cost to both participating and non-participating ratepayers.

Even if CenterPoint was under an obligation to procure renewable natural gas, its proposal does not contain a crediting or verification mechanism, only a promise that it would develop one. Unlike renewable electricity, there are no established methods to track, value, and retire "credits" generated by RNG for use in the manner proposed by CenterPoint.[67] Such a crediting system would have to be developed from scratch before implementation. Ultimately, however, even if such a system was created, vetted, and approved, its value is unclear since there is no mandate for RNG. In other words, RNG could be counted with a crediting mechanism, but it would not count toward anything.

2. There is No Evidence that Ratepayers Are Seeking an RNG Option.

CenterPoint also suggests that "[m]any CenterPoint customers would be willing to pay more for RNG."[68] In fact, CenterPoint assumes that as many as 8,000 of its residential customers would be willing to pay for RNG that is ten-times more expensive than conventional gas. The Company bases this assumption on twin surveys that purport to demonstrate a high

[65] 2007 Minn. Laws Ch. 3, 1–7 (codified in MINN. STAT. § 216B.1691, Subd. 2a).
[66] 2007 Minn. Laws Ch. 136.
[67] CenterPoint Petition at 10.
[68] CenterPoint Petition at 11.

level of customer demand for an RNG product, despite a "significant portion of customers [that are] unfamiliar with RNG or have questions about it."[69]

These surveys generally find that respondents are open to the concept of RNG, but that they have significant concerns about the cost of such a program, which CenterPoint did not actually address in the survey. The survey results highlight a jarring disconnect between the unusually high cost of RNG and the costs for which respondents indicate they would be willing to pay. For example, in the December 2017 survey, the two highest preferences for the percentage of RNG that respondents indicated that they would like to receive were 50 percent and 100 percent RNG.[70] But most respondents indicated that they would be willing to pay no more than \$10 per month in addition for RNG.[71] As proposed, a \$10 per month commitment would offset *less than four percent* of a typical residential ratepayer's usage—a far cry from the 50 to 100 percent offset respondents most desired. This disconnect suggests that respondents, as a proxy for all ratepayers, do not yet have the information on RNG necessary to decide, for example, if they would be willing to pay \$10 per month in order to offset less than four percent of their conventional natural gas usage—or whether that \$10 would be better spent on something else. The surveys also indicate that the cost of an RNG program is the top factor for the vast majority of respondents, a concern shared by the OAG.[72]

It is unreasonable to read into the survey results a resounding clamor for an RNG tariff option from CenterPoint's ratepayers. It is clear that many respondents would be open to considering such an option if it were relatively cheap and could offset a large portion of conventional natural gas usage. But CenterPoint's RNG Pilot does neither. It is instead

[69] CenterPoint Petition at 11.
[70] Attachment to CenterPoint Response to OAG IR No. 3, results from Q7 of Jan 2018 survey, attached as Exhibit 4.
[71] *Id.* at slides 11 & 15, attached as Exhibit 4.
[72] Attachment C to CenterPoint Response to DOC IR No. 3, page 4 attached as Exhibit 5.

expensive and insubstantial. Respondents were never asked their opinion based upon the program, as proposed, and never told that it would cost ten times as much as their regular natural gas. For that reason, the Commission should not rely upon respondents' general support for greener options in consideration of approval of the specific program proposed here, especially given the serious defects of the RNG Pilot highlighted above.

D. IF THE COMMISSION FINDS THAT CENTERPOINT'S RNG PROPOSAL WOULD RESULT IN JUST AND REASONABLE RATES, IT SHOULD MAKE THE FOLLOWING MODIFICATIONS TO THE PROGRAM BEFORE IMPLEMENTATION.

If the Commission finds that CenterPoint's RNG proposal would result in just and reasonable rates, despite the numerous, serious concerns listed above, it should require several modifications to CenterPoint's RNG program before implementation.

First, the Company should modify the RNG program so that potential participants would elect an amount of RNG per month to purchase as opposed to the existing, proposed monthly dollar commitment. Such a modification would put CenterPoint's RNG program in line with existing green tariff options provided by electric utilities, such as Windsource. It would also ensure that potential participants would be informed of the potential cost of the RNG program as well as its limited ability to offset conventional natural gas usage at the current program price. The Company states its concern that allowing customers to select RNG purchase as a percentage of usage or as a number of therms per month "might cause customers to select higher payment obligations than intended."[73] It argues that a fixed-dollar amount design was made for cost certainty and transparency reasons. Regardless of intent, however, the fixed-dollar amount design obscures the high cost of RNG and leads to less transparency for potential participants.

[73] CenterPoint Petition at 14.

A customer willing to spend $10 per month on RNG should also be comfortable making the choice to offset 4 percent of his or her natural gas use for a cost of $10 per month.

Second, the Company should provide potential participants with a comprehensive upfront description of the costs of the RNG program and the impact of the program on their bills and on the amount of conventional natural gas they would be offsetting. This would allay the Company's concern that a per-therm or percentage-of-use model, noted above, could cause unintended harm to participants. For example, such a notice should include a comparison of the cost-per-therm of RNG versus conventional natural gas, the amount of conventional natural gas that would be offset according to different levels of contribution, and a clear statement that they would be enrolling in a 12-month commitment. CenterPoint should be required to work with the OAG and others on this communication, which should be considered by the Commission at an agenda meeting.

Third, since it is unreasonable to require non-participating ratepayers to fund this program, the Commission should prohibit any RNG-related recovery from non-participant ratepayers. If Company shareholders are excited about this proposal, the Company could ask them to fund any shortfall in the program. Or the Company could buy only the RNG that its program participants require each month. The Company has not shown that it would be reasonable to require non-participating ratepayers to cover any costs associated with this program.

Fourth, the Commission should require CenterPoint to delay implementation until enrollment has reached levels that would allow the program to operate without reliance upon non-participant funding. This is in line with the waiting period that Xcel underwent for its

Windsource offering.[74] CenterPoint proposes to implement a four-month enrollment period; this may be appropriate if it can generate enough demand to purchase RNG using program revenue. If not, it should be required to wait until an appropriate level of demand has been reached, if it ever does. One positive aspect of a unilateral utility proposal such as this is that there is no statutory deadline for implementation; the Company can and should wait until enrollment reaches a self-sustaining level.

Fifth, the Commission should deny CenterPoint's request for deferred accounting for the reasons described in Section IV.B and because deferred accounting would result in non-participant ratepayer funding.

Sixth, the Commission should cap the marketing and administrative costs of the program and require that all marketing and administrative costs be recovered by participants. As proposed, CenterPoint's marketing and administrative program charge is nearly as high as the commodity cost of conventional gas itself ($0.29 per therm versus $0.40 per therm).[75] CenterPoint notes that this portion of the program charge is less than 10 percent of its $3.89 per-therm overall charge.[76] This is accurate, but misses the point. The relative differences between the cost of RNG and conventional gas proportionally make any charge that is compared to the cost of RNG appear small. Since insufficient information was provided by the Company regarding these costs, a reasonable level of administrative and marketing costs is difficult to calculate. Should the Commission approve the RNG Pilot, it should seek significantly more

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[74] *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 4 (Dec. 31, 2001) (noting that it would enter into a contract to purchase wind energy after it has received a sufficient number of subscriptions).

[75] Recalling, too, that even this high level of marketing and administrative rate would somehow cover only roughly a quarter of its expected marketing and administrative costs.

[76] CenterPoint Petition at 12.

detail on these costs to determine a reasonable level, and establish a cap and program charge accordingly.[77]

Seventh, the Commission should require the Company to allow ratepayers to exit the program within 90 days of receiving the first bill under the RNG tariff and clearly inform new participants of this opportunity.

V. RECOMMENDATIONS

The Commission should deny CenterPoint's proposed RNG pilot. The per-therm cost of RNG is simply too high at this time to make such a program work. In addition, the design of CenterPoint's RNG pilot unreasonably shifts risk onto ratepayers by requiring non-participants to shoulder much of the costs of RNG and additional marketing and administrative costs. The Company also seeks a built-in shareholder incentive that has no statutory basis and is unreasonable. The Commission is under no obligation to take on this risk on behalf of Minnesota ratepayers by approving a renewable natural gas tariff at this time. There is no requirement for such an offering and there is no real indication that CenterPoint's ratepayers are seeking such an option. If, despite these considerations, the Commission approves CenterPoint's pilot, it should order the Company to make the modifications recommended by the OAG in Section IV.D.

[77] For reference, Xcel reported that its 2003 marketing and administrative costs were $12.36 per customer acquisition. *In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Renewable Energy Rider*, Docket No. E002/M-01-1479, ANNUAL COMPLIANCE FILING 5 (May 3, 2004). Assuming a range of $10 to $20 per customer for CenterPoint's RNG would result in administrative and marketing costs between $40,000 and $80,000 in year 1 and between $80,000 and $160,000 in years 2–5, based on the enrollment assumptions made by the Company of between 4,000 and 8,000 participants. *See* Enrollment Assumptions, attached as Exhibit 6.

Dated: January 8, 2019

Respectfully submitted,

KEITH ELLISON
Attorney General
State of Minnesota

s/ **Joseph A. Dammel**

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ATTORNEYS FOR THE STATE OF MINNESOTA

EXHIBIT 1

CNP Response to OAG IR No. 008

State of Minnesota
Office of the Attorney General

Utility Information Request

Docket Number: G-008/M-18-547	Date of Request: 8/31/2018
Requested From: CenterPoint Energy Minnesota Gas	Response Due: 9/13/2018

Analyst Requesting Information: Joseph Dammel

Type of Inquiry: Other

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
OAG 008	Reference: Petition at 16 Provide the commodity price per them of RNG for monthly purchase amounts below 2,500 Dth. Does this price change depending upon how much below 2,500 Dth is purchased in a month; for example, would the price per therm at 50 Dth per month be different than the price per them at 2,400 Dth per month? If so, quantify the difference. **Response:** CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") does not have commodity price estimates for monthly quantities below 2,500 Dth. Based on conversations with potential RNG suppliers, the Company's understanding is that it may be difficult or even impossible to contract for quantities below 2,500 Dth per month. Potential suppliers indicated that the administrative and transaction costs associated with gas purchase agreements may not be justified, from the supplier's perspective, for quantities below 2,500 Dth.

Response By: Erica Larson
Title: CIP Regulatory Analyst
Department: Regulatory
Telephone: 612-321-4334

EXHIBIT 2

Assumptions regarding cost of carbon offset.

Assumptions and calculations regarding cost of carbon offset.

117 lbs of CO_2 per MMBtu of natural gas[1]

1 therm per 0.10 MMBtu of natural gas[2]

11.7 lbs of CO_2 per therm of natural gas (calculated)

865 therms per year[3]

10,120 lbs of CO_2 per year (calculated)

$50.50 cost to purchase carbon offsets to offset 100 percent of CO_2 related to natural gas use[4]

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[1] U.S. Energy Information Admin., *Frequently Asked Questions*, https://www.eia.gov/tools/faqs/faq.php?id=73&t=11 (last visited Nov. 29, 2018).

[2] U.S. Energy Information Admin., *Frequently Asked Questions*, https://www.eia.gov/tools/faqs/faq.php?id=45&t=8 (last visited Nov. 29, 2018).

[3] *In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*, Docket No. G-008/GR-17-285, DIRECT TESTIMONY OF GEORGE FITZPATRICK 21 (Aug. 2, 2017).

[4] *Personal Carbon Offsets*, https://www.terrapass.com/product/productindividuals-families (last visited Nov. 29, 2018) (using online calculator to determine cost for offsetting 10,120 lbs of carbon dioxide emissions).

EXHIBIT 3

CNP Response to OAG IR No. 015

State of Minnesota
Office of the Attorney General

Utility Information Request

Docket Number: G-008/M-18-547 Date of Request: 8/31/2018
Requested From: CenterPoint Energy Minnesota Gas Response Due: 9/13/2018

Analyst Requesting Information: Joseph Dammel

Type of Inquiry: Other

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
OAG 015	Reference: Petition at 9 Provide a breakdown of LCFS value and RIN value within the representative \$35 per MMBTU stated in the Petition. Does the value of these two credits comprise the entirety of the difference between the commodity cost (roughly \$4 per MMBTU) and the RNG cost, or are there other cost components that comprise the difference in value? Describe the accounting for each credit for a non-transportation end-use. In other words, would an LCFS credit and/or a RIN credit be retired if the end-use is an LDC instead of a vehicle? **Response:** CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") does not expect that LCFS credits or RINs will be generated for RNG sold to the Company, because neither system will award credits for RNG production unless the RNG is used as vehicle fuel. Unlike RECs for renewable electricity, RINs and LCFS credits are not created at the point of generation, but only when the fuel is delivered into a vehicle. However, if any LCFS, RIN, or other environmental credits are generated for RNG sold to the Company, the Company will require that those credits be sold to the Company along with the gas commodity. The Company will retire any environmental credits it obtains for RNG sold through the voluntary program. Although the Company does not expect that the RNG it purchases will include any LCFS credits or RINs, it does expect that the price it will pay for RNG will be higher due to the existence of those credit markets. Producers that sell RNG (directly or indirectly) to the Company likely could choose instead to sell their RNG into the vehicle fuels market, generating

Response By: Erica Larson
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and selling LCFS credits and/or RINs. The Company therefore expects that it will have to pay prices that compensate producers for foregoing the opportunity to generate and sell LCFS credits and/or RINs.

The difference between the commodity cost of conventional natural gas and RNG is driven primarily by the LCFS and RIN markets. A single unit of RNG may be eligible for both LCFS credits and RINs. LCFS credit prices are reported by the California Air Resources Board; the July 2018 report indicated an average credit price of $169/metric ton CO_2 (https://www.arb.ca.gov/fuels/lcfs/credit/20180814_julcreditreport.pdf); this is roughtly twice the value on which the MJB&A study based its estimates (see the response to OAG information request No. 4), suggesting a price of $10-$50/Mcf of RNG might be realistic. Timely pricing of cellulosic RINs is not available from EPA, but as noted in the response to OAG 004, the MJB&A study reported that in 2016 RINs represented a value of $24/Mcf of RNG. The Company understands that the LCFS and RIN markets are volatile and prices are inelastic, so it is difficult to predict the cost the Company may pay for RNG outside of an actual bidding process. Prices may become more elastic and predictable over time as production increases and the market becomes more developed.

In addition, the Company understands that the cost of producing RNG is somewhat higher than the cost of producing conventional natural gas and that the cost of production depends on the RNG source. However, the effect of higher production costs on the price of RNG is dwarfed by the effect of LCFS and RIN markets.

Response By: Erica Larson
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Department: Regulatory
Telephone: 612-321-4334

EXHIBIT 4

Attachment to CenterPoint Response to OAG IR No. 3, Jan. 2018 presentation on results of Dec. 2017 CNP RNG survey including:

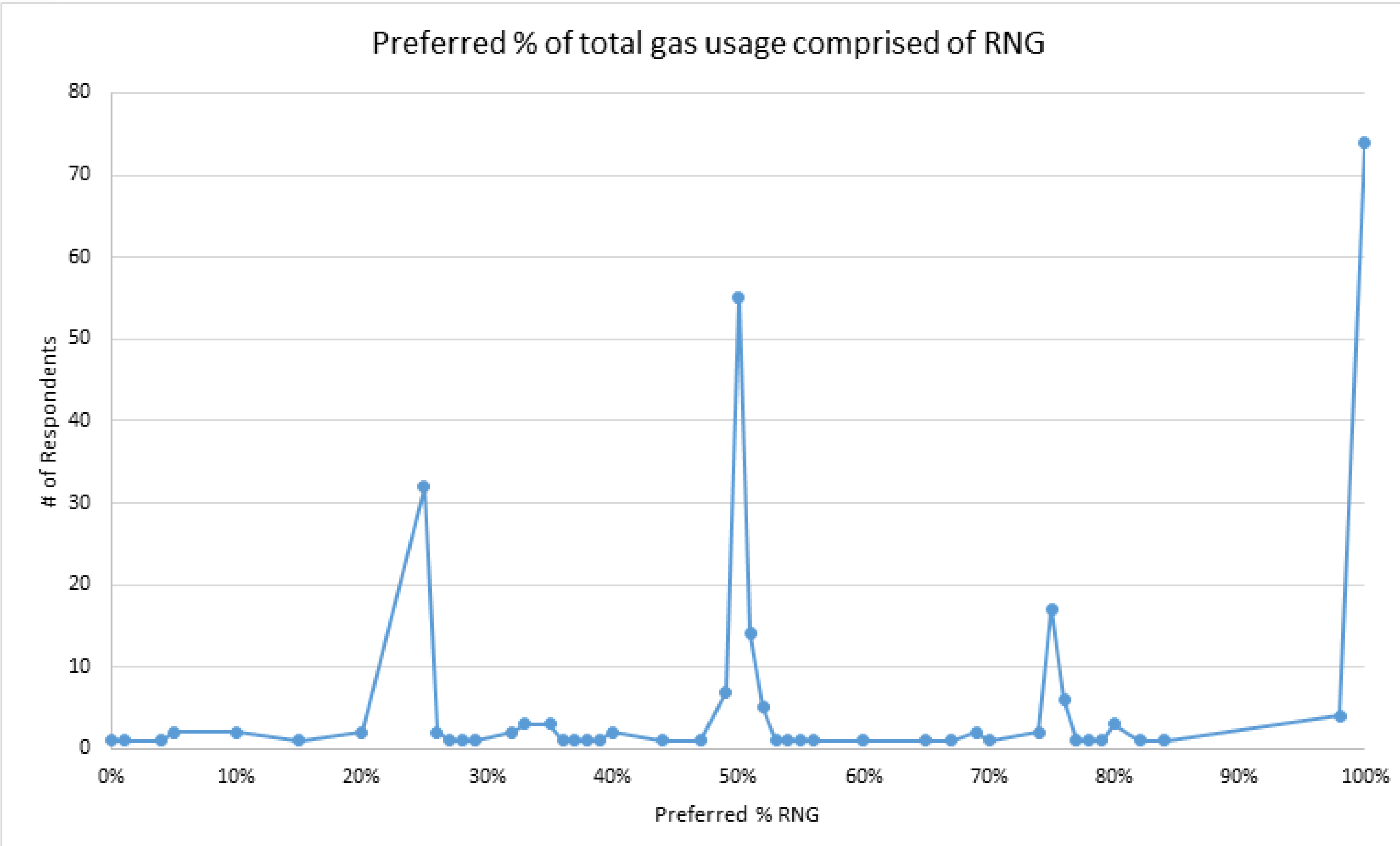
Slide 10, results from Q7;
Slide 11, results from Q16; and
Slide 15, results from Q 11.

Energy for You

Renewable Natural Gas Customer Study

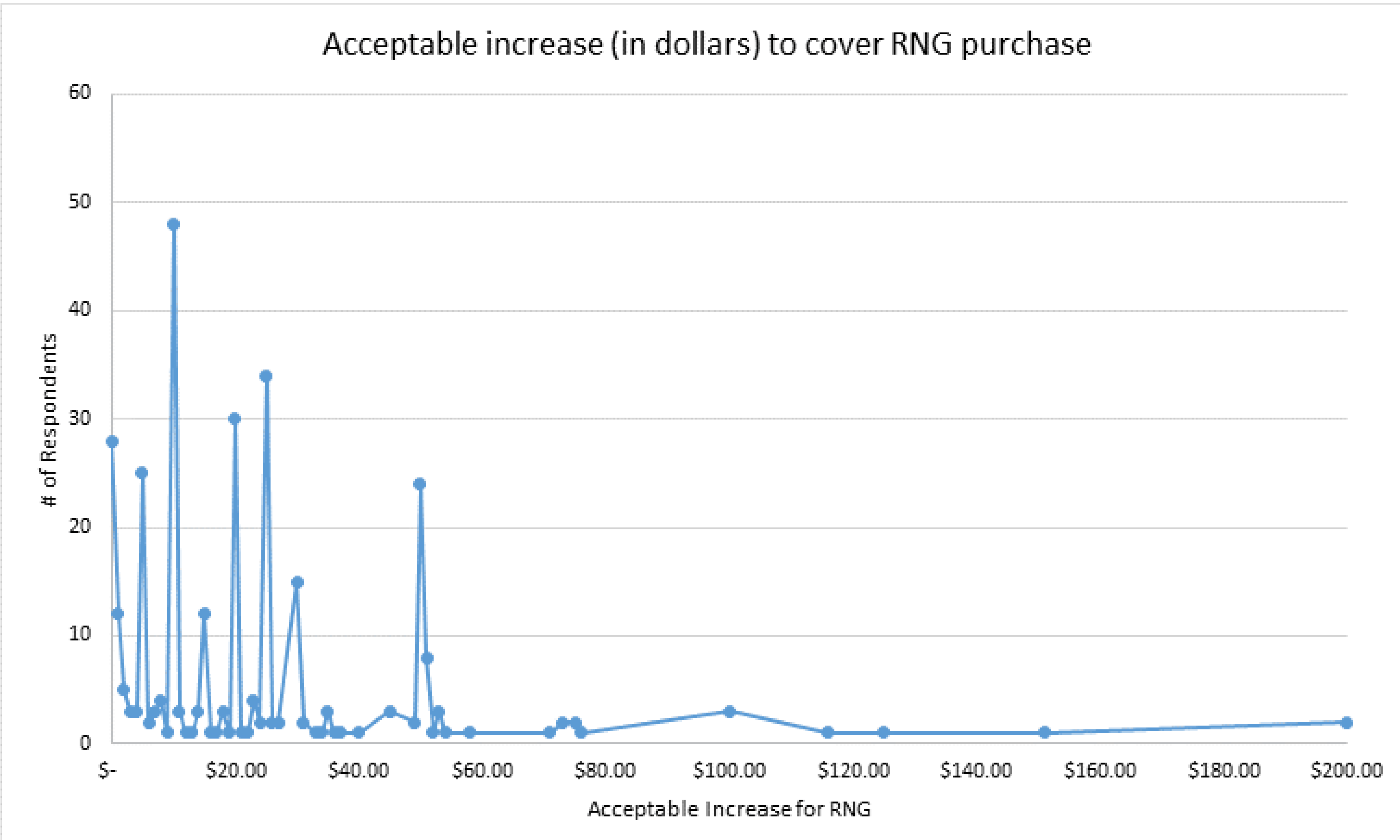
January 2018

Most customers would like the option to select their percentage of RNG in 25% intervals, with respondents favoring 100%, 50%, 25%, and 75% in that order



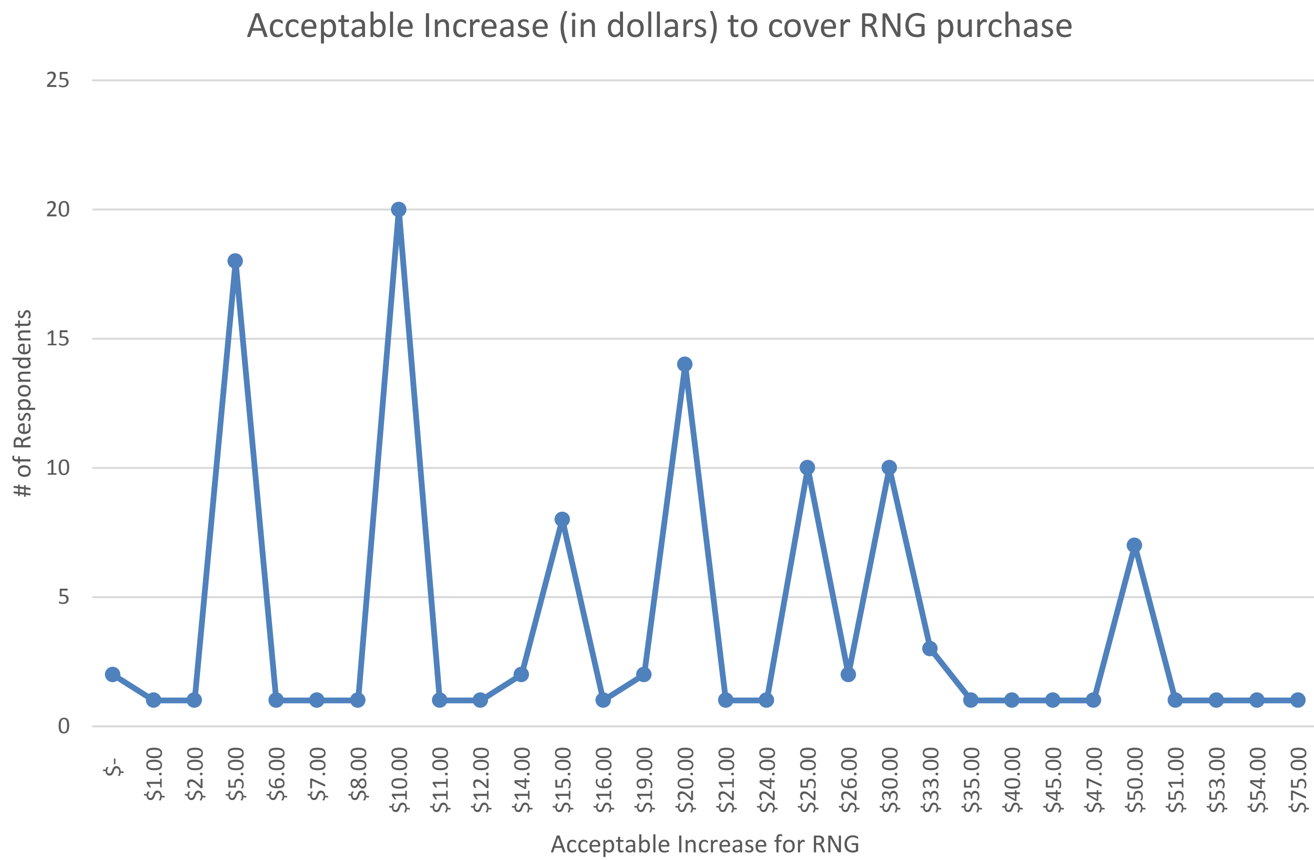
Q7 - Using the slider bars below, please indicate the percentage of your natural gas you would like to have come from renewable sources each month: *N = 265*

The vast majority of customers would pay less than $50, and two-thirds of respondents would pay less than $25



Q16 - Using the slider bars below, please indicate the dollar amount increase you would find most acceptable to your monthly bill to cover the cost of the RNG purchase: *N = 318*

Using the Dollar Designation program, the vast majority of customers would pay less than $50, and two-thirds of respondents would pay less than $25



Q11 - Using the Dollar Designation program, what incremental dollar amount would you be willing to pay on your monthly bill toward the purchase of RNG? Using the slider bars below, please indicate the dollar amount increase you would find most acceptable to your monthly bill to cover the cost of the RNG purchase: *N = 116*

EXHIBIT 5

Attachment C to CenterPoint Response to DOC IR No. 3, survey frequency of Apr. 2018 CNP RNG survey including:

Page 4, factors that would influence decision regarding whether or not to participate in a renewable natural gas program.

Frequency Report

2018 MN Renewable Natural Gas #2 Survey

September 24th 2018, 10:48 am CDT

Q4 - Which of the following factors would most influence your decision regarding whether or not to participate in a renewable natural gas program: (Please select all that apply.)

#	Answer	%	Count
1	Cost	65.71%	731
2	How easy it is to enroll	7.84%	87
3	Length of commitment	20.76%	231
4	Other: (please specify)	5.69%	63
	Total	100%	1,113

EXHIBIT 6

CNP Enrollment Assumptions (Attachment to CenterPoint Response to OAG IR No. 7)

State of Minnesota
Office of the Attorney General

<u>Utility Information Request</u>

Docket Number: G-008/M-18-547 Date of Request: 8/31/2018
Requested From: CenterPoint Energy Minnesota Gas Response Due: 9/13/2018

Analyst Requesting Information: Joseph Dammel

Type of Inquiry: Other

If you feel your responses are trade secret or privileged, please indicate this on your response.

Request No.	
OAG 007	Reference: Petition at 16 Provide the Company’s projections for the number of participants enrolled and the amount of RNG purchased for each reporting period of the five-year pilot (Initial Enrollment – Program Year 5). Break down each program year by customer class. **Response:** The requested estimates are provided in the attachment. CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") does not have estimates broken down by customer class except that it has estimates for residential and commercial/industrial (C/I) customers. The Company also does not have estimates for enrollment in the initial enrollment period separated from enrollment during the first program year. Note that, due to rounding, the total RNG purchased may not equal the sum of the C/I and residential quantities. The estimated enrollment and RNG purchases were based on an assumption of one percent of residential customers participating in the Pilot and a subscription level of $10 of RNG per month. The Company also assumed that only a small number of commercial or industrial customers will participate and that those customers subscribe for $300 of RNG per month. For these estimates, the Company assumed that participation will be halved in the first program year and that it will not increase beyond one percent of residential customers.

Response By: Erica Larson
Title: CIP Regulatory Analyst
Department: Regulatory
Telephone: 612-321-4334

Assumptions Customers Enrolled

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Residential Customers Enrolled	3,910	7,820	7,820	7,820	7,820
C/I Customers Enrolled	30	60	60	60	60
Total Customers Enrolled	**3,940**	**7,880**	**7,880**	**7,880**	**7,880**

Assumptions RNG Purchased (Dth)

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Residential RNG Purchased	12,065	24,130	24,130	24,130	24,130
C/I RNG Purchased	2,777	5,554	5,554	5,554	5,554
Total RNG Purchased	**14,842**	**29,685**	**29,685**	**29,685**	**29,685**

STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL

SUITE 1400
445 MINNESOTA STREET
ST. PAUL, MN 55101-2131
TELEPHONE: (651) 296-7575

January 8, 2019

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

Re: In the Matter of a Petition by CenterPoint Energy to Introduce a Renewable Natural Gas Pilot Program
MPUC Docket No. G-008/M-18-547

Dear Mr. Wolf:

Enclosed and e-filed in the above-referenced matter please find Comments of the Office of the Attorney General – Residential Utilities and Antitrust Division.

By copy of this letter all parties have been served. An affidavit of service is also enclosed.

Sincerely,

s/ **Joseph A. Dammel**
JOSEPH A. DAMMEL
Assistant Attorney General

(651) 757-1061 (Voice)
(651) 296-9663 (Fax)

Enclosures

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
)
COUNTY OF RAMSEY)

I, RACHAEL BERNARDINI, hereby state that on this 8th day of January, 2019, I e-filed with eDockets **Comments of the Office of the Attorney General – Residential Utilities and Antitrust Division** and served the same upon all parties listed on the attached service list by e-mail, and/or United States Mail with postage prepaid, and deposited the same in a U.S. Post Office mail receptacle in the City of St. Paul, Minnesota.

s/ **Rachael Bernardini**
RACHAEL BERNARDINI

Subscribed and sworn to before me
this 8th day of January, 2019.

s/ **Patricia Jotblad**
NOTARY PUBLIC

My Commission expires: January 31, 2020.

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Ian	Dobson	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_18-547_M-18-547
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