

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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October 15, 2021

**In the Matter of Establishing Frameworks to
Compare Lifecycle Greenhouse Gas Emissions
Intensities of Various Resources, and to Measure
Cost-Effectiveness of Individual Resources and of
Overall Innovative Plans**

Docket No. G999/CI-21-566

REPLY COMMENTS OF FRESH ENERGY

Fresh Energy submits these reply comments in response to the Commission's September 3, 2021 Notice of Comment Period regarding the establishment frameworks for lifecycle greenhouse gas (GHG) emissions intensity and cost-benefit accounting (CBA) for comparing and measuring the cost-effectiveness of innovation plans within the Natural Gas Innovation Act (NGIA). These reply comments will respond to several points raised by other parties in initial comments and will make additional recommendations based on those comments. It should also be noted that Fresh Energy was a signatory to joint reply comments filed with a number of other parties. These reply comments focus on issues that were not addressed in the joint reply comments.

This section will provide responses and recommendations for several issues that were raised by parties in initial comments.

[NSPM guiding principles and process](#)

In initial comments, the Center for Energy and the Environment (CEE) and the Department both recommended that the Commission look to the guidance found in the National Standards Practice Manual for Benefit-Cost Analysis of Distributed Energy Resources (NSPM) for development of an NGIA-specific cost-benefit analysis.¹ In particular, both parties recommended adoption of NSPM guiding principles for application in this docket. CEE also

¹ CEE Initial Comments at 4–12; Department Initial Comments at 20–21 (the Department recommended a modified version of the NSPM principles).

recommended adoption of a five-step process for developing a jurisdiction-specific primary cost-benefit test.²

Recommendation: Fresh Energy recommends that the Commission adopt the NSPM principles recommended by CEE and the Department and follow the NSPM process recommended by CEE to develop the primary Minnesota cost-benefit test to apply to NGIA resources. There is disagreement amongst parties as to which primary cost-effectiveness test to develop and use for NGIA plans.³ Commission direction at this stage would help parties focus on development of a specific test throughout the stakeholder process beginning in December 2021. CEE and others have sufficiently developed the record on this issue and a Commission order requiring development of a Minnesota-specific primary cost-effectiveness test following the NSPM process would provide sufficient clarity during the framework development process to come.

Hiring and expert technical expert

In addition to Fresh Energy, both the Department and CEE recommended securing a third-party expert to assist in developing the cost-benefit framework using the modified NSPM principles.

Recommendation: Given the compressed statutory timeline, the novelty of the NGIA resources, and the importance of the docket on the future of the gas system, hiring a technical expert to guide the Commission into this new practice area is especially important. As noted in the joint reply comments, CenterPoint has retained an expert that will be assisting the utility in developing a benefit-cost proposal with consideration of stakeholder input. Further, the joint reply comments and the letter from the Great Plains Institute establish a stakeholder process that begins as early as October. The Commission should retain a technical expert at a minimum to review the cost-benefit and carbon intensity frameworks that will be proposed coming out of the stakeholder group. As noted above, multiple parties have recommended that the Commission retain an expert for this work. Although the Commission will have the opportunity to review and modify these frameworks over time, an expert could help advise the Commission in the application of the novel frameworks at this early stage.

Prioritizing scalable and cost-effective resources

In our initial comments, Fresh Energy recommended that the Commission focus on NGIA resources that are scalable and put to their best and highest use by utilities in their upcoming plans. Other parties echoed this high-level recommendation in their initial comments as well. RMI recommended that the Commission “focus its initial framework and development of resources on resources whose cost-effectiveness and emissions reduction impacts are well-understood and capable of scaling to achieve Minnesota’s deep decarbonization efforts.”⁴ RMI specified that, from a technologic maturity and understanding perspective, “strategic electrification, deep energy efficiency, and building envelope

² CEE Initial Comments at 8.

³ As noted, CEE recommends a Minnesota-specific primary cost-effectiveness test while CenterPoint recommends a societal test. CNP Initial Comments at 16.

⁴ RMI Initial Comments at 2.

improvements are *categorically different* from emerging technologies like carbon capture and power-to-ammonia.”⁵

Recommendation: Fresh Energy continues to advocate that the Commission adopt and approach that focuses on those technologies with the greatest potential to scale up and decarbonize the fossil gas system.

Carbon intensity thresholds

As noted by the Department and others, the Commission can only approve an NGIA plan if “the total amount of estimated [GHG] reduction or avoidance to be achieved under the plan is reasonable considering the state’s [GHG] and renewable energy goals.”⁶ In consideration of these state goals, the Department recommended that the Commission require utility NGIA plans to meet carbon intensity thresholds that are tied to the GHG emission reduction goals of the state in the NGEA.⁷

Recommendation: The Commission should consider the carbon intensity thresholds proposed by the Department for NGIA resources. Adopting these thresholds represents a step toward ensuring that the fossil gas sector is contributing toward achieving the GHG reductions that animate the entire NGIA statute, but it is just one step. The Commission should also consider that the GHG emission reduction targets found in NGEA apply to the *entire* economy, and not just to the resources proposed within NGIA. In other words, having a suite of NGIA resources that meet carbon intensity thresholds is a good start, but it won’t be sufficient until the carbon intensity of the entire fossil gas system achieves the same or greater level of carbon intensity reductions as well. Consideration of the broader reductions needed—beyond the NGIA plans—also speaks to the importance of scalability and highest and best use that Fresh Energy and others have raised previously. It also foreshadows important discussions of utility procurement and planning that will be covered in 21-565, but merit consideration here, too.

Resource acquisition process

The Department recommended establishment of criteria for evaluating proposals in a competitive bidding process for NGIA resources that mirrors the bidding process that Xcel Energy uses for procuring new electric generation resources.⁸

Recommendation: Fresh Energy agrees that this idea has merit and supports the Department’s recommendation to build the record in subsequent comment rounds and through a stakeholder process. Similar to the carbon intensity threshold discussion, testing new and innovative procurement methods should provide lessons to apply to gas utility procurement plans in the future and in the future of gas docket in 21-565.

⁵ RMI Initial Comments at 2 (emphasis added).

⁶ Department Initial Comments at 14 (citing MINN. STAT. § 216B.2427, subd. 2, part (b)(7)).

⁷ Department Initial Comments at 15.

⁸ Department Initial Comments at 23–24.

NGIA eligibility for energy efficiency and strategic electrification

The Department discussed the statutory language in NGIA on energy efficiency and strategic electrification.⁹ The statutory language for both resources notes that NGIA resources can only be “investments that the commissioner [of Commerce] determines could not reasonably be included in the natural gas utility’s conservation improvement program under section 216B.241.”¹⁰

Recommendation: Fresh Energy agrees with the Department’s recommendation that utility transparency regarding what is proposed in NGIA and what is proposed in CIP/ECO is important. But given the ongoing Department-led stakeholder process on implementing ECO Act changes to CIP, specifically strategic electrification, the Commission should refrain from making a determination regarding NGIA eligibility of energy efficient or strategic electrification resources at this time. The inclusion of those resources in NGIA is a clear indication that the Legislature intended for those resources to play an important role in NGIA plans. And the record in this docket and in a number of studies including the G21 study referenced in initial comments suggests that efficiency and electrification will play a leading role in the transition of the gas system. Given the importance of these resources and the ongoing record development within the Department regarding CIP/ECO implementation, the Commission should continue to develop analytical frameworks for these resources¹¹ and refrain from determining eligibility at this point in the proceeding, which should be focused on developing the analytical frameworks, not on eligibility questions.

Conclusion

Fresh Energy continues to support Commission action that will rapidly decarbonize the fossil gas system in the most cost-effective, durable, and equitable manner possible. This docket is an opportunity to establish the analytical frameworks that will assist the Commission in determining the pathway or pathways that will best accomplish this task. Fresh Energy looks forward to working with other parties and the Commission in developing these frameworks, always with the broader guiding principles and goals in mind.

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⁹ Department Initial Comments at 5, 18–19.

¹⁰ MINN. STAT. § 216B.2427, subd. 1(f),(q).

¹¹ See, e.g. RMI Initial Comments at 2 (recommending that “the Commission focus its initial framework development on resources [strategic electrification, deep energy efficiency, and building envelop improvements] whose cost-effectiveness and emissions reduction impacts are well-understood and capable of scaling to achieve Minnesota’s deep decarbonization efforts.”).