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August 8, 2025

**Submitted via eDockets**

Mike Bull  
Acting Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101

*Re: In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals; Docket No. G999/CI-21-565*

Acting Executive Secretary Bull:

Please accept these reply comments on behalf of CURE in the above-captioned docket.

**I. Introduction**

CURE is a non-profit organization dedicated to protecting and restoring resilient communities and landscapes by harnessing the power of the people who care about them. We work on fostering environmental and social justice, particularly in rural areas often overlooked in broader discussions. It is from this perspective that CURE is keenly interested in commenting on the proposed natural gas line extensions. These decisions directly impact the ecological well-being of the landscapes we cherish and the socio-economic health and energy resilience of the communities we serve.

The cost for subsidized line extensions is not internalized by the local gas distribution utility, it is passed onto the utility's customers and recovered through gas rates. Because we are entering a new phase of the gas industry, this must fundamentally change. First, the Commission should prohibit free line extension allowances (LEA or free footage allowance) for utilities' natural gas line extensions to new customers. If new customers

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wish to connect to the outdated natural gas system, then they should pay for the cost of the extension as well as for the future decommissioning of this extension. Second, natural gas utilities should be required to pay into a decommissioning trust that will cover the full decommissioning and removal of existing natural gas infrastructure.

## II. Background

Thus far, free allowances have economically made sense. Utilities benefited from adding more paying customers, new customers benefited from getting a new line extension without having to pay for the large upfront costs, and existing customers benefited from sharing the overall system costs with more people which, in the long run, meant individual customers paid less.

But the economic logic supporting LEAs breaks down when states establish serious decarbonization goals. The natural gas system is not the future. Multiple state legislatures, including Minnesota, have developed policies to combat the growing threat of climate change and environmental degradation. In a scenario where states are actively reducing greenhouse gasses (GHGs), we cannot expect the natural gas system to grow as before; it must contract. Why then incentivize growth when it works against Minnesota's decarbonization efforts and in the process creates financial risks to be borne by taxpayers and ratepayers?

In considering this topic the Commission has asked the following questions:

1. Should the Commission consider any modifications to how gas utilities calculate free footage allowance and other costs related to gas main and service line extensions? If so, what factors or conditions would justify changes? And how would any proposed changes affect new connecting customers and other ratepayers?
2. If the Commission should make modifications to regulated gas utilities' gas line extension policies, how would rules, statutes, and Commission orders justify those modifications?
3. Which proposed modifications, if any, would necessitate gas utilities to coordinate and/or consult with electric utilities in the service territory where a gas line extension is being contemplated?

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4. How should the Commission consider the results of Minnesota Energy Resource Corporation's Line Extension Policy Study in this matter?
  5. What lessons should the Commission consider from proceedings in other states related to this matter?
  6. Should any distinctions be made between different customer classes when considering modifications?
  7. How should the Commission consider the needs of low-income customers and other areas of equity in this matter?
  8. Are there other issues or concerns related to this matter?

This reply comment will answer each of the preceding questions in order.

### III. Comments

CURE's comment responds to initial comments of the Minnesota Energy Resources Corporation (MERC), Xcel Energy, and CenterPoint Energy as detailed more below. While not all initial comments are cited in this discussion, CURE believes this comment is broadly responsive to a variety of statements made by gas utilities and other stakeholders in the initial comment period.

**1. Should the Commission consider any modifications to how gas utilities calculate free footage allowance and other costs related to gas main and service line extensions? If so, what factors or conditions would justify changes? And how would any proposed changes affect new connecting customers and other ratepayers?**

Yes, the Commission should entirely prohibit free footage allowances. Despite comments by MERC, Xcel, and CenterPoint, free footage allowances pose significant risks and harms to communities and the environment.<sup>1</sup> First, free footage allowances distort

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<sup>1</sup> See *Minnesota Energy Resources Corporation's Comment In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals*, Docket No. 21-565 (CI), eDockets Document No. 20257-220746-01, at 2; *Xcell Energy Comment In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals*, Docket No. 21-565 (CI), eDocket Document No. 20257-220741-01, at 4; *CenterPoint Energy Initial Comment In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse*

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the cost of natural gas making it appear a cheaper option for individuals. Second, free footage allowances encourage an increase in GHG emissions. Third, the existing natural gas system is more dangerous and expensive than the electrical system. Fourth, the expansion of the natural gas system creates financial and safety risks and harms for rural residents. Fifth, the continued use and expansion of the natural gas system creates risks and harm for taxpayers.

Together the comments from MERC, Xcel, and CenterPoint miss the greater picture: Minnesota is decarbonizing, and natural gas utilities must find a way to transition their business away from emitting GHGs. These utilities are operating under the assumption that natural gas resources are compatible with the future energy goals set by the Minnesota legislature, and that incentivizing the growth of new natural gas infrastructure is not incompatible with these goals. This assumption is false, particularly when considering the harms below.

*i. Distorted Cost*

Free footage allowances distort the cost of natural gas, making it appear cheaper than it really is. There are costs ingrained in becoming a natural gas customer: future direct financial costs that are not considered, and indirect but very real costs to people's health and their environment. There is a cost to installing natural gas systems for heating instead of electrified systems for heating and cooling. This is an issue of missed opportunity: when money is spent on natural gas, then this money is not spent on alternatives that can ultimately provide more benefits and a lower overall cost. For

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*Gas Reduction Goals*, Docket No. 21-565 (CI), eDockets Document No. 20257-220748-01, at 2. MERC's focus on the differences between natural gas utilities' territory, rural versus urban, fails to address these harms. See eDockets Document No. 20257-220746-01, at 3. Xcel Energy's focus on the recovery of the free allowance costs also misses these harms. See eDockets Document No. 20257-220741-01, at 4. Lastly, CenterPoint Energy manages to claim that these LEAs support decarbonization despite natural gas itself being a carbon resource that emits GHGs—this is plainly untrue and irrational. See eDockets Document No. 20257-220748-01, at 2.

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example, heat pumps can serve beyond winter months and provide cooling, thus eliminating the need for purchases of a separate AC system.

Given Minnesota’s decarbonization policies, money spent on energy infrastructure should be spent on clean energy alternatives to carbon-emitting resources.<sup>2</sup> Alternatives like electric heat pumps powered by renewable energy or solar water heaters are established technologies that work effectively and eliminate the use of natural gas, the residential sector’s largest source of emissions.<sup>3</sup> Free footage allowances remove upfront installation costs for natural gas, while clean alternatives continue to have high installation costs because they are not receiving a similar subsidy.

Free footage allowances distort the market for heating and should be prohibited to allow cleaner alternatives to compete. Natural gas utilities should investigate opportunities to transition with the clean energy system instead of combatting it. These utilities have capital and expertise to assist in the development and distribution of clean energy systems for heating and cooling, and they should seek to rapidly join and participate in its expansion. The time for avoiding the responsibility to improve the energy system is over. What can natural gas utilities do now to help bring about a carbon-free economy?

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<sup>2</sup> See *Climate change initiative*, Minn. Pollution Control Agency, <https://www.pca.state.mn.us/air-water-land-climate/climate-change-initiatives> (last visited July 8, 2025); *Greenhouse Gas Emissions*, Minn. Mgmt. & Budget, <https://mn.gov/mmb/one-mn-plan/measurable-goals/ghg-emissions.jsp> (last visited July 8, 2025); Minn. Stat. § 216H.02 (2024).

<sup>3</sup> See *Greenhouse gas emissions in Minnesota 2005-2020 Biennial report to the Legislature tracking the state’s contribution to emissions contributing to climate change*, Minn. Pollution Control Agency & Dep’t of Comm. 9 (Jan. 2023), <https://www.pca.state.mn.us/sites/default/files/lraq-2sy23.pdf>.

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ii. *Increased Greenhouse Gas Emissions*

When burned, natural gas releases a number of potent GHGs, including CO<sub>2</sub> and methane.<sup>4</sup> The gas distribution system is also a significant source of GHG emissions when natural gas leaks out of the infrastructure designed to capture and transport it.<sup>5</sup>

Natural gas pipes are built with a variety of different techniques and different qualities.<sup>6</sup> Even those built with the most expensive methods and materials are still prone to leakage. This only worsens with time as these pipes degrade. Nationwide the “number of leaks by the total miles of mains provides an estimated activity factor of 0.51 leaks per main mile or one leak for approximately every two miles of a main.”<sup>7</sup> This equates to an estimated total emissions from local distribution mains at a mean of 690,000 metric tons per year.<sup>8</sup>

The larger the natural gas system is built out, the worse our emissions will become, and the harder it will become to undo the damage. Providing free footage allowances for natural gas incentivizes more investment in the natural gas system instead of cleaner alternatives. We do not have unlimited money for the carbon-free transition, the money we do have should be better used for zero-emissions technologies, not LEAs.

iii. *Natural Gas Accidents*

The natural gas system is more dangerous for customers than the electric system. The US Department of Transportation Pipeline and Hazardous Materials Safety

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<sup>4</sup> See Renee McVay, *Methane Emissions From U.S. Gas Pipeline Leaks*, Env’t Defense Council 4 (Aug. 2023), <https://www.edf.org/sites/default/files/documents/Pipeline%20Methane%20Leaks%20Report.pdf>.

<sup>5</sup> See *id.*; Zachary D. Weller et al., *A National Estimate of Methane Leakage from Pipeline Mains in Natural Gas Local Distribution Systems*, 54 *Env’t. Sci. Tech.* 8958 (2020), <https://pubs.acs.org/doi/pdf/10.1021/acs.est.0c00437>.

<sup>6</sup> See Weller et al., *supra* note 5, at 8959.

<sup>7</sup> *Id.* at 8964.

<sup>8</sup> *Id.* at 8965.

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Administration (“PHMSA”) recorded 12,674 reported incidents, 257 fatalities, 1,052 injuries, and a total reported cost of natural gas incidents at \$11,343,544,385 nationwide from the period of 2005 to 2024.<sup>9</sup> In Minnesota for the same period PHMSA recorded that there were 224 reported incidents, 4 fatalities, 8 injuries, and a total reported cost of \$96,892,574.<sup>10</sup> The data shows that the natural gas system fails, and that when it does there is often catastrophic damage.

Importantly, this data about natural gas accidents is submitted by pipeline operators but is incomplete. Three years ago, a home in Hopkins, Minnesota exploded due to a natural gas appliance line which was improperly connected.<sup>11</sup> This incident caused two fatalities which do not show up on PHMSA’s list of pipeline fatalities, meaning that the dangers of the natural gas industry are underreported in PHMSA data.

There is no similar data compilation for the electrical system, but while electrical fires are a danger, the risk and damage of houses exploding due to natural gas are more severe.<sup>12</sup> There are also no alternatives to the electrical system, but there are many alternatives to gas for providing heating. Harm reduction principles would suggest a transition to electric service would reduce risk of catastrophic events and benefit society.

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<sup>9</sup> See *All Reported Incidents*, US DOT Pipeline and Hazardous Materials Safety Administration (2025),

[https://portal.phmsa.dot.gov/analytics/saw.dll?Portalpages&PortalPath=%2Fshared%2FPD%20Public%20Website%2F\\_portal%2FSC%20Incident%20Trend&Page=All%20Reported](https://portal.phmsa.dot.gov/analytics/saw.dll?Portalpages&PortalPath=%2Fshared%2FPD%20Public%20Website%2F_portal%2FSC%20Incident%20Trend&Page=All%20Reported).

<sup>10</sup> *Id.*

<sup>11</sup> *Hopkins house explosion: Gas leak from faulty installation likely the cause*, Fox 9 KMSP (Aug. 10, 2022, 6:01pm), <https://www.fox9.com/news/hopkins-house-explosion-gas-leak-from-faulty-installation-likely-the-cause>.

<sup>12</sup> There is also the danger caused by carbon monoxide poisoning. “Carbon monoxide can build up inside a house because of incomplete [natural gas] combustion and cause severe sickness and even death.” *Carbon monoxide*, Minn. Energy Res. Corp., <https://www.minnesotaenergyresources.com/safety/co> (last visited July 8, 2025).

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iv. *Harm to Rural Customers*

The expansion of the natural gas system through free footage allowances would further harm rural customers who are not currently served by locking them into a system which has the danger of significant accidents, does not fully meet their needs, and is entirely dependent on the availability of a single commodity. This is not in the public interest, it is not just or reasonable, and it fails to adequately prepare rural customers for the future.

Rural customers need cost-effective heating and cooling. Heat pumps provide both, natural gas only provides heating. Climate change is making the need for dual use infrastructure even more pressing. It is not reasonable to encourage the buildout of two separate systems, one which uses electricity to provide cooling, and another just to provide gas heating. It is simply more efficient and just for rural customers—especially those who are member-owners of a rural electric cooperative—to have one system which provides for both needs. By contrast, free footage allowances encourage rural customers to connect to natural gas, locking them into fossil fuel dependency for decades.<sup>13</sup> But with rising summer temperatures and increasing air quality emergencies requiring closed windows, rural customers will still need to pay to install a cooling system for their homes. This need exists now and will only increase over the following decades. Therefore, the Commission should act in the public interest to prevent unnecessary incentives for duplicative expensive infrastructure, like free footage allowances, to cause new people to join the superfluous gas system.

By locking rural customers into dependency on natural gas for heating, rural customers are also at the mercy of natural gas price fluctuations. Natural gas may be

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<sup>13</sup> See generally Fatih Birol, *The Future of Cooling*, Int'l Energy Agency, 11 (2018), [https://iea.blob.core.windows.net/assets/obb45525-277f-4c9c-8doc-9c0cb5e7d525/The\\_Future\\_of\\_Cooling.pdf](https://iea.blob.core.windows.net/assets/obb45525-277f-4c9c-8doc-9c0cb5e7d525/The_Future_of_Cooling.pdf); J.J. McCorvey, *Extreme heat set to drive home cooling costs to 10-year high, advocates warn*, NBC News (June 3, 2024), <https://www.nbcnews.com/business/economy/extreme-heat-drive-home-cooling-costs-10-year-high-report-rcna154712>.

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cheap now, but this is no guarantee for the future. There are many factors that can increase the cost of a commodity. The availability of natural gas can change. For example, increasing liquified natural gas (LNG) exports can result in an upward pressure on prices.<sup>14</sup> Additionally, Minnesota is undergoing decarbonization of its electric generation which will result in a decrease in overall natural gas usage. But existing natural gas infrastructure will need to be maintained. If the volume of gas transported decreases, the cost per unit of transported gas could increase to cover maintenance of this infrastructure.

Tying heating to the cost of a single volatile commodity is not just or reasonable for rural customers. Electric utilities have multiple sources for the generation of electricity (including clean distributed energy resources). This diversity of generation makes electricity prices more resilient to price swings that would negatively impact customers. Electricity is a safer investment than commodity gas. It is also generated in Minnesota, on wind farms and by solar panels, unlike gas which is sourced from other states and countries.

Electricity is inherently more appropriate for rural spaces, and it has the benefit of supporting local jobs and resiliency. If the gas utilities wish to help rural communities, then they should subsidize the installation of heat pumps in rural homes and rooftop photovoltaic solar to power them.

*v. Harm to Taxpayers*

Free footage allowances will harm taxpayers. The growth of natural gas pipelines will likely result in excessive future decommissioning liabilities which will be too great for utilities to adequately address. This will result in the need for public funds to avert the damage of abandoned natural gas infrastructure. This would be a misallocation of public

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<sup>14</sup> Chris Martinez, *LNG Exports Raise Natural Gas Prices for Americans*, Center for American Progress (Nov 6, 2023), <https://www.americanprogress.org/article/lng-exports-raise-natural-gas-prices-for-americans/>.

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funds to fix a problem intentionally ignored by natural gas utilities more focused on short-term profit.

The natural gas system will need to be fully decommissioned. Leaving pipes abandoned in the ground presents environmental and human health hazards.<sup>15</sup> Minnesotans do not want residual pollutants leaking out of abandoned infrastructure which will continue to harm their health and environment. Yet MERC and other gas utilities have made no plans for funding future decommissioning of natural gas pipelines.

With no plan in place, there is nothing but hope guarding against the danger that utilities will be unable to pay for the proper decommissioning of natural gas pipelines. Minnesotans will be left with the choice: pay for decommissioning or suffer the hazards of deteriorating pipelines polluting our waters, soil, and communities. The Commission already requires decommissioning funds and planning for oil pipelines and power plants; it is now appropriate to apply that knowledge to the entire gas distribution system and not leave taxpayers with the bill.<sup>16</sup>

**2. If the Commission should make modifications to regulated gas utilities' gas line extension policies, how would rules, statutes, and Commission orders justify those modifications?**

MERC's and CenterPoint Energy's answer to this question in their initial comments imply that the legislative momentum swings towards expansion of the natural gas system,

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<sup>15</sup> In 2010 an abandoned natural gas line contributed to an explosion which leveled a home. Tim Nelson, *Investigation over in natural gas explosions*, MPR News (June 17, 2013), <https://www.mprnews.org/story/2013/06/17/investigation-over-in-natural-gas-explosions>.

<sup>16</sup> See *Order Finding Environmental Impact Statement Adequate, Granting Certificate of Need as Modified, and Granting Route Permit as Modified, In the Matter of the Application of Enbridge Energy, Limited Partnership, for a Certificate of Need and Routing Permit for the Proposed Line 3 Replacement Project in Minnesota from the North Dakota Border to the Wisconsin Border*, Docket Nos. PL-9/CN-14-916 & PL-9/PPL-15-137, May 1, 2020, eDockets No. 14-916, Document ID 20205-162795-01 at 2; See generally *Order, In the Matter of the Petition of Xcel Energy for Approval of the Triennial Nuclear Power Plant Decommissioning Study and Assumptions*, Docket No. E-002/M-24-394, Document No. 20255-218957-01.

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but the reality is that the legislature has consistently passed laws for the decarbonization of Minnesota’s energy system.<sup>17</sup>

*i. The Next Generation Energy Act, 100% Carbon-Free Standard, and the Natural Gas Innovation Act*

Minnesota has passed a series of laws with the goal of decarbonization and, eventually, state-wide net-zero GHG emissions.<sup>18</sup> Starting with the Next Generation Energy Act (NGEA), the state initially established a statewide goal to reduce GHG emissions by 80% by 2050. This was updated in 2023 to require net-zero GHG emissions by 2050.<sup>19</sup> Then in 2021, the state passed the Natural Gas Innovation Act (NGIA), which encourages utilities to file “innovation plans” to achieve state GHG reduction goals.<sup>20</sup> Most recently, the 100% Carbon-Free Standard requires all utilities to provide 100% of their retail electricity sales from carbon-free resources by 2040.<sup>21</sup> All roads lead to significant decreases in the use of fossil fuel resources. To allow the natural gas infrastructure to significantly expand, and to do so without any financial guarantees for decommissioning, runs counter to established legislative intent.

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<sup>17</sup> See eDockets Document No. 20257-220746-01, at 4-5; eDockets Document No. 20257-220748-01, at 7.

<sup>18</sup> See Minn. Stat. §§ 216B.2427, 216B.1691, 216H.02.

<sup>19</sup> Minn. Stat. § 216H.02, subd. 1(a). (“It is the goal of the state to reduce statewide greenhouse gas emissions across all sectors producing greenhouse gas emissions . . . to net zero by 2050.”).

<sup>20</sup> Minn. Stat. § 216B.2427, subd. 10. (“It is the goal of the state of Minnesota that through the Natural Gas Innovation Act and Conservation Improvement Program, utilities reduce the overall amount of natural gas produced from conventional geologic sources delivered to customers.”).

<sup>21</sup> Minn. Stat. § 216B.1691, subd. 2g.

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ii. *Minnesota Statutes § 216B.1638*

MERC argues that Minnesota Statutes § 216B.1638 shows that “expansion of natural gas service was and continues to be at the forefront in State of Minnesota.”<sup>22</sup> But this ignores the Commission’s additional powers to regulate utilities.

Under Minnesota law, rates for “the sale or transportation of natural gas through an intrastate pipeline shall be just and reasonable.”<sup>23</sup> It is also the Commission’s duty to “set rates to encourage energy conservation and renewable energy use.”<sup>24</sup> LEAs are not consistent with the duty to ensure just and reasonable rates and do not encourage renewable energy use. Instead, LEAs encourage the expansion of the natural gas system, greatly contributing to the GHG emissions of Minnesota. It is not “just and reasonable” to continue pushing ratepayer money into expanding a system that needs to be diminished.

The legislative mandate is to decarbonize Minnesota’s economy, and particularly its energy sector. Knowing this, it is unreasonable to spend ratepayers’ money to the opposite effect.

iii. *Minnesota Environmental Policy Act*

Free footage allowances are also inconsistent with the policy set forth in Minnesota Statutes § 116D.02, a key provision of the Minnesota Environmental Policy Act (MEPA). Agencies are tasked with multiple responsibilities under MEPA, the two most relevant here are to “fulfill the responsibilities of each generation as trustee of the environment for succeeding generations” and to “practice thrift in the use of energy and maximize the use of energy efficient systems for producing, distributing, and using energy, including

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<sup>22</sup> *Minnesota Energy Resources Company Comment, In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals*, Docket No. 21-565 (CI), eDockets Document No. 20257-220746-01, at 5.

<sup>23</sup> Minn. Stat. § 216B.045.

<sup>24</sup> Minn. Stat. § 216B.03.

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recovering and reusing waste heat, and minimize the environmental impact from energy production and use.”<sup>25</sup> These are mandatory duties for the Commission.

As already stated, policies that expand the natural gas system expand the negative environmental impact of the energy system. Those policies also do nothing to encourage “thrift” in terms of energy use. Under MEPA, all Minnesota agencies, including the Commission, must be forward thinking and regulate in a way that ensures a clean and productive natural environment for decades to come. Efforts to expand the natural gas system are in direct opposition to this statutory command.

*iv. Cost Causation Principle*

Lastly, new customers that insist on joining the natural gas system should pay the cost of their own line extension and the eventual decommissioning of that line. Those who request the development of additional line extensions and seek to benefit from its operation should be the ones to pay. The Commission has consistently used this principle in rate-making decisions to ensure that rates are just and reasonable for all customers. Existing customers should not pay for new lines that do not benefit them and will eventually harm them (or taxpayers) through future decommissioning costs. Money should instead be spent on the less risky and less harmful alternatives to natural gas that already exist.

**3. Which proposed modifications, if any, would necessitate gas utilities to coordinate and/or consult with electric utilities in the service territory where a gas line extension is being contemplated?**

While CURE generally agrees with MERC that there is no need for specific coordination between gas and electric utilities, natural gas and electric utilities should maintain and improve transparency throughout the buildout of infrastructure necessary to serve the citizens of Minnesota.

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<sup>25</sup> Minn. Stat. § 116D.02, subd. 2(1), (9).

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The Commission should ensure a transparent and collaborative process that guards against decisions made in isolation. MERC and other natural gas utilities should formally notify electric utilities in their service territory of a moratorium on new natural gas line extensions, if the Commission orders such a measure. This would ensure that electric utilities are aware of increased energy infrastructure needs going forward, and that they can adjust their long-term planning to optimize electric distribution. While natural gas and electric utilities should not negotiate behind closed doors on the future of the energy sector, both should make plans on prioritizing electrical options over natural gas.

The Commission should continue to encourage gas utility investment in pilots that benefit rural customers through energy efficiency and insulation. Gas companies should be allowed to provide these services in rural areas that will never be served by gas lines. To the extent that rural electric cooperatives are already providing energy audit and efficiency services to their member-owners, gas companies could be incentivized to pay into those systems rather than competing against electric utilities for the same customers.

#### **4. How should the Commission consider the results of Minnesota Energy Resource Corporation’s Line Extension Policy Study in this matter?**

MERC’s Line Extension Policy (“LEP”) Study ultimately fails to address the necessary changes that natural gas utilities must undertake for Minnesota to reach its decarbonization and net-zero goals. Admittedly, MERC’s LEP Study was limited in scope and not intended to fully explain the impacts of Minnesota’s decarbonization initiatives. Instead, it was designed to allow the Commission “to evaluate changes to natural gas utility regulatory and policy structures needed to meet or exceed Minnesota’s greenhouse gas emissions reductions goals.”<sup>26</sup> Perhaps this is why the LEP failed to discuss or consider the funding of future decommissioning of natural gas infrastructure, something the Commission needs to explicitly address. Additionally, the LEP failed to adequately

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<sup>26</sup> Minnesota Energy Resources Corporation Line Extension Policy (“LEP”) Study, November 14, 2024 at 19.

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address the change in long-term need for natural gas. While addressing historical trends for the use per customer (“UPC”) of natural gas, MERC did not attempt to show the effects that decarbonization and electrification policies may have on the demand and UPC of natural gas and intentionally left this issue for the Future of Gas Docket.<sup>27</sup> This is ultimately why the LEP is inadequate and cannot be used to justify free footage allowances.

*i. Declining UPC due to Energy Conservation and Optimization*

MERC’s LEP argued that the impact of energy conservation and optimization (ECO) on the UPC is already accounted for every three to five years in rate cases. But this narrow focus loses sight of the bigger picture. The future of gas is inherently tied to larger legislative policies and state goals of decreasing GHG emissions. Because natural gas use emits GHGs, its use will need to be reduced. With more customers burning gas, more GHG emissions will be released. And the larger the distribution system is, the more leaks it will have.

Additionally, the LEP argues that because the majority of extensions are to new structures, which already are more energy efficient, future ECO efforts will be minimal and make little impact on the UPC. But the comparison should not be old gas appliances and structures to new appliances and structures, the comparison should be between gas and electric service. The question that the LEP failed to answer is whether now, and in the future, the electric system provides more efficiency than the gas system in terms of GHG emissions.

*ii. Stranded Assets*

MERC’s LEP did not adequately justify why it does not change the useful life assumption to ensure costs are balanced between new, present, and future customers. MERC argued that their Customer Extension Model uses a weighted average service life

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<sup>27</sup> See *id.*

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approved by the Commission, but it is this very docket which is meant to consider the state policy behind natural gas and how it would affect natural gas usage in the future. The Commission should not assume that assets installed because of LEAs will continue to serve customers if customer usage changes because of state policy. If the state and the people do not want to use natural gas, then the infrastructure does not serve customers.

The simple fact that an asset is usable does not mean that the utility should build it. The list of utilities an asset can provide should also include services like climate change mitigation, emission-free energy, ecosystem protection, reduction of outdoor and indoor air pollution, prevention of leaks and explosions, independence from commodity volatility, increased distributed energy resilience, support for widespread electrification, and more. In these areas, natural gas provides *disutility*, further cementing that the expansion of natural gas lines is not in the public interest.

MERC's LEP also argues that a shorter life assumption is unfair because currently approved base rates charged to new customers incorporate a weighted-average 48-year accounting useful life for assets, and that changing the useful life assumption within the Customer Extension Model (CEM) does not change base rates.<sup>28</sup> But if the assumed life of an asset is different in the CEM and the base rate, then the base rate needs to change the life assumption.

Going forward, the Commission should adjust the rates to account for a significantly shorter useful life for natural gas assets. Minnesota has 25 years to reach net zero. By 2050 there should be no infrastructure supplying natural gas—especially in areas with long service lines increasing the number of leaks per mile. Unless natural gas utilities can demonstrate that carbon capture and sequestration (CCS) technologies will be fully capable and operational by 2050, the only other option is that they no longer transport and sell natural gas. The fact that no CCS has been successfully implemented to reduce overall GHG emissions on any significant scale should raise doubts about the future of

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<sup>28</sup> *Id.* at 9.

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CCS.<sup>29</sup> Realistically, if the state wants to reach its net-zero goals, then it should have already begun significant decommissioning of natural gas infrastructure. Asset useful life should be measured in months, not decades.

*iii. Decommissioning costs*

MERC's LEP made no mention of decommissioning costs in its calculations or cost components. This is a major oversight demonstrating that the industry will never plan for this cost without being forced to do so by regulators. Further discussion regarding a decommissioning fund can be found in response to question eight, below.

**5. What lessons should the Commission consider from proceedings in other states related to this matter?**

MERC, Xcel Energy, and CenterPoint Energy insist on an individualized approach.<sup>30</sup> But this argument is flawed because, like other states, Minnesota has chosen to address the issue of GHG emissions as a matter of public policy. There are multiple state public utilities commissions, including California, Oregon, and Washington, which have limited free footage allowances and disincentivized LEAs. The California Public Utilities Commission has taken multiple steps to disincentivize LEAs, including a 2023 decision to eliminate natural gas line extension free allowances, with few exceptions.<sup>31</sup> Likewise, in 2024, the Oregon Public Utility Commission mandated Oregon's largest utility to phase out and eliminate its LEA by November 1, 2027.<sup>32</sup> This decision aligned with Oregon's climate goals and reduced future ratepayer burdens from stranded natural gas assets. And

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<sup>29</sup> See Bruce Robertson & Milad Mousavian, *The Carbon Capture Cruc: Lessons Learned*, Inst. for Energy Econ. & Fin. Analysis, 71-72 (Sept. 1, 2022), <https://ieefa.org/sites/default/files/2022-09/The%20Carbon%20Crux.pdf>.

<sup>30</sup> See eDockets No. 20257-220746-01, at 8-9; eDockets No. 20257-220741-01, at 6-7; eDockets No. 20257-220748-01, at 9-10.

<sup>31</sup> See *D.22-09-026* (Cal. Pub. Util. Comm'n) at 80-82.

<sup>32</sup> See *Final Order No. 24-359, Docket No. UG490*, at 10.

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in Washington, utilities Avista and Puget Sound Energy, have both agreed to LEA phaseouts.<sup>33</sup>

As described above, Minnesota is on the same path to statewide net-zero emissions. The suggestion of an individualized approach to this issue does not comport with the path the state has chosen.

**6. Should any distinctions be made between different customer classes when considering modifications?**

No. While MERC and Xcel Energy wish to distinguish between customer classes, they fail to explain how the state’s decarbonization goals are accomplished by this disparate treatment in regard to LEAs.<sup>34</sup> Natural gas utilities cannot continue to ignore the legislative policy of Minnesota. The Commission must consider new gas standards that bring about these decarbonization goals. The incentives for customers to join the gas system must end now, and those customers who still want a line extension should pay for the full cost of the installation and decommissioning of the line.

**7. How should the Commission consider the needs of low-income customers and other areas of equity in this matter?**

MERC is right to place such emphasis on low-income communities, but they are mistaken in suggesting that free footage allowances for line extensions ultimately benefit low-income communities. Free footage allowances are subsidized by existing ratepayers, including low-income households, who are the most susceptible to increased energy costs. And, given that most connections to new customers are new build, the benefits do not flow to existing low-income households; this is a regressive cost shift.<sup>35</sup> Instead, low-

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<sup>33</sup> Laura Feinstein, *Ending Subsidies for New Gas Hook-Ups Can Save Cascadians Millions*, Sightline Inst. (Feb. 11, 2025), <https://www.sightline.org/2025/02/11/ending-subsidies-for-new-gas-hook-ups-can-save-cascadians-millions>.

<sup>34</sup> See eDockets Document No. 20257-220741-01 at 7; eDockets Document No. 20257-220746-01 at 9-10.

<sup>35</sup> Minnesota Energy Resources Corporation Line Extension Policy (“LEP”) Study, November 14, 2024 at 15.

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income households are saddled with the harms described above and the risk that they will be left holding the bag when others leave the natural gas system. Because of this, low-income people must be prioritized for electric upgrades, especially in rural areas. They should not be added to the gas system at all.

If MERC and other natural gas utilities want to help low-income households, then they should invest in energy efficiency upgrades, electrification, and the creation of training programs for careers in electrical work. Utilities and the HVAC/heat pump industry need more electricians to bring about electrification for low-income rural communities. These trades can provide family-sustaining jobs that help raise households out of poverty and into self-reliance.

#### **8. Are there other issues or concerns related to this matter?**

Yes. Throughout this docket, MERC, Xcel Energy, and CenterPoint Energy have avoided the issue of what is to be done with natural gas infrastructure over the long term. All natural gas utilities should be required to fully fund the decommissioning of their assets. As explained at length above, to achieve Minnesota's GHG emissions goals, natural gas utilities will need to dramatically reduce their operations to reduce emissions. But to date, natural gas utilities have not planned or prepared for the eventual cost of decommissioning this infrastructure. These gas utilities have neglected a core tenant of our society: those who make the mess must clean it up.

Without requiring utilities to account for decommissioning costs now, the Commission runs the risk of allowing natural gas utilities to take advantage of servicing existing needs without properly addressing the environmental and safety costs down the line. These costs will be borne by someone, and it is unjust for companies to dodge the financial responsibility and leave our communities to pay, either through tax dollars or through the effects of unmitigated pollution on our health and environment. Natural gas utilities should be required to account for their infrastructure through long-term planning in Integrated Resource Plans ("IRPs"), and segregated decommissioning trust

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funds should be established now. All efforts should be made to have the salvageable materials recovered and recycled. It is vital that these are fully funded before the gas companies reach a point of no profitability and abscond without cleaning up.

The Commission has precedent for requiring a decommissioning trust: the Enbridge Line 3 oil pipeline. In granting the pipeline routing permit and certificate of need to Enbridge, the Commission included several modifications, with one being the requirement of a decommissioning trust fund.<sup>36</sup> The Commission should require natural gas utilities to create a similar decommissioning trust before new infrastructure is built.

#### **IV. Conclusion**

Ultimately, the Commission should determine that initial comments by MERC, Xcel Energy, and CenterPoint Energy have failed to address the core issues with LEAs. Consistent with Minnesota's need to decarbonize its energy sector, the Commission should both prohibit LEAs and require utilities to plan for and fund the decommissioning of natural gas lines and infrastructure.

Respectfully Submitted,

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<sup>36</sup> See *Order Finding Environmental Impact Statement Adequate, Granting Certificate of Need as Modified, and Granting Route Permit as Modified, In the Matter of the Application of Enbridge Energy, Limited Partnership, for a Certificate of Need and Routing Permit for the Proposed Line 3 Replacement Project in Minnesota from the North Dakota Border to the Wisconsin Border*, Docket Nos. PL-9/CN-14-916 & PL-9/PPL-15-137, May 1, 2020, eDockets No. 14-916, Document ID 20205-162795-01 at 2.