**STATE OF MINNESOTA**
**BEFORE THE PUBLIC UTILITIES COMMISSION**

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| 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 |

# INITIAL COMMENTS OF THE OFFICE OF THE ATTORNEY GENERAL—RESIDENTIAL UTILITIES DIVISION

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## INTRODUCTION

The Office of the Attorney General—Residential Utilities Division (OAG) respectfully submits these initial comments in response to the Public Utilities Commission's Notice of Comment Period issued on May 5, 2025. The OAG appreciates the Commission's consideration of this important issue as the first comment period in the Future of Gas docket.

Significant time has passed since the Commission last took an in-depth, multi-utility review of line and main extension allowances. And while many aspects of natural gas service are changing, there remain bedrock principles that can guide the Commission's review. As the Commission has observed, line- and main-extension allowances should "balance the interests of existing customers with new customers so that both groups are able to receive reasonably priced service."[1] Significant changes in regulations and policies impacting gas utilities, and in technologies and adoption of alternative heating, water-heating, and cooking options, have thrown off the balance in the utilities' existing line- and main-extension allowances.

To correct this imbalance, the OAG offers several recommendations to correct unreasonable assumptions that underlie utilities' residential line- and main-extension allowance determinations. These changes, if implemented, will begin to rebalance the interests of existing and new customers in receiving reasonably priced service.

The OAG recognizes, however, that the changes that have thrown off this balance are continuing and will potentially accelerate. For that reason, the Commission should revisit all gas utilities' line- and main-extension allowances periodically. While the OAG does not believe

[1] *See In re Inquiry into Competition Between Gas Utils. in Minn.*, Docket No. G-999/CI-90-563, Order Terminating Investigation and Closing Docket at 6 (Mar. 31, 1995) (1995 Order).

eliminating line- and main-extension allowances is presently in the public interest, this is a question the Commission should revisit periodically.

## BACKGROUND

While the general principles of line- and main-extension allowances are straightforward, there are many complex details that are helpful to understand in order to engage in an in-depth analysis of gas utilities' line- and main-extension policies. First, the OAG attempts to clarify terminology. Second, the OAG provides an overview of each gas utilities' line- and main-extension policies. Third, because determining the potential benefits of adding new customers to the utility's system is central to a line and main extension policy's reasonableness, the OAG reviews three ways to measure these potential benefits. Fourth, understanding the utilities' incentives in crafting their line- and main-extension policies is essential for a close examination of the policies' reasonableness. Last, estimating the amount of ratepayer money at stake in the Commission's determination in this docket is important for the Commission to weigh the interests of new customers in receiving utility service against the risk that existing customers will unreasonably subsidize the cost of adding customers to the system.

### A. LINE AND MAIN EXTENSION POLICIES AND FREE FOOTAGE

While line-extension policies[2] and free footage are related, occasionally the terms are used interchangeably or may be over-generalized and this can be confusing. A brief explanation is provided below.

A line-extension policy simply states under what conditions a utility will extend service to a new customer. Both electric and gas utilities have line extension policies, but these comments will discuss only gas utilities' policies. A line-extension allowance can be a component of a line-

[2] Unless otherwise noted, "line" in these comments will be used to refer to the "service line," as distinguished from the gas "main."

extension policy. As part of their line-extension policy, many utilities will offer to connect a new customer without charging them the upfront cost of connection, often called "contribution in aid of construction" or "CIAC," as long as the extension is under a certain length. The line length in this instance is considered "free footage." If for instance, a utility has a free footage allowance for service lines of 75 feet and the customer only requires a service line that is 64 feet, then the utility will not charge that customer an upfront fee to connect to its distribution system.

A free footage allowance, however, is not the only type of line-extension allowance that may be offered by a utility. Gas utilities may offer a set dollar amount for the cost of the extension that will be socialized across ratepayers. Or gas utilities may use more complex extension-of-service models to determine the new customer's CIAC based on costs and anticipated gas revenues.

Main-extension policies resemble line-extension policies. Like service line extensions, a utility can offer a free footage allowance when it extends mains to a new customer or community, or a utility may use a more complex model to determine a new customer's main extension allowance. Some customers may require a service line that is longer than the free footage or other extension allowance specified in a utility's tariffs. In that case, the new customer may need to pay for "excess footage" or CIAC. CIAC will help cover the additional costs above the free footage or other extension allowance. Utilities, however, may waive CIAC even when an extension is greater than the listed free footage allowance.

But a free footage allowance is not actually free. Although the new customer will not pay an upfront fee for free footage to connect to the system, the utility will add the cost of the service line to its rate base and that cost, plus a return, will ultimately be paid by all of the utility's

ratepayers. Similarly, the costs of any CIAC that is waived will be placed into rate base and the utility will earn a return on that amount.

The rationale generally provided for offering free footage allowances is that while the new service line will result in costs to all ratepayers by increasing the utility's rate base, the revenues from the new customer will more than offset the increased costs. Whether this is the case, however, will depend on the specific details of the free footage allowance, other provisions of the utility's line- and main-extension policies, how these policies are applied, and whether any portion of the CIAC is waived.

## B. SUMMARY OF LINE AND MAIN EXTENSION POLICIES OF EACH GAS UTILITY.

Minnesota's natural gas public utilities may have different line and main extension and CIAC policies for residential and commercial and industrial customers. These comments will start with a discussion of residential policies and then address commercial and industrial policies.

### 1. Residential line extensions, main extensions, and CIAC.

While four of the five gas utilities now offer 75 feet of free footage for service lines, following settlements in several rate cases, free footage for mains varies more widely. Further the charges for excess footage, the amount of CIAC charged for mains, and whether CIAC can be waived varies by gas utility. Some utilities will calculate the amount of CIAC owed on excess footage by charging a fixed amount, $4.00 per foot whereas some utilities will calculate customer CIAC using an individualized model that balances new customer revenues against the costs to connect the new customer. Both approaches, however, have the potential to lower new customer CIAC. Finally, some utilities' policies provide the utility with discretion to waive CIAC based on other factors the utility deems appropriate, even if the customer exceeds the free footage or other

service extension allowance provisions in the policy.[3] Summaries of each utility's residential extension policies are provided below:

*a. Minnesota Energy Resources Corporation (MERC)*

For residential customers, MERC will generally provide 75 feet of service line (free footage) without requiring CIAC.[4] If the service line extension is greater than 75 feet, MERC will require the residential customer to pay a CIAC calculated as the incremental cost of the additional footage, but this charge is capped at $6.00 per foot.[5] For residential main extensions, MERC will use its Customer Extension Model (CEM) to determine if any amount of CIAC is required.[6] Further, MERC will use its customer extension model if both a main and service extension are required, such as for a new housing development.[7] If MERC waives a customer's CIAC, it cannot recover these costs from existing ratepayers.[8]

*b. CenterPoint Energy Minnesota Gas (CenterPoint)*

CenterPoint similarly provides 75 feet of free footage for service lines.[9] If additional footage is required, CenterPoint may charge the customer a non-refundable CIAC calculated as $4.00 per foot of service line in excess of the 75-foot allowance. There are circumstances, however, where CenterPoint would not charge any CIAC for a residential line extension greater than 75 feet.[10] For instance, if CenterPoint believes that the new customer will use more gas than the typical

[3] Attach. 1 (Great Plains response to OAG Information Request 006, parts C and K); Attach. 2 (CenterPoint response to OAG Information Request 003).
[4] MERC Rate Book, Extension of Natural Gas Service, 5th Revised Sheet No. 9.04.
[5] *Id.*
[6] MERC Rate Book, Extension of Natural Gas Service, 3rd Revised Sheet No. 9.05.
[7] *Id.*
[8] MERC Rate Book, Extension of Natural Gas Service, 5th Revised Sheet No. 9.04.
[9] CenterPoint Energy Minnesota Gas Rate Book, Section VI, Third Revised Page 12, Replacing Second Revised Page 12, Section 5.10 Expense of Installation.
[10] Attach. 2 (CenterPoint response to OAG Information Request 003).

residential customer (e.g. a home with a heated garage or heated pool), it will perform an economic feasibility test to determine if anticipated future revenues warrant the installation.[11] From 2020-2024 there were 376 service line extensions that were greater than 75 feet but were not assessed CIAC.[12]

For residential main extensions, CenterPoint will not charge customers for an extension under 100 feet.[13] If a customer requires a main extension longer than 100 feet, then CenterPoint may charge that customer CIAC. When CenterPoint believes that a new customer will use more gas than average customers, it will perform an economic feasibility test to determine if CIAC is necessary.[14] If CIAC is not required, CenterPoint will require a refundable cash advance calculated as $3.00 per foot for each foot of main in excess of CenterPoint's allowance.[15] For five years after the installation, CenterPoint will refund the residential customer that provided the advance as additional customers connect to the main.[16] From 2020-2024, 11 projects that were over 100 feet of main were not required to pay CIAC.[17] Finally, if CenterPoint believes that extending gas service will not be economically feasible, then CenterPoint will estimate the cost of the project and issue a non-refundable CIAC for the portion of the costs that are not justified by the customer's revenue.[18]

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[11] *Id.*
[12] *Id.*
[13] Docket No. G-008/GR-21-435, Settling Parties-Settlement Document (Mar. 14, 2022) (eDocket No. 20223-183756-01).
[14] Attach. 3 (CenterPoint response to OAG Information Request 004).
[15] CenterPoint Minnesota Gas Rate Book, Section VI, Fifth Revised Page 6, Replacing Fourth Revised Page 6.
[16] CenterPoint Energy Minnesota Gas Rate Book, Section VI, Fifth Revised Page 6, Replacing Fourth Revised Page 6, Section 4.05 Advance for Construction Requirements.
[17] Attach. 3 (CenterPoint response to OAG Information Request 004).
[18] CenterPoint Energy Minnesota Gas Rate Book, Section VI, Fifth Revised Page 5, Replacing Fourth Revised Page 6, Section 4.05 Advance for Construction Requirements.

*c. Northern States Power Company – Minnesota d/b/a Xcel Energy (Xcel)*

For service lines, Xcel provides 75 feet of free footage.[19] For service line extensions greater than 75 feet, Xcel will charge $9.10 per foot for services 1 inch or under and will individually determine the cost per foot for lines greater than 1 inch.[20] Xcel will waive excess footage charges if Xcel gas and electric service are both installed jointly.[21]

For residential main extensions, Xcel will offer 80 feet of main per home without requiring CIAC from customers connected to the main within the first year.[22] Additional main footage for homes that are connected after the first 12 months will be charged an excess footage fee of $5.00 per foot.[23] Excess footage charges may be refunded when additional customers are connected to the system beyond the first twelve months through five years from the start of construction.[24] Xcel determines the CIAC for extensions greater than 80 feet using its Residential Extension Model (REM).[25] Xcel will charge a customer CIAC equal to the net present value of the revenue deficiency as calculated by its REM.[26]

*d. Great Plains Natural Gas Company*

Great Plains provides its residential customers with 75 feet of free footage for service lines.[27] If a residential customer requires a line extension longer than 75 feet, Great Plains may still not charge CIAC if the extension is cost justified. To determine if a project is cost justified,

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[19] Xcel Minnesota Gas Rate Book, Section No. 6, 3rd Revised Sheet No. 18.1.
[20] Xcel Minnesota Gas Rate Book, Section No. 6, 1st Revised Sheet No. 18.12.
[21] Xcel Minnesota Gas Rate Book, Section No. 6, 3rd Revised Sheet No. 18.1.
[22] Xcel Minnesota Gas Rate Book, Section No. 6, 5th Revised Sheet, No. 18.
[23] *Id.*
[24] Xcel Minnesota Gas Rate Book, Section No. 6, 1st Revised Sheet No. 18.01.
[25] Docket No. G-002/GR-21-678, Direct Testimony of Scott Hults at 3 (Nov. 1, 2021) (eDocket No. 202111-179342-07).
[26] Xcel Minnesota Gas Rate Book, Section No. 6, 1st Revised Sheet No. 18.01.
[27] Great Plains Minnesota Gas Rate Book, General Terms and Conditions, Section No. 6, Original Sheet No. 6-14, Firm Gas Service Main and Service Line Extensions.

Great Plains will calculate the Maximum Allowable Investment (MAI) for the project.[28] If the MAI equals or exceeds the estimated capital expenditures, Great Plains considers the project cost justified and will not charge CIAC.[29]

Great Plains offers 100 feet of free footage for mains before it may require CIAC.[30] Great Plains will calculate the MAI to determine if a main extension over 100 feet requires CIAC.[31] Even if the cost exceeds the MAI, Great Plains may not require CIAC if there are potential system or "long-term margin" benefits from an extension.[32] If CIAC is required for a main extension, that payment is refundable for up to five years as new customers are connected to the main extension.[33]

*e. Greater Minnesota Gas*

Greater Minnesota Gas appears to provide all its customers—residential, commercial, and industrial—with 125 feet of service-line free footage.[34] Any contribution that is required is charged as Greater Minnesota Gas's estimated material and contractor costs.

As with its line extension policy, Greater Minnesota Gas appears not to differentiate between residential, commercial, and industrial customers in its main extension policy. Greater Minnesota Gas does not offer any free footage for main extensions.[35] Rather it does not charge CIAC if annual gross margins are greater than or equal to 18 percent of its projected costs, or when

[28] Attach. 1 (Great Plains response to OAG Information Request 006).
[29] *Id.*
[30] Great Plains Minnesota Gas Rate Book, General Terms and Conditions, Section No. 6, Original Sheet No. 6-11, Firm Gas Service Main and Service Line Extensions.
[31] Attach. 1 (Great Plains response to OAG Information Request 006).
[32] *Id.* ("Examples may include the alleviation of pressure issues in the area of an extension or the Company choosing to increase the size or length of extension in order to loop existing mains together.").
[33] Great Plains Minnesota Gas Rate Book, General Terms and Conditions, Section No. 6, Original Sheet No. 6-13, Firm Gas Service Main and Service Line Extensions.
[34] Greater Minnesota Gas Rate Book, Sec. VI, 6th Revised Sheet No.10; 4th Revised Sheet No. 11.
[35] Greater Minnesota Gas Rate Book, Sec. VI, 6th Revised Sheet, No. 10.

"system capacity upgrades dictate installation of new mains to meet capacity needs, where customer additions are secondary to the increased system capacity."[36]

*f. Summary – Minnesota Gas Utilities Line and Main Extension Policies*

Tables 1 and 2 below summarize each utility's line and main extension policies.

**Table 1 - Residential Line Extension Policies**

| Utility | Service line free footage | CIAC calculation | Other CIAC Waiver |
|---|---|---|---|
| MERC | 75 ft | cost above CEM not to exceed $6.00/ft | No |
| CenterPoint | 75 ft | cost above economic feasibility test not to exceed $4.00/ft | Yes |
| Xcel | 75 ft | $9.10/ft or case by case | No |
| GP | 75 ft | cost above MAI | Yes |
| Greater Minnesota Gas | 125 ft | estimated costs | No |

**Table 2 - Residential Main Extension Policies**

| Utility | Main free footage | CIAC calculation | Other CIAC Waiver | Refunds |
|---|---|---|---|---|
| MERC | determined by CEM | cost above CEM | Yes | No |
| CenterPoint | 100 ft | economic feasiblity test | Yes | Yes |
| Xcel | 80 ft | cost above REM | Yes | Yes |
| GP | 100 ft | cost above MAI | Yes | Yes |
| Greater Minnesota Gas | determined by annual margin | cost above 18 percent of project costs | Yes | No |

[36] *Id.*

**2. Commercial and industrial line extensions, main extensions, and CIAC.**

Although the focus of the OAG's analysis will be on residential line and main extension policies, an overview of the utilities' approach to commercial and industrial (C&I) line and main extensions is helpful to show distinctions. In general, there is no free footage allowance, per se, for line and main extensions for commercial and industrial customers.[37] But this does not mean that commercial and industrial customers do not receive a line or main extension allowance. Instead, the utilities provide various methods to determine CIAC described below.

*a. MERC*

For commercial and industrial customers, MERC uses its CEM to determine if any CIAC is required. CIAC will be based on the results of the CEM.[38]

*b. CenterPoint*

CenterPoint conducts its own feasibility test to determine if the new commercial and industrial customer addition will be economically feasible and will not place an undue burden on existing customers.[39] CenterPoint calculates its allowable investment by dividing its annual gas margin by its cost of service factor.[40]

*c. Xcel*

Xcel performs an economic feasibility test that takes into consideration the total cost of serving the new customer and their expected revenues.[41] If Xcel anticipates customer revenues

[37] Greater Minnesota Gas and Great Plains are exceptions in that they do not differentiate between residential and commercial and industrial customers.
[38] MERC Tariff and Rate Book, Extension of Natural Gas Service, 3rd Revised Sheet No. 9.04.
[39] CenterPoint Minnesota Gas Rate Book, Section VI, Fourth Revised Page 4, Replacing Third Revised Page 4, Section 4 Gas Mains.
[40] The annual gas margin is essentially the non-gas revenue that CenterPoint estimates it will recover from the customer.
[41] Xcel Minnesota Gas Rate Book, General Rules and Regulations, Section No. 6, 1st Revised Sheet No. 17.1.

will justify the extension, then it will not charge the new customer CIAC.[42] If the cost of the main extension is greater than expected revenues from the new customer, then Xcel charges the customer CIAC that will exceed the breakeven point.[43]

*d. Great Plains*

Great Plains does not differentiate its line and main extension policies between its residential, commercial, and industrial customers. But it does differentiate between firm and interruptible customers, and does not have free-footage for its interruptible customers.[44] Interruptible customers must initially pay the entire cost of the extension but can be refunded in two ways: (1) if the customer's contribution and actual margin paid to Great Plains exceeds the total present value of the revenue requirement; (2) if additional customers are added to the main for which the contribution was required.[45]

*e. Greater Minnesota Gas*

As stated above, Greater Minnesota Gas appears to use the same line and main extension policy for residential, commercial, and industrial customers.

## C. THERE ARE DIFFERENT MEASURES OF WHEN NEW CUSTOMERS PROVIDE SHARED SYSTEM BENEFITS.

A common rationale for line- and main- extension allowances is that adding a new customer will benefit existing customers because the new customer will contribute to the system's fixed costs, spreading those costs over sales from more customers. But serving the additional customer will require the utility to incur new costs. If the utility socializes those new costs to all

[42] Xcel Minnesota Gas Rate Book, General Rules and Regulations, Section No. 6, 3rd Revised Sheet No. 17.
[43] Docket No. G-002/GR-21-678, Direct Testimony of Scott Hults at 3-4 (Nov. 1, 2021) (eDocket No. 202111-179342-07).
[44] Attach 1 (Great Plains response to OAG Information Request 006).
[45] Great Plains Minnesota Gas Rate Book, General Terms and Conditions, Section No. 6, Original Sheet No. 6-16, Interruptible Gas Service Main and Service Line Extensions.

its ratepayers, it will take time for the new customer to pay back the cost of the extension and start contributing towards system fixed costs. There are several different ways, however, to measure how much time it will take a new customer to provide a benefit to existing customers.

To properly consider the costs and benefits of new customer additions, it is critical to understand the difference between three related concepts, which are illustrated in Lines 22, 22b, and 30 of CenterPoint's Cost Justification Calculation below.

**Table 3 - CenterPoint's Free Footage Cost Justification[46]**

| | | Rate | Year Placed in Service | 1st Year after Extension made | 2nd Year after Extension made | 3rd Year after Extension made | 4th Year after Extension made | 5th Year after Extension made | 6th Year after Extension made |
|---|---|---|---|---|---|---|---|---|---|
| | **REVENUE REQUIREMENTS ANALYSIS:** | | | | | | | | |
| 1 | Total Cost of main based on allowed footage (125 feet) | | $885 | | | | | | |
| 2 | Total Cost of service based on allowed footage (75 feet) | | $1,330 | | | | | | |
| 3 | Average Cost of Meter (incl. Install) | | $392 | | | | | | |
| 4 | Total main and service cost at allowed footage: | | $2,606 | | | | | | |
| 5 | Beginning Balance | | $0 | $2,579 | $2,524 | $2,469 | $2,415 | $2,360 | $2,305 |
| 6 | Depreciation expense (excl. salvage) | | $27 | $55 | $55 | $55 | $55 | $55 | $55 |
| 7 | Ending Balance - Net Plant | | $2,579 | $2,524 | $2,469 | $2,415 | $2,360 | $2,305 | $2,250 |
| 8 | Average Net Plant | | $1,289 | $2,552 | $2,497 | $2,442 | $2,387 | $2,332 | $2,278 |
| 9 | Tax Depreciation rate (15 year MACRS) | | 5.000% | 9.500% | 8.550% | 7.700% | 6.930% | 6.230% | 5.900% |
| 10 | Tax Depreciation amount | | $130 | $248 | $223 | $201 | $181 | $162 | $154 |
| 11 | Book - Tax Depr difference | | ($103) | ($193) | ($168) | ($146) | ($126) | ($108) | ($99) |
| 12 | Cumulative difference | | ($103) | ($296) | ($464) | ($610) | ($736) | ($843) | ($942) |
| 13 | Accum Def tax | ##### | ($30) | ($85) | ($133) | ($175) | ($211) | ($242) | ($271) |
| 14 | Average ADIT | | ($15) | ($57) | ($109) | ($154) | ($193) | ($227) | ($257) |
| 15 | Rate Base | | $1,275 | $2,494 | $2,388 | $2,288 | $2,194 | $2,106 | $2,021 |
| 16 | Return Requirement @ 8.73% (pre-tax cost of capital) | | $111 | $218 | $208 | $200 | $192 | $184 | $176 |
| 17 | Distribution costs: | | | | | | | | |
| 18 | Depreciation Expense | | $27 | $55 | $55 | $55 | $55 | $55 | $55 |
| 19 | Property Taxes | 3.75% | $48 | $96 | $94 | $92 | $90 | $87 | $85 |
| 20 | Total Revenue Requirement | | $187 | $368 | $357 | $346 | $336 | $326 | $317 |
| 21 | Non-Gas Revenues per Customer under proposed rates | | $162 | $324 | $324 | $324 | $324 | $324 | $324 |
| 22 | **Revenue Excess (Deficiency)** | | **($25)** | **($45)** | **($33)** | **($23)** | **($12)** | **($3)** | **$7** |
| 22a | NPV of annual revenue excess (deficiency) @ 8.73% pre-tax | | (25) | (41) | (28) | (18) | (9) | (2) | 4 |
| 22b | Cumulative npv | | ($25) | ($66) | ($94) | ($112) | ($121) | ($122) | ($118) |
| | **TRADITIONAL CASH FLOW ANALYSIS:** | | | | | | | | |
| 23 | Capital Outlay | | ($2,606) | $0 | $0 | $0 | $0 | $0 | $0 |
| 24 | Non-Gas Revenues per Customer under proposed rates | | $162 | $324 | $324 | $324 | $324 | $324 | $324 |
| 25 | less Property Taxes | | $48 | $96 | $94 | $92 | $90 | $87 | $85 |
| 26 | less Income Taxes | ##### | $33 | $65 | $66 | $67 | $67 | $68 | $68 |
| 27 | plus tax impact of tax depreciation | ##### | $37 | $71 | $64 | $58 | $52 | $47 | $44 |
| 28 | Annual cash flow | | ($2,488) | $234 | $228 | $223 | $219 | $215 | $214 |
| 29 | NPV of annual After-tax Cash flow @ 4.89% (after tax) | | ($2,488) | $223 | $207 | $193 | $181 | $169 | $161 |
| 30 | Cumulative npv | | ($2,488) | ($2,265) | ($2,058) | ($1,865) | ($1,684) | ($1,515) | ($1,354) |

The first concept is the revenue deficiency, or excess in a particular year. This calculation, found in Line 22, is the difference between a customer's revenues and the revenue requirement from the line- and main-extension in a particular year. Line 22 is negative for the first five years after the extension, indicating that in each of the first five years, the annual revenue requirement

[46] Attach. 4 (Docket No. 21-435 CenterPoint response to CEO Information Request).

from the extension is greater than the revenue from the new customer's annual non-gas revenues. It is not until the 6th year after the extension that there is a revenue excess, meaning that the new customer's revenue is greater than the cost of the extension.[47]

Line 22b, shows the second related concept, the cumulative net present value of the revenue excess or deficiency.[48] This concept suggests it may take longer than 6 years for existing customers to benefit from the new customer's addition. While the new customer's revenues will be greater than their costs in 6 years, in each of the first five years, the new customer's costs were greater than their revenues. That is, in years 1 through 5, the new customer is digging themselves a bigger hole before they start digging out in year 6. For existing customers to ultimately benefit, therefore, the new customer must first pay off this accumulated "debt" from the years existing customers covered the new customer's cost of interconnection. Line 22b in the cost justification formula above calculates the present value of the "debt" owed to existing customers from the extension project. This calculation will not become positive until Year 13.[49] Under this second concept, therefore, it will be 13 years before the new customer pays back the yearly subsidy received prior to Year 6.

The third concept, illustrated in Line 30, shows CenterPoint's cash flow analysis. As CenterPoint describes, this measures the length of time for full recovery of the capital asset.[50] In CenterPoint's extension justification shown above, it would not be until year 18 when CenterPoint would recover the full cost of the investment shown above.[51]

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[47] *Id.*
[48] Line 22a is the present value of the revenue deficiency or excess in a particular year, whereas Line 22b is a running total of Line 22a.
[49] Attach. 4 (Docket No. 21-435 CenterPoint response to CEO Information Request 12).
[50] Attach. 5 (Docket No. 21-435 CenterPoint response to CEO Information Request 13).
[51] Attach. 4 (Docket No. 21-435 CenterPoint response to CEO Information Request 12).

These three different concepts show there are different ways to view the risks and potential benefits of line and main extension policies. One could argue that it is not until year 6, 13, or 18 that existing customers benefit from the addition of new customers, depending on the concept that is applied.[52] What a reasonable payback period is, and which method is appropriate to determine the payback period, is a central question the Commission should determine, as discussed further below.

### D. GAS UTILITIES HAVE AN INCENTIVE TO USE LINE AND MAIN EXTENSION POLICIES THAT ENCOURAGE SALES, CUSTOMER, AND RATE BASE EXPANSION.

Gas utilities have a financial incentive to have line and main extension policies that provide large amounts of free footage and waive additional CIAC. These types of extension policies are generous to new customers but may unfairly burden existing ratepayers. These extension policies can help expand a utility's capital base and increase its customer base, which could increase its revenues.[53]

The first way a utility is incentivized to have line- and main-extension policies with significant free footage and CIAC waivers is that it will increase its rate base for its distribution system. Three different aspects of line- and main-extension policies can increase a utility's rate base. First, when a customer receives free footage, the cost of that footage is placed into a utility's rate base. Second, rate base is also increased if the excess footage charge is capped lower than the actual cost of the extension. Third, a utility can increase its rate base by waiving CIAC that would otherwise be owed based on various factors. Conversely, the CIAC paid by the customer reduces the portion of the investment that is placed into rate base. It is therefore in the utility's financial

[52] *Id.*

[53] A revenue decoupling mechanism may reduce or eliminate a utility's ability to increase annual revenues by adding new customers but that is dependent on the structure of the mechanism.

interest to have a long free footage allowance to increase its rate base and to waive additional CIAC if permitted by its tariffs.

Line- and main-extension policies that are generous to new customers can also help gas utilities add more customers. Increasing a utility's customer count can lead to more capital expenditures, such as for more service trucks to serve these customers. As gas utilities earn a rate of return on these non-line and main capital expenditures, they are incentivized to add more customers to increase them. In addition, adding more customers likely increases a gas utility's throughput. This can help a utility recover its prudently incurred investments and potentially lead to it earning above its revenue requirement. An increase in utility revenues due to customer expansion can also help existing customers, but limiting or eliminating new customer CIAC lowers the benefit for existing customers while increasing the benefit for the utility.

## E. SIGNIFICANT RATEPAYER COSTS ARE IMPLICATED BY EXTENSION ALLOWANCES.

Gas ratepayers bear a risk from underutilized or stranded distribution system assets. These risks grow if line and main extension policies are set so that the payback period for new customers to benefit the system is lengthy. Ratepayers could be responsible for hundreds of millions of dollars over the next forty years if line extensions continue at a similar pace as the past half decade and then become unused or under-utilized.

To construct an estimate for the funds ratepayers may be charged, the OAG examined CenterPoint's customer expansion and extension cost estimates. From 2018-2024, CenterPoint added an average of 10,145[54] customer to its system. From 2022-2024 a 75 foot service line extension, with the cost of the meter included, would cost approximately $1,695.[55] Using these

[54] Attach. 6 (OAG workpaper 1 - cost of free footage allowance).

[55] Attach. 7 (CenterPoint response the CEO Information Request 003). Calculated as $\frac{cost\ of\ service\ line\ and\ meter\ 2022-2024}{total\ length\ of\ service\ lines\ 2022-2024} * 75\ feet.$

figures, if CenterPoint continued to add the same number of customers per year over the next 40 years, its ratepayers could be responsible for approximately $445,000,000 in $2024.[56] This estimate used a discount rate equal to the weighted average cost of capital (WACC) agreed to in the CenterPoint rate case settlement.[57] While using WACC to measure the present value of future cash flows may make sense from the utility's perspective, it's less reasonable to use this method to measure the impact on residential customers. Residential customers' opportunity cost is likely lower than the utility, because they do not have a guaranteed rate of return. Calculating the present value of the future revenue from customers' perspective using a discount rate equal to the return on a 1-year U.S. treasury bill is approximately $800,000,000.[58]

If CenterPoint added fewer customers, then the total cost to ratepayers would decline.[59] Assuming that CenterPoint adds 5 percent fewer customers each year, the present value of the cost of new service lines would be approximately $252,000,000.[60]

There are a few caveats to this analysis. First, CenterPoint is the largest gas utility in Minnesota, so the capital additions for the other gas utilities would likely be smaller. Second, this analysis assumes that every customer that is added would require a 75 foot service extension which is likely not the case. At the same time, these estimates only include the costs of residential service line extension, not residential main extensions or commercial and industrial line and main extensions. While the capital costs from service lines are not the largest part of a utility's rate base, an increase in service lines would likely lead to an increase in costs for consumers. To be

[56] Attach. 6 (OAG Workpaper 1).
[57] Docket No. G-008/GR-23-173, Settlement Agreement at 3 (Nov. 25, 2024) (eDocket No. 202411-212407-01).
[58] Attach. 6 (OAG Workpaper 1).
[59] This does not guarantee however that customer bills will actually decrease.
[60] Attach. 6 (OAG Workpaper 1).

clear, these costs may ultimately be offset by additional revenues from new customers. Still, the cumulative impact of adding more customers may pose financial risks to existing ratepayers, particularly if extension allowances are set such that the payback period before new customers begin benefiting the system is lengthy.

## ANALYSIS

As the Commission has observed, line- and main-extension policies should "balance the interests of existing customers with new customers so that both groups are able to receive reasonably priced service."[61] Much time has passed since the last in-depth, multi-utility review of line- and main-extension policies. In that time, there have been significant changes in regulations and policies impacting gas utilities. There have also been changes in technologies and adoption of alternative heating, cooking, and water heating options. These changes have thrown off the balance between new and existing customers in many of the utilities' line- and main-extension policies and the reasonableness of the policies should be revisited.

The OAG, therefore, offers several recommendations to correct unreasonable assumptions underlying utilities' residential line- and main-extension allowances and other aspects of their extension tariffs. If implemented, the OAG believes these changes will begin to rebalance the interests of existing and new customers. However, the changes that have thrown off this balance have not stopped, and for that reason the OAG recommends that the Commission revisit all utilities' line- and main-extension policies periodically and address several recuring questions. One of these recurring questions should be whether it continues to be reasonable for gas utilities to offer line- and main-extension allowances. While the OAG does not believe eliminating line-

[61] *See* 1995 Order at 6.

and main-extension allowances is presently in the public interest, this is a question the Commission should revisit periodically going forward.

## I. SIGNIFICANT CHANGES IN REGULATIONS, POLICY, AND TECHNOLOGY HAVE OCCURRED SINCE THE COMMISSION'S LAST IN-DEPTH INVESTIGATION OF EXTENSION POLICIES AND THESE CHANGES NECESSITATE MODIFICATIONS.

### A. The Commission's 1995 Order Continues to Include Important Principles, but the Surrounding Environment Has Shifted.

Outside of discussions in recent rate cases that have led to the review in the current docket, the Commission's last major investigation and analysis of the general principles underlying utilities' extension policies occurred in the mid-1990s.

That investigation arose out of a race between two utilities to compete to serve the same customers in Scott County.[62] The Commission required all rate regulated gas utilities to submit their extension tariffs to determine if the incentives offered to new customers would lead to wasteful duplication of facilities and if the Commission should impose "stricter, more consistent policies on all regulated gas utilities."[63]

The Commission observed that there were two bookend approaches to service extension rate design: "1) the rolled-in-rates approach which allows [gas utilities] to extend service to new customers without charge and 2) the incremental-rates approach which requires all new customers to pay their own way."[64] The method used by the Minnesota utilities in 1995, and still used broadly today, is a compromise between those two approaches that permits new customers to receive a certain length and size of main and service line extension without charge, while the customer would pay the balance of what was required beyond that "free footage."[65]

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[62] *Id.* at 1.
[63] *See id.* at 1-2.
[64] *Id.* at 6.
[65] *Id.*

The Commission found this compromise approach to be reasonable because it balanced "the interests of existing customers with new customers so that both groups are able to receive reasonably priced services."[66] The Commission also observed that residential customers benefit from having natural gas service and that consideration is given to making "service extension polic[ies] as simple as possible for customers to understand and utilities to administer."[67]

The Commission recognized, however, that issues related to this balance would need to be reviewed periodically. To that end, the Commission requested the Department of Public Service, now the Department of Commerce, to address several types of questions in future gas utility rate cases. While some of these questions are no longer likely to spark debate,[68] many others remain relevant and disputed, including:

- Should the "free" footage or service extension allowance include the majority of all new extensions with only the extremely long extensions requiring a customer contribution-in-aid-of-construction (CIAC)?
- How should the [gas utility] determine the economic feasibility of service extension projects and whether the excess footage charges are collected?
- Is the [gas utility]'s extension charge refund policy appropriate?
- Should the [gas utility]'s service extension policies be tariffed in number of feet without consideration to varying construction costs among projects or should the allowance be tariffed as a total dollar amounts [sic] per customer?[69]

The core of many of these questions remains relevant, but the policies used by the utilities have evolved. For example, the last bulleted question has been replaced by a consideration of

[66] *Id.*
[67] *Id.*
[68] For example, the OAG believes it has been some time since any party has challenged the utility's position that new customers should not be permitted to install their own service line to connect to the utility's system.
[69] 1995 Order at 6-7.

whether extension policies should be tariffed in number of feet or whether the utility should use a more complex customer extension model to the determine the CIAC for individual projects.

Additionally, many intervening considerations and policy changes have occurred in the past 30 years that are relevant to gas utilities' line and main extension policies. It is therefore appropriate for the Commission to revisit the propriety of the utilities' policies, the standards and criteria with which these policies should comport, and the appropriate balance between the interests of existing customers and new customers in receiving reasonably priced service.

### B. Significant Regulatory Changes and Policy Shifts Have Occurred Since the 1995 Order.

The regulatory and legal landscape that Minnesota's natural gas utilities operate within has changed significantly since the Commission's 1995 Order. Below is a non-exhaustive overview of some major changes.[70]

#### 1. Energy Conservation – CIP and ECO

Although the Conservation Improvement Program (CIP) has been in place since the early 1980s, it has become more robust since 1995 and seen major changes in converting to the Energy Conservation and Optimization (ECO) program. First, the Next Generation Energy Act of 2007 established an energy conservation policy goal to "achieve annual energy savings equal to 1.5 percent of annual retail energy sales of natural gas directly through energy conservation improvement programs and rate design, and indirectly through energy codes and appliance

[70] In addition to these changes, many other state programs have been stood up or expanded since the mid-1990s to address energy efficiency, weatherization, and other programs that have the effect of reducing the amount of natural gas consumed in homes, businesses, and government buildings. *See, e.g.*, Minn. Stat. §§ 216C.46 (establishing the residential heat pump rebate program within the Department of Commerce in 2023); 2021 1st Special Sess. Minn. Laws ch. 4, sec. 1 (establishing the State Building Energy Conservation Improvement Revolving Loan Account, which allows state agencies to implement energy conservation and efficiency improvements in state buildings).

standards, programs designed to transform the market or change consumer behavior," and other measures.[71] The CIP program incentivized energy efficiency. Energy savings for natural gas programs ranged from 0.9% to 1.4% annually from 2010 to 2020 annually.[72] In a 2020 report, the Department of Commerce calculated 6.5 billion cubic feet (bcf) of natural gas savings.[73] Second, the legislature made significant modifications in 2021, including by allowing for investments in "efficient fuel-switching improvements," when it passed the Energy Conservation and Optimization Act (ECO). The transformation of CIP to ECO included more fully incorporated beneficial electrification into the regulatory scheme in addition to energy efficiency.[74]

**2. The Natural Gas Innovation Act (NGIA).**

Also in 2021, the legislature passed NGIA, which allowed utilities to invest in innovative technologies with the goal of reducing the overall amount of natural gas produced from conventional geologic sources delivered to customers.[75] Some innovative policies in NGIA would continue to replace natural gas for conventional sources in gas mains and service lines, such as renewable natural gas and hydrogen.[76] Other innovative resources, however, would either reduce the amount of natural gas or other fuels being consumed or even eliminate the need for gas lines and mains altogether, such as through energy efficiency, strategic electrification, "district energy systems," or "thermal energy networks."[77]

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[71] 2007 Minn. Laws ch. 136, sec. 4.
[72] Minn. Conservation Improvement Program Energy Savings, CO2 Reductions and Economic Benefits Achieved 2019-2020, Dep't of Commerce, at 8 (Feb. 3, 2023), https://www.lrl.mn.gov/docs/2023/mandated/230346.pdf
[73] *Id.* at 7
[74] 2021 Minn. Laws ch. 29, sec. 2-3.
[75] Minn. Stat. § 216B.2427, subd. 10.
[76] *Id.*, subd. 1(n), (p).
[77] *Id.*, subd. 1(f), (g), (r), (s).

### 3. Statewide Greenhouse Gas Emissions Reduction Goals.

In 2007, the legislature established a statewide goal to reduce greenhouse gas emissions "to a level at least 15 percent below 2005 levels by 2015, to a level at least 30 percent below 2005 levels by 2025, and to a level at least 80 percent below 2005 levels by 2050."[78] These goals were updated in 2023 to include a goal to reduce levels by 50 percent by 2030 and "to net zero by 2050."[79] While these goals are not specific to natural gas and gas utilities are engaging in efforts to reduce greenhouse gas emissions that will continue to use natural gas infrastructure, the statewide goals do show a tension between business-as-usual natural gas sales and state policy.

## C. Long-Standing Regulatory Principles Continue to Apply in this New Context.

Although not a new development since the Commission's 1995 order, principles of rate setting, rate design, and public utilities continue to apply within the changing regulatory landscape described above. Minnesota law also continues to require that "[e]very rate made, demanded, or received by a public utility . . . shall be just and reasonable."[80] A "rate" in turn, is defined as "every compensation, charge, fare, toll, tariff, rental, and classification, or any of them, demanded, observed, charged, or collected by any public utility for any service and any rules, practices, or contracts affecting any such compensation, charge, fare, toll, rental, tariff, or classification."[81] The utilities' line and main extension tariffs and CIACs are "rates" as they are a charge collected by the public utilities and the extension tariffs are rules affecting such charges. Rates must also not be "unreasonable preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers."[82]

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[78] 2007 Minn. Laws ch. 136, sec. 2 (codified as Minn. Stat. § 216H.02).
[79] 2023 Minn. Laws ch. 60, sec. 61 (codified as Minn. Stat. § 216H.02).
[80] Minn. Stat. § 216B.03.
[81] Minn. Stat. § 216B.02, subd. 5.
[82] Minn. Stat. § 216B.03

### D. Conclusion – Regulatory Changes and State Policies Necessitate a Fresh Look at Extension Allowances and the Continually Changing Environment Should Trigger Ongoing Review.

What is a just and reasonable rate for gas utility line and main extensions must operate within the current regulatory structure, state policies, and state priorities in Minnesota, which are different than those in place at the time of the Commission's 1995 Order.

However, several principles from the Commission's 1995 Order continue to apply. This includes that extension policies should balance "the interests of existing customers with new customers so that both groups are able to receive reasonably priced services."[83] So too does the Commission's application of the rate design principle that rates, including extension policies, should be easy to understand and administer.[84]

Last, the Commission's determination in 1995 Order that regulated natural gas service benefits customers economically continues to be valid. Regulated utility service provides consumer protections that are not available to customers with delivered fuels such as fuel oil or propane.[85] For example, natural gas customers have disconnection protections in the Cold Weather Rule[86] and may qualify for additional assistance beyond the federal Low-Income Home Energy Assistance Program (LIHEAP) through the Gas Affordability Program (GAP).[87] In addition, the Commission's authority to set utility base rates and duty to set them at a reasonable level provides

[83] 1995 Order at 6.
[84] 1995 Order at 6.
[85] *See* Propane Gas, Office of the Minn. Attorney General, https://www.ag.state.mn.us/Brochures/pubPropaneGas.pdf (recommending consumers shop around and obtain a competitive price before taking propane service, cautioning against hidden fees, and describing how renting a propane tank from a company locks the customer-in to taking service from that company).
[86] Minn. Stat. § 216B.096.
[87] Minn. Stat. § 216B.16, subd. 15.

a level of cost oversight not available to customers using delivered fuels.[88] While heating with electricity provides many of these same consumer protections, affordable electric heating currently has some limitations and is not always cost competitive. It depends on both the cost of the technology, as with ground-source heat pumps, and the rates of the electric utility from which customers take service.

The OAG recognizes, however, that simply because other heating alternatives currently have some economic or consumer-protection downsides, this may not always be the case. Advancing technology, decreasing equipment costs, and evolving rate options[89] may make electric heating, particularly, more cost competitive. In addition, the availability of consumer protections are not stagnant and additional protections for non-utility customers could be put in place. For these reasons, any decision the Commission makes about the propriety of the utilities' line and main extension allowances should be revisited periodically to ensure the policies continue to align with the public interest.

## II. THE COMMISSION SHOULD REQUIRE THE GAS UTILITIES TO UPDATE THEIR EXTENSION POLICIES TO ALIGN WITH PRESENT CONDITIONS AND RATE PRINCIPLES.

The rationale provided by utilities for providing extension allowances or CIAC waivers is generally that the addition of a new customer can benefit existing customers by spreading the utilities fixed costs over a larger number of sales. If the non-gas revenues from the new customer more than cover the cost of their extension, existing customers will benefit from the addition. But

[88] Because the cost of gas is a pass through, however, the OAG acknowledges that the Commission's cost oversight is not absolute. Still, the acceptable mark up on propane or fuel oil by companies is based on a competitive market, not a regulated utility structure and thus is more dependent on the level of options available to customers.

[89] For example, the Commission recently authorized a space-heating rate for Xcel's electric utility that will make electric space-heating more economical. *See* Docket No. E-002/M-23-524, Order Approving Revised Opt-In Proposal and Setting Reporting Requirements at 5-6 (May 15, 2025).

if the new revenues do not more than cover the cost of adding a customer, then existing customers will be harmed by the addition. For these reasons, the utilities' assumptions about the costs of adding a new customer and the revenues that will be received from the new customer must be reasonable for the free footage or other line or main allowance to be reasonable. The assumptions underlying the utilities' current policies, however, may be out of line with reasonable assumptions about new customer usage, may not include all costs to serve the new customer, and may not assume a reasonable payback period. In addition, some utilities have significant discretion to offer additional CIAC waivers beyond the standard free footage policy or application of a customer extension model, which creates the potential for discriminatory application or unfair treatment among new customers.

The Commission should require the utilities to file new tariffs that establish new free footage allowances or customer extension models that do not include these unreasonable assumptions about usage, cost, and payback periods, and that do not provide the utility with undue discretion to offer additional CIAC waivers.

### A. Use Per Customer Assumptions in Extension Policies Must Align with Legislative Changes to Energy Efficiency Programs and Other Opportunities for Technological Advancement.

There are two related problems with the assumptions underlying current line and main extension policies. The first is that gas utilities likely overestimate the initial gas consumption of new residential customers. The second is that gas utilities currently assume constant customer consumption when they should likely build declining per customer gas consumption into their models.

Currently, Minnesota gas utilities likely overstate the initial amount of gas new customers will use. For instance, CenterPoint's free footage justification calculations assume that a new

residential gas customer would initially consume 94.9 Dth.[90] MERC's CEM, which is used to both justify its free footage allowance and calculate CIAC for service line and main extensions, assumes that new customers will consume the same amount of gas as the average residential customer.[91]

Assuming new residential gas customers will consume the same amount as an average residential customer is unreasonable because new buildings tend to be more energy efficient and use less gas. Data from the EIA shows that both total energy consumption and natural gas consumption per household in the Midwest is declining in newer buildings.[92] An average house built between 2000 and 2009 used 72.3 Dth of natural gas on average whereas buildings constructed between 2016 to 2020 used 54.5 Dth of natural gas.[93] While not all new gas customers will reside in newly constructed houses, many will. This mean the average new customer will likely consume less gas than current gas customers.

The second problem is that Minnesota gas utilities also appear to assume that new customer consumption will be constant over time.[94] This assumption is likely flawed as Minnesota gas utilities are currently spending ratepayer funds to invest in energy efficiency and technologies that will continue to lower throughput of their customers. All Minnesota gas utilities must file ECO

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[90] Docket No. G-008/GR-21-435, Poppie Schedule 17, Workpaper 1, page 5 of 5 (Nov. 1, 2021) (eDockets No. 202111-179354-07).

[91] Docket No. G011/GR-22-504, Compliance Filing, MERC Line Extension Policy Study Final at 11 (Nov. 14, 2024) (eDocket No. 202411-211947-02).

[92] EIA 2020 Residential Energy Consumption Survey, Table ce2.3 https://www.eia.gov/consumption/residential/data/2020/c&e/pdf/ce2.3.pdf

[93] *Id.* This data is for the Midwest in general. While the actual level of consumption in Minnesota may differ, it is unlikely that Minnesota housing does not follow the same trend of declining gas consumption.

[94] Docket No. G-008/GR-21-435, Poppie Schedule 17, Workpaper 1, page 5 of 5 (Nov. 1, 2021) (eDockets No. 202111-179354-07); Docket No. G-011/GR-22-504, Compliance Filing, MERC Line Extension Policy Study Final at 11 (Nov. 14, 2024) (eDocket No. 202411-211947-02); Great Plains Minnesota Gas Rate Book, Section No. 6, Original Sheet No. 6-11; Attach. 8 (Xcel response to CEO Information Request 2 Revised).

plans where they propose programs to lower throughput. For instance, CenterPoint is offering rebates for more efficient furnaces, boilers, and water heaters in its 2024-2026 ECO triennial plan.[95] The boilers alone could save between 1.65 and 15.30 Dth per unit.[96] In its most recent rate case, CenterPoint estimated that its residential customers would consume approximately 88 Dekatherms on average.[97] So its program to offer rebates for more fuel efficient boilers alone, could lower residential consumption by between 1.8 and 17 percent.[98]

In addition to ECO, Xcel and CenterPoint have filed NGIA pilot programs designed to reduce natural gas throughput.[99] Some of these programs and pilots have not yet reached large scale adoption, but it is clear that Minnesota's gas utilities are using ratepayer funds to reduce residential throughput today and in the future. Given these initiatives, it is not reasonable to assume as a general principle that residential customer consumption will remain the same over the life of the service line or main.

Assuming unreasonably high use per customer  may hurt existing customers, particularly given that they are funding the investments that seek to reduce throughput and also subsidizing new customers' line and main extensions for many years in some cases. If new consumer

[95] Docket No. G-008/CIP-23-95, Compliance Filing, CenterPoint 2024-2026 ECO Plan at 37-38 (Jun. 30, 2023) (eDocket No. 20236-197134-01).
[96] *Id.* Assumptions for these calculations can be found in Appendix A of this filing.
[97] Docket No. G-008/GR-23-173, DeMeritt Schedule 2, Workpaper 6, page 1 & Schedule 6, Workpaper 4, page 1 (eDocket No. 202311-200113-01).
[98] $\frac{1.63}{88}$ and $\frac{15.30}{88}$. A customer that would save 15.30 may also be a high use customer, that consumes more than 88 Dth because they would be switching from a low efficiency to a high efficiency furnace.
[99] *See* Docket No. G-002/M-23-518, Order Approving Natural Gas Innovation Act Plan with Modifications (May, 16, 2025) (eDocket no. 20255-219016-01). For example, the Commission ordered Xcel to spend at least $4,660,699 on strategic electrification, building envelope, energy efficiency, and/or deep weatherization for low-income customers. *Id.* at 20. *See also* Docket No. G-008/M-23-215, Order Approving Natural Gas Innovation Act Plan with Modifications (Oct. 09, 2024) (eDockets No. 202410-210845-01). For example, CenterPoint's NGIA includes a pilot for Residential Deep Energy Retrofits and Electric Air Source Heat Pumps.

consumption is lower on average than what the utility's assume, it is likely that the non-gas revenues from new customers would be lower than the anticipated revenues used to justify the line or main extension allowance. If revenues from gas sales are lower than anticipated, it will take longer for a customer to both start contributing to shared infrastructure and pay back the entire cost of the service extension. Falling customer consumption due to energy efficiency programs or partial electrification could unfairly burden existing gas customers who will be paying to add new customers longer than anticipated.[100]

Gas utilities should not assume that gas consumption for new customers will mirror existing customers' gas use, nor should they assume that new customer consumption will be constant over the depreciable life of a service line or main. Instead, utilities should assume that new customer consumption will be lower than current average consumption and that it will decline over the life of a service line or main. How much lower than average and how usage should decline, however, will depend on several factors and the utilities have options on how to make a reasonable determination. Utilities could collect data on new customers to estimate their initial gas consumption. They could also extrapolate new customer consumption from state- and region-wide trends. To estimate the decline in consumption per customer over the next 40 years, utilities could use their historical experience with ECO programs or use future predictions of declining gas consumption. For instance, if a gas utility has seen that use per customer has declined by 2 percent on average due in part to their ECO programs, then it could build that assumption into its model. The utilities have many options to incorporate declining gas consumption into their models and

[100] Complete electrification of a property that received a line or main allowance creates a different issue than simply extending the payback period. That scenario creates a stranded asset, in the case of the service line and a main extending to one customer, or an underutilized asset, in the case of a main extending to multiple customers. While the OAG agrees this is a risk, the OAG recommends the Commission revisit this risk on a going forward periodic basis as discussed in Section III.

doing so is necessary to make these models reasonably represent the potential benefit of adding new customers to the system.

### B. Extension Policies Must Account for All Costs to Connect the New Customer when Determining Customer Contribution.

Some utilities' justifications for their current free footage do not include all costs to serve the new customers. One cost that is at times not accounted for is for the meter, although it is indisputably required to serve the new customer. Another cost that is omitted from many utilities' extension policies is the actual cost of the excess footage beyond the free footage amount, because some utilities appear to cap the excess-charge per foot below the likely actual cost. Both practices are unreasonable, and the Commission should require the utilities to update their polices.

#### 1. Utilities should include the cost of meters in free footage justifications.

A meter is necessary for a new customer to take gas service. However, the cost of a meter is sometimes excluded from a utility's assessment of the cost of serving new gas customers used to support the utility's free footage. For example, Great Plains does not include the cost of a meter in its justification for its service line extension policy.[101] Similarly, Xcel appears not to include the cost of a meter in its justification for its free footage allowance.[102] Because a gas utility likely has to install at least one meter for every service line extension, gas utilities should include the cost of a meter in any calculations to capture the true cost of connecting new customers to the system.

#### 2. Excess footage charges should be charged at actual cost.

Another problem with current line extension policies is the calculation of excess footage beyond the free footage allowance. CenterPoint, MERC, and Xcel cap excess footage charges at

[101] Attach. 9 (Great Plains response to OAG Information Request 009).
[102] Attach. 8 (Xcel response to CEO Information Request 2 Revised).

$4.00,[103] $6.00,[104] and $9.10[105] respectively. In 2024, however, CenterPoint found that its average cost per service line was closer to $18.[106] It is possible that the incremental cost of service lines beyond 75 feet are less than $18 because some costs of extension are fixed and are needed for an extension regardless of length, but CenterPoint's $18 per foot is significantly higher than the $4.00 per foot excess footage charged to customers. This means that existing customers are likely paying for additional costs service line extensions over the 75-foot free footage.

Instead of having a predetermined cap on the cost of excess footage, the utilities should justify their free footage amount and then charge new customers for the costs of excess footage. New customers should pay the incremental cost of interconnection beyond any free footage in the utility's tariff. The Commission should require that CenterPoint, MERC, and Xcel remove their caps on excess footage costs.

### C. Any Free Footage Length Must Be Based on a Reasonable Payback Period.

A free footage allowance places costs on existing customers while providing a benefit to new customers. While the new customer's revenue may eventually benefit existing customers, that benefit should be realized in a reasonable amount of time. For instance, a free footage policy that resulted in existing customers not benefiting from the addition of a new customer for 30 years would be unreasonable. It would burden existing ratepayers for decades without a guarantee of the new customer staying on the system long enough, or consuming enough gas, to make existing customers whole.

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[103] CenterPoint Energy Minnesota Gas Rate Book, Section VI, Third Revised Page 12, Replacing Second Revised Page 12, Section 5.10 Expense of Installation/
[104] MERC Rate Book, Extension of Natural Gas Service, 5th Revised Sheet No. 9.04.
[105] Xcel Minnesota Gas Rate Book, Section No. 6, 3rd Revised Sheet No. 18.1.
[106] Attach. 2 (CenterPoint response to OAG Information Request 003).

The exact payback period that best balances new and existing customer considerations is ultimately a determination requiring the exercise of the Commission's judgment. There are least two concepts, however, the Commission should consider when assessing whether a reasonable payback period is embedded in the free footage allowance or other extension allowance. The first concept is the reasonableness of the methodology that estimates how long it will take the customer to pay back the extension allowance under any extension policy. For instance, returning to the example provided in Table 3 above, the OAG believes that there are superior methods to simply considering the first year that a new customer's revenue will be greater than the revenue requirement of an extension project, as shown in Line 22. These superior methods can be seen in either Line 22b or Line 30 of Table 3. If the assumed payback period in the utility's line extension policy only examined when customer revenues were greater than the revenue requirement from the extension, as Line 22 does, it ignores the fact that the new customer had not yet paid back current customers for the cost of the extension. Therefore, the Commission should place more emphasis on either the number of years before the new customer's revenues cover their costs, as illustrated in Line 22b of Table 3 above, or the length of time for full recovery of the capital asset, as illustrated in Line 30 of Table 3 above. Ultimately, the utilities should propose a transparent methodology to estimate the payback period, and the Commission should make a determination based on that and the other considerations noted below.

The second concept the Commission should consider is simply the reasonableness of the amount of time it takes for a new customer to payback the entire cost of the extension. This consideration requires a more holistic examination than simply the numbers on a spreadsheet such as that provided in Table 3. For instance, if the Commission determined that the methodology used in Line 22b of CenterPoint's analysis above was the appropriate measure, this does not

provide a certainty that all costs will be recovered in Year 13. If the new customer installed an energy efficient furnace or heat pump in Year 8 and consumed less gas than anticipated, it might take even longer than 13 years for the new customer to cover the present value of the costs incurred to connect them to the system.

Determining a reasonable payback period will require discretion from the Commission. A shorter payback period would likely reduce free footage allowances and increase upfront costs for new customers, but would reduce the amount of money socialized to all ratepayers. Further, it would lower the risk to existing customers that the new customer does not fully payback the cost of the extension due to a decline in natural gas consumption. The utilities can estimate the length of time until new customers provide a benefit to existing customers, but those calculations cannot deem what is and is not a reasonable payback period. The Commission should use its judgment to make a determination on what a reasonable payback period is given the current state of the gas industry and ratemaking principles, and the utilities should use that period in constructing their line- and main-extension policies. But because the gas system and gas usage continue to change, the Commission should periodically revisit this payback period as discussed further below.

### D. Gas Utilities Should Either Use a Free Footage Allowance or a Customer Extension Model (Not Both at Once) and Should not have Discretion to Broadly Apply CIAC Waivers Based on Ad Hoc Factors.

Another way in which utilities extension policies divert from sound principles is that many residential service- and main-extension policies allow significantly more "free" footage than is immediately apparent from the tariff. Many of these provisions provide the utility with significant, and undue, discretion in when to offer customers more extension allowances by waiving the customers CIAC. Policies that give the utility significant discretion on when to waive CIAC may throw off the balance between new and existing customers and do not provide ratepayers with sufficient protection against the utility's incentive to increase its rate base. These policies may also

create discriminatory rates since there are few parameters on when the utility may decide to provide the waiver, or refuse to do so. Last, the discretion provided by many of the utility's extension policies may create regressive outcomes that unreasonably favor higher income customers at the expense of existing ratepayers of all income levels.

As discussed above, CenterPoint and Great Plains tariffs include provisions that allow the utilities to waive CIAC on service line extensions that exceed the listed free footage allowance.[107] CenterPoint's tariff allows it to waive CIAC not only "where the anticipated revenues are sufficient to warrant such installation" but also "in other cases *where CenterPoint Energy determines the conditions justify such installation*."[108] All of the gas utilities with free footage can waive CIAC on main extensions longer than the listed free footage allowance.[109]

While there are potential benefits from adding new customers to the system, the utilities' free footage allowances should capture this benefit. If the allowances are based on ratemaking principles and include reasonable assumptions as discussed above, they should result in an approach that appropriately balances the interests of existing and new customers. Allowing utilities to essentially increase their free footage on an ad hoc basis, throws off this balance and unfairly burdens existing ratepayers. And, as discussed above, utilities have an incentive to waive CIAC to

[107] Attach. 1 (Great Plains response to OAG Information Request 006).
[108] CenterPoint Energy Minnesota Gas Rate Book, Section VI, Page 11, Section 5.09 Economic Feasibility (emphasis added).
[109] Attach 1 (Great Plains response to OAG Information Request 006); Attach 3 (CenterPoint response to OAG Information Request 004); Xcel Minnesota Gas Rate Book, General Rules and Regulations, Section No. 6, 1st Revised Sheet No 18.01. MERC does not have free footage allowance for main extensions but can decrease or not assess CIAC according to the outcome of their Customer Extension Model. *See* MERC Tariff and Rate Book, Extension of Natural Gas Service, 3rd Revised Sheet No. 9.05. Greater Minnesota Gas does not offer free footage on mains but can decrease or not assess CIAC if the projected revenues from the project will be 18 percent of projected costs. GMG Rate Book, Section VI, 6th Revised Sheet No. 10.

increase their rate base. A tariff that does not have sufficient parameters on when a utility may do so does not provide adequate protection to ratepayers to push back against this incentive.

Further, the utilities' parameters for this waiver provide too much discretion to the utilities and may result in rates that unreasonably preferential to some customers and not consistently applied to the customers in a class. All rates, including line- and main-extension charges, must not be "unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers."[110] The Commission has found that "[t]he purpose of a tariffed service extension policy is to ensure that all new customers receive the same treatment."[111] Simply allowing CenterPoint, for example, to waive CIAC "in other cases where CenterPoint Energy determines the conditions justify such installation" provides almost no guidance to customers or CenterPoint on when customers may be charged beyond the excess free footage, and when they will not be charged. This provision leaves the door open for potentially discriminatory application that depends on factors that are not stated in the tariff.

In addition to creating concerns about rate discrimination if the parameters are not applied consistently, there is a risk that even if the utility is waiving CIAC based on the assumption of new load, it will not materialize. One example of this is where the forecasted load for a new customer receiving a CIAC waiver is overstated due to energy efficiency or beneficial electrification efforts funded by all ratepayers. For instance, take the example CenterPoint cites where it waives CIAC for a customer with a heated garage or pool. If that customer decides to install a heat pump, then their throughput would almost certainly decline. The actual revenue from this new customer would then be lower than the anticipated revenue which was used to justify the CIAC waiver. The costs

[110] Minn. Stat. § 216B.03.
[111] 1995 Order at 6.

that should have been recovered through CIAC would then be socialized among the utility's remaining ratepayers.

CenterPoint's example also shows that even if a customer receiving a CIAC waiver fully paid back the cost of the extension, the ad hoc CIAC waiver provision opens the door to regressive outcomes. In the example CenterPoint provides, all ratepayers are at risk of subsidizing the costs of connecting a customer that can afford a heated garage or pool. This is particularly concerning for those customers who could not afford those luxuries and instead struggle to pay their gas bill to simply heat their homes.

The Commission should no longer allow utilities to waive CIAC on extensions that are longer than the listed free footage allowance. If the utilities wish to use a more tailored determination for their main and line extension allowances that account for nuances in residential customer usage, there are more sound methods to accomplish this than discretionary CIAC waivers that may not be consistently applied and may favor wealthier customers. Instead of providing a "free footage" allowance, the utility can use a customer extension model that includes inputs to estimate gas usage, such as the square footage of heating space, number and type of gas appliances, and whether the customer has auxiliary electric heating. However, such a model should be applied instead of a free footage allowance, not in addition to it.

## III. FOLLOWING AN INITIAL UPDATE, THE COMMISSION SHOULD REQUIRE GAS UTILITIES TO PERIODICALLY SHOW THEIR EXTENSION POLICIES REMAIN REASONABLE AND ARE CONSISTENTLY APPLIED.

Above the OAG provided several principles upon which the utilities should make immediate updates to their residential line and main extension policies.[112] The principles above, however, are based on the current state of the natural gas distribution market and residential

[112] *See supra*, Section II.

customers use of natural gas. But the market and customer usage are quickly evolving, driven by Minnesota state policy, regulatory programs and incentives, technologies, and customer preference.[113] Due to this evolution, the Commission should not simply revisit this issue once and allow the utilities' line and main extension policies to become stale. Instead, the Commission should require the gas utilities to periodically review their line and main extension policies, and at a minimum address the issues laid out below.

The OAG does not have a present opinion on the cadence or forum that utilities should be required to revisit their extension policies. While the 1995 Order required the Department of Commerce to assess questions within utilities rate cases, contested case proceedings can create a barrier to participation. It also puts the cadence of the discussion in the hands of the utility, who decides when to file. On the other hand, including the discussion in rate cases would allow utility assumptions about capital expenditures to be simultaneously reset with updates to extension policies and allow for in-depth review on a utility-by-utility basis. The OAG is interested in the thoughts of other commenters on the cadence and forum of revisiting this issue.

The OAG also welcomes the thoughts of other commenters on which issues they believe should be periodically assessed. The OAG's proposed issues include modified versions of the questions in the Commission's 1995 Order that remain relevant, revisiting a few issues that the OAG raised above, and additional issues that OAG believes are relevant.

***Issues the Utilities Should Be Required to Address Periodically****:*

1. Whether the utility's free footage or service extension allowance included the majority of all new extensions with only the extremely long extensions requiring a CIAC.

2. Whether the utility's free footage or extension allowance ensures that existing customers will benefit from new customers additions to the system within a reasonable time period. Utilities should include a determination that:

[113] *See supra,* Section I.

a. The assumed revenues from the new customer include a reasonable estimate of use per customer that accounts for potential declining customer usage from energy efficiency and electrification of heating and appliances.

b. All costs of serving the new customer are included in the calculation.

c. The length of the payback period and the methodology used to calculate it are reasonable.

3. If offered, whether the utility's extension charge refund policy is appropriate.

4. Whether the utility's extension allowance should be measured in number of feet (i.e. free footage) or be based on an estimate of the customer's estimated usage (taking into account square footage, number of gas appliances, non-gas heating equipment, etc.).

5. Whether offering free footage or an extension allowance continues to be reasonable in light of current and forecasted gas-system utilization, advances in technology, state and federal policy, and risks to ratepayers of stranded assets or an overbuilt system.

Issues 1 through 4 are modified versions of several questions in the 1995 order that the OAG believes continue to be relevant. Factors in issues 2.a through 2.c, are important, in the OAG's view, for an assessment of the economic feasibility of the service extensions and the benefit to existing ratepayers.

Issue 5, while not included in the 1995 order, is an important one for the Commission to continue addressing as the gas system moves to becoming less carbon intensive. While the OAG does not believe it is currently time for the Commission to order all gas utilities to cease offering extension allowances to new residential customers,[114] the next several years will be informative as to how Minnesota moves toward less carbon intensive heating and appliance fueling. Continuing to assess both the specifics of utilities' line and main extension policies and whether this type of

[114] It is possible that the application of the OAG's recommended modifications to calculate a reasonable "free footage" allowance, along with a Commission determined reasonable payback period, would result in a utility offering no or very little free footage to new customers. In that case it may be appropriate to eliminate that utility's free footage allowance. The OAG, however, does not believe free footage should not be offered based on more generalized policy considerations at this time.

benefit to new customers should be offered at all will be necessary to ensuring ratepayers are protected and the public interest is served.

In addition to periodically reviewing these core issues regarding what line and main extension policies should look like going forward, the OAG believes the three remaining issues from the Commission's 1995 order should continue to be reviewed in rate cases. In the 1995 order, the Commission requested the Department to investigate the utilities rate base additions for main and line extensions to make sure that (1) the utilities applied their tariffs correctly and consistently; (2) the additions are appropriately cost and load justified; and (3) no wasteful additions to plant and facilities are included in rate base.[115] These three remaining issues require backward review of the utilities' line and main extensions before they are added to rate base. This analysis continues to be vital to ensuring that utilities' rate base only includes prudent main and line extensions and should continue so long as the gas utilities are permitted to include any portion of main and line extensions in rate base rather than charging the full amount of CIAC to new customers.

## IV. MERC'S LINE EXTENSION POLICY STUDY.

As part of the settlement in MERC's most recent rate case, MERC agreed to work with stakeholders and file a Line Extension Policy (LEP) study to examine its LEP.[116] MERC changed various assumptions including the useful life of the service line and residential use per customer to see if its free footage allowance was still justified.[117] After its study, MERC determined that its current LEP is appropriate and should not be changed.[118]

[115] 1995 Order at 7.
[116] Docket No. G-011/GR-22-504, Compliance Filing, MERC Line Extension Policy Final at 2 (Nov. 14, 2024) (eDocket No. 202411-211947-02) (MERC Line Extension Compliance).
[117] *Id.*
[118] *Id.* at 7.

While the OAG appreciates MERC's engagement with stakeholders, the OAG does not believe MERC's LEP study offer the support for MERC's current LEP that it claims. There are several flaws in the study, which call into question the reasonableness of MERC's LEP.

The first flaw is that its assumed costs do not match its more recent data. MERC's LEP study assumed that a 75-foot service line extension would cost $1,475.[119] This estimate was based on MERC's data from 2017-2022.[120] Examining MERC's data from 2022-2024, the average cost for a 75-foot service extension is approximately $2,100—a 42 percent increase.[121] This estimate does include excess footage charges so it is possible that a service line of 75 feet, which would not require excess footage charges, would be less expensive. At the same time, approximately 68 percent of MERC's service line extensions are less than 75 feet, indicating that the majority of the calculation is comprised of service line extensions fewer than 75 feet.[122]

The second flaw with MERC's LEP study is that it considers many changes in isolation. In other words, it considers a shorter useful life independently of lower-than-average customer consumption. It would be instructive to analyze the impact these two changes occurring concurrently.

The final problem with MERC's LEP study is that it does not model falling customer consumption.[123] MERC is correct to note that the future of natural gas consumption is uncertain, but that is exactly why it should analyze scenarios where customer consumption falls. Further, MERC is using ratepayer funds for its ECO program. Again, gas utilities should not be able to use

[119] *Id.* at 24.
[120] *Id.* at 10, n.14.
[121] Attach. 10 (MERC response to CEO Information Request 3) Calculated as $\frac{total\ servce\ line\ costs\ 2022-2024}{total\ installed\ service\ line\ footage\ 2022-2024}$.
[122] MERC Line Extension Policy Compliance at 13-14, Graphs 1 & 2.
[123] *Id.* at 18.

ratepayer funds to lower throughput then at the same time tell the Commission that assuming falling customer consumption is unreasonable. The magnitude and speed of any decline in residential use per customer is uncertain but MERC surely has the capability to examine scenarios where its customers' consumption falls.

The OAG appreciates the time MERC spent engaging stakeholders and creating its LEP study, but its analysis falls short. As with the other utilities, MERC should be required to modify its line and main extension policies to comport with ratemaking principles and account for legislative changes on energy efficiency and reducing gas throughput.

## V. DIFFERENTIATION BETWEEN RESIDENTIAL VERSUS COMMERCIAL AND INDUSTRIAL CUSTOMERS IN LINE AND MAIN EXTENSION POLICIES IS REASONABLE.

The Commission's notice requests comments on whether there should be any distinctions between different customer classes when considering modifications to line and main extensions. The OAG's analysis thus far has focused on residential line and main extension policies. While some of the recommended modifications may be appropriate for commercial and industrial customers, the OAG agrees that some differences are likely appropriate.

To be clear, there already are some differences in extension policies between different rate classes. CenterPoint, Xcel, and MERC offer free footage allowances to their residential customers but do not offer free footage allowances for main or line extension for commercial and industrial customers. As discussed above, this does not mean that the utilities actually charge new commercial and industrial customers an upfront fee for the full cost of connecting these customers to the system. Utilities may apply more sophisticated and complex determinations or models to determine the level of CIAC it will require from interconnecting commercial or industrial customers.

Using a more complex method for determining CIAC for commercial and industrial customers makes good sense for a few reasons. First, commercial and industrial customers are often more diverse in both their capacity needs and energy usage than residential customers, making a uniform but inexact determination of a free footage length less appropriate. Second, the principle of rate making that rates should be easy to administer and understand is often weightier for residential customers than for commercial and industrial customers. Commercial and industrial customers may be able to devote more time to understanding the many factors that would be included in a customer extension model and also have more ability to asses whether the inputs into the model, such as average usage, are accurate and have been appropriately applied.

For all these reasons, it is appropriate to have separate extension policies for residential and commercial and industrial customers.

## VI. THE COMMISSION SHOULD CONSIDER THE INTERESTS OF LOW-INCOME CUSTOMERS IN WEIGHING THE IMPACTS OF ANY CHANGES TO EXTENSION ALLOWANCES.

Line and main extension policies should be constructed considering potential impacts on low-income customers. As with all customers, the Commission should balance impacts to both existing low-income customers, who may be burdened by rate increases from line-extension policies that unreasonably favor new customers, and new low-income customers, who may face excessive costs to connect to the gas system if line extension allowances are eliminated. But in making these considerations, the Commission should account for the prevalence of low-income customers on either side of this scale. In addition, the Commission should account for consumer protection benefits for low-income customers of joining the gas system versus heating with delivered fuels such as propane or fuel oil.

For existing low-income customers, these customers are likely the most vulnerable to any potential bill increases if free footage allowances, CIAC waivers, or other aspects of line and main

extension policies unreasonably increase utility rates. Line and main extension policies that unreasonably favor new customers could saddle both existing and new low-income customers that join the system with increasingly expensive rates. If use per customer declines, as seems likely given energy efficiency measures pursued by the gas utilities in ECO and NGIA plans, then gas utilities will likely need to raise rates to have the opportunity to recover the cost of investments. Low-income customers may have trouble affording energy efficient boilers or furnaces and other appliances and could be the last customers to electrify major appliances. There are risks to low-income customers to decreasing the free footage allowance or increasing CIAC, as discussed below, but those risks must be weighed against the fact that low-income customers are acutely impacted by increasing gas rates and may have the least ability to conserve through energy efficiency investments and electrification.

While the Commission should consider the potential negative impacts of reducing free footage allowance on low-income customers, it may also consider some common-sense differences between low-income and moderate- to high-income customers. First, customers that are building new single family homes, and who will feel direct impact of a change in line extension policies, are likely not low-income customers. Where the line and main extensions are serving new housing developments, lowering the free footage allowance would likely increase the cost for developers to build new apartments. While the costs may be passed on to homeowners or renters in these developments, the relationship of the increase is not as direct.

Even with these differences for new construction, however, the Commission should consider low-income gas customers in existing homes that may wish to connect to a gas system that is being extended. Natural gas service provides many consumer protections and more rate

stability over delivered fuels like propane and fuel oil.[124] These consumer protections will benefit new low-income customers seeking to join the system.

To help reduce the initial burden of any decrease in free footage allowance or increase in CIAC on new low-income customers seeking to join the gas system, the Commission could allow customers to pay CIAC over the course of their first year.[125] There is precedent in Minnesota for allowing CIAC to be paid over the course of a few months. Currently, CenterPoint's tariffs allow customers to pay for the cost of a gas main extension over the course of 90 days.[126] Further, although OAG believes that as a general principle any service and main extensions above free footage should be assessed at actual cost, the Commission could also require utilities' line extension policies to allow for additional CIAC waivers for customers that show they lack the ability pay. There are likely other ways that the Commission can protect low-income customers as it revisits utility line- and main-extension policies, and the OAG looks forward to reviewing other commenters' thoughts on this point.

## CONCLUSION

In light of significant changes in the natural gas market, regulatory landscape, and state policy, the Commission should modify the gas utilities' line- and main-extension allowances to base them on more reasonable assumptions. Going forward, the Commission should also periodically revisit the utilities' line- and main-extension allowances to ensure they are supported

[124] *See e.g.*, Minn. Stat. § 216B.096; Minn. Stat. § 216B.16, subd. 15.
[125] American Gas Association, *The Current State of Natural Gas Utility Line Extension Policies* at 33 (July 10, 2024), https://www.aga.org/wp-content/uploads/2024/07/The-Current-State-of-Natural-Gas-Utility-Line-Extension-Policies_FINAL.pdf ("[U]tilities may require the customer to pay an upfront Contribution In Aid of Construction (CIAC), while others may allow payments over time, for example, through a monthly surcharge applied to the customer bill.").
[126] CenterPoint Minnesota Rate Book, Section VI, Eleventh Revised Page 5, Replacing Tenth Revised Page 5.

by reasonable assumptions and whether it remains reasonable for utilities to offer extension allowances considering evolving Minnesota state policy, regulatory programs and incentives, technologies, and customer preferences.

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