

**In the Matter of a Commission Evaluation of Changes to Natural Gas Utility
Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals**

PUC Docket No. G999/CI-21-565

LIUNA Minnesota and North Dakota (“LIUNA”) thanks the Minnesota Public Utilities Commission (“Commission”) for the opportunity to offer comments regarding potential changes to policies governing cost allocation for gas utility line extensions. LIUNA represents more than 14,000 unionized construction laborers across Minnesota, including more than 1,000 who make their living building and maintaining natural gas infrastructure. We estimate that thousands of LIUNA members rely on gas utilities to heat their homes and indirectly to fuel economic development and activity, and we believe that many others could benefit from future extension of gas service to communities where they live and work.

Our union has played an active role in policy discussions over the future of natural gas utilities both at the Commission and at the Legislature because the opportunities they provide matter deeply to our members and their families. LIUNA advocated strongly for the passage of the Natural Gas Innovation Act (“NGIA”), which provided impetus and a framework for the Commission’s consideration of decarbonization, because we recognize the need to begin testing solutions and planning for a net-zero future.

When LIUNA first entered this conversation as a late addition to the G21 stakeholder process focused on decarbonization of natural gas end uses, our primary concern was that thousands of Laborers, Operating Engineers, Plumbers, Gas Workers, and others who build and maintain the gas system from pipeline to pilot light faced a similar fate to union members employed in coal-fired power plants. The more we learned about the operation of the gas utility system and the challenge of fully replacing gas with electricity, however, the clearer it became to us that safe and reliable gas infrastructure capable of delivering fuel on the cold winter nights when it’s needed most will be used and useful for generations to come.

The G21 report provided the initial evidence that a “dual fuel” approach to decarbonization was not just more resilient and less risky than pursuit of either full electrification or full reliance on clean fuels, but also likely to be the least-cost option *before* pricing in the benefits of resilience and risk mitigation. Our subsequent engagement with the issue has made even more clear that well-functioning gas utilities are not merely essential to our homes and local economies, but could also be the key to substantially electrifying building heat and transportation without crashing the electric grid or driving power prices to unsustainable levels.

This experience provides context for our answer to the Commission's first question: "Should the Commission consider any modifications to how gas utilities calculate free footage allowance and other costs related to gas main and service line extensions?". We intend to reserve final judgement on this question until we review the comments of other participants in this docket, but as a preliminary matter, we have not seen evidence supporting a need for the Commission to make changes to gas line extension policies, either as part of efforts to meet state greenhouse gas emissions reductions goals pursuant to the direction provided by the Legislature's in NGIA, or based on fears that any new gas infrastructure will soon become a stranded asset as a result of imminent changes to policy or practice.

To be clear, LIUNA has no objection to a decision by the Commission to periodically reassess either its general guidance on line extension cost allocation, or the methods used by individual gas utilities to award allowances and assess charges for extension of service. We simply see no legislative imperative to do so, nor do we see a fundamental change in circumstance that would require changes to protect the public interest. If the Commission does choose to take up the question, however, we urge that any proposed changes incorporate public benefits of line extensions that receive no consideration in current line extension policies and formulae as follows:

First, extension of gas service facilitates local economic development and provision of key goods, including housing and food and housing. Natural gas is currently the most cost-effective and reliable energy source for home heating, and access to gas hookups is an important consideration for homeowners, homebuilders, multifamily housing developers, and commercial and industrial businesses. Natural gas is also a key input for agriculture in Minnesota, including critical functions like grain drying.

While some energy advocates contend that electric alternatives are as cost-effective or reliable as gas heat, most of the developers, home buyers and businesses with skin in the game currently disagree, and their decisions determine whether homes and businesses are built and occupied, especially in ex-urban and rural areas where line extensions have the greatest impact.

Second, extension of gas service helps to ensure that gas utilities maintain a large and diverse base of customers, lowering ratepayer costs and mitigating risk. In general, it is in the interest of all ratepayers to expand coverage to spread out the cost of building and maintaining common infrastructure, especially when expansion helps to diversify the customer base to make the utility less vulnerable to a drop in demand within a given geographic area or industrial sector.

Third, extension of regulatory protections and regulated service to customers that currently rely on unregulated energy sources provides a host of socioeconomic and environmental benefits. In addition to overall lower energy costs, households and businesses that are able to switch from unregulated fuel oil, propane or wood heat to natural gas services gain access to rate regulation, cold weather shutoff protections, and energy conservation programs under ECO – critical tools for lowering and managing energy burdens.

Extension of regulated gas service can also provide important climate and environmental benefits. Natural gas service is more efficient than propane and cleaner than fuel oil or wood, not only in terms of climate impacts but also for purposes of air quality. Further, in addition to helping to fund energy efficiency through ECO, extension of gas service brings customers into a regulatory framework that includes a gas resource planning process oriented to state climate goals, not to mention access and contributions to innovative decarbonization programs included in utility NGIA plans.

Fourth, natural gas provides an effective complement to electricity by meeting peak cold-weather energy demands that will be challenging for electric utilities to meet while addressing load growth and achieving compliance with Minnesota's Carbon Free Standard. While we expect a growing if small share of building owners to choose full electrification, those who opt out of gas service could end up imposing a significant burden on electric utilities during periods of peak heating demand when solar generation is effectively nil and wind generation is not fully reliable.

It is often assumed that climate goals will be advanced by reducing the number of gas utility customers and increasing the number of fully-electrified buildings, but the opposite could be true if peak demand for electricity overwhelms the grid or simply pushes prices too high. On the other hand, moving customers from electric resistance to heat pumps with gas backup can mitigate excess demand on the electric grid that is likely to trigger high-cost purchases, if not outages.

Fifth, the build-out and maintenance of the natural gas transmission and distribution system – including line extensions – provides thousands of family-supporting careers from LIUNA members and other Minnesotans. While job creation is not the primary purpose of energy policy decision-making, it is an important consideration that has been recognized by both the Legislature and the Commission in each body's work on energy issues. It is worth noting that, in addition to the many other environmental, ratepayer and resilience benefits mentioned previously, a dual fuel infrastructure strategy also maximizes creation and preservation of high-quality jobs and career opportunities.

In our view, it is entirely reasonable for the Commission to review whether current line extension policies and formulae serve the interest of ratepayers. At the same time, LIUNA strongly opposes efforts to speed building electrification by weaponizing line extension policy in order to deter homeowners and businesses pursuing gas service. In our view, such an approach would not only undermine the Commission's imperative to ensure access to safe, affordable and reliable utility services, but could also jeopardize climate progress by alienating Minnesotans and overburdening the electric system.

Sixth, we urge the Commission to consider the interests of future customers who seek regulated gas service on par with the interests existing customers. The Commission is charged with protecting the interests of public utility customers but also the public at large – a circle of concern that clearly includes all of those who seek to become customers. In past discussions of line extension policy that have taken place rate cases, we have been surprised and dismayed to see some parties draw a bright line between current and potential future utility customers and advocate positions that substantially disadvantaged those not yet lucky enough to receive regulated gas service in the

putative defense of existing customers. We take the opposite view: state law does not intend not for regulated electric and gas service and the protections that attach thereto to be available to an exclusive club of current customers, but instead seeks to make such services as many Minnesotans as is feasible given cost constraints.

Seventh, it is important to note that, in crafting the only policy specific to decarbonization of natural gas utilities, the Minnesota Legislature prioritized reduction of total throughput and not on limitations on the size of expansion of distribution infrastructure. The Minnesota Legislature has spoken on the subject of decarbonization of Minnesota's natural gas utilities on only one occasion, which was during the 2021 passage of NGIA, and it is worth noting that the only metric to which the law refers is through throughput of geologic gas.

Finally, given the substantial public benefits associated with extension of service, we suggest that, if the Commission is disposed to make policy changes, the threshold for approval of line extensions be changed from current requirement that *each line extension* must be at least cost-neutral to customers to a requirement that a utility's *overall extension program* be cost-neutral. Given the substantial public and system benefits of new connections, there is little justification to arbitrarily limit support for extensions to a length that nets out at zero at the maximum and subsidizes current ratepayers at any length/cost short of the maximum. In our view, it would be more sensible to allow utilities to extend service to the extent that they can show there is no net harm to current customers, which appears based on our analysis to be substantially beyond what is currently permitted.

We thank the Commission for its consideration and look forward to reviewing the comments of other participants.

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Respectfully Submitted,
LIUNA Minnesota & North Dakota

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