

August 8, 2025

Submitted via eDockets

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

Re: Reply Comments
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/C121-565

Dear Mr. Bull:

Rewiring America respectfully submits these Reply Comments to the Minnesota Public Utilities Commission. If you have any questions, please contact us at jenna@rewiringamerica.org.

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
Joseph Sullivan	Vice Chair
John Tuma	Commissioner
Hwikwon Ham	Commissioner
Audrey Patridge	Commissioner

August 8, 2025

**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 Number(s): G999/CI-21-565

Rewiring America Reply Comments

1. Introduction

Rewiring America respectfully submits these reply comments in response to the initial comments of Xcel Energy (“Xcel”), CenterPoint Energy (“CenterPoint”) and Minnesota Energy Resources Corporation (“MERC”) (collectively the “gas utilities”) in response to the Public Utility Commission’s (“PUC”) May 5, 2205, Notice of Comment Period in the docket.¹ These reply comments address positions and points raised in opening comments submitted by other parties. Several of the claims made by the gas utilities directly contradict Minnesota’s statutory climate goals, its commitment to energy equity, and the urgent need to transition away from fossil fuel dependence. The following sections address each claim in turn, offering evidence-based

¹ Initial Comments (July 8, 2025):

Xcel Energy

<https://www.edockets.state.mn.us/documents/%7B0087EB97-0000-C31E-9FA1-F406FE85E421%7D/download?contentSequence=0&rowIndex=15>

CenterPoint

<https://www.edockets.state.mn.us/documents/%7BA095EB97-0000-C85B-99E2-6B695760CA72%7D/download?contentSequence=0&rowIndex=18>

MERC

<https://www.edockets.state.mn.us/documents/%7B3098EB97-0000-C514-8613-CF997E731150%7D/download?contentSequence=0&rowIndex=17>

rebuttals to clarify the record and support alignment with the state's emissions reduction commitments and strategies to lock in long-term bill savings and improved health outcomes.

The comments submitted by CenterPoint, Xcel, and MERC mischaracterize both the direction of Minnesota's climate policy and the role of gas infrastructure in achieving a decarbonized energy system. The Minnesota Legislature has made clear through recent laws, such as the state's 2023 climate statute and the Natural Gas Innovation Act, that the future of energy in Minnesota must be aligned with the state's statutory goal of achieving net-zero greenhouse gas emissions by 2050. Maintaining or expanding gas line extension allowances directly undermines this mandate by subsidizing and locking in costly, long-lived fossil fuel infrastructure that is incompatible with ratepayer affordability and a decarbonized future.

The gas utilities claim that line extension allowances benefit customers and reduce energy burden, particularly for low-income and rural households. On the contrary, our rebuttals will outline how supporting and subsidizing the continued buildout of gas infrastructure in low-income and rural communities entrenches inequities by locking residents into aging, polluting systems and exposing them to rising costs. True energy equity requires forward-looking investments that provide modern, resilient alternatives, not fossil fuel dependency. High-efficiency electric air-source heat pumps, distributed energy resources, and smart grid investments can reduce household energy costs, improve indoor air quality, and shield customers from fossil fuel price spikes. Rather than propping up an outdated system with public dollars, utility investments should prioritize solutions that lower and stabilize customer bills, improve grid resilience, and support equitable access to clean energy. Policymakers should ensure that customer dollars are spent on infrastructure that protects the financial well-being of Minnesotans and guarantees that utility planning and investment decisions reflect the full cost, climate impact, and diminishing utility of fossil fuel infrastructure.

A. Legislative Policy and Direction

CenterPoint Assertions: “There is no clear direction from the Minnesota Legislature to remove or alter current natural gas line extension incentives.” and “Minnesota’s state policy goals regarding carbon emissions do not equate to ‘no more natural gas use.’”²

As presented in several organizations' initial comments in the docket³, curbing greenhouse gas emissions from the gas distribution system is precisely what the legislature intended when it passed recent legislation, such as Minnesota's 2023 climate law establishing a statutory goal of economy-wide net-zero greenhouse gas emissions by 2050⁴. Maintaining line extension incentives undermines alignment with state climate policy and emissions reduction mandates.

While Minnesota’s state policy goals do not explicitly ban the continued sale of methane gas, achieving net-zero emissions by 2050 requires a significant and steady decline in the consumption of fossil-based fuels, including those that emit methane gas, particularly in residential and commercial buildings. To claim otherwise dismisses well-researched scenario modeling, such as that conducted in Synapse Economic’s Minnesota Building Decarbonization Analysis, which concluded:

Decarbonization of the building sector - particularly in the residential building sector where emissions are increasing - is one of the main strategies established for meeting the state’s goal of net-zero emissions by 2050. **The primary source of emissions in the residential sector is natural gas used in home heating and appliances.**⁵

CenterPoint’s assertion that Minnesota lacks legislative direction on gas line extension incentives overlooks the broader policy context and the state’s statutory commitment to net-zero greenhouse gas emissions by 2050. While current law does not explicitly prohibit methane gas use, achieving Minnesota’s climate goals necessitates a rapid and sustained reduction in fossil

² CenterPoint Initial Comments, Pages 2 & 5

<https://www.edockets.state.mn.us/documents/%7BA095EB97-0000-C85B-99E2-6B695760CA72%7D/download?contentSequence=0&rowIndex=18>

³ Citizens Utility Board Initial Comments

<https://www.edockets.state.mn.us/documents/%7B60E2EB97-0000-C717-AA9B-F620C46786CE%7D/download?contentSequence=0&rowIndex=29>

Center for Energy and Environment Initial Comments

<https://www.edockets.state.mn.us/documents/%7B50E1EB97-0000-C41E-90E1-17752488460C%7D/download?contentSequence=0&rowIndex=28>

Fresh Energy and Minnesota Center for Environmental Advocacy

<https://www.edockets.state.mn.us/documents/%7BC0E0EB97-0000-C211-B70F-4B0FD3A483D5%7D/download?contentSequence=0&rowIndex=26>

Office of the Attorney General—Residential Utilities Division

<https://www.edockets.state.mn.us/documents/%7B50D3EB97-0000-C83F-A37E-6FE2515018EF%7D/download?contentSequence=0&rowIndex=23>

Minnesota Department of Commerce

<https://www.edockets.state.mn.us/documents/%7BB0C1EA97-0000-C93F-9C83-9360C201C27D%7D/download?contentSequence=0&rowIndex=8>

⁴ 2023 Minn. Laws ch. 60, sec. 61 (codified as Minn. Stat. § 216H.02)

⁵ Synapse Economic’s Minnesota Building Decarbonization Analysis, Page 1

https://www.synapse-energy.com/sites/default/files/MN%20Decarbonization%20Report_June%202024%2023-074.pdf

fuel consumption, particularly in the residential and commercial building sectors, where gas remains the dominant emissions source. Continuing to incentivize gas infrastructure expansion directly contradicts this trajectory and undermines the very emissions reduction strategies identified by state-supported research. The PUC should recognize that preserving outdated incentives for fossil fuel growth is incompatible with Minnesota's decarbonization mandate and shift regulatory priorities toward clean, efficient, and forward-looking alternatives.

Xcel: "continuing to offer its existing line extension allowance is compatible with reducing greenhouse gas (GHG) emissions."⁶

Ongoing expansion of, and reliance on, the methane gas system contradicts Minnesota's environmental goals. State law requires achieving net-zero emissions across the economy by 2050. Therefore, the continued subsidized growth of gas infrastructure is incompatible with the state's objective of reaching net-zero emissions by the target date. The necessary GHG emissions reductions require fewer gas customers and lower throughput; continuing LEAs encourages gas use, hindering emissions reduction in the building sector.

Distribution mains and service lines typically have 30- to 60-year lifespans.⁷ MERC states in its Line Extension Policy Study, "The weighted average service life is currently set in the CEM at 48 years, and is based on data approved by the Commission in the Company's most recent Five Year Depreciation Study."⁸ Adding new assets today locks in emissions for decades, delaying transition and increasing stranded asset risks. Socializing LEA costs through the rate base also locks customers into decades of infrastructure cost repayment and associated utility profit margins, even if the customers who initially requested the LEA choose to exit the gas system before the forecasted end of the line extension's lifespan.

Minnesota's 2021 Natural Gas Innovation Act ("NGIA")⁹ does not explicitly prohibit the expansion of Minnesota's gas system. However, the policy fundamentally changes how we evaluate the growth of the gas distribution system, introducing regulatory pressure and procedural requirements that necessitate a reassessment of traditional gas infrastructure planning. The NGIA requires utilities to forecast greenhouse gas emissions and outline emissions reduction strategies in their Innovation Plans. This policy shifts Minnesota's regulatory framework away from routine gas system expansion and toward climate-aligned resource planning. The PUC can no longer rely on legacy evaluation standards of whether adding a new customer reduces average per-customer system costs - consumer preference and technology availability is quickly changing and regulators must now consider emission reduction and building electrification when assessing whether utility proposals are cost-effective. As a

⁶ Xcel Energy Initial Comments, Page 1

<https://www.edockets.state.mn.us/documents/%7B0087EB97-0000-C31E-9FA1-F406FE85E421%7D/download?contentSequence=0&rowIndex=15>

⁷ <https://coastalcommercialservice.com/blog/how-long-do-gas-pipes-last/>

⁸ MERC Line Extension Policy Study

<https://www.edockets.state.mn.us/documents/%7B10922C93-0000-CA3F-9721-C0F5763A2D3A%7D/download?contentSequence=0&rowIndex=3>

⁹ Minn. Stat. § 216B.2427, subd. 10

result, projects that would lock in costly new infrastructure and burden ratepayers with long-term expenses are far less likely to withstand regulatory scrutiny.

While the NGIA does not revise line extension policies directly, it compels a more rigorous review of the costs and benefits of new gas connections, including whether incentivized expansion is consistent with state climate goals, and whether cleaner alternatives, such as electrification, offer a more sustainable and affordable future.

CenterPoint: "... the Company is investing significantly in alternative resources such as large-scale thermal energy networks, renewable natural gas ("RNG"), and hydrogen as supported by the NGIA legislation ..."¹⁰

CenterPoint's initial approved pilot programs resulting from the NGIA legislative framework¹¹ invest heavily in gas-based alternatives (e.g., RNG, hydrogen). In July of 2024, the Minnesota PUC approved CenterPoint's \$105.7 million plan, which included 17 pilot projects - including a \$40 million proposal to purchase RNG through a request for proposal process and a \$4.6 million proposal to construct and operate a new green hydrogen facility in Mankato. Pilot projects that center around alternative fuels and carbon capture total more than half of the approved budget.¹²

The level of investment into these alternatives in lieu of further efficiency and electrification efforts is concerning. The gas-based alternative fuels at the center of these pilot programs have been found to be expensive, limited in supply, and not scalable.

Researchers at the University of Wisconsin-Madison found that RNG from a range of project types could replace about 7.5% of Minnesota's natural gas use, but: "No projects are financially feasible without state or federal renewable fuel credit programs because direct sale of RNG alone does not cover project costs."¹³

Beyond the current lack of near-term economic viability, the limited supply of RNG makes it ill-suited for widespread residential use. Residential heating is not an efficient or strategic application for RNG or hydrogen. The Massachusetts Department of Public Utilities recent Order¹⁴ in Docket 20-80 determined that while hydrogen may be useful in decarbonizing certain

¹⁰ CenterPoint Initial Comments, Page 9

<https://www.edockets.state.mn.us/documents/%7BA095EB97-0000-C85B-99E2-6B695760CA72%7D/download?contentSequence=0&rowIndex=18>

¹¹ NGIA provides a regulatory framework for natural gas utilities to make investments in innovative resources — including biogas, renewable natural gas, power-to-hydrogen, power-to-ammonia, carbon capture and utilization, strategic electrification, district energy, and energy efficiency — to reduce lifecycle emissions associated with Minnesota's natural gas consumption.

<https://www.nationalenergyscreeningproject.org/wp-content/uploads/2023/10/MN-PUC-CEE-comments.pdf>

¹² ORDER APPROVING NATURAL GAS INNOVATION PLAN WITH MODIFICATIONS

<https://www.edockets.state.mn.us/documents/%7BD05A7292-0000-CD11-BA97-696D335AE151%7D/download?contentSequence=0&rowIndex=28>

¹³<https://www.wastedive.com/news/rng-roundup-march-dte-nextera-michigan-waga-republic-middle-point-nopetro/712106/>

¹⁴ ORDER ON JOINT MOTION FOR CLARIFICATION FILED BY THE GAS LOCAL DISTRIBUTION COMPANIES

<https://fileservice.eea.comacloud.net/V3.1.0/FileService.Api/file//idbifcjj?CNz6uKCI0c1R4nVclqeSwWFJ0ioKRMXdZY>

hard-to-electrify sectors of the economy, such as the industrial sector, it is unlikely to become a primary fuel source for residential heating due to unresolved issues, including its flammability and higher leakage rate. Citizens Utility Board of Minnesota also emphasized the obstacles to the successful scalability of low- or zero-carbon hydrogen¹⁵ stating:

Because hydrogen has a comparatively low volumetric energy density to natural gas, a higher volume of blended gas would be needed to achieve the same energy output. Using blended hydrogen at low percentages would therefore be inefficient in the current gas system. Furthermore, introducing even small concentrations of hydrogen into the gas distribution system can result in damaging effects to pipelines that could necessitate replacement at additional costs. If hydrogen were to be scaled up as an alternative fuel to natural gas, end use appliances as well as the service and main pipelines distributing it would need to be replaced as well.

Furthermore, for Xcel Energy Colorado's Clean Heat Plan, the Colorado Public Utilities Commission rejected¹⁶ proposed hydrogen blending projects, citing unresolved concerns about safety, infrastructure compatibility, cost-effectiveness, and emissions benefits compared to alternatives like beneficial electrification. In the same proceeding, the PUC approved only limited use of RNG (less than 3 percent of total budgets), emphasizing that electrification and demand-side management offer more cost-effective and impactful emissions reductions.

These findings underscore the risks of over-investing in gas-based alternatives like RNG and hydrogen at the expense of proven, scalable solutions such as energy efficiency and electrification. The technical limitations, high costs, and limited availability of these fuels make them ill-suited for widespread residential use and perpetuate investments in costly and increasingly risky gas infrastructure. Prioritizing cost-effective strategies with immediate emissions benefits is essential. Minnesota should ensure that future system investments align with long-term climate goals and serve the best interests of utility customers.

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¹⁵ Citizens Utility Board Initial Comments, Page 13

<https://www.edockets.state.mn.us/documents/%7B60E2EB97-0000-C717-AA9B-F620C46786CE%7D/download?contentSequence=0&rowIndex=29>

¹⁶ Colorado Public Utilities Commission Decision No. C24-0397: Commission Decision Granting Application with Modifications, Requiring Filings, and Issuing Certain Directives to Guide Next Clean Heat Plan Filing https://www.dora.state.co.us/pls/efi/EFI_Search_UI.Show_Decision?p_session_id=&p_dec=30982

B. Role of Line Extensions in Fuel Switching

MERC: "... outside factors are currently being used to facilitate the limited electrification activities that have been undertaken. It is not reasonable to assume that these options will remain unchanged into the future. As an example, the current federal administration has placed a suspension on funds associated with the Federal Inflation Reduction Act ("IRA") as well as heating assistance programs. These actions will most likely impact forecasts of electrification, as without funding, incentives, rebates or tax credits, customers are less likely to find it beneficial to pay for costly upgrades to their homes."¹⁷

Prior to the availability of recent federal incentives, cold-climate heat pumps and all-electric construction were rapidly becoming top contenders against gas and delivered fuels, particularly when evaluating full lifecycle costs. Air-source heat pump sales achieved and surpassed parity with gas furnaces in 2020, well ahead of the passage of the federal Inflation Reduction Act of 2022. As illustrated in Figure 1¹⁸, over the last two decades, heat pump sales have surged by 115 percent, while gas furnace sales have dropped by 11 percent. For the third straight year in 2024, heat pumps outsold gas furnaces, with heat pump sales significantly outpacing furnace sales by 27 percent. Customer adoption patterns suggest that electrification will become increasingly prevalent, with high-efficiency, non-emitting heat pumps displacing methane gas furnaces even in the absence of federal incentives.

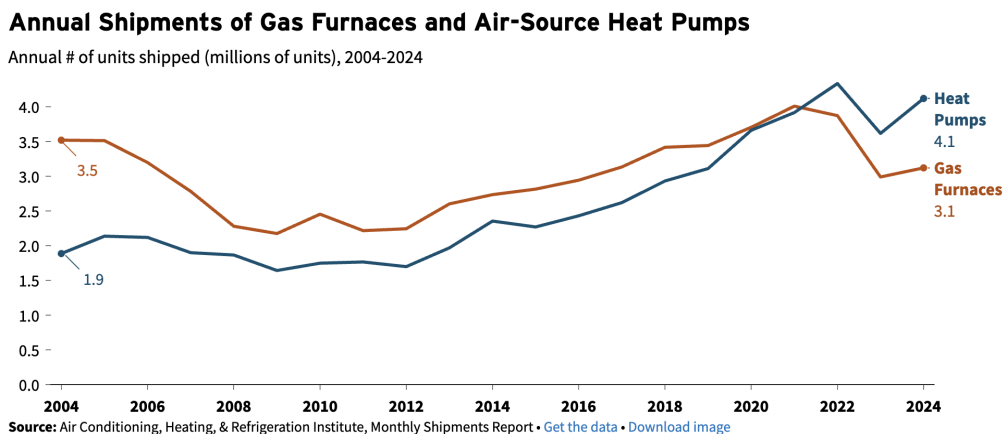


Figure 1 - Annual Shipments of Gas Furnaces and Air-Source Heat Pumps

It is reasonable to expect that Minnesota will follow similar adoption trends, particularly in areas where utility rebates combine with city-level incentives. National sales data and local market activity make clear that households are already shifting toward high-efficiency, non-emitting heat pumps, with or without state and federal intervention. Minnesota's policies should build on this

¹⁷ MERC Initial Comments, Pages 7 & 8

<https://www.edockets.state.mn.us/documents/%7B3098EB97-0000-C514-8613-CF997E731150%7D/download?contentSequence=0&rowIndex=17>

¹⁸ <https://rmi.org/insight/tracking-the-heat-pump-water-heater-market-in-the-united-states/>

momentum and acknowledge that widespread household electrification is not a hypothetical future but an ongoing market reality. To assume otherwise is to overlook measurable trends already reshaping residential heating choices.

MERC: “Significant electrification of home heating is expected to have a significant impact on GHG emissions due to the role natural gas electric generation facilities will need to play in helping to reliably produce electricity.”¹⁹

MERC’s argument assumes that the future electric grid will remain as, or more, carbon-intensive as it is today. However, Minnesota’s electric grid is rapidly decarbonizing, with more than half of its electricity already coming from carbon-free sources. This assertion fails to consider the planned investments in renewable energy, energy storage, and grid upgrades that will reduce reliance on fossil fuels for electricity generation. These investments are largely driven by state policies, such as the 100% clean energy by 2040 law²⁰. According to Clean Energy Economy Minnesota’s 2025 Minnesota Energy Factsheet²¹, over the past decade, energy production from coal has decreased from 43 percent to 20 percent, while renewables and zero-carbon sources have continued to increase.

As Minnesota continues to decarbonize its electric grid, utilities are increasingly turning to clean, flexible solutions to meet peak demand while relying less on fossil-fueled generation as highlighted in Figure 2.²² The historic falling costs and improving performance of solar and long-duration energy storage technologies have fundamentally reshaped the economics of peak power planning. In this context, the justification for continued investment in gas peaker plants is weakening. Resource planning assumptions must reflect current cost trajectories and anticipated performance gains of these clean technologies, rather than defaulting to legacy fossil fuel solutions.

¹⁹ MERC Initial Comments, Page 5

<https://www.edockets.state.mn.us/documents/%7B3098EB97-0000-C514-8613-CF997E731150%7D/download?contentSequence=0&rowIndex=17>

²⁰ [Minnesota Statute 216B.1691, subdivision 2g](#)

²¹ <https://www.cleanenergyeconomymn.org/factsheet>

²² <https://fresh-energy.org/regulators-approve-more-renewables-in-xcel-energys-final-long-range-plan>

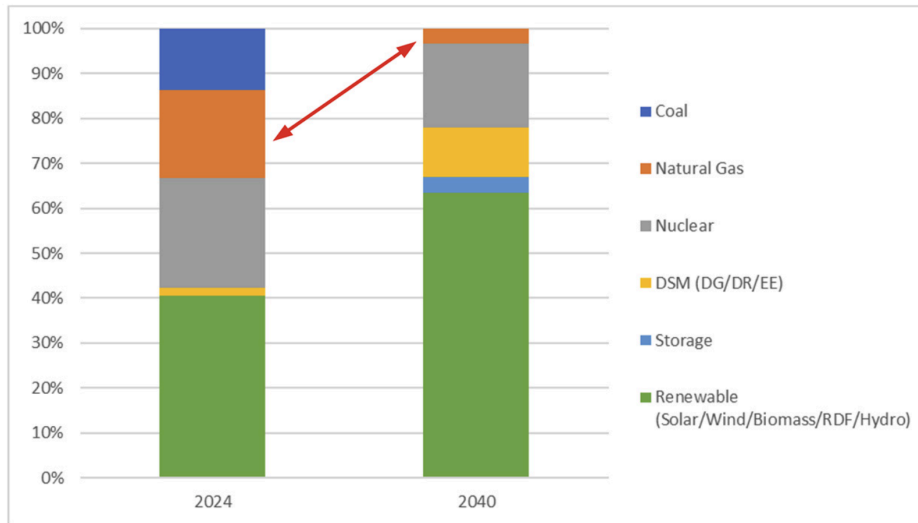


Figure 2: Xcel's 2024 and 2040 Settlement Agreement Nameplate Energy Mix²³

While some federal clean energy tax incentives are scheduled to phase out, these changes do not alter Minnesota's binding requirement to achieve 100% carbon-free electricity by 2040. Moreover, federal policy is inherently subject to change based on future legislative and administrative decisions. By contrast, Minnesota's statutory commitment to clean electricity provides a stable foundation for long-term planning. It is therefore prudent and necessary for utilities and regulators to prioritize durable, cost-effective technologies such as storage, demand response, and distributed energy resources that align with state law and offer flexibility regardless of federal policy uncertainty.

Electrification will also play a central role in reducing emissions across sectors. While electric technologies like air-source heat pumps currently draw electricity from a grid that is not yet fully carbon-free, they already deliver substantial emissions reductions and cost savings opportunities due to their high efficiency. Heat pumps move heat rather than generate it, making them two to three times more efficient than methane gas furnaces, boilers, or electric resistance heating.

Virtual Power Plants ("VPP") and demand response programs are essential components of this cleaner, more affordable and flexible energy system. By aggregating distributed energy resources, such as rooftop solar, home batteries, smart thermostats, and electric vehicles, VPPs balance supply and demand in real time. They help reduce grid strain, minimize the need for expensive peaking capacity, and lower overall system costs. In doing so, VPPs support both reliability and decarbonization while providing new economic opportunities for households and businesses that electrify. This increased engagement promotes a more equitable and participatory energy system.

²³ <https://fresh-energy.org/regulators-approve-more-renewables-in-xcel-energys-final-long-range-plan>

Minnesota must meet this moment of changing market trends, policy directives, and customer-facing technologies that are transforming the energy landscape. Clean peak load solutions like solar, storage, and VPPs enhance resilience, improve affordability, and align with Minnesota's long-term clean energy goals. Expansion of the gas system, especially when subsidized by customer dollars through LEAs, creates an entrenched fossil-based fuel reliance that hinders the necessary transition toward this clean and affordable distributed energy future. The PUC should ensure that future planning and investment decisions fully reflect this reality.

C. Access to Utility Programs

CenterPoint: "Connecting to the natural gas system also provides residents access to other CenterPoint Energy managed utility initiatives, including the Company's Energy Conservation and Optimization ("ECO") program, Gas Affordability Program ("GAP"), and Natural Gas Innovation Act ("NGIA") program."²⁴

Electric utilities already offer many of the same services CenterPoint highlights in their comments, such as bill payment assistance, energy efficiency programs, and equipment upgrades. Investing in duplicative energy infrastructure poses a very real risk to customer bills, not to mention creating a situation where customers have to navigate two separate systems for similar support, creating unnecessary confusion and inefficiency.

The Energy Conservation and Optimization Act²⁵ (ECO) Act has a broad scope, applying to nearly all regulated electric and gas utilities in Minnesota, whether they are investor-owned (IOUs), municipal, or cooperative. All covered utilities must contribute to energy savings, reduce emissions, and ensure equitable access to programs under the modernized Conservation Improvement Program²⁶ (CIP) framework.

In Minnesota, electric and gas IOUs are subject to energy savings goals - 1.75 percent for electric and 1.0 percent for gas - as well as requirements for low-income program spending, support for beneficial fuel-switching, and triennial energy efficiency planning. Municipal and cooperative utilities that meet certain size thresholds must achieve a 1.5 percent energy savings goal, though with greater flexibility. They are also required to submit three-year plans, have limited fuel-switching capabilities, and meet specific low-income spending targets.

As outlined, electric utilities in Minnesota administer robust and comprehensive customer programs, including bill assistance, energy efficiency incentives, and equipment upgrades. These services are delivered under a framework of legislative and PUC implemented programs, ensuring consistent access to energy savings, discounts and bill reductions. While it is true that gas utilities provide similar services, a Minnesotan does not need to be a customer of a gas utility to access these benefits.

²⁴ CenterPoint Initial Comments, Page 4

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²⁵ Minn. Stat. §216B.2401

²⁶ [Minnesota Statute 216B.241](#)

D. Financial Benefit to Existing Customers

CenterPoint Assertion: “Under the current line extension policy, adding new customers to CenterPoint’s natural gas system creates a benefit to existing customers beginning in the fifth year after installation of the assets.”²⁷

CenterPoint’s assertion that line extension allowances provide a perpetual benefit to existing customers fails to consider long-term changes in technology and consumer preference, decarbonization mandates, and declining system utilization.

As stated in Rewiring America’s Initial Comments in the docket²⁸ - as electrification accelerates, some new customers will fully leave the gas system before their allocated infrastructure costs have been recovered, creating a risk of stranded assets. In both cases - (1) declining usage per customer that leads to under-recovery of infrastructure cost and (2) full electrification resulting in stranded asset costs - the cost burden is borne not by the new customer who requests line extension, nor by the shareholders of the utility that approves the line extension, but by the existing customers who have no choice in the matter. Thus, LEAs no longer serve the public interest in affordability; instead, they function as a subsidy that forces existing customers to underwrite system expansion that is both economically and environmentally unsound while increasing the risk of stranded assets. Any perceived benefit from LEAs relies on socialized costs and unchanged customer usage of the system, and does not account for externalities such as carbon emissions and climate risk.

Xcel: “ First, this approach spreads fixed infrastructure costs over a larger customer base, reducing the per-customer cost. Second, the line extension allowance program provides a cost savings to all customers in terms of reduced overhead.”²⁹

As stated in Rewiring America’s Initial Comments in the docket, subsidizing expansion of the gas system in the face of foreseeable policy and market-driven demand decline is inconsistent with prudent investment principles and long-term ratepayer protection.³⁰ Declining gas throughput and service terminations resulting from customer electrification and energy efficiency improvements, coupled with increasing investments in the gas system, will increase costs for existing gas customers. The current line extension policy provides a 75-foot service line allowance for residential customers served by MERC, Xcel and CenterPoint, and applies a separate Customer Extension Model for non-residential customers. This policy is based on the

²⁷ CenterPoint Initial Comments, Page 6

<https://www.edockets.state.mn.us/documents/%7BA095EB97-0000-C85B-99E2-6B695760CA72%7D/download?contentSequence=0&rowIndex=18>

²⁸ Rewiring America Initial Comments, Page 4

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²⁹ Xcel Energy Initial Comments, Page 4

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³⁰ Rewiring America Initial Comments, Page 8

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assumption that the customer receiving the line extension allowance will generate sufficient usage-based revenue over time to fully repay the utility's upfront investment in the service line. In other words, the model assumes average customer usage levels that will result in full recovery over the asset's recovery period. However, whether this cost recovery actually occurs or not is not typically tracked at either the customer or aggregate level, making it difficult to assess whether the 75-foot residential allowance or the non-residential Customer Extension Model are performing as intended. Furthermore, the core assumptions behind these models – particularly average usage per customer – are increasingly outdated. Customer investments in energy efficiency and beneficial electrification, as well as new construction being more efficient than existing homes, along with market transformation and customer preferences for higher efficiency and electric appliances, will likely lead to a reduction in usage per customer. In this context, customers who remain on the gas system are expected to face higher rates and larger annual bills as fixed costs are spread across a shrinking base of usage.

E. Energy Burden Reduction via Pipeline Expansion

CenterPoint Assertion: “A significant driver of customer’s converting their energy systems to dual-fuel systems including natural gas can be attributable to utility line extension policies. ” ... “Allowing line extensions to continue as is, or even looking for ways to increase access through pipeline expansions, will assist in reducing the energy burden for Minnesotan’s experience.”³¹ Minnesotans.”

Minnesota is one of the coldest states in the nation³² - particularly the northern portion of the state as illustrated in Figure 3 - and frequently experiences temperatures well below freezing. Because methane gas is cheaper than solely relying on electricity for primary residential heating in northern Minnesota under current rate structures, it is often practical for homeowners to maintain a backup heating source when installing an air-source heat pump to ensure economic and reliable warmth during the coldest days of the year.

³¹ CenterPoint Initial Comments, Pages 3 & 7

<https://www.edockets.state.mn.us/documents/%7BA095EB97-0000-C85B-99E2-6B695760CA72%7D/download?contentSequence=0&rowIndex=18>

³² <https://basc.pnnl.gov/building-assemblies>

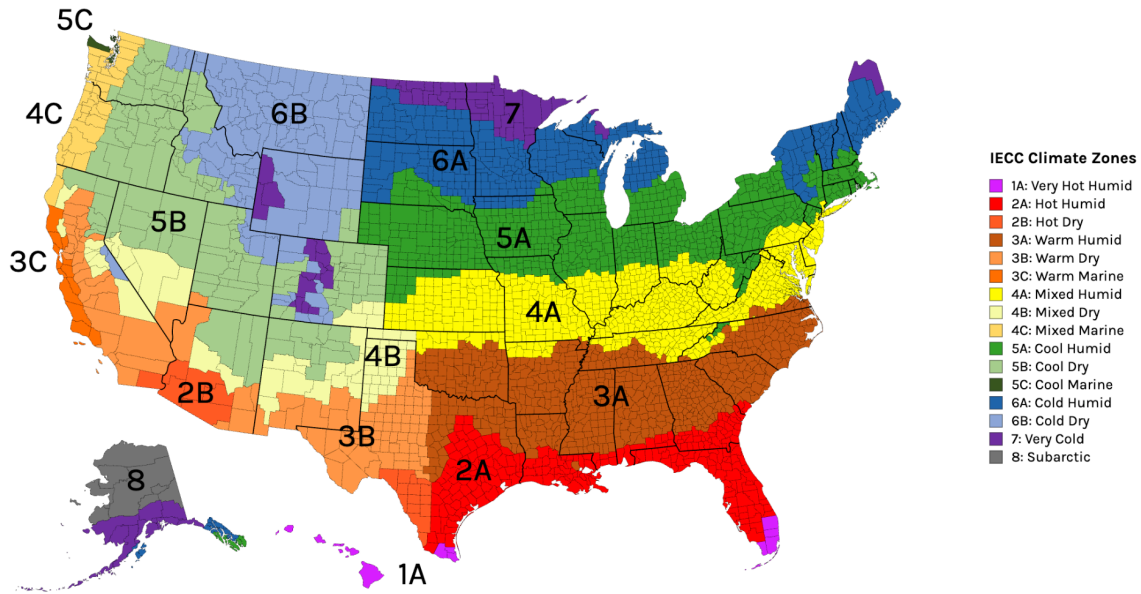


Figure 3- IECC Climate Zones, United States

As stated by Minnesota’s Air Source Heat Pump collaborative³³:

Dual fuel systems keep energy bills low by switching from the heat pump to the furnace at what is called the economic balance point. The economic balance point is the temperature at which it costs the same to heat a home with the heat pump as it does with the furnace. In a dual fuel system, the economic balance point considers the energy efficiency ratings of the heat pump and furnace, natural gas prices, and electric rates.

While reliance on methane gas for affordable winter heating remains a reality for many northern Minnesotans currently served by the gas distribution system, it is critical to recognize the long-term risks associated with this dependence. Minnesota imports nearly all of its methane gas, leaving ratepayers vulnerable to supply chain disruptions, pipeline congestion, and maintenance-related outages. These pressures, compounded by extreme weather events, frequently lead to sharp cold-weather price spikes, hitting hardest when residents most need reliable heat and when low-income households face the greatest energy burden.

Gas utilities attempt to mitigate the volatility of methane gas prices by purchasing and storing gas in advance, but this only provides short-term relief. It doesn't tackle the underlying systemic problems: methane gas prices are inherently unstable due to national and global market dynamics that are largely beyond the state's control, and the risk of stranded assets as Minnesota continues to transition toward decarbonizing its residential heating sources.

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<https://www.mnashp.org/how-dual-fuel-heat-pump-system-natural-gas-backup-balances-emissions-reduction-savings>

Subsidizing the expansion of our energy infrastructure through LEAs to Minnesotans who don't currently rely on methane gas is an increasingly questionable proposition given current economic realities. As shown in Figure 4 - according to analysis from Rewiring America's Community Electrification Dashboard, most households currently heating with electric resistance or delivered fuels can achieve savings simply by installing a medium-efficiency heat pump. These savings increase when high-efficiency cold climate heat pumps and/or other energy efficiency measures are implemented.

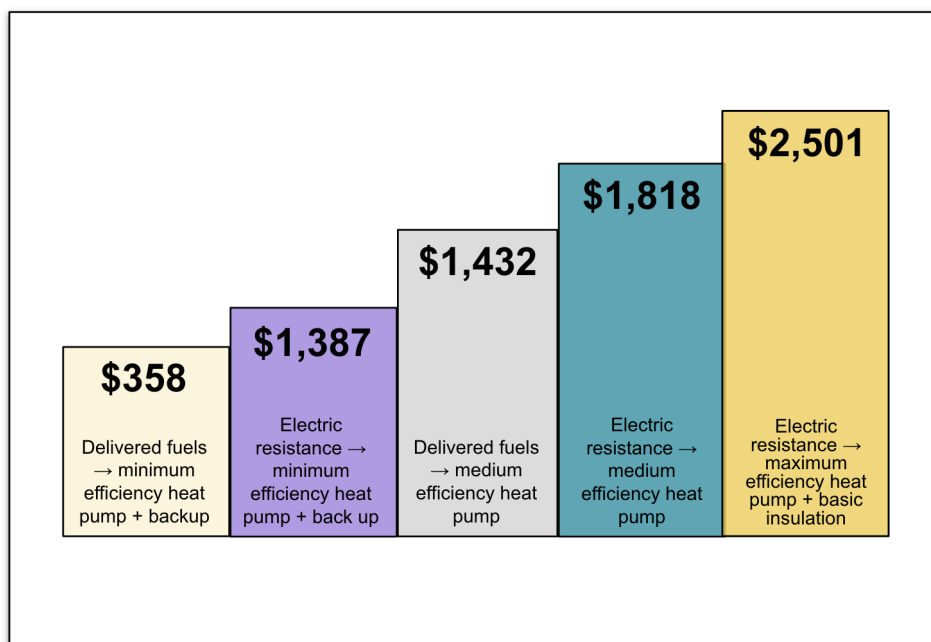


Figure 4 - Average Annual Bill Savings by Upgrade Measure

As stated in Rewiring America's initial comments in the docket, these customers will continue to achieve significant savings, even if they maintain their delivered fuel service as a backup during extremely cold weather.³⁴ Long-term capital investment in a redundant gas distribution system is unnecessary when air-source heat pumps and other efficiency and electrification measures already provide cost savings and significantly reduce emissions, even when paired with delivered fuels or electric resistance heating as a backup.

When paired with highly efficient air-source heat pumps electrification offers a more predictable and sustainable path forward. While electricity rates can be higher on a per-unit basis, modern heat pumps use energy far more efficiently than combustion-based systems, often offsetting the cost difference. Over time, the economic and reliability benefits of electrification are clear: a more stable energy future, reduced exposure to fuel price shocks, and lower household energy burdens, especially for those most at risk. In order to remain clear-eyed about the current economic realities of residential heating for Minnesotans, we must holistically evaluate both

³⁴ Rewiring America Initial Comments, Page 9
<https://www.edockets.state.mn.us/documents/%7B406DEB97-0000-CB15-AAE6-D8310CBAC00F%7D/download?contentSequence=0&rowIndex=15>

household and energy system costs as we move towards a decarbonized system that increasingly does not rely on fossil fuel backup sources.

Hybrid heating systems may be beneficial in certain situations in the near- to mid-term. However, they do not eliminate the risk of stranded assets due to declining throughput, particularly for assets that will depreciate over 40 years or more. These trends highlight the necessity of phasing out outdated subsidies for gas system expansion that are no longer in line with long-term planning goals.

Xcel: "... modifying the line extension policy would place a greater burden on rural residential customers than those in higher density locations where the distance to connect to the natural gas system is shorter." ... "Line extension allowance programs are an effective way to allow customers, especially low-income customers, affordable access to the resource of natural gas heating without the barrier of requiring them to pay a substantial amount of money upfront to get it." ... " It is important to allow customers, especially low-income and rural customers, to have affordable access to the resource of natural gas, which can provide heat and power more efficiently and cost-effectively than electricity in cold weather."³⁵

MERC: " Low-income households often face greater energy insecurity and are more vulnerable to rising energy costs. There needs to be consideration of the financial burden any changes to LEP will have on these customers."³⁶

As outlined in Rewiring America's Initial Comments in the docket, Minnesota will not achieve affordability, ratepayer protection and equity objectives by continuing business-as-usual planning and investment paradigms in the gas distribution system.³⁷ Fossil fuel prices are volatile, and unnecessary reliance on gas infrastructure exposes customers to long-term financial risk and emissions liabilities. In contrast, modern cold-climate heat pumps have become highly efficient, even in Minnesota winters, offering a reliable and cost-effective alternative.

Low-income homes tend to be more reliant on gas and delivered fuels such as propane and heating oil. These homes are often poorly insulated and ventilated, increasing exposure to indoor air pollutants. Many low-income and marginalized households live in older homes with outdated gas appliances that can leak or malfunction - compounding health risks, especially in areas already burdened by higher outdoor pollution levels from residential combustion and other sources. As a result, these communities bear a disproportionate share of the financial, health, and environmental harms from continued fossil fuel use and the expansion of the gas system.

³⁵ Xcel Energy Initial Comments Pages, 7,4,1

<https://www.edockets.state.mn.us/documents/%7B0087EB97-0000-C31E-9FA1-F406FE85E421%7D/download?contentSequence=0&rowIndex=15>

³⁶ MERC Initial Comments, Page 10

<https://www.edockets.state.mn.us/documents/%7B3098EB97-0000-C514-8613-CF997E731150%7D/download?contentSequence=0&rowIndex=17>

³⁷ Rewiring America Initial Comments, Page 13

<https://www.edockets.state.mn.us/documents/%7B406DEB97-0000-CB15-AAE6-D8310CBAC00F%7D/download?contentSequence=0&rowIndex=15>

Energy equity means enabling all households, particularly those historically underserved, to transition to clean, safe, and affordable heating. Supporting and subsidizing the continued buildout of gas infrastructure in low-income and rural communities entrenches inequities by locking residents into aging, polluting systems and exposing them to rising costs. True equity requires forward-looking investments that provide modern, resilient alternatives, not fossil fuel dependency.

Minnesota's electric grid already serves both urban and rural areas and is capable of meeting current heating and comfort needs statewide in the near-term. Especially when taking into account the efficiencies gained by electric machines such as air-source heat pumps:³⁸

On typical, moderate climate days, heat pumps will reduce peak demand from electric resistance heat by over 60%. Given the high load of electric resistance heat, this can save approximately 4 kilowatts (kW) per home. In other words, heat pumps reduce winter peaks of traditional electric technologies approximately 10 times more than they reduce summer peaks. It also means that for every electric resistance home converted to a heat pump, two fossil fuel homes (e.g. natural gas or propane) can convert to a heat pump with no net effect on peak demand.

Expanding a parallel gas distribution network, especially in low-density, currently unserved regions, is redundant and costly. Subsidizing new gas infrastructure in these areas creates a long-term financial burden shared by all ratepayers, even as the usefulness of that infrastructure declines. Rural customers, in particular, already face higher energy costs. Extending gas pipelines over long distances is expensive, and these communities are often better served by distributed energy solutions like air-source heat pumps, rooftop solar, and thermal storage. These clean technologies offer improved affordability, comfort, and reliability without tying residents to a fossil fuel system with shrinking long-term viability.

Continued rural gas expansion increases the risk of future stranded assets, leaving customers stuck with high infrastructure costs and fewer options in a decarbonized future. Instead of reinforcing fossil fuel dependence, Minnesota should craft forward looking policies aligned with the state's decarbonization directive. These strategies lower system-wide costs, reduce harmful emissions, and deliver meaningful, equitable benefits to households across the state.

2. Conclusion

Continued subsidization and expansion of gas infrastructure through line extension allowances is inconsistent with Minnesota's clear legislative mandate to achieve net-zero greenhouse gas emissions by 2050. Such policies lock in long-lived, costly fossil fuel assets that jeopardize the state's climate goals, increase financial risks for all ratepayers and perpetuate environmental and health harms. Instead, Minnesota should prioritize investments in energy efficiency, electrification, and coordinated utility planning that align with the state's decarbonization objectives. Proven alternatives like high-efficiency heat pumps, energy efficiency improvements,

³⁸ <https://www.mncee.org/electrification-energy-efficiency-and-peak-demand>

and distributed energy resources, provide more reliable, affordable, and equitable solutions that reduce emissions and energy burdens. Regulatory frameworks must evolve beyond legacy gas infrastructure incentives toward a sustainable and affordable energy system.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jenna Warmuth".

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