

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Katie Sieben	Chair
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Hwikwon Ham	Commissioner
Audrey Patridge	Commissioner

July 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 Initial Comments

Rewiring America is a leading national home electrification nonprofit dedicated to accelerating the transition to clean energy in households and communities across the country. We develop accessible tools, data, and policy solutions that empower Americans to reduce emissions, improve health outcomes, lower energy bills, and build the clean energy workforce of the future.

1. Executive Summary

As Minnesota advances electrification and reduces reliance on methane gas, limiting new investments in the gas distribution system remains critical. The Minnesota Public Utilities Commission (Commission) must exercise caution before approving long-term gas infrastructure spending that could burden customers for decades. Investing in a system with declining future use risks locking in unnecessary costs for all ratepayers - particularly those least able to electrify. Before implicating the broader customer base in continued gas build-out, the Commission should carefully evaluate whether such investments are necessary, prudent, and aligned with the state's clean energy, emissions reduction, and affordability goals. The Commission should explore all alternatives to ensure its decisions protect ratepayer comfort and financial wellbeing while supporting Minnesota's move toward electrification. In these comments, Rewiring America demonstrates that current line extension allowance policies do not align with evolving market trends and recent policy developments.

We recommend that the Commission eliminate gas line extension allowances (LEAs) going forward and take the following actions to facilitate an orderly transition:

- Sunset Provision:
 - Adopt a provision eliminating LEAs at an effective future date for new applications; with grandfather permits issued prior to that date.
- Interim Filing Requirement:
 - Direct each gas utility to submit interim reports for any main/service extension exceeding a certain threshold during the transition period.

2. Unmanaged Growth Threatens Long-Term Customer Affordability

The Commission has broad authority to scrutinize whether continued subsidization of line extensions is prudent, especially when considering Minnesota’s climate and efficiency goals and continuing affordability for customers. The Commission must ensure that gas utilities weigh the risks of future unrecoverable costs resulting from early system exits and declining throughput when assessing investment in new customer connections to the gas system. Given technology advances, changing consumer preferences, and state policy goals, a business-as-usual approach to gas utility regulation will fall short in protecting consumers and cost effectively modernizing the state’s energy infrastructure.

As stated by Conor Lyman of Groundwork Data in his testimony in the Washington D.C. PROJECTpipes 3 Plan docket, a consumer transition to electrification is underway.

This has created a paradigm shift for regulated utilities: gas and electric utilities now find themselves in competition for household functions. In an unmanaged transition, investment in the gas system continues to rise, even as increasing competition from electric alternatives and climate policy reduces the number of gas customers and gas consumption. This concentrates the growing system costs on those who remain on the gas system. This population of gas customers is likely to be disproportionately represented by those who are energy burdened today, and thus cannot afford the up-front costs of clean, efficient electric appliances and heating equipment, never mind future rate increases.

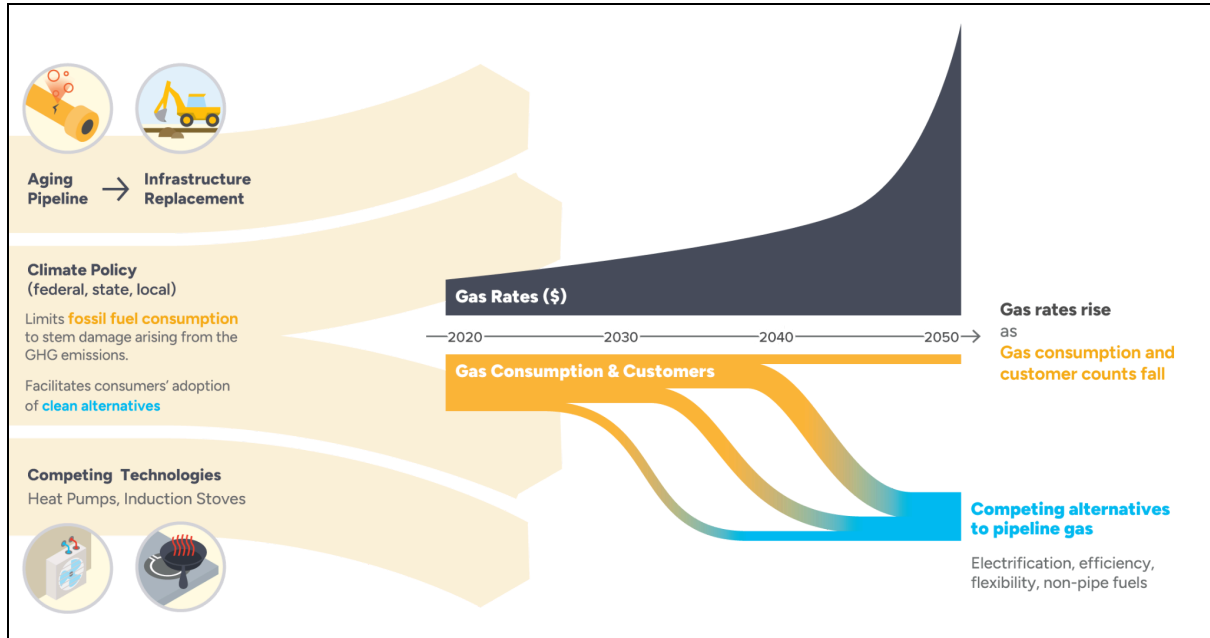


Figure 1 – Illustration of the drivers and consequences of an unmanaged transition¹

The alternative to an unmanaged transition is a managed transition. A managed transition is a strategic approach to align customer energy needs with climate goals, while working to preserve and enhance affordability.²

Line extension allowances (LEAs) were historically justified on the premise that adding new gas customers would spread fixed infrastructure costs across a broader customer base, thereby lowering average rates for all customers. In an era of sustained gas system growth, this assumption may have held. But under current conditions—marked by declining per-customer gas usage, growing electrification, and Minnesota’s clear commitment to decarbonization—this rationale no longer holds.

The cost of this unmanaged transition is represented in the findings of the Citizens Utility Board’s recent capital expenditures analysis.³ This analysis finds that gas delivery fees are projected to rise sharply over the next decade, as depicted in Figure 2.

¹ Building Decarbonization Coalition and Groundwork Data, “The Future of Gas in New York,” March 2023. <https://buildingdecarb.org/wp-content/uploads/BDC-The-Future-of-Gas-in-NYS.pdf>

² Walsh & Seavey, Docket No. 23-49-NG, Before the Rhode Island Public Utilities Commission on Behalf of the Conservation Law Foundation, February 9, 2024.

https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2024-02/2349-CLF-Testimony-Walsh-Seavey_2-9-24.pdf

³<https://cubminnesota.org/sites/default/files/downloads/Bill-impacts-of-MN-gas-utility-capital-expenditures-2023.pdf>

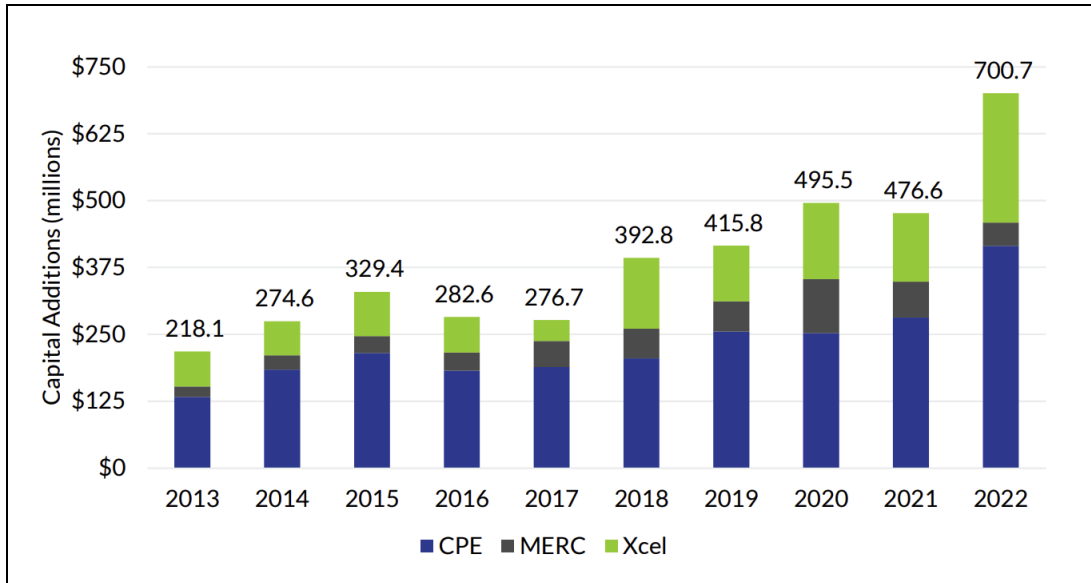


Figure 2 - Natural Gas Utility Capital Investment in Minnesota, 2013-2022

These increases stem largely from capital investments, such as line extensions, inflating the utilities' rate base. These costs are related to an unmanaged transition to reduced gas throughput, as well as the potential costs of building a redundant secondary energy system. Even with more conservative capital expenditure projections, there is no question that an upward trend in capital investment will persist.

LEAs are based on the assumption that new customers will fully repay the utility's upfront investment through usage-based rates over the lifetime of their service connection. However, today's energy landscape undermines that assumption. Advances in building codes, appliance efficiency, and customer-led electrification mean that new customers are likely to use significantly less gas than in previous decades. As a result, utilities will increasingly under-recover the costs of line extensions, shifting the shortfall to existing customers.

Moreover, 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.

Gas distribution utilities in Minnesota have historically operated without rigorous long-term planning requirements and with little public oversight. Until recently, no statutory mandate or Commission Order required formal resource planning for gas utilities. Ratepayer-funded

investments in gas infrastructure often did not consider long-term transition risk, potentially adding to stranded asset costs as electrification and efficiency adoption accelerates. The Commission’s recently implemented gas IRP process⁴ is a significant step forward for Minnesotans, but the first plans won’t be available to the public until well into 2026 and beyond.

In the absence of such scrutiny, it is unreasonable to expect customers to continue subsidizing the expansion of a system whose long-term need, economic viability, and responsiveness to Minnesota’s health and climate goals are not transparently evaluated. Minnesota does not permit significant investments in electric utilities without thorough public vetting and should not allow this practice to persist for gas utilities.

3. Current LEA Policy is not Aligned with Minnesota State Policy

The Commission should align its conclusions related to line extension allowance policies with Minnesota's greenhouse gas reduction goals and laws. Minnesota has implemented several policies, as referenced in Figure 3, in the past decade that lead the state on a path to 100% carbon-free electricity by 2024 and net-zero emissions by 2050.

2007 Next Generation Energy Act (MN Stat 216H)	15% by 2015 30% by 2025 80% by 2050	Established statutory emission benchmarks and required biennial emissions reporting. Used to interpret PUC decisions that affect fossil fuel infrastructure.
2021 ECO Act	Supports GHG goals via energy efficiency	Modernizes utility conservation programs to reduce overall emissions. Enables PUC to approve programs that support electrification for climate benefit.
2022 Climate Action Framework (MPCA)	Updated goals to: 50% by 2030 Net-zero by 2050	Adopted updated emissions targets.
2023 Statutory update (MN Stat 216H.02)	Codifies 50% by 2030, net-zero by 2050	Requires annual review of goals and prioritizes environmental justice.
2023 Clean Electricity Standard (MN Stat 216B.1691.2g)	100% carbon-free electricity by 2040	Utilities must source carbon-free power

Figure 3 - Minnesota Greenhouse Gas Reduction Goals and Statutes

⁴ DOCKET NO. G-999/CI-21-565 Order Clarifying and Expanding Framework for Natural Gas Integrated Resource Planning

Building emissions are on the rise in Minnesota despite the implementation of these robust policies. While the electricity generation sector has seen significant emission declines in Minnesota in recent years, the residential sector's emissions have significantly increased, underscoring the need to curb investment in new gas infrastructure. According to Minnesota's 2023 Greenhouse Gas Emissions biennial inventory:

The residential sector is the fifth-largest source of GHG emissions in Minnesota, accounting for about 8% of the state's emissions. Emissions from Minnesota homes and apartment buildings have increased 38% over the past 17 years. The largest source of these emissions is natural gas used for home heating and appliances.

In addition to the critical need to curb building emissions, continuing subsidized investment in the gas distribution system is no longer a means to maintaining affordable customer bills. The American Gas Association argues that line extension allowances are crucial to ensuring equitable access to the gas distribution system. We contend that, in the current paradigm of increasing electrification and efficiency uptake, line extension allowances are an outdated subsidy that exacerbate adverse equity outcomes and impose unnecessary long-term costs on ratepayers. These costs directly contribute to the broader affordability risks associated with an unmanaged transition away from the gas system as throughput declines.

4. Market Responsiveness & Public Momentum for Electrification

Ending line extension subsidies helps keep gas rates affordable and avoids burdening existing gas customers with costs resulting from revenue under-recovery from new customers. Continued adoption of electric end-use technologies and efficiency improvements, partially driven by utility, state and federal programs and partially driven by consumer preference, will continue to put downward pressure on gas demand in the coming years.

Minnesota customer behavior is aligning with national electrification trends. According to the Air Source Heat Pump Collaborative, the number of utility company rebate applications for heat pumps in Minnesota more than doubled over four years, from just over 2,000 in 2019 to 4,600 in 2022.⁵ Additionally, Minnesota's forthcoming Home Electrification and Appliance Rebate (HEAR) and Home Efficiency Rebates (HER) programs⁶ represent a major investment opportunity in energy efficiency and building electrification for Minnesota's homeowners. The implementation of these rebates - currently slated for Q4 2025 - will substantially accelerate customer adoption of high-efficiency electric technologies, particularly in space and water heating.

⁵https://www.minnpost.com/other-nonprofit-media/2023/08/in-northern-minnesota-early-adopters-make-the-case-for-cold-climate-heat-pumps/?utm_source=chatgpt.com

⁶ <https://mn.gov/commerce/energy/consumer/energy-programs/home-energy-rebates.jsp>

Along with federal and state incentives, cities in Minnesota are boosting customer value through local programs such as heat pump and weatherization rebates, effectively stacking incentives and creating additional value for homeowners (mnashp.org). Examples of city-initiated heat pump rebates:

- Coon Rapids: matches 50% of the utility rebate up to \$250
- Edina: 50–100% match with environmental justice bonus
- Hopkins: up to \$1,500 standard, \$2,500 income-qualified
- St. Louis Park: 50–100% match with environmental justice rate
- Minneapolis: up to \$1,000, \$4,000 for residents in Green Zones
- Northfield: 50% match up to \$2,500

As rebates expand and utilization increases, energy efficiency improvements are accelerating across Minnesota. A 2018 study⁷ shows utilities consistently meet or exceed Conservation Improvement Program goals, projecting electric savings of 14% and gas usage cuts of 11% by 2029 versus baseline. It is important to note that this study was completed prior to the passage of Minnesota’s Energy Conservation and Optimization (ECO) Act, which raised energy savings goals, increased spending requirements for low income households, and introduced fuel switching, among other enhancements.

⁷ [Minnesota Energy Efficiency Potential Study: 2020-2029](#)

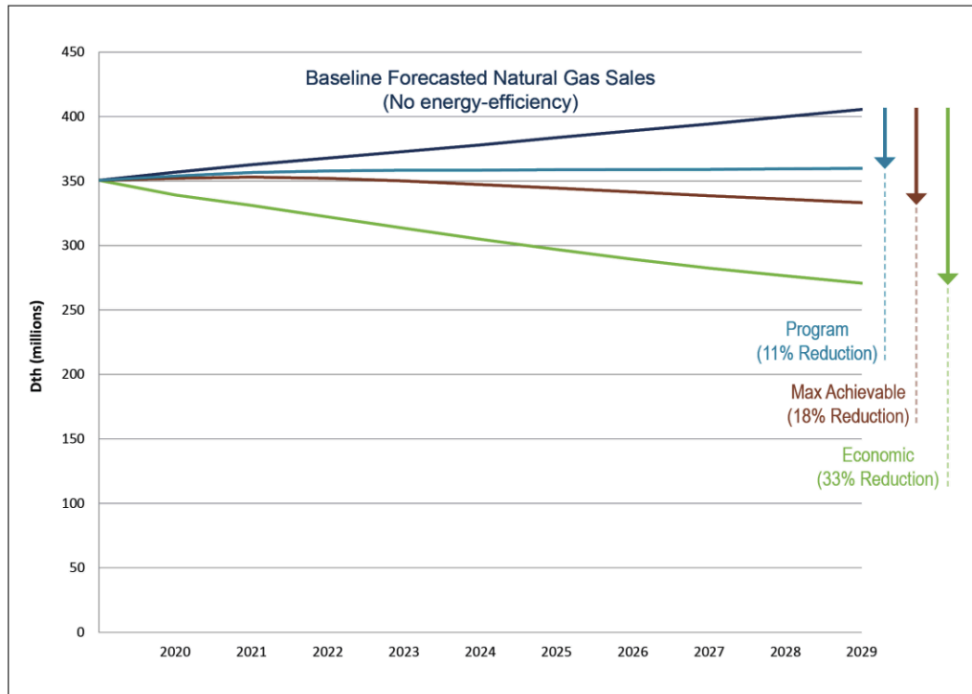


Figure 4 - Energy Efficiency Potential Study: Cumulative annual natural gas energy savings potential compared to forecasted sales for economic, max achievable, and program scenarios.

The combined effect of changing customer preferences, expanding energy efficiency measures, and newly available electrification rebates drive long-term reductions in gas system throughput. This trend will further compound the risk of stranded assets and cost under-recovery associated with continued system expansion.

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. 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 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 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 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.

Gas expansion doesn't make cents in unserved areas

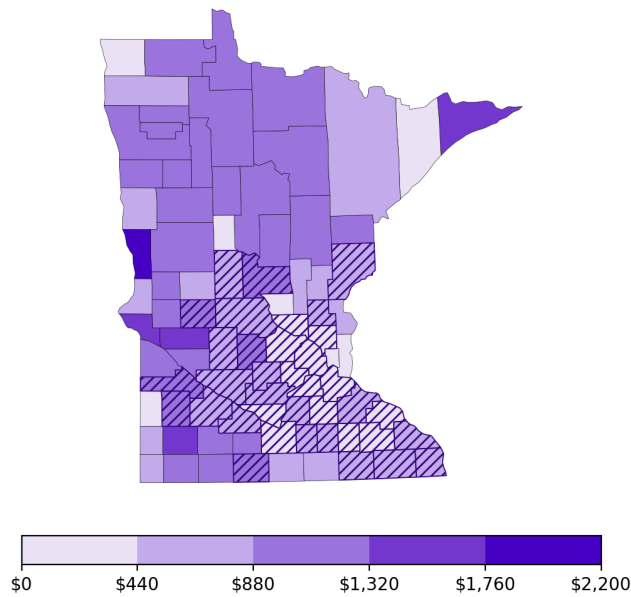
In electric utility planning, the cost-efficiency of infrastructure is measured by the number of customers per mile of the distribution line; lower density and usage result in higher costs per customer. The same principle holds for the gas distribution network. The electric distribution system currently serves both urban and rural areas of the state. Electricity can thoroughly and efficiently meet the heating and comfort needs of homes and businesses across Minnesota today. In this context, expanding a parallel gas distribution network is both redundant and costly. Subsidizing new gas infrastructure in low-density, currently unserved areas only adds an unnecessary long-term financial burden to all customers. Instead of socializing the costs of an increasingly obsolete gas system, Minnesota should redirect those investments toward energy efficiency and electrification efforts. These strategies lower system costs, reduce emissions, and deliver broader customer benefits.

Figure 5 illustrates the concept of the positive economics of electrification without gas expansion by overlaying gas distribution investor owned utilities (IOU) on the map of average bill savings from adopting a medium-efficiency heat pump by county⁸ in Minnesota. The economic reasons are clear for not extending the gas distribution system into areas that are not currently primarily served by one or more of the gas IOUs. For delivered fuel households in counties that are NOT primarily served by an IOU, average bill savings is \$1,728 annually. A search of our Community Electrification Dashboard provides more specific county-level average bill savings examples:

- Murray - \$1,215.00
- Koochiching County - \$1,015.13
- Carlton - \$641.00
- Kanabec - \$407.00
- Steele - \$222.00

⁸ Counties are identified as being *primarily* served or not served by the 5 natural gas IOUs in Minnesota: CenterPoint, Minnesota Energy Resources, Greater MN Gas, Great Plains, and Xcel Energy. Counties outlined and hatched in purple are primarily served by one or more of the IOUs. 'Not served' does not mean that there is no IOU gas service in that county, instead it means that there is not yet a significant or majority of that county being served by an IOU.

Average bills savings when upgrading to a heat pump



Hatched counties are primarily served by IOUs

Figure 5 - Gas IOU service territories overlaid on average bill savings from electrification by county

Minnesota’s network expansion policies should not further burden ratepayers. The advent of efficient electric heating technology has changed the cost paradigm for continued expansion of the gas system into currently unserved areas.

5. Healthy Equity Considerations

In addition to the negative rate impacts of continued gas expansion, the Commission has the authority to consider the significant health and related economic impacts resulting from the continued expansion of the gas system. Burning fossil fuels - especially methane gas - in homes for space heating, water heating, and clothes drying contributes significantly to fine particulate matter (PM_{2.5}) and its precursors, including nitrogen oxides (NO_x).

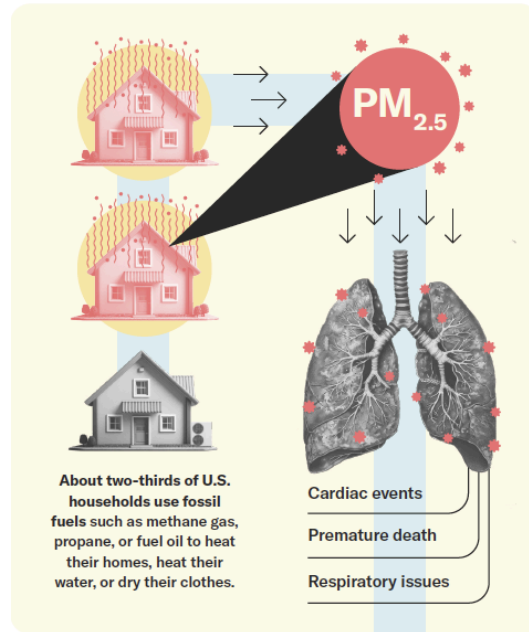


Figure 6 - Health effects of fine particulate matter (PM_{2.5})

These emissions don't just stay indoors; they leak outside and contribute to regional air pollution, particularly in densely populated areas. Compared to other pollution reduction strategies, limiting and removing residential gas infrastructure is highly efficient in reducing deadly pollutants.

Rewiring America's 2024 Breathe Easy⁹ health impacts report found that upgrading America's existing household appliances to efficient electric machines will improve outdoor air quality, leading to fewer premature deaths and reduced societal costs, all while reducing greenhouse gas emissions by 400 million metric tons, cutting energy bills by \$60 billion every year, and creating more than 1 million jobs. We must examine and expand upon these findings to gain a clear understanding of the significant effects of ongoing gas expansion on both outdoor and indoor air quality.

A review of Rewiring America's health impacts dashboard finds that Minnesotans can save approximately \$270 million in health benefits from installing heat pumps in single-family households. This health savings is amplified when considering the avoided emissions from future preference for electrified homes. A query of premature mortality rates shows that households that upgrade to a heat pump from those same fuels would avoid an estimated 24 premature mortality deaths. In both cases health savings are most impactful when removing/avoiding methane gas compared to other fuels.

⁹ <https://www.rewiringamerica.org/research/home-electrification-health-benefits>

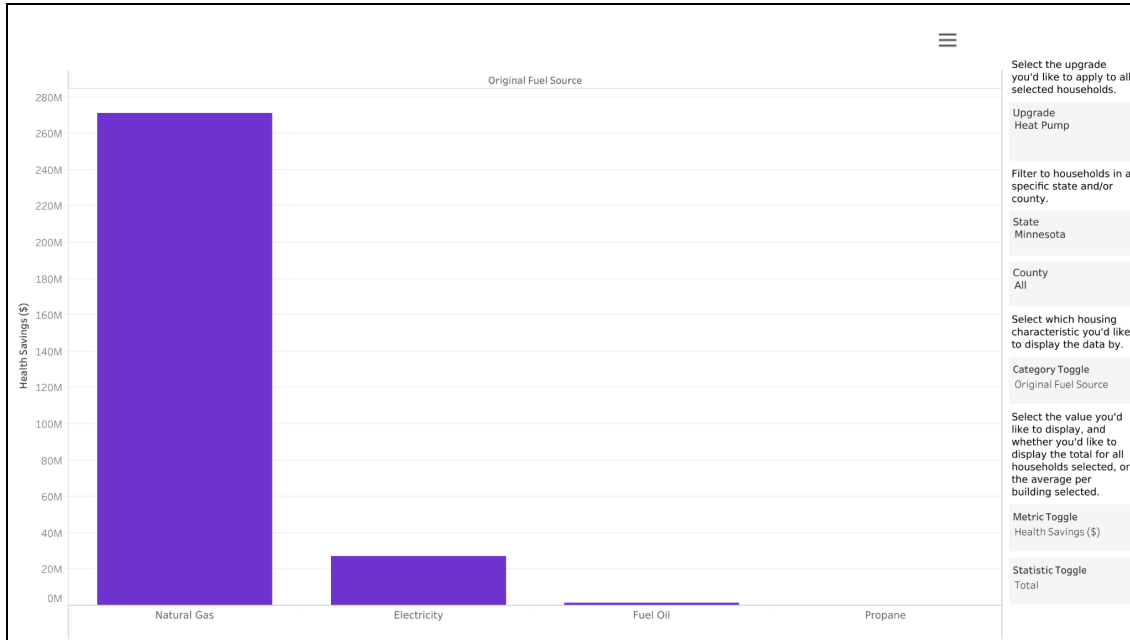


Figure 7 - Health Savings for MN by Original Fuel Source

Along with specific health impacts and cost savings, a query of Reviewing America’s internal modeling finds that Minnesotans will experience an estimated average carbon emission reduction of 6.7 metric tons when switching from propane, gas, or fuel oil to electrified alternatives such as a medium efficiency heat pump. These findings suggest that limiting the expansion of the gas distribution system should be a public health priority and factored into decisions made surrounding the planning and investments into Minnesota’s gas distribution system.

Incorporating supplemental health benefits and associated cost savings into the decision making framework of gas utility investment is consistent with state policy. There are many ways that the Commission currently includes health benefits in its decisions. Examples include:

- Social Cost of Carbon (SCC): Applied in resource planning and cost-benefit analysis, it includes public health damages from air pollution and climate impacts.
- Environmental externalities: Utilities must account for environmental and health externalities (Minn. Stat. § 216B.2422, subd. 3). These include quantified health harms from fossil fuel emissions, often used in modeling scenarios in Integrated Resource Plans (IRPs).
- The ECO Act modernized energy efficiency policy and allows for fuel-switching (e.g., gas to electric), which can have clear health benefits through pollution reduction. While the law does not require explicit health metrics, it enables electrification efforts that reduce exposure to combustion byproducts which is especially relevant in homes switching off gas.

Factoring in the health impacts and associated economic harms of continued fossil fuel use will enable the Commission to make more holistic, data-informed decisions that reflect the true societal costs and benefits of utility investments.

Low-income households shoulder proportionally higher indoor-air pollution risk and bill impacts when stranded-asset costs are socialized.

Rewiring America's Breathe Easy report also finds that low-income homes tend to be more reliant on gas and delivered fuels (like propane and heating oil) and have less insulation and ventilation, making them more vulnerable to indoor pollutants. This is compounded by the fact that low-income and marginalized households are more likely to live in older homes with gas appliances that leak or malfunction. This scenario exacerbates the complications that arise when families reside in areas with higher cumulative outdoor air pollution from residential combustion and other sources. As a result, low-income communities bear outsized costs, both financial and physical, from residential fossil fuel use and associated gas system expansion. The report estimates:

- ~3,400 premature deaths, 220,000 asthma attacks, and \$40 billion in annual public health costs could be avoided nationwide through electrification.
- Low-income households see higher per-dollar health benefits from electrification because:
 - Their homes emit more pollution per unit of energy.
 - Their communities already face higher pollution burdens from other sources (e.g. traffic, industrial facilities).

The Breathe Easy report concludes that low-income household electrification is a high-impact public health intervention and cost savings measure, not just a climate solution. The conclusions support prioritized funding, policy targeting, and infrastructure planning that focus on reducing both health and energy burdens in underserved communities. This includes the low hanging fruit of reduced investment in gas distribution expansion.

The data illustrates that for low-income and disadvantaged communities across the country, including Minnesota, an unmanaged gas transition poses acute risks that must be directly addressed to avoid perpetuating existing inequities. Without centering these households in the transition to electrification and clean energy, we risk repeating historical patterns where marginalized communities are facing the worst effects of climate change, are the last to benefit from technological advancements, and will bear the brunt of the costs of transitioning away from our fossil fuel economy. Because these communities often face greater barriers to electrification, they are more likely to be negatively impacted by rising bills to fund the status quo maintenance of gas infrastructure, while more privileged customers depart the system or dramatically reduce their gas consumption. Without proper prioritization, support, and meaningful engagement, these communities face the greatest exposure to the risks inherent in an unmanaged transition away from the gas system.

6. Lessons from Other Jurisdictions

Minnesota should take note of jurisdictions that are moving to curtail or eliminate gas line extension allowances to protect utility customers, respond to changing planning and investment imperatives, and better align with long-term climate goals. States including California, Colorado, Oregon, New York, and Washington have taken action to limit or eliminate LEA subsidies, recognizing the inherent risk of continued investment in an expanding gas system.

In California, the benefits of eliminating these subsidies are clear. By phasing out gas line extension allowances across all of its local distribution companies, the state anticipates annual savings of over \$160 million—savings that would directly benefit customers by avoiding unnecessary infrastructure costs.¹⁰

The Oregon Public Utilities Commission (OPUC) issued an order in October 2024 requiring Oregon's largest gas utility to begin phasing out its LEAs starting November 1, 2024, with complete elimination set by November 1, 2027. The OPUC determined that LEAs pose significant financial risk to existing customers, especially as gas use declines and climate policies tighten.

Other jurisdictions are similarly rethinking the role of gas utilities in the clean energy transition. For example, Massachusetts is actively pursuing policy reform through DPU Docket 20-80, a forward-looking investigation into how gas distribution companies should evolve as the state moves toward its 2050 climate targets. A draft policy under this docket proposes phasing out LEAs, an important step that would redirect ratepayer funds from risky gas infrastructure toward cost-effective decarbonization strategies such as weatherization and the deployment of efficient electric appliances like air-source and ground-source heat pumps.

New York State also recently acted to limit the automatic subsidization of gas infrastructure expansion. The State Assembly passed legislation repealing the "100-foot rule", which had required utilities to extend gas service to new construction within 100 feet of an existing main at ratepayer expense. By eliminating this outdated mandate, New York is ensuring that utilities and regulators are no longer compelled to lock in future emissions and costs in ways that burden existing customers. This legislation is expected to save utility customers more than \$200 million per year.¹¹

These examples reflect a growing understanding that continuing to subsidize gas system expansion is incompatible with climate commitments, prudent utility planning, and long-term customer protection. Minnesota now has the opportunity to follow the lead of peer states by

¹⁰https://www.utilitydive.com/news/california-puc-gas-subsidies-electrification/632006/?utm_source=chatgpt.com

¹¹<https://www.nysenate.gov/newsroom/press-releases/2025/liz-krueger/sponsors-ny-heat-introduce-customer-savings-and>

modernizing its approach to line extension allowances and aligning utility investment with its climate and clean energy goals.

7. Recommended Commission Actions

Given the potential risks of continued investment in the gas distribution system, the Commission should eliminate gas line extension allowances going forward and adopt a phased approach to sunseting Minnesota's current policy. To ensure a smooth transition for customers and utilities, the Commission should establish a process to sunset LEAs as of a specific date. A sunset period will allow utilities and customers to adjust to the new policy while not disrupting projects already in progress.

During the transition period, the Commission should require the gas distribution utilities to file interim reports and submit detailed analyses of current and avoided service extensions. This information will provide transparency and help the Commission assess the effectiveness of LEA policy elimination. These steps form a clear, responsible pathway to eliminating unnecessary gas infrastructure subsidies and reduce long-term ratepayer risk.

8. Conclusion

Eliminating LEAs is the most straightforward, low-regret strategy to protect ratepayers, enhance market alignment, and to uphold the Commission's statutory public-interest obligations. As outlined in these comments, strong support for LEA elimination exists from established precedents, compelling data, and shifting customer preferences that highlight the advantages of this deliberate shift. By shifting away from increasingly outdated, high-emission resources, we can improve public health while also reaping significant economic benefits and protecting those most vulnerable to the effects of an unmanaged transition. With respect for the Commission's authority, we propose initiating a rulemaking consistent with the recommended timeline and customer protections outlined in these comments.

Respectfully submitted,



Jenna Warmuth
Senior Manager, Midwest Regional Policy
Rewiring America
3218 Georgia Ave NW, Suite 1
Washington, DC 20011
jenna@rewiringamerica.org