

OAG AND DOC PREFERRED DECISION OPTIONS

3. Continue to allow utilities to offer residential line and main extension allowances subject to the below requirements.

OAG/DOC MODIFIED NEW 24.

Within 6 months of the Commission's order in Docket No. 21-565, each natural gas utility must file a proposal in new, utility-specific dockets to update their line-extension allowance calculations and policies. The Commission will review and approve updated line extension allowances to ensure the calculations and policies are in line with the below criteria:

~~–establishes the following guidelines for utilities to apply to residential line and main extension allowance calculations in their rate cases. Utilities may petition to use alternative approaches that differ from guidance if justification is submitted and approved by the Commission.~~

1. Include all costs to extend and provide service to new customers including extension costs per foot, meters and ongoing O&M and customer accounts expenses, using the most recent available information.
2. Include estimates of non-gas revenues based on a use per customer that incorporates reasonable projections for future ~~considers the potential for~~ declining usage caused by customer electrification of appliances, including decreases to annual usage (not simply peak demand), building efficiency, or the changing climate. This analysis should include, at minimum, assessment of impacts from investments made in ECO and NGIA, as well as broader market trends and consistency with state decarbonization policy. ~~in the future if it is likely the customer could replace gas appliances with electric appliances.~~
3. Depreciation period should match the utility's authorized depreciation period for service lines and mains in its most recently approved depreciation certification.
4. Payback period should reasonably ensure new customers pay back the full cost of the extension and balance the interests of new and existing customers considering the public interest.
5. ~~No Utilities should not apply~~ additional CIAC waivers beyond the standard free footage or main- and line-extension allowance for residential extensions.

OAG/DOC MODIFIED NEW 25.

Utilities shall provide the Commission with information about the following items in each general rate case in which a free footage or service extension allowance is being considered.

1. Whether the utility's free footage or service extension allowance included a 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 customer additions to the system within a reasonable time period. Utilities should include a showing that:
 - i. The assumed revenues from the new customer include a reasonable estimate of use per customer that accounts for potential declining usage from energy efficiency and electrification of heating and appliances. This estimate should include, at minimum, assessment of impacts from investments made in ECO and NGIA, as well as broader market trends and consistency with state decarbonization policy.
 - ii. All costs of serving the new customer are included in the calculation.
 - iii. 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 the customer's estimated usage (considering square footage, number of gas appliances, non-gas heating equipment, etc.)
5. Whether offering free footage or an extension allowance continues to be reasonable given current and forecasted gas system utilization, advances in technology, state and federal policy including Minnesota's net-zero by 2050 GHG emissions reduction goal, and risks to ratepayers of stranded assets or an overbuilt system.
6. How does the tariff consider Minnesota's greenhouse gas emission reduction goals?
7. How does the tariff consider the utility's efforts and actions taken by the Commission and the Department in other proceedings, including but not limited to Gas Integrated Resource Plans, Natural Gas Innovation Act Plans, Energy Conservation and Optimization Plans, and other utility pilots, programs, and rate design offerings?
8. How does the tariff consider affordability and ratepayer protections related to both existing and new customers?
9. How does the tariff consider the differences in serving various customer types, such as whether service is being extended to new structures or existing structures without gas service?
10. How does the tariff consider the viability and affordability of alternative heating fuels?
11. How does the tariff consider economic development and local job impacts?

OAG/DOC NEW 26

For any utility providing a line extension allowance, the utility must annually file the following information as part of its annual gas service quality reporting:

- (a) The street address, including house/building number, street name, unit number, city, state, and ZIP code;
- (b) The amount of footage required to connect the identified location to the Company's existing infrastructure;
- (c) The nature of any other facilities that were extended, enlarged, or modified for the purpose of supplying gas service to the identified location;
- (d) The total, actual expense incurred by the Company to connect the identified location to the company's existing infrastructure; and
- (e) The required Contribution in Aid of Construction (CIAC) payment, if any, that the Company required to connect the identified location to the Company's existing infrastructure.
- (f) The estimated average home price for each new development requesting a gas line extension allowance.
- (g) For any developments with estimated average home prices exceeding \$1,000,000 the company shall provide justification to show that this extension will not invoke a cross subsidization or exempt this property from line extension allowances.