



September 9, 2025

Mike Bull, Acting Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: Center for Energy and Environment’s Supplemental 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 Number: G999/CI-21-565

Mr. Bull,

Center for Energy and Environment (CEE) submits the following Supplemental Comments in response to the Minnesota Public Utilities Commission (Commission) Notice of Comment Period issued on May 5, 2025, in the above-referenced docket.

In the supplemental comments below, CEE provides final responses to parties on the record related to gas utility line extension tariffs and discusses the joint proposed decision options filed by CEE, Xcel Energy, LIUNA, and Energy CENTS Coalition, which reflect CEE’s final recommendations for the Commission in this proceeding.

CEE appreciates the opportunity to comment on this matter and is available for any further questions.

Sincerely,

/s/ Will Nissen
Director of Policy
Center for Energy and Environment
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I. SUMMARY

CEE appreciates the extensive engagement from parties in this docket and finds the Commission has a robust record to consider on the matter of gas utility line extension tariffs. In addition to these comments, CEE filed joint proposed decision options with Xcel Energy, LIUNA, and Energy CENTS Coalition that comprise CEE's final recommendations for the Commission in this proceeding (Joint Proposed Decision Options). Those decision options place a maximum distance on free footage allowances gas utilities can implement moving forward, clarify portions of the ECO new home construction requirements proposed in CEE's initial comments, expand on the proposed considerations for future line extension tariff development and review from CEE's initial comments, establish a next step to explore dual fuel models in Xcel Energy's July 1, 2026, gas integrated resource plan (IRP) filing, and provide procedural steps to update line extension tariffs and consider modifications at a future date.

II. CEE FINAL RECOMMENDATIONS

Free Footage Maximum Distance

The Joint Proposed Decision Options establish a maximum distance of 75 feet for service lines and 80 feet for mains as the portion of installation costs not charged to the customer – the free footage allowance – while providing flexibility for cases where longer distances are consistent with the public interest. CEE finds value in setting a consistent ceiling for free footage allowances across gas utilities, while allowing utilities to calculate appropriate utility-specific distances below the maximum as warranted.

ECO Modification Requirements

After reviewing reply comments from parties, CEE continues to have the same concern expressed in our initial comments, that “eliminating free footage allowances in today's conditions will not meaningfully move the market toward electrification, and risks simply increasing costs to new customers without tangible benefit.”¹ Therefore, in initial comments, CEE recommended that any utilities continuing to offer free footage allowances following the Commission's decision in this proceeding be required to file a comprehensive single-family new construction ECO program for Department review with key components meant to advance efficient homes and implementation of air source heat pumps (ASHP).

The Future of Gas proceeding was initiated by legislative direction to evaluate changes to natural gas utility regulatory and policy structures needed to meet or exceed Minnesota's greenhouse gas emissions reduction goals. Under that direction, incentivizing builders and

¹ Center for Energy and Environment. Initial Comments filed July 8, 2025, in Docket No. G999/CI-21-565. Page 15.

developers to build more efficient homes and install all-electric end use appliances through CEE's proposed ECO program components explicitly comprises changes to regulatory and policy structures to meet or exceed Minnesota's greenhouse gas emissions reduction goals. CEE continues to assert that this carrot approach provides more benefit, and will lead to more direct action, than simply passing the cost of free footage allowances on to builders, developers, and homeowners.

The Joint Proposed Decision Options contain four modifications to the ECO recommendations in our initial comments.

First, in reply comments Xcel Energy² and CenterPoint Energy (CenterPoint)³ expressed concern that requiring installation of an air source heat pump in lieu of a central air conditioning unit could lead to declines in program participation. To help address this concern, CEE supports the added language that allows utilities to file provisions in their new home construction program to track and monitor impacts from the proposed requirements and propose modifications if needed. This is consistent with common ECO practice in which utilities can propose to modify, add, or terminate programs within three-year Triennial plans, pending approval from the Department.

Second, CEE supports added language that allows for an air source or ground source heat pump in lieu of a central air conditioner to be eligible for the program.

Third, CEE clarifies that utilities including a free footage allowance in their line extension tariffs following the Commission's decision in this matter must file a new or amended single-family new construction ECO program. CEE recognizes and appreciates that utilities already offer this type of program and did not intend to replicate existing offerings unnecessarily.

Lastly, as discussed further below, CEE clarifies that new home construction programs must not require installation of specific natural gas appliances to be eligible for the program or to receive higher rebates.

Line Extension Tariff Considerations

CEE's initial comments recommended updating the criteria and questions utilities and stakeholders must consider regarding line extension tariffs that were last approved by the Commission in 1995. The Joint Proposed Decision Options keep those updated criteria and add the important consideration of economic development and local job impacts.

² Xcel Energy. Reply Comments filed August 8, 2025, in Docket No. G999/CI-21-565. Page 26.

³ CenterPoint Energy. Reply Comments filed August 8, 2025, in Docket No. G999/CI-21-565. Page 11.

Dual Fuel Models

The Joint Proposed Decision Options include a requirement that Xcel review and evaluate dual fuel models, including the Hydro-Quebec/Énergir model described in CEE’s reply comments, propose a next step in Xcel’s July 1, 2026, gas IRP filing toward considering greater collaboration and integration in dual system planning, and discuss potential implementation challenges to the models examined including whether the models are not currently applicable in Minnesota.

CEE appreciates Xcel Energy’s willingness to explore ways to advance electrification efforts through a dual fuel approach and asserts that the gas IRP framework is an effective proceeding to assess models to advance dual fuel system planning. As discussed in CEE’s reply comments in this proceeding, dual fuel applications can yield significant emission reductions while mitigating customer and utility system costs and are worth pursuing alongside all-electric home applications.

Procedural Steps

Lastly, the Joint Proposed Decision Options offer two procedural decision options for Commission consideration to update utility line extension tariffs following the Commission’s decisions in this proceeding, and delegate authority to the Executive Secretary to revisit line extension considerations due to changes in Minnesota’s policy or technology landscape, which was discussed further in CEE’s initial comments.

The Joint Proposed Decision Options comprise CEE’s final recommendations for the Commission in this proceeding.

III. RESPONSE TO CENTERPOINT ENERGY REPLY COMMENTS

In reply comments, CenterPoint commented on several aspects of CEE’s initial comments, including the new home energy analysis and CEE’s proposed ECO modifications. This section responds to CenterPoint’s reactions to provide further insight on the analysis, clarify aspects of the ECO recommendations, and counter claims that the heat pump requirement runs counter with Minnesota Statute.

Clarification on Gas Appliances

The ECO recommendations from CEE’s initial comments stated that utilities should not require installation of natural gas appliances to be eligible for a new home construction program, nor make rebate levels contingent on installation of natural gas appliances. CenterPoint misinterpreted CEE’s recommendation on this topic, stating that “the Company is not

supportive of policy that has the potential for CenterPoint Energy customers to pay for rebate measures for resident properties that are not CenterPoint Energy customers.”⁴

CEE agrees with CenterPoint on this matter, in that we assume any customer participating in CenterPoint’s ECO programs would be a CenterPoint customer, and clearly stated as much in initial comments.⁵ However, a customer may choose to install an electric heat pump water heater for hot water needs while also having any number of other end uses that require natural gas service from CenterPoint. CEE’s concerns with the current program structure are not about limiting gas service to customers but rather are on the *specific* restriction to install gas water heaters in order to achieve higher rebates for higher savings, particularly when more efficient electric heat pump water heaters are available.

To clarify our recommendation from initial comments, CEE asserts that gas utilities should not be able to require installation of *specific* natural gas appliances to be eligible for new construction ECO programs and should not make rebate levels contingent on installation of *specific* natural gas appliances. This clarification is included in the separately filed Joint Proposed Decision Options.

Ekotrope Software

In assessing the new home energy costs analysis in CEE’s initial comments, the only critique CenterPoint made was that the analysis used “the closed-source Ekotrope software” and that this “black-box energy model...provides limited opportunity for verification.”⁶ CEE sent detailed Ekotrope reports to CenterPoint that provided the basis of the analysis, as well as other information, in CEE’s Response to CNP IR #001 on July 28, 2025. CEE notes that CenterPoint currently uses Ekotrope as the energy modeling tool in its Residential High-Efficiency Home program to “compare the energy use of each as-built participating home to a theoretical code-based comparison home.”⁷ A description of the software and how it is used can be found in CenterPoint’s 2024-2026 Triennial Plan filing.⁸

Program Recommendations and Minnesota Statute

CenterPoint expressed concerns with CEE’s recommendation that new home construction ECO programs require installation of a heat pump in lieu of an air conditioning unit, as it would run counter to Minnesota Statute. CenterPoint stated:

⁴ CenterPoint Energy. Reply Comments filed August 8, 2025, in Docket No. G999/CI-21-565. Page 11.

⁵ CEE. Initial Comments filed July 8, 2025, in Docket No. G999/CI-21-565. Footnote 24. Page 15.

⁶ CenterPoint Energy. Reply Comments filed August 8, 2025, in Docket No. G999/CI-21-565. Page 3.

⁷ CenterPoint Energy. Compliance Filing: Updated 2024-2026 Energy Conservation and Optimization Triennial Plan for the period January 1, 2024, through December 31, 2026. Filed January 26, 2024, in Docket No. G008/CIP-23-95. Page A-34 of the plan, pdf page 576.

⁸ *Id.*

The most concerning recommendation is the required installation of an air source heat pump (ASHP) in lieu of a central air conditioner to be eligible for the program. CenterPoint Energy interprets this recommendation in violation with Minnesota Statute Sec. 216B.241 Subd. 2(c), as ECO must provide free choice for customers.⁹

For clarity, Minn. Stat. 216B.241, subd. 2(c) states the following:

The commissioner shall evaluate the plan on the basis of cost-effectiveness and the reliability of technologies employed. The commissioner's order must provide to the extent practicable for a free choice, by consumers participating in an energy conservation program, of the device, method, material, or project constituting the energy conservation improvement and for a free choice of the seller, installer, or contractor of the energy conservation improvement, provided that the device, method, material, or project seller, installer, or contractor is duly licensed, certified, approved, or qualified, including under the residential conservation services program, where applicable.¹⁰

First, CEE notes that much of the relevant language in this provision was enacted through legislation passed in 1983¹¹ and, after review of past Department Decisions on Conservation Improvement Program and ECO plans, CEE could not find any example of the Department providing guidance or clarification on this provision.

Second, what is clear in this portion of statute, and throughout the Energy Conservation and Optimization section in 216B.241, is that many decisions related to ECO, including cost-effectiveness and plan review and approval, reside with the Department of Commerce. As such, CEE recommended in initial comments that the Commission require gas utilities to *propose* a comprehensive single-family new construction with the Department for their 2027-2029 ECO Triennial Plans. The Department would then have authority to approve, modify, or reject plan proposals based on a variety of factors, including compliance with Minnesota Statute.

Third, the quoted portion of statute above leaves significant room for interpretation. For example, the Department's decision to approve an ECO plan "must provide to the extent practicable for a free choice, by consumers participating in an energy conservation program, of the device, method, material, or project constituting the energy conservation improvement." Within this, energy conservation improvement is defined as "a project that results in energy efficiency or energy conservation."¹² Within this definition, energy conservation is defined as

⁹ CenterPoint Energy. Reply Comments filed August 8, 2025, in Docket No. G999/CI-21-565. Page 11.

¹⁰ Minn. Stat. 216B.241, subd. 2(c).

¹¹ <https://www.revisor.mn.gov/laws/1983/0/179/#laws.0.6.0>

¹² Minn. Stat. 216B.2402, subd. 6.

“an action that results in a net reduction in electricity or natural gas consumption” but does not include efficient fuel-switching,¹³ and energy efficiency is defined as follows:

Measures or programs, including energy conservation measures or programs, that: (1) target consumer behavior, equipment, processes, or devices; (2) are designed to reduce the consumption of electricity or natural gas on either an absolute or per unit of production basis; and (3) do not reduce the quality or level of service provided to an energy consumer.¹⁴

To piece this all together, this part of statute could read as the following:

The commissioner’s order must provide to the extent practicable for a free choice, by consumers participating in an energy conservation program, of the device, method, material or project constituting an action that results in a net reduction in electricity or natural gas consumption, but not including efficient fuel-switching, or measures or programs that target consumer behavior, equipment, processes, or devices; are designed to reduce consumption of electricity or natural gas on either an absolute or per unit of production basis; and do not reduce the quality or level of service provided to an energy consumer.

The same statutory construction also applies to “seller, installers, or contractors” of an energy conservation improvement. Based on this reading, a consumer should be able to freely choose any action, equipment, process, device, method, material, or project in existence that simply achieves a net reduction in electricity or natural gas consumption. However, in addition to the subjective application of “to the extent practicable” in the statute, this is not how ECO programs are implemented thanks in part to the foundational criteria that ECO portfolios be cost-effective, as stated in the first sentence of Minn. Stat. 216B.241, subd. 2(c).

Fourth, the end of the quoted provision states “provided that the device, method, material, or project seller, installer, or contractor is duly licensed, certified, approved, or qualified, including under the residential conservation services program, where applicable.” (emphasis added) This suggests that the free choice provision applies *after* an energy conservation improvement is approved by the Department, rather than grounds to prohibit the Department from even considering certain ECO program designs or components.

Finally, as noted in CEE’s initial comments, CenterPoint’s existing High-Efficiency Homes program explicitly limits customer choice by requiring customers to install natural gas water

¹³ Minn. Stat. 216B.2402, subd. 5.

¹⁴ Minn. Stat. 216B.2402, subd. 7.

heaters to achieve increased rebate levels, as shown in Figure 1 below from CenterPoint’s approved 2024-2026 Triennial Plan.¹⁵

Figure 1. CenterPoint 2024-2026 High-Efficiency Homes Rebate Levels

Percent Gas Savings Above Code	Rebate Amount	Notes
10-14% gas savings	\$500	Homes without natural gas water heaters will be capped at this rebate level.
15-19% gas savings	\$1,500	
20-24% gas savings	\$2,000	
25-29% gas savings	\$2,500	
30-34% gas savings	\$3,000	
35-39% gas savings	\$4,000	
40% gas savings and above	\$5,000	Homes with gas savings above 40% will be capped at this rebate level.

CEE asserts that requiring gas utilities to propose ECO programs that require installation of a heat pump in lieu of a central air conditioning unit is not in violation of Minnesota Statute, as CenterPoint claims. And furthermore, CenterPoint’s reading of the statute would disallow its own approved ECO program design.

IV. CONCLUSION

CEE appreciates the opportunity to provide comments in this proceeding and recommends the Commission take the actions outlined in the Joint Proposed Decision Options filed in conjunction with these comments.

¹⁵ CenterPoint Energy. 2024-2026 Natural Gas Energy Conservation and Optimization Triennial Plan Compliance Filing. Filed January 26, 2024, in Docket No. G008/CIP-23-95. Page 72.