

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

Katie Sieben	Chair
Audrey Partridge	Commissioner
Hwikwon Ham	Commissioner
Joseph Sullivan	Commissioner
John Tuma	Commissioner

October 31, 2025

**In the Matter of Establishing an Estimate of
the Costs of Future Carbon Dioxide
Regulation on Electricity Generation Under
Minnesota Statutes
§ 216H.06**

Docket No. E999 /CI-07-1199

**In the Matter of a Commission Investigation
into Gas Utility Resource Planning**

**Docket No. G008, G002, G011/
CI-23-117**

**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/CI-21-565

COMMENTS OF FRESH ENERGY, MCEA, AND SIERRA CLUB

Fresh Energy, Minnesota Center for Environmental Advocacy (“MCEA”), and Sierra Club appreciate the opportunity to comment on the appropriate data sources and values for the regulatory cost of greenhouse gas emissions to be used in Xcel Energy’s, CenterPoint Energy’s, and Minnesota Energy Resource Corporation’s upcoming gas integrated resource plans (IRPs).

In the Notice of Comment Period issued August 25, 2025, the Minnesota Public Utilities Commission (the Commission) requested input on whether the values established for Minnesota Statute section 216H.06 and last approved in Docket No. E999/CI-07-1199 in the Commission’s December 19, 2023 Order are appropriate for use in gas utilities’ upcoming IRPs.

This issue arose in the context of developing the overall framework for gas IRPs. In earlier comment periods in this docket, parties generally offered two options for the

regulatory cost of greenhouse gas emissions to be used in gas IRPs. First, as reflected in the Commission's notice, parties recommended that the value adopted by the Commission for use in electrical utility planning proceedings is appropriate to use in gas utility planning proceedings as well.¹ These values currently range from \$5 to \$75 per ton of carbon dioxide (CO₂).² Other parties instead recommended using the natural gas environmental compliance factor applied through the Energy Conservation and Optimization (ECO) framework³ – currently 1.4% of the commodity cost of natural gas for 2024-2045.⁴

Our groups recommend that **both** regulatory cost estimates are applicable in gas resource planning, depending on the category of emissions being addressed.⁵

We first address why the regulatory cost of carbon values approved by the Commission for electric utilities are equally applicable in gas planning. The primary argument against using these values has been that they are based on the likelihood of future regulation of electric utilities and therefore are inapplicable to gas utilities.⁶ This reasoning is incorrect. As explained in the Regulatory Cost of Carbon docket (07-1199), the upper limit of \$75 per ton represents the minimum amount of a carbon fee or tax required to keep global temperature rise below 2 degrees Celsius.⁷ This value is not derived from regulations specific to the electricity sector; rather, it reflects a global goal of limiting warming to levels consistent with human and ecological survival.

Moreover, Minnesota's statutory greenhouse gas reduction goals are more ambitious than the 2-degree Celsius goal. Minnesota's goals are based on keeping warming to 1.5 degrees Celsius, which is necessary to protect the most vulnerable

¹ *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Minn. PUC Docket No. 23-117, [Reply Comments](#) of the Clean Energy Organizations (Jul. 19, 2024) at 3; and [Reply Comments of Citizens Utility Board](#) (Dec. 29, 2023) at 24.

² *In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minnesota Statutes § 216H.06*, Minn. PUC Docket No. 07-1199, [Order Addressing Environmental and Regulatory Costs](#) (Dec. 19, 2023) at 3.

³ *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Minn. PUC Docket No. 23-117, [Reply Comments of CenterPoint Energy](#) (Jul. 19, 2024) at 3; [Xcel Energy Reply Comments](#) (Jul. 19, 2024) at 6; and [Reply Comments of the Minnesota Department of Commerce](#) (Jul. 19, 2024) at 17.

⁴ *In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities*, Minn. Dept. of Commerce Docket No. 23-46, [Decision](#) (March 31, 2023) at 99.

⁵ *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Minn. PUC Docket No. 23-117, [Reply Comments](#) of the Clean Energy Organizations (Jul. 19, 2024) at 3.

⁶ *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Minn. PUC Docket No. 23-117, [Reply Comments of the Minnesota Department of Commerce](#) (Jul. 19, 2024) at 5; [Xcel Energy Reply Comments](#) (Jul. 19, 2024) at 5; and [Reply Comments of CenterPoint Energy](#) (Jul. 19, 2024) at 3.

⁷ *In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minnesota Statutes § 216H.06*, Minn. PUC Docket No. 07-1199, [Order Addressing Environmental and Regulatory Costs](#) (Dec. 19, 2023) at 12.

populations.⁸ The gas sector will need to be equally involved in decarbonization as the electric sector has been if these goals are to be achieved. Accordingly, the upper end of the “regulatory cost of carbon” range should apply equally to carbon dioxide emissions from the gas sector.

In planning terms, this cost represents the future expenditures utilities will likely incur to comply with future regulations directed at CO₂ emissions (e.g., a carbon tax). It should be applied to projected gas consumption, paralleling how electric utilities apply the cost to forecasted demand and emissions from electricity generation.

However, the gas sector also faces significant methane emissions from leakage in the system prior to the delivery of gas to customers. Methane leakage is the target of federal regulation,⁹ and those rules informed the creation of the 1.4% “add-on” to the commodity cost of gas, used in the ECO context, intended to account for future regulation of methane.¹⁰ That add-on was based on the Regulatory Impact Analysis of the U.S. Environmental Protection Agency’s (EPA’s) proposed methane regulations. The costs of complying with methane regulations are in addition to the costs of meeting carbon reduction goals. Because methane leakage would not be subject to a carbon tax, these costs should be applied separately in gas resource planning to accurately represent distinct categories of greenhouse gas emissions.

There is also a third category of potential regulatory costs not fully captured by either of the above values. The 1.4% add-on is based on the EPA’s proposed methane regulations, which the EPA estimates would cover roughly 80% of methane leakage, leaving up to 20% unregulated.¹¹ As the climate crisis intensifies and Minnesota’s net-zero deadline approaches, it is highly likely that future regulations will need to target residual methane leakage. We anticipate that future research will refine estimates of the

⁸ Minnesota’s greenhouse gas reduction targets are consistent with the landmark report issued by the Intergovernmental Panel on Climate Change (“IPCC”) in 2018 which found that to stay within the goal of limiting warming to 1.5 degrees Celsius, global greenhouse gas emissions needed to decline by about 45% from 2010 levels by 2030, reaching net zero around 2050 (IPCC, [Special Report: Global Warming of 1.5°C](#), Summary for Policymakers, Section C.1 (2018)). This has been widely interpreted to require developed nations, which are obliged to reduce emissions faster than undeveloped ones, to cut emissions by 50% by 2030 and reach net zero by 2050.

⁹ Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review, 89 Fed. Reg. 16820 (Mar. 8, 2024) (to be codified at 40 CFR Pt. 60). Although those regulations face an uncertain future under the new administration, regulating methane leakage will need to be a part of a future that includes regulations aimed at slowing climate change.

¹⁰ *In the Matter of 2024-2026 CIP Cost-Effectiveness Methodologies for Electric and Gas Investor-Owned Utilities*, Minn. Dept. of Commerce Docket No. 23-46, [Decision](#) (March 31, 2023) at 99.

¹¹ Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review, 89 Fed. Reg. 16820 (Mar. 8, 2024) (to be codified at 40 CFR Pt. 60).

scale of this residual methane leakage and the costs of preventing it. In the meantime, the Commission should recognize that the existing regulatory cost estimates discussed above are incomplete and therefore represent a lower bound of actual regulatory risk.

Finally, the Department of Commerce and the Minnesota Pollution Control Agency are currently seeking comments on whether the regulatory cost of carbon used in electrical planning dockets should be updated.¹² The undersigned organizations recommend that any future updates to those values also consider whether and how to update the regulatory cost of greenhouse gases for use in gas proceedings. For now, however, the Commission should affirm that the existing values are appropriate and should direct Xcel to apply them in its forthcoming integrated gas resource plan, due July 1, 2026.

Respectfully submitted,

/s/ Leigh Currie
Leigh Currie
Chief Legal Officer
Minnesota Center for Environmental Advocacy
1919 University Ave W, Suite 515
St. Paul, MN, 55104
lcurrie@mncenter.org

/s/ Patrick Woolsey
Patrick Woolsey
Staff Attorney
Sierra Club
2101 Webster Street Suite 1300
Oakland, CA, 94612
patrick.woolsey@sierraclub.org

/s/ Caitlin Eichten
Caitline Eichten
Director, Building Energy Transition
Fresh Energy
408 St. Peter Street, Suite 350
St. Paul, MN, 55102
eichten@fresh-energy.org

¹² *In the Matter of Establishing an Estimate of the Costs of Future Carbon Dioxide Regulation on Electricity Generation Under Minnesota Statutes § 216H.06*, Minn. PUC Docket No. 07-1199, [Notice of Comment Period](#) (Aug. 25, 2025).