STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

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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

Supplemental Comments of the Citizens Utility Board of Minnesota

The Citizens Utility Board of Minnesota ("CUB") respectfully submits these Supplemental Comments in response to the Minnesota Public Utilities Commission's (the "Commission") Notice of Comment Period issued on May 5, 2025, and reply comments and recommendations of other parties in the above-referenced matter. As an initial matter, CUB notes that we appreciate the gas utilities' responsiveness to our request for greater detail on their line extension policies, which utilities provided in Reply comments.

I. INTRODUCTION

CUB appreciates that natural gas has served as a vital resource for many Minnesota households over the last several decades. Across its long history, gas utilities have continued to invest in building out infrastructure and expanding the gas system to help meet customer need and provide heating to millions during the cold winter months. The integral function natural gas has historically provided in addition to its deep entrenchment in Minnesota's economy means that any changes to the natural gas system will require extensive review. However, natural gas use also inflicts undeniable harm on Minnesotans' health and our environment. To address these concerns, the Minnesota Legislature tasked the Commission with evaluating what policy changes are needed to regulated gas utilities in order to meet or exceed Minnesota's greenhouse gas emissions goals. There is no room for confusion in this charge—the Minnesota Legislature expects regulated natural gas utilities to do their part in decarbonizing Minnesota's economy.

At the same time, this transition cannot, should not, and *need* not come at the cost of risks to safety or affordability for Minnesotans to heat their homes. As a consumer advocate, CUB prioritizes energy accessibility and ensuring households remain comfortable yearlong. We do not believe decarbonizing homes and the comfort of Minnesotans are mutually exclusive—in fact those policies should go hand in hand as we strive to provide not just affordable energy but affordable *clean* energy that does not harm the health of residents in the home.

Considering these many factors together means that Minnesota must think critically about which measures can be taken to facilitate an equitable decarbonization of the gas system. We recognize

grappling with these questions will be challenging, unique, and, as has been discussed at length in other Commission proceedings, require careful planning about how and when we make investments on the gas system.[1] CUB, along with over 30 organizations and state agencies, agree that eliminating gas utility line extension allowances ("LEAs") is the first necessary step in what will undoubtably be a long and slow process.

Regardless of what Minnesota's gas utility decarbonization strategy looks like, subsidizing expansion of the gas system by saddling existing gas customers with these costs, plus additional utility returns, over decades-long recovery periods, is *not* prudent risk mitigation. Individually, each new customer's LEA cost is limited to just the actual costs that customer incurs to extend service—on average less than $2,800.[2] Although this amount does not appear significant on its own, once added to rate base with a return to the utility, the aggregate of those costs can become significant for customers over the many years they are recovered. For example, in calculating what that long-term cost may look like, the Office of the Attorney General—Residential Utilities Division ("OAG") found that, if CenterPoint continued to add the same number of customers per year over the next 40 years, its ratepayers could be responsible for approximately $445,000,000 in 2024 dollars.[3]

In our previous filings, CUB addressed many of the concerns and arguments from parties supporting LEAs we see raised in Reply comments.[4] In these Supplemental comments we respond to any remaining issues raised by those parties, including Xcel and LIUNA's assertion that gas service lines installed today are in no danger of becoming future stranded assets. And while CUB appreciates the detailed analysis presented by the OAG, we continue to believe that the Commission's decision on line extension policies ("LEPs") must take into consideration Minnesota's climate and health goals. With

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[1] *See generally In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G008, G002, G011/CI-23-117.

[2] See *In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals*, Minnesota Energy Resources Corporation Line Extension Policy Study, Docket No. G-999/CI-21-565 at 28 (Nov. 14, 2024) (noting the average service line extension allowance (up to 75 feet) per residential customer amounts to less than $1,600); *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. G-999/CI-21-565, Initial Comments of Xcel Energy at 4 (July 8, 2025) (hereinafter "Xcel Initial Comments") (noting Xcel's 2025 cost for residential extension allowances is approximately $2,400 per residential customer); *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. G-999/CI-21-565, Supplemental Attachment A to CenterPoint Energy's July 8 Initial Comments Filing (Aug. 7, 2025) (calculating the average residential customer extension allowance, inclusive of main and service line extensions and meter installation, as $2,810 per customer).

[3] *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. G-999/CI-21-565, Initial Comments of the Minnesota Office of the Attorney General—Residential Utilities Division at 15-16 (July 8, 2025) (hereinafter "OAG Initial Comments").

[4] *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. G-999/CI-21-565, Initial Comments of the Citizens Utility Board of Minnesota (July 8, 2025) (hereinafter "CUB Initial 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. G-999/CI-21-565, Reply Comments of the Citizens Utility Board of Minnesota (Aug. 8, 2025) (hereinafter "CUB Reply Comments").

the extensive changes needed to reevaluate current utility LEPs based solely on the current utility economic justification models, concerns regarding transparency and consistency in those models, as well as implications for the state's climate and health policy, CUB recommends the Commission take action now to eliminate gas utility line extension allowances.

II. ANALYSIS

A. The future of gas rates and the risk of stranded assets.

CUB,[5] the Department of Commerce (the "Department"),[6] Fresh Energy, Minnesota Center for Environmental Advocacy ("MCEA"),[7] CURE,[8] and Rewiring America[9] have highlighted concerns around the risk of stranded assets as one justification for eliminating LEAs. The OAG also expressed concern of the growing risk gas ratepayers will bear from underutilized distribution system assets if LEAs with lengthy payback periods are allowed.[10] In its analysis, the OAG found that "[r]atepayers could be responsible for hundreds of millions of dollars over the next forty years if line extensions continue at a similar pace as the past half decade and then become unused or under-utilized."[11]

Conversely, several commenters opposing LEA elimination have challenged those concerns as relying on "unsubstantiated" assumptions, downplaying or outright rejecting the risk of potential stranded assets.[12] In particular, Xcel identifies three "linked assumptions" it believes underlie the concern of stranded assets, all of which Xcel argues are unsupported by evidence:[13]

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[5] CUB Initial Comments at 14-18.

[6] *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. G-999/CI-21-565, Initial Comments of the Department of Commerce at 5 (July 8, 2025) (hereinafter "Department Initial Comments").

[7] *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. G-999/CI-21-565,* Initial Comments of the Minnesota Center for Environmental Advocacy and Fresh Energy at 4 (July 8, 2025) (hereinafter "MCEA/Fresh Energy Initial Comments").

[8] *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. G-999/CI-21-565, Reply Comments of CURE at 15-17 (Aug. 8, 2025) (hereinafter "CURE Reply Comments").

[9] *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. G-999/CI-21-565, Initial Comments of Rewiring America 11, 13-15 (July 8, 2025) (hereinafter "Rewiring America Initial Comments").

[10] OAG Initial Comments at 15-17.

[11] *Id*. at 15.

[12] *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. G-999/CI-21-565, Reply Comments of Xcel Energy at 6 (Aug. 8, 2025) (hereinafter "Xcel 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. G-999/CI-21-565, Reply Comments of CenterPoint Energy at 7 (Aug. 8, 2025) (hereinafter "CenterPoint Reply Comments") (stating "[t]here is no data to support the claim that there will be stranded natural gas distribution system assets"); *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. G-999/CI-21-565, Reply Comments of LIUNA at 2-3 (Aug. 8, 2025) (hereinafter "LIUNA Reply Comments").

[13] Xcel Reply Comments at 6-7.

1. New gas infrastructure installed today will not be used for its full amortized life;
2. Wealthier customers will depart the gas system by fully electrifying their homes and operations, while lower-income customers continue to use gas as their primary fuel; and
3. Gas rate structures in place today will remain unchanged, leaving customers who remain on the gas system to pay the full costs of that lower-throughput system in much higher volumetric rates.[14]

Xcel notes that "[t]he Company agrees that if all three of those assumptions were borne out—in other words, if utilities and the Commission did nothing over the coming decades to avoid these outcomes—stranded cost issues would likely arise."[15] Xcel goes on to explain why it ostensibly believes these scenarios are not now—nor apparently will ever be—true. CUB disagrees with Xcel's assertions.

As an initial matter, CUB believes that only the first claim need be true, paired with the current long-term method of recovery utilized by utilities, in order for a stranded asset risk to materialize. The second two assertions—while also troubling and likely to exacerbate equity and unaffordability risks associated with stranded assets—are not necessary for a stranded asset risk to arise.

In reality, Minnesota still has a long way to go in terms of understanding the best pathway towards decarbonization, and what tools will be needed to achieve those goals.[16] Yet, Xcel and others' steadfast assertion that there will be no decline in customers connected to the gas system, and therefore no stranded assets, appears to contradict this approach. Even if gas demand does not decrease to the degree CUB anticipates it may, eliminating LEAs now is a critical tool to mitigate risk for gas customers.

In the following sections we address Xcel and other parties' related arguments regarding the above three assumptions, as well as why, irrespective of how the gas system decarbonizes, the risk of these costs resulting in unaffordable rates for customers should still be mitigated by eliminating LEAs.

1. New gas infrastructure installed today will not be used for its full amortized life.

Xcel argues that, because Minnesota's greenhouse gas ("GHG") reduction goals only require that the *aggregate* economy-wide emissions reach *net* zero by 2050, the gas sector will not need to fully decarbonize but instead rely on other sectors reaching greater emissions reductions and utilization of carbon offsets or carbon sequestration for the remaining emissions.[17] Therefore, Xcel makes the leap to suggest that all new gas infrastructure will be used and useful through its full life.[18]

First, CUB continues to appropriately consider Minnesota's net-zero 2050 goal as a goal, not a mandate, and does not suggest that achieving this goal requires gas utilities be 100 percent carbon-free by 2050. We recognize the future result of decarbonization is unknown, and we acknowledge that

[14] *Id*. at 6.
[15] *Id*.
[16] *See* CenterPoint Reply Comments at 9 (noting that "the future will likely combine together many different pathways to meet the state's energy goals").
[17] Xcel Reply Comments at 7.
[18] *Id*.

carbon offsets may play a role in achieving final net-zero emissions. However, the risk of stranded assets exacerbating unaffordability on the gas system does not necessarily rely on whether gas utilities need to fully decarbonize, but rather whether any significant portion of current or future gas utility customers will transition to all-electric and leave the gas system.

Xcel confuses the question by relying on an argument that *some* gas infrastructure *may* continue to be used and useful, rather than examining the inverse that drives stranded asset risk—whether *some* gas infrastructure will *not* continue to be used and useful. Some gas infrastructure installed today may very well be used and useful 40 years from now. But it is because some may not be used and useful decades down the road that stranded assets become a risk. As discussed below, CUB believes there is ample evidence that customers have already begun to look for electrification options that help them leave the gas system and create that opportunity for stranded assets. But the Commission need not find today that assets *will* be stranded—there need only be a reasonable chance that some number of assets become stranded to merit action mitigating the potential risk.

The risk for stranded assets as it relates to continuing LEAs, arises if customers today join the gas system with a subsidy that must be paid back over the next several decades, only to discontinue reliance on gas before the total cost of that line is fully recovered. In our Initial and Reply Comments, CUB provided an extensive discussion of why electrification of homes in Minnesota is 1) supported by current trends in technology and the market;[19] 2) supported by Minnesota's legislative and regulatory policies;[20] 3) cost-effective for many homes already;[21] and 4) needed to some degree to help achieve Minnesota's decarbonization goals, regardless of whether the pathway is all-electric or utilizes alternative low-carbon fuels like renewable natural gas ("RNG").[22] CUB will not repeat these same arguments here, but responds to parties' replies as relevant to these assertions.

(a) Evidence supports future declining gas sales and trends towards electrification.

LIUNA and CenterPoint argue that statistics cited by CUB and others projecting a decline in gas consumption show only a reduction in throughput, which they interpret to mean use per customer, rather than system need.[23] Those parties then argue that the entire gas system, and its connections to every household, must therefore be maintained. Although CUB agrees that the EIA data we cited in Initial Comments shows total consumption and therefore indicates a reduction in throughput, that does not necessarily mean either way that the reduction materializes only through reduced use per customer or through additional complete exits off the gas system. Indeed, the significant level of decline projected through 2050 in the EIA's 2025 Annual Energy Outlook suggests likely both are driving factors.[24] In Reply comments, Fresh Energy and MCEA further examined the EIA data cited in

[19] CUB Initial Comments at 8-10.
[20] *Id*. at 10-11.
[21] CUB Reply Comments at 12-13.
[22] CUB Initial Comments at 12-14.
[23] LIUNA Reply Comments at 2; CenterPoint Reply Comments at 4, 5.
[24] EIA, Annual Energy Outlook 2025, Table: Table 2. Energy Consumption by Sector and Source, Reference Case, United States (last visited July 7, 2025), available at https://www.eia.gov/outlooks/aeo/data/browser/#/?id=2-AEO2025&region=1-0&cases=ref2025&start=2023&end=2050&f=A&linechart=~~~~~~~~~~ref2025-d032025a.6-2-AEO2025.1-0&map=ref2025-d032025a.3-2-AEO2025.1-0&ctype=linechart&sourcekey=0 (showing energy use

our Initial Comments, and found that reviewing a rolling five-year average evidenced even more significant recent decline.[25] In that review, the rate of gas usage increased rapidly until 2014, where growth slowed considerably through 2022. From 2022 through 2024 gas usage not only slowed but appears to decline.

CenterPoint attempts to cite data for the competing proposition that current trends in natural gas usage continue to increase, quoting a Statistica overview stating: "[n]atural gas consumption in the United States amounted to 33.11 trillion cubic feet in 2024. This was a record high, up from 30.6 trillion cubic feet in 2020. Figures increased notably from 2018 onward."[26] CUB notes this data is not Minnesota specific and refers to combined natural gas use across *all sectors* in the United States, including electric generation. That same website also provides statistics for consumption of natural gas delineated by sector, which shows similar findings to the five-year rolling average of Minnesota specific data Fresh Energy and MCEA reviewed—that residential and commercial gas use has *declined* every year since 2022.[27]

Decreases in natural gas usage is not surprising but reflective of the growth of electrification discussed by many parties on this record.[28] CUB also notes a number of public comments filed in this docket by licensed architects and building designers that lend further support to the viability of all-electric homes.[29] One commenter, living and working as a residential building designer in northern Minnesota for the last nearly 30 years, asserts she has not connected a new home to natural gas in more than seven years, and "refuse[s] to design new homes with natural gas because we can build well-insulated new housing powered by super-efficient electric appliances."[30] Another licensed architect explains:

> Advancements in heat pump technology, as well as improvements to code requirements for air sealing and envelope assemblies make gas equipment optional, but no longer necessary in new construction at this time. State funding invested in

for natural gas for residential customers in the United States between 2024 to 2050, with a decline in use beginning in 2028).

[25] *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. G-999/CI-21-565, Reply Comments of the Minnesota Center for Environmental Advocacy and Fresh Energy 6-7 (Aug. 8, 2025) (hereinafter "MCEA/Fresh Energy Reply Comments").

[26] CenterPoint Reply Comments at 5 (*citing* Statista Research Department. Consumption of natural gas in the United States from 1995 to 2024 (July 10, 2025), https://www.statista.com/statistics/184329/energy-consumption-from-natural-gas-in-the-us-from-1995/).

[27] Statista Research Department. Consumption of natural gas in the United States from 2005 to 2024, by sector (June 2025), available at https://www.statista.com/statistics/186656/us-natural-gas-consumption-by-sector-since-2005/.

[28] See *e.g.*, CUB Initial Comments at 10; MCEA/Fresh Energy Initial Comments at 13; *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. G-999/CI-21-565, Reply Comments of Rewiring America at 7 (Aug. 8, 2025) (hereinafter "Rewiring Reply Comments").

[29] *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. G-999/CI-21-565, Public Comment of Peter Schmelzer (Sept. 5, 2024).

[30] *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. G-999/CI-21-565, Public Comment of Rachel Wagner (Sept. 5, 2024).

new homes will go much farther toward resiliency, carbon emissions reduction and life cycle cost savings goals if redirected to support of airtight exterior envelope assemblies and efficient, electric HVAC equipment."[31]

All-electric homes are not only possible in Minnesota—they are being built today.

(b) Decarbonization pathway studies do not require maintaining LEAs.

i. G21 Report

Opponents of LEA elimination also attempt to dispute specific pathways to decarbonization, arguing that some studies showing dual fuel as the least-cost approach mean that the gas system will not only remain as is, but continue to expand and should therefore retain subsidies for extensions.

LIUNA and Xcel in particular take issue with CUB's proposition that the G21 Report[32] findings are consistent with the elimination of LEAs.[33] However, the Department, Fresh Energy, and MCEA highlighted similar conclusions from the G21 report as CUB.[34]

Parties in this proceeding and others,[35] have regularly cited the G21 report for the proposition that dual fuel will be the most cost-effective pathway to decarbonize natural gas use in buildings, then draw from that conclusion the assertion that no changes are needed to the current gas system. As outlined in our Initial Comments, CUB takes issue with several assumptions utilized in the G21 report in terms of the availability and reliance on alternative low-carbon fuels in the dual fuel and high gas scenarios.[36] However, even *if* dual fuel ultimately proves to be the most cost-effective path to decarbonization, the assumption that new customers will continue to be added to the gas utility system is not supported. CUB's Initial Comments sought to highlight the fact that the G21 report assumed that "new buildings are constructed to be all-electric" in the dual fuel or "high electrification with gas backup" scenario.[37]

While CUB agrees that this modeling does not demand any particular policy or outcome for decarbonizing the gas system,[38] we firmly assert that parties who point to the G21 report to support the retention of LEAs must also acknowledge that all new construction was assumed to be all-electric in that modeling.[39]

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[31] *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. G-999/CI-21-565, Public Comment of Simona Fischer (Sept. 5, 2024).

[32] Ctr. For Energy & Env't & Great Plains Inst., Decarbonizing Minnesota's Natural Gas End Uses (July 2021) (hereinafter "G21 Report"), available at https://e21initiative.org/wp-content/uploads/2021/07/Decarbonizing-NG-End-Uses-Stakeholder-Process-Summary.pdf.

[33] LIUNA Reply Comments at 2; Xcel Reply Comments at 6.

[34] Department Initial Comments at 7; MCEA/Fresh Energy Reply Comments at 10-11.

[35] *See, e.g.*, LIUNA Initial Comments at 1-2; *In the Matter of a Commission Investigation into Gas Utility Resource Planning*, Docket No. G008, G002, G011/CI-23-117, Reply Comments of the Center for Energy and Environment at 4-5 (Dec. 21, 2023).

[36] CUB Initial Comments at 12-13.

[37] G21 Report at 26.

[38] LIUNA Reply Comments at 2.

[39] G21 Report at 26.

ii. Illinois Study

In Reply comments, MERC discusses a 2025 Illinois Study (the "Illinois Study")[40] that, like the G21 and Synapse Report[41] do for Minnesota, analyzes potential pathways for decarbonization in Illinois. The Illinois Study was conducted for the American Gas Association ("AGA") and funded entirely by five Illinois' natural gas utilities.[42] The Illinois Study compared several scenarios to a "business-as-usual" base case that reflected continuation of capital investments, O&M expenses, and sales trends from recent years.[43] The scenarios included an "all-electric" pathway and two hybrid electrification and gas approaches—one that utilized RNG and one that did not.[44]

MERC cites the Illinois Study as showing that "a dual-fuel and renewable natural gas ('dual-fuel/RNG') approach is not only the lowest cost approach but also significantly reduces emissions."[45] Specifically, the Illinois study found that the dual-fuel/RNG approach would cost approx. $340 billion, as compared to $1.2 trillion for a full electrification approach.[46]

As an initial matter, CUB notes that this study evaluates decarbonization pathways in Illinois, which may have inherent differences from Minnesota. We believe the G21 and Synapse reports—the latter of which MERC does not comment on—offer more relevant insights to Minnesota as they were designed specifically for the state. But of more significant concern, having briefly reviewed the Illinois Study, CUB believes there are several key elements and assumptions relied on in modeling that suggest the resulting cost analyses are unhelpful in understanding the impact of pathways currently being evaluated in Minnesota and, in particular, unhelpful to support the assertion Minnesota must maintain LEAs.

First, the all-electric scenario was modeled to reduce emissions from the natural gas utility sector in Illinois to zero by 2050—i.e. requiring zero emissions as an outcome regardless of how much it would cost to achieve it.[47] On the other hand, the dual fuel scenario MERC points to as lower-cost—called the "Rate Cap-Moderate RNG" scenario—assumed a 500 percent rate increase cap by 2050, whereby

[40] Peterson, C.R., K.A. McDermott, and R.C. Hemphill, (2025). *Analysis of Potential Pathways to a Clean Energy Future in Illinois*, Prepared for the American Gas Association, Washington, DC (hereinafter "Illinois Report").
[41] Synapse Energy Economics, Inc., *Minnesota Building Decarbonization Analysis* (June 2024), available at https://cubminnesota.org/sites/default/files/downloads/MN-Decarbonization-Report.pdf.
[42] *Id*. ("This work was prepared by the Project Team under an agreement between Concentric Energy Advisors and the American Gas Association. The American Gas Association received funding from Ameren Illinois, MidAmerican Energy Company, North Shore Gas, Peoples Gas, and Nicor Gas Company to cover the cost of preparing this paper.").
[43] *Id*. at 25.
[44] A fourth scenario was also measured that looked at achieving emissions reductions approximately equivalent to the hybrid approaches (scenarios 2 and 3) but based on a decarbonization portfolio proposed by gas utilities in New York. *Id*. at 23.
[45] *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. G-999/CI-21-565, Reply Comments of Minn. Energy Resources Corporation at 2-3 (Aug. 8, 2025) (hereinafter "MERC Reply Comments").
[46] *Id*.
[47] Illinois Report at 32, 53 (actual percent of RNG scenario resulting in approximately 58.33 percent of the CO_2 reductions as compared to the 100 percent clean energy scenario).

decarbonization progress was maximized up to that rate cap but not to exceed it.[48] The dual-fuel/RNG scenario resulted in removal of less than 60 percent of total emissions relative to 100 percent in the all-electric scenario, which was allowed to spend as needed to do so.[49] It appears the Illinois Study did not then analyze additional costs in the Rate Cap-Moderate RNG scenario that would be needed for the purchase of offsets to reach 100 percent. This means the two pathways are looking at inherently very different levels of decarbonization. CUB believes this difference in methodology renders most of the comparisons in cost unhelpful.

Moreover, the all-electric scenario assumes 100 percent decarbonization of every sector, including residential, commercial, and industrial sectors, as well as Transport only customers.[50] Fully electrifying all high-heat processes in the industrial sector would unsurprisingly require exorbitant investments in the electric system and is not a pathway analyzed in either the G21 or Synapse study. In previous dockets, CUB and various other organizations have advocated for prioritizing deployment of alternative low-carbon fuels to the industrial sector (rather than commercial and residential) for this very reason.[51] The incremental costs under the Illinois Study's all-electric scenario for Industrial full electrification by 2050 is $5,437,707 per customer, for about 8,000 customers.[52] For Transport only customers, the incremental costs by 2050 are approximately $1,710,520 per customer, for a total of 283,000 transport customers.[53] These factors impact the overall cost of the all-electric pathway significantly. The Illinois study provides no electrification pathway for just the residential or residential and commercial sector to make such comparison.

Lastly, the Rate Cap-Moderate RNG scenario also includes moderate levels of full electrification.[54] This continues to suggest that there are buildings that will utilize all-electric options and leave the gas system entirely, supporting the concern for stranded asset risk and justifying LEA elimination.

2. Wealthier customers will depart the gas system by fully electrifying their homes and operations, while lower-income customers continue to use gas as their primary fuel.

Xcel argues the second unfounded assumption required to find a stranded asset concern is the proposition that wealthier customers will depart the gas system by fully electrifying their homes, and lower-income customers will be left remaining on the gas system. Xcel concedes that wealthier customers are likely to have more ability to weatherize their homes and install electric heating

[48] *Id*. at 23.
[49] *Id.*
[50] Illinois Report at 33 ("These costs include decarbonization investments for both direct gas sales and select transport customers (roughly $640 billion) and the costs of new electricity sector investments to accommodate the increased electric load from former gas customers (roughly $540 billion)".). According to the study, Illinois' major gas utilities provide natural gas to approximately 282,000 transport customers. *Id.* at 7.
[51] See *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Citizens Utility Board of Minnesota at 3 (Jan. 16, 2024); *In the Matter of the Petition by CenterPoint Energy for Approval of its First Natural Gas Innovation Plan*, Docket No. G-008/M-23- 215, Initial Comments of the Clean Energy Organizations at 5-7 (Jan. 16, 2024).
[52] Illinois Report at 34.
[53] *Id*.
[54] *Id*. at 2.

alternatives.[55] However, because the state and utilities are "actively working to make electric and dual fuel heating systems more accessible to lower-income customers and renters," Xcel argues, there is no basis to assume that Minnesota is falling into an "unmanaged transition" that will result in stranded assets.[56]

CUB agrees with much of Xcel's analysis, excluding its final conclusion. The Commission has been tasked with reviewing gas utility policies in the instant proceeding in order to evaluate changes needed to help meet the state's goals and hopefully in doing so, facilitate a managed transition. As numerous parties on the record have provided evidence for, at least a portion of that transition will require electrification of homes and buildings.[57] CUB sees no evidence proffered that would require the gas system continue to grow to both new construction and customers leaving delivered fuels. Without a crystal ball, it is difficult to understand how Xcel can be so certain that there is no risk of stranded assets when line extensions installed today will still need to be recovered 30-40 years down the road.

3. Gas rate structures in place today will remain unchanged, leaving customers who remain on the gas system to pay the full costs of that lower-throughput system in much higher volumetric rates.

The last assumption Xcel takes issue with is that current gas rate structures will remain unchanged and therefore result in unaffordable, high rates for a customer base who must cover the cost of the system. In particular, Xcel emphasizes that there is "sufficient time to adjust rates as needed" and notes that the Commission has already indicated interest in evaluating rate design as another Future of Gas docket discussion.[58] Xcel explains:

> That process—rather than the current comment period limited to line extension allowances—would be the appropriate venue for a robust discussion on how Minnesota might adjust its current rate structures to maintain affordable and equitable service, as well as avoid stranded costs borne by gas customers.[59]

First, CUB wholly disagrees with the premise that the potential for stranded assets is only present in the case that current gas rate structures remain in place. This assertion appears to assume that shifting costs across ratepayers can act as a replacement mitigation measure for otherwise avoiding those costs altogether. The reality is, if costs balloon to be too expensive by allowing unneeded investments to be added to rate base, no amount of rate redesigning will resolve this problem. While we agree changes to rate structures can help play a crucial role in mitigating cost concerns and should be fully explored as we advance in the transition, it is not the sole solution to a "managed transition."

[55] Xcel Reply Comments at 7.
[56] *Id*.
[57] *See* CUB Initial Comments 12-13; MCEA/Fresh Energy Reply Comments at 3-4; Department Initial Comments at 7-9; Rewiring Reply Comments at 4-9.
[58] Xcel Reply Comments at 7.
[59] *Id*.

Xcel's argument is reminiscent of arguments made by utilities and other commenters that have pushed against decarbonization of the gas system in other dockets. Continuing to kick the can to the next docket, in particular on issues of equity, is not a prudent approach. Minnesota and the Commission will need to continue to evaluate these questions in likely every conversation regarding decarbonization of a system as extensive—and expensive—as the gas system. And we should be ready to deploy every tool available to mitigate what will likely be even greater costs needed to make this transition.

4. Irrespective of exactly how Minnesota's future gas systems decarbonize, the risk of these costs resulting in unaffordable rates for customers can and should be mitigated.

Finally, although CUB argues the above assertions are likely to materialize or have already begun to, regardless of whether other parties are skeptical of these outcomes, a risk to customers still exists and should be mitigated in the face of an uncertain future. CUB and parties supporting LEA elimination seek to shift potential risk away from all gas customers, while parties opposing LEA elimination—and arguing there is no potential for a stranded asset—appear to be comfortable with existing customers continuing to bear that risk.

CUB does not necessarily argue here that every residential customer in Minnesota will be living in an all-electric home by 2050. We do not yet know where policy changes and technology developments will take us in the coming decades. But the fact is all-electric homes are being built today and are becoming more cost-effective for more households each year.[60] Technology for electric heating options continue to advance to become more energy efficient and function at lower temperatures. To continue the same past capital investment trajectories in this current reality is irresponsible.

B. <u>The Commission should eliminate LEAs in the instant proceeding, rather than continue to evaluate them on an ongoing basis.</u>

CUB appreciates comments from the OAG that highlight concerns with current gas utility line extension cost justifications. The OAG provides a detailed critique of utilities' models and asserts that, at minimum, immediate changes are needed to utility LEPs in order to accurately reflect the *actual* economic impact to existing customers.[61] Similar to findings by Fresh Energy and MCEA, the OAG generally concludes that utility LEAs are overestimating benefits to existing customers and underestimating costs the new customer brings to the system.[62] Although the OAG notes that implementation of changes necessary to make the models accurate could result in allowances so short it is appropriate to eliminate them entirely, the OAG does not at this time recommend elimination based on the economic analysis alone.[63] Rather, the OAG recommends that utilities

[60] MCEA/Fresh Energy Reply Comments at 4; see also *113-year-old St. Paul House Goes All-Electric*, Clean Energy Resource Teams (Dec. 2023), available at https://www.cleanenergyresourceteams.org/story/113-year-old-st-paul-house-goes-all-electric; Hillcrest Village, Schmidt Homes (last visited Aug. 28, 2025), available at https://schmidthomes.com/hillcrest.
[61] OAG Initial Comments at 25-32.
[62] *Id*. at 25.
[63] *Id.* at 37 fn. 114.

update their respective tariffs now and periodically revisit allowances in future proceedings for potential elimination. The OAG feels it necessary to go through a cost-based exercise for each utility before making a final determination to eliminate LEAs.[64] As CUB expressed in Reply Comments,[65] we believe the instant proceeding is the most appropriate venue for a decision eliminating line extension allowances across all regulated gas utilities.

Both the Javelina Energy Report[66] submitted by Fresh Energy and MCEA, and the OAG's analysis in this record found a number of concerning assumptions across utility LEPs that result in costs to existing customers being underestimated, while the benefits to existing customers are overestimated.[67] To correct these discrepancies, each utility LEP would need to incorporate new, accurate assumptions that will result in calculating a new length for economically justifiable LEAs. The Javelina Energy Report looked at Xcel's extension policy to illustrate the length of LEAs these changes would result in. Javelina Energy found that, to avoid unfair costs shifting to existing customers, Xcel's free-footage allowance would need to be reduced to 9.6 feet for service lines and 10.2 feet for mains.[68]

First, if accurate assumptions result in utility line extension allowances as short as 10 feet, CUB questions the reasonableness of implementing the policy for such minimal length. These policies take time to administer and are regularly reviewed in rate case proceedings; such minimal allowances do not seem justifiable. When critical health and environmental impacts of expanding the gas system are also taken into account, the rationale to eliminate LEAs in their entirety is strong.

CUB highlights the Oregon Public Utilities Commission's ("Oregon PUC") proceeding and decision to phase out line extension allowances, where the Oregon PUC followed a path similar to that proposed by the OAG.[69] In a preliminary decision, the Oregon PUC required the gas utility, NW Natural, to modify its allowances with updated assumptions and costs that more accurately captured costs to existing customers, as well as integrated appropriate values to account for future prices and availability of decarbonized fuels.[70] After extensive work by the Commission, utility and engaged stakeholders to review the new calculations, the Oregon PUC found that benefits to existing customers did not materialize sufficiently to warrant maintaining LEAs:

> While we find NW Natural's modeling exercise responsive to our direction, upon evaluating parties' perspectives on the model's inputs and assumptions, we find that

[64] OAG Reply Comments at 12 fn. 37.
[65] CUB Reply Comments at 3-4.
[66] *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. G-999/CI-21-565, Initial Comments of the Minnesota Center for Environmental Advocacy and Fresh Energy, Attachment A (July 8, 2025) (hereinafter "Javelina Energy Report").
[67] See CUB Reply Comments at 5-9.
[68] MCEA/Fresh Energy Initial Comments at 11.
[69] Department Initial Comments, Attachment 4 (including Orders from the Oregon PUC eliminating line extension allowances for NW Natural).
[70] *Id*. at 135.

> the benefits to existing customers erode quickly when alternative inputs and assumptions are tested.[71]

Notably, in Reply comments several utilities corrected or provided new data regarding updated costs and assumptions used in their cost justification analysis.[72] For example, Xcel provides an extensive list of "clarifications" regarding which costs are included in its LEA justification.[73] Xcel also submitted revised responses to supplement initial data responsive to Fresh Energy and MCEA in information requests.[74] CUB understands that there are many moving pieces involved in these models and that such back-and-forth clarifications may be needed. However, this lack of clarity exemplifies the issues of transparency and certainty behind utility LEPs. In addition to the various trade secret components of these models, as well as the fact that some utilities do not maintain records for certain costs,[75] it is difficult for stakeholders to accurately gauge the economic benefit or cost of current (or future) line extension allowances on customers. These exercises for review are critical for ongoing policies, but take time and resources and often still result in disagreement among parties over baseline assumptions used.

Finally, beyond looking solely at costs, the Commission should give appropriate weight to the health and climate implications of incentivizing gas expansion. CUB will not repeat the lengthy and comprehensive analysis provided by other commenters in this proceeding regarding the significant impacts natural gas use has on human health and Minnesota's environment. Parties with expertise in the area including Health Professionals for a Healthy Climate ("HPHC"), the American Lung Association, and other doctors and health care professionals have described how the chemicals released from burning natural gas in the home—even from activities as simple as cooking with a gas stove—can exacerbate existing health conditions and lead to development of chronic or sometimes terminal illnesses that impact quality of life.[76] The documented disproportionate impacts on children, seniors, low-income, and BIPOC communities further solidify the need to take action.[77] For all of these reasons, CUB urges the Commission to eliminate LEAs now.

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[71] *Id*.
[72] See, e.g., MERC Reply Comments at 14; Xcel Reply Comments at 11-12.
[73] Xcel Reply Comments at 11-12.
[74] *Id*. ("[T]he Company clarifies that we include meter costs in our cost justification analysis, as noted in our revised response to Fresh Energy's IR 2, as provide in Attachment B.").
[75] For example, MERC notes the company does not maintain records for meters of installations for new customers at the class level and therefore is not able to produce the actual historic cost of meters to customers. CUB Initial Comments, Attachment B.
[76] See *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. G-999/CI-21-565, Initial Comments of American Lung Association (July 8, 2025) (hereinafter "ALA Initial 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. G-999/CI-21-565, Initial Comments of Comunidades Organizando el Poder y la Acción Latina, Ayada Leads, Health Professional for a Healthy Climate and Dr. Curtis Nordgaard (July 8, 2025) (hereinafter "COPAL Initial Comments").
[77] COPAL Initial Comments at 7; ALA Initial Comments at 1-2; MN350 Initial Comments at 1-2; MWBDC Initial Comments at 3.

C. The Commission should request a working group develop benchmarks for gas utility decarbonization.

As a next step following a decision on line extension policies, CUB recommends the Commission request the ongoing Gas Utility Innovation Roundtable, convened by the Great Plains Institute ("GPI"), develop benchmarks for gas utility decarbonization through 2050. We appreciate support from the OAG in agreeing to participation in such a stakeholder process should the Commission adopt this recommendation.[78]

As CUB explained in our Initial Comments, Minnesota statute establishes an *economy-wide* net zero goal by 2050, including 30 percent GHG emissions reductions by 2025 and 50 percent GHG emissions reductions by 2030, compared to 2005 levels.[79] Yet the gas utility sector will almost surely need to decarbonize at a slower pace compared to those interim goals. To inform its future consideration of "regulatory and policy structures needed to meet or exceed Minnesota's greenhouse gas ('GHG') emissions reduction goals" in this docket, and to evaluate coming gas integrated resource plans, it would be helpful for the Commission to have some measure of the pace at which the gas utilities must decarbonize in order to support achievement of net zero by 2050.

CUB continues to believe that this complex question would benefit from stakeholder input and additional modeling, building on the analyses conducted in the G21 and Synapse studies. For this reason, CUB continues to recommend the Commission request that the Gas Utility Innovation Roundtable consider what decarbonization benchmarks the gas utility sector must meet in order to enable the state to reach its statutory net zero goal, and that GPI report on its process and conclusions to the Commission. We have spoken with GPI and understand they are amenable to this request.

III. CONCLUSION

The old approach, "if it isn't broken, don't fix it" only works when things are not broken. We know that natural gas not only harms the environment, which in turn harms Minnesotans and our economy, but also impacts human heath with a disproportionate burden falling on children, seniors, low-income and BIPOC communities. That the natural gas system has played a critical role for Minnesota in the past does not mean we cannot recognize the problems it is now known to pose. Changes need to be made to the current natural gas system to benefit all Minnesotans.

Revising gas utility LEPs to require new customers pay the costs of expanding the system is a decision that will mitigate future risks for already energy burdened customers. Elimination of those subsidies is consistent with state policy, market trends, previous Commission decisions, and the public interest. We recommend the Commission act now and require all regulated gas utilities eliminate line extension allowances.

[78] OAG Reply Comments at 12-13.
[79] Minn. Stat. § 216H.02, subd. 1(a).

Sincerely,

September 9, 2025

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