

**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 No. G999/CI-21-565

LIUNA Minnesota and North Dakota (“LIUNA”) thanks the Minnesota Public Utilities Commission (“Commission”) for the opportunity to offer supplemental replies to comments filed by other parties regarding potential changes to policies governing cost allocation for gas utility line extensions.

LIUNA welcomes the Commission’s decision to allow for a full discussion of Line Extension Allowances (LEAs). As the Commission is aware, we and International Union of Operating Engineers Local 49 strongly objected to efforts by Fresh Energy and Minnesota Center for Environmental Advocacy to use the rate case process to secure policy changes driven by environmental priorities, often through confidential settlement discussions that did not include all of the potentially interested parties.

While we recognized that LEAs operate as part of tariffs whose mechanics are relevant to the ratemaking process, we believed that the broader policy question would be better served by an open discussion in the Future of Gas docket with opportunities for participation from a broad range of stakeholders. This proceeding has made clear that labor unions and utilities are not the only parties that care deeply about the health and future of our gas system.

In this docket, cities from across Greater Minnesota have joined organizations representing agricultural business, farmers, grocers, single and multifamily housing developers, along with additional unions, to share with the Commission their strong support for the gas utility system and opposition to proposals to do away with LEAs. The docket has also provided an opportunity to test assumptions that underlay efforts to restrict the use of LEAs in rate cases.

In general the perspectives expressed in initial and reply comments come in three main flavors. One set of parties, including but not limited to the Citizens Utility Board (“CUB”), CURE, the Department of Commerce (“DoC”), Fresh Energy and the Minnesota Center for Environmental Advocacy (“FE/MCEA”), Rewiring America (“RA”) advocate for either a full or partial elimination of LEAs, arguing that extension of new gas service is incompatible with a future in which gas utilities will (or must) shrink if not disappear entirely, and that forcing new customers to pay the front-end cost of new connections will accelerate that process by causing them to choose full electrification.

A second set of parties, including but not limited to Coalition of Greater Minnesota Cities (“CGMC”), Housing First, IBEW, LIUNA, Local 49, Minnesota Multi-Housing Association

("MHA), Minnesota Biofuels Association, Minnesota Corn Growers Association and the Minnesota Farm Bureau Federation ("MBA/MCGA/MFB"), and Minnesota's regulated gas utilities argues that gas utilities provide a critical source of affordable, reliable energy that complements and cannot easily be replaced by the electric system, in addition to programs and rate protections that are unavailable to customers of delivered fuels, and that the extension of service benefits both new and existing customers. These parties further contend that the gas utility system plays a key role in economic development and creation of family-supporting jobs, and that a robust gas system has an important role to play in climate progress for the foreseeable future.

A third set of parties, including Center for Energy and Environment ("CEE") and the Office of the Attorney General ("OAG") have focused less on whether utilities should or should not offer LEAs, and more on how they are used, with CEE focused on updating the policy framework for consideration of LEAs and other ways gas utilities can help to accelerate decarbonization, and OAG focusing on the mechanics of LEA programs to ensure that they are calculated to benefit rather than burden current customers within a reasonable timeframe.

We generally believe that current use of LEAs delivers substantial benefits to current and future gas utility customers and to local communities (including union workers), and that extension of gas service makes our energy system more just, resilient and capable of achieving decarbonization without sacrificing affordability or reliability. If any change is made to LEAs, we believe that this record supports *more* generous approach that takes into account the many benefits of regulated gas service, especially for customers that would otherwise depend on delivered fuels.

However, we appreciate the efforts of CEE to point us in the right direction, and believe that the work of the OAG can help to ensure that each utility's tariff provides adequate protection to current customers. Where we disagree strongly is efforts by the parties that advocate for full or partial elimination of LEAs to use utility policy to pressure customers into a different set of energy choices. These parties appear to believe that the builders and buyers of new homes, and owners of existing homes that rely on delivered fuels or wood heat, are simply not moving quickly enough toward full electrification. In order to hurry the process along, these parties suggest that the Commission give recalcitrant homebuilders and homeowners a friendly shove, in the form of a penalty that could amount to several thousands of dollars each,¹ for the privilege of connecting to rate-regulated natural gas service.

To be sure, the parties pushing to end use of LEAs would not admit that their proposed remedy is explicitly designed to penalize new gas utility customers. Instead, they argue that the proposed elimination of LEAs is, at worst, a corrective to a practice that they say unfairly subsidizes new connections at the expense of current customers; and at best, a benefit to households that could be rescued from reliance on a gas system they claim is archaic, unnecessary, and ultimately harmful to customers.

¹ If comments filed by Fresh Energy and Minnesota Center for Environmental Advocacy are to be believed, the penalty could amount to more than \$11,000, but that estimate appears to be plagued with methodological errors. ADD NOTE

The first of these claims fundamentally misrepresents LEAs, which are intended to provide a net economic benefit to both new and current customers by capping the maximum allowance at break-even levels for the system as a whole. Whether existing LEAs are properly calibrated is a fair question, but not one that opponents of the practice care to answer, in as much as their proposed solution is not to adjust the math, but to end the practice, whether just for new homes or across the board. If ending LEAs ends up increasing costs for current customers as well as new customers, the thinking seems to be so much the better, as long as rising costs push them toward home electrification.

The second claim is rooted in wishful thinking and paternalistic attitudes toward customers, who are assumed to be incapable of recognizing the true costs and risks of gas service compared to alternatives. Parties that seek to end the use of LEAs assert that better, cost-effective options are *already* available to new homebuilders and homebuyers, and to homeowners that rely on delivered fuels. If homebuilders, homeowners and renters fail to recognize that cheaper and cleaner energy solutions are at their fingertips, it must be because they are being lured by the availability of affordable gas connections, and not because alternatives are costly and bring their own risks.

This paternalistic approach is conveyed clearly by organizations like CURE and RA, but it is implicit in all of the arguments suggesting that potential new customers would actually be better off if they knew utilities would charge them more for gas service. Ironically, CURE's comments begin with a remarkably concise summary of the case for LEAs.

Thus far, free allowances have economically made sense. Utilities benefited from adding more paying customers, new customers benefited from getting a new line extension without having to pay for the large upfront costs, and existing customers benefited from sharing the overall system costs with more people which, in the long run, meant individual customers paid less.²

CURE's subsequent comments, however, underscore the organization's paternalistic view of the very rural Minnesotans the organization claims as its constituency by asserting that providing Minnesotans the *option* of affordable gas interconnections is tantamount to "locking them into a system which has the danger of significant accidents, does not fully meet their needs, and is entirely dependent on the availability of a single commodity."³ RA exhibits similarly little confidence in energy-burdened residents to make their own decisions, suggesting that offering gas service to low-income and rural communities "entrenches inequities by locking residents into aging, polluting systems and exposing them to rising costs."⁴

The arguments that follow are often a hodge-podge invoking commodity risks along with alleged but poorly-substantiated health and safety risks, but at no point does CURE or RA or any other party explain why potential future customers are incapable of

² CURE Reply, P. 2

³ CURE Reply, P. 8

⁴ RA Reply, P. 16

evaluating these risks themselves, nor does any party (including CUB, DoC or FE/MCEA) provide any evidence or analysis to show what elimination of LEAs would actually do to advance their electrification goals. No evidence is provided to show that LEAs are driving consumer choices, and even worse, no evidence or consideration is provided to address the possibility that removal of LEAs could push consumers in the exact opposite direction – forcing them to spend money on a gas hookup that might have paid for better insulation or more efficient appliances.

CURE’s comments provide a helpful window into the degree to which efforts to demonize the gas system “for climate” have created a deeply distorted picture of the risks associated with various energy options. For example, CURE asserts that natural gas infrastructure is inherently hazardous, blaming gas infrastructure for 257 deaths nationwide and four in Minnesota since 2005 according to the Pipeline and Hazardous Materials Safety Administration (“PHMSA”).⁵ Based on this data, CURE proclaims that, “[t]he data shows that the natural gas system fails, and that when it does there is often catastrophic damage.”⁶

Yet a cursory Google search suggests that the death toll associated with the electric system CURE posits as a solution is *an order of magnitude higher* than that associated with the gas system. For example, a review published by the National Library of Medicine reports that high-voltage electricity is responsible for approximately 400 U.S. deaths *per year*. Meanwhile in Minnesota, four times more *workers* (16) died from electrocution in the past *six years* than the number of *all people* who died from natural gas accidents according to CURE in the last *20 years*.⁷ ⁸ And while Minnesota data were not readily available for batteries, a technology favored by CURE, the National Fire Protection Association reports that, since 2022, New York City “has experienced more than 800 fires sparked by lithium-ion batteries, leading to 30 deaths and more than 400 injuries.”⁹ If protecting Minnesotans from safety risks associated with our (actually very safe) utilities were the priority, it is clear that switching from gas to electric would not help.

We also disagree with efforts by opponents of LEAs to ground their demand for changes that would hurt new and current customers in the claim that it amounts to following the law. While nearly all opponents of LEAs attempt to refashion a the state’s goal of achieving a net-zero economy by 2050 as a legal mandate, albeit one that only seems to apply to energy utilities since there is no suggestion that propane distributors, car dealers, farmers, or Minnesotans with wood-burning stoves are subject to any similar mandate. RA even goes as far as to claim that, “State law requires achieving net-zero emissions across the economy by 2050”,¹⁰ as if the net-zero goal were the legal equivalent of the state’s mandatory carbon-free standard for electric utilities.

⁵ CURE Reply, P. 6

⁶ Ibid.

⁷ <https://www.dli.mn.gov/business/workplace-safety-and-health/mnosha-compliance-fatalities-investigated>

⁸ <https://finance-commerce.com/2021/03/state-officials-investigating-worker-death/>

⁹ <https://www.nfpa.org/news-blogs-and-articles/nfpa-journal/2025/08/08/lithium-ion-battery-fires-fdny>

¹⁰ RA Reply, P. 4

Yet Minnesota’s legislature has set many aspirational, non-binding goals that must be balanced by decision-makers with real mandates as well as competing policy goals and priorities. Minnesota’s goal under 216C.05 to maintain industrial electric rates that are five percent below the national average is a case in point.¹¹ Despite efforts by advocates of lower industrial rates to reframe this goal as a legal requirement,¹² the Commission has consistently and wisely recognized that equally important priorities such as reliability, affordability for other rate classes, and compliance with the Carbon Free Standard, cannot be sacrificed simply because the legislature said it would be nice for Minnesota to have lower industrial rates than the rest of the country. The same is true for the state’s net-zero goal.

Opponents of LEAs attempt to use passage of the Natural Gas Innovation Act (“NGIA”) to argue that the legislature has implicitly directed the Commission to end LEAs and move toward winding down gas utilities. Nothing could be further from the truth. The language of NGIA, which LIUNA worked closely with CenterPoint Energy and Fresh Energy to pass, does not suggest in any way that the gas system should be constrained or reduced in size, let alone dismantled.

Instead, NGIA focuses on reducing throughput of geologic gas, and gives the Commission a framework for approving utility investments in a wide range of innovative programs and technologies with the potential to reduce greenhouse gas emissions and/or the aforementioned throughput. Importantly, the legislature signaled its expectation that the gas system would likely continue to operate for decades to come by requiring that at least half of all investments in the initial round of plans support fuel-based pilots such as production and use of renewable natural gas (“RNG”). This is a nuance that RA appears to have missed in its analysis, which faults CenterPoint for investing too much in hydrogen and RNG, seemingly unaware that the balance of fuel and non-fuel pilots is the result of a legislative mandate and clearly reflects legislative intent to explore all options.

In our view, CEE and the OAG suggest analytical approaches that are more consistent with the direction the legislature has given the Commission, including NGIA along with the broader framework for determining whether rates are just and reasonable. We particularly appreciate CEE’s very helpful explanation of the Quebec model, which is highly consistent with the findings of the G21 report on the economic benefits of a dual-fuel approach, and which provides an example of what such an approach could look like in practice. The Quebec model has the potential to put the question of line extensions in an entirely different light, in as much as relieving electric utilities of winter peak load has clear economic benefits to ratepayers which can also help speed the pace of electrification by keeping electricity affordable.

We agree with the Office of the Attorney General (“OAG”) that the models used to evaluate LEA and Contributions In Aid of Construction (CIAC) should comprehensively incorporate relevant costs, and should use inputs that are realistic and reasonably

¹¹ 216C.05(Subd.2)(4)

¹² See for example:

<https://minnesotareformer.com/2025/04/30/price-relief-through-competition-ending-minnesotas-transmission-monopoly/>

up-to-date. We also agree with OAG, and differ with Fresh Energy, MCEA and Mr. Twite, that these analyses should focus on hard costs that are analyzed using existing approved depreciation schedules, rather than evaluating line extensions using a new and highly-speculative framework with notional depreciation schedules and regulatory and externality cost inputs.¹³ As OAG correctly observes it would be “too difficult to determine an accurate estimate of future statutory compliance costs”,¹⁴ and that externalities are better suited for qualitative consideration by the Commission than as a model input. We also appreciate OAG’s recognition that there are “qualitative benefits of providing public utility gas service to new customers” which are likewise not captured by the model, but important for the Commission to consider.¹⁵ We believe that the considerations put forward by the OAG can already be considered in rate cases without turning such rate cases into a forum for policy discussion.

Unfortunately, there is no evidence in or outside the record which demonstrates that LEAs are driving consumer choices. Nor is there evidence that removing LEAs is more likely to push consumers toward highly-efficient, fully-electrified homes than in the opposite direction – spending less on energy-efficient appliances and insulation to cover the extra cost of gas service.

We generally agree with comments and reply comments filed by CenterPoint, Xcel Energy, Minnesota Energy Resources Corporation (“MERC”), and Great Plains Natural Gas (“Great Plains”) which support continued use of LEAs and help to dispel numerous misconceptions about how they operate. We particularly appreciate the clarifications and corrections Xcel provides to Mr. Twite’s analysis, which was filed as an attachment to comments from Fresh Energy and MCEA. With these corrections, the dispute over Xcel’s model boils down to philosophical disagreements about the future of the gas system and how the environmental and social impacts of gas utility service should be evaluated. In this respect, we agree with both the utilities and OAG that such considerations are more appropriate for qualitative deliberation by the Commission than an arbitrary effort at quantification through an LEA model.

We strongly agree with Xcel’s observation that elimination of LEAs will directly harm low-income and energy-burdened communities that are already struggling to afford their bills by adding thousands of dollars in up-front costs for new gas customers, while also potentially pushing up costs for existing customers who would have benefited from cost-sharing with potential new customers.¹⁶ We also agree that low-income customers who cannot afford heat pumps should not disproportionately bear the burden of

¹³ OAG Reply P. 6

¹⁴ Ibid.

¹⁵ Ibid. P. 4

¹⁶ Xcel Reply, P. 16

financing a gas system that serves higher-income dual-fuel households, but that this a problem that should be addressed through broader look at options including adjustments to rate design and creative solutions like that used in Quebec, not by further burdening low-income customers today.

There are potential solutions being developed to these challenges, particularly for new construction – solutions actively being discussed in the Energy Conservation & Optimization (ECO) portfolio, NGIA plans, and likely to be discussed in the forthcoming “Stakeholder Process for Affordable and Equitable Service” in the present docket. Those dockets are the appropriate place for a holistic discussion of how to keep heating energy affordable, improve access to electrification for customers who want it, ensure gas service remains available to those who want it, and avoid stranded costs. To attempt to shortcut that holistic discussion by simply eliminating gas line extension allowances seems like an overly blunt approach, and one that is likely in the near term to increase rather than decrease energy burden and energy insecurity for low-income customers wanting natural gas service.¹⁷

We also appreciate the reply comments filed by Great Plains, which show that the addition of new customers can provide opportunities to make investments that improve services, to share the cost of necessary improvements, and to avoid costs associated with future system upgrades. They provide a helpful reminder of the complexity of the system and the value of having the broadest possible customer base to support cost-effective planning and investment. Great Plains also observes that extension of gas service is closely tied to economic development, especially in rural areas with agricultural opportunities that often rely on natural gas as a key input.

In conclusion, we urge the Commission to continue allowing gas utilities to offer LEAs under a framework that protects existing customers while maximizing opportunities to offer affordable, reliable energy, rate protections and opportunities to participate in programs like ECO. If the Commission were to adopt proposals to end use of LEAs across the board or for new homes, we fear that it would not only unfairly punish communities and households not already connected to the gas system, but also backfire by negatively impacting progress toward climate goals.

While opponents of LEAs assume that charging each new customer several thousand additional dollars will push them into a brave new world of home electrification, it could just as easily push them in the other direction by encouraging them to cut back on measures that could have increased efficiency and decreased emissions. Further, if initially successful in its stated goal of accelerating full electrification, elimination of LEAs could backfire again by driving up the cost of the electricity thereby slowing progress toward Minnesota’s net-zero goals not only in building heat but in other sectors like transportation that are counting on beneficial electrification.

Thank you for your consideration.

¹⁷ Xcel Reply P. 15

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