



**JULY 8, 2025**

Honorable Executive Secretary Will Seuffert  
Consumer Affairs Office  
Minnesota Public Utilities Commission  
121 7th Place East, Suite 350  
St. Paul MN 55101

**Docket G999/CI-21-565** - In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals

**RE: Initial Comments of the American Council for an Energy-Efficient Economy (ACEEE)**

Dear Executive Secretary Seuffert,

Please accept the following comments and responses pursuant to the May 5, 2025 Notice of Comment Period in Docket G999/CI-21-565. These initial comments are submitted on behalf of the American Council for an Energy-Efficient Economy (ACEEE), a non-profit research, education and advocacy organization that has been active on energy efficiency issues since the 1980s. ACEEE encourages the Commission to lower energy costs and improve energy efficiency in the state by ending ratepayer subsidization of gas line extensions. Households can still choose whatever heating solution makes sense to them, but other ratepayers would no longer be subsidizing decisions that are contrary to Minnesota's energy affordability and climate protection goals.

Variable speed cold climate heat pumps are the most efficient heating and cooling technology available today.<sup>1</sup> A fully electric and well-insulated home using such a heat pump can deliver the lowest operating costs for keeping a Minnesota family safe and comfortable year-round. A recent ACEEE report looked at Minnesota and found:<sup>2</sup>

“After whole-home electrification and building envelope improvements, average energy bills decrease from \$2,680 with natural gas heat to \$2,591 under the winter discount time of use (TOU) rate. If the utility offered a winter discount demand-based rate, annual energy bills could drop further, to an average of \$2,576. With only heat pump and insulation (no additional electrification), energy bills of homes under a winter discount demand-based rate are still similar to those of natural gas-heated homes (\$2,719/year).”

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<sup>1</sup> ENERGY STAR-designated cold climate heat pump specifications require that the coefficient of performance at 5 degrees F be at least 1.75, in comparison to electric resistance with a COP of 1 or even less for gas furnaces.

[https://www.energystar.gov/sites/default/files/2025-](https://www.energystar.gov/sites/default/files/2025-04/ENERGY%20STAR%20Version%206.2%20Heat%20Pump%20Specification%20Rev.%20March%202025.pdf)

[04/ENERGY%20STAR%20Version%206.2%20Heat%20Pump%20Specification%20Rev.%20March%202025.pdf](https://www.energystar.gov/sites/default/files/2025-04/ENERGY%20STAR%20Version%206.2%20Heat%20Pump%20Specification%20Rev.%20March%202025.pdf)

<sup>2</sup> ACEEE, Updated Home Electrification Cost Analysis Shows Need for Appropriate Winter Rates, April 2025,

<https://www.aceee.org/blog-post/2025/04/updated-home-electrification-cost-analysis-shows-need-appropriate-winter-rates>

Updated Results

Table 1. Average annual energy bills in Minnesota under different simulated conditions

| Average annual bills, Minnesota  |                      |              |              |
|--|----------------------|--------------|--------------|
| Upgrade and bill type  | Original fuel source |              |              |
|  | Natural gas          | Fuel oil     | Propane      |
| Baseline, flat rate billing  | \$2,680              | \$5,987      | \$4,717      |
| Baseline, TOU billing  | \$2,725              | \$6,035      | \$4,773      |
| Baseline, demand charge  | \$2,715              | \$6,038      | \$4,769      |
| After heat pump install, flat rate billing with winter discount for electrically heated homes                | \$2,934              | \$3,579      | \$3,312      |
| After heat pump install, TOU billing with winter discount for electrically heated homes                      | \$2,900              | \$3,530      | \$3,278      |
| After heat pump install, demand charge with winter discount for electrically heated homes                    | \$2,875              | \$3,492      | \$3,247      |
| After heat pump and insulation install, flat rate billing with winter discount for electrically heated homes | \$2,769              | \$3,299      | \$3,135      |
| After heat pump and insulation install, TOU billing with winter discount for electrically heated homes       | \$2,741              | \$3,261      | \$3,106      |
| After heat pump and insulation install, demand charge with winter discount for electrically heated homes     | \$2,719              | \$3,230      | \$3,080      |
| After full electrification, flat rate billing with winter discount for electrically heated homes             | \$2,615              | Not analyzed | Not analyzed |
| After full electrification, TOU billing with winter discount for electrically heated homes                   | \$2,591              | Not analyzed | Not analyzed |
| After full electrification, demand charge with winter discount for electrically heated homes                 | \$2,576              | Not analyzed | Not analyzed |

Note: Rates (available in Appendix A) are from one utility serving the majority of the state. Color-coding indicates the difference in annual energy bills from pre- to post-electrification. Red = increase; yellow = little or

Minnesota’s existing line extension policy – like those of many other states - was predicated on the assumption that existing ratepayers benefited from additional customers being added to the gas system. That assumption is reversed when the gas system is and needs to be shrinking, and costs per customer are rapidly increasing. As that latter scenario unfolds, utility regulators in other states have recognized that the most cost-effective approach for delivering energy to homes and businesses becomes strategic electrification and retirement of aging, outdated gas pipeline infrastructure.<sup>3</sup> Adding new gas infrastructure is thus counter-productive for ratepayers, leading to escalating costs and stranded assets that will have to be accounted and paid for. That timeline is likely far sooner than that contemplated by the Minnesota Energy Resource Corporation’s Line Extension Policy Study referenced in the request for comments, which assumed a 48-year asset lifetime. That study also ignored the expenditures for non-pipeline alternatives that ratepayers may have to make to strategically retire portions of the gas system.<sup>4</sup> Every new gas connection makes it more expensive for ratepayers who remain on the system, not less. It makes little sense for other gas ratepayers to subsidize adding new infrastructure that will ultimately raise their costs. Ending ratepayer subsidies for gas connections is thus a very simple step that provides some marginal encouragement for the most efficient and cost-effective choices for Minnesota households.

<sup>3</sup> Massachusetts Department of Public Utilities, Order 20-80, <https://www.mass.gov/news/departments-of-public-utilities-issues-order-20-80>

<sup>4</sup> LBNL, Non-Pipeline Alternatives: A Regulatory Framework and Case Study of Colorado, [https://eta-publications.lbl.gov/sites/default/files/non-pipeline\\_alternatives\\_to\\_natural\\_gas\\_utility\\_infrastructure\\_2\\_final.pdf](https://eta-publications.lbl.gov/sites/default/files/non-pipeline_alternatives_to_natural_gas_utility_infrastructure_2_final.pdf)

Utility regulators and other decision-makers and stakeholders have recognized the benefits of ending gas line extension subsidies in half a dozen states. On June 13<sup>th</sup> of this year the Maryland Public Service Commission ordered an end to gas line extension subsidies as the first significant action in their own proceeding on the gas transition.<sup>5</sup> Just three days later the New York legislature passed a bill to do the same thing. California, Colorado, Oregon, and Washington have already eliminated gas line extension allowances for most customers. Some of those states have created processes by which utilities can apply for an exception to the policy. There are certainly other steps that the Commission should consider as part of this docket, including developing requirements for non-pipeline alternative analyses and investments, but ending ratepayer subsidies for new gas line connections is a straightforward initial action that would provide significant benefits for Minnesota ratepayers through lower costs and greater energy efficiency.

Sincerely,

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<sup>5</sup> Public Service Commission of Maryland, Order No. 91683,  
[https://opc.maryland.gov/Portals/0/Files/Publications/Others/2025061314347\\_Order\\_StakeholderProposals\\_970..pdf?ver=NWO3vO3rXsWrlZamUnDtbA==](https://opc.maryland.gov/Portals/0/Files/Publications/Others/2025061314347_Order_StakeholderProposals_970..pdf?ver=NWO3vO3rXsWrlZamUnDtbA==)