

**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

**Reply Comments of the Citizens Utility Board of Minnesota**

The Citizens Utility Board of Minnesota (“CUB”) respectfully submits these Reply Comments in response to the Minnesota Public Utilities Commission’s (the “Commission”) Notice of Comment Period issued on May 5, 2025, and in response to the initial comments and recommendations of other parties in the above-referenced matter.

**I. DISCUSSION**

CUB appreciates the initial comments submitted by utilities and other stakeholders in the docket thus far. Based on our review, CUB continues to recommend the Commission act now to eliminate line extension allowances (“LEAs”) across all natural gas utilities regulated by the Commission.<sup>1</sup> We are unpersuaded by comments that assert business-as-usual practices will result in an affordable and managed transition to decarbonization.

CUB notes that seventeen comments were filed in the initial comment period, of which eight comments across sixteen organizations supported eliminating line extension allowances, including: the Minnesota Department of Commerce (the “Department”),<sup>2</sup> CUB, Comunidades Organizando el Poder y la Acción Latina (“COPAL”), Ayada Leads, Health Professional for a Healthy Climate (“HPHC”),<sup>3</sup> American Council for an Energy-Efficient Economy (“ACEEE”),<sup>4</sup> Midwest Building Decarbonization Coalition (“MWBDC”), Sierra Club, Resilient Cities and Communities, Cooperative Energy Futures

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<sup>1</sup> *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”).

<sup>2</sup> *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 Department of Commerce (July 8, 2025) (hereinafter “Department Initial Comments”).

<sup>3</sup> *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”).

<sup>4</sup> *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 Council for an Energy-Efficient Economy (July 8, 2025) (hereinafter “ACEEE Initial Comments”).

Community Power, Native Sun Community Power Development, Justice Impacted Individuals Voting Effectively, Just Us Gardens,<sup>5</sup> MN350 Action,<sup>6</sup> Rewiring America,<sup>7</sup> Minnesota Center for Environmental Advocacy (“MCEA”), and Fresh Energy.<sup>8</sup>

The Office of the Attorney General—Residential Utilities Division (the “OAG”) did not support total elimination of LEAs at this time, but recommends modifications to current utility free-footage allowances, and observes that significant changes in regulations, policy and technology have occurred since the Commission’s last review that necessitate modifications to current line extension policies (“LEPs”).<sup>9</sup>

Initial comments were also filed by the American Lung Association (“ALA”), encouraging critical reexamination of utility LEAs in light of serious public health consequences associated with continued reliance on natural gas,<sup>10</sup> and a group of local governments (“Local Governments”)<sup>11</sup> requesting the Commission consider city, state and tribal climate goals, stranded asset risk, housing impacts and regulatory transparency in its decision making.

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<sup>5</sup> *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 Midwest Building Decarbonization Coalition, Sierra Club, Resilient Cities and Communities, Cooperative Energy Futures Community Power, Native Sun Community Power Development, Justice Impacted Individuals Voting Effectively, Just Us Gardens (July 8, 2025) (hereinafter “MWBDC Initial Comments”).

<sup>6</sup> *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 MN350 Action (July 8, 2025) (hereinafter “MN350 Initial Comments”) (CUB understand MN350 is opposed to allowing gas pipeline expansion and line extension allowances).

<sup>7</sup> *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 (July 8, 2025) (hereinafter “Rewiring America Initial Comments”).

<sup>8</sup> *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 (July 8, 2025) (hereinafter “MCEA/Fresh Energy Initial Comments”).

<sup>9</sup> *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 18 (July 8, 2025) (hereinafter “OAG Initial Comments”).

<sup>10</sup> *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”).

<sup>11</sup> *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 St. Louis Park, Hopkins, Eden Prairie, Bloomington, Richfield, City of St. Paul and Edina (July 8, 2025) (hereinafter “Local Govt. Initial Comments”) (“A growing number of counties, cities, and tribes are enacting climate goals and policies . . . . The continued subsidized expansion of fossil fuel infrastructure is counter to local climate goals and local governments need more tools and technology options to assist in achieving those goals.”).

Center for Energy and Environment (“CEE”),<sup>12</sup> LIUNA Minnesota and North Dakota (“LIUNA”),<sup>13</sup> Housing First Minnesota (“Housing First”)<sup>14</sup> and three gas utilities—Northern States Power Company (“Xcel”),<sup>15</sup> CenterPoint Energy Resources Corp. (“CenterPoint”),<sup>16</sup> and Minnesota Energy Resources Corporation (“MERC”)<sup>17</sup>—recommended the Commission require no changes to LEAs at this time.<sup>18</sup>

In recommending no change to LEAs, the commenting gas utilities offer no analysis to show how maintaining these policies aligns with gas utilities meeting or exceeding Minnesota’s greenhouse gas goals, nor do they address how legislative and policy changes since LEAs were first approved in 1995 should inform any reevaluation.<sup>19</sup> In Initial Comments, CUB and many other stakeholders highlighted a number of developments in Minnesota policy and technology over the last several decades that evidence the need to make comprehensive changes to extension allowances. As discussed in more detail below, at minimum, methodologies used by utilities to justify current LEA free-footage amounts must be significantly reduced to accurately capture the costs and benefits to existing customers. When incorporating those needed modifications in conjunction with the policy considerations raised by parties regarding impacts to health, climate, and future rate risk, CUB believes it is in the public interest to eliminate line extension allowances at this time.

**A. The instant Future of Gas docket is the most appropriate forum for a Commission decision implementing changes across rate-regulated utility line extension policies.**

MERC and CEE suggest the instant Future of Gas (“FOG”) docket is not an appropriate forum for a decision regarding utility line extension policies (“LEPs”). MERC argues that “the Commission has historically looked at each natural gas utility individually, rather than taking a ‘one-size-fits-all’ approach,” and that any decision to make changes should be done in an individual rate case “given

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<sup>12</sup> *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 Center for Energy and Environment (July 8, 2025) (hereinafter “CEE Initial Comments”).

<sup>13</sup> *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 LIUNA (July 9, 2025) (hereinafter “LIUNA Initial Comments”).

<sup>14</sup> *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 Housing First Minnesota (July 2, 2025) (hereinafter “Housing First Initial Comments”).

<sup>15</sup> *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 (July 8, 2025) (hereinafter “Xcel Initial Comments”).

<sup>16</sup> *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 CenterPoint Energy (July 8, 2025) (hereinafter “CenterPoint Initial Comments”).

<sup>17</sup> *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 Minnesota Energy Resources Corporation (July 8, 2025) (hereinafter “MERC Initial Comments”).

<sup>18</sup> Coalition of Greater Minnesota Cities filed a Reply Comment on August 6, 2025 in this proceeding also opposing elimination of line extension allowances. *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 Coalition of Greater Minnesota Cities (Aug. 6, 2025). CUB plans to address this filing in the supplemental comment period.

<sup>19</sup> All three utilities that submitted initial comments recommend no changes to current LEAs. Xcel Initial Comments at 1; CenterPoint Initial Comments at 2; MERC Initial Comments at 2.

the vastly different service territories of each utility.”<sup>20</sup> CEE recommends the Commission only update the questions utilities address in individual rate cases regarding LEPs, so that a decision on LEAs can be made at a future date.<sup>21</sup>

CUB believes the instant docket is the most appropriate proceeding for the Commission to address overarching changes in line extension policies, such as those needed in light of shifting state law around GHG emissions reductions. Although the Legislature did not identify a specific list of policies for the Commission to address in this proceeding, the potential negative impact to future gas customer rates should no changes be made, exemplifies why this policy must be considered in the FOG context. Other states with proceedings to look at the pathway to decarbonizing the gas system have also eliminated LEAs in a similar forum.<sup>22</sup>

As noted by a number of parties in initial comments,<sup>23</sup> the instant comment period arises following repeated challenges of utility LEPs in individual rate cases over the last several years.<sup>24</sup> Fresh Energy, MCEA, and the OAG have previously offered detailed expert witness testimony identifying concerns with utility LEA justification formulas<sup>25</sup> as well as overarching policy considerations witnesses argued required changes in assumptions used.<sup>26</sup> These proceedings largely resulted in global settlements, including a provision that broader policy issues raised by stakeholders be addressed in the Future of Gas docket as the appropriate forum. Notably, in its decision approving CenterPoint’s 2022 gas rate case Settlement, the Commission agreed that the Future of Gas docket provided “an appropriate forum for evaluating the parties’ request to pursue these matters on an industry-wide basis.”<sup>27</sup> Sending the issue back to rate cases now would only serve to further delay a decision that has been appropriately primed for discussion in the FOG context.

LEAs are not codified in statute, and the Commission has previously addressed overarching questions on line extension policies in statewide proceedings spanning all regulated gas utilities. Thirty years

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<sup>20</sup> MERC Initial Comments at 3.

<sup>21</sup> CEE Initial Comments at 5.

<sup>22</sup> See e.g., *Petition of the Office of People’s Counsel for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland’s Gas Companies*, Order on Stakeholder Proposals for Revision of Gas Policy, Maryland PUC Case No. 9707, Order No. 91683 (Jun. 13, 2025) (hereinafter Maryland Order); *Initiation Of Proceeding to Examine the Future of Natural Gas and Issues Associated With Decarbonization of the Gas Distribution System*, ICC Docket No. 24-0158 Order at 2 (Mar. 7, 2024) (directing examination of “[t]he need for line extensions (for both mains and services) on the gas distribution system” in the Future of Gas proceeding).

<sup>23</sup> See, e.g., MCEA/Fresh Energy Initial Comments at 8-10; CEE Initial Comments at 2.

<sup>24</sup> *In the Matter of the Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-21-435, Settlement at 18-19 (Mar. 14, 2022) (hereinafter “CenterPoint 2022 Settlement”); *In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy’s Petition for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G002/GR-21-678, Order at 9 (Apr. 13, 2023); *In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Utility Service in Minnesota*, MPUC Docket No. G-011/GR-22-504, OAH Docket No. 82- 2500-38907, Settlement Agreement at 9 (May 11, 2023) (hereinafter “MERC 2023 Settlement Agreement”).

<sup>25</sup> See e.g., Docket No. G011/GR-22-504, Direct Testimony and Exhibits of Andrew Twite, March 16, 2023.

<sup>26</sup> See e.g., Docket No. G011/GR-22-504, Direct Testimony of Joe Dammell, March 16, 2023.

<sup>27</sup> *In the Matter of the Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-21-435, Order Accepting and Adopting Agreement Setting Rate at 7 (Sept. 23, 2022).

ago, the Commission first addressed utility LEPs in the context of gas utilities' "race" to connect new customers.<sup>28</sup> The Commission found it had "statutory authority to explore competitive and service extension policies of gas utilities and to require the utilities to modify practices or policies which are unjust or unreasonable."<sup>29</sup> Arising from this proceeding, the Commission has since required all utilities to respond to a set of questions regarding LEPs in each rate case filed thereafter.<sup>30</sup>

Beyond the historic precedent, there are additional reasons that a decision in the instant FOG docket is appropriate rather than deferring the issue back to individual rate cases. Although rate cases provide a robust process for discovery and expert witness analysis, they also limit which parties can be involved in the decision-making process as contested case proceedings are time and resource intensive. To the degree a party can intervene, it is nevertheless difficult to succeed on a single-issue within the wider rate case. Minnesota rate cases have often resolved through global settlements that make it difficult to adequately address narrow issues like LEAs in a meaningful way.

**B. Utility line extension policies currently overestimate benefits and underestimate costs to existing ratepayers, and updating those assumptions results in significant decreases to free-footage allowances.**

In Initial Comments, MERC, CenterPoint, and Xcel argue that existing gas customers receive an economic benefit from line extension allowances.<sup>31</sup> However, analysis of LEPs submitted in comments from Fresh Energy and MCEA consultant Javelina Energy<sup>32</sup> and the OAG demonstrate that assumptions relied on in calculating the current free-footage allowance improperly estimate customer usage, do not include all costs to serve the new customer and do not assume a reasonable payback period. CUB believes both analyses support, at minimum, significant reduction to current utility LEAs.

**1. Assumed payback periods are too long and overestimate benefits to existing customers.**

The OAG highlights potential confusion around the characterization of payback periods for a line extension allowance, looking at CenterPoint's Cost Justification Calculation as an example.<sup>33</sup>

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<sup>28</sup> *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G-999/CI-90-563, Order Terminating Investigation and Closing Docket (Mar. 31, 1995) (hereinafter "Commission's 1995 Order").

<sup>29</sup> *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G-999/CI- 90-563, Order Initiating Study Group at 3 (June 4, 1991).

<sup>30</sup> Commission's 1995 Order at 6-7.

<sup>31</sup> CenterPoint Initial Comments at 3-4; Xcel Initial Comments at 6; MERC Initial Comments at 4.

<sup>32</sup> *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").

<sup>33</sup> CUB's analysis in this section relies on CenterPoint's Extension Free Footage Justification from its 2021 rate case in Docket No. G-008/GR-21-435, included as Attachments 3 and 4 to the OAG Initial Comments. This version was used for consistency with the OAG's analysis being described and because CenterPoint did not file a public version of the updated 2024 until August 7, 2025. The 2021 rate case version was also provided by CenterPoint in its May 22, 2025 Response to MCEA and Fresh Energy's request for the Company's "most recent calculation(s) used to justify its residential free footage allowances." Although there may be small variations in year outcomes, the discussed methods of considering payback periods remains true for both versions. CUB may provide additional analysis of the updated 2024 version in Supplemental Comments.

CenterPoint states in Initial Comments that under its current LEP, “adding new customers to CenterPoint’s natural gas system creates a benefit to existing customers beginning in the fifth year after installation of the assets.”<sup>34</sup> CenterPoint also explains that its “extension tariff is structured to provide recovery of extension costs, via revenue from new customers, within a five-year period.”<sup>35</sup> CUB understands these statements to indicate that 1) existing customers begin to see benefits in the beginning of the fifth year after installation; and 2) revenue from new customers provides recovery of extension costs within a five-year period. However, analysis presented in initial comments by OAG shows that customers do not begin to see an actual benefit until 13 years after installation of the asset, and that full recovery of extension costs do not happen until 18 years—or as CUB argues possibly 28 years—after the extension is made.

A benefit materializes for existing customers when they see savings above the costs they contributed to adding the extension—i.e. when revenues from the new customer begin to surpass the costs existing customers have already paid out towards the investment. As OAG explains, for the first five years after the extension is made, the annual revenue requirement from the extension is greater than the revenue from the new customer’s annual non-gas revenues.<sup>36</sup> Thus, five years is the time it takes under CenterPoint’s model for the new customer’s revenue to be greater *in that year* than the cost of the extension recovered from existing customers.<sup>37</sup> However, because the new customer’s costs were greater than their revenues in each of the first five years, before existing customers actually see a benefit the new customer must first pay off the accumulated “debt” from those initial years of interconnection.<sup>38</sup> According to the OAG’s analysis, the present value of that “debt” owed to existing customers does not become positive until year thirteen, “[t]herefore, it will be 13 years before the new customer pays back the yearly subsidy received prior to Year 6.”<sup>39</sup> With this understanding, existing customers will not see a benefit from a new line extension installed in 2026 until 2039.

Beyond that initial benefit to customers, there is also the question of how much time it takes for the utility to actually recover the full cost of the investment. CenterPoint’s cash flow analysis shows full recovery of the initial costs of the capital asset does not happen until Year 18.<sup>40</sup> However, we highlight that this analysis only considers recovery of the initial capital cost; it does not include the additional costs associated with the utility’s return on that investment it also collects from customers (or any other costs paid by existing customers beyond the initial capital investment). Conversely, the “Total Revenue Requirement” (line 20) shows the full annual costs resulting from the new customer addition over the study period. The total amount of those costs across the model’s 39-year study period are not recovered until 28 years after the initial investment.<sup>41</sup> Thus, the *full* costs of a new customer addition would not be recovered until the 28<sup>th</sup> year after the extension was made. As detailed below, CUB also agrees with the analyses by OAG and Javelina Energy that baseline assumptions used in

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<sup>34</sup> CenterPoint Initial Comments at 6.

<sup>35</sup> *Id.* at 6 (*citing* Testimony of Drew Sudbury in Docket No. G008/GR-23-173).

<sup>36</sup> OAG Initial Comments at 12.

<sup>37</sup> *Id.* at 12-13.

<sup>38</sup> *Id.* at 13.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.* CUB agrees with the OAG’s analysis that points to this recovery period by using line 30 of CenterPoint’s spreadsheet for the cash flow analysis.

<sup>41</sup> Line 20 totals \$9,035. Compared with Line 21 “Non-Gas Revenues per Customer under proposed rates” which does not amount to the Line 20 total until 28 years after extension is made, when non-gas customer revenues amount to \$9,221.

CenterPoint and other utilities' models are flawed, which would likely impact the actual time periods described. However, this overview provides an understand of where in the model those justifications should be measured.

## 2. Assumed natural gas use per customer is overestimated.

The OAG and Javelina Energy Report both criticize estimated natural gas use per customer assumptions used in utility models.<sup>42</sup> Utilities appear to overestimate the baseline gas consumption of new residential customers, assuming they will use the same amount of gas as the average residential customer. For example, MERC's customer extension model, used to justify its free-footage allowance and calculate the customer contribution in aid of construction ("CIAC"), assumes new customers will use the same amount of gas as the average residential customer.<sup>43</sup> Specifically, MERC uses 85.7 Dth as the average customer use for all residential customers.<sup>44</sup> Even among MERC's 2023 analysis of residential use per customer by region, 85.7 is just below the highest estimated use for MERC's northeast, rural region of 85.8 Dth.<sup>45</sup> MERC's average use per customer according to its 2023 data across all regions was approximately 79.8 Dth per customer,<sup>46</sup> and in urban only areas that decreases to only 76.1 Dth.<sup>47</sup> Notably, MERC reports that approximately 76 percent of service line extensions are in urban areas.<sup>48</sup> Even higher than MERC's estimated customer use, CenterPoint's modeling assumes new customer usage will be 88.5 Dth.<sup>49</sup>

Moreover, newly constructed buildings average significantly lower customer gas usage due to improved building energy efficiency. OAG points to data from the EIA that shows both total energy consumption and natural gas consumption per household in the Midwest is steadily declining in newer buildings.<sup>50</sup> In 2023, MERC reported 69 percent of new line extensions for residential customers were to new building structures and only 31 percent were to existing residences.<sup>51</sup> With the increased efficiency in building stock an assumption that gas use remains the same is unreasonable.

The utility models also assume constant customer consumption where in reality customers gas consumption is likely declining over time. The American Gas Association ("AGA") estimates that normalized natural gas use per residential customer fell 51 percent between 1971 and 2023—an

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<sup>42</sup> OAG Initial Comments at 25; Javelina Energy Report at 7.

<sup>43</sup> *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, Minnesota Energy Resources Corporation Line Extension Policy Study at 10-11 (Nov. 14, 2024) (hereinafter "MERC LEP Study"). For non-residential customers, MERC uses unique load forecast information specific to each customer. *Id.*

<sup>44</sup> *Id.* at 19. MERC reports these figures as therms, but for ease of comparison these figures were converted to Dth.

<sup>45</sup> *Id.* at 12.

<sup>46</sup> Calculated by finding the average UPC across all MERC Regions as reported in Table 1 of MERC's line extension study. *Id.* at 12.

<sup>47</sup> *Id.* at 12.

<sup>48</sup> *Id.*

<sup>49</sup> This is the 2024 updated usage amount provided in CenterPoint's Attachment A, of which the public version was filed on August 7, 2025. CenterPoint's previous model used 94.9 Dth.

<sup>50</sup> EIA, *2020 Residential Energy Consumption Survey*, Table ce2.3  
<https://www.eia.gov/consumption/residential/data/2020/c&e/pdf/ce2.3.pdf>.

<sup>51</sup> MERC LEP Study at 14-15.

average 1.34 percent per year for the last 53 years.<sup>52</sup> As described in CUB's Initial Comments, significant changes to Minnesota state policy and advances in available technology have acted to encourage increased home energy efficiency and will likely continue to improve in years to come.<sup>53</sup>

Customer per-therm usage charges are typically the largest component of each bill, so the more gas a customer uses the more revenue the utility receives.<sup>54</sup> Including more accurate assumptions of customer usage in line extension allowance calculations will likely result in shorter allowances.

### **3. Certain extension costs are improperly omitted from the utilities analysis.**

OAG and Javelina Energy each identify a number of costs across LEPs that utilities fail to account for in their analysis. Each service line extension typically requires a meter, which is free of charge to the new customer. However, at least some utilities do not account for that cost in the analysis to justify free-footage allowances.<sup>55</sup> As noted in Initial Comments,<sup>56</sup> MERC disclosed the company does not maintain records for meter costs at the level of new customer installations nor by customer class, and it is unclear whether (or how) the utility includes those costs in its LEP analysis without that information.

Utility LEPs also underestimate costs to existing customers by failing to account for actual total construction costs for line extensions and excess footage charges beyond the free-footage allowance. Javelina Energy Report notes that the cost of main and service lines has significantly increased over the last decade, including a 45 percent increase in the last five years for the cost of 2-inch distribution mains.<sup>57</sup>

Most gas utility tariffs specify a cap for customer CIACs needed to pay for extensions in excess of the free-footage allowance. CenterPoint, MERC, and Xcel cap excess footage at \$4.00, \$6.00,<sup>58</sup> and \$9.10 per foot, respectively.<sup>59</sup> However, actual 2024 costs for service line extensions by CenterPoint, MERC, and Xcel are \$18.07, \$30.64, and \$21.38 per foot, respectively.<sup>60</sup> The OAG recognizes some of the discrepancy may be attributed to the fact that incremental costs past the 75-foot free allowance are

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<sup>52</sup> American Gas Association, *Energy Insights: Natural Gas Use per Residential Customer* at 1 (Nov. 2024), available at [https://www.aga.org/wp-content/uploads/2024/11/Average-Normalized-Use-2023\\_Brendan-O'Brien.pdf](https://www.aga.org/wp-content/uploads/2024/11/Average-Normalized-Use-2023_Brendan-O'Brien.pdf).

<sup>53</sup> CUB Initial Comments at 8-11.

<sup>54</sup> Javelina Energy Report at 7.

<sup>55</sup> Great Plains and Xcel do not include the cost of a meter in LEPs. OAG Initial Comments at 29; Javelina Energy Report at 6.

<sup>56</sup> CUB Initial Comments at 8.

<sup>57</sup> Javelina Energy Report at 4.

<sup>58</sup> MERC Rate Book, Extension of Natural Gas Service, 5th Revised Sheet No. 9.04; Xcel Minnesota Gas Rate Book, Section No. 6, 3rd Revised Sheet No. 18.1. On July 16, 2025 MERC filed a request to update its tariff language and increase this CIAC cap to \$7.00 per foot, but that request is pending Commission approval. *In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Proposed Modification to a Tariff in Section 9, Extension of Natural Gas Service*, Docket No. G011/M-25-288, MERC Initial Petition (July 16, 2025).

<sup>59</sup> CenterPoint Energy Minnesota Gas Rate Book, Section VI, Third Revised Page 12, Replacing Second Revised Page 12, Section 5.10 Expense of Installation.

<sup>60</sup> Javelina Energy Report at 5 (noting that MERC's per foot cost "include[s] overhead cost adders and contributions in aid of construction, inclusive of excess footage charges, winter construction charges, and abnormal construction charges," and Xcel's cost includes all customer classes, not just Residential class per footage costs).

lower because some costs of extension are fixed and needed regardless of length.<sup>61</sup> Yet some utilities do not include these assumed fixed labor costs as part of the line allowance analysis,<sup>62</sup> and thus existing customers are likely still paying for additional costs to extension past the 75-foot allowance due to an underestimated customer CIAC.

Javelina Energy's Report points to a number of additional costs not appropriately factored into utility LEAs (including ongoing costs of adding a new customer to the system, like customer account costs for meter readings),<sup>63</sup> statutory compliance costs,<sup>64</sup> and for MERC, service line costs.<sup>65</sup> In an example analysis implementing the changes recommended, Javelina Energy's Report determined that an appropriate LEA for Xcel Energy would amount to an approximately 9.6 foot service line allowance and 10.2 foot main line allowance.<sup>66</sup> Critically, this is without additional consideration of any reductions to account for externality costs of line extensions.<sup>67</sup> Discussed in more detail below, CUB believes the negative impact of natural gas use to Minnesotans' health and environment ultimately warrants elimination of these reduced allowances.

### **C. Current utility LEAs must be significantly reduced or eliminated.**

Fresh Energy and MCEA recommend eliminating line extension allowances, justified by "sufficient policy rationale . . . based on the climate and energy policy misalignment, economic risk, and customer fairness and equity reasons that other states have led with."<sup>68</sup> The Javelina Energy Report was "conducted to go one step further to thoroughly evaluate the assumptions and estimates that utilities use in their line extension calculations," and found that, "putting aside the strong policy rationale, utilities' gas line extension calculations are outdated, inaccurate, and place undue financial burden on existing customers." According to the Javelina Energy Report, 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.<sup>69</sup> This estimate does not factor in societal costs of greenhouse gas emissions or other public health costs. Javelina Energy estimates each new customer's gas usage would produce 109 tons of CO<sub>2</sub> emissions over a 25-year period, equivalent to \$6,643 in externality costs for each new customer.<sup>70</sup> CUB questions the reasonableness of implementing a line extension allowance of such a short length. Unaccounted for emissions, health and environmental costs, further evidence the need to eliminate LEAs.

The OAG agrees that modifications to utility LEAs are warranted to correct for inaccurate baseline assumptions and unaccounted for costs to existing customers.<sup>71</sup> In its analysis, the OAG does not explicitly consider changes that should be made in light of impacts to human health, climate change or other policy considerations that could warrant further reduction to LEAs. However, the OAG notes,

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<sup>61</sup> OAG Initial Comments at 29-30.

<sup>62</sup> Javelina Energy Report at 10-11.

<sup>63</sup> *Id.* at 6-7.

<sup>64</sup> *Id.* at 9.

<sup>65</sup> *Id.* at 11-12.

<sup>66</sup> *Id.* at 13.

<sup>67</sup> *Id.*

<sup>68</sup> MCEA/Fresh Energy Initial Comments at 11.

<sup>69</sup> MCEA/Fresh Energy Initial Comments at 11.

<sup>70</sup> Javelina Energy Report at 14.

<sup>71</sup> OAG Initial Comments at 25-32.

"[i]t is possible that the application of the OAG's recommended modifications to calculate a reasonable 'free footage' allowance, along with a Commission determined reasonable payback period, would result in a utility offering no or very little free footage to new customers. In that case it may be appropriate to eliminate that utility's free footage allowance."<sup>72</sup> CUB believes that with the modifications necessary to accurately capture costs and benefits to existing customers as outline by OAG and Javelina Energy, plus critical policy considerations and the State's goal of reaching net-zero emissions by 2050, elimination of LEAs is warranted at this time.

**D. The Commission should seriously consider impacts on Minnesotans' health in its evaluation of LEAs.**

Several parties filed initial comments focusing largely on the negative human health and environmental impacts of continued natural gas use. The American Lung Association ("ALA") filed comments "urging the Commission to recognize the serious public health consequences associated with continued reliance on natural gas, particularly the impacts on indoor air quality and respiratory health."<sup>73</sup>

COPAL, Ayada Leads, HPHC and an independent commenter, pediatrician Dr. Curtis Nordgaard (together "COPAL Commenters"); MWBDC, Sierra Club, Resilient Cities and Communities, Cooperative Energy Futures Community Power, Native Sun Community Power Development, Justice Impacted Individuals Voting Effectively, and Just Us Gardens (together "MWBDC Commenters"); MN350; and Rewiring America ("Rewiring") also filed comments explaining the health impacts of natural gas use in households. Parties explained that natural gas end use appliances like stoves, ovens, furnaces, and water heaters lead to the release of nitrogen dioxide (NO<sub>2</sub>), carbon monoxide (CO), fine particulate matter (PM<sub>2.5</sub>), formaldehyde, and other pollutants in households.<sup>74</sup> They also identify that exposure to these chemicals can cause significant health impacts, including higher risks of asthma and increases in associated higher rates of nighttime inhaler use, wheezing, and airflow obstruction, as well as aggravating impacts of heart disease and ocular damage.<sup>75</sup>

Many commenters noted that children and historically marginalized communities are particularly vulnerable to the harms associated with natural gas combustion.<sup>76</sup> As ALA describes:

Lower-income households and communities of color are more likely to live in older housing with inadequate ventilation or maintenance, and often lack the resources to mitigate exposures. These same communities already bear a disproportionate burden of outdoor air pollution, making indoor exposures from natural gas a compounding and cumulative threat to respiratory health and overall well-being.<sup>77</sup>

Rewiring found that this issue is compounded by the fact that low-income and marginalized households are more likely to live in older homes with gas appliances that leak or malfunction.<sup>78</sup> It is

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<sup>72</sup> OAG Initial Comments at 37, fn. 114.

<sup>73</sup> ALA Initial Comments at 1.

<sup>74</sup> *Id.*

<sup>75</sup> COPAL Initial Comments at 8-9.

<sup>76</sup> *See Id.* at 7; ALA Initial Comments at 1-2; MN350 Initial Comments at 1-2; MWBDC Initial Comments at 3.

<sup>77</sup> ALA Initial Comments at 2.

<sup>78</sup> Rewiring America Initial Comments at 13.

also not just larger home heating appliances that create issues. MWBDC Commenters note that “[w]hile major gas appliances like furnaces and water heaters are typically vented to release combustion pollutants outdoors, others, like gas stoves, emit pollutants directly into the home.”<sup>79</sup>

Finally, COPAL Commenters included direct testimonials from families and individuals sharing their personal experience using an indoor air quality monitor.<sup>80</sup> This testimony comes from a project spearheaded by COPAL and Ayada Leads, in partnership with Fresh Energy,<sup>81</sup> seeking to assess the effects of gas stove usage on indoor air pollution. Participants consisted of three Latino/e families and five families from African diaspora communities.<sup>82</sup> Each household placed air quality monitors in their kitchens at breathing height at least two feet away from gas stoves, and measured impacts for two weeks.<sup>83</sup>

The monitoring revealed consistently elevated indoor concentrations of NO<sub>2</sub>, CO, CO<sub>2</sub>, and VOCs during cooking with gas stoves, with pollutant levels peaking during meal preparation times. These indoor pollutant levels frequently exceeded the highest recorded outdoor pollution in the region, including measurements near busy highways and industrial sites.<sup>84</sup>

Following this study, meetings were held with participants to review the results and discuss each household’s experience. One participant noted a difference in her asthma symptoms on days she avoided using the gas oven.<sup>85</sup> One participant was surprised upon learning the level of impact gas stoves could have on indoor air quality and reported willingness to make changes to electric appliances but was not able to as a renter.<sup>86</sup>

CUB is especially appreciative of the personal stories shared by the community members and highlighted in COPAL Commenters Initial Comments. We note sentiments around health concerns like asthma are also reflected in public comments received in the docket.<sup>87</sup> CUB understands the health impacts of natural gas use often appear intangible and therefore may be difficult to weigh in making an informed policy decision. But the experience of many Minnesotans living with respiratory complications and conditions like asthma should not be discounted.

Moreover, growing affordability concerns span across many facets of Minnesotans lives, not just in monthly utility bills and housing costs. According to a 2024 report from the Minnesota Department of

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<sup>79</sup> MWBDC Initial Comments at 2.

<sup>80</sup> COPAL Initial Comments at 11-19.

<sup>81</sup> This air quality monitoring project has been supported through the work of the Clean Heat Minnesota Coalition, in which CUB participates as an active member. See <https://cleanheatmn.org/>.

<sup>82</sup> COPAL Initial Comments at 12.

<sup>83</sup> *Id.* at 11-12.

<sup>84</sup> *Id.* at 13.

<sup>85</sup> *Id.* at 14.

<sup>86</sup> *Id.* at 15-16.

<sup>87</sup> *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 Andy Willette (Aug. 4, 2025) (“My son has asthma and I’ve learned that gas burning appliances in homes increases asthma cases. Any subsidy we can remove for fossil fuels that harm our world is a win. Why should utility rate payers cover the cost to build out infrastructure that carries a substance that we know to be harmful?”).

Health, total health care spending reached \$66.8 billion in 2022.<sup>88</sup> The annual estimated per-person health care spending in 2022 was up 15.2 percent from 2018 levels.<sup>89</sup> According to one Rewiring report, Minnesotans could save “approximately \$270 million in health benefits from installing heat pumps in single-family households.”<sup>90</sup> When taken in conjunction with the many other challenges that could face utility ratepayers in an unmanaged transition to decarbonize, concerns around immediate health impacts tip the scales in favor of limiting expansion of the gas system when possible. CUB believes the Commission should give serious consideration to the health concerns raised by the above parties.

#### **E. Home energy cost analyses do not require the Commission maintain LEAs.**

Some parties expressed concerns about the impact to the cost of heating should the Commission eliminate LEAs. CUB regularly works with customers who are unable to afford their home energy costs, and we share concerns regarding access to affordable and healthy heat that ensure Minnesotans are comfortable in their homes. In balancing those concerns with potential impacts of eliminating LEAs described in this record, we do not believe home energy cost impacts support maintaining LEAs.

In Initial Comments, CEE provided an analysis of First-Year energy costs (“CEE’s Analysis”) under Minnesota’s current and anticipated residential energy code, modeled for eight single-family home types with differing building geometry, climate zones, utility rates, occupancy and energy use.<sup>91</sup> CEE’s Analysis shows homes in the Xcel-CenterPoint service area experience *savings* with all-electric systems. However, for MERC service areas in Dakota Electric, Rochester Public Utilities (“RPU”) and Minnesota Power territories, CEE found it more expensive to live in an all-electric new construction home than gas.

CenterPoint also included a table with estimated total annual bills across equivalent usage of energy options.<sup>92</sup> However, CenterPoint’s “simple calculation” does not consider variables like equipment type and only looks at a one-to-one comparison of electricity needed to make up an equivalent amount of natural gas per therm. Significant differences in operational efficiency for air source heat pumps (“ASHPs”) compared with other forms of heating cannot be overlooked in understanding these impacts and equipment type across all fuels plays an undisputed role in determining energy usage. CUB therefore finds little to no value in the data presented by CenterPoint, as it fails to capture even a close approximation of what customers’ bills may look like under different energy options.

CEE’s first-year energy cost analysis provides a more comprehensive picture, although CUB notes several riders that were unaccounted for in calculating MERC’s All-In rate.<sup>93</sup> CEE did include a complete analysis of the charges for CenterPoint bills, and in the Xcel Electric-CenterPoint service area found all-electric heating costs were less expensive than natural gas under both the current and anticipated

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<sup>88</sup> MN Dept. of Health, *Health Care Spending, Prices, and Utilization in Minnesota: 2018 to 2022* at 1 (Dec. 2024), available at <https://www.health.state.mn.us/data/economics/docs/spndrpt2024.pdf>.

<sup>89</sup> *Id.* at 2.

<sup>90</sup> Rewiring America Initial Comments at 11.

<sup>91</sup> CEE Initial Comments at 11.

<sup>92</sup> CenterPoint Initial Comments at 4.

<sup>93</sup> For example, MERC’s Gas Utility Infrastructure Cost (“GUIC”) rider charge of \$0.00805/therm and Conservation Cost Recovery Charge and Adjustment (“CCRA”) rider charge of \$0.01001/therm were not included in the calculation.

residential energy code.<sup>94</sup> CUB agrees with CEE's observation that a likely leading factor in the cost-effectiveness of all-electric within Xcel's service area is Xcel's whole-home electric space heating rate.<sup>95</sup> This discounted rate is available to Xcel electric customers from October through May and better reflects the actual costs of serving space heating customers.<sup>96</sup> CUB encourages development of similar rates by other utilities to more closely reflect actual cost and improve the economics of electrification for customers. ACEEE's Initial Comments also included an analysis of average annual Minnesota bill impacts, which found after whole-home electrification and building envelope improvements, average energy bills decreased from natural gas heating costs under a winter discount time of use rate.<sup>97</sup>

Notably, CEE's analysis for the Minnesota Power-MERC service area saw the highest cost disparity of the four modeled scenarios. Although Minnesota Power does not currently offer an electric space heating rate, such an offering could drastically reduce this cost difference. There may be other credits or incentives that help lower electric heating bills for customers were not taken into account in CEE's modeling. For example, RPU offers customers load management credits for electric water heating and central air conditioning, up to \$3/month each (up to \$51 in annual savings across eligible months).<sup>98</sup> Rather than continue to invest in subsidizing expansion of the gas system, CUB recommends that more utilities evaluate electric space heating rates and other offerings that can benefit customers' transition to affordable, clean home energy.

**F. Concerns regarding affordable access to housing are unpersuasive in justifying maintaining utility LEAs.**

Several parties voiced concern regarding impacts to the cost of housing should changes be made to current LEAs. Housing First noted that Minnesota faces a shortfall of housing units and argued that eliminating LEAs could exacerbate already unaffordable housing costs, stating:

Studies show that all-electric homes in cold-climate regions like Minnesota cost significantly more to build and operate, particularly when factoring in grid infrastructure upgrades and current technological limitations. These costs are inevitably passed on to customers.<sup>99</sup>

CenterPoint and LIUNA expressed similar concerns, suggesting that elimination of LEAs may impact building costs and home ownership.<sup>100</sup>

As consumer advocates, CUB seeks to ensure all Minnesotans have access to affordable, reliable, safe and clean home energy. As part of that mission, we are certainly cognizant of the impact decisions

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<sup>94</sup> CEE Initial Comments at 13-14.

<sup>95</sup> *Id.* at 14.

<sup>96</sup> See Xcel Energy, *Electric Space Heating* (last visited Aug. 2, 2025), available at <https://mn.my.xcelenergy.com/s/residential/heating-cooling/heating-upgrade-rebates>.

<sup>97</sup> ACEEE Initial Comments at 1-2.

<sup>98</sup> Rochester Public Utilities Rate Schedule at 40 (2025) (noting customers may receive up to \$3 in monthly credits for qualifying central air conditioners May through September, and \$3 in monthly credits for qualifying electric water heaters all year), available at <https://cms.cws.net/content/rpu.org/files/Electric%20rate%20tariff%202025%20verified%20final%20.pdf>.

<sup>99</sup> Housing First Initial Comments at 1, 2.

<sup>100</sup> CenterPoint Initial Comments at 8; LIUNA Initial Comments at 2.

can have on other facets of ratepayers' lives, including access to housing. That said, based on the current record of evidence and recognition that customers can still choose to connect natural gas service, we are not persuaded elimination of LEAs will have a resounding impact on accessibility to affordable housing.

First, we note it is unclear which studies Housing First refers to in its Initial Comments, as well as which "costs" and which "customers" are referenced in those reports. According to a 2022 report by the Rocky Mountain Institute (the "RMI Report"), even in a cold-climate state like Minnesota, all-electric new homes can be similar in cost to build and operate as homes relying on gas when the actual cost of a line extension is factored in.<sup>101</sup> The RMI Report found in one scenario the total upfront cost of building a mixed-fuel home in Minneapolis cost approximately \$20,358 compared with an all-electric home at \$19,693.<sup>102</sup> CUB acknowledges that the RMI Report incorporates the International Energy Conservation Code ("IECC") of 2018 as the baseline building code assumption in its analysis.<sup>103</sup> But while Minnesota's residential energy code currently follows the 2012 IECC with modifications, the Department of Labor and Industry is currently reviewing the 2024 IECC for implementation in Minnesota and is expected to be in effect by 2027 or 2028.<sup>104</sup>

In Initial Comments Xcel stated the company "understand[s] new build electrification efforts may be more cost effective than retrofitting an existing household, for customers interested in electrification."<sup>105</sup> CUB agrees and believes that increasing understanding for customers *now* of the actual costs associated with gas connection helps better inform these decisions and investments, avoid costly future retrofits, and mitigate potential stranded asset concerns.

## II. CONCLUSION

As noted in our Initial Comments, CUB appreciates that the best pathway to achieving Minnesota's state decarbonization goals may yet remain unclear. However, a decision made today to eliminate LEAs will not impede the viability of those different pathways, and is a necessary step toward managing potential future risk to gas customers. We look forward to reviewing the analysis of other parties in Reply and intend to offer final recommendations in supplemental comments.

Sincerely,

August 8, 2025

/s/ Annie Levenson-Falk  
Annie Levenson-Falk  
Executive Director  
Citizens Utility Board of Minnesota  
651-300-4701, ext. 1  
[annielf@cubminnesota.org](mailto:annielf@cubminnesota.org)

/s/ Olivia Carroll  
Olivia Carroll  
Regulatory Advocate  
Citizens Utility Board of Minnesota  
651-300-4701, ext. 5  
[oliviac@cubminnesota.org](mailto:oliviac@cubminnesota.org)

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<sup>101</sup> RMI, *The Economics of Electrifying Buildings: Residential New Construction* (Dec. 2022) (hereinafter "RMI Electrification Report"), available at [https://rmi.org/wp-content/uploads/dlm\\_uploads/2022/12/rmi\\_economics\\_electrifying\\_buildings\\_residential\\_new\\_construction.pdf](https://rmi.org/wp-content/uploads/dlm_uploads/2022/12/rmi_economics_electrifying_buildings_residential_new_construction.pdf).

<sup>102</sup> RMI Electrification Report at 10.

<sup>103</sup> *Id.* at 9.

<sup>104</sup> See CEE Initial Comments, Attachment a at 2 for a comparison between current and new energy code.

<sup>105</sup> Xcel Initial Comments at 5.