

STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION

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September 2, 2022

**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

JOINT COMMENTS

The Citizens Utility Board (CUB), Comunidades Organizando el Poder y la Acción Latina (COPAL-MN), Fresh Energy, Minnesota Center for Environmental Advocacy, RMI, and Sierra Club (“Joint Commenters”) submit these comments in response to the Commission’s August 18, 2022 Notice of Future Technical Conferences and Comment Period regarding the initiation of the Future of Gas docket. The organizations comprising Joint Commenters represent interests related to ratepayer protection, community organizing, and energy and climate policy advocacy.

The Natural Gas Innovation Act (NGIA) established this proceeding “to evaluate changes to natural gas utility regulatory and policy structures needed to meet or exceed Minnesota’s greenhouse gas emissions reductions goals . . .”¹ Those GHG emissions reduction goals are “to reduce statewide greenhouse gas emissions across all sectors” to a level “at least 30 percent below 2005 levels by 2025, and to a level at least 80 percent below 2005 levels by 2050.”² Minnesota is not on track to meet these goals; in fact, the consumption of natural gas in the residential, commercial,

¹ 2021 Minn. Laws 1st Special Session, Ch. 4, Art. 8, Section 27.

² Minn. Stat. s 216H.02, subd. 1 (2021).

and industrial sectors have increased by 32 percent since 2005.³ There is also growing evidence that even achievement of these state goals is not sufficient to reduce emissions to avoid the worst impacts of climate change. To that end, many experts now agree that achievement of net-zero carbon emissions is necessary.⁴ In a 2021 report, for example, Minnesota stakeholders modeled scenarios to achieve full decarbonization of Minnesota's current natural gas end uses by 2050.⁵ This climate imperative, coupled with cross-cutting policy issues that face natural gas utilities (discussed below), suggest that we are at an inflection point and that decisions made in this proceeding will have far-reaching consequences.

It is within this context that the Commission has opened this docket and initiated this comment period. The statutory directive in NGIA to evaluate regulatory changes necessary to meet or exceed the state's GHG emission reduction goal must inform each phase of this docket. Joint Commenters hope that the initial phases of the Future of Gas docket discussed below will be utilized to build a robust record, with input from existing and new stakeholders, upon which lasting policy changes can be implemented.

To that end, these joint comments will address the issues and questions posed by the Notice and will suggest a structural roadmap for the Commission that will help to ensure that this docket meets the policy goals embedded within NGIA.

ANALYSIS

Issue: Do the staff-proposed topics and technical conferences (Attachment A to this Notice) provide an adequate primer to initiate the Commission's evaluation of changes to natural gas utility regulatory and policy structures needed to meet or exceed Minnesota's greenhouse gas (GHG) emission reduction goals?

Joint commenters appreciate the thought that went into development of Attachment A. Generally, the three technical conferences could serve to adequately establish a baseline of knowledge about the regulation of natural gas utilities and about recent changes to relevant state law and regulations, although we offer several suggested modifications below.

Before we detail suggestions to this initial phase of the docket, however, we would like to introduce a broader roadmap for the Commission to consider following in this docket. This high-level roadmap will ground our proposed suggestions throughout these comments.

³ Ctr. for Energy & Env't, *It All Adds Up: Emissions from Minnesota's Natural Gas Consumption* (Dec. 3, 2020).

⁴ Intergovernmental Panel on Climate Change, *Climate Change 2022: Mitigation of Climate Change: Summary for Policymakers* 22 (2022).

⁵ Ctr. For Energy & Env't & Great Plains Inst., *Decarbonizing Minnesota's Natural Gas End Uses* (Jul. 2021) 21 ("G21 Report).

Joint Commenters' Future of Gas Roadmap

We recommend a three-phase roadmap, as described below. After introducing the three phases, we will discuss how the Commission could populate the activities within each phase.

Phase 1 addresses the current natural gas regulatory system and comprises the technical conferences envisioned by staff in Attachment A. This phase could occur over the remainder of 2022. The goals of Phase 1 are to level-set knowledge amongst stakeholders about past and current regulatory policy, invite and train new stakeholders to participate in the regulatory process, and to introduce recent changes to both state and federal laws that will affect future stages of the Future of Gas docket.

Phase 2 is forward-looking and comprises additional technical conferences that could occur over winter and spring of 2023. Since the statutory directive of this docket is to evaluate regulatory and policy structures needed to meet or exceed the state's GHG emission reduction goals, this phase should focus on building the record upon which policy changes will be made. We recommend several topics for consideration in this phase below.

The guiding statutory language that animates the Future of Gas docket is to evaluate regulatory changes necessary to meet GHG emissions reductions goals. Phase 1 and 2 focus on the evaluation of changes, and **Phase 3** should focus on developing and implementing these changes based on the record built in the earlier phases of the docket. These changes could be made in the Future of Gas docket itself via Commission Order or they could be considered in spin-off, topic-specific dockets.

	Phase 1	Phase 2	Phase 3
Focus	Current/historical	Forward-looking	Policy Development & Implementation
Timeline (Approximate)	Remainder of 2022	Winter & Spring 2023	Summer & Fall 2023
Description	<ul style="list-style-type: none"> - Level-set knowledge of past and current natural gas regulatory policy amongst stakeholders - Invite and train new stakeholders to participate - Introduce recent changes to state and federal laws that will affect future phases 	<ul style="list-style-type: none"> - Additional technical conferences - Begin with a technical conference on other states' future of gas proceedings - Focus on policies, resource evaluation 	<ul style="list-style-type: none"> - Develop and implement changes to utility policy based on record built in earlier phases

Table 1. Joint Commenters' proposed three-phase roadmap for the Future of Gas proceeding.

We hesitate to provide too much specificity in Phase 2 or 3 at this early stage of the docket as the record and next steps should be informed by a wider group of stakeholders. To that end, we recommend that the Commission, possibly via delegation to the Executive Secretary, could open future comment periods or hold planning meetings to inform the specific topics, speakers, and timing of the next phase. An agenda meeting at the end of each phase is not necessary in our opinion, but could be held to decide the scope of Phase 3 or future phases.

We recommend Commission adoption of this roadmap in order to enable robust consideration of the policy changes necessary to meet Minnesota's GHG emission reduction goals. This roadmap balances the creation of a robust record with the need to address the climate imperative with the requisite urgency. In addition, we hope the roadmap will be flexible enough for the Commission and stakeholders to explore new ways to achieve equitable policy decisions and outcomes.

Below, we address specific modifications or concepts for each phase of the proposed roadmap. These sections will also address questions posed by the Commission's Notice.

Proposed Modifications to Phase 1/Attachment A

We recommend that the technical conferences in Attachment A be re-ordered such that Technical Conference 1 occurs last. Since Technical Conferences 2 and 3 function as an introduction to the natural gas system and how it is regulated, a session on changes to the regulatory system (Technical Conference 1) should follow this introductory material. In addition, moving this session to the end of Phase 1 will be a useful transition into Phase 2 of the docket, which will cover forward-looking issues. If the Commission is unable to reschedule Technical Conference 1, however, a recording of the session should be made available in a central location such as a dedicated webpage for this docket so that new stakeholders can access the information in the future.

The proposed topics in the first three technical conferences appear to adequately cover topics to provide a basic primer on the natural gas system, but they do not feature a diverse range of speakers, being composed entirely of government or utility stakeholders. We understand the logic of having regulators and regulated utilities cover these topics, but there is a wider range of speakers who could cover some of these topics. In particular, perspectives from outside the utility system who can speak to gas system impacts would provide valuable and unique insight to the proceeding and could serve as a trusted communicator who would be able to reach a different audience.

Joint commenters also recommend that the audience for these technical conferences (and the docket overall) be re-evaluated and considered. A primer on the natural gas system and regulation, for example, may be most useful for stakeholders who have not previously participated at the Commission, but whose interests will be affected by future policy changes. But without advance knowledge that these introductory conferences are being conducted, these new stakeholders will be unable to attend. To that end, we recommend that the Commission consider efforts to conduct outreach to identify and coordinate with these groups prior to the first technical

conference. Joint commenters include groups that can assist in this process and we look forward to working with Commission staff as these Phase 1 conferences are further developed. This additional outreach may make a mid-September first conference difficult to accomplish, however, so the Commission should consider delaying the first conference, but compressing the series so that it is completed before the end of 2022. This would help to ensure that material remains fresh for participants and could facilitate a comment period prior to the start of Phase 2 in early 2023, if necessary.

Phase 2

Phase 2 begins the forward-looking investigation of gas utility policies to reduce GHG emissions. We recommend that Phase 2 begin with a technical conference on other states' future of gas proceedings. By our count, over a dozen states have initiated similar proceedings in recent years and hearing from those states' commissions and other stakeholders could help inform the menu of policy options for the Commission to develop in this docket. Developing this menu of policy options that could work in Minnesota, based on the experiences of other states, will help to sharpen the focus of future work in this docket as we work toward the statutory goals of NGIA.

Following this initial technical conference, we recommend that Phase 2 also include technical conferences with a diverse range of perspectives/speakers on topics including: low- or zero-carbon technologies/resources; accelerated infrastructure replacement and stranded assets/affordability; line extension policy reform; public health impacts of gas; incorporation of procedural and distributive justice in utility policy; workforce impact of the energy transition; future of gas regulatory policies (such as rate design, integrated resource planning, alternatives analyses); and more. A list of additional topics and resources is included at the end of these comments.

Phase 3

Phase 3 embodies the action and implementation phase of the Future of Gas docket, and we are confident that the first two phases of the docket will prepare the Commission, stakeholders, and utilities to implement changes to meet GHG reduction goals. We recognize that Phase 3, where actual changes to utility policy will be considered and implemented, may not begin until the middle of 2023, which would be a full two years since the docket itself was opened. While we believe that the first two phases of this roadmap are necessary to build the record for significant changes, we also recognize that time is of the essence. We note two factors that serve to balance these interests.

First, there may be opportunities to implement some changes or take some actions during Phases 1 and 2. For example, NGIA creates a throughput reduction goal⁶ for gas utilities, and the Commission could begin to collect these and other data now. The Commission could also begin to conduct or request studies that investigate issues such as workforce impacts or the resource potential of different technologies such as networked ground-source heat pumps.

⁶ Minn. Stat. s 216B.2427, subd. 10 (2021).

Second, we recognize and emphasize that the Future of Gas docket does not occur in a vacuum. Between now and the start of Phase 3, there will be policy changes up for consideration in other dockets.⁷ Those changes can and should continue to be made in those specific dockets based on the records developed in those dockets. We strongly caution against arguments that use the Future of Gas proceeding as a delay tactic. The structure of the Future of Gas docket record should allow for updated information from other dockets to be considered in this docket. The Future of Gas docket should inform these other dockets, and vice versa.

Other Issues to Consider

There are three other issues to consider as the Commission begins work in this docket.

First, the Commission may wish to hire a third-party facilitator for technical conferences and/or facilitation of other aspects of the docket. If a third-party facilitator is sought, the joint commenters recommend that the Commission consider a neutral facilitator with experience working on improving equity and community involvement in utility and energy policy spaces. This facilitator could work with Commission staff and/or a Lead Commissioner to plan and implement the technical conferences and other work in this proceeding.

Second, technical conferences may be an effective format for sharing information amongst experienced stakeholders in this space and we support the Commission hosting these conferences and inviting a broad group of stakeholders to participate. But there are other ways in which the Commission can work towards achieving the goals of this proceeding while reaching a broader audience, such as holding community meetings, producing fact sheets (with translations), and/or establishing community advisory groups. Joint Commenters look forward to working with the Commission and others to find these new ways to share information with members of the public.

Third, there are a number of cross-cutting policy issues that call for a reexamination of the natural gas system, including: price volatility and gas supply planning; increasing rate pressure due to accelerated system replacement; workforce development and labor; public health and indoor air quality; the energy transition, emerging technologies, and electrification; community voices, equity, and energy justice; and safety and reliability. It is important to recognize at the outset that these issues are intertwined. That is, regulatory policies to reduce GHG emissions will overlap with each of these other policies on the list. For that reason, it will be important for the Commission to hear from a wide variety of stakeholders and to develop policies that also address these cross-cutting concerns.

⁷ For example, the Commission has recently opened a comment period for utilities to file plans to address efforts to avoid price spikes in gas procurement and to examine integrated resource planning in docket 21-135. *In the Matter of a Commission Investigation into the Impact of Severe Weather in February 2021 on Impacted Minnesota Natural Gas Utilities and Customers*, Docket No. G-999/CI-21-135, Notice of Comment Period (Aug. 23, 2022).

CONCLUSION

The gas system—from a physical and regulatory perspective—is at an inflection point and the work we will be undertaking in this docket will go far in determining the course this system takes in the future. We appreciate the work that has gone into the planning of the Phase 1 technical conferences thus far and we look forward to working with the Commission and other stakeholders to ensure that this docket continues to drive toward the statutory goals of evaluating the regulatory and policy changes needed to meet or exceed Minnesota’s GHG emission reduction goals. We hope the three-phase roadmap described in these comments provides a pathway to accomplish this critical statutory goal in a manner that facilitates creation of a robust record from a wide range of stakeholders.

Sincerely,

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Additional Technical Conference Session Ideas

- Summary of gas utility emissions/sources of gas emissions in the state
- Opportunities to reduce gas utility emissions and approaches deployed to reduce utility emissions in other settings
- Recent developments affecting natural gas industry (IRA, price spikes, cost of gas)
- Public Interest in Gas System Regulation, including:
 - Health
 - Safety
 - Access
 - Reliability
 - Affordability
 - Equity (Procedural and distributive justice)
 - Equity metrics
 - Workforce impact
- Accelerated infrastructure replacement
- Line extension policy reform

Resources and Speakers

Below is a list of topics and corresponding studies that may be of use for identifying potential speakers:

- Public Health
 - Michanowicz, DR; Dayalu, A; Nordgaard, CL; et al. *Home is Where the Pipeline Ends* (2022).
 - Lebel, ED; Finnegan, CJ; Ouyang, Z; et al. *Methane and NOx Emissions from Natural Gas Stoves, Cooktops, and Ovens in CA Residential Homes* (2022).
 - Tan, YA; Jung, B, Seals, BA; et al (RMI). *Decarbonizing Homes- Improving Health in Low-Income Communities* (2021).
 - Zhu, Y; Connolly, R; Lin, Y; et al (UCLA Fielding). *Effects of Residential Gas Appliances on Indoor and Outdoor Air Quality and Public Health in California* (2020).
 - Buonocore, JJ; Salimifard, P; Michanowicz, DR; et al. *Historical Reconstruction of the Reductions in the Public Health Burden of Energy* (2021).
- Energy Equity
 - Chan, G & Klass, AB. *Regulating for Energy Justice* (2022).
 - Mashke, K; St Pierre, O; Vigrass, J; et al (Yale School of Public Health). *Energy Justice and Health in a Changing Climate* (2022).
 - Carruthers, C; Nelson, E; Chan, G; Frank, M; & Giles, M. *Insights to Better Serve BIPOC, Low-Income, and Renter Communities in Energy Efficiency Programs* (2022).
- Workforce Impacts
 - Jones, B; Karpman, J; Chlebnikow, M; et al (UCLA LCI). *California Building Decarbonization Workforce Needs and Recommendations* (2019).

- Rothwell, P; Neuber, CM; et al (EEBC). *Building Electrification Boosts Jobs in Colorado* (2021).
- Economic Impacts
 - Billimoria, S; Guccione, L; Henchen, M; et al (RMI). *Economics of Electrifying Buildings* (2018).
 - McKenna, C; Shah, A; & Louis-Prescott, L (RMI). *The New Economics of Electrifying Buildings- An Analysis of Seven Cities* (2020).
- Line Extension Policy
 - Alter, A; Billimoria, S; & Henchen, M (RMI). *Overextended: It's Time to Rethink Subsidized Line Extensions* (2021).
- Stranded Assets
 - Bilich, A; Colvin, M; & O'Connor, T (Environmental Defense Fund). *Managing the Transition: Proactive Solutions for Stranded Gas Asset Risk in California* (2019).
- Regulatory Policy
 - Anderson, M; LeBel, M; & Dupuy, M (RAP). *Under Pressure: Gas Utility Regulation for a Time of Transition* (2021).
 - Billimoria, S & Henchen, M (RMI). *Regulatory Solutions for Building Decarbonization: Tools for Commissions and Other Government Agencies* (2020).
 - Shipley, J; Hopkins, A; Takahashi, K, et al (RAP and Synapse). *Renovating Regulation to Electrify Buildings: A Guide for the Handy Regulator* (2021).
 - Gridworks. *Gas Resource and Infrastructure Planning for California: A Proposed Approach to Long-Term Gas Planning* (2021).
- Technologies/Resources
 - Heat Pumps
 - HEET and BuroHappold. *GeoMicroDistrict Feasibility Study* (2019).
 - Schoenbauer, B; Kessler, N; & Kushler, M (CEE and ACEEE). *Cold Climate Air Source Heat Pump* (2018).
 - Castigliero, JR; Alisalad, S; Stasio, T; et al (Applied Economics Clinic). *Inflection Point - When Heating with Gas Costs More* (2021).
 - Malinowski, M; Dupuy, M; Farnsworth, D; et al (CLASP and RAP). *Combating High Fuel Prices with Hybrid Heating* (2022).
 - District Energy
 - Vicinity. *Decarbonizing Boston and Cambridge with eSteam* (2022).
 - RNG
 - NRDC. *Opportunities and Limits of Biogas and Synthetic Gas to Replace Fossil Gas* (2020).
 - Grubert, E. *At Scale, Renewable Natural Gas Systems Could be Climate Intensive: The Influence of Methane Feedstock and Leakage Rates* (2020).
 - Hydrogen

- Baldwin, S; Esposito, D; & Tallackson, H (Energy Innovation). *Assessing the Viability of Hydrogen Proposals* (2022).
- Krasner, A & Gottlieb, B (Physicians for Social Responsibility). *Hydrogen Pipe Dreams- Why Burning Hydrogen in Buildings is Bad for Climate and Health* (2022).
- Electrification Potential
 - Drake, T & Partridge, A (GPI and CEE). *Decarbonizing MN's Natural Gas End Uses - Stakeholder Process Summary* (2021).
 - Nadel, S & Fadali, L (ACEEE) *Analysis of Electric and Gas Decarbonization Options for Homes and Apartments* (2022).
 - Deason, J; Wei, M; Leventis, G; et al (Lawrence Berkeley National Laboratory). *Electrification of Buildings and Industry in the US* (2018).
 - Hopkins, A; Takahashi, K; Glick, D; et al (Synapse Energy Economics). *Decarbonization of Heating Energy Use in California Buildings: Technology, Markets, Impacts, and Policy Solutions* (2018).