

**STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION**

**In the Matter of the Application of
Northern States Power Company
for Authority to Increase Rates
for Natural Gas Service in Minnesota**

MPUC Docket No. G-002/GR-21-678

OAH Docket No. 21-2500-38002

**DIRECT TESTIMONY OF
JOE DAMMEL
FRESH ENERGY**

**ON BEHALF OF
CLEAN ENERGY ORGANIZATIONS**

AUGUST 30, 2022

Exhibit_____

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I. BACKGROUND AND INTRODUCTION

1 **Q. Please state your name, business address, and position.**

2 A. My name is Joe Dammel. I am the Managing Director of Buildings at Fresh Energy located
3 at 408 Saint Peter Street, Suite 350, Saint Paul, Minnesota 55102.

4 **Q. Please describe your formal education and professional experience.**

5 A. Currently, I am the Managing Director of Buildings at Fresh Energy where I work on
6 policies related to efficient and climate-friendly buildings and natural gas utilities in
7 Minnesota.

8 Before joining Fresh Energy, I worked as a staff attorney at the Minnesota Pollution
9 Control Agency (MPCA) from 2019 to 2021 where I provided legal advice to the
10 remediation and air/climate programs, including legal support of the Clean Cars Minnesota
11 rulemaking that adopted California's low- and zero-emissions vehicle standards under the
12 federal Clean Air Act and pursuant to Minnesota's rulemaking process. Before that, I was
13 an assistant attorney general from 2015 to 2019 at the Minnesota Attorney General's Office
14 (OAG) where I worked in the Residential Utilities Division. While at the OAG, I litigated
15 utility rate cases and other contested cases and worked on utility policy, including gas
16 infrastructure cost riders, gas system expansion riders, performance metrics, grid
17 modernization, electric vehicle policy, demand side management, financial incentive
18 mechanisms, and more. I began my career at CenterPoint Energy, where I worked as a
19 regulatory analyst from 2014 to 2015. I worked on infrastructure replacement, federal
20 interstate pipeline policy, service quality reporting, and supported rate case preparation. I
21 have a B.S. in environmental engineering from Michigan Technological University, an
22 M.S. in Science, Technology, and Environmental Policy from the Humphrey School of

1 Public Affairs at the University of Minnesota, and a J.D. from the University of Minnesota
2 Law School. My resume is attached as Schedule JD-D-1.

3 **Q. What is the purpose of your testimony?**

4 A. I will address two main topics in my testimony: line extension policy and accelerated
5 infrastructure replacement. I'll briefly explain how each of these topics relates to broader
6 conversations regarding the future of the gas system.

7 **Q. How is your testimony organized?**

8 A. First, line extension policy applies to the subsidized expansion of the gas system to add
9 new customers. This expansion runs counter to the state goal to reduce throughput of fossil
10 gas and it relies upon unwarranted assumptions about gas usage into the future. Second,
11 accelerated infrastructure replacement and cost recovery is putting upward pressure on
12 rates and increases the risk of stranded assets. These topics are ripe for discussion because
13 of their impact on the expansion, replacement, and future of the natural gas system.

14 **II. LINE EXTENSION POLICY**

15 **Q. What are line extensions?**

16 A. Line extensions describe the extension of the natural gas distribution system to serve a
17 new customer. Line extensions encompass the extension of gas distribution mains, the
18 service line that connects the main to the meter, and the meter itself.

19 **Q. What is the historical regulatory policy on line extensions?**

20 A. Utility line extension policy has historically been to allow the vast majority of these costs
21 to connect new customers to be paid for by all ratepayers. The underlying rationale for
22 historical line extension policy is that the new customer will eventually contribute net

1 positive revenue for the utility through future bills and/or that individual customers' share
2 of total system costs should remain constant.¹

3 **Q. So, if a potential new customer wants to connect to the natural gas system, the natural**
4 **gas utility will install gas main, a service line, and a meter for free?**

5 A. Yes, assuming that the extension footage required by the customer falls within the “free
6 footage” allowance for mains and services. Meters are always paid for by all ratepayers.

7 **Q. Has the Commission comprehensively reviewed this practice in Minnesota?**

8 A. Yes, nearly three decades ago. The Commission last comprehensively reviewed this
9 practice in a 1990 docket, which arose out of an investigation into a “race” between two
10 gas utilities to “capture” new customers in part by offering free main extensions and
11 appliance rebates.² One of the issues studied in that docket was whether “the Commission
12 [should] encourage the use of natural gas” through line extension incentives.³ The 1995
13 Order in that docket required utilities to answer a set of questions in each subsequent rate
14 case. The threshold question posed by the Commission is whether a majority of new
15 extensions should be free for new customers.⁴

16 **Q. Are you aware of any significant change to Minnesota’s line extension policy in the**
17 **27 years since this 1995 order?**

18 A. No, I am not.

19 **Q. Why should the Commission now address line extension policy?**

20 A. In the nearly three decades since its 1995 Order, there has been a significant shift in both

¹ See ABIGAIL LALAKEA ALTER, SHERRI BILLIMORIA, & MIKE HENCHEN, RMI, OVEREXTENDED: IT’S TIME TO RETHINK SUBSIDIZED LINE EXTENSIONS 1 (2021) (hereinafter “RMI Report”). Attached as Schedule JD-D-2.

² *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G-999/CI-90-563, Office Memorandum at 2–3 (Apr. 25, 1991).

³ *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G-999/CI-90-563, Order at 2 (Mar. 31, 1995).

⁴ *Id.* at 6.

1 utility law and policy both across the country and in Minnesota, driven by concerns
2 regarding the impact of the natural gas system on climate change and the impact of the gas
3 system on ratepayer interests.

4 **Q. Can you describe some of these shifts from a national perspective, where some states
5 are re-examining and reforming line extension policies?**

6 A. Yes. A recently-published report lists three main reasons why states should re-examine line
7 extension policies.⁵ First, gas utilities have dramatically ramped up spending on the system,
8 which is driving up customer costs. Second, the expansion of the U.S. gas system means
9 that GHG emissions from the buildings sector have remained flat or increased. Third, new
10 policies to reduce emissions in buildings such as fuel switching away from natural gas to
11 electricity is projected to dramatically reduce gas use in the future and this trend could
12 make it more difficult for utilities to recover these sunk costs on the system in the future,
13 especially as those costs rise and drive customers away from the gas system.

14 **Q. Can you provide examples of some of these proceedings?**

15 A. Yes. The Colorado Public Utilities Commission filed a Notice of Proposed Rulemaking in
16 October 2021. In its proposal, the Colorado PUC proposed to require that utilities revise
17 line extension policies based on “the principle that the full incremental cost associated with
18 new development and growth shall be borne generally by the customers that cause those
19 incremental costs.”⁶ The Colorado PUC also proposed to explicitly tie utilities’ line
20 extension policies to the state’s GHG reduction goals, meaning that line extension policies
21 would “provide no more rate-based contribution than necessary given the potential impacts

⁵ RMI Report at 5–6.

⁶ *In the Matter of the Proposed Amendments to the Commission’s Rules Regulating Gas Utilities*, Colo. PUC Docket No. C21-0610, Notice of Proposed Rulemaking at 24 (Oct. 1, 2021). Attached as Schedule JD-D-3.

1 from the state’s [GHG] emissions reduction requirements.”⁷

2 In California, Public Utilities Commission (CPUC) staff proposed to eliminate all gas
3 extension allowances, refunds, and discounts.⁸ Staff made this recommendation in light of
4 that state’s policies to reduce greenhouse gas emissions (GHG) from its building sector. In
5 eliminating the gas extension subsidies, CPUC staff sought to “send a strong signal to the
6 builder community that future building projects should transition away from gas use, thus
7 encouraging all-electric new construction and aiding the effort to reduce GHG emissions.

8 . . .”⁹ Together, these subsidies create barriers to building decarbonization.¹⁰ CPUC staff
9 noted that ratepayers would save approximately \$120 million annually in eliminating these
10 subsidies and those savings could be used towards decarbonization efforts.¹¹ On August 8,
11 2022, Commissioner Rechtschaffen issued a Proposed Decision that would adopt CPUC
12 staff’s recommendations to eliminate gas line extensions.¹² A CPUC vote is forthcoming.

13 In Washington State, the Utilities and Transportation Commission (UTC) issued an order
14 in October 2021 that reduced the allowable line extensions while making a point that “our
15 decision today [is] an interim measure that will substantially reduce line extension
16 allowances” while the UTC considers “broader examination of energy decarbonization
17 impacts and pathways . . .” in its future of gas docket.¹³

⁷ *Id.*

⁸ *Order Instituting Rulemaking Regarding Building Decarbonization*, Cal. PUC Rulemaking 19-01-011, Assigned Commissioner’s Amended Scoping Memo and Ruling at Appendix A: Staff Proposal (Nov. 16, 2021) (hereinafter “CPUC Staff Proposal”). Attached as Schedule JD-D-4.

⁹ *Id.* at 2.

¹⁰ *Id.* at 17.

¹¹ *Id.* at 46.

¹² *Order Instituting Rulemaking Regarding Building Decarbonization*, Cal. PUC Rulemaking 19-01-011, Proposed Decision of Commissioner Rechtschaffen (Aug. 8, 2022). Attached as Schedule JD-D-5.

¹³ *In the Matter of Chair Danner’s Motion to Consider Whether Natural Gas Utilities Should Continue to Use the Perpetual Net Present Value Methodology to Calculate Natural Gas Line Extension Allowances*, Wash. UTC Docket No. UG-210729, Order 01 Authorizing and Requiring Tariff Revisions at 6 (Oct. 29, 2021). Attached as Schedule JD-D-6.

1 **Q. Are these reasons relevant to Minnesota and Xcel Energy, specifically?**

2 A. Yes, they are. First, as Witness Chamberlain states, the Company’s “net zero vision will
3 bring the gas system further into the future” to cement the Company “as a leader in not
4 only the electric but also the gas clean energy transition.”¹⁴ Witness Lyng goes on to
5 further describe this vision to reduce GHG emissions by 25 percent by 2030 (from 2020
6 levels) and achieving net-zero GHG emission by 2050.¹⁵

7 Second, GHG emissions from the buildings sector have *increased* in Minnesota in recent
8 years, according to data from the Minnesota Pollution Control Agency.¹⁶ Minnesota will
9 not achieve its GHG emission reduction goals without a significant reduction in
10 emissions from the use of natural gas in buildings. In addition, gas usage in buildings is
11 tied to indoor air quality and health concerns.¹⁷

12 Third, two new laws in Minnesota—the Natural Gas Innovation Act (NGIA)¹⁸ and the
13 Energy Conservation and Optimization (ECO) Act¹⁹—have codified electrification and
14 fuel switching as state goals and are poised to dramatically increase adoption of
15 electrified end uses. NGIA also established a throughput goal for gas utilities like Xcel,
16 which requires utilities to “reduce the overall amount of natural gas produced from
17 conventional geologic sources delivered to customers.”²⁰

¹⁴ Chamberlain Direct at 7.

¹⁵ Lyng Direct at 17–30.

¹⁶ See AUDREY PARTRIDGE & RABI VANDERSON, CENTER FOR ENERGY AND THE ENVIRONMENT, IT ALL ADDS UP: EMISSIONS FROM MINNESOTA’S NATURAL GAS CONSUMPTION 2 (Dec. 3, 2020), *available at* <https://www.mncee.org/it-all-adds-emissions-minnesotas-natural-gas-consumption> (finding that, according to MPCA GHG data, gas consumption increased in the residential sector by 12 percent, the commercial sector by 18 percent, and the industrial sector by 71 percent since 2005).

¹⁷ See, e.g. BRADY ANNE SEALS & ANDEE KRASNER, RMI, HEALTH EFFECTS FROM GAS STOVE POLLUTION (2020), *available at* <https://rmi.org/insight/gas-stoves-pollution-health/>.

¹⁸ 2021 Minn. Laws 1st Spec. Sess., chapter 4, H.F. No. 6.

¹⁹ 2021 Minn. Laws chapter 29, H.F. No. 164.

²⁰ MINN. STAT. § 216B.2427, subd. 10 (2021).

1 It is clear that the continued subsidization of gas extension subsidies would run counter to
2 all three of these important policy drivers discussed above.

3 **Q. How so?**

4 A. As Witness Hults reports, the number of new gas service extensions installed by Xcel “has
5 been growing fairly consistently” over recent years, with an average of 3,025 new gas
6 service extensions added each year between 2017 and 2020.²¹ Residential customers get a
7 free footage allowance of 100 feet of main and 75 feet of service. Based on data of 2019–
8 20 projects included in Witness Hults’s Testimony, the Company has spent an average of
9 \$11.3 million per year on extending mains and service lines in recent years.²²

10 **Q. How much of these costs are paid for by all ratepayers?**

11 A. According to Witness Hults, of these expenditures, new customer contributions in the
12 form of contributions in aid of construction (CIAC) comprised between 5.41 percent for
13 main extensions and 9.09 percent for service extensions in 2019 and 2020, which
14 indicates the percentage of costs that exceeded the existing line extension calculation that
15 new customers must pay.²³ In other words, well over 90 percent of costs associated with
16 extending mains and services are subsidized by all ratepayers under the current line
17 extension formula.

18 **Q. Does Xcel’s line extension policy concern you?**

19 A. Yes, it does. It is not reasonable to provide a ratepayer-funded allowance to add
20 residential customers to the natural gas system. Together, these costs add up to millions

²¹ Hults Direct at 4.

²² The Company spent \$12,981,205 on 6,129 service extension projects in 2019 and 2020 (SSH-1, Sch. 2, p. 3) and \$9,651,152 on 244 mains extensions in 2019 and 2020 (SSH-1, Sch. 3, p. 2), for a total over those two years of \$22,632,357 (total / 2 = \$11,316,179).

²³ Hults Direct at SSH-1, Sch. 2, p. 3 and SSH-1, Sch. 3, p. 2.

1 of dollars per year and that will impact ratepayers for decades. Subsidization of line
2 extension costs also runs counter to current state law and policy which promotes GHG
3 emission reductions and reduced throughput of fossil gas. So, at the most basic level, we
4 must seriously reconsider—if not eliminate—policies that explicitly encourage the
5 growth of the natural gas system. As we begin to consider the future of the natural gas
6 system in other dockets at the Commission, it is critical to also make reasonable changes
7 to existing policies in proceedings such as rate cases, so that the Commission can limit
8 the ongoing harm that these policies cause.

9 **Q. Have other Minnesota gas utilities recently reduced their line extension policies?**

10 A. Yes. CenterPoint Energy reduced its line extension policy for mains by one-third as part
11 of a settlement agreement reached by all parties (including Clean Energy Organizations)
12 in its recent rate case, which was accepted by the Commission at an August 18, 2022
13 agenda meeting.²⁴

14 **Q. What else did this settlement recommend?**

15 A. This settlement also recommended that the Commission refer the issue to the Future of
16 Gas docket in 21-565 to explore whether “it is reasonable, in light of current state
17 environmental policy to modify or eliminate line extension allowances for new gas
18 service?”²⁵

19 **Q. What do you recommend here?**

²⁴ *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. G008/GR-21-435 Aug. 18, 2022 Agenda Meeting (Order forthcoming).

²⁵ *In the Matter of a Commission Evaluation of Changes to Natural Gas Utility Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals*, Docket No. G-999/CI-21-565 (Letter from Joint Settling Parties) (Mar. 21, 2022).

1 A. I recommend that Xcel Energy reduce its line extension allowance for the policy reasons
2 articulated earlier in my testimony. It is my understanding that other parties may
3 introduce footage recommendations in their Direct Testimony and I will respond to those
4 recommendations in my Rebuttal. I make this recommendation even though there will
5 likely be discussion of broader line extension policy in the Future of Gas docket. While I
6 acknowledge the importance of discussing the elimination of line extension policies with
7 all gas utilities and with more stakeholders, incremental reductions to existing line
8 extension allowance policy will limit the harm to ratepayers of the continued build out of
9 the natural gas system.

10 **Q. What will you discuss next?**

11 A. The first part of my testimony has focused on costs associated with adding new
12 customers to the gas distribution system. This next part of my testimony will focus on
13 costs associated with the accelerated replacement of the existing gas distribution system
14 and the rolling in of related cost riders. Many of the same concerns with addressing the
15 ongoing and rising costs in the line extension section will also be applicable in this next
16 section, but the costs associated with the accelerated replacement of the existing gas
17 system are an order of magnitude *greater* than line extension costs.

III. ACCELERATED INFRASTRUCTURE REPLACEMENT

18 **Q. What will you be discussing in this section?**

19 A. I will be discussing the Company's accelerated infrastructure replacement program,
20 which has driven nearly a decade of rate increases via cost riders, which are now being
21 rolled into base rates. This level of accelerated spending places a burden on ratepayers
22 and increases the risk of stranded assets, both of which create equity concerns. In

1 addition, this level of spending runs counter to state environmental policy regarding gas
2 decarbonization and the coming energy transition. I will be discussing these issues and
3 will highlight examples from other states in support of my recommendation to take a
4 holistic approach toward curbing this spending in Minnesota’s future of gas docket and to
5 requiring the filing of a wind-down plan for rider cost recovery.

6 **Q. Please describe the Company’s accelerated infrastructure replacement spending**
7 **and cost recovery.**

8 A. The Gas Utility Infrastructure Cost (GUIC) rider allows gas utilities to recover
9 accelerated replacement-related costs outside of a rate case and Xcel filed its first GUIC
10 rider petition on August 1, 2014.²⁶ The Company projects that it will spend over \$600
11 million on GUIC-related projects between 2012 and 2026.²⁷ And it plans to spend
12 approximately \$60 million per year in 2021 and 2022 on GUIC-related capital
13 investments.²⁸ This level of annual spending on accelerated infrastructure replacement is
14 significantly higher today than *all* capital spending included in its 2010 rate case.²⁹ The
15 Company’s proposed roll-in of rider revenues is \$28.5 million in this rate case is nearly
16 half of its entire request of \$64.1 million.³⁰ Since first utilizing the GUIC rider, the
17 Company has replaced over 320 miles of “high- and medium-risk, aging, corroded, and
18 otherwise damaged gas distribution pipeline, as well as the replacement of approximately
19 15,400 aging distribution service lines.”³¹

²⁶ Initial Petition, *In the Matter of the Petition of Northern States Power Company for Approval of a Gas Utility Infrastructure Cost Rider*, Docket. No. G-002/M-14-336 at 19 (Aug. 1, 2014).

²⁷ *In the Matter of Xcel Energy’s Gas Utility Infrastructure Cost Rider, True-Up Report for 202, Revenue Requirement for 2022, and Revised Surcharge Factors*, Docket. No. G002/M-21-765, 2022 Initial Petition at 33 (Oct. 29, 2021).

²⁸ *Id.* at Attachment M.

²⁹ *Id.*

³⁰ Chamberlain Direct at 4.

³¹ Zich Direct at 12.

1 **Q. Are these capital investments related to pipeline safety?**

2 A. All regulated utilities have an obligation to provide safe and reliable energy services. But
3 continuing to view this massive category of spending through the myopic lens of a rate
4 case or a cost recovery rider docket misses an opportunity to consider accelerated
5 replacement through a broader, more holistic lens. Such a perspective should balance
6 ongoing safety obligations with other important considerations such as ratepayer
7 protection, equity, and the imperative to address the climate crisis.

8 **Q. Can you elaborate on these considerations?**

9 A. Yes.

10 Accelerating infrastructure replacement puts an upward pressure on rates. Put simply, this
11 is because historical base rates take into account a “normal” level of system replacement.
12 The accelerated replacement of infrastructure means the utility incurs costs at a higher-
13 than-historical level and these costs are not related to adding new customers to the
14 system, at least not primarily. Because of this, rate base grows without an attendant
15 increase in revenue and utilities thus seek more frequent rate cases. This puts a continued
16 upward pressure on rates and the effect only becomes magnified with each rate increase.
17 Rate increases exacerbate the energy burden on current ratepayers even before higher,
18 more volatile fuel costs are considered. There is also a risk to future ratepayers as the
19 state begins to adopt policies that align with the decarbonization of the gas system. Some
20 of these policies (electrification, for example) could lead some gas customers to leave the
21 gas system entirely. This could turn the newly-replaced distribution system into a
22 stranded asset.

1 Second, there is an inherent tension between the replacement of gas infrastructure and a
2 decarbonized future. It will simply not be viable from a climate perspective to have this
3 vast pipeline network still in operation decades into the future. Even with development of
4 alternative, lower-carbon fuels, studies have shown that the feasibility of these alternative
5 gaseous fuels may be limited as a one-to-one replacement.³² In addition, the existing gas
6 infrastructure system leaks and releases methane, which is a potent GHG.³³ And although
7 newer pipe material may reduce leakage on the system, I am not aware of a study that
8 contends that leakage could be eliminated entirely and it would likely be prohibitively
9 expensive. Further, combusting gas at the end use, in a person's home, for example, also
10 emits carbon dioxide and is a source of methane emissions from post-meter leakage.³⁴
11 In summary, accelerated infrastructure replacement places stress on current and future
12 ratepayers, especially on those who can least bear it, and it runs counter to the climate
13 imperative that requires a transition away from the gas system.

14 **Q. Are other states confronting accelerated infrastructure spending via riders and**
15 **broader issues regarding the gas system?**

16 A. Yes. For example, the Colorado PUC recently ended Xcel's accelerated replacement cost
17 rider after several parties came forward with concerns that the rider "represents

³² See, e.g. NAT'L RESOURCES DEFENSE COUNCIL, ISSUE BRIEF, A PIPE DREAM OR CLIMATE SOLUTION: THE OPPORTUNITIES AND LIMITS OF BIOGAS AND SYNTHETIC GAS TO REPLACE FOSSIL GAS at 5 (June 2020), available at <https://www.nrdc.org/sites/default/files/pipe-dream-climate-solution-bio-synthetic-gas-ib.pdf> (finding that the potential of economical and environmentally-friendly supply of biogas and synthetic gas could replace only roughly 3 to 7 percent of the country's 2019 gas usage).

³³ See, e.g. Zachary Weller, Stephen P. Hamburg, & Joseph C. von Fischer, *A National Estimate of Methane Leakage from Pipeline Mains in Natural Gas Local Distribution Systems*, 54 ENVTL. SCI. & TECH 8958 (2020), available at <https://pubs.acs.org/doi/10.1021/acs.est.0c00437>.

³⁴ See, e.g., Eric Lebel et al., *Methane and NOx Emissions from Natural Gas Stoves, Cooktops, and Ovens in Residential Homes, to be published in ENV'TL SCI. & TECH* (Jan. 27, 2022), available at <https://pubs.acs.org/doi/10.1021/acs.est.1c04707> (finding that natural gas stoves emit 0.8 to 1.3 percent of gas they use, equivalent to the climate impact of the annual carbon dioxide emissions of 500,000 cars).

1 extraordinary cost recovery, incentivizes accelerated investment, raises important issues
2 of appropriate depreciation lives, and could lead to significant stranded costs.”³⁵ In
3 addition, these parties argued that the accelerated system replacement rider was
4 inconsistent with state environmental policy and that “such investments should be
5 considered through a broader holistic lens focused on long-term emission reduction” as
6 required by Colorado state law.³⁶

7 **Q. Are there any relevant parallels between Colorado and Minnesota?**

8 A. Yes, there are many parallels to the scenario in Colorado that are applicable in this
9 docket, beyond the fact that Xcel operates in both states. Both states have similar
10 greenhouse gas reduction goals, with Colorado at 90 percent by 2050 and Minnesota at
11 80 percent by 2050, although both goals fall short of the climate imperative to reach 100
12 percent by 2050.³⁷ Second, both states have new programs that enable gas utilities to “file
13 beneficial electrification plans designed to incentivize the conversion of customers’ end
14 use . . . from natural gas or propane to high-efficiency electric equipment.”³⁸ Both NGIA
15 and the Energy Conservation Optimization act (“ECO”) enable utilities to pursue
16 efficient fuel switching from gas to electric in Minnesota. Finally, Xcel’s utilities in both
17 Colorado and Minnesota both began pursuit of accelerated infrastructure replacement

³⁵ *In the Matter of the Verified Application of Public Service Company of Colorado for Approval to Extend the Company’s Pipeline System Integrity Adjustment (PSIA) Rider for Certain Projects through 2024, with Subsequent Wind-Down of the Rider*, Colo. PUC Docket No. 21A-0071G, Decision Granting Joint Motion, Approving Settlement Agreement, and Granting Application as Modified by Settlement Agreement at 7 (Oct. 20, 2021). Attached as Schedule JD-D-7.

³⁶ *Id.*

³⁷ Xcel Energy and Fresh Energy were on the Advisory Committee of a stakeholder process that culminated in a 2021 report on *Decarbonizing Minnesota’s Natural Gas End Uses* which used a net-zero by 2050 goal for scenario modeling. In addition, in November 2021, Xcel announced the establishment of a net-zero by 2050 goal for its gas distribution utility business.

³⁸ Answer Testimony of Gene L. Camp, *In the Matter of the Verified Application of Public Service Company of Colorado for Approval to Extend the Company’s Pipeline System Integrity Adjustment (PSIA) Rider for Certain Projects Through 2024, with Subsequent Wind-Down of the Rider*, Colorado PUC Proceeding No. 21A-0071G, Hearing Ex. 500 at 41 (Jul. 13, 2021).

1 roughly a decade ago with each utility subsequently spending hundreds of millions to
2 replace the riskiest pipe material in their systems. In recognition of the decade of
3 investments in Colorado, the PUC witness noted that since “the highest risk situations are
4 mitigated first . . . slowing the pace of capital investments in pipeline safety integrity
5 projects is unlikely to result in placing the citizens of Colorado in danger.”³⁹ The
6 Company’s \$600 million investment in replacing the riskiest pipe material in its service
7 territory in Minnesota should similarly assuage safety concerns of beginning to wind
8 down the accelerated efforts.

9 **Q. Are other states confronting the issue of accelerated infrastructure replacement?**

10 A. Yes. This broader holistic lens on the gas system has been used across the country in
11 recent years in other states as state utility commissions have begun to consider the future
12 of the natural system.⁴⁰ According to a report by the Regulatory Assistance Project, or
13 RAP, “[r]egulators and utilities that do not get ahead of these trends may face the need to
14 impose unsustainable rate increases on customers, meaning high costs for those who can
15 least afford it.”⁴¹ Several other states, including Colorado, Washington, Oregon,
16 California, New York, Massachusetts, and others have initiated proceedings to consider
17 the future of the gas system. As noted elsewhere, Minnesota has opened a future of gas
18 proceeding as well, in docket G-999/CI-21-565, following the passage of the Natural Gas
19 Innovation Act (NGIA).⁴² I am encouraged by this development here in Minnesota but

³⁹ *Id.* at 42–43.

⁴⁰ *See, e.g.* MEGAN ANDERSON, MARK LEBEL, & MAX DUPUY, REGULATORY ASSISTANCE PROJECT, UNDER PRESSURE: GAS UTILITY REGULATION FOR A TIME OF TRANSITION *passim* (May 2021), available at <https://www.raonline.org/knowledge-center/under-pressure-gas-utility-regulation-for-a-time-of-transition/>.

⁴¹ *Id.* at 6.

⁴² 2021 Minn. Laws 1st Spec. Sess., chapter 4, H.F. No. 6.

1 am concerned that this cycle of accelerated system replacement will continue and even
2 increase well into the future if we do not directly address this issue, even as the direction
3 of state policy goals away from reliance on fossil gas.⁴³

4 **Q. What do you recommend?**

5 A. I acknowledge that it is difficult to have a robust discussion of broad policy issues in rate
6 cases, just as it is similarly difficult to have a discussion about spending proposals and
7 cost recovery in broad policy dockets. But the future of the natural gas system will be
8 shaped by the decisions made in proceedings like this one and it is important for the
9 broader policy direction to inform the more granular spending questions.

10 In Xcel's 2022 GUIC docket, I recommended that the Company be required to file wind-
11 down plans in future GUIC rider petitions, similar to the plans it had long-filed in
12 Colorado and in light of the GUIC statute's impending expiration date in 2023.⁴⁴ This
13 wind-down plan would provide a timeline for each current GUIC project to be completed
14 and a discussion of how future replacement projects will be considered, including an
15 analysis of non-gas alternatives that could be implemented instead of replacing the
16 existing pipe. In this case, I recommend that the Company file a wind-down plan in its
17 GUIC rider compliance report filed at the conclusion of this case and in any subsequent
18 GUIC rider petitions.

19 **Q. Why do you recommend the Company file a wind-down plan in this rate case and in**
20 **future rider petitions?**

⁴³ NGIA establishes a state goal for gas utilities to "reduce the overall amount of natural gas produced from conventional geologic sources delivered to customers," which describes methane derived from fossil sources, or fossil gas. MINN. STAT. § 216B.2427, subd. 10 (2021).

⁴⁴ See *In the Matter of Xcel Energy's Gas Utility Infrastructure Cost Rider, True-Up Report for 202, Revenue Requirement for 2022, and Revised Surcharge Factors*, Docket. No. G002/M-21-765, 2022 Initial Comments of Fresh Energy at 5-6 (May 31, 2022).

1 A. I recommend that the Company file a wind-down plan at the conclusion of this case and
2 in future cost rider petitions to ensure that the Company is adequately planning for the
3 impending expiration of the GUIC rider statute and that it is responsive to the state policy
4 considerations described above. In the absence of a plan to wind down expenditures
5 related to accelerated infrastructure replacement, I am concerned that the Company will
6 continue and likely expand its efforts to accelerate infrastructure replacement as these
7 efforts enter the second decade of this investment surge. This continued investment will
8 negatively affect current and future ratepayers and is misaligned with the future energy
9 system we are now just beginning to discuss in Minnesota. Filing a wind-down plan will
10 not cease these accelerated investments overnight; that is not its intent. Rather, it will
11 help to facilitate a discussion about how accelerated infrastructure replacement efforts fit
12 into the energy transition moving forward.

13 **Q. Does this conclude your testimony?**

14 A. Yes.