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Minnesota House Climate and Energy Finance and Policy Committee
593 Minnesota State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

RE: Gas Utility Infrastructure Cost Rider provisions in HF 2035

Dear Chair Acomb and Committee Members,

HF 2035 would, in part, extend the sunset of the Gas Utility Infrastructure Cost (GUIC) rider five years, from later June 30, 2023, to June 30, 2028.

Fresh Energy has concerns about this five-year extension, for the reasons discussed below.
Like any cost rider, GUIC offers utilities extraordinary cost recovery for outside-of-rate-case spending. Since its modification a decade ago, the GUIC rider statute (in 216B.1635) has allowed gas utilities to recover costs related to the replacement of the oldest, leakiest pipes at an accelerated pace without going through the holistic review of a traditional rate case. Over that time, utilities have replaced thousands of miles of old pipe made from materials like cast iron and bare steel.

As we enter the second decade of facing accelerated infrastructure replacement, it is important to take stock of how far we have come but also consider what Minnesota's climate and energy future holds.
To that end, the Public Utilities Commission (PUC) has begun to investigate the future of the gas system. Notably, the 2021 Natural Gas Innovation Act established a throughput reduction goal for gas utilities and directed the PUC to "evaluate changes to natural gas utility regulatory and policy structures needed to meet or exceed Minnesota's greenhouse gas emissions reductions goals." The PUC has also recently ordered the establishment of integrated resource plans for gas utilities, which, for the first time, will incorporate both long- and short-term planning requirements.

It is against this regulatory backdrop that the sunset of the GUIC rider statute should be considered.
If left to expire this June, the PUC will then have maximum flexibility to determine how these accelerated replacement efforts should move forward—via either a new rider authorized under their existing general authority or a general rate case. This option gives the PUC maximum flexibility to consider how future replacement efforts should harmonize with the array of other forward-looking policies currently under development.

A five-year GUIC extension removes this regulatory flexibility and thus simply makes it more difficult to align these efforts.

As we look forward to the future of the gas system, we must also look back and remind ourselves that gas utilities have maintained their systems for decades prior to passage of the GUIC rider. Thus, even if GUIC expires, the obligation for utilities to provide safe and reliable service will continue. But regulators will gain the flexibility to address the future of the gas system with all of the regulatory tools in its toolbelt.

We look forward to working with the bill author and other stakeholders on improving this aspect of HF 2035.

Sincerely,

Joe Dammel
Managing Director, Buildings
Fresh Energy