



## ELECTRICITY AFFORDABILITY TOOLKIT

# Managed Gas Transition

COST CONTROL

COST DISTRIBUTION



### AT A GLANCE



#### TARGET COST DRIVERS

*The policy can help to ease customer cost pressures created by these drivers*

- **Aging grid infrastructure**
- **Fuel price volatility**
- **Misaligned utility incentives**



#### IMPACT TIME HORIZON

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*How long it typically takes before changes materialize in utility behavior or customer bills*

●●● Long-term (5+ years)



#### POTENTIAL COST SAVINGS

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*The level of cost savings that can reasonably be expected to result from this policy*

●●● High

### CONTEXT AND BACKGROUND

A managed gas transition addresses the structural risks facing the gas system in a modernizing energy landscape.

As adoption of electric appliances like heat pumps accelerates, gas usage may decline over time, raising the risk that customers will begin leaving the gas system.

If this transition unfolds in an unmanaged way, with some but not all customers on a given segment of the gas system electrifying, utilities will be forced to recover the costs of maintaining that part of the gas system from a shrinking customer base.

This dynamic risks triggering a reinforcing cycle of rising rates and further departures, disproportionately burdening low-income customers who would have the

most difficulty electrifying.

In parallel, the gas utility business model, centered on expanding and maintaining gas delivery infrastructure, is not well designed to manage a major transition of reducing demand and customer counts.

Even if current customer counts remain stable in the near term, this potential shift represents a structural risk to be managed proactively by utilities and regulators. A coordinated, phased, and managed transition of gas infrastructure is necessary to avoid stranded asset risks and ensure fairness in a modernizing energy system.

## REAL-WORLD EXAMPLES

A number of states (**Washington, Oregon, California, Nevada, Colorado, Minnesota, Illinois, New York, Massachusetts, Rhode Island, New Jersey, Maryland**) and the **District of Columbia** [have opened gas planning or “future of gas” proceedings](#) in recent years. Outcomes and goals vary, but several states have established long-term gas planning requirements or have taken action on policy issues such as line extension allowances as a result.



**Colorado’s** [Senate Bill 23-291](#) eliminated incentives for connecting new buildings to the gas system, known as gas line extension allowances. Ending the use of these subsidies reduced the expansion of gas rate base and the long-term risk of stranded asset costs. Colorado also has established requirements for gas infrastructure planning and “clean heat” plans.



**Maryland’s** [Senate Bill 0937](#) requires gas utilities to formally evaluate alternatives to traditional capital investments like pipe replacement, and to better prioritize the investments they do make, in order to limit unnecessary spending on the gas system. The Maryland Public Service Commission is also considering long-term gas planning and line extension allowance policy in [docket number 9707](#).



**Minnesota’s** [Natural Gas Innovation Act](#) directs major gas utilities to file resource plans that explore strategies for gas resources aligned with the state’s 2050 net-zero goal, including electrification and thermal networks. It establishes a “future of gas” docket to analyze long-term challenges and opportunities. Minnesota also established a gas integrated resource planning requirement in 2024.



**Oregon** launched its future of gas proceeding to evaluate a long-term strategy for its natural gas system, including targeted electrification. Statutory precursors included [House Bill 3152](#), which permitted the commission to institute proceedings that align with state emissions targets and mitigate stranded asset risks.



## FURTHER READING

- [“Overextended: It’s Time to Rethink Subsidized Gas Line Extensions,”](#) RMI, 2021
- [“Non-Pipeline Alternatives,”](#) RMI, 2024
- [“The case for natural gas transition planning,”](#) RMI, 2023
- [“Building Decarbonization Roadmap,”](#) United States Climate Alliance, 2021



## IMPACT TIME HORIZON

### Long-term (5+ years)

Most changes in the size of the gas system, utility business models, and ratepayer protection programs are likely to play out over five years to a few decades after policy passage. Short- and medium-term impacts, such as the modification or elimination of line extension allowances, identification of targeted electrification zones, or development of customer incentives, may also occur.



## POTENTIAL COST SAVINGS

### High

[One study](#) showed that strategic retirement of portions of the gas system in California could avoid as much as \$20 billion in pipeline replacement costs by 2045 with impacts limited to only 3% of current gas customers. The savings would amount to roughly \$32,000 per household—likely enough to cover the upfront expenses of electrification. Overall, cost savings from managed gas transition policies will depend substantially on policy structure and design.