

Line Extension Allowances



Ensuring Equitable Access to Natural Gas Services

Line extension allowances (LEAs) are programs designed to offset some or all of the costs of connecting customers for natural gas service. These programs have been critical to ensuring equitable access to the system while minimizing subsidies across different customers or customer classes.

Recently, some stakeholders have called for a change to these policies to eliminate perceived incentives for gas service to new customers.

Some groups have begun to call for the end of subsidized gas line extensions.

The framing of line extension allowances as subsidies represents a fundamental misinterpretation of their purpose and is inconsistent with the legal and regulatory frameworks developed over centuries with the purpose of ensuring safe, reliable, resilient and nondiscriminatory utility service at a reasonable cost.

UTILITIES HAVE AN OBLIGATION TO SERVE

Utilities are charged with an obligation to serve as many citizens as possible, technically and economically. The principles of the public service obligation, including the provision of fair service extension, underpin how LEAs have been developed.

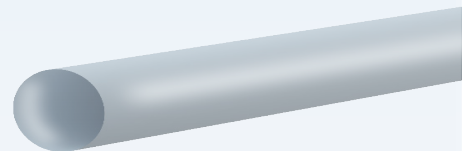
- LEAs must treat new customers on a nondiscriminatory basis.
- They must also treat utility and its existing customers fairly.

ELIMINATING LINE EXTENSION ALLOWANCES HARMS CONSUMERS

Despite differences in design and implementation, all LEAs are created to ensure that adding new customers benefits existing customers by spreading fixed costs across a larger customer base. Therefore, the curtailment or elimination of LEAs may lead to government-imposed inequitable service, discriminatory access to energy and stagnant economic growth.

INFORMING A RATIONAL DISCUSSION

This report is the basis for a rational discussion of the purpose of LEAs and the benefits they bring to society and consumers through a review of the regulatory frameworks that have resulted in modern LEA design. It provides vital insights for stakeholders involved in examining these policies and offers a comprehensive analysis that supports informed decision-making and strategic planning in the utility sector.



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