



Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: Final Comments of Housing First Minnesota on 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
Via Electronic Delivery

On behalf of Housing First Minnesota, representing nearly 1,000 homebuilding, remodeling, and housing industry businesses across the state—we appreciate the opportunity to provide these final comments in this docket.

As Minnesota charts a course toward a lower-carbon energy future, it is imperative that the Commission balance climate goals with the state’s deepening housing affordability crisis and persistent housing shortage. Tens of thousands of homes are still needed to meet current and projected demand. Any regulatory changes that raise costs, limit fuel choices, or inject uncertainty into residential development will only worsen this crisis.

I. Housing Affordability and Supply Impacts

A. Cumulative Cost Burden

Housing affordability must remain a central metric in this proceeding. In its supplemental comments, the Minnesota Department of Commerce asserts that eliminating the natural gas free footage allowance will have only a “minor” effect on housing affordability. This conclusion ignores the cumulative weight of layered mandates on new construction.

From code updates to local fees to labor and material costs, builders are already grappling with significant affordability challenges. Adding potentially thousands of dollars per unit in infrastructure costs through the removal of line extension allowances directly impacts the feasibility of new projects. For first-time and moderate-income buyers—those already most at risk—every cost increment matters.



B. Regional Realities

In suburban and Greater Minnesota developments, line extension costs are particularly significant. Without the allowance, projects will be delayed or abandoned, directly undermining housing supply. The Department's dismissal of these impacts overlooks the fragile economics of building outside major metro areas, where infrastructure costs already constrain entry-level housing.

II. Technological Readiness and Code Compliance

Minnesota's Residential Code requires heating systems to maintain indoor temperatures of at least 68°F in habitable rooms, without reliance on portable heaters.

Natural gas remains the most reliable, widely used, and cost-effective means of meeting this requirement, serving two-thirds of homes statewide and as high as 85% in the Twin Cities metro.

Cold-climate heat pumps, while improving, remain dependent on supplemental systems during subzero temperatures. Efficiency declines at 40°F, with many models ineffective at -5°F to -13°F. Reliance on electric furnaces also places strain on the grid and increases operating costs.

The Department's suggestion that electrification will yield long-term savings overlooks these limitations. Until technology and grid capacity are demonstrably ready, mandates that undermine natural gas access risk higher costs, reduced reliability, and code compliance challenges.

III. Consumer Choice and Energy Reliability

Restricting natural gas access does not simply rebalance energy options; it removes consumer choice. Families deserve the ability to select energy sources that best meet their needs for reliability, affordability, and safety.

The Department points to growing interest in heat pumps, but consumer adoption has been voluntary, driven by specific project economics or customer preference. Mandates that remove natural gas from the table eliminate flexibility and stifle innovation. A balanced transition requires preserving consumer choice, not curtailing it.



IV. Rebuttal of Department's Key Assertions

- 1. Claim: Free footage allowance has minimal affordability impact.**
Rebuttal: Line extension costs can add \$5,000–\$10,000 per home. These costs either raise sales prices or prevent projects from proceeding—particularly in entry-level markets. The Department's analysis underestimates these effects.
 - 2. Claim: Market dynamics, not construction costs, set home prices.**
Rebuttal: Market forces do not negate cost pass-through. If buyers cannot afford higher prices, projects are not built. That is exactly why Minnesota faces a shortage of starter homes.
 - 3. Claim: Electrification offsets higher upfront costs with long-term savings.**
Rebuttal: Cold-climate performance limitations, backup system requirements, and peak demand costs undermine this assumption. Energy savings are uncertain and not guaranteed in Minnesota's climate.
 - 4. Claim: Eliminating the allowance does not undermine dual fuel pathways.**
Rebuttal: Dual-fuel futures depend on a strong natural gas backbone. Discouraging new gas connections erodes this foundation, weakening reliability and reducing consumer options.
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V. Recommendations

Housing First Minnesota respectfully urges the Commission to:

- 1. Maintain fuel choice** in residential development.
- 2. Reject elimination of natural gas line extension allowances.**
- 3. Conduct Minnesota-specific analysis** of technology performance, costs, and housing impacts before altering long-standing frameworks.
- 4. Preserve cost-allocation policies** that have supported affordability and predictable development for decades.
- 5. Phase in any policy changes only with proven technological and grid readiness.**
- 6. Explicitly evaluate housing affordability and supply impacts** in all resource planning and pilot program reviews.
- 7. Engage housing industry stakeholders** directly in policy development affecting residential infrastructure.



VI. Conclusion

Minnesota cannot afford to solve one crisis by worsening another. Eliminating the free footage allowance would raise costs, reduce choice, and undermine the State's ability to address its acute housing shortage.

Balanced, data-driven policymaking can achieve both climate and housing goals. Housing First Minnesota stands ready to collaborate with the Commission, utilities, and stakeholders to advance sustainability while preserving affordability, reliability, and consumer choice.

Sincerely,

A handwritten signature in black ink that reads "Mark Foster". The signature is written in a cursive, flowing style.

Mark Foster
Vice President of Legislative & Political Affairs
Housing First Minnesota

