



Minnesota Public Utilities Commission

121 7th Place East, Suite 350

St. Paul, MN 55101

RE: Additional 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

Dear Commissioners,

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 additional comments on the Commission’s ongoing evaluation of Minnesota’s natural gas regulatory framework under Docket No. G-999/CI-21-565.

As Minnesota charts a course toward a lower-carbon energy future, it is imperative that any policy reforms in this proceeding be considered in the context of the state’s worsening housing supply shortage and deepening affordability crisis.

Home prices and rents continue to outpace income growth, and Minnesota currently faces a shortfall of tens of thousands of housing units needed to meet both current and projected demand. Any regulatory changes that raise costs, limit energy choices, or introduce uncertainty for developers will exacerbate these challenges and further restrict access to attainable housing—especially for first-time and moderate-income buyers.

While we support Minnesota’s climate and energy goals, the recommendations advanced by Fresh Energy and MCEA—most notably, the immediate elimination of natural gas line extension allowances—fail to account for the economic, technical, and housing market realities unique to our state. Implementing such a policy without careful consideration would have severe and immediate consequences for housing affordability, energy reliability, and consumer choice.

1. Housing Impacts Cannot Be Ignored The assertion that line extension policy is “not housing policy” disregards the clear connection between infrastructure costs and project feasibility. In Minnesota, where development often occurs in mixed-density suburban and



rural contexts, line extension costs can be significant. Removing these allowances will raise per-unit housing costs, undermine project viability, and exacerbate the existing shortage of attainable homes for first-time and moderate-income buyers.

2. Cost Comparisons Must Reflect Minnesota Realities Fresh Energy and MCEA present cost analyses that omit key factors: extreme winter load requirements, the need for supplemental systems, resiliency costs, and the avoided electric infrastructure investments when homes are connected to natural gas. A fair assessment must consider peak demand impacts, backup heating costs, and long-term operational savings.

3. Technological Readiness Is Not Guaranteed While heat pump technology is advancing, even high-performance models require supplemental heating in subzero temperatures. Minnesota routinely experiences conditions colder than -10°F, and performance limitations at these temperatures cannot be wished away. Comparisons to Maine or other states with different climate profiles, building codes, and energy market structures are misleading.

Additionally, as we stated before, Minnesota's Residential Code requires heating systems to maintain indoor temperatures of at least 68°F in extreme cold, without portable heaters. Natural gas remains the most widely used, reliable, and cost-effective way to meet this standard, serving two-thirds of all homes in the state and up to 85% in parts of the metro. Current technology limitations mean even the best cold-climate heat pumps require supplemental heating on the coldest days—adding cost and complexity.

4. Balanced Consideration of Health Impacts We acknowledge that indoor air quality matters, but modern sealed-combustion appliances, proper ventilation, and building code requirements have dramatically reduced the risks cited. These health considerations must be weighed alongside the benefits of reliable, affordable, and code-compliant heating systems. Policy should address any health concerns through appliance standards and ventilation improvements, not by removing entire fuel options.

5. Retaining Choice Over Mandates Our original comments noted Minnesota's severe housing supply shortage and deepening affordability crisis. We stressed that any regulatory change must be measured against its impact on cost, availability, and consumer choice. Fresh Energy's reply cites a Housing First Minnesota blog post about builders who are constructing all-electric homes.

This reference ignores a critical fact: the projects highlighted in that blog post are examples of builders and homebuyers voluntarily choosing to pursue all-electric designs because they fit their market goals, customer preferences, and individual project economics. They are not the result of a statewide mandate. This distinction is vital—choice-driven adoption



allows for innovation, competition, and gradual market readiness. Mandated electrification removes flexibility, disregards regional and project-specific realities, and risks unintended negative impacts on affordability and housing supply.

6. Economic Burden Claims Require Context The claim that each new gas customer costs existing customers over \$11,000 is based on a narrow accounting perspective that ignores revenue over the life of the customer, potential stabilization of rates through system growth, and avoided costs in the electric system. The real economic impact is more complex and, in many scenarios, favorable to maintaining natural gas options.

7. Commission Authority Must Be Exercised with Balance The Commission's statutory mandate is to ensure just and reasonable rates, encourage energy conservation, and further the state's policy goals—while also protecting affordability, reliability, and consumer choice. These responsibilities are not mutually exclusive. Policy changes of this magnitude should follow comprehensive Minnesota-specific analysis and phased implementation.

For these reasons, we urge the Commission to reject calls for immediate elimination of natural gas line extension allowances.

Instead, we recommend the following:

Conclusion and Recommendations

1. **Maintain Fuel Choice** – Ensure that builders and homebuyers retain the ability to select the most reliable, cost-effective, and climate-appropriate energy sources for their needs.
2. **Conduct Minnesota-Specific Analysis** – Require comprehensive, state-specific technical and economic studies before making any permanent changes to line extension policy.
3. **Preserve Cost-Allocation Frameworks** – Continue long-standing policies that have supported housing affordability and predictable development costs for decades.
4. **Phase In Policy Changes Only with Proven Readiness** – Align any transition with demonstrated technological maturity, grid capacity, and market readiness, avoiding disruptions to housing supply.
5. **Explicitly Evaluate Housing Impacts** – Include housing affordability, supply constraints, and equity considerations as core evaluation metrics in all related regulatory proceedings.



6. **Engage Housing Industry Stakeholders** – Require direct input from the homebuilding and housing sectors in the development of any new regulatory or policy changes affecting residential energy infrastructure.

Balanced, data-driven policymaking is essential to achieving Minnesota’s climate and energy goals without worsening the state’s housing crisis. The Commission has the opportunity to set a national example by pursuing sustainability, reliability, and affordability together.

Sincerely,



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Housing First Minnesota

