



DEDICATED TO A STRONG GREATER MINNESOTA

August 6, 2025

Mr. Mike Bull
Acting Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101-2116

**Re: In the Matter of a Commission Evaluation of Changes to Natural Gas Utility
Regulatory and Policy Structures to Meet State Greenhouse Gas Reduction Goals
Docket No. G999/CI-21-565**

REPLY COMMENTS

The Coalition of Greater Minnesota Cities (CGMC) thanks the Minnesota Public Utilities Commission (PUC) for the opportunity to offer comments regarding potential changes to policies governing cost allocation for gas utility line extensions. The CGMC is comprised of more than 110 cities located outside the Twin Cities metropolitan area. Our members are located in all corners of the state, from Luverne to Winona to Grand Marais to Roseau to East Grand Forks and many points in between. Moorhead and Mankato are our largest cities, and Nashwauk and Keewatin are the smallest. Our member cities are dedicated to a strong and thriving Greater Minnesota, and our organization is focused on developing viable, progressive communities for families and businesses.

The CGMC rarely engages in discussions at the PUC, but the issues posed in this request for comment could have a significant impact on housing affordability and economic development in our member cities. Eliminating the free footage allowance for natural gas main and line extensions would likely exacerbate the current housing crisis in Greater Minnesota and put many of our cities at a disadvantage for economic growth. We are submitting this letter in reply to the first round of comments because we are concerned that the commentators urging the elimination of the current free footage allowance have not addressed the challenges that our communities in Greater Minnesota face.

Our organization and its members have long been supportive of policies, tools, and resources that will help our communities, their residents, and businesses address climate change and extreme

weather. Many of our members voluntarily participate in the [Green Step Cities](#) programs to help achieve sustainability and quality-of-life goals, taking actions that focus on cost savings and energy use reductions. Multiple CGMC member cities have adopted climate action plans, resiliency plans, or adopted other policies to address the impacts of climate in their cities.

While working towards their sustainability and energy goals, our cities must also address other challenges, such as the lack of housing, particularly workforce and affordable housing. We are concerned that eliminating the free footage allowance will exacerbate our housing problems by increasing the cost of infrastructure and construction. In addition, it could add to the energy cost burden that already disproportionately impacts the residents of Greater Minnesota. We are also concerned about the impact on the economic competitiveness of our cities. Cost increases that could occur by eliminating the free footage may simply drive businesses to a neighboring state, which hurts both the local and state economy.

We believe that the PUC should periodically assess and provide guidance regarding line extension cost allocation, but at this point, we believe that no change is necessary in the current policy.

Eliminating the Free Footage Allowance Could Exacerbate the Housing Market Failure in Greater Minnesota

Last summer, we surveyed our member cities about the current housing crisis. They reaffirmed what many already knew—Greater Minnesota is facing a housing market failure. The biggest challenge that many cities in Greater Minnesota face is that it costs more to build a unit of housing—whether that be a single-family home, a duplex, or a multifamily building—than that unit can be sold or rented for.

Labor costs, supply costs, and interest rates have all increased, adding to the cost of construction. The cost of adding the infrastructure necessary to build housing is also a major cost driver and barrier to construction.

Pushing the cost of natural gas line extensions onto developers or individual homeowners will, at a minimum, drive up the cost of housing even further. In Greater Minnesota, it will become even more challenging, if not impossible, to get desperately needed housing built. Many rural cities already have difficulty attracting developers to build in their cities because those developers can earn much more building in the Twin Cities metropolitan area or the very largest cities outside the metropolitan area. Adding to the cost of construction when the local market cannot support the additional housing unit price increase means that much-needed additional housing will not get built.

The Department of Commerce, among others, urges the elimination of the free line extension policy as a price signal to encourage policy change and technological advancement. Even if those goals could be achieved in that manner, it will take years, if not decades. Our cities are facing a housing crisis—of both affordability and availability—now. Eliminating the free footage allowance will worsen that crisis.

Supplemental Heating Sources Will Still Be Needed Due to Minnesota Winters

Several commenters, including the Department of Commerce and the Citizens Utility Board, urge the elimination of the free footage allowance as a means to decarbonize the building sector in Minnesota. While we appreciate that to reach its climate goals, Minnesota will need to think creatively and act boldly, we fear that forcing the cost of natural gas line extension onto homeowners or developers will not have the intended effect for one simple reason: Minnesota is a really cold state.

Although advances are being made in alternative technologies for heating, many of these technologies do not operate efficiently or effectively as the temperature drops. The ability to generate sufficient heat is of particular concern for our northern cities. In member city Roseau, for example, the average **high** temperature is 9 degrees in January and 13 degrees in February.¹ At a minimum, even the most efficiently built homes will need a dual-source system for heating. Eliminating the line extension allowance will not eliminate the need for a natural gas line to the home; it will simply increase the cost to build a home. And, if the cost of a natural gas line extension is too high, the homeowner or builder may simply choose to rely on fuel oil or propane. Thus, a shift in line extension policies would simply drive the cost of housing up without achieving decarbonization goals.

In the future, technology may advance so that all new homes can be **affordably** built to rely solely on electricity for heat. Until that time, however, we urge the PUC to leave current line extension policies in place. We agree that Minnesota should be a leader in piloting alternative fuel sources and heating mechanisms, but at the same time, the state should not take steps that make housing even more unaffordable and unavailable.

Altering Line Extension Policies Could Decrease Greater Minnesota's Economic Competitiveness

When a business is choosing where to locate or expand, it will consider a variety of factors, including the cost of construction and the cost of doing business. If the costs of locating a business in one of our cities are too high, that business may choose a different location, such as in the Twin Cities metropolitan area, where the natural gas infrastructure is more built out, or in another state with more generous natural gas extension policies.

Our cities along Minnesota's borders often compete with cities in the Dakotas and Iowa when businesses are looking to build or expand. Placing the entire cost of line extensions on a business is another cost driver that could result in that business locating across the border. When that happens, Greater Minnesota loses out on economic growth with no benefit to the climate because the business will likely still rely on natural gas, just in a different state.

¹ This data is from <https://www.usclimatedata.com/climate/roseau/minnesota/united-states/usmn0641>.

Conclusion - We Ask the PUC to Allow Current Line Extension Policies to Continue

We thank the PUC for engaging in this effort to reexamine line extension policies and for allowing us to weigh in. As technologies advance and state policy goals evolve, we anticipate that these issues may require further consideration. At this time, however, we urge the PUC to continue offering free footage allowance for gas main and service line extensions. The impact on housing construction and affordability alone supports that choice. To paraphrase the comments of Housing First, Minnesota cannot afford to address one crisis by worsening another one.

Thank you again for your consideration. If you have any questions, please contact me at councilkjohnson@saintpetermn.gov or our attorney, Elizabeth Wefel, at ewefel@flaherty-hood.com or 651-259-1924.

Respectfully submitted,

A handwritten signature in cursive script that reads "Keri J". The signature is written in black ink and is positioned above the typed name and title.

Keri Johnson, St. Peter City Council Member
President, Coalition of Greater Minnesota Cities

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