



March 28, 2023

House File 2755 – A23 Amendment

Dear Chair Nelson and Members of the House Labor and Industry Committee,

Our organizations represent tens of thousands of employers, builders, housing providers, homebuyers, and workplaces across the state of Minnesota. Safe, affordable, and reliable energy is critical for our businesses, workers, customers, residents, and occupants.

We write to express our opposition to the energy code modifications in Art. 6, Sec. 25.

This section: (i) radically alters the purpose of the residential and commercial energy codes for existing and new buildings and (ii) directs the Minnesota Department of Labor to achieve an 80% reduction in net energy use for new commercial buildings within 13 years, using the 2004 edition of ASHRAE 90.1 as a baseline.

The inclusion of ambiguous and undefined terms like “improving resiliency” and “optimizing energy efficiency” open the door to controversial and impractical rules that are at odds with the needs and best interests of Minnesotans.

“Energy resiliency” is often regarded as synonymous with building electrification, and this authority could lead to the prohibition of fossil fuel combustion equipment for space heating, hot water, cooking, and other appliances. Rulemaking is an inappropriate tool for making such a change to the living and working conditions of every person in this state.

While our businesses strive to be more efficient every day, the energy code modifications in Article 6, Sec. 25 present serious challenges for builders, owners, operators, residents, and occupants of new and existing residential and commercial buildings in our state.

Please let us take this opportunity to outline the challenges with the bill.

Multiple Versions. The language in Art. 6, Sec. 25 differs slightly from a similar version in the draft House Climate and Energy Omnibus Bill (HF 2754 DE1) and significantly from compromise language in the Senate Labor Committee Omnibus Bill (SF 2782). The Senate

version protects residential and commercial building residents, owners, and operators by excluding vague and ambiguous language, providing commonsense off-ramps from the 80% goal, and ensuring that all energy options remain available.

Cost. This bill imposes significant new costs on residential and commercial buildings, including on-site generation for commercial buildings, early adoption of new and unproven building systems and appliances, and adherence to an ever-changing energy code. It could also make Minnesotans far more dependent on the electric grid as their primary source of energy for heating, cooling, cooking, and other basic functions of life and business.

Electricity is an expensive energy source in our region: nearly twice the cost of propane and roughly three times as expensive as natural gas on a fuel neutral basis according to the U.S. Energy Information Administration.

Energy generating infrastructure, for which this bill increases demand, is also expensive. And as demand increases, reliability will decrease without sufficient supply. Minnesota is part of the Midcontinent Independent System Operator (MISO) system, which is already experiencing capacity shortfalls on the electric grid during periods of peak demand.

Further, the bill allows for modification of the energy code at irregular intervals, putting existing and new buildings on an expensive track toward an uncertain future.

Weather. Minnesota experiences extreme swings in temperature throughout the winter and over the course of the year. In January, we started one week at -10 degrees and reached 20 degrees two days later. Large swings in temperature tax the best of systems.

Ratcheting up residential and commercial efficiency mandates and limiting building system options through the energy codes, absent significant improvement in building systems technology, creates a disincentive to maintaining existing buildings and creating new ones.

Technology Limitations. The bill sets us down a relatively short path toward a significant reduction in energy use allowed in new commercial buildings. The bill contains no off-ramp or explanation of what happens if the 80% reduction requirement proves to be impractical or too expensive and could lead to a halt in the construction of new commercial buildings.

And alternatives to conventional energy consuming infrastructure, such as heating systems, often come with a much longer payback period that makes construction or ownership infeasible. Perhaps the cost of such technology will improve in the future, but this section makes no contingency if it does not.