



**February 21, 2023**

**House File 772**

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 House File 772 in its current form. HF 772 1st Engrossment directs the Minnesota Department of Labor to achieve a carbon neutral energy standard for new commercial buildings within 13 years. The department must adopt each newly published edition of ASHRAE 90.1 until the requirement is reached.

House File 772 1st Engrossment also radically alters the purpose of the residential and commercial energy codes for existing and new properties. It opens the door to controversial and impractical rulemaking that is at odds with the needs and best interests of Minnesotans.

Rulemaking is an inappropriate tool for making such momentous changes to the living and working conditions of every person in this state. This authority could lead to the prohibition of fossil fuel combustion equipment for space heating, hot water, cooking, and other appliances. This is precisely what's occurring in New York state following the enactment of nearly identical legislation last year.

While our businesses strive to be more efficient every day, the bill as written presents serious challenges for the 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.

**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 also makes 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. Last month, we started one week at -10 degrees and reached 20 degrees two days later. Large swings in temperature tax the best of systems.

As the efficiency mandate ratchets up and as building system options are prohibited through the code, we will likely see a corresponding decline in the construction of new commercial buildings absent significant improvement in building systems technology that can withstand Minnesota's climate.

**Technology Limitations.** The bill sets Minnesota down a short path toward reliance on carbon neutral energy for new commercial buildings. The term "carbon-neutral energy sources" suggests the types of heating, cooling, cooking and other key systems would be significantly limited in new commercial buildings.

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 HF 772 makes no contingency if it does not.

The bill contains no off ramp to ensure reliability is preserved for residential and commercial properties or any assurance that a cost-benefit test will be applied to the newly permissible and expansive list of possible energy code amendments.