

HF2035 - 0 - Utilities Provisions Modified

Chief Author: **Robert Bierman**
 Committee: **Climate And Energy Finance And Policy**
 Date Completed: **3/2/2023 11:51:13 AM**
 Lead Agency: **Commerce Dept**
 Other Agencies:
 Public Utilities Commission

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Commerce Dept	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
State Total						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Commerce Dept	-	-	-	-	-
General Fund	-	.75	.75	.75	.75
Public Utilities Commission	-	-	-	-	-
General Fund	-	.75	.75	.75	.75
Total	-	1.5	1.5	1.5	1.5

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/2/2023 11:51:13 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Commerce Dept	-	-	-	-	-
General Fund	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Commerce Dept	-	-	-	-	-
General Fund	-	123	123	123	123
Public Utilities Commission	-	-	-	-	-
General Fund	-	102	102	102	102
Total	-	225	225	225	225
Biennial Total			450		450
2 - Revenues, Transfers In*					
Commerce Dept	-	-	-	-	-
General Fund	-	123	123	123	123
Public Utilities Commission	-	-	-	-	-
General Fund	-	102	102	102	102
Total	-	225	225	225	225
Biennial Total			450		450

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 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.75	.75	.75	.75
Total	-	.75	.75	.75	.75

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	123	123	123	123	123
Total	-	123	123	123	123	123
	Biennial Total		246	246		246
2 - Revenues, Transfers In*						
General Fund	-	123	123	123	123	123
Total	-	123	123	123	123	123
	Biennial Total		246	246		246

Bill Description

SF1834-0, and its companion HF2035, propose various modifications to rate-regulated utility governance provisions in MN Statute Chapter 216B and 116C, including the following:

Section 1

- Subdivision 2a is modified to include all renewable energy implemented pursuant to MN Statute 216B.1691 as well as including energy storage systems and renewable systems approved in an integrated resource plan or certificate of need.

Section 2

- Subdivision 3 is modified adding paragraph (b) establishing an allowance for the commission to certify a proposed project if the commission finds it is in the public interest.

Section 3

- Subdivision 1 is modified by striking the \$100,000 minimum for transfer or merger of assets for an unknown amount.

Section 4

- Modifies the sunset from 2023 to 2028 for the gas utility infrastructure rider.

Section 5

- Repeals the opportunity for the legislature to review a commission decision pertaining to additional dry cask storage for Prairie Island nuclear facilities.

Assumptions

The Department assumes there will be an increase in the number of projects that are potentially eligible for cost recovery under section 1 (also known as the renewable energy standard rider). The Department assumes for all new rider petitions the commission will issue a notice with requests for comments and establish subsequent proceedings resulting in a commission order. The Department assumes it will perform its duties established under 216A and 216B which includes

analyzing the utility petition, performing discovery, developing comments with recommendations, responding to reply comments of various parties, advocating on behalf of ratepayers at commission agenda meetings, and enforcing any subsequent commission orders. Additionally, the Department assumes that as a result of passage of SF4 (100 carbon free by 2040), there will be a significant uptick in renewable energy and energy storage projects that are eligible for cost recovery under this section. As a result of these assumptions, the Department assumes it will need an additional .75 FTE financial analyst level 4 to perform these duties as it relates to the cost recovery proceedings.

The Department assumes this provision is providing clarification to existing procedure and will not likely lead to additional need for resources. The Department assumes no fiscal impact for section 2.

The Department is unable to complete the fiscal impact analysis for section 3 because there is missing information. If the floor is eliminated or lowered, there could be additional requirements resulting in the need for additional resources for additional asset transfer petitions from rate-regulated utilities. If the floor is raised, further review would be needed to determine fiscal impact.

The Department assumes the proposed sunset extension in section 4 maintains the status quo for resource needs and assumes no fiscal impact.

The Department assumes it does not have any responsibility associated with repeal of the legislative review process repealed in section 5 and assumes no fiscal impact.

The proposal does not appropriate funding to the Department for the purpose of these modifications. If funds are appropriated, they would be assessed back to the utilities and are general fund neutral.

Expenditure and/or Revenue Formula

Section 1 - .75 FTE financial analyst 4, to be assessed back to the utilities, and is GF neutral.

			FY24	FY25	FY26	FY27
Salary			74,620	74,620	74,620	74,620
Fringe			22,386	22,386	22,386	22,386
Other Personnel Related Costs			25,786	25,786	25,786	25,786
			122,791	122,791	122,791	122,791

Section 3 fiscal impact not determined.

Long-Term Fiscal Considerations

This is an ongoing requirement.

Local Fiscal Impact

Unknown.

References/Sources

Agency Contact:

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 Committee: **Climate And Energy Finance And Policy**
 Date Completed: **3/2/2023 11:51:13 AM**
 Agency: **Public Utilities Commission**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.75	.75	.75	.75
Total	-	.75	.75	.75	.75

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/2/2023 11:49:51 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	102	102	102	102	102
Total	-	102	102	102	102	102
Biennial Total			204			204
2 - Revenues, Transfers In*						
General Fund	-	102	102	102	102	102
Total	-	102	102	102	102	102
Biennial Total			204			204

Bill Description

This bill modifies various utility-related provisions.

Section 1 modifies eligibility for the Renewable Energy Standard (RES) rider to include projects meeting the definition of an eligible energy facility under section 216B.1691 and energy storage systems.

Section 2 modifies the Transmission Cost Recovery (TCR) rider by establishing separate standards for certification of high-voltage transmission lines and grid modernization projects.

Section 3 modifies the requirement for utilities to obtain authorization from the Public Utilities Commission (PUC) before transferring assets. Currently, utilities must obtain authorization for asset transfers in excess of \$100,000. This section deletes the \$100,000 amount and replaces it with a blank amount.

Section 4 extends the sunset of the Gas Utility Infrastructure Costs rider from 2023 to 2028.

Section 5 repeals section 116C.83, subdivision 3, which gives the legislature the opportunity to review certain PUC decisions pertaining to dry cask storage for Prairie Island nuclear facilities.

Assumptions

Section 1 increases the number of projects that are potentially eligible for cost recovery through the RES rider. When an entity requests approval to recover project costs in a rider, the PUC must create a new docket, request comments from stakeholders and interested parties, analyze those comments, summarize the record and create recommendations, conduct internal briefings, schedule public meetings, make decisions on the specifics of each filing, and create a public written order. Additionally, because rider filings are reviewed annually, the PUC would need to repeat portions of this process each year on an ongoing basis. Based on industry trends and legislative interest in energy storage, as well as the recently signed law establishing a 100% carbon-free energy standard by 2040, the PUC anticipates that this bill would result in a significant number of rider filings for projects involving eligible energy facilities and energy storage systems. The PUC anticipates that it will need the equivalent of .75 FTE at the Financial Analyst or Rates Analyst 4 level to handle the initial and ongoing work associated with this section. This estimate is based on the PUC's previous experience with rider filings.

Section 2 clarifies an existing procedure and the PUC anticipates no fiscal impact from this change.

It is unclear whether there will be a fiscal impact from section 3 because of the blank amount in the bill; however, assuming the intent is to increase the amount and therefore allow utilities to transfer more assets without PUC approval, the PUC anticipates no fiscal impact from this change.

To implement section 4, the PUC would continue evaluating GUIC rider filings using existing processes and therefore the PUC anticipates no fiscal impact from this change.

The PUC assumes that there would be no change to the PUC's existing processes related to section 5 and therefore anticipates no fiscal impact from this change.

Current bill language does not appropriate funds to the Commission. If additional funds are appropriated, they would be recovered from the rate-regulated utilities and credited back to the general fund.

Expenditure and/or Revenue Formula

	FY24	FY25	FY26	FY27
Salary - 0.75 FTE Rates or Financial Analyst 4	66,821	66,821	66,821	66,821
Fringe	20,046	20,046	20,046	20,046
Other Personnel Related Costs	15,155	15,155	15,155	15,155
TOTAL Cost	102,022	102,022	102,022	102,022

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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