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January 17, 2023

House File 7 (Long)

Dear Members of the House Climate and Energy Finance Committee,

The National Federation of Independent Business (NFIB) represents 10,000 small businesses in every industry and every corner of the state. Nearly 90% of our members have fewer than 20 employees and we advocate for the best interests of Main Streets across Minnesota.

NFIB opposes House File 7, which puts Minnesota on the path to an expensive energy future, jeopardizes reliable electric service, and lacks accountability for ratepayers.

Cost. Electricity costs are a growing concern for small businesses. As noted in NFIB's Small Business Problems & Priorities, 10th Edition (2020) – a quadrennial survey of our members' biggest challenges – rising energy costs fall harder on the smallest businesses:

> *"Cost-related problems disproportionately affect smaller businesses more than larger ones due to economies of scale. … For example, "Energy Costs, Except Electricity" and "Electricity (rates)" are much more of a burden for the small compared to the largest, small business." …* ***Sole proprietors and partnerships assessed both "Cost of Electricity (rates)" and "Energy Costs, Except Electricity" as more severe problems than the other forms of business"***

This bill fails to establish a clear standard for affordability that protects ratepayers, despite an existing state goal requiring rates for all customer classes to be 5% below the national average. *Minn. Stat. 216C.05, Subd. 2 (4).* Instead of providing certainty, the issue is mainly left to investor-owned utilities (IOUs) and the Minnesota Public Utilities Commission (MPUC).

Recent history shows why cost-sensitive customers should be concerned. According to U.S. Energy Information Administration data, electric rates for all customers classes in Minnesota rose significantly between 2008 and 2020.[1] The increases are even starker when compared to the national average growth in retail rates by customer class.

From 2008 to 2020, Minnesota's average residential electric rates increased 37.8% compared to an average increase of 17.23% nationally. Commercial rates increased 34.1% compared to 2.8% nationally. Industrial rates increased 36.5% while industrial rates *declined* 2.49% nationally.

1 "Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, Year-to-Date through Dec. 2008-2020," U.S. Energy Information Administration; "Electric Sales, Revenue, and Average Price," 2008-2020, U.S. Energy Information Administration.

In addition to replacing 45% of Minnesota's electric generation in the next 17 years, compliance will require large investments in new transmission lines and other new electric infrastructure. This is a costly and complex proposition. As an example, a single line stretching about 140 miles from Marshall to Becker would handle about 2,000 megawatts is expected to cost $500 million.

Reliability. Mandating a transition to 100% carbon free electricity resources before adequate technology exists puts small businesses and other ratepayers at risk. Minnesota cannot afford to have California blackouts in the middle of Minnesota winters.

The regional grid operator – Midcontinent Independent System Operator (MISO) – is warning of capacity shortfalls in its northern and central regions beginning this year. Based on current planning, there will be a MISO-wide capacity shortfall by 2027. This means MISO may not have enough generation available to cover peak electricity demand and reserve, leaving Minnesotans without access to critical electric supply at times when they most need it.

The current trajectory of replacing baseload power with intermittent electric generation makes Minnesota and MISO increasingly reliant on an unreliable grid. To balance the grid, we will rely more heavily on electricity imported from neighboring planning regions – electricity that might not be there when we need it. This proposal accelerates the uncertainty, complexity, and risk that MISO has cautioned about once renewables comprise 30% to 40% of its system.

Accountability. This bill puts ratepayers at the mercy of two entities that are outside the reach of voters: electric utility shareholders and MPUC commissioners.

In Minnesota, electric utilities are regulated monopolies, with exclusive service territories and a duty to provide reliable service to all customers. When a customer does not like their electric service provider's prices or policies, they cannot switch to a new provider without self-generating or moving outside of the service territory.

Given the built-in incentives for IOUs to comply with the 100% by 2040 standard – the more they build, the more money their shareholders make – and the recent trajectory of electric rates in Minnesota, IOUs may not make the most effective ratepayer advocates.

Similarly, policymakers should question whether the MPUC has the tools or guidance it needs to best guard ratepayers from exorbitant costs. Effective intervention in MPUC proceedings is beyond the means of the average cost-sensitive citizen, and contesting IOU assertions about cost and feasibility requires legal training, highly technical knowledge, or both.

We urge lawmakers to instead develop a better framework that protects ratepayers, preserves the reliability of the grid, and ensures accountability.

Sincerely,

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