



Rep. Patty Acomb, Chair
MN House Climate and Energy Committee
Re: ALLETE/MN Power position on HF 1386 (Hollins)

February 20, 2023

I write today to express concerns with HF 1386, imposing a variety of energy storage mandates on electric utilities. We appreciate the leadership of Rep. Hollins on this complex set of issues, but we cannot support the bill as written.

Background on ALLETE/MN Power: ALLETE, Inc. is a consortium of diverse energy companies that include Minnesota Power, our largest company and the investor-owned utility that provides electric service to much of the Iron Range and to the city of Duluth. But another ALLETE company, ALLETE Clean Energy, is a member of the American Clean Power Association, one of the proponents of this bill. And New Energy Equity, another ALLETE company, is a member of MN SEIA, other proponent of this bill. So, we certainly understand where the advocates of this bill are coming from.

But Minnesota Power serves the most unique customer base of any electric utility in the country, with over 60% of our electric sales serving just two customers, US Steel and Cleveland Cliffs. The electric demand of just these two customers is about equal to that of Minneapolis and St. Paul. These customers compete in an intense global market and are very sensitive to the reliability and affordability of their electric service.

In addition, we serve just over 100,000 residential customers, significantly fewer than, say, Connexus Energy Cooperative and maybe a tenth the number that Xcel Energy has in Minnesota. Many of our residential customers live in some of the poorest counties in the state, so we work hard to make sure that their rates are as affordable as possible. Our residential bills are the lowest in the state.

Even prior to the passage of the 100% legislation, Minnesota Power has been making significant progress on our commitment to provide 100% carbon free energy to our customers, transitioning the Minnesota Power system from 95% coal in the early 2000's to 50% renewable energy today, on our way to over 70% renewable by 2030.

Energy Storage Generally: Minnesota Power supports a carbon free energy future with a transition that protects reliability, safety and affordability, and ensures equity by leaving no one behind. Unfortunately, HF 1386 does not support that vision. Mandating the use of energy storage (or any technology) without regard to its cost-effectiveness or its specific contributions to reliability on the very different electric systems across the state adds to the cost and complexity of implementing the 100% by 2040 legislation and may make it more likely that a utility seeks an off-ramp.

We agree with Rep. Hollins that energy storage is an increasingly critical component of the electric grid going forward and we are working to integrate storage where it benefits our customers and communities. But storage technology is evolving, and we are not sure which technologies are going to reach commercialization and when — mandates can restrict our flexibility to optimize these technologies for our customers.

Energy Storage in MN Power Resource Plan: We recently completed a resource planning process in which energy storage played a key role. That plan was broadly supported by climate advocates, labor unions and our host communities and was unanimously approved by the MN PUC. We will be implementing a stretch goal of adding between 100 MWh and 500 MWh of new energy storage projects by 2026. In addition, we are working on an IJJA demonstration project to add significant energy storage infrastructure as part of a reinvestment in one of our host communities, likely at our Boswell Energy Center in Cohasset.

Going Forward: Instead of these various mandates, we would like to work with the author and proponents on legislation that could facilitate additional storage on our grid when it improves reliability and affordability of service to our customers. Unfortunately, HF 1386 does not currently accomplish that goal, but we commit to working with Rep. Hollins as the bill moves forward. Thank you, Madame Chair, and members of the committee for this opportunity to share our thoughts.

Sincerely,

Mike Bull, Senior Policy Advisor
to ALLETE/MN Power