

HF10 - 0 - Clean Energy First Act

Chief Author: **Zack Stephenson**  
 Committee: **Climate And Energy Finance And Policy**  
 Date Completed: **2/1/2021 1:28:18 PM**  
 Lead Agency: **Public Utilities Commission**  
 Other Agencies:  
 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	FY2021	FY2022	FY2023	FY2024	FY2025
State Total						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-

**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.

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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.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

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 Committee: **Climate And Energy Finance And Policy**  
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 Agency: **Public Utilities Commission**

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<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-

**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**

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<b>Biennial Total</b>			-			-
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<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
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<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

HF10-0, Clean Energy First Act, amends a number of sections in Minnesota Statutes, Section 216B, related to utility resource selection, primarily to 1) strengthen and expand the existing preference for renewable energy to include additional technologies and factors to become a preference for “clean energy” and 2) establish a preference for maximizing the use of local labor in constructing and operating new energy facilities. The bill also amends Minnesota Statutes Sections 216E and 216F to allow the Commission to require the payment of prevailing wages as a condition of a site permit.

Section 1 is the title and Sections 2 and 4 make non-substantive clarifying changes.

Sections 3 and 5 specify that expenses incurred to employ local workers to construct and maintain generation facilities are recoverable from the ratepayers of the utility.

Section 6 directs that in its considerations of local benefits, the PUC consider local job impacts.

Section 7 adds and changes a number of definitions relating to energy. It eliminates the existing definition of renewable energy in 216B.2442 and replaces it by reference to the definitions under 216B.1691, the Renewable Energy Standards, and adds definitions of “clean-energy resource” and “carbon-free resource.”

Section 8 requires a utility to include the least cost plan for meeting 50, 75, and 100 percent of all energy needs from both new and refurbished generating facilities through a combination of clean energy and carbon-free resources.

Section 9 specifies how environmental costs should be considered and used in resource selection proceedings.

Section 10 establishes a state policy that the favored method to meet electricity demand in Minnesota is a combination of clean energy resources.

Section 11 creates a preference for clean energy resources, sets out a number of considerations the PUC must consider when evaluating resource selection, and requires the PUC to specifically address specific considerations and make findings in its orders if the PUC were to find it not in the public interest to approve a renewable clean-energy resource. It specifies that utilities are allowed to own at least a portion of the generation, transmission, and other facilities necessary to replace the accredited capacity and energy of a retiring facility if they meet certain carbon-reduction targets.

Section 12 creates a preference for local job creation in resource selection proceedings and directs the PUC to consider local job impacts and prioritize the hiring of workers from communities hosting retiring power plants.

Section 13 adds local job impacts to the consideration’s utilities must make in evaluating bids submitted in a Commission-approved bidding process when asking for an exception to Certificate of Need.

Section 14 requires utilities to include in their resource plans information on how they plan to replace any non-renewable energy facilities that will be retired in the next 15 years and transmission or other grid capabilities are needed to support the retirement of that resource.

Sections 15 and 16 authorize the PUC to require the site permit recipient, contractors and subcontractors constructing a large electric power generating facility or a large wind energy facility, to pay workers no less than the states' prevailing wage. When deciding whether to do so, the PUC must consider relevant factors, including the direct and indirect economic impact of construction and the quality, efficiency, and safety of construction.

### **Assumptions**

The changes in this bill are to existing statutes for which the PUC already has implementation processes in place. The bill requires additional specific considerations with respect to resource selection and rate recovery in Sections 2 through 14, but do not change the fundamental nature of the processes. Any additional complexity in these processes can be handled in the normal course of business.

Sections 15 and 16 authorize the PUC to require as a condition of a site permit or modification of a permit that the recipient of the permit and all contractors and subcontractors constructing large electric power generating facilities and large wind energy facilities pay workers no less than the state's prevailing wage. In recent permits, the Commission has required the Permittee to report on the use of Minnesota workers and other labor-related information. The PUC assumes that if it chose to require prevailing wage, it would use similar reporting requirements to monitor compliance.

Therefore, there is no fiscal impact on the PUC from this bill.

### **Expenditure and/or Revenue Formula**

N/A

### **Long-Term Fiscal Considerations**

### **Local Fiscal Impact**

### **References/Sources**

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**HF10 - 0 - Clean Energy First Act**

Chief Author: **Zack Stephenson**  
 Committee: **Climate And Energy Finance And Policy**  
 Date Completed: **2/1/2021 1:28:18 PM**  
 Agency: **Commerce Dept**

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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<b>Biennial Total</b>			-			-

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	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-

**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**

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<b>Biennial Total</b>			-		-
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<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>					
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-

**Bill Description**

HF10-0 is referred to as the “Clean Energy First Act.” An analysis of each amended section follows:

Section 2 § 216B.16 Subd. 6 Factors considered, generally:

Eliminates reference to compliance with state and federal energy statutes. The language maintains reference to state and federal energy policy. It is assumed that statute was considered extraneous language and that “policy” covers statutes and rules at state and federal level.

Section 3 § 216B.16, Subd. 13 Economic and community development:

Adds additional language that allows the Public Utilities Commission to approve utility cost recovery for the employment of local workers that construct and maintain generation facilities for that utility’s customers.

Section 4 § 216B.1645, Subd. 1 Commission authority:

Adds a requirement for utilities to net out revenues from recovery of investments and expenditures for projects established in subsequent paragraphs, including transmission, storage and renewables.

Section 5 § 216B.1645, Subd. 2 Cost recovery:

Allows a utility to recover reasonable expenses and costs related to employing local workers that construct and maintain that utility’s generating facilities.

Section 6 § 216B.1691, Subd. 9 Local benefits:

Requires the Commission to maximize benefits to not only Minnesota citizens, but also local workers and local job impacts (using new definitions established in the same bill).

Section 7 § 216B.2422, Subd. 1 Definitions:

Revises the definition of “renewable energy” to align it with §216B.1691, Subd. 1.; revises the definition of energy storage to only use carbon-free or renewable energy and eliminates the requirement for it to be composed of stationary equipment; eliminates a needs test from the definition of transmission and distribution systems; creates a new definition for “clean energy resource” that includes renewables, storage, efficiency, load management and carbon-free resource; creates a new definition for “carbon-free resource” that is a technology that does contribute to greenhouse gas emissions under §216H.01 Subd. 2; creates a new definition for “nonrenewable energy facility” which is any facility that is not generated by renewables, carbon-free or nuclear energy; creates new definitions for “local job impacts” and “local workers” relative to certificates of need, power purchase agreements, and the construction and maintenance of energy infrastructure built by a utility.

Section 8 § 216B.2422, Subd. 2 Resource plan filing and approval:

Adds a requirement for utilities to include in its integrated resource plan a least cost for 100 percent of all energy needs

from clean energy and carbon free resources.

Section 9 § 216B.2422, Subd. 3 Environmental costs:

Adds requirement for Commission to consider environmental costs in power purchase agreements and does not allow a nonzero value to be used in their decision. Also eliminates old language requiring environmental costs to be determined by a certain time.

Section 10 § 216B.2422, (new subdivision “3a” added):

Adds a new subdivision that establishes a state policy in Minnesota that favors using a combination of clean energy resources as a means to reducing greenhouse gas emissions.

Section 11 § 216B.2422, Subd. 4:

Revises existing statutory preference for renewable energy to clean energy resources in the integrated resource planning process. Also includes clean energy as a preference for power purchase agreement and certificate of need. Removes existing language for the Commission to give consideration to how a resource plan impacts greenhouse gas emissions, local and regional grid reliability, and ratepayer impacts from a variety of factors. Adds new language that establishes a “clear and convincing” evidence legal threshold for employing off-ramps regarding affordability and reliability. Also adds language that allows a utility partial ownership of assets needed to replace retiring fossil fuel generators. This ownership construct is dependent on a utility’s ability to achieve a certain level of carbon emission reductions, a finding that ownership is in the public interest, and that alternatives are considered when evaluating the need for replacement resources.

Section 12 § 216B.2422, (adds a new subdivision “4a”):

Adds a reporting requirement for utilities to address local job creation in the integrated resource planning process. Requires the Commission to consider local job impacts and give preference for local job creation in the resource planning process.

Section 13 § 216B.2422, Subd. 5 Bidding; exemption from certificate of need proceeding:

Adds a requirement for utilities to consider local job impacts in certificate of need petitions.

Section 14 § 216B.2422 (adds a new subdivision “8”):

Adds new language that requires a utility to identify in its resource plan any transmission issues for retiring nonrenewable resources and any initial plans for transmission needs with replacement resources.

Section 15 § 216E.03, Subd. 10 Final decision:

Allows the Commission to require prevailing wage as a condition of route permit issuance. The Commission also must consider direct and indirect economic impacts as well as the quality, efficiency and safety of construction.

Section 16 § 216F.04 Site permit:

Allows the Commission to require prevailing wage as a condition of site permit issuance. The Commission also must consider direct and indirect economic impacts as well as the quality, efficiency and safety of construction.

Section 17 Effective date:

Adds an effective date of August 1, 2021 if the bill is enacted and applies to dockets initiated on or after that date.

**Assumptions**

Most of the revisions or additions in the proposed language are to existing statute and are policy changes in nature. The Department assumes it has existing capacity within its current functions to interpret and analyze these policy changes within the regulatory process. Therefore, it is assumed that no additional resources will be required and there is no fiscal impact from the proposed bill.

**Expenditure and/or Revenue Formula**

N/A



**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

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