

HF9 - 0 - Renewable Energy Stand. Requirement Modifications

Chief Author: **Chris Swedzinski**
 Committee: **Energy Finance and Policy**
 Date Completed: **2/10/2025 4:31:59 PM**
 Lead Agency: **Public Utilities Commission**
 Other Agencies:
 Commerce Dept Revenue 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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Commerce Dept | | - | - | - | - | - |
| General Fund | | - | - | - | - | - |
| State Total | | | | | | |
| General Fund | | - | - | - | - | - |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|---|--|-----------------|---------------|---------------|-----------------|---------------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Commerce Dept | | - | - | - | - | - |
| General Fund | | - | 3 | 3 | 3 | 3 |
| Total | | - | 3 | 3 | 3 | 3 |

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:** 2/10/2025 4:31:59 PM
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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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Commerce Dept | - | - | - | - | - | - |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| Commerce Dept | - | - | - | - | - | - |
| General Fund | - | 554 | 554 | 554 | 554 | 554 |
| Total | - | 554 | 554 | 554 | 554 | 554 |
| Biennial Total | | | 1,108 | | | 1,108 |
| 2 - Revenues, Transfers In* | | | | | | |
| Commerce Dept | - | - | - | - | - | - |
| General Fund | - | 554 | 554 | 554 | 554 | 554 |
| Total | - | 554 | 554 | 554 | 554 | 554 |
| Biennial Total | | | 1,108 | | | 1,108 |

HF9 - 0 - Renewable Energy Stand. Requirement Modifications

Chief Author: **Chris Swedzinski**
 Committee: **Energy Finance and Policy**
 Date Completed: **2/10/2025 4:31:59 PM**
 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 |

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 | |
|-----------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | - | - | - | - | - |

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:** 2/7/2025 9:45:57 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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |

Bill Description

HF 9 amends the 100% carbon-free by 2040 standard:

It removes the capacity requirement for hydroelectric energy technology under Minn. Stat. 216B.1691 subd. 1(c)(3), removes the restriction for only new large hydroelectric capacity and makes it effective the day following final enactment.

It adds language to 216B.1691, Subd. 2b by delaying the requirement for electric utilities to meet the renewable energy, solar, distributed solar or carbon-free standard automatically for three years if the utility does not meet the energy policy goal that its retail electricity rates for each customer class be at least 5% below the national average (Minn. Stat. 216C.05 Subd. 2(4)), as determined by the commissioner of commerce. This provision also becomes effective the day following final enactment.

HF9 amends language on certificates of needs for nuclear power plants:

It lifts the moratorium on construction of new nuclear-powered electric generating plants under Minn. Stat. 216B.243 Subd. 3b(a) and makes the provision effective the day following final enactment. HF9 adds language to Chapter 216B that prohibits the demolition of fossil-fuel powered electric generating plants under certain conditions:

It adds a section (216B.2442) that prohibits a political subdivision from issuing a permit to an electricity utility to demolish a fossil-fuel powered electric generating plant if the utility fails to meet the energy policy goal that its retail electricity rates for each customer class be at least 5% below the national average (Minn. Stat. 216C.05 Subd. 2(4)). This provision becomes effective the day following final enactment.

HF9 adds language to Chapter 216H that declares as a state policy support for carbon capture and sequestration to reduce greenhouse gas (GHG) emissions:

It adds a section (216H.022) that declares as a state policy support for the development and deployment of carbon capture and sequestration technologies in Minnesota as a method of reducing GHG emissions to achieve Minnesota's GHG emission reduction goals established under Minn. Stat. 216H.02 Subd. 1. This section becomes effective the day following final enactment.

HF9 amends language on sales tax exemptions for residential heating fuels and electricity:

It expands the sales tax exemptions for residential heating fuels under Minn. Stat. 297A.67 Subd. 15 by removing the timeframe of November to April, thus making the sales tax exemption year-round. This section becomes effective for sales and purchases made after June 30, 2025.

Assumptions

The cost to the Public Utilities Commission of tracking the dates that electric utilities are required to meet the standard obligations under section 216B.1691 are within the current operating capacity of the PUC. This bill language is anticipated to have no fiscal impact to the PUC.

The cost of processing a certificate of need petition for a new nuclear power generating plant are within the current operating capacity of the PUC. This bill language is anticipated to have no fiscal impact to the PUC.

Expenditure and/or Revenue Formula

n/a

Long-Term Fiscal Considerations

n/a

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact:

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HF9 - 0 - Renewable Energy Stand. Requirement Modifications

Chief Author: **Chris Swedzinski**
 Committee: **Energy Finance and Policy**
 Date Completed: **2/10/2025 4:31:59 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 |

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 | |
|-----------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Dollars in Thousands | | | | | |
| General Fund | - | - | - | - | - |
| Total | - | - | - | - | - |
| Biennial Total | | | - | | - |

| Full Time Equivalent Positions (FTE) | Biennium | | | Biennium | |
|--------------------------------------|----------|--------|--------|----------|--------|
| | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | 3 | 3 | 3 | 3 |
| Total | - | 3 | 3 | 3 | 3 |

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:** 2/10/2025 4:31:38 PM
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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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| General Fund | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| Biennial Total | | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| General Fund | - | 554 | 554 | 554 | 554 | 554 |
| Total | - | 554 | 554 | 554 | 554 | 554 |
| Biennial Total | | | 1,108 | | | 1,108 |
| 2 - Revenues, Transfers In* | | | | | | |
| General Fund | - | 554 | 554 | 554 | 554 | 554 |
| Total | - | 554 | 554 | 554 | 554 | 554 |
| Biennial Total | | | 1,108 | | | 1,108 |

Bill Description

HF9-0 amends the 100% carbon-free by 2040 standard:

- It removes the capacity requirement for hydroelectric energy technology under Minn. Stat. 216B.1691 Subd. 1(c)(3) and makes it effective the day following final enactment.
- It adds language to 216B.1691, Subd. 2b by delaying the requirement for electric utilities to meet the renewable energy standards described in section 216B.1691 automatically for three years if the utility does not meet the energy policy goal that its retail electricity rates for each customer class be at least 5% below the national average (Minn. Stat. 216C.05 Subd. 2(4)). This provision also becomes effective the day following final enactment.

HF9-0 amends language on certificates of needs for nuclear power plants:

- It lifts the moratorium on construction of new nuclear-powered electric generating plants under Minn. Stat. 216B.243 Subd. 3b(a) and makes the provision effective the day following final enactment.

HF9-0 adds language to Chapter 216B that prohibits the demolition of fossil-fuel powered electric generating plants under certain conditions:

- It adds a section (216B.2442) that prohibits a political subdivision from issuing a permit to an electric utility to demolish a fossil-fuel powered electric generating plant if the utility fails to meet the energy policy goal that its retail electricity rates for each customer class be at least 5% below the national average (Minn. Stat. 216C.05 Subd. 2(4)). This provision becomes effective the day following final enactment.

HF9-0 adds language to Chapter 216H that declares as a state policy support for carbon capture and sequestration (CCS) to reduce greenhouse gas (GHG) emissions:

- It adds a section (216H.022) that declares as a state policy support for the development and deployment of CCS technologies in Minnesota as a method of reducing GHG emissions to achieve Minnesota's GHG emission reduction goals established under Minn. Stat. 216H.02 Subd. 1. This section becomes effective the day following final enactment.

HF9-0 amends language on sales tax exemptions for residential heating fuels and electricity:

- It expands the sales tax exemptions for residential heating fuels under Minn. Stat. 297A.67 Subd. 15 by removing the timeframe of November to April, thus making the sales tax exemption year-round. This section becomes effective for sales and purchases made after June 30, 2025.

Assumptions

This bill makes changes to the state energy policy of Minnesota. As a result of the bill, the Department of Commerce (Commerce) anticipates increased regulatory filings to the Public Utilities Commission for infrastructure investments and other adjacent issues related to nuclear generators and generators utilizing carbon capture and sequestration (CCS). The Department will need to increase internal expertise to ensure that rate payer investments in these emerging technologies are in the public interest by advocating on behalf of Minnesotans in these filings before the PUC. These filings include integrated resource plans, Certificates of Need (CN), including CNs for waste storage, NRC/Federal planning function, creating/participating in multi-state efforts with utilities for storage of waste and other related issues, depreciation, AAA, rate cases, and filings related to delays/cancellations associated with cost-recovery. In addition to increased docketed work, the Regulatory Analysis Unit could also experience increased work monitoring NRC filings associated with new nuclear units and waste handling.

Commerce anticipates that these filings would be reviewed and analyzed by our team of public utility rates and financial analysts. Commerce anticipates that this would require 0.5 FTE Rates Analyst 4 and 0.5 FTE Financial Analyst 4.

Additionally, the bill introduces new requirements to assessing the delay on standard for the clean electricity requirement. Specifically, delaying the requirement for electric utilities to meet the renewable energy standards described in section 216B.1691 automatically for three years if the utility does not meet the energy policy goal that its retail electricity rates for each customer class be at least 5% below the national average. Assessing the rate impact and determining when it has exceeded the 5% threshold will require a detailed analysis of utility specific rates. This work will require 1.0 FTE Financial Analyst 4.

In addition to increased regulatory filings, Commerce anticipates that a lift of the moratorium on new nuclear-powered electric generating plants would result in a high number of requests for technical assistance, information, and data about a variety of nuclear technologies, pathways to address the costs of new technologies, and waste handling and storage from a range of stakeholders. These stakeholders would likely include utilities, tribal nations, legislators, local units of government, environmental groups, trades, and other state agencies. Requests would require a high level of subject matter expertise (SME) as well as research and data gathering. Commerce anticipates that, at a minimum, 0.5 FTE at a Planner Director State level to provide SME would be required to meet those needs.

Commerce similarly anticipates that the development and deployment of CCS technologies, which could include the capture and utilization of carbon dioxide for use in the industrial and medical sectors, will elicit additional requests for technical assistance. Commerce anticipates the need for SME to analyze and develop best practices for various CCS technologies, conduct economic impact studies, provide public outreach, and coordinate with M-RETs or other tracking organizations to provide legislative reporting on the efforts. Commerce anticipates that this would require 0.5 FTE at a Planner Director State level.

Commerce assumes all costs will be assessed back to the utilities, and therefore general fund neutral.

Expenditure and/or Revenue Formula

0.5 FTE Public Utilities Rates Analyst 4

1.5 FTE Public Utilities Financial Analysis 4

1.0 FTE Planner Director State

| | | | FY26 | FY27 | FY28 | FY29 |
|-------------------------------|--|--|---------|---------|---------|---------|
| Salary | | | 333,371 | 333,371 | 333,371 | 333,371 |
| Fringe | | | 100,011 | 100,011 | 100,011 | 100,011 |
| Other Personnel Related Costs | | | 120,470 | 120,470 | 120,470 | 120,470 |
| | | | 553,852 | 553,852 | 553,852 | 553,852 |

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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HF9 - 0 - Renewable Energy Stand. Requirement Modifications

Chief Author: **Chris Swedzinski**
 Committee: **Energy Finance and Policy**
 Date Completed: **2/10/2025 4:31:59 PM**
 Agency: **Revenue 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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |
| Biennial Total | | | | - | | - |

| Full Time Equivalent Positions (FTE) | | Biennium | | | Biennium | |
|--------------------------------------|--|----------|--------|--------|----------|--------|
| | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| Total | | - | - | - | - | - |

LBO Analyst's Comment

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

This fiscal note estimates the administrative impact of the proposed bill. Estimated tax revenue impact is shown on a corresponding analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Joel Enders **Date:** 2/7/2025 1:17:41 PM
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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 | | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 1 - Expenditures, Absorbed Costs*, Transfers Out* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |
| 2 - Revenues, Transfers In* | | | | | | |
| | Total | - | - | - | - | - |
| | Biennial Total | | | - | | - |

Bill Description

Section 6 of HF 9 expands the sales tax exemption found in Minnesota Statutes, section 297A.67, subdivision 15 for residential users who use certain fuels for electricity as their primary source of residential heat. The exemption currently applies only to the billing months of November, December, January, February, March, and April. The bill would expand this to a year-round exemption.

This section is effective for sales and purchases made after June 30, 2025.

Assumptions

The Department of Revenue (Revenue) assumes a loss of sales tax revenue with an expansion of the residential heating fuels exemption from 6 months to a year-round exemption.

The Sales and Use Tax (SUT) Division assumes that it will need to update its publications, website, procedures, and training materials. SUT will also send a notification to the public who have opted to receive SUT updates by email. To ensure that SUT materials on the expansion are up to date and adequately informing relevant stakeholders, this work should be completed in FY25 before the expansion goes into effect. This work can be completed by existing staff.

The Tax Operations (Tax Ops) Division assumes that since the exemption already exists and only the time period of the exemption is expanded, the filing and remitting of Sales and Use Tax returns and payments will remain consistent. As a result, Tax Ops assumes there will be no additional labor costs to administer this change.

The Communication Division assumes GovDelivery, social media and website updates. This work will be completed before the expansion goes into effect in FY25 and can be completed by existing staff.

Expenditure and/or Revenue Formula

This bill will have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

Long-Term Fiscal Considerations

Beyond FY29, there will continue to be a loss of sales tax revenue with an expansion of the residential heating fuels exemption from 6 months to a year-round exemption.

Local Fiscal Impact

Local governments may have a loss of local sales tax revenue with an expansion of the residential heating fuels exemption from 6 months to a year-round exemption.

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

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