Minnesota House Ways & Means Committee
House File 2110
April 12, 2021

Dear Chair Moran and Committee Members,

Thank you for the opportunity to comment on H.F. 2110, the House Climate and Energy Committee Omnibus Bill. We appreciate the hard work of the committee during this challenging legislative session.

Our organizations and the thousands of Minnesota businesses we represent believe in affordable, reliable and cleaner energy. Many of our members have sustainability and clean energy plans that go beyond any state mandate or goal. At the same time, not all businesses can move at the same speed. In addition, businesses in globally competitive industries - from manufacturing to mining to paper mills - cannot continue to absorb significant annual rate increases or suffer from an unreliable energy supply.

Over the past two decades, the Minnesota Legislature has explored options for expediting the transition to renewable or carbon-free power. Without any new mandates or laws, Minnesota's energy production is on track to be 45% renewable and over 66% carbon free by 2030. At the same time, legislative actions have contributed to a staggering acceleration of Minnesota's commercial and industrial electric rates.

While we appreciate efforts to advance cleaner energy and our members will continue to do their share to transition to clean energy, our organizations have significant concerns with proposals throughout this omnibus bill. This bill further jeopardizes the ability to access an affordable, reliable electric supply and fails to seek the most cost-effective path to clean energy.

Affordability. Minnesota's commercial and industrial electric rates were once an attractive feature for companies looking to expand or relocate here, but we now have the 13th most expensive rates in the country. This has real-world implications for jobs everywhere from Magnolia to Mountain Iron.

There are no fewer than a dozen new cost recovery mechanisms included in this legislation - paid for through rate increases - in addition to numerous new mandates and embedded costs. Collectively, this will add tens of millions of dollars onto already-high utility bills.

Most concerning are the imposition of energy mandates that require significant capital investment, costly infrastructure upgrades, and are not achievable with current technology, as well as revisions to the Public Utilities Commission resource planning process that fail to provide adequate ratepayer protection.

Rather than creating a level playing field where the most cost-effective clean energy resource prevails, these changes tip the scale in favor of energy sources that will force utility customers to pay three times for the same energy: once for early retirement of already paid-for power plants, once for intermittent replacement energy resources, and once more for backup power to supplement intermittent resources.

Reliability. The bill fails to heed reliability lessons learned from recent blackouts in other states, and encourages Minnesota to become more dependent on a less reliable electric system. As those events demonstrated and as the Midcontinent Independent System Operator (MISO) has warned, maintaining a reliable electric grid requires a diverse mix of energy resources with adequate 24/7 baseload capacity for extreme weather and other adverse events.

Unfortunately, this bill will make Minnesota dependent on imported baseload power in times of extreme energy demand. As California learned, those imports may not be there when energy customers need them most. Minnesota has come perilously close to power outages in the depths of winter, making it through only because of smart management by utilities and difficult choices by some customers.

Cost-Effective Spending. Spending decisions which could result in low-value investment are cause for concern to utility customers. New cost recovery authorized in this bill is often for vague or redundant purposes. Of particular concern, allocating $10 million for the establishment of a utility customer-funded "finance authority" with banking powers will increase costs without any assurance of return on investment. Many of the projects which could be financed are duplicative of other utility programs also funded by customers. Notably, the authority is given explicit power to use utility customer dollars to back risky loans for projects that would otherwise not qualify for financing.

Moreover, the bill chooses to further subsidize small generating resources – already among the most expensive forms of energy generation – that benefit few at the expense of all ratepayers, while returning little or no value back to nonparticipating customers.

At a time when our economy is still getting back on its feet, Minnesotans want their elected officials to make wise choices with scarce financial resources. They want cost-effective clean energy that is reliable and affordable. Instead, this bill makes a series of spending decisions and policy changes that put affordable and reliable energy further at risk.

We encourage the committee to reject this proposal and seek solutions that advance clean energy while protecting ratepayers, public safety and Minnesota's economy. Our organizations welcome the opportunity to work toward solutions.