COMMERCE DEPARTMENT

May 2, 2018

The Honorable Jim Knoblach, Chair
Ways and Means Committee
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Dear Chairman Knoblach,

I write to provide the Department of Commerce's comments on the DE4099 amendment to SF 3656, the Omnibus Supplemental Finance Bill.

First, the Department is disappointed the bill does not include the Governor's budget recommendation to remove the sunset of the Utility Grid Assessment. This $500,000 assessment on utilities funds Commerce's work to avoid power disruptions in the state including brownouts, blackouts and sustained service disruptions in the event of disasters or extreme weather events. This budget item also ensures Minnesota is represented in critical regional and national grid reliability conversations. Minnesota's grid reliability work will end on June 30, 2018 without action by the Legislature. To ensure the reliability of the state's electric system into the future, the sunset for this assessment in Minn. Stat. 216B.62, subdivision 3b should be removed and the funding for this program should be included this funding in the bill.

Second, Article 5, Section 4 directs the Department of Commerce to administer three new grant programs for a Local Government Emerald Ash Borer Removal, Energy Storage for Healthcare Facilities and Residential Biomass Heating Systems. The bill, however, does not provide sufficient resources to the Department to administer and oversee these grant programs to ensure the responsible distribution of these funds.

Third, Article 7, Section 1 caps the amount of money Xcel Energy must transfer to the Renewable Development Account. In so doing, Minnesota would not only be going back on the 1994 nuclear waste storage agreement, but also forgoing part of its leadership position on job creation and economic development from investments in clean energy. This cap restricts funding for the development and deployment of renewable energy technology projects in Minnesota – the original intent of the Renewable Development Fund. The Department opposes this provision.

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Fourth, Article 7, Section 4 relocates the Public Utilities Commission (PUC) offices from St. Paul to Virginia, Minnesota. The Commerce Department is required to develop the public record, provide technical resources for energy planning, and conduct thorough environmental impact analysis for the PUC. This proposal would significantly increase costs to the Department and limit our ability to provide effective and efficient services to the public and the PUC. The Commerce Department opposes this proposal.

Fifth, Article 7, Section 5 contains language from HF 3243, the Pre-Paid Pension Bill that would circumvent the PUC process and allow a utility to determine what it charges ratepayers in order to provide shareholders a guaranteed rate of return on pre-paid pension assets. The Department shares the goal of ensuring that pre-paid pension assets are treated uniformly for all utilities and the Department has provided model language that would allow certain pre-paid pension assets to be included in the rate base without reducing the authority of the PUC. However, the Department opposes this language in its current form.

Sixth, Article 7, Section 8 requires PUC to predetermine the prudency of future investments in Xcel's nuclear power plants, which inappropriately shifts risks from the company's shareholders to its ratepayers. Any decision about whether to continue operating Xcel's nuclear plants should be made after a thorough review of the projected capital and operating costs of those plants and comparable alternatives. This will occur in February 2019 during the PUC's review of Xcel's next Integrated Resource Plan (IRP). Once a decision is made in Xcel's IRP about whether and how long to operate Xcel's plants, then a schedule of related investments can be approved by the PUC. In this way, unnecessary investments are avoided and both ratepayer and shareholder interests are protected. The Department opposes the language in its current form.

Seventh, language in Article 8, Section 1 and Article 15, Section 4 requires legislative approval on any proposed rule relating to construction codes that would increase the cost of residential construction or remodeling by $1,000 or more. The Department opposes this requirement as it would inhibit future energy efficiency growth and hinder the creation and use of new energy technologies.

Finally, Article 15, Section 2 creates new administrative rulemaking provisions, which will prevent the Department from providing compliance information to regulated industries. The Department currently provides policy guidance to regulated entities, sends notification regarding new state and federal laws and regulations and articulates procedures for complying with statutory requirements. This new language will create unnecessary delays and inefficiencies causing market disruption harming both industry and consumers. The Department opposes this language.

For these reasons, the Department of Commerce opposes the DE4099 amendment to SF 3656, the Omnibus Supplemental Finance Bill.

Thank you for considering the Department's concerns.

Sincerely,

Jessica Looman

Jessica Looman
Commissioner

cc: The Honorable Lyndon Carlson, DFL Lead
Ways and Means Committee

The Honorable Pat Garofalo, Chair
Job Growth and Energy Affordability Policy and Finance Committee

The Honorable Karen Clark, Co-DFL Lead
Job Growth and Energy Affordability Policy and Finance Committee

The Honorable Tim Mahoney, Co-DFL Lead
Job Growth and Energy Affordability Policy and Finance Committee

The Honorable Jean Wagenius, Co-DFL Lead
Job Growth and Energy Affordability Policy and Finance Committee