

HF278 - 0 - Renewable Energy Standards

Chief Author: **Jamie Long**  
 Committee: **Climate And Energy Finance And Policy**  
 Date Completed: **1/26/2021 5:41:06 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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|---------------------------|-----|----|
| Expenditures              |     | X  |
| Fee/Departmental Earnings |     | X  |
| Tax Revenue               |     | X  |
| Information Technology    |     | X  |
| Local Fiscal Impact       |     | X  |

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|-----------------------|----------------------|--------|--------|----------|--------|--------|
|                       | Dollars in Thousands | FY2021 | FY2022 | FY2023   | FY2024 | FY2025 |
| <b>Total</b>          | -                    | -      | -      | -        | -      | -      |
| <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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| <b>State Cost (Savings) = 1-2</b>                        |        | Biennium |        |        | Biennium |   |
|--|--------|----------|--------|--------|----------|---|
| 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>                                    |        |          | -      |        |          | - |

**Bill Description**

HF278-0, Renewable Energy Standards (RES), increases the proportion of a utility’s retail electric sales that are to be generated from renewable energy to 40 percent in 2025 and to 55 percent in 2035. The bill establishes a carbon-free resource standard for all covered electric utilities that starts at 65% in 2025 and increases by steps to 100 percent by 2040.

Section 1 adds definitions for a “carbon-free” technology and for “areas of concern for environmental justice.”

Section 2 increases the 2025 RES from 25 to 40 percent, and adds a 2035 RES of 55 percent. Xcel Energy previously had a RES requirement of 30 percent by 2020, but for 2025 forward now has the same requirements as the other electric utilities.

Section 3 specifies the PUC’s ability to modify or delay implementation of a utility standard includes the solar energy standard (SES) and the carbon-free standard, in addition to the RES standard. It adds to the factors the PUC is to consider when deciding whether to modify or delay a standard to include environmental costs and the impacts on areas of concern for environmental justice. It also adds more specific factors the PUC must consider in evaluating whether transmission capacity constraints require a delay or modification of a standard obligation.

Section 4 specifies the PUC’s orders describing how it will measure utility efforts to meeting the standards include the SES and the carbon-free standards in addition to the RES.

Section 7 establishes a carbon-free standard beginning at 65 percent in 2025 and increasing every five years to reach 100 percent in 2040.

Section 8 expands requirements for utilities to report on their plans and progress in implementing the standards to include the number of Minnesota employees hired to construct new energy facilities, including those from communities in which generating facilities have been retired or are scheduled to be retired; impacts of new facilities on environmental justice areas of concern; and utility efforts to diversify its workforce and vendors.

Section 12 expands the factors the PUC is to consider to maximize local benefits in implementing the statute to include those related to labor, areas of concern for environmental justice, and low-income populations. It encourages locating new generating facilities in communities in which fossil fuel generating facilities have been or are scheduled to be retired.

Section 14 authorizes the PUC to require the site permit recipient, contractors and subcontractors constructing a large electric generating 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.

Section 15 authorizes the PUC to require the site permit recipient, contractors and subcontractors constructing 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.

Sections 5, 6, 9, 10, and 11, 13 and 16 strike or repeal obsolete language or make conforming clarifications that provisions of the statute apply to all three standards (RES, SES, Carbon-free).

### **Assumptions**

Many of the changes in this bill are to existing statutes for which the PUC already has implementation processes in place. The bill requires additional policy considerations, but does not generally change the fundamental nature of the processes, but may make some of them more complex.

Overall, the PUC can implement this bill in the normal course of business without additional resources. Therefore, we assume no fiscal impact on the PUC.

The bill adds a carbon-free standard in Section 7, and extends and increases utility RES obligations in Section 2. Various sections of the bill apply to the new carbon-free standard, the RES, and the existing SES. The PUC assumes it will continue to use similar processes and reporting for all three standards. In the absence of these changes, the PUC would continue to monitor compliance with the RES and SES well into the future in any case.

Sections 3, 4, 8, and 12 add factors the PUC must consider and address in electric utility resource plans, renewable energy standards evaluations, and other resource selection proceedings. The bill does not require new or fundamentally different processes. PUC resource plans and related proceedings will take place regardless of the changes included in this bill, but may be somewhat more complex. The PUC assumes it can implement the additional considerations required in these sections through resource plans and other resource selection proceedings in the normal course of business.

Sections 14 and 15 authorize the PUC to require as a condition of a site 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 a similar reporting requirement to monitor compliance.

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

N/A

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

### **Local Fiscal Impact**

### **References/Sources**

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

**Bill Description**

HF278-0 creates a 100% carbon free electricity by 2040 standard for Minnesota. Additional analysis as follows:

- Section 1. § 216B.1691 Definitions:  
In Subdivision 1, definitions are modified to eliminate compliance dates that have since passed; new definitions are created for “carbon-free” and “area of concern for environmental justice.”
- Section 2. § 216B.1691 Eligible Technology Standard:  
In Subdivision 2a, the renewable energy standard is amended so that in 2025 a utility must achieve the renewable energy standard at 40% by 2025 and 55% in 2035. Additionally, all utilities will be held to the same standard and the separation between Minnesota’s largest utilities and the other electric utilities is eliminated.
- Section 3. § 216B.1691, Subd. 2b Modification or delay of standard:  
In Subdivision 2b, the Commission is given authority to implement the standard under additional parts of the statute (2a, 2f, 2g) and provides additional considerations such as environmental costs, areas of concern for environmental justice, and transmission capacity constraints.
- Section 4. § 216B.1691, Subd. 2d Commission Order:  
In Subdivision 2d, modifies the criteria for what goes in a Commissioner Order establishing implementation requirements for this section of statute.
- Section 5. § 216B.1691, Subd. 2e Rate impact of standard compliance; report:  
In Subdivision 2e, the rate impact reporting requirement is modified for utilities to reflect the new timeline and milestones for the standard.
- Section 6. § 216B.1691, Subd. 2f Solar energy standard:  
In Subdivision 2f, compliance dates that have passed are deleted.
- Section 7. § 216B.1691, Carbon-free standard:  
In Subdivision 2g, a carbon-free electricity standard is established. This requires electric utilities to generate and provide customers with sources of energy that do not emit carbon emissions. The milestones are as follows:  
2025 = 65%  
2030 = 80%  
2035 = 90%  
2040 = 100%
- Section 8. § 216B.1691, Subd. 3 utility plans filed with the Commission:  
In Subdivision 3, the requirements for what a utility include in its plans filed with the Commission are modified. Additional requirements include issues related to employment of workers to build and maintain generation facilities, employment issues for retirement of existing facilities, impacts to areas of concern for environmental justice, and workforce diversity efforts.
- Section 9. § 216B.1691, Subd. 4 Renewable energy credits:  
In Subdivision 4, compliance dates that have passed are deleted.
- Section 10. § 216B.1691, Subd. 5 Technology based on fuel combustion:

In Subdivision 5, language referencing the renewable energy objectives is made consistent with the new standard obligation requirement.

- Section 11. § 216B.1691, Subd. 7 Compliance:  
In Subdivision 7, paragraphs 2f and 2g are included in the Commission's compliance enforcement requirements.
- Section 12. § 216B.1691, Subd. 9 Local benefits:  
In Subdivision 9, the Commission's considerations to take reasonable actions to maximize local benefits are modified. The modifications include considerations for net benefits to all Minnesotan's including creation of high-quality jobs, recognition of worker rights to unionize, access to tools and opportunities for workers impacted in areas of concern for environmental justice, ensuring access for all Minnesotan's to participate in clean and renewable energy jobs, statewide emissions reductions, and affordable service in particular for low income customers.
- Section 13. § 216B.1691, Subd. 10 Utility acquisition of resources:  
In Subdivision 10, a provision is added that requires a resource acquisition plan as part of the integrated resource planning process.
- Section 14. § 216E.03:  
In paragraphs (c) and (d), gives permission to the Commission to consider prevailing wage as a condition of issuing a site permit to construct a large electric power generating plant. Also adds relevant factors for consideration such as direct and indirect economic impacts of construction and construction standards.
- Section 15, § 216F.04 Site Permit:  
In paragraphs (e) and (f), gives permission to the Commission to consider prevailing wage as a condition of issuing a site permit to construct a large wind facility, 25MW or greater. Also adds relevant factors for consideration such as direct and indirect economic impacts of construction and construction standards.
- Section 16, § 216B.1691, Subd. 2  
This subdivision is repealed.

### **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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