



H.F. XX Securitization (Rep. Long)
February 2, 2021

Dear Members of the House Climate and Energy Committee,

The Minnesota Chamber of Commerce appreciates the opportunity to comment on House File XX (Securitization). The Minnesota Chamber believes in the triple goal of affordable, reliable and cleaner energy. We work hard to help companies reduce energy consumption, divert waste, and minimize environmental impact.

Minnesota Chamber members have sustainability and energy goals that go beyond any state mandate or goal. Whether it's reducing carbon emissions in their own operations, making more sustainable products, or helping their suppliers and customers do the same, ambitious plans to reduce environmental impact are real and ongoing.

Over the past two decades, the Minnesota Legislature has explored various options for expediting the transition to renewable or carbon-free electricity. State regulations and utility choices to date have contributed to an electric grid that is 25% renewable and 50% carbon free today. Without any new mandates or laws, Minnesota is on track to be 45% renewable and over 66% carbon free by 2030.

At the same time, these policy choices have also contributed to a staggering acceleration of Minnesota's commercial and industrial electric rates compared to the national average. Between 2008 and 2018, Minnesota's rates climbed 33% while U.S. average rates grew by only 1.5%.¹

Minnesota's 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.

Securitization is both a way of managing additional cost and another policy aimed at further accelerating the transition to carbon free energy resources.

Before determining the best way to manage additional costs, policymakers should consider the following questions and determine the best way to prevent higher costs for ratepayers.

- **What costs should utility customers bear?** The historic purpose of Minnesota's regulatory compact was to ensure universal service based on the cost to provide electricity. Therefore, policy choices

¹ U.S. Energy Information Administration, Electric Power Monthly, Table 5.6.B. Average Price of Electricity to Ultimate Customers by End-Use Sector, by State, Year-to-Date through December 2019 and 2018 (Cents per Kilowatthour).

impacting how utilities provide electric service have a direct impact on utility bills in a manner similar to state taxes and fees. Utilities customers who depend on affordable, reliable electricity have little recourse for decisions that are not of their own making.

- **Should ratepayers pay twice for the same energy?** Retiring power generating plants before the end of their expected useful life and building new generating facilities is expensive. It also generally means ratepayers are asked to pay twice: once for the still-useful but out of service plant, and again for the new power generating facilities or energy purchases. While early retirement of certain generating facilities may be seen as a necessity, policymakers should carefully weigh the costs.
- **Should ratepayers bear the cost of fully decarbonizing the electric sector?** Existing resource plans put Minnesota on track for high levels of carbon-free electricity but will require significant capital investment to complete. New mandates or laws that require or facilitate increased adoption of new energy resources will add to that cost unless the utility is allowed to pursue the lowest cost option for meeting their capacity needs.
- **Should electric ratepayers bear the cost of decarbonizing the rest of the economy?** Requiring electric customers to pay the upfront cost of programs for where the primary common benefit is societal stretches the bounds of the regulatory compact. Increased electric loads resulting from decarbonization plans require additional generation and additional cost.
- **Which cost drivers will be eliminated to ensure the lowest-cost path to clean energy?** Minnesota's energy regulation contains outdated and unnecessary cost drivers from a time when renewable energy was less cost competitive. Some mandates have proven extremely expensive or impractical but remain in place. Unnecessary cost-drivers hinder a quicker transition.
- **Will new policies ensure reliability?** The Midcontinent Independent System Operator (MISO) cautions that integration of renewable resources becomes increasingly complex above 40% penetration. Complexity manifests in service interruptions, increased costs and other adverse impacts. Frequent and long-duration service interruptions are unacceptable risk for many types of facilities, including public entities.

Now is the time for the Minnesota Legislature to consider these key questions about the transition to carbon-free electricity and broader decarbonization efforts. We encourage policymakers to examine old and new policies to find the lowest cost path to the shared goal of reliable, affordable and cleaner energy.

Thank you for the opportunity to provide comment on this legislation.

Sincerely,

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