



H.F. XX Utility Customer Transportation Subsidies (Rep. Stephenson)
February 18, 2021

Dear Members of the House Climate and Energy Committee,

The Minnesota Chamber of Commerce appreciates the opportunity to comment on House File XX (Utility Customer Transportation Subsidies). 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.

The Minnesota Chamber is proud to be a long-time co-chair of Clean Air Minnesota, a partnership with Environmental Initiative, local businesses, units of government, and other stakeholders to improve air quality. Clean Air Minnesota's Project Green Fleet significantly reduced emissions from diesel-powered machinery, including retrofitting every eligible school bus in the state. Project Green Fleet installed pollution control equipment on 3,200 buses, which allowed 300,000 children to breathe easier.

House File XX raises a number of concerns about the future of Minnesota's regulated utility system.

1. This bill expands the role of utilities far beyond the Regulatory Compact. The historic purpose of Minnesota's Regulatory Compact is to ensure affordable, reliable and universal service based on the cost to provide electricity inside of exclusive service territories. Therefore, policy choices impacting how utilities provide electric service have a direct impact on customer bills similar to state taxes and fees.
2. This places the Public Utilities Commission (PUC) in a role which is better suited for the Department of Transportation or the Department of Employment and Economic Development. The PUC has technical expertise in assessing the cost, feasibility and value of plans to provide utility service. It does not have clear expertise in, and the ratemaking process is not intended for, economic development or the acceleration of transportation technology adoption.

This concern was shared by the Office of the Attorney General (OAG) in a October 2020 response to the PUC's "Covid Economic Stimulus" docket:

The commission is expert at regulating utility service, but it lacks similar experience with the macroeconomic questions that a statewide economic-recovery effort would entail.

The OAG further questioned the distribution of benefits from light-duty electric vehicle rebates and wrote that “ no cost–benefit analysis showing that [the] rebate proposal will have a net system benefit” was presented to the commission.

3. Recent studies show policy assumptions about the use of electric vehicles may be flawed. In January 2021, researchers from the University of Chicago and University of California system found:

“... the arrival of an EV increases household electricity consumption by 2.9 kilowatt-hours per day—less than half the amount assumed by state regulators. Having adjusted for the share of out-of-home charging, the electricity consumed translates to about 5,300 electric vehicle miles traveled (eVMT) per year, roughly half as large as EV driving estimates used by regulators and also half as large as vehicle miles traveled in gasoline-powered cars.”

While potential explanations for this vary and require further research, the committee should closely examine Minnesota-specific electric vehicle usage data when making assumptions about the cost-benefit of taxpayer or ratepayer-funded subsidies.

Between 2008 and 2018, Minnesota’s commercial and industrial electric rates increased by 33 percent while the national average increased by only 1.5 percent. At a time when some electric utilities are struggling to find ways to lower customer rates and bills in order to make Minnesota more competitive, we urge policymakers to be cautious in adding new costs into electric bills.

Sincerely,

John Reynolds
Director, Energy and Elections Policy
Minnesota Chamber of Commerce
jreynolds@mnchamber.com
(651) 292-4661