

2019 POLICIES

Energy

Growing the state's economy requires a competitive business climate with consistent state policies that help to reduce rather than increase burdens related to taxes, regulations, and mandates. Minnesota businesses compete regionally, nationally, and globally. Cost considerations across all "business inputs" impact employers' ability to succeed and grow in Minnesota, including energy affordability and reliability.

Minnesota energy providers and ratepayers have made significant investments to enhance Minnesota's energy systems (power generation, transmission, and pipelines) and simultaneously reduce harmful environmental emissions and impacts. Power providers are steadily offering more renewably-generated electricity. Due to

advancements in technology, renewable energy projects can, in certain situations, generate cost-competitive electricity.

While improvements have been made with generation, transmission, and distribution over the past 20 years the price of electricity has steadily increased. Of particular concern is the fact that Minnesota's Commercial and Industrial (C&I) power rates have increased faster than the U.S. average and faster than inflation, and are higher than in many neighboring states; today we rank 20th highest (Commercial rates) and 15th highest (Industrial rates) in the nation.

In addition, Minnesota's energy regulatory process is lengthy, unpredictable, and costs Minnesota jobs and investment and increases businesses' operating costs. Our systems and efforts should be maintained through a regulatory structure that promotes private-sector investment at the speed of commerce and in order to provide reliable, cost-effective power at competitive prices for Minnesota employers.

OUR KEY PRIORITIES FOR THE 2019 SESSION INCLUDE:

- Ensure policymakers understand the price businesses are paying for power and seek to maintain reliable and cost-effective power at competitive prices.
- Discontinue cost shifting of electricity rates for C&I consumers.
- Reform the Minnesota Public Utilities Commission and Department of Commerce and their processes.
- Support and promote energy efficiency opportunities throughout the state.
- Recognize that renewable energy can be competitive in the market.
- Support Minnesota businesses' sustainability goals while keeping Minnesota rates competitive.
- Encourage balanced approach to grid modernization efforts.
- Maintain nuclear.

OUR GOALS

Minnesota's energy policy must benefit every sector of Minnesota's economy and enable businesses to obtain competitively-priced, reliable electricity, thermal energy, and transportation fuel while minimizing environmental impacts and advancing innovation in Minnesota's energy industries. To power our state, we support strategies that consider all of the energy resources available to Minnesotans - including biomass, coal, hydropower, natural gas, nuclear, petroleum products, solar, and wind, as well as energy efficiency and emerging technological, operational, and optimization opportunities - each to the extent it's cost-effective, provides C&I rate competitiveness, and ensures energy system reliability.

Implementing viable energy policy that achieves these goals while also preserving the financial health of our utilities and energy industries benefits all Minnesotans. In addition, it is important to protect Minnesota's critical energy systems and infrastructure from harmful acts of civil disobedience that could have adverse economic, environmental, community, and human safety impacts.

The state's regulatory process, governed by the Minnesota Public Utilities Commission and Department of Commerce, should be improved to provide clarity, timeliness, predictability, and accountability in the review and permitting process. Maintenance, enhancements, and modernization efforts to systems must be provided at a competitive price with spending focused on specific outcomes. Any new plan needs to take into account Minnesota's previous actions through energy efficiency programs and existing renewable energy mandates to reduce environmental impacts, as well as provide flexibility and accountability in meeting the goals of the plan.

DISCONTINUE COST SHIFTING OF ELECTRICITY RATES FOR C&I CONSUMERS

Due to the methodologies by which the Minnesota Public Utilities Commission has chosen to set rates, C&I customers in Minnesota are subsidizing the rates and bills of residential customers. Using reasonable class cost of service study methodologies by comparison, C&I customers pay significantly more for electricity than justified. Establishing cost of service, using reasonable classification and allocation methodologies (e.g. peak demand methodologies), as the Commission's primary factor when setting rates will be a critical factor in helping keep energy costs competitive. Within the C&I class, we oppose subsidy of one customer by another.

We also recognize that some ratepayers—particularly in globally-competitive industries—are highly sensitive to the rate impacts of policies. We encourage all stakeholders to note that higher power rates in Minnesota force some companies to shift production to places with lower costs but higher environmental impacts.

REFORM THE MINNESOTA PUBLIC UTILITIES COMMISSION (PUC) AND DEPARTMENT OF COMMERCE AND THEIR PROCESSES

The process of applying for and receiving a certificate of need, route permit, and site permit must take a reasonable length of time and the results must be predictable. We support a streamlined regulatory framework that encourages innovation, better aligns with Minnesota's real-time need to make investments in critical infrastructure, and holds government accountable to energy consumers for the cost and reliability of energy services and timeliness in establishing rates. To this end, the state should establish regulatory systems that are structured and operated so most reviews and permits are completed and issued within months, not years. Minnesota's regulatory program should strive to be among the premier permitting systems in the nation – quickly and efficiently completing the rigorous process to ensure environmental protection, while facilitating economic change and growth. (See Chamber's 2019 Environmental Permitting Policy.) To ensure the PUC brings a balanced perspective to its work, we support reforms to the selection process for PUC appointees that results in people with a variety of relevant technical or professional expertise in the issues before the Commission (e.g. Minnesota's judicial selection process).

SUPPORT AND PROMOTE ENERGY EFFICIENCY OPPORTUNITIES THROUGHOUT THE STATE

Cost-effective energy-efficiency programs reduce the need for utilities to build additional generation and allow customers to control their utility bills. We support the Conservation Improvement Program (CIP), including potential updates to allow for additional energy efficiency opportunities, to the extent it remains cost-effective for C&I ratepayers and benefits Minnesota's energy customers. We likewise encourage Chamber members to participate in utility CIP programs like the Chamber's Energy Smart program to ensure they capture maximum savings on their bills. As energy efficiency potential exists, Minnesota's policymakers should promote and look to update existing energy efficiency options and the Legislature should not pursue policies that are duplicative, increase costs, or lead to confusion among users.

RECOGNIZE THAT RENEWABLE ENERGY CAN BE COMPETITIVE IN THE MARKET

Renewable energy projects generate cost-competitive electricity when built at utility scale and located in areas with appropriate resources. Given current market dynamics, the state can achieve its energy policy goals without imposing additional mandates on power providers. Now that renewable energy projects are competitive, the Renewable Development Fund is an unnecessary relic that imposes close to \$30 million per year in additional costs on ratepayers and the Legislature should phase it out. The Chamber supports acceleration of renewable energy through market forces rather than through mandates that could require power companies to purchase energy at uncompetitive prices.

SUPPORT MINNESOTA BUSINESSES' SUSTAINABILITY GOALS WHILE KEEPING MINNESOTA RATES COMPETITIVE

We recognize that many companies in Minnesota have set sustainability goals and find competitive advantage in reducing the environmental impacts of their business operations. Accordingly, we support voluntary measures to assist companies in reducing these impacts, through maximizing green energy programs, when such efforts are compatible with Minnesota's need for reliable, competitively-priced energy and do not shift costs to other customers.

ENCOURAGE BALANCED APPROACH TO GRID MODERNIZATION EFFORTS

As part of grid modernization efforts, and as optimization capabilities mature and evolve, we support studies, pilot projects, and cost analyses on how to modify infrastructure and deploy cost-effective energy storage to accommodate changing use patterns by C&I ratepayers and shifting power flows. The Chamber does not support picking winners and losers in the marketplace or policies that unintentionally create artificial barriers for emerging technologies. Maintaining reliable, cost-effective power at competitive prices for Minnesota's businesses will continue to be the Chamber's primary focus in any policy discussions relative to grid modernization efforts. The Chamber also recognizes that cybersecurity and customer privacy concerns have serious implications for Minnesota businesses. These factors should be carefully considered by policymakers when considering proposals

to advance the grid. As grid modernization efforts develop nationally, the state of Minnesota should seek to take advantage of opportunities for federal investment to ensure that Minnesota ratepayers are protected from increased costs.

MAINTAIN NUCLEAR

Nuclear power has no greenhouse gas emissions and provides baseload power. We support the state's nuclear reactors continuing to operate cost-effectively. We also support evaluating the possible extension of operating licenses. ■