



January 20, 2023

Senator Nick Frentz
95 University Avenue W.
Minnesota Senate Bldg., Room 3109
St. Paul, MN 55155

Re: SF4/HF7—Electric utility renewable energy standard obligations modified

Dear Senator Frentz,

The Southern Minnesota Municipal Power Agency (SMMPA) submits this letter as testimony for the January 23rd Senate Committee on Climate and Energy Finance and Policy hearing on SF 4.

SMMPA is a joint action agency that provides wholesale electricity, transmission, and other energy services to eighteen municipal utility members in Minnesota. Joint action agencies allow municipal utilities, large and small, to achieve economies of scale they would not otherwise enjoy, thereby reducing the cost of electricity to the municipal utility customer. Our member communities, and the people who live in those communities, are like the vast majority of Minnesotans – they care about the environment and are supportive of renewable energy, and at the same time, expect us to balance that support with maintaining affordability and ensuring reliability.

In 2020, SMMPA and its members adopted the SMMPA 2.0 strategic initiative which included a plan to make the Agency's power supply 80% carbon-free by 2030. This will be accomplished through the retirement of the Sherco 3 power plant and the addition of approximately 200 MW of renewable energy resources. When developing this plan, the SMMPA member communities, pragmatic by nature, set the goal based on what is believed to be achievable given the current technology available. Creating a 100% carbon-free standard without a clear understanding of the costs, or the feasibility of achievement, poses a threat to the ability of utilities to maintain an affordable and reliable energy supply.

SMMPA has concerns about the potential cost impacts of the proposed carbon-free standard. It is possible SMMPA and other utilities could develop robust renewable energy portfolios, well intentioned to meet the standard, only to fall short due to unanticipated renewable curtailments or prohibitively high REC prices. This is not an implausible scenario. The standard will inevitably increase the frequency of times that MISO curtails renewable generation due to energy supply exceeding demand. Utilities will not receive RECs when renewable generation is curtailed and offline—RECs that the utility has planned on receiving to comply with the standard. It is our understanding that the bill, in its current form, does not allow for an after-the-fact delay or

modification of the standard to accommodate such a circumstance. If our understanding is correct, we think the bill should be modified to address this concern.

SMMPA is understandably reluctant to support additional regulation upon the Agency and its members. Municipal utilities are proud of their local governance structure and the adoption of the carbon-free standard represents a continued eroding of that essential local control.

Thank you for the opportunity to submit these comments on SF4/HF7. Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Hoffman", with a long horizontal flourish extending to the right.

Joseph Hoffman
Director of Agency and Government Relations
Chief External Affairs Officer

CC: Majority Leader Jamie Long, 459 State Office Building, St. Paul, MN 55155