

Revised

Consolidated Fiscal Note

2023-2024 Legislative Session

SF4 - 0 - Renewable Energy Modifications

Chief Author: **Nick Frentz**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **1/24/2023 9:14:44 AM**
 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	FY2023	FY2024	FY2025	FY2026	FY2027
State Total						
	Total	-	-	-	-	-
	Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
	Total	-	-	-	-

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.

This note was revised for the Department of Commerce to include a local impact.

LBO Signature: Karl Palm **Date:** 1/24/2023 9:14:44 AM
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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.

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

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		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

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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Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
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Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

SF4 - 0, Renewable Energy Standards (RES) modifications, increases the proportion of a utility's retail electric sales that are to be generated from renewable energy to 55 percent in 2035. The bill establishes a carbon-free resource standard for all covered electric utilities that starts at 80% in 2030 and increases by steps to 100 percent by 2040.

Section 1 adds definitions for "carbon-free" technology and for "environmental justice area," and modifies the definition of "eligible energy technology" to include all hydroelectric sources regardless of size.

Section 2 provides that an energy recovery facility (i.e. a facility that uses municipal solid waste as a fuel source) is not considered an eligible energy technology to meet the RES requirement if it deposits air pollutants in an environmental justice area and has a permitted maximum capacity of 1,000 tons per day or more.

Section 3 adds a 2035 RES of 55 percent. Xcel Energy previously had a RES requirement of 30 percent by 2020, but now has the same requirements as the other electric utilities.

Section 4 specifies the PUC's ability to modify or delay implementation of a utility standard, including 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 environmental justice areas. 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 5 specifies that the PUC will issue an order describing how it will measure utility efforts to meeting the standards, including the SES and the carbon-free standards in addition to the RES.

Section 8 establishes a carbon-free standard requiring electric utilities to generate and provide customers with sources of energy that do not emit carbon emissions. The carbon-free standard begins at 80 percent in 2030 and increases every five years to reach 100 percent in 2040.

Section 9 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 efforts to retain and retrain workers from generating facilities that have retired or are planned for retirement; impacts of new facilities on environmental justice areas; and utility efforts to diversify its workforce and vendors.

Section 13 expands the factors for the PUC to consider to maximize local benefits in implementing the statute to include factors related to labor, environmental justice areas, 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 requires utilities to file a resource acquisition plan as part of the integrated resource planning process.

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Section 15 directs the PUC to adopt and apply federal estimates of the cost of greenhouse gas emissions.

Section 16 modifies the list of facilities exempt from the PUC's certificate of need process expanding the pre-existing exemption for independent power producers to include 1) the output will be sold to a retail or wholesale provider in Minnesota, and 2) the project represents solar or wind capacity that was ordered by the Commission to be developed in the entity's most recent integrated resource plan.

Section 17 modifies the definition of "solar energy generating system" by adding certain small transmission lines that interconnect a solar generating system with a high-voltage transmission line. This would bring these small transmission lines under the PUC's permitting authority. Currently, these small transmission lines are generally subject to county or local permitting authority.

Section 18 exempts solar energy generating systems from the requirement that the commissioner of commerce consider and evaluate alternate site proposals when conducting environmental review.

Sections 19 and 22 authorize the PUC to require the site permit recipient, contractors, and subcontractors constructing or repowering a large electric generating facility (section 19) or Large Wind Energy Conversion System with nameplate capacity above 25,000 kilowatts (section 22) 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 20 provides that the Department of Commerce can take action on environmental review requirements immediately following the PUC hearing and vote in permitting proceedings, without waiting for a written order to be issued.

Section 21 allows for the alternative review procedure to be used for permit applications for high-voltage transmission lines greater than 200 kV that are less than 30 miles in length. Currently, the alternative review procedure can only be used for 200+ kV high-voltage transmission lines less than five miles in length.

Sections 6, 7, 10, 11, 12, 23, and 24 strike or repeal obsolete language or make conforming clarifications that provisions of the statute apply to all three standards (RES, SES, and 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, although it 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 8, and extends and increases utility RES obligations in Section 3. 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 4, 5, 9, and 13 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 16 and 18 exempt certain types of facilities from PUC or Department of Commerce review processes, which would reduce the resources needed. However, the PUC assumes that there would not be an overall cost savings associated with this bill because other sections are likely to make some existing processes more complex.

Section 17 gives the PUC permitting authority over certain small transmission lines associated with solar generating facilities. The PUC assumes that the permitting for these transmission lines would take place as part of the existing process for permitting solar generating facilities. This would not change the fundamental nature of these proceedings, but would likely make them more complex. Even relatively small transmission lines have the potential for controversy, so PUC staff would likely need to handle more stakeholder involvement and more public comments in these dockets than if the transmission lines were not subject to PUC jurisdiction. However, because the PUC already handles permitting for other

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types of transmission lines, staff is familiar with the process and considerations. Therefore, the PUC assumes that staff could handle these dockets with existing resources. Additionally, the PUC is aware that the Environmental Quality Board's rule 4410.4600, subpart 5, exempts certain small transmission lines from environmental review requirements. If this bill is passed, rulemaking may be needed to align the EQB's rule with the statutory provision. However, the PUC assumes that this would not create a fiscal impact for the PUC.

Sections 19 and 22 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.

The PUC assumes that, throughout the bill, the phrase "area of concern for environmental justice" should be replaced with the defined term "environmental justice area."

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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SF4 - 0 - Renewable Energy Modifications

Chief Author: **Nick Frentz**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **1/24/2023 9:14:44 AM**
 Agency: **Commerce Dept**

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Tax Revenue		X
Information Technology		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.

This note was revised for the Department of Commerce to include a local impact.

LBO Signature: Karl Palm **Date:** 1/24/2023 9:14:03 AM
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Revised

State Cost (Savings) Calculation Details

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Biennial Total			-		-
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Biennial Total			-		-

Bill Description

SF 4 proposes various modifications to provisions under Minnesota Statutes 216B.1691, 216B.2422, 216E.01, 216E.03, 216E.04, and 216F.04.

Section 1 - Minnesota Statutes 2022, section 216B.1691, subdivision 1

- 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 - Minnesota Statutes 2022, section 216B.1691

- Subdivision 1a adds a provision that exempts an energy recovery facility that meets certain criteria from a utility’s carbon-free requirements established under the definitions in the previous section.

Section 3 - Minnesota Statutes 2022, section 216B.1691, subdivision 2a

- 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 utility sizes is eliminated.

Section 4 - Minnesota Statutes 2022, section 216B.1691, subdivision 2b

- 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 5 - Minnesota Statutes 2022, section 216B.1691, subdivision 2d

- In Subdivision 2d, modifies the criteria for what goes in a Commissioner Order establishing implementation requirements for this section of statute.

Section 6 - Minnesota Statutes 2022, section 216B.1691, subdivision 2e

- In Subdivision 2e, the rate impact reporting requirement is modified for utilities to reflect the new timeline and milestones for the standard.

Section 7 - Minnesota Statutes 2022, section 216B.1691, subdivision 2f

- In Subdivision 2f, compliance dates that have passed are deleted.

Section 8 - Minnesota Statutes 2022, section 216B.1691

- 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:

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2030 = 80%
2035 = 90%
2040 = 100%

Section 9 - Minnesota Statutes 2022, section 216B.1691, subdivision 3

- 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 10 - Minnesota Statutes 2022, section 216B.1691, subdivision 4

- In Subdivision 4, compliance dates that have passed are deleted. Additional new requirements under the proposed 2a, 2f, and 2g subdivisions are included.

Section 11 - Minnesota Statutes 2022, section 216B.1691, subdivision 5

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

Section 12 - Minnesota Statutes 2022, section 216B.1691, subdivision 7

- In Subdivision 7, paragraphs 2f and 2g are included in the Commission's compliance enforcement requirements.

Section 13 - Minnesota Statutes 2022, section 216B.1691, subdivision 9

- 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 Minnesotans 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 Minnesotans to participate in clean energy and renewable energy jobs, statewide emissions reductions, and affordable service for low income customers.

Section 14 - Minnesota Statutes 2022, section 216B.1691, subdivision 10

- In Subdivision 10, a provision is added that requires a resource acquisition plan as part of the integrated resource planning process.

Section 15 - Minnesota Statutes 2022, section 216B.2422, subdivision 3

- In subdivision 3a, includes prescriptive language for the Commission to use relating environmental costs. The proposed language requires the Commission to quantify and establish a range of environmental costs associated with each method of electricity generation.

Section 16 - Minnesota Statutes 2022, section 216B.243, subdivision 8

- The proposed language adds additional exemptions including large wind facilities defined under 216F.01, Subdivision 2 or a solar facility as defined under 216E.01, Subdivision 9a.
- An additional exemption is added for projects that are independently developed and sold to retail utility service providers that connect to a regional transmission organization that meet criteria as approved by the PUC as a part of a utility's integrated resource plan.

Section 17 - Minnesota Statutes 2022, section 216E.01, subdivision 9a

- In subdivision 9a, the proposed language adds transmission infrastructure that meets certain criteria to the definition of solar energy generating system.

Section 18 - Minnesota Statutes 2022, section 216E.03, subdivision 5

- In subdivision 5a, language is added to align exemption of solar energy generating system from certain environmental review requirements.

Section 19 - Minnesota Statutes 2022, section 216E.03, subdivision 10

- 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

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direct and indirect economic impacts of construction and construction standards.

Section 20 - Minnesota Statutes 2022, section 216E.03, subdivision 11

- Paragraph (b) adds additional allowances for the commissioner of commerce to act, as requested by the PUC, to vary environmental review requirements under 216E or 216F.

Section 21 - Minnesota Statutes 2022, section 216E.04, subdivision 2

- Adds an effective date to this section of statute that applies to high-voltage transmission access that meets certain criteria for some applications to the PUC.

Section 22 - Minnesota Statutes 2022, section 216F.04

- 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 23 Revisor Instruction

- Allows the revisor to make cross-reference changes to other parts of statutes and rules as needed based on changes made in this proposal.

Section 24 Repealer

- Repeals Minnesota statute section 216B.1691, subdivision 2.

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 and appropriations authority 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

Communities that are host to generating facilities that would be retired under the 100% framework could be impacted. Additionally, new resources that are required to be built under the framework that are located in existing or new host communities could be impacted. Impacts may affect local tax revenues, as well as the workforce.

References/Sources

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