

Martinez Testimony – Battery Storage & Taxes

Senate Property Tax Committee

Thursday, Feb 16, 2023, 8:30am

Members: https://www.senate.mn/committees/committee_bio.html?cmte_id=1019

Madam Chair, Members of the Committee, good morning, I am Yan Paul Martinez, chief financial officer of Connexus Energy; Minnesota's largest member owned electric utility serving 145,000 consumer accounts. I am joined by Rob Davis, our lead for public affairs.

Today I speak in support of Senator Hoffman's bill, Senate File 369. Previously, this bipartisan bill related to energy storage systems was wisely included in the 2022 Tax Omnibus bill.

Connexus has served members for the past 5 years with flat rates (no increase) while benchmarking in the top 5% of all utilities nationwide for electric service reliability. This year, our board of directors approved a budget with the smallest rate increases of Minnesota's large utilities, just 2.94%.

Among many initiatives, Connexus built and has operated since 2019 the first solar and battery facility in the upper Midwest. We currently operate three battery storage systems in two locations; one in Ramsey and the other two in Athens for a total of 15 MW. These battery systems look like sets of shipping containers, connected to our electrical grid, and secured behind a fence like we use for our substations.

With these technologies we have been able to offset more costly wholesale power purchases. Lower cost and increased reliability are ways for energy storage to benefit communities we serve. Our business model directs the benefits enabled by storage to our consumer members. And those type of benefits could be also achieved by other electric utilities across Minnesota.

Batteries have many features and uses. And we see them as a key factor in developing the Minnesota grid today and into the future. These are long term capital investments. Minnesota taxpayers will be benefited by an enabling tax treatment for battery storage. With earlier energy generation technologies including gas, hydro, wind, and solar, the Department of Revenue has had the benefit of clear legislative direction. Currently that is not the case with energy storage systems.

Nationwide energy storage is being recognized as a rapidly emerging needed class of grid solutions that need enabling tax treatment. Twelve states have enacted statutes, 10 of which are a 100% exemption.

Speaking of 100%, battery storage is a critical new tool to be able to meet the targets now set for in state law. Minnesota is an influential leader in energy policy in so many areas, and I encourage Minnesota to be on this battery storage tax exemption list.

It is about clarity of policy. Counties, cities, and towns benefit from economic development and electric service reliability associated with energy storage. The evolving electric grid needs tools enabled by economics and tax rules understood by all electric utilities.

As an electric cooperative, Connexus also supports a bipartisan provision in the 2022 Tax Omnibus that was championed by the Minnesota Rural Electric Association, related to electric grid attachments and appurtenances, included in the 2022 Tax Omnibus bill by Chair Rest and other members of the Tax Omnibus conference committee.

Madam Chair, Members of the Committee, thank for you for your time, and consideration of support for Senate File 369.