

SF4687 - 0 - Thermal Energy Network Deployment Work Group

Chief Author: **Jennifer McEwen**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **3/19/2024 11:43:25 AM**
 Lead Agency: **Public Utilities Commission**
 Other Agencies:
 Attorney General 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
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Public Utilities Commission		-	-	-	-	-
General Fund		-	-	-	-	-
State Total						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General	-	-	-	-	-
General Fund	-	-	-	-	-
Public Utilities Commission	-	-	-	-	-
General Fund	-	-	.25	.25	-
Total	-	-	.25	.25	-

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.

LBO Signature: Karl Palm **Date:** 3/19/2024 11:43:25 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Public Utilities Commission		-	-	-	-	-
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Attorney General		-	-	-	-	-
General Fund						
Expenditures		-	-	15	7	-
Absorbed Costs		-	-	(15)	(7)	-
Public Utilities Commission		-	-	-	-	-
General Fund		-	-	39	39	-
Total		-	-	39	39	-
Biennial Total				39		39
2 - Revenues, Transfers In*						
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Public Utilities Commission		-	-	-	-	-
General Fund		-	-	39	39	-
Total		-	-	39	39	-
Biennial Total				39		39

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Chief Author: **Jennifer McEwen**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **3/19/2024 11:43:25 AM**
 Agency: **Public Utilities Commission**

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
General Fund		-	-	-	-	-
	Total	-	-	-	-	-
	Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.25	.25	-
Total	-	-	.25	.25	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/18/2024 9:43:30 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	-	39	39	-
Total		-	-	39	39	-
Biennial Total				39		39
2 - Revenues, Transfers In*						
General Fund		-	-	39	39	-
Total		-	-	39	39	-
Biennial Total				39		39

Bill Description

HF4688 establishes a Thermal Energy Network Deployment Work Group.

Subdivision 1 directs the Public Utilities Commission (PUC) to establish the work group to examine the potential regulatory opportunities for regulated natural gas utilities to deploy thermal energy networks and potential barriers to development. The bill directs the work group to examine the public benefits, costs, and impacts of deployment of thermal energy networks, as well as examine rate design options.

Subdivision 2 lists the members of the work group.

Subdivision 3 lists the duties of the work group. The work group must produce a series of recommendations on thermal energy network deployment and submit the recommendations in PUC Docket No. 21-565.

Subdivision 4 directs the work group to submit a report to the legislature detailing its findings and recommendations by December 31, 2025. This subdivision also states that the PUC can hire a consultant to facilitate and write the report.

Assumptions

HF4688 directs the PUC to convene a Thermal Energy Network Deployment Work Group, which will submit a report on its findings and recommendations by the end of 2025. Based on the PUC's experience with other similar work groups, the PUC believes it would need .5 FTE PURA 3 to convene the work group, facilitate meetings, synthesize recommendations, and produce the required report. These staff resources would be needed as soon as the bill is passed, and would end December 31, 2025.

Subdivision 4 provides that the PUC could hire a consultant to do this work. The PUC believes that this would be impractical because the procurement and contracting process would take up a significant amount of time, which would interfere with the ability to deliver the report on time. However, if a consultant were hired, the PUC assumes that the fiscal impact would be approximately the same as described above.

The PUC notes that, if this bill is enacted along with other bills impacting thermal energy networks, the overall fiscal impact would be higher based on the need to determine how the bills interact with each other and with existing PUC dockets.

Current bill language does not appropriate funds to the Commission. If additional funds are appropriated, they would be recovered from the rate-regulated utilities and credited back to the general fund.

Expenditure and/or Revenue Formula

Staff resources would be needed as soon as the bill is passed, and would end December 31, 2025.

	FY24	FY25	FY26	FY27
Salary-Rates Analyst 3, 0.25 FTE		25,542	25,542	0
Fringe		7,663	7,663	0
Other Personnel Related Costs		5,375	5,375	0
TOTAL Cost		38,580	38,580	0

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

N/A

Agency Contact: Lauren Bethke

Agency Fiscal Note Coordinator Signature: Kay Urquhart

Phone: 651-201-2222

Date: 3/18/2024 9:03:05 AM

Email: kay.urquhart@state.mn.us

SF4687 - 0 - Thermal Energy Network Deployment Work Group

Chief Author: **Jennifer McEwen**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **3/19/2024 11:43:25 AM**
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Dollars in Thousands					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
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.

LBO Signature: Susan Nelson **Date:** 3/13/2024 7:12:19 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

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.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	15	7	-	-
Absorbed Costs	-	-	(15)	(7)	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill requires the Public Utilities Commission to establish a thermal energy network deployment work group. The work group would examine potential opportunities, barriers, costs, benefits, and impacts for regulated natural gas utilities deploying thermal energy networks.

Section 1 requires the Public Utilities Commission to establish the work group. The work group would consist of the Office of the Attorney General, the Department of Commerce, representatives from utilities, and representatives from several interested stakeholder categories, including but not limited to labor organizations, clean energy, consumer protection organizations, and technology providers.

The work group would produce recommendations regarding the deployment of regulated thermal energy networks while protecting the public interest. The work group must submit a report to the legislature with its findings and recommendations by December 31, 2025. The Public Utilities Commission is authorized to hire a consultant to facilitate and write the report. After the report is submitted, the work group is terminated.

Assumptions

The Residential Utilities Division of the Attorney General's Office often participates in both formal and informal stakeholder groups requested by the Public Utilities Commission. The assumptions below are based on the Division's experience in recent stakeholder proceeding facilitated by a consultant working on behalf of the Public Utilities Commission. The assumptions assume the Commission will hire a consultant to facilitate and draft the report to the Legislature.

The Attorney General's Office estimates that it will expend 60 hours of attorney time and 50 hours of legal assistant time in FY25 and 30 hours of attorney time and 25 hours of legal assistant time in FY26.

The Attorney General's Office can absorb the cost noted in our calculations.

Expenditure and/or Revenue Formula

FY 25	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
Attorney, Residential Utilities Division	\$163	60	\$9,780
Legal assistant, Residential Utilities Division	\$103	50	\$5,150
<i>Other</i>			
Total			\$14,930

FY 26	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
Attorney, Residential Utilities Division	\$163	30	\$4,890
Legal assistant, Residential Utilities Division	\$103	25	\$2,575

Other			
Total			\$7,465

Long-Term Fiscal Considerations

n/a

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

Phone: 651-402-2213

Date: 3/12/2024 11:40:34 AM

Email: laura.capuana@ag.state.mn.us

SF4687 - 0 - Thermal Energy Network Deployment Work Group

Chief Author: **Jennifer McEwen**
 Committee: **Energy, Utilities, Environment and Climate**
 Date Completed: **3/19/2024 11:43:25 AM**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		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.

LBO Signature: Karl Palm **Date:** 3/19/2024 11:42:44 AM
Phone: 651-296-6055 **Email:** karl.palm@lbo.mn.gov

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.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

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			-		-

Bill Description

SF4687-0 directs the Public Utilities Commission (PUC) to establish a thermal energy network deployment work group to examine the potential regulatory opportunities for regulated natural gas utilities to deploy thermal energy networks and potential barriers to development. The work group must examine the public benefits, costs, and impacts of deployment of thermal energy networks, as well as examine rate design options. The group will develop recommendations regarding how to deploy thermal energy networks within a regulated context in a manner that protects the public interest and considers reliability, affordability, environmental impacts, and socioeconomic impacts which will be submitted to PUC docket 21-565.

The work group must submit a report detailing the work group's findings and recommendations to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over energy policy and finance by December 31, 2025. The PUC may hire a consultant to facilitate and write the report. The work group terminates the day after the report under this subdivision is submitted.

The Department of Commerce will participate as a member of the work group.

Assumptions

This bill requires a representative from the Department of Commerce to participate in periodic work group discussions. Commerce anticipates covering the participation with existing resources.

Expenditure and/or Revenue Formula

N/A

Long-Term Fiscal Considerations

Work related to this workgroup is expected to end by December 31, 2025.

Local Fiscal Impact**References/Sources****Agency Contact:**

Agency Fiscal Note Coordinator Signature: Amy Trumper
Phone: 651-539-1517

Date: 3/19/2024 10:35:07 AM
Email: amy.trumper@state.mn.us