



117 South First Street • Montevideo, MN 56265

March 10, 2025

Chair Frentz
Senate Energy, Utilities, Environment, and Climate Committee
Re: S.F. 1142

Chair Frentz and Committee Members,

CURE is a rurally based, non-profit organization dedicated to protecting and restoring resilient towns and landscapes by harnessing the power of the people who care about them. We appreciate the opportunity to testify about our concerns with S.F. 1142. At CURE, we care deeply about rural electric cooperatives and have worked side by side with them to secure historic investments from the federal government. We have a deep appreciation for our cooperatives' adherence to the seven cooperative principles, and the work our cooperatives do for their member-owners and our state. Cooperatives and municipal utilities are the best places for member-owners and constituents to achieve energy democracy and work together to produce and consume clean energy in community.

Under existing Minnesota law, customers of a municipal electrical utility or investor-owned utility and member-owners of an electric cooperative with their own interconnected solar panel systems can get credit on their electric bill for energy produced by their system and provided to the grid. The credit is based on the amount of AC energy the system can put on the grid at the point of interconnection, which assesses actual energy generated. This is a common-sense standard that treats "capacity" as the capacity that the utility sees on its system, no more and no less. Additionally, the existing law allows cooperatives and municipal utilities to charge a "reasonable and appropriate" additional fee for the customers and member-owners with these systems, and cooperatives and municipal utilities already impose fees consistent with this law.

CURE acknowledges that net metering is not a perfect system and understands the concerns with fairness around net-metered installations. Net metering has been debated almost annually for the last several years and has been changed numerous times since 2010. But the instability around this policy makes it difficult for both electricity providers and consumers to accomplish long-term planning. Without clarity, transparency, and consistency around how to set truly fair repayment rates, the disputes about net metering will continue.

For these reasons, CURE believes the more appropriate action at this time is to commission a study that could, among other things, identify the specific concerns raised by stakeholders, collect necessary information about those issues, and analyze potential solutions. CURE would be happy to work with legislators and other stakeholders to determine how that study bill could be written to maximize its effectiveness. The goal of a successful net-metering policy should be to ensure cooperative and

municipal utilities are compensated fairly, that member owners with net metering installations are compensated fairly, and that distributed generation is accelerated in its deployment.

Until a more robust analysis has been completed, CURE opposes the kind of wholesale elimination of net metering proposed by S.F. 1142. Our specific concerns with the bill are outlined below.

Section 1 would change the definition of “capacity,” which is what a utility uses to determine what rate to charge their customers or member-owners. The proposed change is not logical and moves from real generation by a system to a hypothetical maximum generation that overstates the capacity of a system on the grid. This fails to consider that some people use a portion of the energy their systems generate *before* sending electricity to the grid, or that individual panels in a system might not be capable of generating that maximum capacity at the same time (i.e., if some panels face west and others face east). This definition change would essentially punish people for interconnecting at all and strongly disincentivizes those with the space for more or larger arrays of solar panels—like those living in rural areas—from doing so. It also appears to apply retroactively and therefore would punish customers with existing systems who sized their systems based on the existing standard.

Section 2 would eliminate the availability of net metering for municipal utilities and electric cooperatives and sets the compensation for their constituents and member-owners at an artificially low rate based on avoided costs rather than the actual value of solar. Unfortunately, this change would also place the rate-setting authority for all municipal customers and cooperative member-owners with the Public Utilities Commission in an arbitrary across-the-board rate. This goes against the fundamental principles of democratic governance at the core of our electric cooperatives and municipal utilities. It also means that the Commission would set the rate close to the avoided cost of wholesale power generation, which is what a utility would pay a large power producer for electricity generated as a power plant. This rate is already lower than the net metering rate and could be even lower than what distribution utilities pay wholesale utilities because compensation for these small producers would not include the transmission and fuel elements that are normally paid to a wholesale power producer. In practice, this means that member-owners and rural residents will be getting a lower compensation rate than even the wholesale power producers. By exempting municipals and cooperatives from net metering, only customers of IOUs—largely folks in more suburban and urban areas of the state—would get the benefit of net metering policies.

Additionally, there is no preservation of the rate for existing systems within this bill, which would potentially wreck the payback economics for all existing municipal customers or cooperative member-owners who participate in distributed generation supported by net metering. Farmers and other small business owners, who have made long-term investments based on known payback periods, would be especially harmed by this kind of abrupt change to a much lower value for the energy they generate. Rural electric cooperatives and municipal utilities need the flexibility to set rates that don’t put their small businesses out of business by ruining their rates long-term.

Overall, S.F. 1142 would have a negative effect on Minnesotans, but especially those who receive electricity from municipal utilities or electric cooperatives. If we are seeking to promote rural independence and home-grown energy through greater adoption of distributed solar generation, this bill will actively stifle that goal. CURE urges this committee to oppose S.F. 1142 in its current form and

instead commission a study that would allow for a more comprehensive analysis of where net metering is in Minnesota today and how it could be improved. Such a bill could be used to craft legislation in a future session that will meet the needs of all stakeholders and create far more certainty and stability for utilities and customers in the decades to come.

Sincerely,

/s/ Sarah Mooradian

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