

Senator Nick A Frentz, Chair
Energy, Utilities, Environment, and Climate Committee

March 10, 2025

I am writing in opposition to proposed legislation (SF1142) to eliminate net metering. Net metering is an important incentive for Minnesota to meet several public policy goals, including:

1. Increased in-state energy production which keeps Minnesota dollars in Minnesota.
2. Increased distributed generation which provides resiliency to the power grid through production diversity.
3. Increased total electricity production which will be needed to offset projected electrical demand increases.
4. Reduced green house gas emissions through increased renewable energy production.

It is hard to imagine that net metering has any significant public policy downsides.

The bill's authors and supporters, including rural electric cooperatives, have no public policy rationale for this legislation. Their main argument seems to be that it is a uniquely "unfair" policy that causes non-solar customers to "subsidize" the solar owners because the rate paid by the utility for the solar power is at the retail, general service rate, not at wholesale. The argument goes that less affluent members of the cooperative are particularly harmed because they do not have the capital to invest in a solar array and are forced to pay retail rates.

If fairness was really the driver of this legislation, then one has to evaluate the price structure and incentive programs offered by the cooperatives themselves. Here are two examples which result in more pervasive, "unfair" structural subsidizations than net metering:

1. Current rate schedules give significant discounts to large consumers, typically businesses. It is counter intuitive to reward more consumption in the current energy environment. More to the point, it is blatantly "unfair" that a large consumer pays a lower rate than the typical household. This is an egregious form of subsidization of large consumers by the rest of us.
2. Load management policies (aka, "off-peak") are useful incentives to help manage consumption behavior. The goal of these policies is to spread electrical demand throughout the day to times when there is ample production. The consumer pays a lower rate while accepting the fact that their load (ie, household heating, hot water, etc.) can be interrupted at the discretion of the service provider. However, to take advantage of these incentivized rates, one has to make capital investments in the appropriate service equipment. Clearly, this is analogous to the situation with solar energy production. We, for example, invested in secondary heating equipment and specialized hot water equipment in order to realize a lower electrical rate. One might say that less affluent members of the cooperative are particularly harmed because they do not have the capital to invest in load management equipment and are forced to pay retail rates. Thus, our electricity for those purposes is being subsidized by others who can't afford to or won't participate in these programs.

In closing, elimination of net metering is a solution looking for a problem. Its elimination does not support any public policy goals. And, the argument that it is uniquely "unfair" is betrayed by the fact that rural electric cooperative rate structures and policies incentivize consumption behavior through lowered rates...which, by definition, must be made up (ie, subsidized) by all members. Please oppose this senseless legislation to eliminate net metering.

Respectfully submitted,
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