

April 7, 2025

Dear Chair Frentz and Energy Committee Members:

Thank you to Chair Frentz, Minority Lead Mathews, and the rest of the committee members for the effort that went into SF 2393. With a challenging budget forecast and significant uncertainty at the Federal level, the Department of Commerce appreciates the need for tough choices and limit spending. The Governor's revised budget takes a similar approach and includes cuts to our Pre-Weatherization Grant program.

The Department appreciates that the Senate Energy Budget includes a much-needed annual appropriation increase to the Petrofund. This marks the first meaningful increase to the budget in over twenty years. Costs for this program have gone up and the Petrofund faces acute IT challenges including no longer having an operational database to manage day to day work.

There is some important policy work in this budget that has the support of the Department of Commerce. The language in SF 2393 as amended is an essential first step towards balancing the economic development opportunities that data centers present with the safeguards that ensure an appropriate environmental review have taken place. In addition, inclusion of policy language from the Governor's budget will bring important updates to current programs including the State Competitiveness Fund.

The Department is also concerned about the significant cut to the Department's funding for administering programs funded out of the Renewable Development Account (RDA). We take our obligation to ensure that state dollars are used efficiently to carry out programs authorized by the legislature. Arbitrarily capping the administrative funds for these programs at \$100,000 undermines our capacity to effectively manage and oversee these grant programs. The Minnesota Office of Grants Management requires that every Agency follow a set of policies and procedures for each grant it administers. These policies require that we conduct pre-award risk assessments and conduct ongoing monitoring of grantees work as well as detailed reviews of their invoices and expenses. These activities require staff time and resources and the Department must be able to responsibly recover these costs. The existing statewide standard 5% cap on administration costs is an appropriate cap to allow the Department to meet expectations for oversight of RDA funded programs.

We also have concerns with a number of the policy proposals included in SF 2393. Minnesota's clean electricity by 2040 law will require broader adoption of renewables of all types and sizes as well as additional clean firm resources including storage. When it comes to solar, we need a "yes and" approach that includes the development of solar resources across the continuum.

Distributed energy systems can be an important part of meeting our clean electricity needs. With this in mind, the Department has significant concerns with:

- Community Solar Garden Sunset (SF 2855): Community solar gardens (CSGs) are a proven tool for low- and moderate-income Minnesotans, including those who rent their housing, to participate in solar power development. Sunsetting the new CSG program is premature and will slow down the growth of solar power generation in Minnesota. This policy change would also put at risk Minnesota \$62 million EPA Solar for All award. We have been fighting diligently to maintain each and every dollar committed to Minnesota. This would give the Federal government an unnecessary opening to terminate this funding.
- Net Metering (SF 1142): We appreciate the concerns raised by rural electric co-ops about cross-subsidization. Including a grandfather clause is a step in the right direction, but this legislation does not address Department concerns around disincentivizing storage, meter aggregation, and the cap on net metered systems.

SF 2393 includes provisions that will facilitate the development of large, hyper-scaler data centers that have the potential to significantly increase electricity demand in Minnesota. Given this approach, now is not the time to take options off the table to meet our 2040 goals.

Finally, we hope the Senate reconsiders the inclusion of policy that redefines biodiesel peaking facilities as carbon free, which circumvents the PUC life cycle analysis process which is already considering this very issue. The legislature is not the best venue to consider technical questions and we encourage the supporters of this proposal to participate in the work being done at the PUC to conduct the life cycle technical analysis important for determining whether generation is carbon free.

Thank you to Senator Frentz and the rest of the Energy Committee for the work that went into SF 2393. We look forward to collaborating with you on the policy and budget items contained in SF 2393.

Sincerely,



Grace Arnold  
Commissioner