May 7, 2025

Dear Chair Marty and Finance Committee Members:

Thank you for the opportunity to provide comments on the Omnibus Energy Bill. With a challenging budget forecast and significant uncertainty at the Federal level, the Department of Commerce appreciates the need for tough choices and constrained spending in SF 2393. The Governor's revised budget takes a similar approach and includes cuts to the Pre-Weatherization Grant program appropriations.

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. We are also pleased that SF 2393 includes the Department of Commerce's policy package, which includes much needed updates to chapter 216C to better reflect current energy policy and conservation efforts and an update to policy governing the State Competitiveness Fund.

However, there are a number of troubling provisions in SF 2393. The Department is 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 appropriated funds 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 sunsetting the Community Solar Garden (CSG) program. 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 does not believe that now is the right time to contemplate sunsetting the new Low and Moderate-income (LMI) CSG program.

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 LMI program CSG program which specifically works to channel benefits to these participants is both premature and will slow down

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the growth of solar power generation in Minnesota at a time when carbon free energy is urgently needed to reduce our emissions and decrease energy costs for Minnesotans. We do recognize and appreciate that the proposed sunset date was pushed back to 2030. This change was essential as we work to use funds granted to a Minnesota from a federal grant tailored to support low-income households.

Finally, the Department of Commerce is grateful that many of the troubling provisions in earlier versions of the Senate Energy Omnibus bill have been removed. This includes ending the RDA program, changes to net metering, and circumventing the PUC process by defining biomass and biodiesel as carbon free. Thank you to Sen. Frentz and committee members for the time and effort that went into the development of this legislation.

Sincerely,

Grace Arnold

Grace Arnold
Commissioner