

Clean Energy First (CEF) / Energy Optimization (CIP) / 100% Standard

BACKGROUND

MMUA recognizes that energy issues will play a central role in the 2021 legislative session, with an emphasis likely being placed on Clean Energy First, Energy Optimization (CIP Reform), and increased Renewable Energy Standards.

In recent years, these issues have been bundled together by the Governor and the Department of Commerce as the “path to clean energy.” MMUA recognizes the interaction and common goal of these issues, but believes that each of these three measures need to be discussed separately with individual bills standing or falling on their own respective merits.

The interchangeable use of terms like “clean energy,” “renewable energy,” “carbon-free energy,” “carbon-neutral energy,” etc. has created a lot of confusion as each term has its own definition, but their important distinctions get easily lost and the terms erroneously used interchangeably. Further, few people understand the difference between meeting such a standard on the “energy” side of the equation versus the “capacity” side.

Minnesota’s electric utilities have greatly increased their reliance on cleaner and renewable energy and have substantially reduced their greenhouse gas emissions in recent years, are already meeting or exceeding current mandated standards, and are no longer the leading source of greenhouse gas emissions. This success will accelerate over the next decade with planned coal plant closures and new lower carbon energy projects coming online.

CURRENT STATUS

Clean Energy First (CEF) – Based on bills introduced to date, CEF legislation seeks to increase non-carbon-emitting or “clean” energy in each utility’s resource mix through the Integrated Resource Planning (IRP) process. Municipal utilities primarily rely on Joint Action Agencies to address this issue and MMUA has been and will continue to work with the JAAs on any CEF legislation introduced during the 2021 legislative session.

MMUA believes a well-designed CEF approach will steer utilities towards the continued increase in the use of clean energy without artificial deadlines that fail to recognize both the technological limits and physical obstacles (such as large transmission investments) that must be overcome to continue to reduce the overall carbon footprint of utilities. Again, it is critical to note that Minnesota utilities have already made changes that have

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resulted in significant reductions in CO₂ emissions below 2005 levels and are no longer the leader in CO₂ emissions.

CIP Reform – Whether referred to as Energy Conservation and Optimization (ECO) or Conservation Improvement Program (CIP) modernization, MMUA believes it is time to modernize the current CIP statutes to protect energy efficiency efforts while allowing utilities flexibility at the local level to develop plans that incorporate new technologies and efficient electrification. Current law requires annual plans. MMUA believes municipal utilities should have the option of developing multi-year plans.

The current CIP has exhausted much of its benefit in many communities and needs to be re-energized to enable utilities to help the State achieve conservation goals, enhance low-income customers' access to energy-saving resources, and foster the development of emerging and evolving technologies.

100% Renewable Standard – MMUA opposes any effort to impose the mandated use of 100% renewable sources of energy, or any similar legislation that creates an artificial threshold without addressing the need to maintain local and system-wide reliability. As representatives of the Midcontinent Independent System Operator (MISO) recently testified, massive improvements to the transmission system, and substantial advances in storage technology will be necessary before Minnesota can approach a 100% renewable electric system. Minnesota's electric utilities can keep costs under control if we embark on a balanced transition to clean energy, but increased mandates only serve to drive up costs.

REQUESTED ACTION

MMUA urges the legislature to forego additional mandates on municipal utilities. The legislature should expand its focus on achieving greenhouse gas reductions across all sectors of the economy.

Uniformity in terminology should be implemented.

Legislation needs to acknowledge the difference between energy and capacity.

Legislation needs to assure reliability and cost-consciousness for customers.

MMUA could support the CEF efforts that came out of the 2020 Senate Energy and Utilities Finance and Policy Committee. The Senate bill sought to codify the work of a wide array of interested parties - including municipal, cooperative, and investor-owned utilities - into a workable bill that promoted the long-term transition to clean and renewable sources of energy, recognized the full spectrum of carbon-free sources of energy, and protected consumers' rights to reliable and affordable electricity.

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MMUA strongly requests passage of legislation that implements the proposed ECO Act of 2020, a bill negotiated and supported by a diverse coalition of dozens of interested parties.

MMUA encourages the rejection of artificial standards and deadlines that do not address technological and physical infrastructure challenges that currently exist.