



MREA Legislative Bulletin

Minnesota Rural Electric Association

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Providing service and leadership for electric cooperatives.

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Session ends without budget, but with flurry of action on energy issues

Despite not being able to reach agreement with Governor Mark Dayton on the state's major budget issues, the legislature managed to pass a number of important energy proposals over the session's final weekend, including most of our key legislative priorities.

Sunday night, the House inserted final compromise proposals into the recently passed Senate Omnibus Energy Policy Bill (SF 1197) and sent the bill back to the Senate, which concurred with the changes and allowed the bill to head to the Governor's desk for his signature. The Governor is expected to sign the bill.

Included in the measure were a number of proposals pushed by electric cooperatives, including an exemption from the restrictions in the 2007 Next Generation Act for Great River Energy's Spiritwood plant, a modest change to the state's Conservation Improvement Program, clarification of the way federal hydropower allocations are counted when calculating the Renewable Energy Standard and a measure that will raise the petition level needed among Lake Country Power's membership to initiate a vote on whether the cooperative would be rate regulated by the Public Utilities Commission.

Other key measures included in the bill were a study of the impact that renewable energy mandates are having on rates, a requirement that the PUC use cost of service as the primary basis for setting rates and a number of technical and staffing changes pushed by the Division of Energy Resources (formerly the Office of Energy Security).

Efforts to lift coal moratorium take two tracks

As mentioned, a measure to exempt GRE's Spiritwood plant from the restrictions on the importation of new coal-based energy was included in the Omnibus Energy Policy Bill on Sunday. As late as Friday afternoon, it appeared the Spiritwood exemption would travel on its own. However, key Republican legislators, including Senate Energy, Utilities and Telecommunications Chair Julie Rosen, decided to push another compromise approach to lifting the restrictions on coal. After convening a conference committee for SF 86, which was the original vehicle for lifting the coal moratorium, the conference committee unanimously approved a measure that would provide exemptions for 1500 MW of new coal-based power.

Administration officials have indicated they will veto the compromise language. That was a reason the language for the Spiritwood exemption was included in SF 1197. The Governor now has 14 days to sign or veto the bill, though action on both bills is expected soon.

CIP sees minor changes

Although the changes to CIP included in SF 1197 were modest, legislators indicated the issue is far from settled. Leaders in the House and Senate have indicated they want to take a closer look at the program over the summer and put together a comprehensive set of reforms.

What did pass this year was a measure, authored by Sen. Michelle Benson (R-Ham Lake), which allows the Director of the Division of Energy Resources to approve a CIP plan from an electric cooperative or municipal utility of less than 1 percent. While we still believe the goal needs to be reduced in statute, DER Director Bill Grant promised his division would continue to be flexible with overall goals for cooperatives. He also indicated he would be open to a statutory goal that better reflected the challenges facing electric cooperatives when it comes to CIP.

There was a great deal of interest in reforming CIP this year and a number of measures pushed by large users were put off until this summer.

WAPA, Lake Country provisions attract little to no controversy

The measures to clarify the way federal hydropower or Western Area Power Administration (WAPA) allocations are counted in the RES and Lake Country Power's effort to increase its uniquely low petition level both passed without challenge in either body. Sen. John Carlson (R-Bemidji), the author of the WAPA Bill in the Senate, and Rep. Dave Hancock (R-Bemidji), the House author, both did a good job of framing the WAPA issue as a technical clarification. The bill will again allow cooperatives that aggregate or pool their WAPA allocations at the G&T level to subtract them from retail sales, something that most cooperatives and municipal utilities are already allowed to do.

The Lake Country Power provision was originally included in the Omnibus Environment, Energy and Natural Resources Finance Bill, a bill that is likely to be vetoed by the Governor. Instead, the measure was tacked onto the Omnibus Energy Policy Bill at the urging of Minority Leader Tom Bakk (DFL-Cook) in the Senate and Rep. Larry Howes (R-Walker) in the House. The provision repeals the law that lowered the threshold for Lake Country Power to 1 percent and returns to the standard to 5 percent, which is the level for every other cooperative in the state.

Some good news from no news

One of the most significant changes at the Capitol this session was the parity of objectionable energy bills. Except for a Stray Voltage bill, there were few bills that raised serious concerns. While we hope this trend continues, there are some issues on the horizon that we need to keep a close eye on.

The largest is an effort to expand the state's net metering law to include projects larger than 40KV. DER Director Grant indicated several times during the session that that is one of his primary goals.

Taxes – or more specifically tax exemptions and credits – also continue to be an area that we need to watch closely, particularly with revenue continuing to be the main area of disagreement between the Legislature and the Dayton Administration. While it never gained any traction, we did see another effort to eliminate the personal property tax exemption for pollution control equipment this session.

Grassroots participation

We'd like to again thank everyone who participated in our weekly Legislative Teleconferences, Legislative Day at the Capitol and Our Grassroots Day, as well as those of you who made calls or wrote

notes to legislators on specific issues. Your involvement in the legislative process has made a difference. It will also be vital going forward that you remain involved. We still have a number of issues that need to be addressed and we're going to need your help.

MREA Legislative Teleconferences

We'll be hosting our final weekly Legislative Teleconferences on Friday, May 27 at 11 a.m. with a final overview of what took place at the Capitol this session and what to expect from the Special Session and the interim. To participate, call 877-810-9415. The access code is 6422870.

In the meantime, please let us know if you have any questions or concerns:

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