

Welcome to the 2012 edition of the MREA Legislative Bulletin. While the political landscape has changed significantly since last spring, it's going to be as important as ever for electric cooperatives to be involved in the debate over energy policy in St. Paul. The MREA will be providing regular updates over the course of the 2012 Legislative Session to help keep you up-to-date on the issues and let you know how you can get involved with lawmakers from your area.

### **A Short, Quick Session Expected**

Although the session is expected to be short and quick, there are still plenty of challenging issues out there.

The state received a bit of good news when the November Budget Forecast indicated the state could expect a surplus – you read that right, a surplus – of \$876 million dollars in the current biennium. That should prevent another extensive budget battle, particularly when you consider that state statute requires that all of it go to fill the hole in the state's cash flow (\$255 million) and budget reserve (\$621 million) accounts.

The improved budget situation also makes it likely that the legislature will get in and out of St. Paul as quickly as possible. It's already scheduled to be a short session, but with redistricting and November's election looming, the pressure to get out of St. Paul and back in the home district will be great.

That's shortened timeframe is going to impact our agenda. Here's what we see as the key issues likely to emerge:

**Net Metering/Distributed Generation** – Although there are indications that the Division of Energy Resources (DER) is backing off its plan to change the state's net metering laws, the issue will be debated by the House and Senate Energy Committees. MREA has worked with cooperatives across the state to put together a unified approach to any proposed changes to net metering.

We'll be pushing the following principles in any net metering legislation:

1. Net metering and distributed generation should be cost-neutral for our members.
2. The purpose of net metering needs to be clarified in statute. The purpose of net metering is to allow electric consumers to offset their individual loads, not become independent power producers.
3. Payments for excess generation should be eliminated and replaced with rolled-over credits that expire after a year.
4. Generation should be properly sized to a consumer's load.
5. Net-metered customers have a responsibility to pay for the services they use.

6. A system-wide cap on net metered accounts (based on overall system capacity) needs to be established to maintain the reliability and affordability of the electric distribution system.

**Regulatory Reform** – Over the past decade, the size and scope of regulatory reporting in Minnesota has increased significantly. Representatives from the G&Ts and MREA have already met with key legislators, staff in the Minnesota House and Senate, the DER and the Minnesota Public Utilities Commission about streamlining the various reporting processes, particularly when it comes to the Integrated Resource Plan (IRP). We'll be again meeting with DER staff to see if we can come up with a working proposal to reduce the size and scope of the advisory IRPs.

**Conservation Improvement Program (CIP)** –The issue is complicated by reforms enacted last session that allow large loads to opt out of CIP and that give co-ops and municipal utilities the opportunity to request a reduction from the Department of Energy Resources (DER).

So far, the opt-out for large customers is having a big impact for a number of smaller co-ops, reducing their CIP goals by up to 50%.

As far as the second provision, no G&T has requested a reduction. Instead, they are all making a good faith effort to meet the 1.5 percent goal. If it becomes apparent that the 1.5 percent goal is unrealistic for cooperatives, we can make further effort to reduce the goal in statute.

**Stray voltage:** Last year's proposed legislation was defeated, but the issue isn't going away. There is interest by a number of co-ops to push for legislation similar to what has recently passed in Idaho and Wisconsin that creates an explicit program to assess and mediate stray voltage issues. Because of the technical nature of the legislation, it's unlikely we could get legislation put together and passed this session. However, we will be monitoring cases currently in Minnesota courts and will base future action on their outcomes.

#### **Other issues**

- **Coal moratorium:** The lawsuit filed by the state of North Dakota to overturn the prohibition against the import of any new coal-based generation without carbon offsets will be generating interest at the Capitol. We'll be monitoring the reaction among legislators and the Dayton Administration closely.
- **Right of First Refusal:** The CapX 2020 utilities will be pushing clarifying legislation on Transmission Right of First Refusal in response to this summer's FERC Order No. 1000.
- **Large Hydro:** Wisconsin recently began allowing large hydro to count in its RES. A similar push is likely in Minnesota.
- **Eliminating the expiration date on Renewable Energy Credits or Green Tags.**

- **MPCA Spill Reporting:** The Minnesota Pollution Control Agency is working on legislation that clarifies federal regulations on the reporting of hazardous waste spills. The original proposal raises some concerns for electric cooperatives, particularly in regard to spills of mineral oil and the time-frame for reporting. MREA will be working with the MPCA to address those concerns.

### **Leadership shuffles in Senate; New House Energy Subcommittee**

When State Sen. Amy Koch (R-Buffalo) resigned as Senate Majority Leader in December, Minnesota's electric cooperatives lost a good friend in leadership. Fortunately, Koch was replaced by State Sen. Dave Senjem, of Rochester, another staunch supporter of electric cooperatives. Koch remains a member of the Senate Energy Committee.

There was one major loss on the Senate Energy Committee. State Sen. Sen. LeRoy Stumpf (DFL-Plummer) was replaced on the committee by newly-elected Sen. Jeff Hayden, of Minneapolis. Stumpf, an electric cooperative member, has been a long-time supporter of electric cooperatives and last session served as an important conduit with the Dayton Administration on energy issues such as CIP and the coal moratorium. Sen. Stumpf's rural perspective will be missed on the committee.

On the House side, House leadership created a new Energy subcommittee this summer to help the two bodies better coordinate energy legislation. State Rep. Tom Hackbarth (R-Cedar) takes over as chair. The membership roster includes State Rep. Mike Beard (R-Shakopee), State Rep. Andrew Falk (DFL-Murdock), State Rep. Bill Hilty (DFL-Finlayson), State Rep. Kate Knuth (DFL-New Brighton), State Rep. Denny McNamara (R-Hastings), State Rep. Duane Quam (R-Byron) and State Rep. Paul Torkelson (R-Nelson Township).

### **MREA Legislative Teleconferences**

We'll be starting up our weekly Legislative Teleconferences this Friday. During the calls, we provide participants with a briefing of what's been happening at the Capitol, including updates on our legislative priorities, and coordinate any grassroots efforts that are needed. We're also hoping to get feedback from members about any local issues that could have an impact in St. Paul.

The conference call starts at 11 a.m. To participate, call 877-810-9415. The access code is 6422870.

As always, if you have any specific questions on legislation or policy, please feel free to contact the MREA Government Affairs staff:

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