



March 28, 2018

Job Growth and Energy Affordability Financer and Policy Committee
Chair Pat Garofalo
485 State Office Building
St. Paul, MN 55155

As Minnesota's Energy Market evolves to accommodate new electricity sources, technology, changing customer preferences, and environmental concerns, to say nothing of flat electricity demand, we recognize that you face difficult choices to optimize the coming changes. As a grassroots organization dedicated to educating the public, in particular those who identify as conservatives, we stand ready to assist.

One of the key transitions facing our Energy Market is how to incorporate distributed energy resources into the grid and to work in partnership with other energy resources and assets. Lazard's 2017 Levelized Cost of Energy Study found that unsubsidized renewable energy was competitive with fossil fuels on price.¹ Renewable energy sources are now competitive with fossil fuels. This indicates a coming revolutionary change to energy markets where consumers benefit from a "cleaner and cheaper" model.

Consumers are ready for this new model. In a poll MNCEF commissioned just this week, 84 percent of those polled supported third-party sales of electricity outside the monopoly utility and 77 percent support the creation of a new electricity system that allows choice on from whom and what kind of energy to purchase.² Consumers and not the only ones ready to support policies that promote an energy evolution in Minnesota. Business are looking for more options in Minnesota to control energy costs and create a business friendly environment.

Many businesses took notice of the reduced cost of Renewable Energy and are using this knowledge to make changes to how they source their energy needs. In 2016, large companies were responsible for 40 percent of the wind contracts and 10 percent of the market for large scale solar projects.³ These numbers are only going up because it makes financial sense.

¹ Levelized Cost Of Energy 2017. Kate Waxler. <https://www.lazard.com/perspective/levelized-cost-of-energy-2017>. 28 March 2018.

² MNCEF. Minnesota Competitive District Clean Energy Survey. www.mncef.com/polling. 28 March 2018.

³ America's Hungriest Wind and Solar Power Users: Big Companies. Nichola Groom. <https://www.reuters.com/article/us-usa-companies-renewables-analysis/americas-hungriest-wind-and-solar-power-users-big-companies-idUSKBN19C0E0>. 28 March 2018



Companies are now choosing where to put their businesses and locate new jobs based on where they can find renewable energy that fits their business needs. Amazon recently placed a data center in Iowa worth \$1 billion because of their business friendly climate and ease to obtain green energy.⁴ Minnesota is losing out on these jobs because our current policy isn't attractive to businesses. According to the Retail Industry Leaders Association (RILA), we are ranked 31st on the basis of our public policy and ability for businesses to source renewable energy.⁵ Thankfully, RILA responded to Senator David J. Osmeck's request for advice on how to improve this ranking, and we hope that this committee considers their recommendations.⁶ Based on RILA's recommendations, one of the areas where Minnesota is weakest is a lack of choices for consumers as to where they obtain their energy. In many places, their only option is the Monopoly utility, which is not always the most responsive partner.

However, there is an opportunity to change the regulations and make Minnesota more competitive and innovative. By allowing third party providers to install renewable energy resources for consumers without being defined as a utility will revolutionize Minnesota's energy grid. We think the Legislature should commit to unleashing free market forces where possible, letting the marketplace better allocate risk and reward. By allowing – and encouraging – new suppliers to enter the marketplace at their own risk to address demand, consumers will determine which providers should succeed or fail, with risks being borne by those who stand to gain. As free market principles incentivize market actors, the quality of products will increase, prices will decline, and the regulator's job becomes more focused on reliability and implementation.

This measure is a baby step in the right direction. A system transformation won't – and shouldn't – happen overnight. But it will happen. It is happening, and we look forward to working with local political leaders, industry leaders, utilities, candidates and policymakers to ensure that a conservative, free-market based approach to utility resource decisions becomes an attractive option for electric generation.

Mike Franklin
President, Minnesota Conservative Energy Forum

⁴ Want To Attract Amazon? Try Winning the Wind Race. Mike Franklin. <https://www.minnpost.com/community-voices/2017/09/want-attract-amazon-try-winning-wind-race>. 28 March 2018

⁵ Retail Industry Leaders Association. Corporate Clean Energy Procurement Index: State Leadership and Rankings. <http://www.rila.org/sustainability/RetailEnergyManagementProgram/Documents/RILAITICEIndex.pdf>. 28 March 2018.

⁶ Retail Industry Leaders Association. Response to Request of Minnesota State Senator David J. Osmeck. 2 Feb. 2018. <https://www.rila.org/sustainability/Documents/RILA%20and%20ITI%20-Minnesota%20Memo%20on%20Corporate%20RE%20Opportunity.pdf>. 28 March 2018.