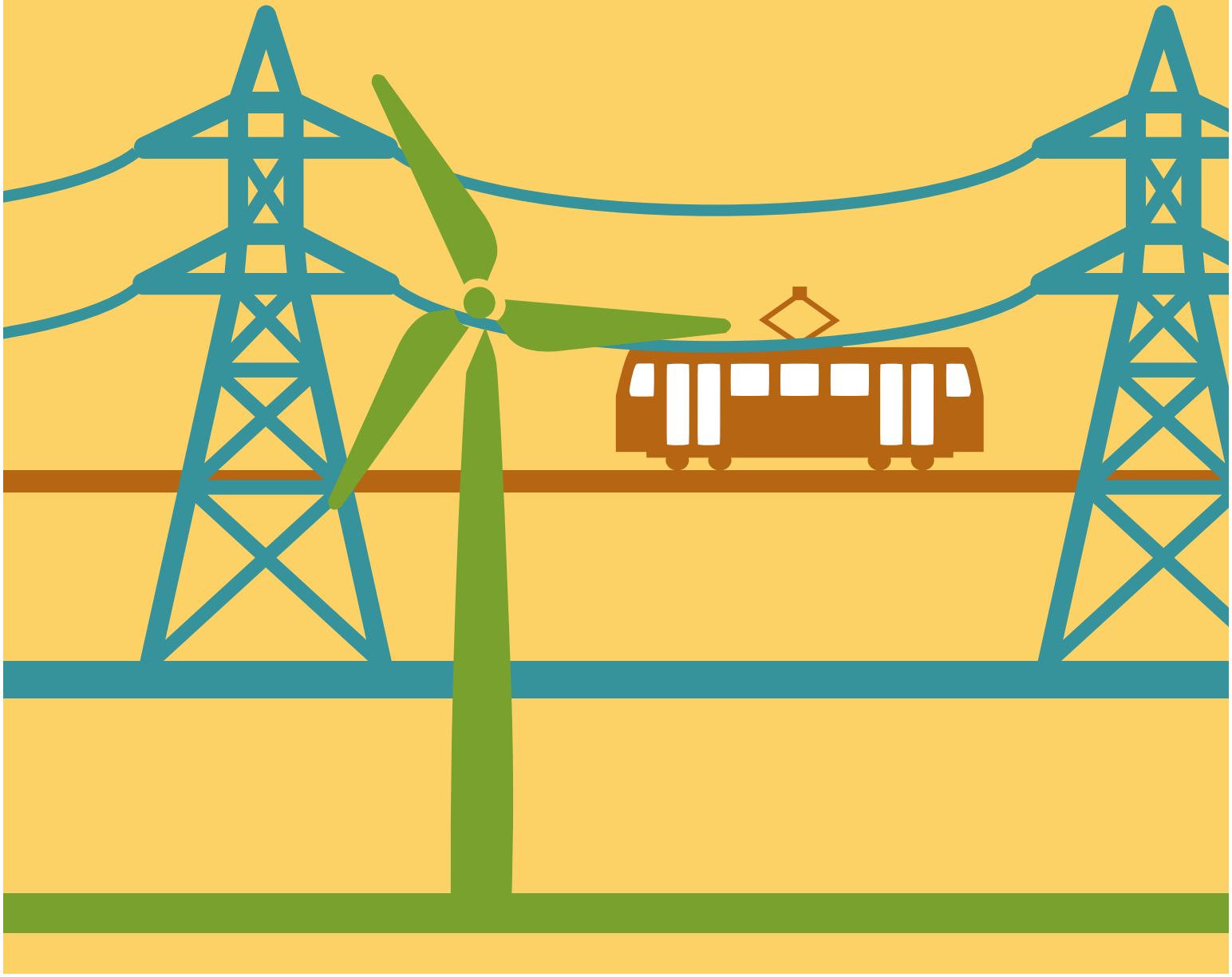
POLICY 101:
Minnesota's Energy Future



ENERGY EFFICIENCY

Minnesota's energy efficiency laws provide strong economic benefits. Energy efficiency improvements are the cheapest, cleanest, and most readily available energy resource.

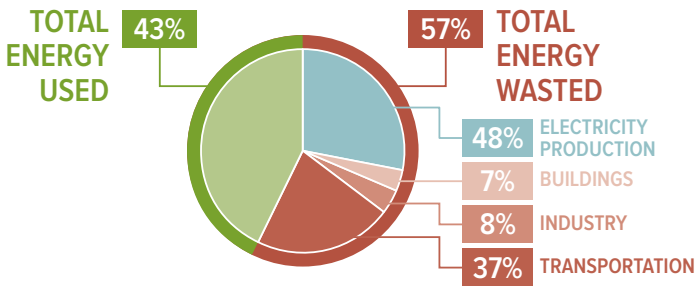
THE CURRENT LAW

Minn. Stat. Section 216B.241 establishes the energy Conservation Improvement Program (CIP), which sets out energy savings goals that utilities meet by offering cost-effective energy conservation programs to their customers. Since 2010, Minnesota utilities have a goal of saving 1.5 percent of their retail energy sales every year; they must save at least 1 percent. Governor Dayton's Executive Order 11-2 sets a statewide goal of improving energy efficiency in buildings of public facilities by 20 percent in order to create jobs and decrease operational costs for Minnesotans.

WHY EFFICIENCY IS IMPORTANT

The least expensive electricity is that which you don't use. Cutting energy waste means more capacity is available for the greater electricity system at a very small cost to any individual or business. Over the last several decades, Minnesota has avoided building at least nine power plants, resulting in over $4 billion worth of benefits to Minnesota ratepayers, according to utility reporting. Based on utility reporting, for every $1 spent by utilities on CIP, their customers save $4. It's hard to get that level of return with almost any other investment. Buildings, which consume 40 percent of America's energy, play a huge role in energy efficiency. CIP rebates and incentives, adoption of more efficient energy codes, and locally adopted green city ordinances currently help Minnesotans reduce carbon pollution and energy consumption.

Inefficiency in U.S. energy production and use



Efficiency is a common-sense measure; using the energy we produce in the most efficient way possible saves consumers money, avoids unnecessary construction of power plants and transmission lines, and cuts waste. Unfortunately, more than half of the energy that is produced in the Uunited States is wasted through inefficient electrical production, loss in transmission, and inefficient processes, buildings, and appliances. That's why energy efficiency is the cheapest, cleanest form of energy.

TRANSPORTATION AND TRANSIT

THE CURRENT LAW

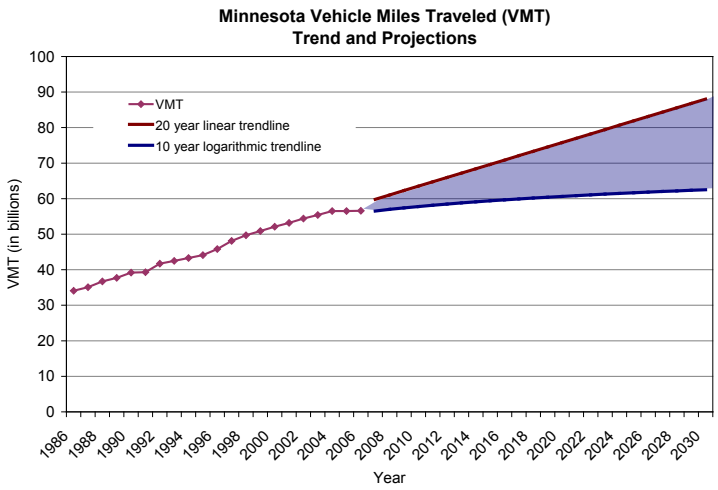
Minnesota spends about $5 billion a year in public money on transportation. Nearly all road funding comes from dedicated state sources (like the gas tax) or local and federal funds. Direct "user fees" generated by drivers cover about half of road spending. Transit is funded mostly by dedicated state sources, federal and local funds, and fares while state general funds and bonding play a role. Intercity rail (mostly freight), air, intercity bus, and ports are principally privately funded.

WHY TRANSPORTATION AND TRANSIT IS IMPORTANT

Minnesota's transportation system needs attention—a healthy transportation system is key to a healthy economy and quality of life. Transportation is the second largest cost—behind health care—for the average family. Since Minnesota has no oil, we send more than $10 billion a year directly out of our state economy to buy oil from elsewhere. Transportation sources account for 60 percent of the state's air toxins and about 25 percent of global warming pollution.

With erratic and generally increasing gas prices, an aging population, and young people who are driving less, Minnesotans increasingly want more affordable transportation options, including transit, biking, and walking.

In the growing Twin Cities, MnDOT has estimated it would cost more than $40 billion by 2030—the equivalent of more than a $2-per-gallon gas tax increase—to simply limit increased congestion by expanding highways alone. Instead of that expensive route in a changing world, Minnesota needs a smart combination of investments with a focus on building out the Twin Cities transit system and making strategic investments in intercity freight and passenger rail to connect our regional centers. We already have the 5th largest highway system in the country and need to focus on maintaining that system while increasing safety.



Since 2004, total driving in Minnesota has remained the same even as population has increased. Minnesotans are increasingly getting around by transit, biking, walking, and telecommuting.

CLEAN ENERGY AND COAL

THE CURRENT LAW

The Renewable Energy Standard (RES), Minn. Stat. Section 216B.1691, gradually increases the amount of required renewable electricity through 2025, when the aggregate amount for all utilities will be 27.5 percent of retail electricity sales (Xcel Energy is required to meet 30 percent while all other electric utilities must meet 25 percent of their sales with renewable energy). In 2012 utilities reported showing no or very little cost increase on retail electricity rates as a result of the RES.

Minn. Stat. Section 216H established science-based goals to achieve at least a 30 percent reduction in greenhouse gas emissions from 2005 levels by 2025. In addition, the law (statute 216B.243) prohibits new power plants or purchases for Minnesota that would produce a net increase in carbon dioxide emissions; a company can meet that requirement by offsetting 100 percent of its carbon pollution.

WHY CLEAN ENERGY IS IMPORTANT

Minnesota has renewable resources in abundance. Yet, every year, Minnesota spends more than $1 billion to import coal, natural gas, oil, and uranium—the fuels that generate almost 90 percent of our state's electricity. Why are we continuing to drain the state's GDP when we could be investing in local communities and creating jobs at the same time?

In particular, Minnesota has ample wind and solar resources with significant development potential. Minnesota already has over 2,500 megawatts of installed wind energy—enough to power 700,000 homes. Fully developing these resources will enhance the state's GDP by reaping Minnesota's energy resources and keeping those dollars circulating in local communities.

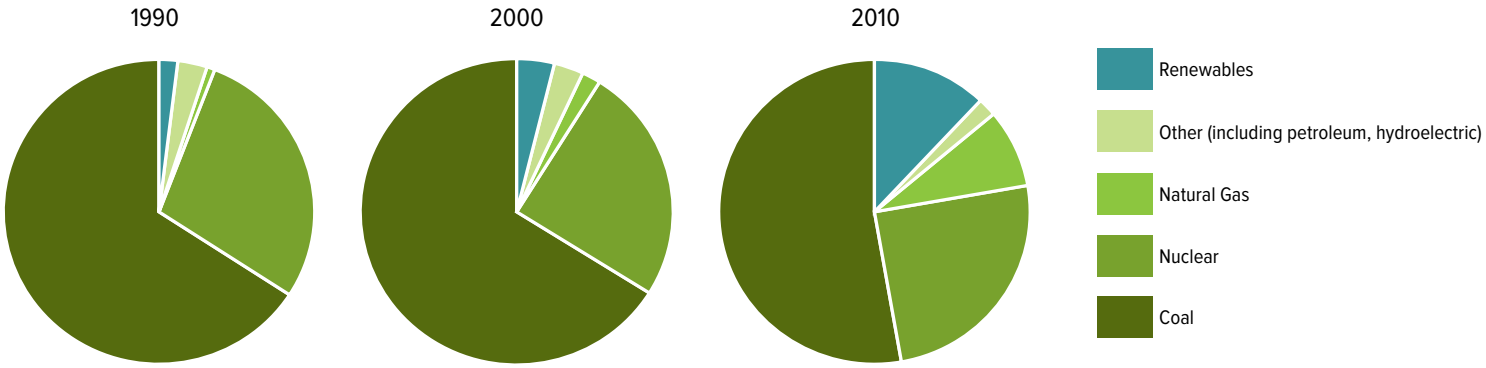
Burning coal emits large amounts of mercury, ozone, carbon dioxide, and soot pollution. The Clean Air Act requires new health-based standards to protect Americans by limiting that pollution.

Minnesota gets more of its electricity from coal than the national average, and Minnesota's coal plants are older than the national average. The price of coal is increasing as mining coal in deeper formations becomes more difficult and with increasing global competition for coal. Between 2004 and 2011, the delivered price of coal in Minnesota increased 11.8 percent per year. Many electric companies around the country are reducing the economic and health risks of overreliance on coal by replacing older, dirtier coal plants with cleaner, cheaper electricity. In Minnesota, regulators at the Public Utilities Commission are requiring the state's electric utilities to do analyses of the costs of continuing to operate existing older coal plants with retrofits to meet new environmental standards, compared to the costs of replacing those coal plants with cleaner, cheaper sources of electricity. Minnesota law requires least-cost planning, with regulators at the Minnesota Public Utilities Commission analyzing the mix of electricity generation and conservation that will allow a utility to achieve the least costly path to meet its customers' future electricity needs.

At the same time, regional grid operators work around the clock to balance electricity generation with consumer demand, and a strong transmission system allows operators to use many different kinds of generation (or even demand response, an agreement with large users of electricity to reduce electricity use at key high demand periods to reduce stress on the electricity system) to meet that need. Wind generation has no fuel cost; as a result, a recent study found that adding more wind to the wholesale market decreases the average cost of electricity because it displaced more expensive electricity generation.

The upper Midwest grid operator, MISO, recently approved a portfolio of 17 transmission lines across the region designed to increase reliability, meet state renewable energy standards and bring less expensive power to customers. In Minnesota, several large transmission lines are under construction through the CapX 2020 project, including the Brookings line in southern Minnesota that will bring wind from the Buffalo Ridge east to Wisconsin and Illinois.

Minnesota's electricity sources by fuel type, 1990–2010



PUBLIC OPINION

MINNESOTANS SUPPORT EFFICIENCY INVESTMENTS

65 percent of Minnesota voters agree that energy efficiency projects like weatherizing and insulating buildings and upgrading appliances and technology in homes and businesses will create new jobs in Minnesota. The vast majority of voters—78 percent of Minnesotans—back a policy to require electric utilities to work with businesses and residents to increase their energy efficiency by 2 percent per year.*

MINNESOTANS SUPPORT TRANSPORTATION AND TRANSIT SOLUTIONS

Across political parties there is overwhelming support—between 65 percent and 91 percent—for public transit funding.**

76 percent of Minnesotans agree that the state would benefit from an expanded and improved public transportation system, such as rail and buses. And a majority of voters in every region of the state back funding for the Southwest Light Rail line.***

OVERWHELMING PUBLIC SUPPORT FOR RENEWABLE ENERGY

Minnesota voters strongly prefer solar (87 percent) and wind (84 percent) as sources of energy for the state's future. Minnesota voters support expanding solar renewable energy in our state because it will reduce our dependence on fossil fuels, create more clean energy jobs here in Minnesota, and reduce our electricity costs in the long run.**

VOTERS OF ALL PARTIES SEE JOBS BENEFITS FROM CLEAN ENERGY

81 percent of democrats, 76 percent of independents, and 54 percent of republicans believe that increasing the use of clean, renewable energy sources like wind and solar power create jobs.**

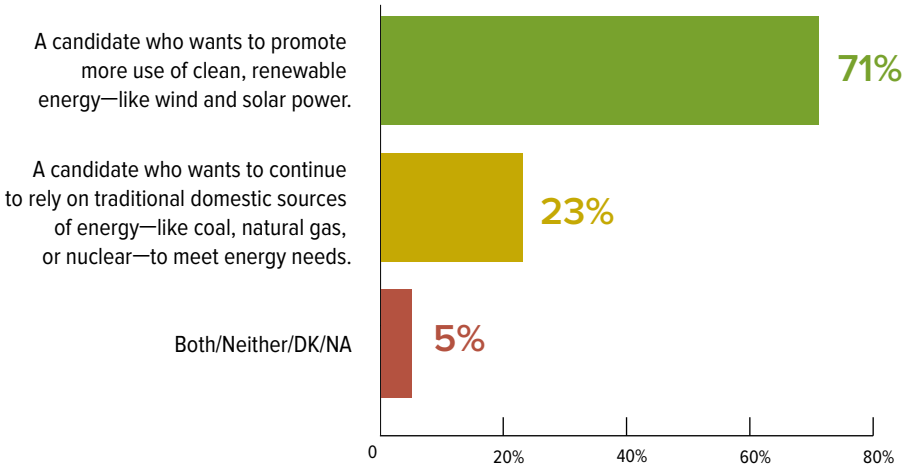
VOTERS ACROSS THE STATE PREFER A CLEAN ENERGY CANDIDATE

In every region of Minnesota, voters would be more likely to vote for candidates who would promote renewable energy over fossil fuels.**

- Northeast: 67%
- Northwest: 68%
- South: 72%
- Twin Cities: 72%

In total, more than seven in ten voters prefer a candidate who wants to promote more use of clean, renewable energy like wind and solar power.**

In thinking about the election for State Legislature in your area later this year, for which of the following candidates would you be most likely to vote?**



**From February 17-23, 2010, the bipartisan research team of Fairbank, Maslin, Maullin, Metz & Associates (FM3) and Public Opinion Strategies (POS) completed 2,400 telephone interviews with likely voters in the Midwest: 400 each in the states of Illinois, Iowa, Michigan, Minnesota, Ohio and Wisconsin. The margin of sampling error for the results in each state is +/- 4.9%.*

***From a statewide telephone poll of 400 registered Minnesota voters, conducted Jan.9-15, 2012, by the bipartisan research team of Fairbank, Maslin, Maullin, Metz & Associates and Public Opinion Strategies. The margin of sampling error for the full statewide samples is +/- 4.9%; margins of error for subgroups within the sample will be larger.*

**** The bipartisan research team of Public Opinion Strategies and Fairbank, Maslin, Maullin, Metz & Associates present findings from a survey:*

- *Of 700 voters throughout Minnesota*
- *Including 400 voters in the Twin Cities metro region. Metro region: voters from seven counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.*
- *Conducted January 14-17, 2012.*

The statewide data have an overall margin of error of plus or minus 3.7%. The metro region data have a margin of error of plus or minus 4.9%. Margins of error for sub-groups vary depending on the size of that group.

Fresh Energy

Fresh Energy provides research, advocacy, and innovative policy models while engaging citizens to take action on energy issues. For more information about our work, visit www.fresh-energy.org

408 Saint Peter Street Ste 220, St. Paul, MN 55102
651 225 0870

Fresh Energy is a 501(c)(3) organization and does not participate or intervene in elections for public office in any way. Our candidate education activities are completely nonpartisan.