VOLUME NO. 29

ENERGY MATTERS

Fresh Stenergy



An Oral History: the 2007 Renewable Energy Standard and Next Generation Energy Act



The passage of the Next
Generation Energy Act
resulted in billions of dollars
in private investment, millions
paid in county tax revenue,
and thousands of new jobs
across Minnesota.
But how did it happen?

This is the story of what happened before Gov. Tim Pawlenty signed one of the most far-reaching and bipartisan bills in a generation.

Mike Bull: We started passing pretty consensus-based energy policy beginning in something like 2003. It was hard-fought, but by the end it worked. We had this signing ceremony where folks with ponytails were standing next to the Chamber president and next to the Governor. So that kind of became the "Minnesota Way" of doing energy policy. We followed that up in 2005 with a big package that involved community wind and transmission planning that passed overwhelmingly. Then in 2006 we passed nation-leading mercury emissions legislation without a negative vote.

Margaret Hodnik: I think that set a precedent for using stakeholder groups to arrive at legislation that everyone can support in the end, even if they don't get what they want.

Amy Koch: There was a real spirit of "what can we realistically do."

Margaret Anderson Kelliher: That was a big "aha moment." We can lead on this issue and we have an obligation to lead on this issue.

Amy Koch: The discussion of climate change was everywhere.

Margaret Anderson Kelliher: They're kind of hearing about all sides of the story and trying to figure out "how're we going to do our part?"

Mike Bull: So we had set this stage for 2007 and during this process one of the big things that wasn't passing was a renewable energy standard (RES). During that election cycle in 2006 that was a big topic.

Andy Pomroy: That was the first time I'd ever heard of a renewable energy standard. I remember going out to Wilmar to work with Rep. Al Junke. He said it was important to talk about renewable energy and the fact that he supported a standard as opposed to voluntary objectives.

Mike Bull: At the time we had a policy in place called the Renewable Energy Objective. Utilities had to make a good faith effort to have 10 percent of their resources coming from renewables.

Ellen Anderson: When we first introduced this bill in 2001 it was way out there. To think that wind energy could be a big part of our electricity? That was sort of for dreamers. But the landscape changed.

Mike Bull: I was with the Pawlenty administration and we were certain that we were going to lose and Pawlenty was going to be out. Then there was the Mike Hatch situation that changed the fortunes for the governor, but not the election dynamics which were very pro-progressive energy policy.

Andy Pomroy: A huge wave in the House and Senate for Democrats. We had 85 House members, which was up 19 seats from the year before. The Senate was already in the majority but they were in a significantly bigger majority as well.

Mike Bull: I'm working for Ed Garvey in the Office of Energy Security.

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TELLING THE STORY

In order of appearance Position/title circa 2007



Mike Bull **Deputy Director, Office** of Energy Security in the Pawlenty Administration



ber of the Senate,

Margaret Anderson Kelliher Speaker of the House



r Rep. Bill Hilty



neration Energy Act

Kate Knuth Member of the Ho



Aaron Peterson





n the Pawlenty



Next Generation Energy Act Conference Committee



bbyist, Great River



Bill Hilty: I would say that working with Mike and Ed was always kind of amusing.

Margaret Anderson Kelliher: They were Frick and Frack

at that point.

Bill Hilty: They were always together I think because Ed didn't trust Mike to talk to anyone without him being there.

Margaret Anderson Kelliher:

Mike was a known quantity because he had been in House Research for so long. I think House members really trusted Mike.

Bill Hilty: But Ed was kind of slippery. I mean he would freely admit that his job was to not tell anybody anything. And he was good at it.

Yvonne Prettner Solon:

Ed Garvev and Mike Bull would come to visit me but they could never give me Pawlenty's agreement on anything.

Mike Bull: It was the day after the election, that Wednesday, we had all these Democrats in the House and Senate, this renewable energy standard was one of the signature things that everybody ran on, and we knew it was just going to pass. So we had to get out ahead of it.

Ellen Anderson: I knew, and I said this in a press conference in November right after the election, that "the stars are aligned." That we're going to pass the renewable energy standard this year.

Mike Bull: The renewable Dennis Lien: [Legislative energy standard was a leaders] held a press piece of it but it had to be more than that. Ed's plan was "we've got to flood the enough strength in the zone." We had this wonderful event in December where the Governor lays out this control of the House. Next Generation Energy Pawlenty had already Act vision with renewable been on record saying energy, the energy efficiency he supported clean increase, the carbon goals.* energy proposals.

Kathy Tingelstad: I think because that had happened early, that kind of opened the door for House Republicans to be with him.

Mike Bull: We thought we would show that the governor's out there leading on clean energy stuff and it was the Democrats who wouldn't be able to pass stuff. That was the plan.

Bill Hilty: Frankly, I thought that what they were doing was basically a ploy. That they would put this out, it wouldn't pass, or it would just get totally watered down to nothing. And the administration would say "see those damn Democrats can't even pass a bill." So my thought was, well let's just call their bluff.

Kate Knuth: Bill introduced the governor's bill.

Mike Bull: I remember seeing the look on his face as he said "we're going to pass your bill." Oh shit.

Aaron Peterson: Hilty, he's such a strategist.

Mike Bull: He basically put it back to us. I was loving it, because I wanted to get a whole bunch of stuff done.

conference to start with. It was clear that there was Senate certainly and the Democrats had regained

Mike Bull: It wasn't whether to do a renewable energy standard, it was how to do a renewable energy standard. It wasn't whether to set a statewide cap on carbon emissions, it was how to do it.

Ellen Anderson: Another issue that was important in 2006 was the Wind Integration Study. That was really important because there was a lot of skepticism about whether you could reliably incorporate large amounts of wind into the system.

"It wasn't whether to do a renewable Aaron energy standard, it was how to Peterson do a renewable energy standard. The study It wasn't whether to set a statewide was cap on carbon emissions, good it was how to do it." because it led Mike Bull to the

Pawlenty Administration coming back [to the legislature and saying 25 percent wind is feasible.

Margaret Hodnik: At that time there was a lot of interest in rural wind, wind energy, wind farms, and that type of thing so that brought in a broader interest than just urban people who are

interested in energy policy.

Dennis Lien: The sense was that this was something that could be done, we've just got to do it.

Andy Pomroy: We know we want to do something here, we know we want it to be aggressive, but how do we make sure the details that we put into law stand up to scrutiny.

Edward Garvey: You have all these bit players that were engaged in this kind of stuff, but you had Yvonne and Bill at the center of it.

Andy Pomroy: Bill's somebody that, on purpose, flies under the radar. He thinks very strategically and deliberately about how to take good ideas and make them into law. He's focused on results.

> Bill Hilty: Way back when I had my first philosophy course in college I was really taken by William James and his major work called Pragmatism. I

think what I took away from that was that you should always focus on outcomes. You know, what are you trying to do here. I tried to stay focused on that.

Mike Bull: It was Hilty's strategy to do it all but it was Yvonne, because she was new to energy issues at the

time, who wanted to bring everyone together and start talking about the issues.

Yvonne Prettner Solon:

I decided, since I was the chair, that I needed to find out everything I possibly could about the areas that were being undertaken by my committee. So I announced to my committee and to the public that we were going to start from the very, very basics. We had an educational session.

Margaret Hodnik: It's kind of like going to school and having to do the same lesson over and over until you perfect it.

Mike Bull: These were two, three, four times a week we would have hour-long sessions. Everything got worked out there.

Dennis Lien: I think that was her approach. You can take care of the small details and build this coalition and by the time you get to anything that's divisive you've got more solidarity than you might otherwise have had.

Margaret Hodnik: We were talking with Yvonne; we were talking with Bill Hilty. You might not have had those bills if you didn't have legislators who saw the value in doing something like that.

John Tuma: Even though the Senate and the House kind of had their own things going on, there was a lot of good communication going on across the bodies, which is not always the case.

Edward Garvey: Bill and Yvonne were people with incredible common sense.

Mike Bull: They spun off the renewable energy standard and passed that early because it really was a signature thing that everyone had run on. So the renewable energy standard actually passed separately from the Next Generation Energy Act, early in the session.

Bill Hilty: Ellen and others had been pushing in the previous session when Republicans were in control in the House. That bill already had a history, so as soon as it became feasible to pass the thing, we jumped on that.

Mike Bull: Governors get credit, even if they don't like something, when they sign it. They own it. It's theirs. So he knew that would happen. Even though he couldn't propose a standard, he was telling everyone that it was going to come.

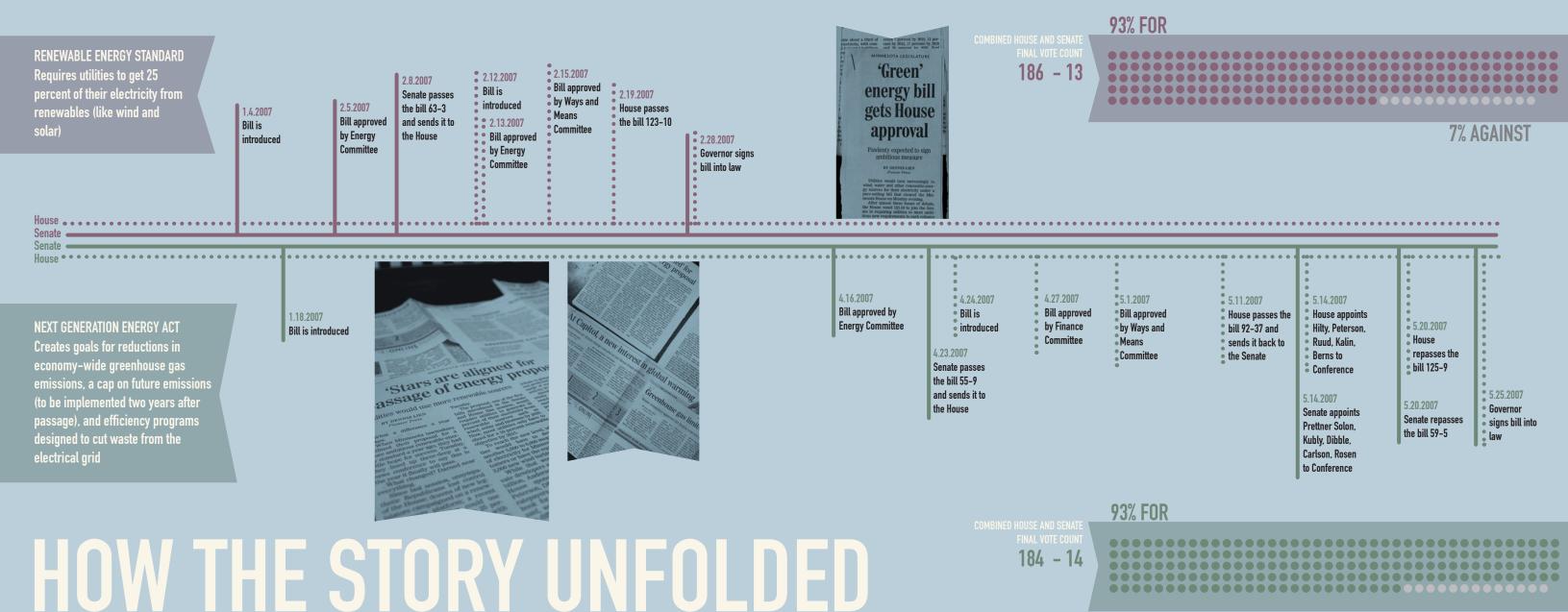
Amy Koch: Had the Governor not been supportive of this, I think it would have struggled to get anywhere.

Edward Garvey: It's sort of like everyone can look back at our vacation and decide "gosh that trip to Disneyland was really great." But what if dad had said "we're not going to Disneyland, we're going to the lake."

Amy Koch: Governor Pawlenty was a key player in this. He wanted to see something get done.

John Tuma: Tim Pawlenty deserves a lot of credit.

^{*}Read Governor Pawlenty's energy speech www.fresh-energy.org/2007energy



7% AGAINST

Kathy Tingelstad: Republicans typically come out more conservative on these

issues but they felt like "if our governor

is with it, we can be with it."

Andy Pomroy: Aaron Peterson was really the lead on the renewable energy standard. Jeremy Kalin was the lead on energy efficiency. And Maria Ruud was the lead on global warming. That allowed Bill to really act as the field general and really make sure it all came back together in good shape.

Bob Ambrose: Aaron was much newer than Bill.

Margaret Anderson Kelliher: Aaron is

definitely the prairie populist. It's almost like Bill is like Eeyore and Aaron is like Tigger, with energy everywhere. I really think with Bill this became a huge passion.

Yvonne Prettner Solon: He kind of liked the direction we were going in, except when it appeared, it appeared like we were going to back down. Then everybody would get nervous. In fact, some people left the room at one time. They got up, got all their members and said "we're out of here."

John Tuma: There was a point; we called it the walkout. It was in room 107.

I said, "Madame Chair, with all due

respect we are not going to sit down with where these people are trying to take us. It's not legitimate and we're walking out." It looked like a perceived split but I was hoping in the end we would get something to bring back to our rump-caucus who walked out of the negotiations. Unbeknownst to me it really strengthened Yvonne's hand.

Yvonne Prettner Solon: I remember that Ellen Anderson was very nervous. She thought we were backing down on her renewable energy goals and she was the chief author of that bill. But we actually got stronger goals.

Kate Knuth: Usually you work on things

over time and they gets less and less, whereas with the renewable energy standard, the strategy was to ask for more and more every year.

Bob Ambrose: I remember a meeting — a previously scheduled meeting — of our senior management with the heads of each of our member co-ops. I think it was in Brainerd and it was damn cold, you know. My boss and I had talked with our CEO and he knew what our plan was. I remember we were all sitting around in a circle, and we talked about it and we said "we need to do this" and unless you object we're going to do it. I'm sure the issue was not a surprise to them. It was an "OK" and I got in

the car after the meeting, drove down to St. Paul for a hearing scheduled for that afternoon in Yvonne's committee. I probably should have given more notice than I did to the other co-ops' lobbyists. Just with the time pressures I don't think I told them, until literally we walked in the room, that we were going to testify in favor. So I did testify in support. I testified in support of the 20 percent by '20. It wasn't 25 [percent] until later. I was able to persuade people that we could support that because frankly it was the same pace. If we could meet 20 by '20, an increase of another percent a year for the next five years, that seemed doable.

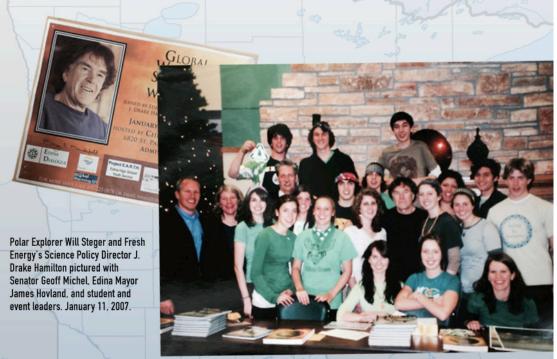
Yvonne Prettner Solon: The utilities finally began to trust that we understood they really wanted to move in that direction. But they were afraid they were going to make an investment and it wouldn't work out. So we had to give them assurances in what we called off-ramps.

Margaret Hodnik: It was very important for all of our customers to let them know that we were not forgetting about cost and we were not forgetting about reliability.

Mike Bull: If you felt your reliability would be threatened on your system you could come to the commission and take an off-ramp. If you felt there would be a

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SHARING THE CLEAN **ENERGY STORY**



Reaching every corner of the state, Fresh Energy and the Will Steger Foundation collaborated on a series of events to discuss clean energy solutions. Over 12 months they held more than 65 events, traveled more than 4.000 miles, and reached thousands of Minnesotans.

significant rate impact, you could come to the [Public Utilities] Commission and take an off-ramp.

Amy Koch: Because of these off-ramps, I think they started to see that what they were saying was becoming a reality as part of the legislation.

John Tuma: The big thing that really moved a lot of Republicans was really the concept of this diversified economy in this energy area creating jobs in Minnesota.

The message I really sold to them was we could burn more coal and send more trains out to Wyoming to pay for

employees in Wyoming and make money

for some wealthy guy who we don't even know or we could figure out a is innovation. We don't have coal, but we have

"The one thing we have in Minnesota is innovation. We don't have coal, but we have innovators.

new economy where we're very diversified. The one thing we have in Minnesota innovators. And if we can set a goal

our energy.

can put that goal out there, those innovators who live here and make money here and pay

Ellen Anderson: First, bringing

for them, we

taxes here can be the ones producing everybody at the table.

farmers into the discussion and saying they wanted a cash crop. They wanted an opportunity to put wind turbines up on their land. And then bringing in some companies like Mortenson and Blattner to the table and them saying this is a huge piece of business for us. And then labor saying we could create jobs and the Farmers Union saying this is good for rural economic development.

John Tuma: There's a few Republicans like John Berns and Kathy Tingelstad who came in supporting this issue already.

John Berns: I think as a freshman Republican from Wayzata I thought that this was our opportunity and chance to make a difference.

Kathy Tingelstad: I was coming from the background of working on indoor air quality issues and energy efficiency through a lot of K-12 education facility work.

Yvonne Prettner Solon: It was really important for me to make sure that the Republicans were involved. When I was uncertain where the Republicans were on something I would definitely talk to somebody who would have some influence like

Amy [Koch] or Julie Rosen.

Amy Koch: Yvonne was very mindful of all the stakeholders.

Margaret Hodnik: She was very solution-oriented. She was always conscious of keeping

Edward Garvey: At the end of the day, none of us are

experts on any of this stuff, let alone all of it. So what you have to have is a set of people who have common sense and a thoughtful direction that you all want to go in.

Amy Koch: "This isn't a My biggest Republican issue and this issue was I just isn't a Democrat issue, this is think an issue of whether or not we need something we're going to lead." balanced. At the time,

done a lot with renewables, so I'm open to that.

Margaret Anderson Kelliher:

we hadn't

In this case there was a link between energy, conservation, and jobs as well.

Kate Knuth: The Renewable Energy Standard helps with climate, but it's not just about climate. It's about rural economic development. It's about economic development, full stop.

Aaron Peterson: I started to realize that this was historic. This was a big deal. You realize that these commissioners, these landowners, these farmers, they really want these wind turbines.

Duane Ninneman: I was at home and got a call from Aaron Peterson because he needed somebody from the rural landscape to testify on the big renewable energy bill. So I drove down, I didn't know what to talk about, and I listened to the economist Thomas Friedman on NPR.

He was saying "this isn't a Republican issue and this isn't a Democrat issue, this is an issue of whether or not we're going to lead on the huge technological and economic transition that the world

is going to

undergo." Aaron Peterson: So we're going to the floor and I knew we were winning when my phone

had just stopped ringing. It was over. No more meeting requests. No more phone calls. And Ellen Anderson and I had a kind of premeditated agreement that they would cut the deal in the Senate. So they all ran over to the Senate and that's where the deal was done.

Andy Pomroy: The Senate moved on it first

Dennis Lien: It was really quick.

Bob Ambrose: The RES was actually signed, I think, by February.

Bob Eleff (nonpartisan House researcher): One thing I remember for sure was the day the RES passed, as the vote total registered the House broke into applause. I never saw that before and I've never seen it since. That I will never forget.

Bill Hilty: In caucus the RES never was a really big issue. What was an issue with some of the rural members, especially from

the northwest, was the prohibition on new coal. That had such a major focus that people didn't pay any attention to anything else, really.

Bob Ambrose: It was Article 5 that was a big deal for us. I think all the utilities were just opposed to that whole section. But what we had in the works, and what we really needed to get approved that session, was the personal property tax exemption for one of our peaking power plants.

Andy Pomroy: Getting it through the House, the big controversy was plants that were currently in the review process. Folks had a lot of hang-ups about changing the rules midstream for those projects. So to get it through the House we exempted those projects from the prohibition on new carbon emissions but maintained the economy-wide emission reductions goals.

Mike Bull:

216H sets a

cap on the

statewide

emissions

that were

either

in the

emitted

carbon

"It's about rural economic development. It's about economic development, full stop."

Kate Knuth

state through power generation or imported to the state through power generation.

Edward Garvey: Mike worked very hard on planning accommodations.

Mike Bull: There was consternation. It wasn't like it was all unicorns and

rainbows, especially in the House Republican Caucus. It helped that the Chamber [of Commerce] got to neutral, the utilities had made their deals, and that allowed the conservative members of the House to overcome their concerns.

John Berns: Another important factor was, I remember in caucus specifically, people saying "listen, the governor's going to sign this bill." And everyone is kind of not buying it, and they said "no, you need to get in front of this stuff. The governor's going to sign this, let's get something we can deal with."

John Tuma: I thought the higher leadership like the majority leader and speaker were going to get involved but they really never did. It was really Yvonne and Bill and it felt like they were empowered behind the scenes.

> Dennis Lien: Probably the most interesting discussions were behind closed doors.

Andy Pomroy In those final

negotiations, to get the prohibitions on new coal plants was a piece that the House had that the Senate and the Administration had to be convinced it could work.

Bill Hilty: That was what was going to cause the bill to fail because the Senate

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wouldn't support it and neither would the administration. So that was another bluff-calling. The original provision said basically that the administration, within two years, would come up with an emissions reduction plan that was supposed to be resolved through some more stakeholder hearings. And I thought at the time "they're not going to do this. Nothing is going to happen." So let's say, since it's Pawlenty's bill and he said they're going to do this, let's say we'll put off the moratorium on new coal for two years because by then this plan will be in place, they said it would. Of course nothing ended up coming out of those stakeholder hearings. But it worked.

Aaron Peterson: Hilty had them the whole time.

John Tuma: Bill really impressed me. Boy, he was putting pieces together. Just like Yvonne, even though they were on different ends in terms of how they were playing it, they seemed to be working together really well behind the scenes. In the end, I saw how he took what looked like was going to be a complete defeat and switched it around to get exactly what we were asking for in the first place. He was strategizing on that from the get-go.

Mike Bull: If you add up all the 'no' votes for the energy bills from that session,

there were more votes cast against making the Honeycrisp the state apple. It was bipartisan and overwhelmingly supported.

Amy Koch: Everybody always says government doesn't get anything done, but this was not a small piece of legislation.

Kate Knuth: To see that this was possible, that big things are possible, is really energizing and important for young people to see in politics and I think this energy work is definitely one of them.

Edward Garvey: The policies that were put in play, were put in play in a way that have held up to the test of time.

Margaret Anderson Kelliher: It really strengthened the overall portfolio of these utilities.

Margaret Hodnik: Wind energy has come in at pretty reasonable cost overall. We got to 25 percent at the end of last year, ten years early.

Ellen Anderson: The fact that wind is really the lowest-cost resource in the wholesale markets in the Midwest and that Xcel Energy is the number one wind utility in the United States. Wow. These things have really accelerated way beyond a lot



Industry and clean energy advocates at bill signing | Photo submitted by Bob Ambrose

of people's expectations.

Mike Bull: The [2014] DEED report that came out really made us realize the economic impact. We always talked about it. For me it was always the environmental progress that we wanted to make, but we also saw the economic impact.

(See charts on adjacent page.)

Kathy Tingelstad: Especially coming out of the recession, anything that was good for generating jobs was obviously helpful to the economy.

Bill Hilty: In retrospect, I realize that this was an important step. It probably catalyzed a lot of other things across the country.

Mike Bull: We went to those Midwest governors' meetings sort of saying, "Look what we just did. We did it in Minnesota. There's no reason why you can't do it in Illinois. There's no reason why you can't do it in Iowa." It allowed us to have a certain cachet and push policy forward.

Aaron Peterson: People have jobs in this now. It's not a side show. Utilities have figured out how to integrate it. It's become a lot more sophisticated. Utilities are at a place where it's part of their mix now.

Yvonne Prettner Solon: I just knew that once they committed that they could do it. It had been proven that it could work.

Mike Bull: What it showed us is that we know how to do more: we know how to do this.

Margaret Anderson Kelliher: You could see right away how many other states wanted to copy us. We passed a set of nation-leading bills both on renewable energy and the portfolio of bills that went with it.

Amy Koch: Minnesota really led the way.

Read the full bills online at: www.fresh-energy.org/2007energy

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* As of February 2015







