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Date: March 27, 2023 at 8:48:35 AM CDT

To: Gene Metz <metzgene@gmail.com>

Subject: RE: RMEB meeting

Gene,

What a difference a year makes...

Things have been completely different at the Legislature this year than over the past several biennium of divided government. With one party control they are obviously able to align the House and Senate priorities and pass things without needing much buy in from the GOP. This was on full display the first month of Session when they passed the 100% carbon free by 2040 bill. That process was like its own mini session in the Energy Committees, things have slowed a little since then but we are about to go into the omnibus phase of session.

Leaders were able to agree to budget targets last week and we expect omnibus budget bills to start rolling out this week, Energy may even come out today. The Energy budget target is \$255 million over the existing base, so Chair Frenz and Chair Acomb have a little bit of wiggle room for new appropriations. That is one of the lowest budget targets, K-12 education got \$2.21 billion, Housing receive \$1 billion, and the Tax Committees got a target of \$3 billion. The total proposed budget will have a total impact of \$17.8 billion to the general fund, numbers we have never really seen before.

One exciting development is that the state set aside \$500 million for federal economic development matching dollars to help leverage as much of the federal funds possible, with energy as a particular focus. This was its own budget target and therefore does not need to come out of the Energy spending, leaving room for more clean energy transition related funding, which has been a DFL priority all Session long.

I will provide a rundown of the proposed funding in the Energy omnibus bill later today or tomorrow when it is available, but there will almost certainly be funding for grants to assist consumer-owned utilities for upgrading and improving their distribution grid systems. Another proposal we expect to see funded is money to help District Energy in St. Paul to offset costs and remain operational as a state source to handle EAB related tree waste, a continuing problem without many other current outlets. We also expect to see funding for grants for weatherization, increased funding for the solar rewards program and a new energy storage incentive program. A bill that would add farmland to the definition of commercial real property and make it eligible for the C-PACE program is also in the mix and may be included. There have been several proposals for grants for solar projects at schools and at closed landfills, I would expect something on that front to be included in the bill. The other area of focus I expect in the Energy omnibus is on electric vehicle charging infrastructure, there have been several bills in this area, whether it be grants for building out the grid or policy requiring state vehicle fleets to move in that direction, I think some funding will be in the bill for both.

As far as transmission issues, Minnesota Power has a bill to provide \$25 million in state funds to try and help leverage \$50 million in federal funds to help upgrade the current high voltage direct current lines connecting Duluth and Center North Dakota. It would nearly double the capacity of the lines and would

have room for additional growth in the future. I do not know if this will be included in the final bill, but I think it is in play.

There have not been any other bills introduced related to the production tax aside from that Senator Weber bill I sent your way a couple week back, and that bill has not been heard in House or Senate. The Tax bill will likely be taken up after some of the budget bills get through the process, so I'll update you on that when the time comes as well.

Feel free to give me a call if you have any questions, it's been quite the busy pace down here pretty much since the start!

Thanks,
Sam