Exhibit B

State of Minnesota

Printed Page No. 467

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2747

03/08/2012 Authored by Murray
The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance
03/22/2012 Adoption of Report: Pass and Read Second Time

A bill for an act

relating to utilities; modifying the reporting obligations of certain cooperative utilities under the integrated resource planning process; amending Minnesota Statutes 2010, section 216B.2422, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 216B.2422, is amended by adding a subdivision to read:

Subd. 2b. **Integrated resource plan not required for certain cooperatives.** A generation and transmission cooperative electric association that has at least 80 percent of its member distribution cooperatives located outside of Minnesota and that provides less than five percent of the electricity annually sold at retail in the state of Minnesota is not required to file an integrated resource plan under this section.

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 2098

(SENATE AUTHORS: SPARKS, Rosen and Howe)

DATE	D-PG	OFFICIAL STATUS
02/27/2012	3958	Introduction and first reading
		Referred to Energy, Utilities and Telecommunications
03/19/2012	4515	Comm report: To pass
	4548	Second reading
04/20/2012		Special Order: Amended
		Third reading Passed

A bill for an act

relating to utilities; modifying the reporting obligations of certain cooperative utilities under the integrated resource planning process; amending Minnesota Statutes 2010, section 216B.2422, by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 216B.2422, is amended by adding a subdivision to read:

Subd. 2b. **Integrated resource plan not required for certain cooperatives.** A generation and transmission cooperative electric association that has at least 80 percent of its member distribution cooperatives located outside of Minnesota and that provides less than five percent of the electricity annually sold at retail in the state of Minnesota is not required to file an integrated resource plan under this section.

Senate Energy, Utilities &Telecommunications

Testimony on SF2098

Steve Tomac, Senior Government Relations Representative

Basin Electric Power Cooperative

Good afternoon. For your record my name is Steve Tomac – and I am a Senior Government Relations Representative at Basin Electric Power Cooperative.

Basin Electric is based in Bismarck, ND. We provide electricity to 134 rural electric co-op's in nine (9) states. Twelve of those cooperatives are located in Minnesota. Cooperatives are unique organizations. We are not-for-profit, and our mission statements generally state that our purpose is "provide reliable affordable electricity to our members." We have a service motive and are governed by the members we serve. Past Minnesota Legislature's have recognized this in several ways. Most notable is the deferral of rate setting to the locally-elected cooperative boards. And, also, the filing of an "advisory" IRP which we'll get to in a minute.

Presently under 216B.2422, utilities that generate more than 100,000 KWH and serve more than 10,000 retail customers in Minnesota are required to file an Integrated Resource Plan, commonly referred to an IRP. The IRP is a process developed for the rate regulated utilities. It is a rigorous analysis of additional generation resources to find the least cost resource.

However, because co-ops are not rate-regulated, the only reason for coops to submit a filing is to an overview of our resource planning. Unfortunately for coops, the IRP has over the years suffered from regulatory creep and now goes far beyond simply determining resource planning. As I stated at the beginning, BEPC provides power to twelve distribution cooperatives in Minnesota. In 2010, BEPC accounted for about 1.6% of the total retail sales in Minnesota, which is well within the margin of error of any assessment of statewide reliability.

From BEPC's perspective, this represents under 5% of our total sales across the 134 coops we serve. Yet our staff spends more time completing the Minnesota IRP than they do on all the other eight states combined. In the past, DER staff has requested detailed information from all 134 of our member co-ops, including those as far away as New Mexico and Colorado. We contend that the operations of those faraway co-ops have no effect on the reliability of the Minnesota grid.

As I mentioned earlier, there currently is an exemption from the IRP process in place for utilities with a small presence in Minnesota. SF 2098 simply updates those exemptions to reflect changes in the electric market in Minnesota.

House Environment, Energy and Natural Resources Policy and Finance

Testimony on HF2747

Kenric Scheevel, Sr. Government Relations Representative

Dairyland Power Cooperative

My name is Kenric Scheevel – and I am Sr. Government Relations Representative at Dairyland Power Cooperative.

Dairyland is a Generation and Transmission Cooperative headquartered in La Crosse, WI. We serve 25 distribution cooperatives in 4 states, three of which are located in SE Minnesota (Rushford, Rochester and Albert Lea). The other 22 of our 25 cooperatives are located in the states of WI, IA and IL. We have approximately 1100 MW of generation including coal, natural gas, biomass, wind solar, and methane digesters in our portfolio.

Our bill:

Current law provides an exemption from the requirement to file an Integrated Resource Plan (IRP) for utilities with a limited presence in Minnesota.

The bill before you would modify that exemption criteria such that it would apply to Dairyland and Basin – who share common circumstances:

1) We are both Electric Generation and Transmission Cooperatives in which
2) Most of our service territory is in states other than MN
   (22 of 25 for DPC) (122 of 134 for Basin)
3) Electricity sales from our respective distribution cooperatives are less than 2% of MN total electric sales.
4) As non-rate regulated cooperatives, the IRP is advisory only.
5) For the past 6 months, DPC and Basin have been exploring opportunities to streamline the IRP filing with staff at DER.
6) Our internal staff responsible for regulatory filings spend more time on MN regulatory filings that they do on filings from all the other states in our systems combined!

Thus we are seeking the will of the committee on the opportunity to update the current IRP exemption language.

<u>Concerns about the advisory only IRP regulatory filings for non-rate regulated utilities</u>.

Scope of the IRP filing (and cost to comply) has grown dramatically – for Dairyland, our 2000 filing was approximately 50 pages

2009 filing was approximately 3500 pages
2011 filing was 4324 pages submitted – with additional information requested
A document which is literally over 2 feet high!!

The dramatic increase in submission appears to be related to the Departments decision to replicate (or audit) the Load Forecast for each utility. Dairyland and Basin fail to appreciate the value that this labor intensive analysis adds to the IRP process – especially since the utility is then billed for the audit. We are now put in the position of paying twice for our load forecast analysis – once for our own staff time to create the forecast, and then again for the time DER staff spends attempting to replicate or critique our forecast methodology (approximately $20,000).

In the case of multi-state cooperative G&T's like Dairyland and Basin, DER staff is attempting to replicate the load forecast data from distribution cooperatives located in other states. For Dairyland, 22 of the 25 cooperatives we serve are not located in Minnesota. It is even more striking for Basin, for whom 122 of 134 cooperatives are located in the 8 states other than Minnesota.

As I mentioned earlier, our planning staff spends more time on Minnesota regulatory filings than on Wisconsin, Illinois and Iowa combined. Indeed, about 85% of the time our staff spends on regulatory filings is just for MN – even though Dairyland's energy sales account for roughly 1% of MN total energy sales!

The IRP filing appears to have evolved from a snapshot in time review of resources planned for the future – into a full blown Certificate of Need analysis. We would suggest this is excessive for an advisory only filing. We submit that a CON level analysis for non-rate regulated utilities should be reserved for those times when a utility is proposing to build new infrastructure.

216C.17 subdivision 3 directs the Commissioner to the maximum extent possible, provide that forecasts required under this section be consistent with material required by other state and federal agencies in order to prevent unnecessary duplication. Dairyland and Basin have suggested to DER staff that the information utilities are already submitting to MISO (or a related NERC reporting group) could be used by the Department to provide the Commission with a more robust and complete planning picture with substantially reduced demands on DER staff time. A win-win situation!!

I am pleased to share with you that DER staff has recently initiated meetings with MISO, MAPP and MRO to explore such opportunities. I would like to commend the willingness of DER staff to investigate the opportunities of coordinating reliability reviews with the entities that oversee similar functions on a regional basis.

As I interpret current statutes, if Dairyland and Basin are exempted from filing an IRP, we would still be required to file the annual July 1st Energy forecast and statistics report (216C.17)

– which would provide DER staff with all the aggregate information they need to do a load and forecast review. I mention this since - based upon our conversations with DER staff, reviewing resource adequacy is their main focus when analyzing non-rate regulated IRP's.

In conclusion, we would suggest that exempting Dairyland and Basin from the IRP filing would have no negative impact on the reliability of MN's electric system.

1) We would still be required by statute to file a load and capability statistical report on an annual basis.

2) Our respective energy sales in MN literally fall within the statistical "margin of error" for assessing the resource adequacy of the state as a whole.

We believe that is what the current exemption was designed to address – minimizing the regulatory burden for utilities with a limited presence in MN. We are simply asking the exemption criteria be updated.

Thank you for your consideration!