

Senate Bill 2359

Presented by: Randy Christmann, Chair
Public Service Commission

Before: Senate Energy and Natural Resources Committee
The Honorable Dale Patten, Chair

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TESTIMONY

Chair Patten and committee members, I'm Randy Christmann, Chairman of the Public Service Commission, here to testify in support of SB 2359.

North Dakota's renewable energy objective was adopted in 2007. At that time many of us viewed it as an opportunity to market more electricity generated here in the state to other states that had concerns about fossil fuels.

The objective was set for 10% by the year 2015. It was viewed as a reasonable objective that, if achieved, would likely be good for consumers and good for ND industries and we anticipated limited adverse impacts.

Mission accomplished! North Dakota quickly met and exceeded our objective. There is no longer any need for this objective in the Century Code.

Since then, our utilities have delegated operational control of the grid to two regional transmission organizations (RTOs): MISO & SPP. These RTOs are responsible for planning and directing expansions and upgrades to the grid, which they finance by adding fees to the price of wholesale electricity. Recently, we've seen an unprecedented buildout of transmission nationwide. Infrastructure development, whether it is needed or not, has exploded, and much more is on the way. This expansion comes with a significant price tag.

For our regulated utilities, transmission costs for ratepayers have more than doubled in the past decade, and with MISO implementing tens of billions of dollars in new transmission projects, these costs are expected to rise even more dramatically.

Both RTOs are putting together enormous packages of transmission projects, with most, if not all of the costs passed on to consumers. Traditional regulatory principals indicate that transmission fees must be "just and reasonable" and that rates must not be unduly discriminatory, meaning the costs should roughly match the benefits a utility or customer gains from using the grid. In theory, the rates should be fairly allocated based on who causes the costs and who benefits from the infrastructure. But instead of assigning costs appropriately,

the RTOs are bringing gigantic packages of projects forward and allocating the costs to everyone.

An example of this is MISO's development plan being brought forward in "tranches." Tranche 1 includes 18 projects totaling \$10.3 Billion. The cost to the average North Dakota residential Otter Tail Power (OTP) customer, for example, is projected to be \$5.75 per month. MISO also recently approved another \$30 billion of transmission projects, most of which are contained in their second tranche. I certainly acknowledge that some parts of these huge tranches of projects should justifiably be paid for by our consumers, but I also argue that much of it should be paid for by those who are desiring and benefiting from the projects. For now, MISO is planning four tranches of projects, with the next ones projected to cost far more than the first one.

Shockingly, ND's renewable energy objective is being used as justification for assignment of these costs to North Dakota customers. Courts have actually cited North Dakota's renewable energy objective as a justification for accepting tariffs that socialize high-voltage transmission costs. This is helping other states meet their

decarbonization goals and mandates, while pushing costs off on North Dakota customers.

To be clear, the Commission is not opposed to transmission expansion – particularly when it enhances grid reliability, stability, or provides clear economic benefits to our customers. However, we strongly oppose forcing North Dakota ratepayers to cover the costs of transmission projects driven by other states’ renewable energy mandates and corporate decarbonization goals.

SB 2359 removes North Dakota’s aspirational and long since exceeded renewable objective, which has been used in court to justify these horribly inequitable cost shifts. This would put the Commission in a stronger position to push back against unfair cost allocations and help support the position that North Dakota customers should not foot the bill for other states’ policy-driven transmission projects.

The message we should be sending is clear: North Dakota values reliable, affordable, and on-demand energy for its customers. That’s why I urge a DO PASS on SB 2359.

Chair Patten, that concludes my testimony. Thank you for your time—I’m happy to answer any questions.