

**Testimony of Mac McLennan
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**Before the Senate Committee on Energy and
Natural Resources' Subcommittee on Energy**

**“An Examination of Existing Programs and Future Opportunities
to Ensure Access to Affordable, Reliable, and Clean Energy for Rural and Low-Income
Communities”**

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Introduction

Chair Hirono, Ranking Member Hoeven and members of the Subcommittee, thank you for inviting me to testify today on existing programs and future opportunities to ensure access to affordable, reliable, and clean energy for rural and low-income communities. As President and CEO of Minnkota Power Cooperative, I am proud of the work we have done to lead on these issues and privileged to share those efforts with you today.

Cooperative Mission

By way of background, Minnkota is a not-for-profit generation and transmission cooperative headquartered in Grand Forks, North Dakota, supplying wholesale electricity to 11 member distribution cooperatives and several municipalities, in North Dakota and northwestern Minnesota. In total, we serve approximately 160,000 consumers over a 34,500 square mile area.

The primary focus of electric cooperatives is on the consumer-members we serve, specifically delivering reliable service at a price that consumers can afford. Importantly, electric co-ops serve 92% of all persistent poverty counties in America, so reliability and affordability of electricity matters. As consumer-owned entities that don't have shareholders to fall back on, co-ops must seek answers to the difficult questions about how to meet any new standard or regulation while keeping electricity reliable and affordable. Our electric system is an essential service that operates on the principles of science and engineering. More than ever, people depend on us to operate that system without interruption to preserve energy security for all. We are committed to that primary purpose.

As an electric cooperative, our responsibility also extends beyond poles, wire and steel. We were formed by our local communities more than 80 years ago, and we remain committed to helping them grow and thrive. In Minnkota's case, we serve an average of 4.1 consumers per mile of transmission line, compared to more than 30 consumers per mile for the average non-cooperative utility. Additionally, Minnkota serves several of the lowest income counties per capita in Minnesota along with other economically-disadvantaged areas across our two-state region. We take our role in providing affordable and responsible power very seriously.

To meet the 24/7 power needs of these communities, Minnkota utilizes a diverse mix of coal, wind and hydro resources. We are proud that 42% of the generation capacity on our system is already derived from carbon-free resources like wind and hydro. More specifically, approximately one-third of our generation capacity portfolio comes from wind energy. Although we have added a significant amount of renewable energy over the last 15 years, and have been recognized nationally as leaders in renewable energy development, coal remains a critical resource to ensure the reliability of the electric grid. Harsh winters in the Upper Midwest can and do severely limit the ability of renewables to operate for extended periods of time. During the recent polar vortex events in 2014, 2019 and 2021, Minnkota received almost no production from our wind facilities for multiple days. At temperatures of negative 30 degrees, the absence of reliable power is life-threatening. The recent power outage events in Texas and California have shown that we must prioritize reliability and resiliency even as we continue deploying clean energy technologies. Not only is our nation's grid challenged by extreme weather events, but volatility within power supply markets is increasingly an issue. Just this month, our region's Midcontinent Independent System Operator (MISO) experienced a maximum generation event and significant grid strain during fairly normal summer weather conditions.

Minnkota recognizes that we will need to continue to make reductions in carbon dioxide (CO₂) emissions. We are currently in the process of evaluating Project Tundra – an effort to install carbon capture technology at the coal-based Milton R. Young Station near Bismarck, N.D. This power plant has reliably delivered electricity to the grid for decades and is well-positioned for technology advancements. Project Tundra is designed to capture 90% of CO₂ emissions from the flue gas – which equates to 4 million tons per year, and is the equivalent of permanently taking 800,000 gasoline-fueled cars off the road. The CO₂ would be safely stored more than one mile underground near the plant's site. We fully anticipate additional state and federal policies to reduce CO₂ emissions, but if the objective is to meet climate goals around the world, the United States must focus its efforts on innovation and technology development. Our nation cannot export regulations, but together we can build, demonstrate and ultimately drive down the costs of commercial carbon capture projects to support global CO₂ emissions reductions. Leading climate science shows that we cannot meet net-zero goals for greenhouse-gas emissions without carbon capture.

Federal Role in Assisting Cooperatives

Congress is uniquely poised to help co-ops with their mission to provide affordable, reliable and ultimately clean energy to the member at the end of the line. For example, passing the Flexible Financing for Rural America Act (S. 978) would help co-ops around the country hit hard by the pandemic restructure their Rural Utilities Service debt. For Minnkota alone, this opportunity would translate into \$14 million of relief to our members annually, a substantial savings to our membership going forward.

Furthermore, Congress can help unleash the innovative spirit that cooperatives have shown for generations by providing better access to tax credits that drive innovative technologies. As non-profit businesses, co-ops pay state and local taxes, but most are tax exempt for federal income tax purposes. Because of this, electric cooperatives do not have access to the same federal tax incentives as for-profit businesses and are disadvantaged when implementing new methods to

drive down emissions. The potential for co-op investments in emerging energy sources while keeping rates affordable for their consumer-members could be enhanced if they have comparable incentives and receive the full value for the tax credits through the direct payment of tax credits.

Specifically, I urge Congress to pass the “Carbon Capture Modernization Act” (S. 661) and “Carbon Capture, Utilization, and Storage (CCUS) Tax Credit Amendments Act” (S. 986), which would make improvements to both the 45Q CCUS tax credit and the 48A tax credit, including direct pay options, to promote the installation of carbon capture technologies on power plants. Congress could further support carbon capture projects around the country by funding CCUS deployment, particularly power sector carbon capture commercialization and demonstration projects, at full levels authorized in the Energy Act of 2020 and passing the “SCALE Act” (S. 799) to assist in overcoming barriers to CO₂ pipelines, storage, and permitting and support CO₂ utilization programs.

Closing

America’s energy sector is undergoing one of the most transformational periods in its history. It is an exciting time for our industry, but it can also be daunting. We all want to push for it to be a better product – more reliable, more resilient, affordable for every household, and as clean as possible. To reach these goals, we need to work together as utilities, policymakers and regulatory agencies. We also need to recognize that the energy transition will only be successful if we set reasonable, achievable goals that are supported by public policy. If we make mistakes or missteps during the energy transition, they can prove extraordinarily difficult to reverse. I appreciate the opportunity to share some insights with you as we chart a path forward for the future of reliable, affordable and environmentally-responsible energy.