

April 10, 2017

The Honorable Jeremy Miller
3107 Minnesota Senate Building
95 University Avenue W
Saint Paul, MN 55155

Dear Senator Miller:

I write to express the Commerce Department's thoughts and concerns on SF 1937.

At the outset, I appreciate the work of Senator Dahms and Senator Osmek in developing the Commerce and Energy budget legislation, and that some of the Governor's Budget recommendations have been included in this proposal, but many have not been. We, therefore, request your careful consideration to include them moving forward. We also have serious concerns and oppose the policy items discussed below.

As to the budget items included, thank you for advancing the Governor's Budget proposal to change the Financial Institutions Division's funding. This proposal is critical, as it will help provide cost-effective, Minnesota-based examinations of banks, credit unions and non-depository institutions across the State. This proposal is supported by the Independent Community Bankers of Minnesota and the Minnesota Credit Union Network.

Second, even though I encourage the committee to still consider the Governor's Budget recommendation to increase the Commerce Fraud Bureau assessment to properly fund the Bureau, the Department appreciates the \$1.3 Million transfer from the Auto Theft Prevention account to the Fraud Bureau. This additional funding will allow Commerce to help stop more white-collar criminal fraud in Minnesota, and to respond more quickly to reports of suspected fraud from insurance companies, law enforcement and the public.

Third, we appreciate that this bill advances a small increase for the Weights & Measures Division, although not at the level recommended by the Governor's budget. Because I strongly believe it is imperative to fully fund this request to help ensure accuracy and fair measurements in commercial transactions from gas pumps and fuel to grocery stores, I urge you to move to the level of funding in the Governor's Budget so that we can replace antiquated lab equipment and infrastructure.

Fourth, although not a full repeal of the sunset as recommended by the Governor's Supplemental Budget, we appreciate that this proposal includes the Department's Utility Grid Assessment Extension request with an extension until June 30, 2021. The assessment is currently set to sunset on June 30, 2017. To ensure the reliability of the state's electric system into the future, I would still urge you to move to a full repeal of the sunset.

As to the Governor's Budget items not included, I urge you to add the following as this bill moves forward:

- Enhance important resources for the Securities Section to enable it to meet its statutory examination responsibilities, deliver investor protection and industry outreach services and more timely serve securities professionals that rely on Minnesota-based filings and examinations. The mission of the Section is to help provide responsible capital formation, oversight of securities industry members, and investor protection;
- Invest in the Department's central services budget to address high-priority needs such as information technology modernization to strengthen data security, upgrade aging systems and deliver more timely, efficient customer services. Without this change item, essential day-to-day functions in the Department will be severely compromised because of inflationary cost pressures;
- Protect Minnesota consumers from getting trapped in a cycle of debt with high-cost payday loans by adding the Governor's Budget proposal to close the loophole for Industrial Loan and Thrift companies and limiting borrowers to no more than four payday loans in a 12-month period;
- Provide funding to achieve better building efficiency in Minnesota's public buildings through the Guaranteed Energy Savings Program (GESp);
- Allocate funding for Healthy AIR (Asbestos Insulation Remediation) to provide grants to low-income Minnesotans to remove carcinogenic vermiculite from their homes; and
- Increase savings to homeowners, businesses and ratepayers while creating, on average, over 1,500 jobs annually, by enhancing Minnesota's Energy Efficiency Resource Standard (EERS).

Moreover, Commerce has substantial concerns with some of the energy policy provisions that will harm Minnesota's consumers and ratepayers.

Policy Concerns

First, Commerce strongly opposes the bill's far-reaching repeal of vital telephone consumer protections currently required under state regulation. If this provision passes, large companies win while Minnesotans, especially those in our state who rely on telephone VoIP service, lose. They lose the right to appeal to a state regulatory body to seek assistance on complaints; they lose the right to get remedies for inaccurate billing, service termination, failure to obtain service, timely restoration of service, fairness of rates, and "cramming" of unauthorized fees or third-party charges; they lose on having the certainty

of available 911 service when needed. Specifically, companies providing Voice over Internet Protocol (VoIP) and Internet Protocol (IP) enabled services would be free to:

- Allow “cramming” of unauthorized fees or third-party charges on phone bills.
- Terminate service to customers without notice and without a process to ensure that customers are treated fairly.
- Raise rates without notice and lock customers into long-term contracts with high early termination fees.
- Deny service to customers in rural, tribal or high-cost areas.
- Ignore state efforts to address rural call completion problems.
- Fail to restore timely service in the event of a failure.
- Refuse to participate in Minnesota’s Telephone Assistance Program (TAP) that reduces monthly bills for low-income residential customers.
- Discriminate in favor of their own affiliated companies.

Second, Commerce opposes the provision that eliminates the ability of a utility customer to go to a neutral third party with their complaints. The Governor has already vetoed this proposal relating to the regulation of municipal electric utilities and rural electric cooperatives by the Public Utilities Commission (PUC). As the Governor stated, “Eliminating the PUC’s role would remove critical consumer protection for customers...The effect of this proposed legislation would negatively impact Minnesota’s progress toward more renewable and efficient energy. All Minnesota customers – from family farmers to large businesses – should be able to invest in technology to produce clean and efficient energy with the assurance that the PUC is available to provide consumer protection.”

Thank you for the opportunity to present the Commerce Department’s budget requests. I hope this information is helpful and you will take these considerations into account as the bill moves forward.

Sincerely,

A handwritten signature in cursive script that reads "Mike Rothman".

Mike Rothman
Commerce Commissioner