

House Research Act Summary

CHAPTER: 3

SESSION: 2007 Regular Session

TOPIC: Energy

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Overview

Chapter 3 establishes Renewable Energy Standards (RES) for 16 of the state's largest electric utilities, setting mandatory targets through 2025 regarding the proportion of Minnesota retail electricity sales that must be generated from renewable resources. The targets are among the most aggressive set by any state.

Under previous law, only Xcel Energy (which accounts for approximately half the state's retail electricity sales) was required to meet such a target - set at 10 percent of sales by 2015 - while other utilities had only to make a "good faith effort" to attain that level. Chapter 3 requires Xcel to reach a goal of 30 percent by 2020, while other utilities must reach 25 percent by 2025. Eligible renewable technologies include wind, solar, hydroelectric, biomass, and hydrogen. Municipal utilities and cooperative electric associations are not subject to this chapter.

1 Renewable Energy Objectives. 216B.1691

Subd. 1. Definitions. Increases the size of hydroelectric facilities that may be counted towards a utility's Renewable Energy Objective (REO) or Renewable Energy Standard (RES) from 60 to 100 megawatts. This allows Minnesota Power's Thomson Hydroelectric Station, yielding approximately 72 Mw, to be counted toward its required standards.

Deletes provisions prohibiting Xcel from counting 825 Mw of wind power mandated by the legislature in 1994 and ordered by the Public Utilities Commission prior to

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August 2001 toward the standard.

Makes a "power district" (Heartland Consumers Power District, based in South Dakota, serving cities in southwestern Minnesota) subject to the standard.

Subd. 2. Eligible energy objectives. Deletes required annual 1 percent increases in the proportion of electric generation from renewable energy sources through 2015. Requires utilities to make a "good faith effort" to meet an REO of 7 percent by 2010. Deletes requirement that by 2010, 1 percent of REO be met by biomass sources.

Subd. 2a. Eligible energy technology standard. Sets mandatory standards for percentage of electricity that must be generated from eligible technologies, for Xcel Energy and all other utilities subject to the statute:

	Xcel	Other utilities
2010	15	-
2012	18	12
2016	25	17
2020	30	20
2025	-	25

At least 25 percent of Xcel's 30 percent standard in 2020 must be generated by wind energy.

Subd. 2b. Modification or delay of standard. Requires the PUC to modify or delay the implementation of a standard if it determines such action is in the public interest. In evaluating that threshold, the commission is to consider:

- impacts on utility costs, including competitive pressures on customers;
- effects on system reliability;
- technical concerns;
- delays in acquiring sites/routes due to rejection, or delays in permitting approval
- non-delivery of needed equipment;
- transmission constraints; and
- other statutory obligations of the commission or a utility.

With respect to the first three factors, implementation may be modified or delayed only if the commission finds these impacts are significant. For the other factors, circumstances must be beyond the utility's control.

A utility seeking a delay or modification must submit a plan for compliance with the standard in the same proceeding.

Subd. 2c. Use of integrated resource planning process. Allows the commission to delay or modify a standard as part of an integrated resource planning proceeding under section 216B.2422.

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Subd. 2d. Commission order. Requires the commission to issue orders detailing how it will measure achievement of a utility's "good faith effort" toward the REO.

Subd. 3. Utility plans filed with commission. Inserts language insuring that this subdivision applies to the standards in addition to the objectives.

Subd. 4. Renewable energy credits. Requires the commission to establish a renewable energy credit trading system by January 1, 2008, and sets conditions regarding the credits. All utilities are required to participate in a credit-tracking system approved by the commission. Xcel Energy may not sell credits to other Minnesota utilities until 2021.

Subd. 5. Technology based on fuel combustion. Inserts language insuring that this subdivision applies to the standards in addition to the objectives.

Subd. 6. Electric utility that owns nuclear generating facility. Deletes several provisions applying to Xcel energy: requiring the company to deploy an additional 300 Mw of wind energy by 2010; making the REO mandatory for the company; requiring the company to purchase 10 to 20 Mw of biomass energy from a project located on the Iron Range.

Subd. 7. Compliance. Requires the commission to regularly investigate compliance with the objectives and standards. Gives the commission discretionary authority to order a noncompliant utility to construct facilities or purchase energy or renewable energy credits to achieve compliance. If a utility does not comply with such an order, the commission may impose a financial penalty, not to exceed the cost of compliance.

Subd. 8. Relation to other law. States that this section does not limit the commission's authority under any other law.

Subd. 9. Local benefits. Requires the commission to implement this section in a way that maximizes benefits to Minnesotans, balancing local, utility and independent power producer ownership of energy facilities, as well as costs and reliability.

2 Transmission for renewable energy standard. Requires utilities subject to section 1 to study and develop plans to enhance the transmission network so that the standards may be met. Utilities are to meet regularly with stakeholders experienced in transmission engineering and renewable energy generation, and are to submit a report to the commission by November 1, 2007 that:

- identifies critical issues;
- includes a comprehensive conceptual planning guide and specific transmission line proposals necessary to support the standards; and
- contains a five-year action plan that identifies specific actions that must be taken to implement proposals and further develop transmission plans.

3 Repealer. Repeals the current requirement that public and municipal utilities and cooperative electric associations offer "green pricing" programs that allow customers to purchase renewable and high-efficiency, low-emissions, distributed energy for some or all of their energy demand, so long as these customers pay the full cost of obtaining energy

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from these sources. This section is effective January 1, 2010.