

HOUSE RESEARCH

Bill Summary

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Overview

The Renewable Energy Production Incentive (REPI) is one of the most important measures passed by the Minnesota Legislature to support the development of wind energy. Owners of wind energy conversion systems with a capacity of 2 MW or less receive 1.5 cents for each kilowatt-hour (kWh) produced for a period of ten years.¹ The incentive payment is available to only 200 MW of total capacity statewide.¹

Project owners apply to the Department of Commerce to qualify for the incentive. If they are deemed eligible, the project must be operational within 18 months, or approval to receive the incentive payment is withdrawn.

Another crucial financing component for wind projects is the federal Production Tax Credit (PTC), which investors can use against other passive income (not including interest and dividend income) to reduce their tax liability. The credit is currently 1.9 cents per kWh produced, and is paid for ten years.

The PTC was first authorized in 1992 and expired in June 1999. Since then, Congress has reauthorized the PTC for relatively short periods, creating a boom-

¹ Minnesota Statutes 2004, section 216C.41, subdivisions 4 and 5. Wind energy conversion systems owned by certain cooperatives qualify for the incentive if they are 7 MW or below, as set forth in subdivision 1 (c)(3).

² Incentive payments from the first 100 MW are paid from the general fund (subdivision 5); payments for the second block of 100 MW are disbursed from the renewable development account (subdivision 5a and Minn. Stat. § 116C.779, subd. 2).

and-bust cycle in wind development, since few projects are able to secure financing when the PTC is unavailable. The credit expired at the end of 2001, and again at the end of 2003.

Although the PTC was reauthorized by Congress in October 2004, it was unavailable during the previous ten months, which coincided with the 18-month eligibility period of almost all of the wind projects comprising the second 100 MW block eligible to receive the REPI. Eligibility for all unbuilt projects will expire in May 2005.

H.F. 218 extends the eligibility period for projects until the end of 2005 (when the reauthorized PTC once again expires), provided that project owners can produce evidence that projects are likely to succeed if an extension is granted.

- 1 Eligibility process.** Allows applicants to seek to extend their eligibility to receive the Renewable Energy Production Incentive until the end of 2005. Applicants who received a letter of approval prior to 2004 from the commissioner of the Department of Commerce declaring them eligible to receive the incentive payment may obtain an extension by submitting to the commissioner: 1) evidence that all interconnection studies are complete and indicate that interconnection is feasible; and 2) a valid signed wind turbine supply agreement with a delivery date of December 15 or earlier.

The commissioner shall determine whether applicants have complied with these requirements and notify them whether the extension is granted or denied.

Effective date. This section is effective the day following final enactment.