

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 4

DATE: February 1, 2007

Version: As introduced

Authors: Peterson, A. and others

Subject: Energy

Analyst: Bob Eleff

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

Overview

House File 4 amends Minnesota's Renewable Energy Objectives statute that sets a target for 16 electric utilities in the state regarding the proportion of electric generation based on renewable resources, including wind, hydroelectric, biomass, and others. The target is 10 percent of these utilities' retail electric sales - and statewide sales as well - generated from renewable sources by 2015.

Utilities subject to the statute serve the vast majority of the state's retail electric customers. They include all investor-owned utilities, generation and transmission cooperatives and municipal power agencies; municipal utilities and cooperative electric associations are not covered by the law.¹

H.F. 4 makes three major changes in this law:

- It accelerates the transition to renewable fuels from the current target of 10 percent of retail sales by 2015. The proposed targets are 11 percent in 2013, 15 percent in 2015, and 25 percent in 2020.

¹The following utilities are subject to the statute: Xcel Energy, Minnesota Power, Otter Tail Power, Interstate Power & Light Company, Northwestern Wisconsin Electric Company, Great River Energy, Minnkota Power Cooperative, Dairyland Power Cooperative, Basin Electric Power Cooperative, East River Electric Power Cooperative, L&O Power Cooperative, Southern Minnesota Municipal Power Agency, Western Minnesota Municipal Power Agency/Missouri River Energy Services, Northern Municipal Power Agency, Minnesota Municipal Power Agency, and Central Minnesota Municipal Power Agency.

Section

- Under current law, only Xcel Energy is required to meet the objectives; other utilities are required to make a "good faith effort" to meet them. This bill makes the standards mandatory for all utilities beginning in 2013.

The Public Utilities Commission must monitor compliance and impose specified financial penalties on utilities that fail to comply with an order to achieve compliance.

Section

1 216B.1691. Renewable Energy Objectives.

Subd. 1. Definitions. Increases the size of hydroelectric facilities that may be counted towards a utility's Renewable Energy Objective (REO) from 60 to 100 megawatts.

Subd. 2. Eligible energy objectives. Amends the REO provision to require annual 1 percent increases in the proportion of electric generation from renewable energy sources until 2010, at which time 5 percent of statewide sales are to be generated from renewables.

Subd. 2a. Eligible energy standard. Establishes mandatory standards for utilities to meet with respect to the proportion of Minnesota retail sales generated from renewable resources: 11 percent in 2013, 13 percent in 2015, and 25 percent in 2020.

Specifies that hydroelectric and biomass energy sources only are counted toward a utility's standard if the generating facility was originally placed in service after January 1, 1975.

Requires the Public Utilities Commission (PUC) to delay or modify the standard for a utility only if it finds that compliance will negatively impact reliability or ratepayers, or if it is not technically feasible.

Subd. 2b. Strikes language requiring the PUC to devise a weighted scale for various eligible renewable energy technologies in order to encourage particular technologies whose acceleration it determines is in the public interest.

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

Subd. 4. Renewable energy credits. Inserts language insuring that this subdivision applies to the proposed standards in addition to the current objectives.

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

Subd. 6. Electric utility that owns nuclear generating facility. Strikes language making the current REO mandatory for Xcel Energy, and subject to resource and least-cost planning requirements, unless it is reasonably shown to jeopardize reliability.

Subd. 7. Compliance. Requires the PUC to regularly investigate utility compliance with the standards. If noncompliance is found, the commission must order the utility

Section

to comply, either by constructing facilities or purchasing credits. If a utility fails to comply with such an order, the commission must impose a financial penalty of 5 cents for each kilowatt-hour the utility is short of its standard obligation.