

HOUSE RESEARCH

Bill Summary

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Overview

Minnesota's Renewable Energy Production Incentive (REPI) pays owners of wind energy conversion systems with a capacity of 2 MW or less 1.5 cents for each kilowatt-hour (kWh) produced for a period of ten years. The incentive payment is available to only 200 MW of total capacity statewide.

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are deemed eligible, the project must be operational within 18 months, or approval to receive the incentive payment is withdrawn.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 1.8 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-and-bust cycle in wind development, since fewer 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.

In Minnesota, the ten-month period from January to October 2004, before Congress reauthorized the PTC, coincided with the 18-month eligibility period of most of the wind projects comprising the second 100 MW block eligible to

Section

receive the REPI. Eligibility for many of these projects was set to expire in May 2005.

As a result, the Legislature extended the eligibility period for projects that were previously approved to receive the REPI and that provided evidence of their viability by the amount of time the PTC was unavailable during their 18-month eligibility period. It also allowed projects that had made an application but had not been approved to submit evidence of project viability through the end of 2005. The REPI was reduced from 1.5 cents per kilowatt-hour to 1.0 cent for projects receiving an extension, projects replacing those that were unable to provide evidence of viability, and any project that becomes eligible after January 1, 2005. The commissioner may adjust this amount upward if sufficient funds are available.

HF 472 would modify the 2005 legislation by allowing an applicant who applied to receive the REPI prior to March 1, 2005 to provide the commissioner of commerce with evidence that the project is viable through July 2007, so as to be eligible to receive payments.

Section

- 1** **Previously unapproved projects.** Allows an applicant who filed an application with the commissioner of commerce prior to March 1, 2005 to be considered to receive Renewable Energy Production Incentive payments if the applicant files the necessary documents providing evidence of the project's viability by July 31, 2007.