

HOUSE RESEARCH

Bill Summary

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Section

- 1** **[216B.152] Citation.** Provides that this act may be referred to as the Energy Security and Economic Development Act of 2010.
- 2** **[216B.1525] Definitions.**

 Subd. 8. Reasonable profit. “Reasonable profit” means a 9% ROE or the highest ROE approved by the Minnesota Public Utilities Commission in a general rate case for an electric utility during the preceding year, whichever is higher.
- 3** **[216B.153] Standard renewable rate established.** States that a standard renewable rate is established that requires utilities to purchase electricity from Minnesota-owned renewable projects connected to the distribution system in accord with this act.
- 4** **[216B.1535] Standard renewable rate.**

 Subd. 1. Utilities to offer standard renewable rate. Requires each public electric utility to file a rate consistent with this section with the commission by December 1, 2010. Electric cooperative associations, generation and transmission electric cooperatives, and municipal power agencies must adopt a standard renewable rate as consistent as possible with this section within 90 days of the first commission approval order under this section.

 Subd. 2. Standard renewable rate objective. States that the objective of the standard renewable rate is to promote development of renewable energy sources at a rate that will contribute significantly to the achievement of the state’s renewable energy objectives and standards.

 Subd. 3. Application. Specifies that the standard renewable rate applies to wind projects up to 7 megawatts in capacity and photovoltaic systems up to 500 kilowatts in capacity that first began generating electricity after January 1, 2011.

Subd. 4. Standard renewable rate components. Specifies that the standard renewable rate has two components:

- the highest price paid for distributed energy projects under section 216B.164; and
- an incentive payment equal to the difference between the latter rate and the rate determined under this section, to be paid from the public benefits surcharge account established under section 8.

Subd. 5. Standard renewable rate terms. States that:

- an electric utility shall enter into a power purchase agreement to purchase all of the renewable generator's power at rates established under subdivisions 6 or 7;
- the term of the agreement must be at least 20 years; and
- rates for a single project must remain constant in real dollars over the term of the agreement.

Subd. 6. Standard renewable rate; values. Lists minimum rates, by project type and size, that the commission must establish by October 1, 2010.

Contains a formula the commission must use to calculate a standard renewable rate: adding generation costs, a reasonable profit, and any adjustment necessary to meet the objective in subdivision 2, and subtracting other available subsidies and tax credits a generator is qualified to receive.

Subd. 7. Standard renewable rate review and adjustment. Requires the commission to review annually, beginning February 1, 2013, the standard renewable rate, and adjust it if it does not reasonably approximate the rate that would be computed under subdivision 6 or is not achieving the objectives in subdivision 2. Lists factors the commission should consider in deciding whether to adjust rates.

Subd. 8. Renewable energy credits. Specifies that renewable energy credits shall be transferred to the purchasing utility.

Subd. 9. Sales to nonqualifying owners. Prohibits a qualifying owner from selling its ownership interest during the term of a power purchase agreement to a nonqualifying owner. Sales to a qualifying owner must be approved by the commission.

Subd. 10. Ownership limit. Limits ownership of projects receiving a standard renewable rate to 100 percent of a single project (wind and solar), but no more than 15 percent of any additional projects. Aggregate ownership is limited to 12 megawatts.

Subd. 11. WECS capacity calculation. Provides that the total size of a wind project is calculated as for Renewable Energy Incentive Payments.

Subd. 12. Standard contract. Requires the commission to approve a standard contract for all power purchase agreements under the standard renewable rate.

5 [216B.1537] Interconnection. Requires the commission to require, by order:

- utilities to interconnect renewable projects to the maximum extent of state jurisdiction; and

- establish standard interconnection contracts, schedules, and rates.

- 6 [216B.154] Cost recovery.** Requires the commission to require utilities to file for automatic adjustments of charges for service of electricity purchased under standard renewable rates.
- 7 [216B.1545] Information required.** Requires utilities to report to the commission annually, beginning March 1, 2012, information about electricity purchased under standard renewable rate contracts.
- 8 [216B.155] Public benefits surcharge.**
- Subd. 1. Surcharge.** Establishes a public benefits surcharge on each kilowatt-hour of electricity sold at retail in Minnesota, and provides that the surcharge must be remitted to the commissioner of commerce monthly.
- Subd. 2. Amount.** Specifies that the surcharge begins at \$.00025 cent per kwh on July 1, 2010, and rises by that amount each year until 2013, when it reaches \$.001 cent per kwh, and remains at that level thereafter.
- Subd. 3. Account.** Establishes the public benefits surcharge account.
- Subd. 4. Expenditures.** Specifies allowable expenditures from the account: incentive payments to renewable generators under section 9, and reimbursement to the commission for its annual review of the standard renewable rate under section 4.
- Subd. 5. Exceptions.** States the surcharge may not be charged to the first 53,000 kwh monthly consumption of an industrial customer, or to a residential customer who receives the low-income rate discount.
- Subd. 6. Ratepayer contributions.** Requires utilities to offer customers the option of making voluntary contributions to the surcharge account.
- 9 [216.1555] Standard renewable rate incentive payments.**
- Subd. 1. Incentive payment; appropriation.** Directs that incentive payments may be made only to eligible applicants. An annual appropriation is made from the surcharge account to the commissioner of commerce to make incentive payments.
- Subd. 2. Payment period.** Provides that a project may receive incentive payments throughout the term of the power purchase agreement.
- Subd. 3. Amount of payment.** Provides that the incentive payment equals the difference between the highest price that would be paid for distributed energy under section 4, subdivision 4 and the standard renewable rate established in section 4, subdivisions 6 or 7, times the number of kwh generated.
- Subd. 4. Incentive payment allocation.** Provides that no more than 50 percent of total incentive payments in a year may be made to either wind or solar projects.
- Subd. 5. Account insufficiency.** Requires the commission to annually estimate, beginning October 1, 2012, whether funds in the surcharge account are sufficient to fund incentive payments for the coming year. If not, the commission is to: 1)

estimate the increase in the surcharge that would fully fund incentive payments; 2) hold a public hearing on the increase; 3) issue an order increasing the surcharge; and, 4) by January 15, submit a report to the legislature summarizing the order and reasons for the commission's decision.

The effective date of the order is stayed until June 1 of the legislative session following issuance of the order, and becomes effective only if the legislature does not modify or reject the order.

Subd. 6. Ownership; financing; cure. Stipulates how incentive payments are administered if project ownership changes.

Subd. 7. Eligibility process. Specifies information a project owner must supply the commissioner of commerce in order to be eligible to receive incentive payments, and other eligibility requirements.

Subd. 8. Incentive payments queue. Specifies that if funds in the surcharge account are insufficient to fully pay all eligible projects, incentive payments shall be made in the order of the project's date of eligibility for the incentive.

- 10** [216B.56] **Loan eligibility.** Specifies that a renewable electricity generator is eligible for a loan from the Rural Wind Energy Development Revolving Loan Fund.
- 11** [216B. 1565] **Report.** Requires the commission to report to the legislature on January 2, 2012, 2013, and every four years thereafter, on the number of new renewable electricity generators in the state, recommendations for changes to the rates provisions of this act, and actions taken to implement this act.