

## Minnesota Statutes Promoting Renewable Sources of Electricity

Minnesota laws promote the generation of electricity from renewable sources—wind, biomass, solar, hydroelectric, and hydrogen—in several ways, as summarized below. In addition, low-interest loan programs administered by the Minnesota Department of Agriculture’s Rural Finance Authority are available to farmers developing renewable energy projects. Visit [www.mda.state.mn.us/agfinance/](http://www.mda.state.mn.us/agfinance/).

### Increasing Supply

**Renewable Energy Objectives** **Minnesota Statutes, section 216B.1691** requires investor-owned utilities, generation and transmission cooperatives, and municipal power agencies to make a good faith effort to generate or purchase sufficient electricity generated from renewable sources to account for 1 percent of total retail electric sales in 2005, and 10 percent by 2015. Xcel Energy is required to meet these objectives.

**Integrated Resource Planning** **Minnesota Statutes, section 216B.2422** prohibits the Public Utilities Commission (PUC) from approving a new or refurbished nonrenewable energy facility unless the utility has demonstrated that a renewable facility is not in the public interest.

**Wind Power Mandate** **Minnesota Statutes, sections 216B.2423 and 216B.1691** require Xcel Energy to acquire 1,125 megawatts (Mw) of wind capacity: 425 Mw by year-end 2002, an additional 400 Mw by 2006, and 300 Mw more by 2010. At least 100 Mw must consist of projects of 2 Mw or less. Currently, Xcel has more than 930 Mw under contract.

**Biomass Power Mandate** **Minnesota Statutes, section 216B.2424** requires Xcel to acquire 110 Mw of biomass capacity by the end of 2002, including projects fueled from poultry litter and waste wood. The company has the full 110 Mw under contract.

### Funding Development

**Renewable Energy Production Incentives** **Minnesota Statutes, section 216C.41** provides payments of 1.5 cents per kilowatt-hour for ten years to small wind generators (generally, under 2 Mw), owners of qualified hydroelectric dams, and farm anaerobic digesters. Payments to wind generators are limited to 200 Mw of capacity and have been fully allocated.

**Minnesota Statutes, section 116C.779** annually allocates \$9.4 million from the renewable development account (see below) to fund wind production incentives, and up to \$1.5 million to fund incentives for other renewable fuels.

**Utilizing Conservation Funding** **Minnesota Statutes, section 216B.2411** allows all public utilities and those municipal utilities and electric cooperatives meeting their renewable energy objectives to allocate 5 percent of the funds they are otherwise required to spend on energy conservation improvements to construct electric generation facilities powered by renewable fuels.

## Supporting Demand

**Small Producer Purchase Requirement** **Minnesota Statutes, section 216B.164** requires electric utilities to purchase power from certain small power producers, including those using a renewable energy source. The price paid to facilities under 40 Mw capacity may be set by the PUC or may be the average retail rate.

**“Green Pricing” Programs** **Minnesota Statutes, section 216B.169** requires utilities to offer retail customers the option to purchase electricity generated from renewable sources.

## Tax Exemptions

**Wind Facilities** **Minnesota Statutes, section 297A.68, subdivision 12** exempts from the sales tax wind facilities and materials used to manufacture, install, construct, repair and replace them. Under **Minnesota Statutes, section 272.02, subdivision 22**, real and personal property of a wind facility, except land, are exempt from the property tax. **Minnesota Statutes, section 272.029, subdivision 7** exempts wind facilities located in Job Opportunity Building Zones from the wind energy production tax.

**Solar Energy** **Minnesota Statutes, section 297A.68, subdivision 29** exempts solar electric and heating systems from the sales tax. **Minnesota Statutes, section 272.02, subdivision 24** exempts photovoltaic devices from the property tax.

**Biomass and Other Agricultural Resources** **Minnesota Statutes, section 272.02, subdivisions 45, 47, and 54** exempt from the property tax attached machinery and other personal property of specific facilities, including the Fibro Minn poultry litter project in Benson and projects proposed by Itasca Power and Rahr Malting. **Subdivision 43** provides a similar exemption, limited to five years, to any waste wood facility and any facility fulfilling Xcel’s biomass mandate, if the exemption is approved by affected local government units.

## Funding Research

**Renewable Development Account** **Minnesota Statutes, section 116C.779** requires Xcel Energy to contribute \$16 million annually to a renewable development account, at least \$5.1 million of which funds renewable energy projects approved by the PUC.

**Utilizing Conservation Funding** **Minnesota Statutes, section 216B.241** requires Xcel Energy to allocate 5 percent of the funds it must spend on energy conservation in 2003-2008 to support research on hydrogen and other renewable fuels at the University of Minnesota.

**For more information:** Contact legislative analyst Bob Eleff at 651-296-8961.

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