

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H. F. 1323

DATE: March 26, 2001

Version: First Engrossment

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Subject: Energy

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Overview

This legislation provides for electric generation parks; creates a Minnesota Reliability Surcharge to incent construction of new generation facilities to serve Minnesota consumers; provides for a tax-increment financing-like concept to incent new generation facilities and exempts all new generation from the personal property tax.

Section

- 1 **Electric generation parks; definition.** Specifies that an "electric generation park" means a specially designated area for the siting and construction of multiple generation facilities of various sizes. Electric generation parks are a new concept in Minnesota's infrastructure approval process.
- 2 **Electric generation parks; designation of sites.** Authorizes a person to apply to the board for designation of a site for an electric generation park.
 - Requires the application to specify the site boundaries, and provide a general description of the number, type and size of facilities to be constructed in the park, and the proposed total name plate capacity of generation to be sited there.
 - Authorizes the site of an existing power plant to be an electric generation park.
 - Gives the EQB 270 days (9 months) to make a decision on the application, but allows them an additional 90 days if needed. Grants the EQB the authority to impose appropriate conditions on the siting of the park, including the maximum generation capacity allowed to be installed there.
 - Authorizes the EQB to seek an initial analysis of the potential impact of the proposed park on ambient air quality from MPCA.
- 3 **Electric generation parks; certificate of need.** Authorizes the commission to grant a certificate of need for an electric generation park if the commission finds that the facility meets

the relevant sections of the general certificate of need statute and that:

the interconnected electric system for the state is in need of additional power, in excess of the proposed maximum capacity of the park;

the applicant agrees to make all locations in the park available under terms and conditions that ensure comparable, nondiscriminatory and efficient access; and

installation of the proposed maximum capacity of the proposed park will not unduly stress the transmission system, as determined by the independent reliability administrator.

Requires the commission to make its decision within 180 days. Specifies that once a park is certified, no additional certificate of need is required for a generation facility within the park.

Generation credits; incentives.

Subd. 1. Minnesota energy reliability trust fund. Requires the commissioner of commerce, the chair of the PUC and the director of state planning to establish the Minnesota energy reliability trust fund as an account with a financial institution. Specifies that money in the account constitute trust fund revenues, not state revenues.

Specifies that the independent reliability administrator is the manager of the trust fund.

Subd. 2. Minnesota energy reliability surcharge. Requires the commissioner of commerce to recommend a budget to implement this section. Requires the PUC to impose a surcharge of \$0.00017 per kilowatt-hour of electricity and \$0.003 per thousand cubic feet for natural gas sold to Minnesota consumers. This surcharge should cost average Minnesota residential consumers \$1.20 to \$1.50 a year.

Specifies that, if the surcharge raises \$10,000,000 in a fiscal year, the commission is to discontinue imposing the fee, and that if the unencumbered balance of the fund falls below \$4,000,000, the PUC shall re-impose the fee at the beginning of the new fiscal year.

Authorizes the commissioner, chair and director to increase the surcharge proportionately if needed to incent the construction of generation to serve Minnesota consumers, but by no more than \$10,000,000 in any fiscal year, and in no event, more than \$50,000,000.

Subd. 4. Collection. Specifies that each electric and gas local distribution utility shall collect the surcharge and remit the funds collected to the fund manager for deposit in the trust fund.

Subd. 5. Generation construction credits; incentives. Requires the PUC to develop and issue a schedule of generation construction credits to incent construction of generation facilities to serve Minnesota consumers. Specifies that the schedule of credits shall provide:

one credit per megawatt of traditional generation capacity (coal, nuclear, natural-gas)

one and a half credits per megawatt of capacity of: (1) co-generation (where a fuel is burned to create steam to run a turbine to create electricity, then uses the "waste" steam for heating or cooling); (2) combined cycle generation (where a fuel is burned in a combustion turbine, then the "waste heat" from this process is used to generate steam to operate a steam turbine to generate additional electricity); and (3) generation using refuse-derived fuel; and

two credits per megawatt of capacity of renewable energy or "emerging technologies generation facilities" (facilities intended to demonstrate new or developing technologies that produce electricity efficiently, such as natural gas powered fuel cells and small scale turbines).

Specifies that generation construction credits may only be granted by the commissioner

and paid out by the fund manager for 10 years: (1) as necessary to incent construction; (2) for projects that comply with section 177.43 (prevailing wage); and (3) for electricity generated for use by Minnesota consumers. Specifies that, if the wholesale price for electricity increases above a certain amount set by the PUC, the commissioner will discontinue the credits to the owners of the generation facilities - above that amount, there is no need for a subsidy.

Subd. 6. Right of way bank. Authorizes use of a portion of the reliability surcharge funds to assist local government units and the Department of Transportation purchase right of way & create public utility corridors for the placement and construction of utility facilities in public rights of way. Specifies that a portion of the taxes paid on facilities in the purchased right of way shall be deposited in the fund.

Subd. 7. Conversion incentives. Authorizes use of a portion of the reliability surcharge funds to provide incentives for reducing emissions from, and increasing efficiency of, existing power plants.

Subd. 10. Center for energy security. Establishes a center for energy security at the Humphrey Institute for Public Affairs, to:

research and identify emerging energy issues, including adequacy of energy supply to consumers in the state;

energy infrastructure issues;

demand and delivery concerns;

environmental constraints;

emerging energy-related technologies, fuels and applications;

energy restructuring policies; and

matters that affect energy prices paid by Minnesota consumers.

In addition, the center shall serve as an information resource and clearinghouse and advise state agencies and legislators on energy policy issues affecting Minnesota consumers. Requires the commissioner, chair and director to establish an annual budget for the center and to transfer that amount of the reliability surcharge funds to the university for administrative costs of the center.

Subd. 11. Underground transmission lines. Allows the commissioner to use a portion of the surcharge for up to two demonstration projects for burying transmission lines.

5 **Utility TIF.** Authorizes the use of tax-increment financing to incent construction of new generation facilities. Requires that 10 percent of the increment be used for the development of renewable resources; 10 percent for conservation initiatives and 5 percent for the statutory or home rule city and county in which the facility is located.

6 **Personal property used to generate electricity.** Exempts all new power plants that comply with the requirements of section 177.43 from personal property tax.