

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1332

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Version: As introduced

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Subject: Tariff rate for community-based wind projects

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Overview

House File 1332 directs the Minnesota Public Utilities Commission to establish a tariff designed to facilitate the development of community-based wind projects and optimize the economic development benefits flowing from them at the local, regional and state level. To increase cash flow during a project's initial years in order to accelerate the recovery of capital costs, the rate is "front-loaded," i.e., is higher during the first ten years of the power purchase agreement and lower in the second decade. The net present value of the rate over the 20-year term of the agreement is equal to or greater than the utility's avoided cost.

Section

- 1** **Subd. 1. Tariff establishment.** Requires the Minnesota Public Utilities Commission to establish a community-based wind energy development tariff designed to optimize the economic development benefits of wind facilities and facilitate the development of such projects across the state.
- Subd. 2. Tariff rate.** Requires the tariff to have a net present value over the contract's 20-year term (calculated by utilizing the utility's normal discount rate) equal to or greater than the utility's avoided cost, as determined in its most recent avoided cost filing, or as determined by the commission if there is no filing. The rate must be higher in the first 10 years than in the latter 10 years to accelerate recovery of capital costs.

Subd. 3. Application of tariff. Specifies that the tariff, which must be offered by all Minnesota load-serving electric utilities, applies to wind projects satisfying certain ownership requirements (e.g., may be owned by a Minnesota resident, small business, nonprofit organization, political subdivision, certain cooperatives), regardless of size. It also applies to projects meeting an energy need identified in a utility resource plan, those satisfying a statutory mandate or a renewable energy objective, and to community-based wind projects satisfying a commission order.

Subd. 4. Priority for tariff-eligible projects. Requires that a project eligible for the tariff be granted preference over other projects if the utility system can accept the project using standard reliability criteria.

Subd. 5. Election by a project developer. Allows a community-based project developer to elect to negotiate a power purchase agreement with a utility having a different rate and term from the tariff established in subdivision 1.

Effective date. This section is effective the day following final enactment.

2 Transitional requirement. Requires the commission to establish the tariff so that it is available for use by September 1, 2005.