

HOUSE RESEARCH

Bill Summary

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Overview

House File 2253 contains several provisions pertaining to community-based energy development (C-BED) projects, a category created in 2005:

- Expands the definition of C-BED to include a wide range of renewable energy projects, not just wind;
- Amends the financial criteria for C-BED projects;
- Requires utilities to consider C-BED projects in addressing their renewable energy standard obligation;
- Establishes requirements for utilities proposing to own and operate C-BED projects;
- Requires utilities to establish green-pricing programs for C-BED projects;
- Transfers the Reliability Administrator from the Public Utilities Commission to the Department of Commerce; and
- Requires a statewide study of the potential for dispersed electric generation.

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1 **Citation.** Specifies that sections 1 to 14 may be known as the Community-Based Energy Development (C-BED) Act of 2007.

2 **[216B.1612] Community-based energy development; tariff.**

Subd. 1. Tariff establishment. Specifies that the tariff established pertains to renewable energy projects, not just wind energy projects, as in current law.

Subd. 2. Definitions. Allows a rural electric cooperative, generation and transmission cooperative, and political subdivision, including a municipal electric utility or a municipal power agency, to be a qualified C-BED owner on behalf of and at the request of a member distribution utility.

A C-BED project is defined as a renewable energy project that provides at least 51 percent of total payments resulting from a power purchase agreement to accrue to:

- qualified owners, who must receive at least 35 percent of net cash payments made under a PPA over the life of the agreement;
- landowners, in the form of lease payments;
- local units of government, in the form of wind energy production taxes; and
- chartered state banks, in the form of interest on project debt.

Wind projects consisting of more than two turbines may not have a single qualifying owner own more than 15 percent of the project. For a wind energy C-BED project, a public entity, except for a municipal utility, may own more than 15 percent of a project.

Subd. 3. Tariff rate. Removes the 2.7 cents per kWh cap in current law.

Subd. 4. Utilities to offer tariff. Requires utilities to file a C-BED tariff with the Public Utilities Commission by December 1, 2007.

Subd. 5. Priority for C-BED projects. Requires a utility with an approved plan under section 3 of this article to negotiate in good faith with C-BED project developers, up to an aggregate capacity for C-BED projects identified in the plan.

A municipal power agency or generation and transmission cooperative must provide notice to its distribution utilities that they may propose C-BED projects for consideration.

Subd. 8. Community energy partnerships. Allows and encourages utilities and independent power producers to participate in C-BED projects.

Subd. 9. C-BED advisory determination. A developer may request the commissioner of commerce to issue an advisory determination as to whether the project qualifies as a C-BED project.

3 **Subd. 2a. Utility ownership of renewable resources.** Allows a utility to construct, own and operate facilities to satisfy its renewable standard, notwithstanding an existing competitive resource acquisition process. Xcel Energy must file a plan with the commission before March 1, 2008, detailing how it intends to meet its renewable energy standard, including a schedule for purchasing energy from C-BED projects

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and proposed associated transmission resources. The commission must approve the plan unless it imposes excessive rate increases; does not reasonably allocate resources among utility-owned resources, purchased energy from C-BED and non-C-BED projects, and resources selected through its competitive resource acquisition process; or does not maximize benefits to Minnesotans, as required under the RES statute (section 216B.1691, subdivision 9).

4 **Subd. 2b. Cost recovery for owned renewable facilities.** Specifies the recovery mechanism allowed by the commission.

5 **[216B.1681] Curtailment payments.** Requires the commission to begin to assess, by September 1, 2007, to assess whether utilities are unduly discriminating among different project ownership structures in making curtailment payments to wind projects.

6 **[216B.169] Community-based energy development green pricing option.**

Subd. 2. C-BED green pricing programs. Requires utilities to offer customers the option of determining that a certain amount of electricity delivered to the customer is from a C-BED project or from the purchase of renewable energy credits from a C-BED project.

Subd. 4. C-BED logo. Requires the commissioner of commerce to design a logo qualifying entities may affix to their product and use in advertising affirming that the entity uses "100% Minnesota Renewable Energy."

7 **[216C.052] Reliability Administrator.** Transfers the Reliability Administrator from the commission to the Department of Commerce.

8 **[216F.011] Size determination.** Specifies how wind projects may be aggregated in order to determine whether the state or counties may issue siting permits.

9 **Permit authority; assumption by counties.** Authorizes counties to issue site permits for wind energy projects under 25Mw. Requires the commission to establish general permit standards governing these permits as well as those issued by the commission for larger projects.

10 **Statewide study of dispersed generation potential.** Requires utilities to participate fully in a study to determine the impacts of allocating 1,200 Mw of dispersed generation projects (10-40 Mw) across Minnesota's grid.

11 **Like any conveyance.** Specifies that a wind easement entered into after the effective date of this section terminates after five years if a wind energy project does not begin commercial operation within that time.

12 **Transferring reliability administrator responsibilities.** Transfers all reliability administrator responsibilities from the commission to commerce.

13 **Transmission authority and interconnection evaluations.** Requires the reliability administrator and stakeholders to review the powers and duties of state transmission authorities established in other states to evaluate the potential effect of a similar organization in Minnesota, and also to assess barriers to interconnecting dispersed generation to the grid.