

2013 Solar Energy Legislation in Minnesota

In 2013, the Minnesota Legislature enacted a bill that contained several provisions designed to promote the growth of solar energy ([Laws 2013, ch. 85](#)). These provisions are summarized below.

1.5 Percent Solar Energy Standard for Public Utilities

[Minn. Stat. § 216B.1691](#), subd. 2f. A new law requires Minnesota's public utilities to generate or procure sufficient electricity from solar sources so that by the end of 2020, at least 1.5 percent of the utility's retail electricity sales in the state are produced from solar energy. (In computing its standard, a utility must exclude retail sales to iron mining and processing facilities, paper mills, sawmills, and wood product manufacturers.) At least 10 percent of this energy must be generated by facilities with a capacity of 20 kilowatts or less. Public utilities must comply with this solar standard in addition to fulfilling the existing Renewable Energy Standard, which requires that at least 20 percent of electricity sales originate from renewable energy sources by 2020, and 25 percent by 2025 (for Xcel Energy, these percentages are 25 and 30, respectively.).

The state's public utilities are Xcel Energy, Minnesota Power, Otter Tail Power, Alliant Energy Interstate Power and Light, and Northwestern Wisconsin Electric Company. These utilities collectively account for two-thirds of the state's retail electricity sales.

Analysts estimate that compliance with the standard will increase solar capacity in the state by a factor of 30 from 2013 levels.

Solar Energy May Be Reimbursed at a New "Value of Solar" Rate

[Minn. Stat. § 216B.164](#), subd. 10. The 2013 legislation gives public utilities a new option for paying solar generators for electricity sold to the utility in excess of the generator's consumption. Prior to the new law, generators were reimbursed at a rate they selected, based on either the utility's avoided costs as set by the Minnesota Public Utilities Commission (PUC) or the utility's average retail rate. Under the new law, a utility may choose to pay generators a price that reflects the value that solar energy represents to the utility, incorporating savings that accrue from avoiding construction of new power plants and transmission lines, reducing transmission and distribution line losses, etc. The PUC will establish a generic method that public utilities must use to annually calculate this "value of solar" rate, which, for the first three years, cannot be below the utility's average retail rate.

Xcel Energy's Solar Incentive Program

[Minn. Stat. § 116C.7792](#). Beginning in 2014, Xcel Energy, which accounts for approximately half of Minnesota's retail electricity sales, must provide \$5 million in financial incentives annually for five years to promote the installation of solar energy systems in its service area. Eligible systems must have a capacity of 20 kilowatts or less that generate no more than 120 percent of the customer's onsite annual electricity consumption. The incentive is paid for a period of ten years.

***Xcel Energy's
Community Solar
Garden Program***

[Minn. Stat. § 216B.1641](#). A community solar garden sells electricity generated from solar energy to subscribers who purchase a given portion of its output. It allows access to solar energy by renters and property owners lacking sufficient capital to install their own solar systems or whose property may be shaded or otherwise unsuitable for a solar installation.

Xcel Energy must submit a plan to operate a community solar garden program to the PUC by September 30, 2013. Programs are to begin operating no later than 180 days following the commission's approval of the plan. Other utilities may also submit plans.

A community solar garden may be owned by a utility or any other entity. All energy generated by the facility, whose capacity is limited to one megawatt, is sold to the utility at the value of solar rate for distribution to subscribers. Subscriptions must represent at least 200 watts of capacity and may not exceed 120 percent of a subscriber's annual electricity consumption.

***"Made in
Minnesota" Solar
Incentives***

Photovoltaic ([Minn. Stat. §§ 216C.411 to 216C.415](#)). Beginning in 2014, \$15 million annually for a period of ten years is allocated to owners who install solar photovoltaic devices with a capacity no greater than 40 kilowatts that have been certified by the Department of Commerce as manufactured in Minnesota. The incentive is financed from two sources: (1) each public utility annually contributes 5 percent of the minimum it is statutorily required to spend on energy conservation programs; and (2) the balance comes from Xcel Energy's Renewable Development Fund ([Minn. Stat. § 116C.779](#), subd. 1).

The amount of the per-kilowatt-hour-generated incentive for each type of Minnesota-made photovoltaic device is determined by the Department of Commerce based on several factors, including the performance of the device, and may be revised annually. Payments run for ten years and are to be split evenly between residential and commercial properties.

Thermal ([Minn. Stat. § 216C.416](#)). Beginning in 2014, approximately \$250,000 annually for a period of ten years is allocated by the Department of Commerce for rebates to owners of residential and commercial buildings who install solar thermal systems manufactured in Minnesota to heat or cool air or water. Maximum rebates are the lesser of 25 percent of the installed cost of the system or \$2,500, \$5,000, or \$25,000, for single family, multifamily, and commercial properties, respectively. Rebates are to be allocated evenly between projects heating or cooling air and water. The rebates are funded from the incentive account established above for "Made in Minnesota" photovoltaic projects.

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

The Research Department of the Minnesota House of Representatives is a nonpartisan office providing legislative, legal, and information services to the entire House.