

Omnibus Energy Bill (SF 1368 and HF 1344)

Passed 62-0 in Senate and 131-2 in House. Signed by Governor Tim Pawlenty May 25, 2005; re-signed in a ceremony June 1, 2005.

Full Text of the Legislation:

<http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H1344.3&session=ls84>

1) Community-Based Energy Development (C-BED) Tariff

Article 2, Section 1 of the Omnibus Energy Bill establishes a tariff to optimize local, regional, and state benefits from wind energy development, and to facilitate widespread development of community-based wind energy projects throughout the state. The C-BED tariff is based on the net present value of electricity and will provide wind projects with better cash flow during their debt service period and declining cost power for the utility and ratepayers over the 20 year term of the contracts. The initiative will provide a stable incentive for community wind energy projects not subject to state budget constraints or an expiration date. Every load-serving electric utility in Minnesota is required to negotiate C-BED proposals, but no utility is required to purchase power from C-BED projects.

Who is eligible?

The C-BED tariff is available to all “qualifying owners” which means a Minnesota resident; an LLC that is organized under the laws of MN and that is made up of members who are MN residents; a MN nonprofit organization organized under chapter 317A (MN Nonprofit Corporation Act); a MN cooperative association organized under chapter 308A or 308B, other than a rural electric coop association or a G&T coop; a MN political subdivision or local government other than a municipal electric utility or municipal power agency, including, but not limited to, a county, statutory or home rule charter city, town, school district, or public or private higher education institution or any other local or regional governmental organization such as a board, commission or association; or a tribal council.

In addition, no single qualified owner can own more than 15 percent of a project consisting of two or more wind turbines and owners of property traversed by transmission lines serving a C-BED project must be given the opportunity to invest in the project. For projects of one or two wind turbines, at least 51 percent of the project’s total financial benefit over the 20-year power contract must flow to the one or more qualifying owners. C-BED projects must also obtain a resolution of support from the county board of the county where the project will be located or the tribal council of the reservation where the project will be located.

C-BED projects may form joint ventures with non-qualifying owners, but the C-BED tariff will only apply to the portion of the project owned by qualifying owners.

What is the tariff rate? When will it be available?

This statute establishes a tariff at a rate of up to 2.7 cents per kilowatt hour net present value rate over the 20-year life of the power purchase agreement. The tariff rate must be higher in the first ten years of the agreement than the last ten years in order to accelerate recovery of capital costs. The



discount rate required to calculate the net present value must be the utility's normal discount rate used for its other business purposes. (For more on what this means for community wind, visit the "Public Policy for Community Wind" section of Windustry's website.) Investor owned utilities must file their tariff by December 1, 2005, and must give priority consideration to community-based projects in meeting their renewable energy objective. Municipal utilities and rural electric cooperative must adopt a C-BED tariff within 90 days of the first PUC order approving a C-BED tariff.

Is the C-BED tariff a requirement for utilities?

Utilities must establish a C-BED tariff, but the statute does not obligate utilities to purchase power from C-BED projects. A utility subject to the Minnesota Renewable Energy Objective (REO) that needs to construct new generation, as part of the plan to satisfy the REO should take reasonable steps to determine if one or more C-BED projects are available that meet the utility's cost and reliability requirements, applying standard reliability criteria, to fulfill some or all of the identified need at minimal impact on customer rates. Each utility must also include in its resource plan a description of its efforts to purchase energy from C-BED projects, including a list of the projects under contract and the amount of C-BED energy purchased. And lastly, the Minnesota Public Utilities Commission shall consider the efforts and activities of a utility to purchase energy from C-BED projects when evaluating its effort toward meeting the REO.

2) Transmission

The Omnibus Energy bill takes several steps in streamlining state review of transmission projects and providing incentives for transmission owners to invest in upgrades or new projects by allowing faster, more certain financial recovery.

Wind Integration Study

The legislation requires all electric utilities to finance and participate in a statewide study of the impacts on reliability and cost of increasing wind capacity to 20 percent of Minnesota retail electric sales by 2020. The Reliability Administrator shall manage the study and appoint a stakeholders group with experience in engineering and expertise in power systems or wind energy to review the study's proposed methods and assumptions. The study must be completed by November 30, 2006.

Transmission Companies

Utilities will now be able to transfer their transmission lines to a separate company under jurisdiction of the Federal Energy Regulatory Commission. The goal of this legislation is to allow for quicker cost recovery for upgrading the transmission system and to reduce investors' reluctance to invest in transmission projects. Transfer of such assets is subject to Minnesota Public Utilities Commission review, which must find that the transfer is: consistent with the public interest; facilitates the development of transmission infrastructure necessary to ensure reliability, encourages development of renewable resources, and accommodates energy transfer between states; protects Minnesota ratepayers against subsidization of wholesale transactions through retail rates; and ensures that the state retain jurisdiction over the transferring utility. Permits municipal utilities, power agencies, and joint ventures to transfer ownership or control of transmission assets to transmission companies.

Transmission for Wind and Renewable Energy



Priority project status is granted to transmission projects determined by the PUC to be necessary to meet a utility's renewable energy objective until 2010. The legislation also exempts large energy facilities that generate electricity from wind energy conversion systems serving retail customers in Minnesota, that are specifically intended to meet the renewable energy objectives, from the certificate of need requirement.

Transfer of Siting and Routing Authority

The bill transfers generation and transmission siting and routing authority from the Environmental Quality Board to the Public Utilities Commission.

3) Other Key Provisions in the 2005 Omnibus Energy Bill

Eminent Domain Landowner Compensation

The new legislation requires the Legislative Electric Energy Task Force to convene by June 15, 2005, a working group to research alternative methods of compensating landowners on whose land high-voltage transmission lines have been constructed.

Hydrogen

The bill encourages use of hydrogen fuel cells in state buildings and vehicles.

Biomass

The bill assists a wood-waste power project near Northome (in northern, MN) and supports some small biodiesel projects.
