



Minnesota Rural Electric Association
Legislative Bulletin

February 27, 2013

MREA Legislative Bulletin

Renewable Energy Legislation

Since the last update, a number of bills have been introduced to mandate and subsidize more renewable energy in Minnesota. Here is a rundown of those bills.

HF 773 (Rep. Will Morgan – DFL-Burnsville)/SF 680 (Sen. Chris Eaton – DFL-Brooklyn Center)

The so-called “Solar Energy Jobs Act of 2013” is the solar advocates’ bill. As we have indicated previously, the legislation is the ultimate wish list for solar developers. The bill contains multiple provisions designed to increase solar installations in the state. Some of those provisions are:

- Requires utilities to pay solar generators a “value of solar” price calculated by the Department of Commerce.
- Creates a solar energy mandate that increases to over 10% by 2030.
- Requires utilities to send 1.33% of annual revenue to the Department of Commerce to be used for subsidizing solar panel installations.
- Authorizes the Department of Commerce to pay additional subsidies to installations using Minnesota made solar panels.
- Requires each utility to provide to the Department of Commerce an assessment of the current capacity available on its distribution system for solar panels on non-residential buildings.

This bill was heard by the House Energy Committee on 2/26. Representatives from many utilities testified in opposition, including MREA Director of Government Affairs Joel Johnson on behalf of electric cooperatives. The bill was laid over for possible inclusion in the House Energy Omnibus Bill.

We have grave concerns over most of the provisions in this bill. We think it is filled with bad policy, is regressive in nature and will ultimately destroy more jobs than it creates. During our testimony, we highlighted five key objections.

We oppose the 10 percent Solar Energy Standard

- It not only reneges on the negotiated 2007 RES principle of allowing utilities to decide the best approach to meeting the Renewable Energy Standard for their system, it does it in an extremely expensive and inefficient way.

- Conservative back-of-the-envelope calculations indicate it will cost Minnesotans a bit under \$26 billion just for the cost of the solar panels and installation. That comes out to around \$20,000 for a family of four.
- GRE estimates that meeting the 1% requirement alone will cost its members \$425 million in new capital outlays. (Assuming an average capacity factor of 15%, it will require the installation of 85 MW of solar generation at an installation price of \$5,000 a KW.)

The 1.33%, \$80 million sales tax on electricity is extremely regressive

- We oppose taxing our members to subsidize the installation of solar panels on multi-million homes on Lake Minnetonka, Lake Calhoun or even Gull Lake.

There is no member/consumer protection in the bill – only producer protection

- It shifts all of the risk onto ratepayers and sends all of the benefits to individuals who can afford the upfront costs to install solar.
- The renewable energy credits should go to the cooperative since the cooperative is paying for the environmental benefits in the Value of Solar formula.

It doesn't address the serious cost-shifting issues with the state's current net metering laws

- Current law allows many net-metered members to completely avoid paying for the infrastructure required to provide them with electricity when the sun isn't shining or the wind isn't blowing. It then shifts those costs onto their neighbors and encourages self-generators to oversize their generation. This bill only exacerbates those problems.

We don't need generation

- Electric cooperatives already have enough generation and growth is flat. Forcing us to add costly new solar generation to our systems will in turn force us to dump even more of our excess wind energy into the MISO market at a loss. Electric cooperatives are already losing \$70 million a year from those transactions. We don't need more losses.

The Senate version of the bill, SF680, will be heard in the Senate Environment and Energy Committee on Thursday, February 28.

HF 880 (Rep. Frank Hornstein - DFL-Minneapolis)/SF 763 (Rep. Kevin Dahle – DFL-Northfield)

This legislation is being pushed by the wind advocates, namely Wind on the Wires, which represents wind developers. Some of the provisions in this bill include:

- Increases current renewable energy mandates and extends new mandates into the future. The new end goal would be a 40% mandate by 2030.
- Creates a new solar energy standard on top of the 40% by 2030. The numbers in the solar energy standard are currently blank.

- Restricts utilities to banking credits to no longer than one year.

HF 880 will be heard in the House Energy Committee on Monday, March 4.

Our objections to this bill are similar to the Solar Jobs Act – it will be unnecessarily expensive, we don't need the generation and we're already losing \$70 million a year because of the original RES.

HF 955 (Rep. Melissa Hortman – DFL-Brooklyn Park)

HF 955 raises the limit on net metered installations from 40 kW to 1 mw. The utility would still be required to pay retail rates for excess generation.

HF 956 (Hortman)

HF 956 is the Dayton Administration's energy bill. MREA and its members met with the Division of Energy Commissioner, Bill Grant, multiple times to discuss the components of this legislation. The bill then went to the Governor's office for an extended period of time to be vetted, and what came out was very different from what was discussed. We expect a delete-all amendment prior to its first hearing next Tuesday.

Key components of the bill are:

- Raises the net metering limit from 40 kW to 1 mw. Excess generation would be paid at avoided costs. Installations less than 40 kW prior to January 1, 2015 would still receive retail payments.
- Net metered and QF systems can't be limited to less than 5% of the utility's annual energy sales – based on the utility's historical annual average monthly system demand
- Allows cooperatives to limit penetration to 5% of historic annual energy sales. If a cooperative elects to limit net metered accounts after the limit is reached, it must provide public notice and provide customers opportunity to comment.
- Creates a solar electricity mandate. The numbers for the mandate are left blank.
- It allows for third-party sales of renewable energy without them being considered a utility.
- Repeals the language in the net metering statute that balances the maximum encouragement of distributed generation with the need to protect ratepayers and the public.

HF 956 is scheduled to be heard in the House Energy Committee on March 5.

This is also likely to be the vehicle for the final Omnibus Bill.

We are obviously interested in the changes to net metering. Although we support the move to paying for excess energy at avoided cost, the new 1 MW, the 5% absence of system wide caps and the elimination of ratepayer protection are non-starters.

We're also more than a bit dismayed by the fact that the bill is nothing like what was described by DER Director Bill Grant.

Solar Manufacturers Bill

Language for the Solar Manufacturers Bill has been drafted and should be introduced within the next few days. The bill creates a "Made in Minnesota" incentive fund for solar installations, using money from Xcel Energy's RDF fund and 5% CIP spending. (The 5% could previously be used for CIP, but now it is mandated.)

The original language didn't include CIP credits for that spending, but we have been told it will be included in the bill. We are also pushing for a multiplier on those credits since the cost of solar is so expensive.

State Land Crossing Fees

Last week, the House Environment Policy Committee heard HF 520, a bill that would remove application fees for utilities crossing state land when using an existing road right of way. Rep. David Dill (DFL – Crane Lake) amended his bill to also remove application fees when utilities apply for a renewal on their crossing permits. Joel Johnson testified in support of the bill on behalf of MREA.

The Department of Natural Resources (DNR) testified in opposition, stating that they are simply recovering the costs associated with processing these applications and that this bill would leave a hole in their budget. Rep. Dill laid the bill over and has continued to work with MREA and the DNR in assessing what the actual costs is to the DNR.

A meeting has been set up between department staff and MREA on March 8 to discuss ways to reduce the fee or avoid duplication.

Sales Tax on Aid to Construction

We are still waiting for word from the Department of Revenue on clarification of the issue. However, in the meantime, we are getting bills drafted and they should be introduced soon.

MREA Legislative Teleconferences

We'll be holding our weekly Legislative Teleconference on Friday at 11:30 a.m. During the calls, we provide participants with a briefing of what's been happening at the Capitol, including updates on our legislative priorities, and coordinate any grassroots efforts that are needed. We're also hoping to get feedback from members about any local issues that could have an impact in St. Paul.

To participate, call 877-810-9415. The access code is 6422870.

As always, if you have any specific questions on legislation or policy, please feel free to contact the MREA Government Affairs staff:

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