

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 1619

05/02/2011 Authored by Knuth, Hortman and Hornstein

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance

1.1 A bill for an act
1.2 relating to energy; creating solar energy standard for utilities; regulating solar
1.3 energy; amending Minnesota Statutes 2010, section 216B.1691, subdivision 4,
1.4 by adding subdivisions.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **CITATION; PURPOSES.**

1.7 Subdivision 1. Citation. Sections 1 to 5 may be cited as the Minnesota Solar Energy
1.8 Act.

1.9 Subd. 2. Purposes. The purposes of sections 1 to 5 are to:

1.10 (1) provide for the orderly incorporation of solar-generated electricity into the mix
1.11 of electricity sources that serve Minnesota consumers to ensure greater diversity among
1.12 those sources;

1.13 (2) increase in-state economic development of Minnesota energy resources;

1.14 (3) reduce Minnesota's heavy reliance on non-Minnesota fuels for electricity
1.15 generation and decrease the economic drain of Minnesota financial resources to pay for
1.16 those fuels;

1.17 (4) increase energy security for Minnesota;

1.18 (5) develop new, and encourage growth of existing, solar energy businesses in
1.19 Minnesota;

1.20 (6) develop a strong manufacturing base for solar equipment in Minnesota;

1.21 (7) develop a strong base for solar energy-related jobs in Minnesota;

1.22 (8) develop a robust private market for solar-generated electricity; and

1.23 (9) reduce and eliminate insufficient, unreliable, and unsustainable financial
1.24 mechanisms to support solar energy development.

2.1 Sec. 2. Minnesota Statutes 2010, section 216B.1691, is amended by adding a
2.2 subdivision to read:

2.3 Subd. 2e. **Solar energy standard.** (a) In addition to the requirements of subdivision
2.4 2a, each electric utility subject to subdivision 2a shall generate or procure sufficient
2.5 electricity generated by solar energy to serve its direct or indirect retail customers in
2.6 Minnesota so that at least the following standard percentages of the electric utility's total
2.7 retail electric sales to retail customers in Minnesota are generated by solar energy by the
2.8 end of the year indicated:

2.9	<u>(1)</u>	<u>2012</u>	<u>0.1 percent;</u>
2.10	<u>(2)</u>	<u>2016</u>	<u>0.4 percent;</u>
2.11	<u>(3)</u>	<u>2020</u>	<u>1 percent;</u>
2.12	<u>(4)</u>	<u>2025</u>	<u>5 percent; and</u>
2.13	<u>(5)</u>	<u>2030</u>	<u>10 percent.</u>

2.14 (b) The commissioner of commerce may adjust a goal for a specific electric utility
2.15 under paragraph (a) or delay its implementation after:

2.16 (1) receipt of a petition from an electric utility that clearly shows that the utility's
2.17 average retail rates, or the utility's members' average retail rates, must increase by more
2.18 than two percent in order to meet a specified goal;

2.19 (2) notice to interested persons with at least 60 days for them to submit comments
2.20 and at least one public meeting to discuss the petition; and

2.21 (3) analysis of the petition and all comment by department staff in light of the utility's
2.22 then existing rate structure and a staff recommendation for action by the commissioner.

2.23 The commissioner shall publish the final decision in the State Register and on the
2.24 department's Web site and shall transmit the final decision to the commission and the chairs
2.25 and ranking minority members of the legislative committees with primary jurisdiction
2.26 over energy policy. In no case may a goal for any utility drop below 7.5 percent in 2030.

2.27 Sec. 3. Minnesota Statutes 2010, section 216B.1691, is amended by adding a
2.28 subdivision to read:

2.29 Subd. 2f. **Solar energy standard; compliance.** (a) To meet the standard and
2.30 benchmarks in subdivision 2e, a utility may:

2.31 (1) construct and own solar energy installations;

2.32 (2) purchase electricity and solar renewable energy credits from independent solar
2.33 energy power producers or utility customers;

2.34 (3) purchase solar renewable energy credits from any renewable energy credit
2.35 market approved by the commission that separately tags solar renewable energy credits; or

3.1 (4) remit to the commissioner an amount equal to the number of solar renewable
3.2 energy credits the utility needs to comply with a benchmark, times the average market
3.3 price of a credit at the time the benchmark must be met, plus 25 percent.

3.4 (b) The commissioner shall deposit funds remitted under paragraph (a) in the
3.5 energy and conservation account in the state treasury established in section 216B.241,
3.6 subdivision 2a. The commissioner shall account for money in the fund deposited under
3.7 this paragraph by the source of the funds and shall make every reasonable effort to use
3.8 the money to provide incentives for solar energy installations in that specific utility's
3.9 service territory. If the commissioner is unable, after a three-year period, to fully expend
3.10 a utility's payment to the fund in that utility's service territory, the commissioner may
3.11 aggregate all such funds and provide incentives for solar energy installations statewide on
3.12 a first-come, first-served basis.

3.13 Sec. 4. Minnesota Statutes 2010, section 216B.1691, subdivision 4, is amended to read:

3.14 Subd. 4. **Renewable energy credits.** (a) To facilitate compliance with this section,
3.15 the commission, by rule or order, shall establish by January 1, 2008, a program for
3.16 tradable renewable energy credits for electricity generated by eligible energy technology.
3.17 The credits must represent energy produced by an eligible energy technology, as defined in
3.18 subdivision 1. Each kilowatt-hour of renewable energy credits must be treated the same as
3.19 a kilowatt-hour of eligible energy technology generated or procured by an electric utility if
3.20 it is produced by an eligible energy technology. The program must permit a credit to be
3.21 used only once. The program must treat all eligible energy technology equally and shall
3.22 not give more or less credit to energy based on the state where the energy was generated or
3.23 the technology with which the energy was generated. The commission must determine the
3.24 period in which the credits may be used for purposes of the program.

3.25 (b) In lieu of generating or procuring energy directly to satisfy the eligible energy
3.26 technology objective or standard of this section, an electric utility may utilize renewable
3.27 energy credits allowed under the program to satisfy the objective or standard.

3.28 (c) The commission shall facilitate the trading of renewable energy credits between
3.29 states.

3.30 (d) The commission shall require all electric utilities to participate in a
3.31 commission-approved credit-tracking system or systems. Once a credit-tracking system is
3.32 in operation, the commission shall issue an order establishing protocols for trading credits.

3.33 (e) An electric utility subject to subdivision 2a, paragraph (b), may not sell renewable
3.34 energy credits to an electric utility subject to subdivision 2a, paragraph (a), until 2021.

4.1 (f) The commission shall ensure that solar renewable energy credits used to meet
4.2 the standards in subdivision 2e are separately tagged. Any utility may purchase and any
4.3 utility or other person may sell solar renewable energy credits at any time for the purposes
4.4 of compliance with subdivision 2e. Solar renewable energy credits may be used to
4.5 meet either the standards in subdivision 2a or those in subdivision 2e, but not both. In
4.6 all instances, solar renewable energy credits belong to the project owner and must be
4.7 purchased separately from the energy, although they may be purchased under the same
4.8 contract, power purchase agreement, or other transaction. The commission shall establish
4.9 guidelines and a methodology for retail electricity customers who generate solar electric
4.10 or thermal energy that is used by the customer and not sold to a utility, so that those
4.11 self-generators may sell solar renewable energy credits in the renewable energy credit
4.12 market like any other solar electric or solar thermal energy producer.

4.13 (g) By January 31, 2012, and every two years thereafter, for residential solar
4.14 installations with a rated or converted capacity of 100 kilowatts or smaller, the
4.15 commissioner of commerce shall determine and publish a base price for solar renewable
4.16 energy credits for sale through the program established under paragraph (a) that ensures
4.17 that the minimum purchase price reflects at least the average price paid by public utilities
4.18 to purchase solar renewable energy credits, determined by the most recent two-year time
4.19 period. The commissioner shall ensure that the price is sufficient, when added to the price
4.20 of the energy produced by solar projects, to cover the costs of the projects and provide a
4.21 reasonable return on investment to the project owner and may:

4.22 (1) require any Minnesota electric utility to provide specific cost and price data the
4.23 utility may have to assist in determining base price;

4.24 (2) include cost and price data from states with similar insolation levels, particularly
4.25 states within the Midwest/Great Plains region, to the extent that data is available to the
4.26 commissioner; and

4.27 (3) adjust the base price downward more often as the private market becomes
4.28 functional.

4.29 The commissioner shall treat as trade secret all cost and price data from a utility or
4.30 from any other source that is not otherwise available to a member of the public. The
4.31 commissioner shall solicit advice from all interested stakeholders, including, but not
4.32 limited to, utilities, solar energy and other businesses, ratepayer advocates, and energy and
4.33 environmental policy advocates and shall require confidentiality agreements from each
4.34 entity or individual who requests to participate in the determination of base prices and
4.35 who seeks access to trade secret data. The commissioner shall determine appropriate
4.36 project size groupings within each different solar electric generation technology and

5.1 determine base prices for each. The size groupings may change over time when data exist
5.2 to support the changes.

5.3 Sec. 5. Minnesota Statutes 2010, section 216B.1691, is amended by adding a
5.4 subdivision to read:

5.5 Subd. 4a. **Solar electricity; public property.** (a) An electric utility subject to this
5.6 section shall purchase electricity generated by a solar energy project with a rated capacity
5.7 of two megawatts or less that is located on property owned by the state, any local unit of
5.8 government, or any tribe in Minnesota, or a project that is owned by the state, local unit of
5.9 government, or tribe and located on property in Minnesota that is leased by the state, local
5.10 unit of government, or tribe. A power purchase agreement must be for a period of at least
5.11 20 years, or 30 years if the installation is owned by the public or a tribe.

5.12 (b) The utility shall pay the following amounts per kilowatt hour of electricity
5.13 generated by a project governed by this section that is in excess of what the public facility
5.14 at which the project is located can use at any given time:

- 5.15 (1) 27.1 cents for a project with a capacity of ten kilowatts or less;
5.16 (2) 20.3 cents for a project with a capacity of between 11 and 100 kilowatts;
5.17 (3) 18.7 cents for a project with a capacity of between 101 and 300 kilowatts; and
5.18 (4) 0.9 cents for a project with a capacity of 301 kilowatts or more.

5.19 (c) Solar renewable energy credits associated with the electricity produced and
5.20 used on site may be marketed through renewable energy credit markets approved by the
5.21 commission. For ground-mounted photovoltaic systems, the minimum amount to be paid
5.22 by a utility is 20 percent less than the amount listed in paragraph (b).

5.23 (d) Beginning in 2014, the commissioner of commerce shall, not later than December
5.24 31 of each year, reevaluate the price schedule in paragraph (b) and shall adjust prices
5.25 downward as the costs of solar energy projects decrease, but not below an amount to
5.26 ensure that the electricity sales from a project can, within 20 years, or 30 years for a project
5.27 that is owned by the public or a tribe, at least pay for the costs to install and maintain the
5.28 project. When the commissioner determines that the private market is fully functional for
5.29 certain types of installations, the commissioner shall no longer determine prices for those
5.30 types of installations and shall provide notice to utilities, the commission, and interested
5.31 stakeholders of the types of installations no longer governed by the minimum prices in
5.32 this section. Lack of an identified minimum price does not affect the responsibility of any
5.33 utility to continue to purchase electricity from projects that are governed by this section.