

Renewable Tariff Legislation

Minnesota municipal utilities have long embraced the use of renewable generation to meet the electric energy needs of the citizens of their communities. They have been motivated by the need to secure wholesale power that will result in reliable and reasonably priced service to their customers. It was for that reason, more than 50 years ago, that municipal utilities in western Minnesota began making commitments to purchase wholesale power from federal hydroelectric dams at a time when power from conventional sources would have been less expensive and, it seemed, possibly even more reliable. It is with this same sense of responsibility that municipal utilities are approaching the effort to develop wind and other renewables in order to meet a portion of their electricity needs.

Last year Minnesota enacted one of the most comprehensive renewable energy standard (RES) laws in the United States. Patterned after a comprehensive proposal developed by the Minnesota Municipal Utilities Association (MMUA) and passed with the support of both utilities and environmentalists, the legislation:

- requires investor-owned utilities, generation & transmission cooperatives and municipal power agencies to produce 7% of their electricity from renewable resources by the year 2010, 12% by 2012, 17% by 2016, 20% by 2020 and 25% by 2025;
- connects Minnesota with neighboring states in a renewable energy credit trading system so that energy from wind turbines, landfills, biomass plants and other renewable sources can be shared and sited in optimal locations; and
- phases out the current green pricing requirement in the law, since a green pricing mandate is no longer necessary

given the aggressive implementation schedule of the proposed RES.

The 2007 renewable law requires utilities to dramatically increase power production from advanced technologies that are more expensive than traditional generation sources.

One of the provisions of the legislation that makes the RES workable is the requirement that the Minnesota Public Utilities Commission delay the implementation of the standard if it determines impacts on utility costs, including competitive pressures on customers, is not in the public interest.

Despite this key consumer protection provision, a bill dubbed “the Renewable Energy Feed-In Tariff Act of 2008,” has recently been introduced that would require utilities to:

- sign up an unlimited number of renewable projects;
- provide for interconnection of renewable projects with retail utility systems;
- charge specified amounts for power purchase agreements with the qualifying owners of renewable electricity projects ranging from 10.5 cents per kWh for wind to 71 cents per kWh for solar;
- provide offsets for state or federal subsidies, tax credits, or other financial incentives; and
- submit regular reports on program participation.

MMUA opposes this legislation, as it would:

- interfere with negotiations between alternative energy suppliers and utilities;
- impose unrealistic and unjustified state ratemaking on locally owned and self-regulated municipal electric utilities;
- penalize customers with the imposition of exorbitant charges for renewable energy from various sources;
- directly conflict with utilities’ statutory obligation to provide least-cost service;
- undermine the development of more efficient renewable development at far more competitive prices;
- negate the important consumer protection provisions included in last year’s RES legislation which stated that the Public Utilities Commission must consider the cost of implementing the standard on customer’s utility costs on any request for delay or modification of the standard;
- require distribution interconnection arrangements which are likely to run counter to FERC jurisdictional interpretations;
- cause a potential degradation to a community’s electric system reliability and cause an increase in unsafe working conditions for electrical line workers, brought on by the law’s requirement to accommodate any renewable generation at any point on an electric system; and
- place bond ratings in jeopardy as the result of the expensive micro-management of renewable resource development.