

Renewable Energy Policy Reform Working Group – 2-22-13 – 400S State Office Building

Meeting Summary / Timeline / Preliminary Recommendation Framework

As part of the year-long Minnesota Renewable Energy Proof of Concept Center (REPoCC) planning grant process, the Policy Reform working group met to initiate preliminary recommendations to be considered for approval by members of the working group soon after the 2013 legislative session ends. An effort is under way to provide a public website for reviewing proposals and providing your input. No additional physical meetings are scheduled. For now, please contact James Robins with your ideas for recommendations, questions and concerns at jamesnrobins@yahoo.com. Your participation in formal adoption of preliminary recommendations is encouraged, prior to forwarding to the Governor and policy makers sometime in early summer. Please comment on the following Outline for Preliminary Recommendations, formulated on the basis of the dialogue offered at the Feb. 22 Policy Reform meeting, and open to an expanded list from working group members who were unable to attend.

To the extent you “Agree” or “Disagree,” please indicate preferences regarding the questions below (or skip if you are neutral or have no opinion). Many of the questions ask for detail on how to accomplish a goal; we appreciate your sharing of expertise in compiling feedback leading to specific recommendations.

Outline for Preliminary Recommendations

Concept-to-Commercialization techniques & incentives

Should Minnesota establish a Clean Energy Center / Clearinghouse, as has been established in several states, and how could this function as a virtual (not physical) entity? The Center can be responsible for vetting Concept-to-Commercialization projects, provide RE clearinghouse information such as business inventories, information resources, provide project-based economic development technical assistance, and develop a long-term unified vision for RE development. (Your additional ideas for mission goals are encouraged.) How can this Center be established most efficiently, and should it exist within an existing agency or institution? To what extent should the Center self-fund through fees?

How should the state utilize a State Guarantee Loan program leveraging private investment to maximize Concept-to-Commercialization potential while minimizing initial costs and loss exposure? What creative state bonding opportunities are available?

At the heart of the REPoCC planning effort is the key goal of better harnessing our RE Concept-to-Commercialization capabilities, overcoming the piecemeal approach utilized up to now. Please offer any additional specific ideas you have that can help Minnesota achieve this goal.

Policies promoting a unified Renewable Energy voice spanning industry sectors

How can we alter or replace the existing piecemeal policy and incentives structure that often results in temporary benefits aimed at specific technologies or entities?

What specific actions can be taken so renewable energy interests can have a unified voice to spur private R-&-D, and seek out long-term policy goals?

How can we better connect RE incentives to achieve specific workforce development objectives, broadening the coalition appeal to policy makers?

What actions should be taken to alter or replace the current Xcel Renewable Development Fund process, providing a single state system applying to all major electric generators? How should Xcel and the Prairie Island community be compensated, as the state proceeds to a unified incentive system? Structurally, who should administer the system (NextGen Energy Board, PUC, Commerce-Energy, DEED)? Is this an opportunity to better coordinate and more fully integrate RE regulation and incentives in a single agency?

Renewable Energy incentives & policies specific to electricity generation and transmission

What are the most cost-effective and efficient tools to encourage RE generation based in Minnesota? Among the tools suggested include: enhance the Renewable Energy Standard (set goals very high, making it difficult to achieve), Made-in-Minnesota incentive, PACE restructuring (allow 20-year assessment amortization), wind and solar Renewable Energy Certificates (Massachusetts), Investment Tax Credit (North Carolina), Production Tax Credit (Iowa), private capital risk-sharing through a Loan Guarantee Fund, Long-term Performance Contract (similar to Feed in Tariff), Systems Benefit Charge on rate payers (1.33% assessment has been proposed), Clean Energy Development Fund. Specifics on these tools, and any other additional ideas are encouraged. Given budget constraints, innovative funding mechanisms should be suggested; to what extent should funding come from ratepayers, other dedicated mechanisms, and/or the state General Fund (which is in long-term deficit and must address education and health care obligations, etc.).

Can existing standalone RE production benefits and incentive funds be streamlined in a competitive structure, and who should administer the system (Commerce-Energy, NextGen Energy Board, PUC, DEED, etc.)?

How can state regulatory policy be modified to provide utilities financial incentive – or a higher rate of return – to move the current assets management-based model toward goals of conservation, partnership with RE generators (with their outside assets), and yet adapt to a modernized, stable, well-maintained infrastructure?

What strategies can be employed to improve and streamline PPA, interconnection, net metering, encouraging up-scaled RE markets such as community wind and solar, and emphasizing peak-shaving and emerging technologies?

Detailed notes from the 2-22-13 meeting

Fourteen of 18 invitees who RSVP'd attended (inclement weather possibly lowered participation).

Consultant Michael Krause provided an updated overview of the entire Proof of Concept Center planning grant, including sharing some preliminary overall findings.

Tim Nolan of MnPCA prompted discussion of the need for greater access to the information and findings of not only the PoCC planning grant, but the state needs a more-permanent, comprehensive listing of renewable energy activity.

Minnesota does not have an Energy Center, clearinghouse, or government entity clearly charged with carrying out energy policy. Michael Krause noted that this goal was set out in the federal stimulus legislation for Minnesota, but has not been carried out. At the federal level, Minnesota is seen as lacking coordination and overarching vision that would result in an economic development strategy – even though the state has its fair share of renewable energy activity. The state does not get its share of federal grants, based on the findings of the Governor’s Green Jobs Task Force.

Dale Wahlstrom of BBAM noted that projects often start from scratch rather than building on a foundation. This piecemeal approach is a systemic challenge for Minnesota, and it also applies to projects undertaken in coordination with the University of Minnesota.

Cheryl Lee Hills of Region Five indicated that examples of highly regarded long-term PoCC entities will be thoroughly studied and reviewed to provide potential successful strategies.

Bob Olson of Olson Energy recommends consideration of implementation policies such as Massachusetts-style solar and wind Renewable Energy Certificates, an Investment Tax Credit (similar to North Carolina), the Iowa Production Tax Credit, Feed in Tariff as offered in Ontario, or some form of Loan Guarantee Fund accessible to Minnesota banks. The new SRECs in Massachusetts have attracted investment interest from a variety of financial sources, including major banks.

Cheryl Lee Hills indicated that it is not the intent of the PoCC to house the end product in a single identified entity, but create a system that provides all the components to those who can utilize it. We do not intend to duplicate aspects already provided by specific entities.

Lynn Hinkle of MnSEIA appreciates all that has been done through DER, but also said that without active coordination of DEED, it is difficult to put forward the overall renewable energy message about job creation, manufacturing capacity, and the supply chain. It is gratifying to see DEED participation in this initiative. (DEED is put in a somewhat uncomfortable position of participating in the process, and receiving the recommendations they might asked to implement, as well.)

Meeting convener James Robins posed a question about 2012 legislative reforms regarding the RDF, and Xcel’s 4th cycle of funding now under way: Are we where we need to be? It was clear that the general consensus is “no.” Essentially, Minnesota’s renewable energy incentives are a policy carved out of Xcel revenue based on nuclear cask storage (the result of the 1994 Prairie Island legislation). What steps should be taken to alleviate policy differences between Xcel and other generators? Of course, we have broader concerns than what is related to RDF or electric generation. What are the broader obstacles to building a stronger renewable energy industry?

Lynn Hinkle indicated that MnSEIA hopes to represent other RE industries in proposing policy changes, including a systems benefit charge – assessing 1.33% of all systems revenues (statewide pool). Working with wind industry

and energy efficiency reps, possibly creating a Clean Energy Development Fund. MnSEIA feels the state has had enough of the RDF, maybe it can get folded in, or Xcel receives some form of credit for it.

Minnesota has done a total of \$60 million in RDF at the same time comparably sized Colorado has benefited from \$245 million in Solar Rewards – which is just one segment of the renewable energy sector.

While the various industries have a voice and are well represented in the state policy arena, no single entity represents the broad array of RE sectors. Dale Wahlstrom confirms that the lack of a unified voice has made it far more difficult to move state policy forward. The overall energy sector is not geared toward an integrated, long-term vision that can yield a favorable outcome for everyone. Consequently, a recent study indicated that at least 35 policies that have unintended (negative) outcomes within three years of their implementation. Why not set an unobtainable goal that at least gets us moving in the right direction; a policy aimed at reaching energy independence? (Wahlstrom indicated that the idea was presented to the Governor, but it “didn’t get traction.”) It could inspire us to work together.

What has worked well? Tim Nolan indicates that CIP projects have been effective overall, but more needs to be done. Better coordination can make a difference. Teresa Kittridge of MnREM said the Renewable Energy Standard has been effective, and she agrees that setting high goals moves the state in the right direction. Several steps are needed to move the business sector forward.

Lynn Hinkle indicates that the state is ready to move forward on the RES. In addition, MnSEIA proposes a solar standard, systems benefit charge, value of solar rate, and long-term performance contract (Feed in Tariff). PACE reform is needed to move the program into larger-scale operations; namely special assessments are misaligned with revenue bond payments – expanding to a 20-year special assessment amortization allows for cash-flowing projects from Day 1 entirely through private financing. Hinkle wants to encourage utilities to participate by buying PACE bonds. We need public dollars in addition to rate payer charges to move the industry forward to scale, providing the demand signals necessary to open the market. Solar has worked more closely with Wind more so than Biomass. We need to link the policy to job creation, otherwise it falls flat. We need to incentivize Made in Minnesota manufacturing and installation jobs.

Jason Edens of RREAL indicated support for the MnSEIA incentives approach, indicating that more stable funding is needed. The incentives need to be neutral in fostering solar electrical and solar thermal; both are appropriate for our region.

Minnesota is particularly challenged by the on-again, off-again nature of incentives such as the RFD and Angel Investors Tax Credit.

Bob Olson suggests a marketing effort to counter the idea that RE is more costly than the dominant, fossil fuel sources once subsidies and negative externalities are factored in.

Cheryl Lee Hills noted that a substantial obstacle to private financing of businesses interested in the concept-to-commercialization projects – essentially private R-&-D – does not have an organizational advocate. We assume that our land grant institution will take care of that, but it doesn’t always do so.

Michael Krause expressed concern about how utilities are regulated. We guarantee a rate of return based on assets. Xcel is requesting a rate increase because we have seen lower demand; they have done what we have asked them to do (promote conservation). We have to figure out a way to encourage them to sell less energy, and encourage renewable energy production that they may not own. How do we accomplish this? It is very difficult to overcome that with opposition from the co-ops and municipal utilities because they have a presence in the majority of legislative districts.

What changes can be most effective?

Cheryal Lee Hills suggests that recommendations should promote concept-to-commercialization. Tim Nolan endorses the idea of a guarantee loan program to facilitate the implementation of an R-&-D tax credit; the state can share the risk along with the private sector.

Until we figure out what's in it for the rural utilities and large utilities, it is difficult to move policy reform forward, said Teresa Kittridge. Bill Grant at Commerce-DER has been holding hearings on distributive generation. Who and what venue will hold the meeting that brings us all together. Concern was expressed that the utilities will participate and appear supportive, but then favor a differing policy direction when final legislative negotiations take place.

Jason Edens indicated that RREAL finds that the roughly 20 utilities in central and northern Minnesota (outside Xcel territory) they worked with enter into the first or second project "kicking and screaming." Any progress we can make toward a standard interconnection process would be helpful. Permitting costs often are extremely high – at least initially due to uncertainties. Michael Krause notes that some model projects are rolling out, such as the Wright-Hennepin with its community solar incorporates battery storage that builds peak supply and can be utility activated, substituting for costly spot peak-use power purchasing. Could Minnesota offer Clean Energy Bonds, possibly coordinated with the initiative bonds? Both Xcel and potential RE providers have expressed frustration with the PPA process. Can legislation provide a balanced approach allowing for streamlining and appropriate protections?

Participants are encouraged to provide their perspectives and expertise in other working groups of the PoCC planning grant. Until a central resource is made available to Policy Reform participants, please contact James Robins via email (jamesnrobins@yahoo.com) with your suggestions or for further information.

Those attending the initial meeting can participate in the drafting of specific preliminary recommendations. Others who were interested in participating also will be encouraged to comment. Existing policy studies and recommendations will be taken into account. Once preliminary recommendations are formulated and refined, they will be reviewed by the members of the working group for possible approval. Most of the work will be done via email and web posting.