

Minnesota 2013 DG Legislation Summary



The 2013 Minnesota legislative session concluded with multiple new policies affecting future distributed generation (DG) development in the state. This summary identifies several highlights relevant to DG.

Solar Electricity Standard

The state adopted a solar electricity standard to obtain 1.5% of retail electricity sales from solar electricity by the end of 2020. The new law is limited to investor-owned utilities (IOUs) with cooperatives and municipal utilities being exempted. Mining and paper mills, which are some of Minnesota's largest electricity users, are also exempted. There is a 10% carve out for small scale solar PV capacity of less than 20 kilowatts. The statute creates a goal of obtaining 10% of the entire state's retail electricity sales from solar electricity by 2030.

Net Energy Metering

The legislature made a number of updates to the state's thirty year old net metering law. The updates, which apply to distributed generation systems connected to investor-owned utilities, include an increased individual system capacity limit of 1,000 kW, exemption from standby charges up to 100 kW capacity, and aggregation of meters for single customers on contiguous property. For IOU-interconnected net metered systems that are 40 kW and larger, annual netting is permitted with annual excess generation compensated at avoided cost and individual system sizes restricted to 120% of the customer's on-site maximum electric demand (kW) for wind generation systems, or 120% of the customer's on-site annual electric energy (kWh) consumption for solar photovoltaic and other distributed generation. An IOU may ask

the Public Utility Commission (PUC) to limit the cumulative generation of net metered facilities when it has reached four percent of the utility's annual retail electricity sales. Statewide (IOUs, municipal utilities, and electric cooperatives), the prior net metering law still applies to systems less than 40 kilowatts with monthly net excess compensated at the average retail utility rate.

Value of Solar Tariff

As an alternative to net metering, investor-owned utilities may apply to the PUC for a value of solar tariff that compensates customers through a credit (i.e., moves the netting from the meter to the bill) for the value to the utility, its customers, and the environment for operating distributed PV systems interconnected to the utility and operated by the customer primarily for meeting their own energy needs. The Department of Commerce must establish the methodology no later than January 31, 2014. The methodology must include the value of energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value. The credit will represent the present value of the future revenue streams of these components. The PUC may not approve a rate that is less than retail until three years after the tariff is first approved. A twenty year contract at a fixed rate is required.

Made in Minnesota Solar Incentives

The legislature established an incentive program for consumers who install PV and solar thermal systems using solar modules and collectors certified as manufactured in Minnesota. The program will be developed and administered by the Department of Commerce with an annual budget of up to \$15 million for ten years, including \$250,000 per year for solar thermal rebates. The program will be funded with 5% of each public utility's total annual Conservation Improvement Program (CIP) budget. The Xcel Renewable Development Fund will supplement this amount to bring the total incentives available to \$15 million per year available to public utility customers. There are two eligibility tiers for certification of crystalline solar modules determined by the specific production processes completed within Minnesota. Incentives for PV are performance-based, established by a system's energy production, and paid over 10 years rather than the historical capacity-based incentive. This structural change to past program design is intended to encourage high performance systems and maximize the public benefit. System size must be less than 40 kW to be eligible. Beginning in 2014 through 2023, applications will be accepted annually between January 1 and February 28 each year and selected by lottery.

Solar Production Based Incentive (Xcel Energy)

The state's largest utility, Xcel Energy, will develop and operate a performance-based incentive--to be funded by the Xcel Renewable Development Fund--beginning in 2014 for a period of five years. The annual program budget is \$5 million and Xcel Energy will file a plan to operate the program with Commerce. The program will offer incentives to Xcel customers in Minnesota for systems up to 20 kW with a size limit of 120% of the customer's on-site annual energy consumption. The production incentive will be paid for ten years. Xcel may elect to file a request with Commerce to remove Solar*Rewards from its CIP program given this newly mandated program.

Community Solar Gardens (Xcel Energy)

Xcel Energy will develop and administer a community solar program subject to approval by the Public Utilities Commission. Other investor-owned utilities may elect to develop community solar programs as well. Eligible projects may be up to 1,000 kW in size. A community solar project will be open to subscribers within the same or a contiguous county where a solar project is located. The minimum individual subscription is 200 watts. Maximum ownership by any one subscriber is 40% of the total system size. Subscribers will receive a credit on their electricity bill proportional to their subscription ownership through virtual net metering. The total capacity of the system is limited to 120% of the cumulative subscriber load. There is no limit on the number of community solar projects that can be developed.

Property Assessed Clean Energy (PACE)

Prior legislation allowed local governments to offer PACE programs for their constituents through the issuance of bonds to investors. The existing PACE legislation was expanded from 10 year annual assessments to 20 year annual assessments to enable commercial and industrial businesses to complete energy improvements. The program is intended as an alternative to conventional financing of energy efficiency and renewable energy for businesses. Extending the special assessment payment period from 10 years to 20 years allows for deeper energy retrofits and renewable energy projects.

See MN Laws, 2013, Chapter 85 HF 729, Articles 7-13.

<https://www.revisor.mn.gov/laws/?id=85&doctype=Chapter&year=2013&type=0>

A map of electric utility service territories is available at:

<http://www.mngeo.state.mn.us/chouse/utilities.html#service>