

Community-Based Energy Development

What is C-BED?

C-BED stands for Community-Based Energy Development. In general, C-BED represents an initiative designed to optimize local, regional, and state economic development benefits from renewable energy, and to facilitate widespread development of community-based renewable energy projects.

How is State Legislation Supporting C-BED?

In the 2005 legislative session, the Minnesota Department of Commerce, with support and approval of the Governor's office, proposed legislation to encourage the development of locally-owned wind energy projects. The Department was successful in passing the legislation with the help of renewable energy activists, electric utilities, the business community and others. The C-BED statute was further refined in 2007 with the help of a similar broad coalition of interests, and broadened to include all renewable energy sources.

The C-BED legislation requires electric utilities to consider community-based renewable energy projects when seeking to add generation to its supply mix to meet Minnesota's aggressive renewable energy requirements. Although utilities are not mandated to sign up C-BED projects, the statute requires the Department of Commerce and the Minnesota Public Utilities Commission to review and evaluate the efforts and activities of a utility to purchase energy from C-BED projects, every two years when evaluating the utility's compliance with the state's Renewable Energy Standard (RES).

In addition, the legislation made compliance with the state's RES a criterion for a utility to receive permission for other infrastructure investments a utility intends to make. If a utility does not make a good faith effort to enroll C-BED projects in its supply portfolio or otherwise fails to meet the RES, the Minnesota Public Utilities Commission may deny the utility permission to build other utility infrastructure.

The 2005 legislation also requires utilities to develop and offer C-BED tariffs. Under a C-BED tariff, the utility offers developers a "front-ended loaded rate" for the energy from a community-based energy project. The front-end loaded rate means that the developer can receive a higher rate in the early years of a wind energy contract, during the years when the developer must service the debt on the project, in exchange for a lower rate in the later years of a contract. This financing tool is intended to allow C-BED projects to overcome financing barriers. In exchange, the C-BED developer must provide security to ensure that ratepayers receive the benefit of the project over the time period of the wind energy contract.

To ensure that a project meets the utility's needs in terms of costs and reliability, the decision to offer a power purchase agreement; a front-end loaded C-BED tariff; and the rate that's offered to a developer rests entirely within the utility.

As noted above, a utility's compliance with the requirement to make a good faith effort to add C-BED projects are subject to review by state regulators.

The 2007 Minnesota Legislature adopted a requirement for a technical study of the opportunities and impacts of dispersing renewable electricity generation around the state. Prior to the start of the Dispersed Generation study and at other key points in the process, the Minnesota Department of Commerce is statutorily required to hold meetings in each of the five outstate transmission planning zones (Southwest, West Central, Northeast, Northwest, and Southeast). People unable to attend the meeting in their zone, may attend one in another zone. Information on all meeting dates and locations will be available beginning August 15 at the following Web site: www.cleanenergyresourcetteams.org.

A goal of these meetings is to inform key stakeholders in each of the regions about the study and to gather input on regional support and potential locations for new renewable energy generation. The information collected from these meetings will provide key input to the study. The recommendations from regional stakeholders on potential locations for renewable energy projects will be combined with information on existing, committed, and contracted renewable projects, with renewable resource geographical information (e.g. wind maps), and with information on projects in the Midwest Independent System Operator interconnection queue to formulate the generation scenarios to be studied.

What are some of the key elements that define CBED?

The following are key elements that define community-based energy development. These elements were included in Minnesota's successful 2005 C-BED legislation, and are present to varying degrees in other community-based energy development initiatives in other jurisdictions.

- Local owners must benefit.
“Qualifying owners” of a C-BED project are defined as individual Minnesota residents, nonprofit organizations, cooperatives, local government entities (such as school districts, towns, cities, associations, etc.) and tribal councils. C-BED projects are owned by farmers, local businesses, schools, community groups and ordinary members of local communities. At least 51% of the amount paid by the utility to the project must be paid to these qualifying owners.
- No single owner may be allowed to own more than 15 percent of a project.
There is an exception for small projects which allow for a single individual to own up to two wind turbines.
- Each C-BED project must have a local resolution of support.
This resolution of support, which is to be adopted by the local governing body (e.g. county board) of each local jurisdiction in which the project is to be located, ensures that C-BED projects are not in conflict with local public interest.

- *Partnerships and aggregation of projects are encouraged.*
Partnerships with non-qualifying owners and aggregating C-BED projects are strongly encouraged. These strategies help to cash-flow C-BED projects, and bring C-BED projects to market more efficiently, reducing ratepayer costs.
- *Utilities are encouraged to look to C-BED sources of energy first.*
Minnesota law encourages utilities to obtain additional capacity from C-BED projects before seeking additional renewable energy capacity from non-C-BED sources.

Where can I find more information about CBED and renewable energy?

Links to various sources of information can be found through the Clean Energy Resource Teams Web site. Look for information related to the C-BED meetings and find a list of sources at:

www.cleanenergyresourceteams.org