A bill for an act

relating to energy; amending provisions regarding community-based energy development projects; regulating utility ownership and cost recovery for renewable energy projects; requiring Public Utilities Commission to establish policy regarding curtailment payments; regulating green pricing programs; requiring studies of potential for dispersed generation projects; extending expiration of reliability administrator position and transferring the position from Public Utilities Commission to Department of Commerce; limiting the length of wind easements if a project is not constructed; requiring reliability administrator to study need for and authority of state electric transmission authority and of enhancing ease of interconnecting dispersed generation projects to the grid; specifying aggregation procedures for purposes of permitting wind projects; allowing counties to issue permits for large wind energy conversion systems; removing sunset for renewable energy option program for utility customers; amending Minnesota Statutes 2006, sections 216B.1612; 216B.1645, by adding subdivisions; 216B.169; 216B.2426; 216C.052; 500.30, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 216B; 216F; repealing Laws 2007, chapter 3, section 3.

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

Section 1. Minnesota Statutes 2006, section 216B.1612, is amended to read:

216B.1612 COMMUNITY-BASED ENERGY DEVELOPMENT; TARIFF.

Subdivision 1. **Tariff establishment.** A tariff shall be established to optimize local, regional, and state benefits from ~~wind~~ renewable energy development and to facilitate widespread development of community-based ~~wind~~ renewable energy projects throughout Minnesota.

Subd. 2. **Definitions.** (a) The terms used in this section have the meanings given them in this subdivision.

(b) "C-BED tariff" or "tariff" means a community-based energy development tariff.

(c) "Qualifying owner" means:

(1) a Minnesota resident;

(2) a limited liability company that is organized under the laws of this state and that is made up of members who are Minnesota residents;

(3) a Minnesota nonprofit organization organized under chapter 317A;

(4) a Minnesota cooperative association organized under chapter 308A or 308B, other than a rural electric cooperative association or a generation and transmission cooperative;

(5) a Minnesota political subdivision or local government other than a municipal electric utility or municipal power agency, including, but not limited to, a county, statutory or home rule charter city, town, school district, or public or private higher education institution or any other local or regional governmental organization such as a board, commission, or association; or

(6) a tribal council.

(d) ~~"Net present value rate" means a rate equal to the net present value of the nominal payments to a project divided by the total expected energy production of the project over the life of its power purchase agreement.~~ "Renewable" means a technology listed in section 216B.1691, subdivision 1, paragraph (a).

(e) "Standard reliability criteria" means:

(1) can be safely integrated into and operated within the utility's grid without causing any adverse or unsafe consequences; and

(2) is consistent with the utility's resource needs as identified in its most recent resource plan submitted under section 216B.2422.

(f) "Community-based energy development project" or "C-BED project" means a new ~~wind~~ renewable energy project that:

(1) ~~has no single qualifying owner owning more than 15 percent of a C-BED project that consists of more than two turbines; or~~

~~(2) for C-BED projects of one or two turbines,~~ is owned entirely by one or more qualifying owners, ~~with~~ except that, in addition, for a wind energy project consisting of more than one or two turbines, no single qualifying owner may own more than 15 percent of the project;

(2) provides that at least 51 percent of the total financial benefits over the life of the project ~~flowing~~, consisting of payments made under a power purchase agreement or similar arrangement with a utility, easement payments to landowners, taxes, and interest paid on project debt, is paid to qualifying owners, local units of government, and Minnesota financial institutions; and

(3) has a resolution of support adopted by the county board of each county in which the project is to be located, or in the case of a project located within the boundaries of a reservation, the tribal council for that reservation.

Subd. 3. **Tariff rate.** (a) The tariff described in subdivision 4 must ~~have a rate schedule that allows for a rate up to a 2.7 cents per kilowatt-hour net present value rate over the 20-year life of the power purchase agreement. The tariff must~~ provide for a rate that is higher in the first ten years of the power purchase agreement than in the last ten years. ~~The discount rate required to calculate the net present value must be the utility's normal discount rate used for its other business purposes.~~

(b) The commission shall consider mechanisms to encourage the aggregation of C-BED projects.

(c) The commission shall require that qualifying <u>and nonqualifying</u> owners provide sufficient security to secure performance under the power purchase agreement, and shall prohibit the transfer of the C-BED project to a nonqualifying owner during the initial 20 years of the contract.

Subd. 4. **Utilities to offer tariff.** By December 1, ~~2005~~ <u>2007</u>, each public utility providing electric service at retail shall file for commission approval a community-based energy development tariff consistent with subdivision 3. Within 90 days of the first commission approval order under this subdivision, each municipal power agency and generation and transmission cooperative electric association shall adopt a community-based energy development tariff as consistent as possible with subdivision 3.

Subd. 5. **Priority for C-BED projects.** (a) A utility subject to section 216B.1691 that needs to construct new generation, or purchase the output from new generation, as part of its plan to satisfy its good faith objective <u>and standard</u> under that section ~~should~~ <u>must</u> take reasonable steps to determine if one or more C-BED projects are available that meet the utility's cost and reliability requirements, applying standard reliability criteria, to fulfill some or all of the identified need at minimal impact to customer rates.

~~Nothing in this section shall be construed to obligate a utility to enter into a power purchase agreement under a C-BED tariff developed under this section.~~

(b) Each utility shall include in its resource plan submitted under section 216B.2422 a description of its efforts to purchase energy from C-BED projects, including a list of the projects under contract and the amount of C-BED energy purchased.

(c) The commission shall consider the efforts and activities of a utility to purchase energy from C-BED projects when evaluating its good faith effort towards meeting the renewable energy objective under section 216B.1691.

(d) A utility may not own a non-C-BED renewable energy project, nor enter into a contract with an independent power producer to purchase power from a non-C-BED renewable energy project unless it has made a good-faith effort to identify and negotiate with owners of C-BED projects.

(e) Before issuing a request for proposals for eligible energy projects to satisfy its standard obligation under section 216B.1691, a municipal power agency or a generation and transmission cooperative must offer its member distribution utilities an opportunity to supply that energy through a partnership with a community-based energy development project or to enter into a power purchase agreement to purchase energy from a community-based energy development project.

Subd. 6. **Property owner participation.** To the extent feasible, a developer of a C-BED project must provide, in writing, an opportunity to invest in the C-BED project to each property owner on whose property a high-voltage transmission line is constructed that will transmit the energy generated by the C-BED project to market. This subdivision applies if the property is located and the owner resides in the county where the C-BED project is located.

Subd. 7. **Other C-BED tariff issues.** (a) A community-based project developer and a utility shall negotiate the rate and power purchase agreement terms consistent with the tariff established under subdivision 4.

(b) At the discretion of the developer, a community-based project developer and a utility may negotiate a power purchase agreement with terms different from the tariff established under subdivision 4.

(c) A qualifying owner, or any combination of qualifying owners, may develop a joint venture project with a nonqualifying ~~wind~~ renewable energy project developer. However, the terms of the C-BED tariff may only apply to the portion of the energy production of the total project that is directly proportional to the equity share of the project owned by the qualifying owners.

(d) A project that is operating under a power purchase agreement under a C-BED tariff is not eligible for net energy billing under section 216B.164, subdivision 3, or for production incentives under section 216C.41.

(e) A public utility must receive commission approval of a power purchase agreement for a C-BED tariffed project. The commission shall provide the utility's ratepayers an opportunity to address the reasonableness of the proposed power purchase agreement. Unless a party objects to a contract within 30 days of submission of the contract to the commission the contract is deemed approved.

Subd. 8. **Community energy partnerships.** A utility providing electric service to retail or wholesale customers in Minnesota and an independent power producer may participate, and is encouraged to participate, in a community-based energy development project, as owner, equity partner, or provider of technical or financial assistance, subject to the limits specified in this section.

Sec. 2. Minnesota Statutes 2006, section 216B.1645, is amended by adding a subdivision to read:

Subd. 2a. **Utility ownership of renewable resources.** (a) A utility may construct, own, and operate generation facilities used to satisfy the requirements of section 216B.1691, notwithstanding any competitive resource acquisition process established under section 216B.2422, subdivision 5.

(b) In lieu of any competitive resource acquisition process, a utility that intends to construct, own, or operate facilities under this section must file with the commission on or before March 1, 2008, a renewable energy plan setting forth the manner in which the utility proposes to meet the requirements of section 216B.1691, including the proposed schedule of acquisition and construction of generation facilities and their expected in-service dates, and the proposed transmission resources associated with the facilities, including a proposed construction schedule and expected in-service date for any transmission sources that need to be constructed to deliver the electricity generated by the facilities. The plan must also contain alternative means of providing the energy generated by the facilities described in the plan, and must compare the costs of delivering energy from these alternative means and from the facilities identified in the plan. The utility must update the plan as necessary in its filing under section 216B.2422.

(c) The commission must approve the plan unless it determines, after public hearing and comment, that the plan:

(1) imposes excessive costs on ratepayers;

(2) does not reasonably allocate resources among utility-owned generation facilities, community-based energy projects, and generation facilities selected in a competitive selection process under section 216B.2422, subdivision 5; or

(3) does not meet the requirements of section 216B.1612, subdivision 5.

Nothing in this section prohibits a utility from seeking and securing approval from the commission to implement projects before submitting the plan required under this section.

Sec. 3. Minnesota Statutes 2006, section 216B.1645, is amended by adding a subdivision to read:

Subd. 2b. **Cost recovery for owned renewable facilities.** (a) A utility may petition the commission to approve a rate schedule that provides for the automatic adjustment of charges to recover prudently incurred investments, expenses, or costs associated with facilities constructed, owned, or operated by a utility to satisfy the requirements of section 216B.1691, provided those facilities were previously approved by the commission under section 216B.2422 or 216B.243. The commission may approve, or approve as modified, a rate schedule that:

(1) allows a utility to recover directly from customers on a timely basis the costs of qualifying renewable energy projects, including:

(i) return on investment;

(ii) depreciation;

(iii) ongoing operation and maintenance costs;

(iv) taxes; and

(v) costs of transmission and other ancillary expenses directly allocable to transmitting electricity generated from a project meeting the specifications of this paragraph;

(2) provides a current return on construction work in progress, provided that recovery of these costs from Minnesota ratepayers is not sought through any other mechanism;

(3) allows recovery of other expenses incurred that are directly related to a renewable energy project, provided that the utility demonstrates to the commission's satisfaction that the expenses improve project economics, ensure project implementation, or facilitate coordination with the development of transmission necessary to transport energy produced by the project to market;

(4) allocates recoverable costs appropriately between wholesale and retail customers;

(5) recovers costs from retail customer classes in proportion to class energy consumption; and

(6) terminates recovery when costs have been fully recovered or have otherwise been reflected in a utility's rates.

(b) A petition filed under this subdivision must include:

(1) a description of the facilities for which costs are to be recovered;

(2) an implementation schedule for the facilities;

(3) the utility's costs for the facilities;

(4) a description of the utility's efforts to ensure that costs of the facilities are reasonable and were prudently incurred; and

(5) a description of the benefits of the project in promoting the development of renewable energy in a manner consistent with this chapter.

Sec. 4. **[216B.1681] CURTAILMENT PAYMENTS.**

The commission shall, by order, establish a uniform policy with regard to curtailment payments for wind and solar energy. The policy developed must treat all ownership structures of generating facilities similarly, and must be incorporated into each power purchase agreement entered into by a utility after the date of enactment of this section.

Sec. 5. Minnesota Statutes 2006, section 216B.169, is amended to read:

216B.169 ~~RENEWABLE AND HIGH-EFFICIENCY ENERGY RATE OPTIONS~~ COMMUNITY-BASED ENERGY DEVELOPMENT GREEN PRICING OPTION.

Subdivision 1. **Definitions.** For the purposes of this section, the following terms have the meanings given them.

(a) "Utility" means a public utility, municipal utility, or cooperative electric association providing electric service at retail to Minnesota consumers.

(b) ~~"Renewable energy" has the meaning given in section 216B.2422, subdivision 1, paragraph (c).~~ "Eligible energy technology" has the meaning given in section 216B.1691, subdivision 1.

(c) ~~"High-efficiency, low-emissions, distributed generation" means a distributed generation facility of no more than ten megawatts of interconnected capacity that is certified by the commissioner under subdivision 3 as a high-efficiency, low-emissions facility.~~ "Community-based energy development project" or "C-BED project" has the meaning given in section 216B.1612, subdivision 2, paragraph (f).

Subd. 2. **~~Renewable and high-efficiency energy rate options~~ C-BED green pricing programs.** (a) Each utility shall offer its customers, and shall advertise the offer at least ~~annually~~ quarterly, one or more options that allow a customer to determine that a certain amount of the electricity generated or purchased on behalf of the customer is ~~renewable energy or~~ energy generated by ~~high-efficiency, low-emissions, distributed generation such as fuel cells and microturbines fueled by a renewable fuel~~ a community-based energy development project using an eligible energy technology.

(b) Each public utility shall file an implementation plan within 90 days of July 1, ~~2001~~ 2007, to implement paragraph (a).

(c) Rates charged to customers must be calculated using the utility's cost of acquiring the energy for the customer and must:

(1) reflect the difference between the cost of generating or purchasing the ~~renewable~~ C-BED energy and the cost of generating or purchasing the same amount of ~~nonrenewable~~ energy from non-C-BED sources; and

(2) be distributed on a per kilowatt-hour basis among all customers who choose to participate in the program.

(d) Implementation of these rate options may reflect a reasonable amount of lead time necessary to arrange acquisition of the energy. The utility ~~may~~ must acquire the energy demanded by customers, in whole or in part, through procuring or generating ~~the renewable~~ C-BED energy ~~directly, or through the purchase of credits from a provider that has received certification of eligible power supply pursuant to subdivision 3~~. If a utility is not able to arrange an adequate supply of ~~renewable or high-efficiency~~ C-BED energy to meet its customers' demand under this section, the utility must file a report with the commission detailing its efforts and reasons for its failure.

Subd. 3. **Certification ~~and tradeable credits~~.** ~~(a)~~ The commissioner shall certify a power supply or supplies as eligible to satisfy customer requirements under this section upon finding:

(1) the power supply ~~is renewable energy or energy generated by high-efficiency, low-emissions, distributed generation~~ meets the requirements of section 216B.1612; and

(2) the sales arrangements of energy from the supplies are such that the power supply is only sold once to retail consumers.

~~(b) To facilitate compliance with this section, the commission may, by order, establish a program for tradeable credits for eligible power supplies.~~

Subd. 4. **C-BED logo.** (a) The commissioner of commerce shall design or contract for the design of a logo that qualifying entities may affix to their products and to advertising for their products that contains the words "C-BED: 100% Minnesota Renewable Energy." The logo may also contain a standardized pictorial representation or design.

(b) The commissioner of commerce shall certify in writing that an entity is authorized to use the logo if the commissioner determines that all the electricity consumed by an applicant is purchased from a C-BED project. The commissioner shall develop forms and procedures to govern the application and certification processes and the use of the logo by an entity that receives certification. No person may use the logo without certification from the commissioner.

(c) For the purposes of this subdivision, "qualifying entity" means a person or entity that has received certification from the commissioner granting the entity authority to use the C-BED logo in the manner prescribed by the commissioner.

Sec. 6. Minnesota Statutes 2006, section 216B.2426, is amended to read:

216B.2426 OPPORTUNITIES FOR DISTRIBUTED AND DISPERSED GENERATION.

The commission shall ensure that opportunities for the installation of distributed generation, as that term is defined in section 216B.169, subdivision 1, paragraph (c), and dispersed generation are considered in any proceeding under section 216B.2422, 216B.2425, or 216B.243, and may, by order, establish standards and procedures to comply with this subdivision. For purposes of this section, "dispersed generation" means an electric generation project of between ten and 40 megawatts of capacity that utilizes an eligible energy technology, as defined in section 216B.1691, subdivision 1, paragraph (a).

Sec. 7. Minnesota Statutes 2006, section 216C.052, is amended to read:

216C.052 RELIABILITY ADMINISTRATOR.

Subdivision 1. **Responsibilities.** (a) There is established the position of reliability administrator in the ~~Public Utilities Commission~~ Department of Commerce. The administrator shall act as a source of independent expertise and a technical advisor to the commissioner of commerce, the commission and the public on issues related to the reliability of the electric system. In conducting its work, the administrator shall ~~provide assistance to the commission in administering and implementing the commission's duties under sections 216B.2422, 216B.2425, and 216B.243; chapters 216E, 216F, and 216G; and rules associated with those provisions. Subject to resource constraints, the reliability administrator may also~~:

(1) model and monitor the use and operation of the energy infrastructure in the state, including generation facilities, transmission lines, natural gas pipelines, and other energy infrastructure;

(2) develop and present to the commission and parties technical analyses of proposed infrastructure projects, and provide technical advice to the commission; and

(3) present independent, factual, expert, and technical information on infrastructure proposals and reliability issues at public meetings hosted by the task force, the Environmental Quality Board, the department, or the commission.

(b) Upon request and subject to resource constraints, the administrator shall provide technical assistance regarding matters unrelated to applications for infrastructure improvements to the task force, the department, or the commission.

(c) The administrator may not advocate for any particular outcome in a commission proceeding, but may give technical advice to the commission as to the impact on the reliability of the energy system of a particular project or projects.

Subd. 2. **Administrative issues.** (a) The ~~commission~~ commissioner may select the administrator who shall serve for a four-year term. The administrator may not have been a party or a participant in a commission energy proceeding for at least one year prior to selection by the ~~commission~~ commissioner. The ~~commission~~ commissioner shall oversee and direct the work of the administrator, annually review the expenses of the administrator, and annually approve the budget of the administrator. ~~Pursuant to commission approval,~~ The administrator may hire staff and may contract for technical expertise in performing duties when existing state resources are required for other state responsibilities or when special expertise is required. The salary of the administrator is governed by section 15A.0815, subdivision 2.

(b) Costs relating to a specific proceeding, analysis, or project are not general administrative costs. For purposes of this section, "energy utility" means public utilities, generation and transmission cooperative electric associations, and municipal power agencies providing natural gas or electric service in the state.

(c) The ~~commission~~ Department of Commerce shall pay:

(1) the general administrative costs of the administrator, not to exceed $1,000,000 in a fiscal year, and shall assess energy utilities for those administrative costs. These costs must be consistent with the budget approved by the ~~commission~~ commissioner under paragraph (a). The ~~commission~~ department shall apportion the costs among all energy utilities in proportion to their respective gross operating revenues from sales of gas or electric service within the state during the last calendar year, and shall then render a bill to each utility on a regular basis; and

(2) costs relating to a specific proceeding analysis or project and shall render a bill to the specific energy utility or utilities participating in the proceeding, analysis, or project directly, either at the conclusion of a particular proceeding, analysis, or project, or from time to time during the course of the proceeding, analysis, or project.

(d) For purposes of administrative efficiency, the ~~commission~~ department shall assess energy utilities and issue bills in accordance with the billing and assessment procedures provided in section 216B.62, to the extent that these procedures do not conflict with this subdivision. The amount of the bills rendered by the ~~commission~~ department under paragraph (c) must be paid by the energy utility into an account in the special revenue fund in the state treasury within 30 days from the date of billing and is appropriated to the ~~commission~~ department for the purposes provided in this section. The commission shall approve or approve as modified a rate schedule providing for the automatic adjustment of charges to recover amounts paid by utilities under this section. All amounts assessed under this section are in addition to amounts appropriated to the commission and the department by other law.

Subd. 3. **Assessment and appropriation.** In addition to the amount noted in subdivision 2, the ~~commission~~ commissioner may assess utilities, using the mechanism specified in that subdivision, up to an additional $500,000 annually through June 30, 2008. The amounts assessed under this subdivision are appropriated to the ~~commission~~ commissioner, and some or all of the amounts assessed may be transferred to the commissioner of administration, for the purposes specified in section 16B.325 and Laws 2001, chapter 212, article 1, section 3, as needed to implement those sections.

Subd. 4. **Expiration.** Subdivisions 1 and 2 expire June 30, ~~2007~~ 2012. Subdivision 3 expires June 30, 2008.

Sec. 8. **[216F.011] SIZE DETERMINATION.**

(a) The total size of a combination of wind energy conversion systems for the purpose of determining jurisdictional siting authority under sections 216F.01 to 216F.07 must be determined according to this section. The nameplate capacity of one wind energy conversion system must be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same 12-month period as the wind energy conversion system; and

(3) exhibits characteristics of being a single development, including but not limited to ownership structure, an umbrella sales arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.

(b) The commissioner shall prepare and make available the necessary forms and guidance for project developers to make a request for determination. Upon written request of a project developer, the commissioner of commerce shall provide a written determination under this section within 30 days of receipt of the request and information necessary to make a determination. In the case of a dispute, the chair of the Public Utilities Commission shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) An application to a county for a permit for a wind energy conversion system is not complete without a jurisdictional determination made under this section.

Sec. 9. **[216F.08] PERMIT AUTHORITY; ASSUMPTION BY COUNTIES.**

Subdivision 1. **Definition.** For the purposes of this subdivision, the term "processing" means:

(1) the distribution to applicants of application and determination forms provided by the commission;

(2) the receipt and examination of completed application forms, and the certification, in writing, to the commission either that the LWECS for which a permit was issued by the county will comply with applicable rules and standards or, if the facility will not comply, the respects in which a variance is required for the issuance of a permit; and

(3) rendering to applicants, upon request, assistance for the proper completion of an application.

Subd. 2. **Counties; processing applications for LWECS site permits.** (a) Any Minnesota county board may, by resolution and upon written notice to the commission, assume responsibility for processing applications for permits required under this chapter for LWECS with a combined nameplate capacity of less than 25 megawatts. The responsibility for permit application processing, if assumed by a county, may be delegated by the county board to an appropriate county officer or employee. Processing by a county must be done in accordance with procedures and processes established under chapter 394.

(b) A county board that exercises its option under paragraph (a) and assumes responsibility for processing applications for permits for LWECS within its borders is responsible for issuing, denying, modifying, imposing conditions upon, or revoking permits under this section or rules adopted pursuant to it. The action of the county board with regard to a permit application is final, subject to appeal as provided in section 394.27.

(c) In adopting and enforcing rules or standards under this subdivision, the commission shall cooperate closely with counties and other governmental agencies.

(d) The commission shall work with counties and wind developers to notify and educate stakeholders with regard to rules or standards under this section at the time the rules or standards are being developed and adopted and at least every two years thereafter.

(e) The commission shall, by order, establish general permit standards governing site permits for LWECS under this section. These general permit standards must apply both to permits issued by counties and to permits issued by the commission directly for LWECS with a combined nameplate capacity of less than 25 megawatts. The order must contain minimum standards necessary to ensure the protection of human health and safety and wind resources on adjacent land and must be consistent with the general provisions of wind permits issued by the commission in the five years before the effective date of this section.

(f) The commission and the commissioner of commerce shall provide technical assistance to a county with respect to the processing of LWECS site permit applications by the county.

(g) A county may adopt by ordinance standards for LWECS that are more stringent than standards in commission rules or in the commission's permit standards. The commission, in considering a permit for LWECS in a county that has adopted more stringent standards, shall incorporate and apply those more stringent standards, unless the commission finds there is good cause not to do so.

Sec. 10. Minnesota Statutes 2006, section 500.30, subdivision 2, is amended to read:

Subd. 2. **Like any conveyance.** Any property owner may grant a solar or wind easement in the same manner and with the same effect as a conveyance of an interest in real property. The easements shall be created in writing and shall be filed, duly recorded, and indexed in the office of the recorder of the county in which the easement is granted. No duly recorded easement shall be unenforceable on account of lack of privity of estate or privity of contract; such easements shall run with the land or lands benefited and burdened and shall constitute a perpetual easement, except that an easement may terminate (1) upon the conditions stated therein ~~or~~, (2) pursuant to the provisions of section 500.20, or (3) in the case of a wind easement, if a wind energy project on the property to which the easement applies does not begin commercial operation within five years after the easement is created. Clause (3) applies only to easements created after the effective date of this section.

Sec. 11. **STATEWIDE STUDY OF DISPERSED GENERATION POTENTIAL.**

Subdivision 1. **Study participants.** Each electric utility subject to Minnesota Statutes, section 216B.1691, must participate collaboratively in conducting a two-phase study of the potential for dispersed generation projects that can be developed in Minnesota.

Subd. 2. **First phase study content; report.** In the first phase of the study, participants must analyze the impacts of the addition of 600 megawatts of new dispersed generation projects distributed among the following Minnesota electric transmission planning zones: the Northeast zone, the Northwest zone, the Southeast zone, the Southwest zone and the West-central zone. Study participants must use a generally accepted 2010 year transmission system model including all transmission facilities expected to be operating in 2010. The study must take into consideration regional projected load growth, planned changes in the bulk transmission network, and the long-range transmission conceptual plan being developed under Laws 2007, chapter 3, section 2. In determining locations for the installation of dispersed generation projects that consist of wind energy conversion systems, the study should consider, at a minimum, wind resource availability, existing and contracted wind projects, and current dispersed generation projects in the Midwest Independent System Operator interconnection queue. The study must analyze the impacts of individual projects and all projects in aggregate on the transmission system, and identify specific modifications to the transmission system necessary to remedy any problems caused by the installation of dispersed generation projects, including cost estimates for the modifications. The study must analyze the additional dispersed generation projects connected at the lowest voltage level transmission that exists in the vicinity of the projected generation sites. A preliminary analysis to identify transmission system problems must be conducted with the projects installed at initially selected locations. The technical review committee may, after reviewing the locations selected for installation, recommend moving the installation sites to new locations to reduce undesirable transmission system impacts. The commissioner of commerce must submit a report containing the findings and recommendations of the first phase of the study to the Public Utilities Commission no later than June 15, 2008.

Subd. 3. **Second phase study content; report.** In the second phase of the study, participants must analyze the impacts of an additional 600 megawatts of dispersed generation projects installed among the five transmission planning zones, or a higher total capacity amount if agreed to by both the utilities and the technical review committee. The utilities must employ an analysis method similar to that used in the first phase of the study, and must use the most recent information available, including information developed in the first phase. The second phase of the study must use a generally accepted 2013 year transmission system model including all transmission facilities that are expected to be in-service at that time. The commissioner of commerce must submit a report containing the findings and recommendations of the second phase of the study to the commission no later than September 15, 2009.

Subd. 4. **Technical review committee.** Before the start of the first phase of the study, the commissioner of commerce must appoint a technical review committee consisting of between ten and 15 individuals with experience and expertise in electric transmission system engineering, renewable energy generation technology, and dispersed generation project development, including representatives from the federal Department of Energy, the Midwest Independent System Operator, and stakeholder interests. The technical review committee must oversee both phases of the study, and must:

(1) make recommendations to the utilities regarding the proposed methods and assumptions to be used in the technical study;

(2) in conjunction with the appropriate utilities, hold public meetings on each phase of the study in each electricity transmission planning zone before the beginning of each phase of study, after the impact analysis is completed, and when a draft final report is available; and

(3) review the initial and final drafts of the study and make recommendations for improvement, including with respect to problems associated with the interconnections among utility systems that may be amenable to solution through cooperation between the

utilities in each zone. During each phase of the study, the technical review committee may recommend that the installation of dispersed generation projects be moved to new locations that cause fewer undesirable transmission system impacts.

Subd. 5. **Inclusion in biennial transmission report.** Beginning in 2009, each utility submitting a biennial transmission report under Minnesota Statutes, section 216B.2425, must address in the report steps taken to facilitate locating dispersed generation projects in its service area.

Sec. 12. **TRANSFERRING RELIABILITY ADMINISTRATOR RESPONSIBILITIES.**

All responsibilities, as defined in Minnesota Statutes, section 15.039, subdivision 1, held by the Public Utilities Commission relating to the reliability administrator under Minnesota Statutes, section 216C.052, are transferred to the Minnesota Department of Commerce under Minnesota Statutes, section 15.039.

Sec. 13. **TRANSMISSION AUTHORITY AND INTERCONNECTION STUDIES.**

Subdivision 1. **State transmission authority study.** From the money available to the commissioner of commerce for purposes of studies and technical assistance by the reliability administrator under Minnesota Statutes, section 216C.052, the reliability administrator shall conduct a study of the need for, and potential authorities of, a new state agency to plan, finance, construct, own, maintain, and operate electric transmission lines in Minnesota and other states. The study must consider the need for additional electric transmission in Minnesota over the next 20 years and the state's commitment to accelerating the development of renewable sources of electric generation, as specified in Minnesota Statutes, section 216B.1691, as well as the difficulties of building transmission lines that have resulted from the decoupling of generation and transmission functions. The study must examine the powers of similar agencies in other states, including Kansas, North Dakota, South Dakota, and Wyoming, and their operations to date, and must evaluate whether the existence of a similar organization in Minnesota would have the potential to increase the reliability of the electrical grid in the state, hasten the development of needed transmission lines, accelerate the development of renewable energy projects, especially in rural areas of the state, and reduce costs to Minnesota ratepayers. The reliability administrator must report the study's findings and recommendations to the chairs of the senate and house of representatives committees with jurisdiction over energy policy by February 15, 2008. No more than $....... may be expended on the study.

Subd. 2. **Dispersed generation interconnection study.** From the money available to the commissioner of commerce for purposes of studies and technical assistance by the reliability administrator under Minnesota Statutes, section 216C.052, the reliability administrator must conduct a study identifying administrative procedures that ensure efficient, effective, and coordinated action between state authority for interconnecting dispersed generation projects to locations on Minnesota's retail load serving power system at interconnection voltages less than 100 kilovolts and the Midwest Independent System Operator's authority with respect to interconnections at voltages in excess of 100 kilovolts. The study must identify changes, including, but not limited to, standardized application forms and interconnection agreements for dispersed generation projects, that may expedite interconnection. The reliability administrator must report the study's findings and recommendations to the chairs of the senate and house of representatives committees with jurisdiction over energy policy by February 15, 2008. No more than $....... may be expended on the study. For the purposes of this subdivision, "dispersed generation project" means an electric generation project with a capacity of 25 megawatts or less that utilizes an eligible energy technology as defined in Minnesota Statutes, section 216B.1691, subdivision 1, paragraph (a).

Sec. 14. **REPEALER.**

Laws 2007, chapter 3, section 3, is repealed.