

2013 SENATE NATURAL RESOURCES

SB 2291

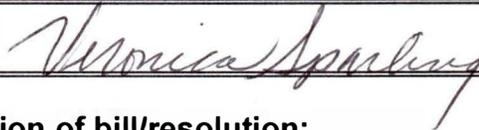
2013 SENATE STANDING COMMITTEE MINUTES

Senate Natural Resources Committee Fort Lincoln Room, State Capitol

SB 2291
February 21, 2013
19329

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for net metering

Minutes:

attachments

All committee members were present. (Senator Triplett arrived 5 minutes after attendance was taken.)

Chairman Lyson opened the hearing for SB 2291.

Senator Klein, District 14, introduced the bill.

John Wanecke, a renewable energy developer from Steele, ND, spoke in favor of the bill. His company name is RSSrenewable.com. He started the company in Minnesota 4 years ago. See attachment #1. He directed the board to solarabcs.org to view a study of the rate impact of net metering. (1:35 to 14:15)

There was a short discussion about the proposed amendments. See attachment #2. (Ends at 15:30)

Senator Laffen stated he is a believer in energy conservation, but he was questioning how it could go to 100%. There was discussion and they concluded that maybe the highest it could ever go was 90% because the utilities have to pay for maintenance, etc. (Ends at 19:34)

Scott Skokos, testifying on behalf of the Dakota Resource Council, spoke in support of the bill. See attachment #3.

Senator Triplett asked how many of the members of the Dakota Resource Council have their own generating *inaudible*.

Mr. Skokos said around 5-10%.

There were general questions about the size, placement, and marking of wind turbines. (Ends at 27:07)

Opposition:

Harlan Fuglesten, on behalf of the ND Association of Rural Electric Cooperatives, presented written testimony in opposition to the bill. See attachment #4. (28:15 to 37:00) He also passed out testimony on behalf of Cass County Electric Cooperative and Minnkota Power Cooperative. See attachments #5 and #6. He discussed the net metering programs of two of the largest cooperatives. Comparing with other states he found they set the limit at 0.1%. A program that incentivizes the relatively extensive facilities in essence gives a subsidy to those members who can afford to build the facilities. The cost of that subsidy is being paid for by the other members. He gave an example of why it does not make economic sense. (Ends at 36:30.)

There was some discussion about the price of electricity in ND and how our rates compare to other states' rates. Our rates have been among the lowest but that has been changing.

Senator Laffen asked about whether the grid has been paid for or whether the cost is ongoing.

Mr. Fuglesten said the cost is ongoing because it is constantly being maintained and upgraded. If someone is given a retail rate, the cost is being passed along to the other rate payers.

Carlee McLeod, President of the Utility Shareholders of North Dakota spoke in opposition to SB 2291. See attachment #7. With start-up costs being so high, this bill would benefit the very customers who can best afford to pay for utilities. It seems unfair to the customers.

Dan Kuntz, attorney for MDU Resources, spoke in opposition. Net metering is already offered under PSC rules. He also objects to forcing the power companies to pay retail rates for excess energy. It doesn't make economic sense.

There was discussion to clarify that the power that is in question is the excess being produced that would go back in the grid because the usage and "return" of power nets out and only the excess a person produces to put back in the grid is what is not being paid at a retail rate.

Dale Neizwaag with Basin Electric distributed attachment #8. He pointed out the fixed costs that cannot be avoided.

Senator Hogue asked if Mr. Neizwaag knew of a website he would consider an authoritative site for all of the federal subsidies and mandates for the larger wind turbines.

Mr. Neizwaag said he will find out.

Todd Kranda, representing Missouri River Energy Services, presented attachment #9 and also submitted attachment #10 on behalf of Deb Birgen who is also from Missouri River Energy Services. He was in opposition for the reasons already mentioned.

Chairman Lyson closed the hearing for SB 2291.

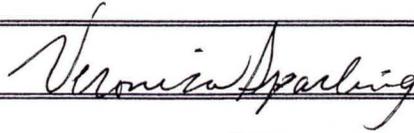
2013 SENATE STANDING COMMITTEE MINUTES

Senate Natural Resources Committee
Fort Lincoln Room, State Capitol

SB 2291
February 22, 2013
19393

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for net metering

Minutes:

No attachments

All committee members were present during roll call except Senator Unruh and Senator Triplett. They arrived within a few minutes.

Chairman Lyson opened the discussion of SB 2291.

Senator Laffen: Do Not Pass

Senator Burckhard: Second

Roll Call Vote: 7, 0, 0 (The vote was held open and the two senators who arrived late were allowed to vote.)

Carrier: Senator Laffen

Date: 2-22-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2291

Senate Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Laffen Seconded By Burckhard

Senators	Yes	No	Senators	Yes	No
Senator Lyson	✓		Senator Triplett	✓	
Senator Burckhard	✓		Senator Murphy	✓	
Senator Hogue	✓				
Senator Laffen	✓				
Senator Unruh	✓				

Total (Yes) 5 No 0

Absent 0

Floor Assignment Laffen

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2291: Natural Resources Committee (Sen. Lyson, Chairman) recommends DO NOT PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2291 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2291

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Testimony in Support of SB 2291

Senator Lyson and members of the Committee, my name is John Wanecke. I am a small renewable energy developer from Steele, ND. I am here to testify in favor of this Net Metering Bill. This Bill is a reasonable solution to achieving full retail reimbursement for small renewable systems up to 40kW, the current Net Metering Law allows up to 100kW to receive net metering at avoided (approximately 30% retail); this Bill would lower the maximum qualifying system to 40kW. In addition, this bill mandates a \$500 interconnect fee, which some utilities do not charge a customer to do. These are the compromises in this Bill.

To summarize this Bill it's intent is to gradually move ND's Net Metering law to allow for full retail reimbursement. Currently ratepayers generating back into the grid receive 30% of the retail rate of electricity. This poor percentage of repayment creates a climate where it is almost not feasible to develop small wind and solar in North Dakota.

This is how the Bill works, if this passes customers generating back into the grid with systems 40 kW and smaller will receive 50% of retail in 2013. If there is no rate impact between 2013 and 2015, which is in expert opinion is not expected, in 2015 the reimbursement will move up to 75% of retail. Then finally if no rate impact is shown full retail reimbursement will occur in 2017.

Table 1.

Minnesota Electricity Retailers

	Net Metering ¹				Est. % of Retail Sales ³	Retail Electricity Sales ²		
	# Customers		kW Capacity			Entities #	Customers #	Retail Sales GWh
	solar	wind	solar	wind				
Investor Owned	479	83	2820	1701	0.015%	5	1,469,341	43,321
Cooperative	170	232	894	4617	0.066%	46	755,602	14,095
Municipal / Public	21	4	147	63	0.003%	124	361,955	9,562
Total	670	319	3,861	6,381	0.024%		2,586,898	66,978

- Notes: 1 Minnesota Qualifying Facilities Reports 2011 (E999/PR-11-09, October 2010 through September 2011)
 2 U.S. Energy Information Administration, Form EA-861, 2010
 3 Annual energy produced (gross) by net metering projects divided by annual utility electric energy sales
 Based on estimated annual capacity factors of for net metering projects (est. 15% solar, 20% wind)

This table depicts the number of systems net generating in MN. This includes solar and wind facilities in the Minnesota. Minnesota has had full-retail net metering reimbursement since 1983.

There are 989 systems facilities in Minnesota, and the average size of a facility is 10.3 kW. In addition, Net Metering systems account for 0.024% of retail sales of energy. This is almost nothing.

Over a period of 30 years of Net Metering in Minnesota there is total of systems 10,242 kW of generation by systems that are Net Metering. North Dakota has a population 13% of Minnesota's, if you were, if retail net metering is enacted in ND theoretically in 30 years there would be a total of 1331 kW being generated by systems that are participating in Net Metering. This amounts to just under a 1.5 mW GE wind, which many of you have seen at the Basin Electric Wind farm near Minot.

30 years of Retail Net Metering is less than a 1.5 MW GE Turbine.



Picture: 1.5 mW GE Turbine.

You are likely going to hear several arguments from the Utilities and Coops will make arguments stating that this bill will cause a large rate impact. This could not be further from the truth. I would direct your attention to the Solar American Board for Codes and Standards study, "A generalized approach to assessing the rate impacts of net metering", which shows that there is no net impact on the front end. If there is a rate impact the study states that it may be 8/100th of 1 cent on each monthly bill. In addition, the report asserts that Utilities by not participating in full retail net metering are potentially causing an adverse rate impact.

This Bill is about moving towards energy independence by diversifying our resources and allowing private residents the option to generate and be properly reimbursed for the power they put back into the grid. This bill is a win, win proposition. I am open to any questions.

Testimonials.

Installed my Bergey 10 kW in 2001. I haven't had an electric bill since and the turbine has paid for itself. It's the best investment I ever made."
G. Sansone, Oak Hills, CA

Replaced a broken Whirlwind Power turbine with a Bergey 10 kW in 1988. I should have bought the Bergey in the first place."
Bohl, Phillipburg KS

My first Bergey 10 kW installation has operated for over 26 years with insignificant maintenance costs and has had a 100% availability factor. It couldn't be more reliable."
Chase, Shokan NY.

Made a big mistake when I used a Chinese turbine with an American sounding name. It just didn't hold up. What a difference in the Bergey equipment."
S. Jackson, Chico, CA

Specifications.

Reference Rated Power: 10 kW.
AWEA Rated Power: 8.2 kW at 25mph.
AWEA Rated Annual Energy: 13,200 kWh at 11 average.
A Rated Sound Level: 54.7 dBA.
Cut-in Wind Speed: 5 mph.
Cut-out Wind Speed: none.
Peak Power: 12.5 kW at 28 mph.
Max. Design Wind Speed: 135 mph.
Design Operating Life: 30-50 years.
Turbine Rotor Diameter: 23 ft.



Buying a Bergey turbine.

The best candidates for a Bergey 10 kW wind turbine are those with a residential or commercial property of at least 1 acre, an electric bill averaging over \$150 per month, and a wind resource of at least 10 mph. Each project is a little different so a site survey and quotation are necessary. The typical steps in buying a Bergey wind turbine are:

1. Contact a local Bergey dealer. For assistance, see the Dealer Lists page at www.bergey.com.
2. Purchase a site survey from the dealer. Following the survey you will receive a quotation and a projection of performance and payback.
3. Purchase the system. Your Bergey dealer will apply for the necessary permits and available rebates, contact your utility company, get your Bergey wind equipment shipped, and provide you with a preliminary schedule for the work at your home or business.
4. Once the permits and equipment are in hand, your Bergey dealer will schedule your installation. This will involve several visits for foundations, wiring, and turbine installation.

Typically, getting the permits to install the 80 - 140 ft towers we recommend is the biggest obstacle you and your BWC dealer will face. Few cities and counties have ordinances that favor small wind turbines.

For information on the permitting issues we recommend the AWEA guide available at:
www.awea.org/smallwind/pdf/InThePublicInterest.pdf

You will also find additional information at:
www.bergey.com

John RYS RENEWABLE.COM
701-595-3410

Power your dream with the wind



Why buy a small wind system?

A Bergey wind turbine is a smart investment that will lower your monthly expenses, increase your net worth, and help support American manufacturing jobs. At the same time it will clean the air, slow climate change, and move you towards energy independence.

You will also enjoy watching your utility meter turn backwards and the lively interaction between the wind and your Bergey turbine. Finally, it will totally change your view of wind - you will start appreciating windy days.

For those fortunate enough to have a windy site of at least one acre, a Bergey wind system will be substantially less expensive than a comparable solar system, it will take up less space, and its performance won't degrade over time.

It's like buying vs. renting a home.

Over the next 10 years a typical homeowner or small business will pay \$18,000 to over \$50,000 in electric bills, at rates that often increase faster than inflation. When you choose a Bergey wind system you take the same monthly expense and invest it in a tangible asset. Once your Bergey turbine is paid off, you will enjoy more money in your pocket every month for the next 20 - 40 years.

A Bergey wind turbine is an excellent investment. It will typically provide a rate of return of 6% - 25%, much better than traditional investments.

Tax credits and rebates make it affordable.

Small wind turbines qualify for a 30% federal tax credit and, for businesses, accelerated depreciation. USDA grants are available for farmers, ranchers, and rural businesses. Many states offer additional incentives (see www.dsireusa.org). These incentives make owning a Bergey wind turbine surprisingly affordable.

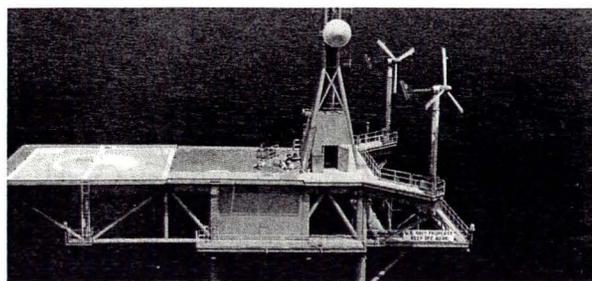
Why a Bergey wind turbine?

Bergey Windpower is the oldest and most experienced manufacturer of residential-sized wind turbines in the world. Thirty years ago we pioneered the radically-simple "Bergey design" that has proven to provide the best reliability, performance, service life, and value of all of the hundreds of competitive products that have come and gone in that time. With only three moving parts and no scheduled maintenance necessary, the Bergey 10 kW has compiled a service record that no other wind turbine can match. We back it up with the longest warranty in the industry.

There are now many new small wind products on the market. Though sometimes heavily promoted, these new entrants lack the track record that provides confidence as a sound investment. Over the years Bergey wind turbines have often replaced unsuccessful competitive products. The bottom line is that wind turbines are a big investment, and Bergey is the wise choice.

Bergey turbines are simple, but they also incorporate sophisticated technology that has been refined over more than a quarter-century. From its custom airfoil to its "super magnet" low speed alternator to its custom inverter, there's no more advanced technology in the industry. The result is exceptional low wind speed performance, robust storm protection, and almost silent operation.

Finally, Bergey offers more tower options than any other small turbine manufacturer. We have Guyed-Lattice, Self-Supporting Lattice, Tubular Self-Supporting, and Guyed Tilt-up Lattice towers in heights from 60 ft to 160 ft.



Bergeys are built on strong basics:

- 1.2.3 Simplicity:** The only moving parts are the parts you see moving.
- Reliability:** Developed in "Tornado Alley", proven in critical military applications, and backed by our exclusive 10-year warranty.
- Performance:** Low start-up(5 mph), continuous operation in high winds, and extremely quiet.

Our technology makes it happen!

PowerFlex Blades

Our exclusive "full length reinforcement" fiberglass blades are stronger than steel and the strongest in the industry.

BW-7 Airfoil

Our custom designed airfoil (blade shape) is quieter and more efficient than the "catalog airfoils" others use.

Neo-10 Alternator

Our custom designed very-low-speed "super magnet" alternator also serves as the blade mounting hub, integrating what are typically two separate assemblies.

AutoFurl Storm Protection

Our uniquely simple passive, fully automatic, high wind protection is hurricane proven.

Powersync II Inverter

Our custom designed third-generation power converter is UL-certified and extremely rugged.

13.0752.01001
Title.

Prepared by the Legislative Council staff for
Senator Klein

February 12, 2013

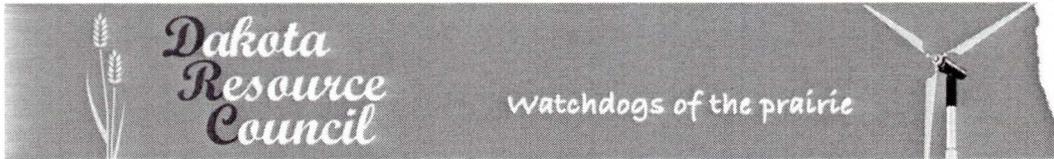
#2

PROPOSED AMENDMENTS TO SENATE BILL NO. 2291

Page 1, line 10, replace "to one hundred kilowatts" with "or less"

Page 1, line 19, replace "fifty" with "seventy-five"

Renumber accordingly



Dakota Resource Council Testimony in Support of SB 2291

Mr. Chairman and members of the Committee for the record my name is Scott Skokos. I am here to testify on behalf of the Dakota Resource Council in support of Senate Bill 2291. For those who do not know Dakota Resource Council, DRC is a diverse group of over 500 landowners, farmers, ranchers, and business owners from across North Dakota.

Dakota Resource Council supports SB 2291 because it provides a graduated approach to getting market value net metering.

50% retail in 2013;
75% retail in 2015;
100% retail 2017.

Stopgap Measure: With the ability for Utilities, Coops, and Muni's to stop repayment increases if they can show an adverse rate impact following 2013, 2015, and 2017.

The graduated approach combined with the stopgap measure allows for the Utilities, Coops, and Muni's to slowly graduate into a system that allows private citizens that decide to invest in renewable energy a fair payback on the energy that they can potentially generate back into the grid.

Dakota Resource Council has members currently that have renewable energy systems on their land. From speaking with members it is apparent that many would choose to invest more in wind and solar, thus adding more renewables to the grid in North Dakota.

If passed SB 2291 has the potential to stimulate new development by providing opportunities to all sectors of the construction industry from concrete to manufacturing to electricians to wind and solar installation companies.

The State of Minnesota has had retail or market value net metering since 1983, meaning our neighbors in Minnesota that generate energy back into the grid get

100% retail value for their energy. In contrast North Dakotans that generate back into the grid only receive approximately 30% of the average retail rate.

Retail Rate: 9.4 cents/kW (average cost of electricity in ND according to the Energy Information Administration)

Avoided Cost: 2.9 cents/kW (according to Montana Dakota Utilities)

Beyond the low payback for energy generated back into the grid, North Dakota like many other states has decided to continue to give tax exemptions and subsidies to other energy industries such as coal, ethanol, and oil. For example during the 2011 legislative session a Bill was passed that gave newly permitted coal mines tax breaks on new mining equipment (*N.D.C.C. § 57-39.2-04.8*). Not only was that tax exemption unnecessary, it played a role in picking winners and losers in the energy market.

This bill does not ask for a tax exemption, rather it is asking for a graduated approach to getting residents that decide to generate electricity back into the grid fair market value for their energy.

Opponents of retail net metering argue that because the energy companies are the same companies responsible for building the transmission lines, that consumers net generating back into the grid do not deserve market value for their excess generation.

This is in many ways a flawed argument for the following reason:

Who pays for transmission? The ratepayer through rate increases pays for the cost of new transmission.

So why is the ratepayer not allowed to utilize the line that they helped pay for?

Let's be honest, in Minnesota they have had retail net metering for almost 30 years and they have less than 1000 systems installed that generate back into the grid. With retail net metering North Dakota will likely have a comparative number of systems if you take into account that ND has about 13% of the population of Minnesota. So realistically we are looking at in the ballpark of approximately 100 systems will get on the grid if this legislation is passed. It is unlikely that 100 systems are going to cause an adverse rate impact.

This legislation's fair and balanced approach allows utilities time to adjust if needed and makes it a better investment for those who want to become more energy independent by installing their own energy generation facility.

I would like to thank you for your time and urge a do pass recommendation on SB 2291. I am open for any questions.

#4

SB 2291

Testimony of Harlan Fuglesten
North Dakota Association of Rural Electric Cooperatives
Senate Natural Resources Committee
February 21, 2013

Mr. Chairman and members of the committee, my name is Harlan Fuglesten, and I am testifying on behalf of the North Dakota Association of Rural Electric Cooperatives in opposition to SB 2291. We oppose this bill for two primary reasons. The first is philosophical and the second is economic.

The philosophical reason is that we believe that local, democratically-elected co-op boards of directors are better able to make decisions on rate issues such as net metering than the legislature or the even the Public Service Commission. While our electric co-ops are subject to some limited PSC jurisdiction to settle territorial complaints and approve siting of high voltage transmission lines, for example, co-op boards have always had the right and responsibility to set rates and terms of service for their customers. See NDCC 49-02-01.1. The reason for this is simple. Our customers are the owners of our cooperatives. These member-owners democratically elect directors to manage their cooperative. In fact, our 16 member distribution cooperatives together elect a total of 136 directors, almost as many directors as serve in this Legislative Assembly. These directors, who are themselves electric co-op customers, understand the needs and wishes of the cooperative membership. If they don't, like legislators, they don't get re-elected.

Since our cooperatives operate on a not-for-profit basis, electric rates are set just to cover costs and to provide a small margin for operating capital. These margins are later

returned to members as the financial condition of the cooperative permits. Not only are co-op boards close to the membership, they are knowledgeable about ratemaking principles. If the board or membership thinks it is a good idea to provide net metering, this decision can be made by the local board.

Actually, our two largest co-ops by sales, Cass County Electric Cooperative and Nodak Electric Cooperative, have policies relating to net metering. They developed these policies, not because of customer requests for net metering because there has been no clamor for it, but because of amendments to the Public Utility Regulatory Policy Act (PURPA), passed as part of the Energy Policy Act of 2005, which required state public utility commissions and large non-jurisdictional cooperatives, to consider whether net metering would advance certain goals of PURPA. These goals include 1) conservation of energy supplied by utilities; 2) optimal efficiency of electric utility facilities; and 3) equitable rates for electric consumers. I have handed out testimony of Scott Handy, manager of Cass County Electric Cooperative. In his testimony, he describes the net metering program Cass offers, and the restrictions placed on the program to limit the extent to which co-op members subsidize the small wind industry. The point I want to make is simply this. Each local co-op board is in the best position to determine what is efficient, fair and equitable for all of its members. SB 2291 seeks to have the legislature determine just what may be financially advantageous to a select group of members; specifically those members who have the capability to spend \$100,000 or more to install large distributed generation units that will likely far exceed their own energy requirements.

That brings me to the second reason we oppose SB 2291, which is economics. What this bill proposes to do is establish a phase-in obligation for utilities to pay the full retail rate for excess distributed generation, such as wind energy. This is being requested without regard to whether or not this makes any economic sense in a given situation. Basically, the bill encourages the development of alternate energy resources that could potentially supply a large amount of energy that our electric cooperatives may not need at prices that are well above market rates. Let me give you some numbers that may illustrate the point. While not exact, this example has a close parallel in real life. Assume that retail electric rates are 9 cents/kilowatt hour. Assume that wind energy, which is intermittent, currently sells on the wholesale market for only about 2 cents/kilowatt hour. The price is depressed because the wholesale market to the east of North Dakota has an oversupply of electric generation because of the lingering effects of the recession. Also, assume the Generation and Transmission cooperative selling power to co-ops in eastern North Dakota has had to raise wholesale rates substantially because it has an oversupply of wind power that it is already selling at a loss. With ample power available at 2 cents/kilowatt hour, this is the most that a utility should have to pay for excess energy it does not want or need. Under these circumstances, it makes no economic sense at all to encourage electric customers to invest in oversized wind turbines that generate excess electricity and then force utilities to purchase the power at rates four times higher than market rates. This creates a situation where most electric customers would pay more for electricity so a few favored customers could receive an unjustified benefit.

I should point out that SB 2291 would have its greatest impact on electric cooperatives as we serve most of the rural geography of the state where larger distributed wind and solar

generation units would be located. While the investor-owned utilities have been required to provide net metering by Public Service Commission regulations, as a practical matter, almost no such generation can or will be built in their mostly urban service locations.

In conclusion, it is our belief that our co-op boards of directors, which are charged by law with the responsibility to manage the business and financial affairs of their co-ops, should continue to be responsible for establishing policies that are fair and serve the best interests of their members. We believe that an individual co-op board, in its discretion, may choose to allow net metering under certain terms and conditions, or choose not to allow net metering. That decision, like all other rate and service decisions, should be left to the elected board members of each co-op to determine based on local conditions, needs and the laws of economics.

That concludes my testimony. I would be happy to try to answer any questions you may have.

**Testimony in opposition to SB2291
Scott Handy, President/CEO
Cass County Electric Cooperative Inc.
Fargo, ND**

**Before the North Dakota Senate Natural Resources Committee
February 21, 2013**

Mr. Chairman and members of the Natural Resources Committee, my name is Scott Handy and I serve as CEO of Cass County Electric Cooperative headquartered in Fargo, North Dakota. Thank you for this opportunity to appear in opposition to SB2291.

Our position is that decisions regarding policies and practices such as net metering properly belong with a cooperative's board of directors, which is in the best position to determine if such policies are in the best interests of the cooperative and its members. The State of North Dakota has in the past wisely deferred to the local expertise and governance of an electric cooperative's elected board in matters of policy.

Having said that, I'd like to tell you how Cass County Electric Cooperative's board of directors has considered and adopted policies relating to net metering for the purpose of promoting member-owned renewable generation. Harlan Fuglesten of our state association of rural electric cooperatives has already given you the background on the requirement to consider net metering under the federal Energy Policy Act of 2005. Our board conducted a thorough investigation and at a public hearing in 2007 adopted a net metering policy. The policy contained some limitations to protect both the cooperative's financial well-being and its physical well-being. One initial limitation was to cap the aggregate amount of net metering at a capacity equal to one tenth of one percent (0.1%) of our highest non-coincidental peak. This limitation was not determined in a vacuum. We researched net metering laws across the nation, and found that the majority of those states that had a cap on net metering set it at this level. In our case, that translated to a cap of about 250 kilowatts. This cap was

reached by about 2010, and after careful consideration the board increased the cap by 50%, to 0.15% of our system peak. We have now reached this level and have closed net metering to new applications. Current net metering installations remain on that program.

We didn't, however, simply close the door on interconnection of new member-owned renewable systems. Instead, our board approved a program we called net billing. It has almost all the same features as net metering, except the ability to "bank" excess energy to apply to future member energy purchases. In a practical sense, the conversion to net billing will encourage members to consider renewable energy systems that are properly sized for their own energy use. One of the unintended consequences of net metering is that it provides an incentive to over-size renewable generation systems.

Another significant matter to consider related to net metering is the extent to which it provides a subsidy flowing from those members who don't have these systems to those who do. Net metering essentially provides a retail rate for self-generated energy, reducing that member's contribution to help pay for the installation and maintenance of the utility plant. In other words, a net metering installation gets to use the cooperative's distribution system for a greatly reduced cost while fellow members continue to pay full cost. In the opinion of our board, some subsidization was appropriate in order to help small renewable systems get established in the market. That degree of subsidization for our system is now at about \$10,000 each year, which in our board's judgment is high enough.

In summary, Cass County Electric opposes SB2291 as an unnecessary intrusion into local governance and we urge your DO NOT PASS recommendation.

#6



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Testimony in Opposition
Senate Bill 2291
Senate Natural Resources Committee
Thursday, February 21, 2013
Stacey Dahl, Manager of External Affairs
Minnkota Power Cooperative, Inc.

Chairman Lyson and members of the Senate Natural Resources Committee, my name is Stacey Dahl and I serve as Manager of External Affairs for Minnkota Power, based in Grand Forks, North Dakota. Minnkota is a non-profit electricity generation and transmission cooperative and is the sole supplier of electricity for eleven (11) non-profit cooperative distribution companies and the operating agent for Northern Municipal Power Agency which serves twelve (12) small cities in eastern North Dakota and northwest Minnesota. Minnkota serves approximately 130,000 customers over a 35,000 square mile area.

I'm sorry I could not be present to testify this morning, but I do thank you for the opportunity to submit my testimony in opposition to SB 2291. You will hear from many present at the hearing today as to why net metering, as proposed in SB 2291, does not work for North Dakota. One significant point to consider is the extent to which net metering provides a subsidy from those members who don't have these systems to those who do. Net metering requires a subsidy from other customers because the participating customers are paid a retail rate for the power they sell to the electric company. This power displaces power that the electric company buys at a wholesale rate. Moreover, the subsidy tends to be regressive, since the customers who install renewable energy systems and benefit from net metering are usually wealthier than the average electric company customer.

Additionally, this would encourage the installation of new generating capacity that is not needed. Presently, given all of the surplus energy in the market, Minnkota projects we will not need new baseload generation until 2030. Furthermore, there is also more than enough renewable generating capacity in the region to meet North Dakota's renewable energy goal. At Minnkota, we now have 32% of our system generation capacity that comes from wind energy and another 8% derived from hydroelectric power.

I respectfully ask you to consider a DO NOT PASS on SB 2291.

Sincerely,


Stacey Dahl



Senate Bill 2291
Senate Natural Resources
Testimony in Opposition
February 21, 2013

Chairman Lyson, members of the committee, I am Carlee McLeod, President of the Utility Shareholders of North Dakota (USND), and I come before you to testify in opposition to this bill on behalf of my members, including Xcel Energy, Otter Tail Power Company and Montana Dakota Utilities.

While we understand the desire of a customer-generator to maximize the worth of his or her generation, the simple fact is that the retail cost of electricity is comprised of many factors that the customer-generator does not bear, including the cost of fuel, capital costs of the generator, transmission system, distribution system, and administrative costs of metering and billing.

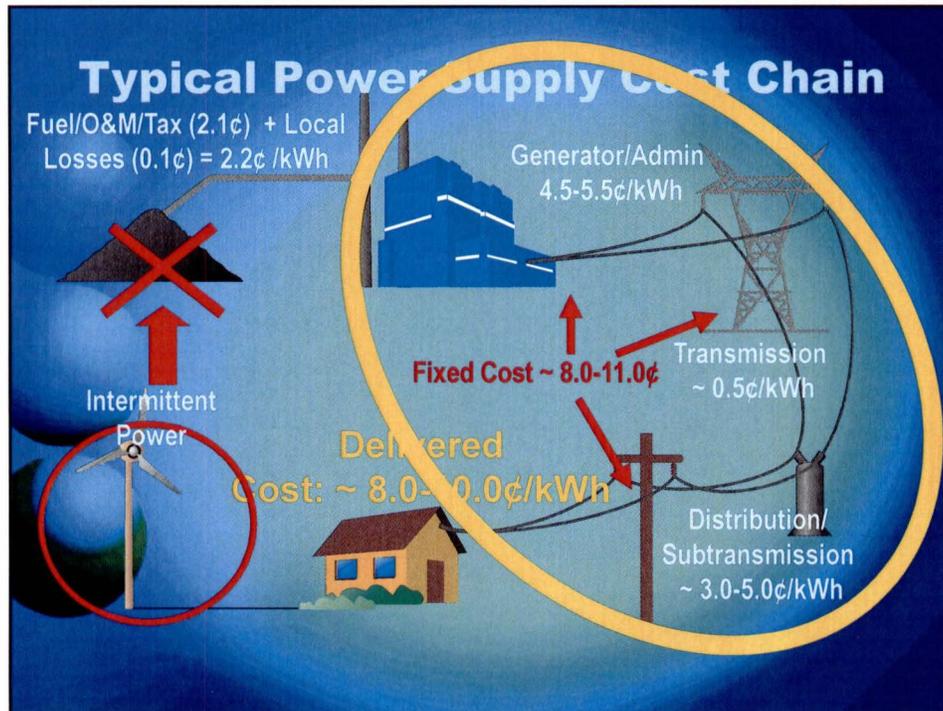
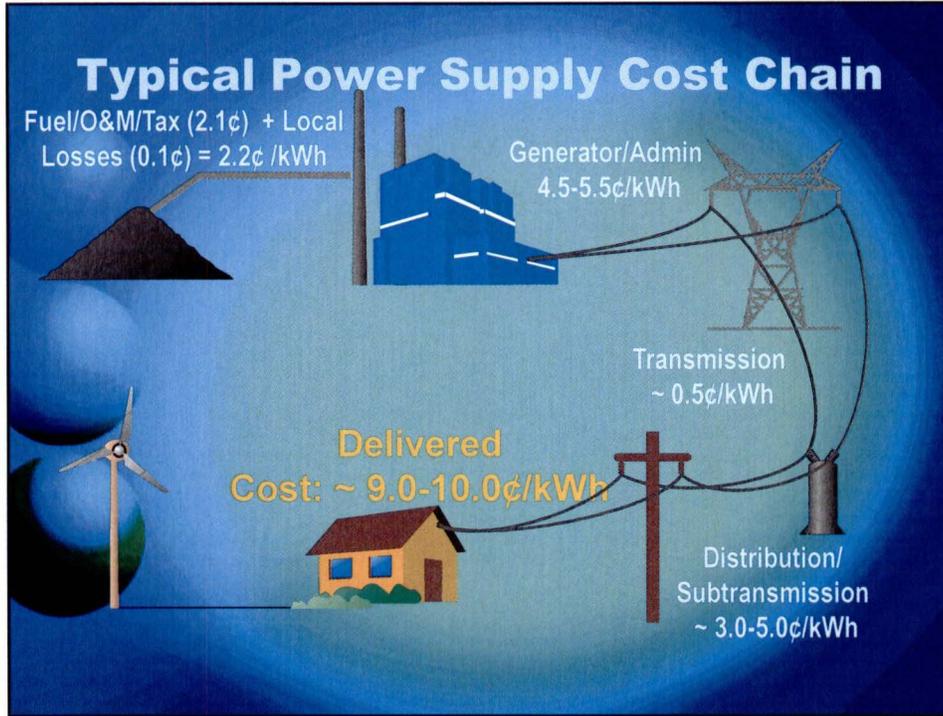
Each investor-owned utility goes through a regulatory process to show the costs of its electricity and justify the rate it may charge customers. The regulatory process aims at keeping the rate paid by each customer as low as possible and fairly assessed across the customer base.

Requiring a utility to pay a customer-generator more than the avoided cost of electricity requires other customers to subsidize the difference between the two electricity sources. We believe that is blatantly unfair to all non-generating customers.

Further, while nothing forces a customer to use any amount of electricity available from a utility, this bill holds a utility captive to take the electricity a customer can produce, at a rate higher than a utility would pay if allowed to purchase alternative sources.

For these reasons, we oppose this bill.

Thank you.



Public Power Principles

MRES⁷⁵⁹

Missouri River Energy Services (MRES) is a not-for-profit, wholesale power supplier to member municipal electric utilities in Iowa, Minnesota, North Dakota, and South Dakota. We are committed to supplying communities with reliable and affordable electricity and ensuring that we do so in an environmentally sensitive manner.

MRES members are public power communities. That means their electric distribution utilities are owned and controlled by the people they serve - the citizens of the community. Since MRES is owned and controlled by our members, our organization is an extension of that public power principle.



Iowa

- Alton
- Atlantic
- Denison
- Fontanelle
- Hartley
- Hawarden
- Kimballton
- Lake Park
- Manilla
- Orange City
- Paullina
- Primghar
- Remsen
- Rock Rapids
- Sanborn
- Shelby
- Sioux Center
- Woodbine

North Dakota

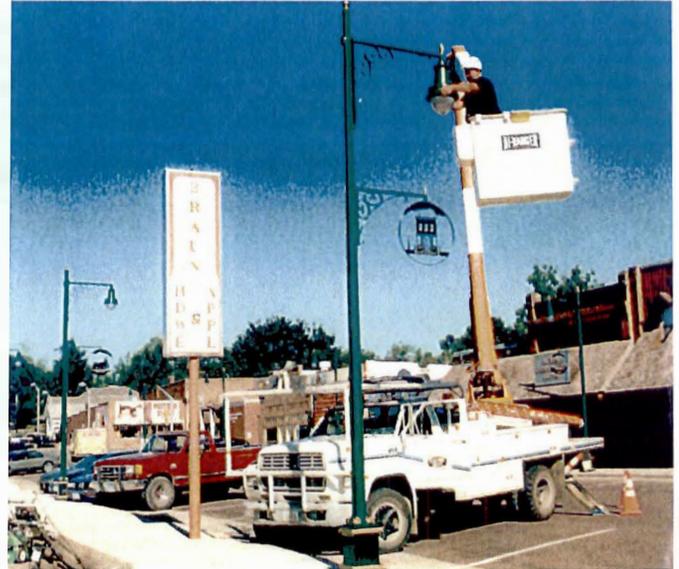
- Cavalier
- Hillsboro
- Lakota
- Northwood
- Riverdale
- Valley City

South Dakota

- Beresford
- Big Stone City
- Brookings
- Burke
- Faith
- Flandreau
- Fort Pierre
- Pickstown
- Pierre
- Vermillion
- Watertown
- Winner

Minnesota

- Adrian
- Alexandria
- Barnesville
- Benson
- Breckenridge
- Detroit Lakes
- Elbow Lake
- Henning
- Hutchinson
- Jackson
- Lake Park
- Lakefield
- Luverne
- Madison
- Marshall
- Melrose
- Moorhead
- Ortonville
- St. James
- Sauk Centre
- Staples
- Wadena
- Westbrook
- Worthington



#10

Summary of Points in Opposition to: SB 2291
Senate Natural Resources Committee
February 21, 2013
By Deb Birgen for Missouri River Energy Services

What is Net Metering?

Net metering is a policy which allows utility customers to offset some or all of their energy use with self produced energy. The utility is required to purchase any extra generation or “net” generation that the customer does not use.

Net Metering Shifts Costs

- Costs are shifted onto other consumers: Utility rates include both variable (fuel) and fixed costs (distribution facilities). Any customer that provides service with internal generation (i.e. wind generation) while still interconnected with the local utility effectively by-passes these fixed costs and shifts these onto other consumers. These costs will be borne by other utility customers who will pay the costs through higher utility rates.
- Most municipal electric utilities in North Dakota are small and have small peak loads. There is not a large customer base to shift costs to. For this reason, allowing net metering up to 500 kW results in municipal utilities purchasing more power than they may need. Also it is a large amount of power, the cost of which will be borne by a small customer base.
- The net metering proposed in SB 2291 is unnecessary given federal law. Under federal law, the Public Utility Regulatory Policies Act (PURPA) requires that rates for purchases from cogeneration or distributed generation must be “**just and reasonable**” to electric consumers and the public. This usually represents the fuel cost component of a standard retail rate. Each community, municipal electric utility and customer base is different. PURPA allows the flexibility to find what is just and reasonable for the community at a whole.
- **Federal Law.** Under federal law, the Public Utility Regulatory Policies Act (PURPA) requires that rates for purchases from cogeneration or distributed generation must be “**just and reasonable**” to electric consumers and the public. PURPA also states that utilities shall not be required to pay more than avoided costs for any excess energy produced by an alternative energy project. The requirements that utilities pay retail rate should be opposed as it is above avoided cost. *See 16 U.S.C.S. § 824a-3(b)*

Decisions Affecting Municipal Utilities Should be Made By Customer-Owners

- Customers who pay for the cost shifts should be the ones setting the size of projects, avoided costs, or any other policies for local renewable development.
- Customers of municipal utilities must retain the right to govern their affairs including setting their own rates and cost recovery.
- Some additional thoughts: A member of MRES, Riverdale, for example, has a peak load of 675kW. Net metering up to 500 kW would obviously overload that system. Not to mention all the additional costs and capital investment: upgrades to the system to handle that amount of power; the issues with the harmonics and voltage differentials associated with intermittent renewable power; a small city like that would probably have to hire an electrical engineer full time just to deal with the impacts on the distribution line. All those costs will have to come from the other customers.
- **Please give SB 2291 a DO NOT PASS recommendation.**