

**MINUTES
RURAL MN ENERGY BOARD MEETING
MONDAY November 26, 2007, 9:30 A.M.
CRD
SLAYTON, MN**

MEMBERS PRESENT:

| | | | |
|------------------------|-------------------|------------------------|------------------|
| Blue Earth County..... | Katy Wortel | Murray County..... | Kevin Vickerman |
| Chippewa County..... | Absent | Nobles County..... | Diane Thier |
| Cottonwood County..... | John Oeltjenbruns | | David Benson |
| Faribault County | Tom Warmka | Pipestone County..... | Marv Tinklenberg |
| Jackson County | Absent | | Jim Keyes |
| Lincoln County..... | Larry Hansen | Redwood County..... | Brian Kletscher |
| Lyon County | Bob Fenske | Renville County..... | Bob Fox |
| Martin County..... | Jack Potter | Rock County..... | Ken Hoime |
| Mower County..... | Absent | Watonwan County..... | Scott Sanders |
| | | Yellow Medicine Co.... | Ron Antony |

ALSO PRESENT: Jon Mitchell, (Redwood Co Environmental Officer), Randy Fordice (Great River Energy/CAPX 2020), Cheryl Glaeser (SW Initiative Foundation), George Crocker (NAWO), Arlene Vee (MN Pollution Control Agency), Ryan Wolf, Andy Olsen (Environmental Law & Policy Center), Scott Marquardt (SW Initiative Foundation), Jay Trusty (Staff), Annette Bair (Staff)

CALL TO ORDER: The meeting was called to order at 9:30 AM by Chairman Kletscher

ANNOUNCEMENTS: Chairman Kletscher announced the Joint Rural and Metro Board meeting will be Monday December 3rd from 1 to 2:30 at AMC.

INTRODUCTIONS: Chairman Kletscher asked everyone to introduce themselves.

CHANGES TO THE AGENDA: The following items were added to the Agenda: SRDC Contract and Demand Pricing.

M/S/P Potter, Tinklenberg to approve the amended agenda.

MINUTES:

M/S/P Warmka, Fenske to approve the minutes of September 24, 2007 as written.

TREASURERS REPORT: Treasurer Hansen reviewed the RMEB finances and bills. Upon payment of expenses, the balance will be \$38,278.24. There was \$1850 in Administration (staff, finance, and audit) bills submitted by the SRDC for the months of September and October 2007.

M/S/P Thier, Antony to accept the Treasurer's Report, payment of \$2331.67 to the SRDC, and to authorize the RMEB Executive Committee to approve any bills that require payment before the end of the year (CY 2007).

Discussion: Chairman Kletscher reported that will some outstanding expenses from Rural-Metro and Executive Committees that are being processed. A clarification was made regarding the Outland Energy meeting with Executive Committee members - the meeting expenses will be tracked under General RMEB expenses. RMEB members also requested a clarification be added to future treasurer reports / bills that details who the SRDC expenses are attributed to.

MCIT Insurance. As requested at the September 2007 meeting, SRDC Financial Staff researched the Joint Powers insurance and the yearly fluctuations based on grants received. The Board was provided a memo from Dianne Crowley, SRDC Financial Staff in response to this request. Commissioner Sanders stated that this issue comes up with other Joint Powers Boards and he will take it to the next MCIT Board meeting and report back in January. Chairman Kletscher deferred the topic to the January RMEB meeting.

Review / Confirm 2008 dues. At the November meeting, the RMEB annually reviews the 2008 dues set at the May meeting. Discussion included what 2008 expenses may include (Rural Metro project and legislative initiatives).

M/S/P Warmka, Hoime to confirm setting the 2008 dues at \$3,000 as decided at the May 2007 meeting.

JOINT POWERS BOARD OPERATIONAL BUSINESS AND SUBCOMMITTEE REPORTS

General. SRDC Administrative contract with the Rural Minnesota Energy Board. RMEB members were sent an electronic copy of the draft agreement prior to the meeting. The only changes were the contract dates and an increase in the audit cost from \$200 to \$300.

M/S/P Fenske, Fox to approve the CY 2008 Administrative contract with the RMEB.

Trusty reported on a visit to Region 5 Counties (Brainerd area) and their interest in what the RMEB is doing. Some of those Commissioners may be at the December 3 joint meeting.

Rural - Metro Committee Report: Subcommittee members provided information about an October 18 meeting with Xcel Energy and Metro Counties in Shakopee, and subsequent meetings. Members reported that Xcel Energy was not aware that the Counties and Met Council do not have certain authorities and Xcel appears to want to work with the Counties. Legislation may need to be developed in partnership with utilities. Xcel did indicate that they have a problem with the CBED legislation. Xcel did not appear to understand: why the Counties (who use taxpayer dollars) do not use Windsource and pay more for wind power; the Metro Energy Task Force Counties desire for hedging future energy prices; nor RMEB counties desire for local economic development. Many issues still need to be worked out, including consistent taxonomy. Xcel Energy has an in-house task force working on the project and CBED issues. Crocker indicated that he is on the CBED task force and will forward information to RMEB when information is available. Bair will forward to the Subcommittee.

Rural Counties envision several 4-5 MW projects; the utility is looking for facilities on the order of 20 to 150 MW projects in order to reach the required threshold of the renewable energy standard.

Fordice of GRE clarified the number of MW needed for the renewable energy standard (RES). A total of 5000 to 6000 MW is needed to meet the RES and significant transmission system upgrades to meet the requirements will be needed to meet the RES (regardless of individual project size). Currently, a study, due to be completed June 2008 will be identifying where up to 600 MW could be placed on the existing system. Another study (due in 2009) will identify where an additional 600 MW of distributed generation can be placed, bringing the total of distributed projects to 1,200 MW. It was noted by an RMEB member that it would take 50 projects like the Trimont 100MW projects to meet the RES. CAPX 2020 is not entire solution; energy efficiency measures, creative and innovative renewable energy technologies such as CBED, digesters, capturing landfill gases, etc. will be needed to meet the RES.

Fordice indicated that GRE staff should be joining the discussion with the Rural Metro project. Fordice cautioned the RMEB regarding retail wheeling, that if the RMEB and MCETF do try to pursue a change in state law to allow a renewable energy agency type of entity to sell energy at the retail level, they would likely have to consider writing an extremely narrow law in order to move it forward. The repercussions of too broad of language may be deregulation. Utilities would not support that, nor would the regulatory agencies. Also noted was observation of other states that deregulated their electric system, their costs are usually two to three times higher than the average Minnesota rate. Also needed is move toward using energy wisely (energy efficiency).

Chairman Kletscher summed the project up with it is an opportunity to work with the 17 RMEB counties, 7 Metro County Energy Task Force, the Metropolitan Council and utilities. It will not happen overnight; it will take time, and is a move forward.

Fox suggested each of the counties should begin asking their respective County Commissioners what they think about the project.

LCCMR. Tom Warmka, Peter McLaughlin and Mike Bull are scheduled to go before the LCCMR Board on December 11, 2007 regarding the Rural Metro Project. If LCCMR approves the proposal, it would mean a \$200,000 grant to move the project forward.

Legislative Subcommittee / issues. The Board discussed various legislative issues throughout the meeting. Including potential for legislation in relation to the Rural Metro project, potential changes to CBED, the PTC, the Farm Bill, and the Production Tax as it relates to School Districts. The following outlines the discussions and actions:

Rural - Metro. In reference to the Rural-Metro project, any language must be jacketed by January. Fox has spoken with Representative Hilty and plans to speak with the senate side.

Production Tax Credit (PTC). The passive income requirement restricts economic development at the local level. Commissioners discussed the need to send letters to the federal legislators to encourage relaxing the PTC to allow ordinary income.

M/S/P Olsen, Thier to draft and send a letter to the federal legislators encouraging a change in the Production Tax Credit to allow ordinary income instead of the passive income restriction.

Farm Bill and Energy The Board reviewed draft letters regarding support of funding the Section 9006 - or Rural Energy for America Program (REAP) at \$500 million.

M/S/P Fenske, Thier to approve the draft House letters and approve the Senate letters with revisions. Discussion. Once the revisions are made for the farm bill letters of support and the PTC letter is drafted, staff is to send to the Counties.

Trusty reported SRDC Legislative Committee meets on Thursday. The SRDC looks for the RMEB for guidance on energy issues. Please forward issues to the SRDC.

Production Tax and School Districts. Legislation in the 2007 session in the Education bill identified use of the production tax that comes to the school districts and reduction of the education funds to make the school funding revenue neutral. More information is needed -Mike Bull at DOC may be able to assist in clarification. It was decided to forward the issue to the RMEB Legislative Committee for further research.

Green Government discussion: - review information on NACo website www.naco.org . Discussion involved how many of the counties have completed energy audits and part of the energy needs mix is the wise use of energy, and would this be a discussion piece for AMC?

Decouple energy sales from earnings. Legislative committee is to look into this issue. It appears to be desirable to reward energy efficiency and a way to do this would be to separate increased or volume of energy use and sales with energy earnings - decoupling.

Executive Committee

- Larry Hansen reported on a meeting on November 16th with Outland Renewable Energy. They are located in Chaska <http://www.outlandenergy.com> . They are private developers and have renewable energy experience in project management.
- CWN letter recently received and has been forwarded to the RMEB Attorney for review as per last meetings instructions.

Delegating Wind Siting Authority for Projects less than 25 MW to Minnesota Counties: Bair reported that the SRDC submitted comment to the DOC on the the delegation of siting authority. She also indicated she obtained information from the County Highway Engineers and the Zoning Administrators to aide in the development of the comment. The DOC will review the comments and make standards recommendations to the PUC by November 30th; The PUC will be issuing general standards in January 2008; Counties may request to assume permitting January 15, 2008.

SW CERT report.

Current Activities of Coordinator - As a result of the SRDC participation in the DOC comment process, it was found that increased communication was needed. Based on that, CERT staff is in the process of arranging a meeting between the County Engineers and the DOC for January 2008 to increase the communication. The RMEB agreed that this would be a community benefit.

RFP Update. Four RFPs have been received by the SW CERT. The Steering Committee will be reviewing the applications following the RMEB meeting. Those recommendations will be forwarded to the SRDC for action.

Farm Bill and Energy Title. A presentation on the status of the Farm Bill was given by Ryan Wolf and Andy Olsen and requested the RMEB consider writing letters of support to the federal delegation to support for funding at \$500 billion to help achieve the 25 x 25 goals.

Recommended energy title programs in the next farm bill include:

- Rural Energy for America Program (REAP). This expands and improves the Farm Bill's successful Section 9006 renewable energy/energy efficiency incentives for locally-owned wind power, biofuels, energy efficiency, geothermal and solar energy and other clean energy projects.

- Energy Technical Assistance and Education, which allows farmers and rural businesses to make better informed decisions regarding energy investments.
- Biorefinery Expansion grant and loan guarantees which are critical to jump starting advanced biofuels production.
- Biomass research and development - new investments for advanced crop-based fuel and power expansion.
- Energy crop development to catalyze sustainable development of energy crops for fuel and electricity.
- Advanced Biofuel production incentives encourage development and production of advanced, low carbon cellulosic ethanol, biodiesel and other biofuels, and helps the country meet renewable energy standards while conserving soil and protecting surface waters.
- Biobased product expansion encourages federal and state governments to use environmentally sustainable bioproducts.

Minnesota Climate Change Policy Group, Bill Sierks gave an update on the Board on Climate change Policies dealing with Energy Supply. The Climate Change website is: <http://www.mnclimatechange.us/index.cfm>.

Other Business

- Benson reported that Xcel Energy is doing demand pricing, and GRE will begin in January 2008. Demand pricing means the price is linked to the cost of energy production and would mean that use during peak use hours would be more.
- Fordice reported on the CAPX2020 meetings held statewide. 1800 people participated. Next set of meetings are scheduled for December 17 Marshall from noon to 2 pm, and Olivia at Max's Grill from 6-8 pm, and December 18 Arlington noon to 2 and Cannon Falls (evening?) In February or March route evaluation will be done. Registered attendees will be reimbursed mileage. (More information needed on this). This link provides the dates and times of the meetings along the corridor. <http://www.capx2020.com/Calendar/index.html>
- YES Teams. Cheryl Glaeser reported on the YES Teams a partnership between the Prairie Wood Environmental Learning Center and the Initiative Foundation. In SW there is the Green Energy Park in Redwood Falls and Montevideo has solar energy X-mas lights. Scott Marquardt was introduced and will be working with Glaeser. The following link to the Initiative Foundation newsletter was identified at the meeting for additional information about YES (page 3) <http://www.swmnfoundation.org/documents/SWIFConnectnewsletter8-23-07.pdf>.
- Center for Rural Policy Technical Assistance Grant. Marquardt reported they anticipate the project work program to be ready in the next 15 to 30 days and will be able to share information at that time.

New Business

- Crocker reported that Dakota County was studying what kind of transmission is needed if they are interested in Community Development. If other counties are interested to let him know.
- Fordice - GRE Building in Maple Grove, a 225 kw wind turbine and building is state of the art, only 34 in the world. Once it is dedicated, in 2008, would like to have RMEB visit it.

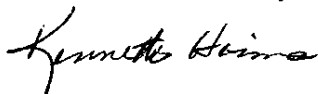
Meeting Dates - others on call by Chair

- **2008 dates** - Dec 3 at AMC, January 28, March 24, May 19 (4th Mon is Memorial Day 26th), July 28, September 22, November 24

Adjourn. The meeting adjourned at 12:00 noon

Minutes Prepared By Annette Bair, Staff. *AB*

Minutes Reviewed By:



Energy Board Secretary Hoime

Minutes Approved By:



Energy Board Chairperson Kletscher