

**Joint Meeting: Report on Fall 2006 Governance Study
Rural Minnesota Energy Board (RMEB) and the
Metropolitan Counties Energy Task Force (MCETF)
AMC Annual Meeting – Rochester, Minnesota
December 4, 2006
1:30 – 3:30 p.m.
Riverview Suite C, Rochester Convention Center**

DRAFT Minutes

Attendance

Commissioners: Richard Bakken, Rock; David Benson, Nobles; Toni Carter, Ramsey; Tom Egan, Dakota; Arne Engstrom, Sherburne; Dan Erhart, Anoka; Butch Ericksrud, Faribault; Bob Fenske, Lyon; Bob Ferguson, Jackson; Bob Fox, Renville; Bill Groskreutz, Faribault; Donna Halverson, Chippewa; Larry Hansen, Lincoln; Ken Ho, Rock; Jack Keers, Pipestone; Brian Kletcher, Redwood; Al Kokesch, Redwood; Gary Kriesel, Washington; Dick Lang, Anoka; Margaret Langfeld, Anoka; Loren Lein, Faribault; Jeffrey Lopez, Chippewa; Jack Potter, Martin; John Oeltjenbruns, Cottonwood; Ewald Petersen, Sherburne; John Reibel, Sherburne; Roger Ringkob, Jackson; Rafael Ortega, Ramsey; Scott Sanders, Watonwan; Felix Schmiesing, Sherburne; Barb Steier, Faribault; Rodney Stensrud, Lyon; Diane Their, Nobles; Loren Tusa, Jackson; Tom Warmka, Faribault; Katy Wortel, Blue Earth.

Staff: Luci Botzek, Sherburne; Jack Ditmore, Dakota; Dan Donkers, Ramsey; Brad Fields, Anoka; Tony Hainault, Hennepin; Cathy Hanson, AMC; Judy Hunter, Washington; Carl Michaud, Hennepin; Marthand Nookala, Hennepin; Steve Novak, Anoka; Molly O'Rourke, Washington; Margaret Schreiner, Dakota; Jim Schug, Washington; Jay Trusty, SWRDC.

Consultants: Derick Dahlen, Kevin Johnson, Jim Larson, David Niles, Larry Waldoch.

Interested Parties: George Crocker, NAWO / C-BED; Dennis McGrann, Lockridge Grindel; Vince Robinson, Lincoln County Enterprise Corp; Julie Rath, Redwood Area Development Corp.

- I. **Call to Order and Introductions, Commissioners Keers, (Chair, RMEB), Kriesel (Chair, MCETF), McLaughlin (Chair, MCETF Wind Workgroup):** 1:30 p.m. call go order and introductions of attendees.

Opening Remarks, Carl Michaud: Carl welcomed attendees. He gave a brief history of discussions between the Rural and Metro county energy groups and the reasons why they are exploring a wind development project. He specifically noted benefits to counties such as reduced cost for electricity, economic benefits from wind development, and the environmental benefits of wind energy. Additionally, wind energy has potential to provide homeland security by reducing fuel imports and decentralizing electrical generation. Carl noted that the joint partnership Prime West could be an example to this group in moving forward with this project.

Commissioner McLaughlin remarked on the involvement of counties in this project and the need for counties to seek reliable energy sources that provide local economic development, contribute to the property tax base and help county institutions that rely on energy to meet their load in a cost-effective and environmentally-preferred way. By getting involved, counties can help keep energy dollars in Minnesota rather than importing energy. Carl then highlighted some of the presentations for the meeting.

III. Presentation on Governance: Larry Waldoch, and Kevin Johnson of Lindquist & Vennum (L & V) described their firm's effort with Avant Energy.

Kevin Johnson provided an overview of the governance structure proposed for the wind energy project. A joint powers board, which the consultants referred to as the Counties Wind Initiative Board (CWIB), may be the most suitable structure for the counties because legislative authority and significant experience with this governance structure already exists. Creating a new statutory entity would require legislation, which may be time-consuming and controversial, yet could be considered if other options do not provide enough authority.

Kevin then described the authority of a joint powers board and how it is formed. Member counties vote to join. The potential actions of a joint entity include:

- Own generation facilities
- Arrange for purchase and sale of electricity
- Arrange for transmission
- Arrange for delivery
- Contract with third parties

The RMEB is a joint powers board, the MCETF is not. Kevin reviewed options for the boards for the current project, most likely among them to form a new wind board comprised of individual counties from the two groups, as they choose and act to join. Such a board also would have flexibility to allow membership from other local units of government.

Kevin then described governance options for the Board of Directors. A small board would elect a chair and vice chair and meet regularly. A large board would elect a chair and an executive committee and delegate significant authority to the executive committee. L & V advises a large board, meeting less frequently than the executive committee, retaining key oversight for project development and implementation.

Commissioners **Keers, McLaughlin, Kriesel** and other commissioners discussed the proposal, concluding it made sense for the informal work group to continue meeting to review various aspects of the project business concept and to report back again to the Board and Task Force. That effort would refine proposals for governance and the business concept. When the two groups meet again in 2007 they could consider action on a new board.

IV. Presentation on Business Model. Derick Dahlen, President of Avant Energy Services, presented a business concept developed by the consultants to meet the goals described for the project by the counties. The business concept builds on the governance structure by suggesting the formation of a wind initiative board that would buy electricity from wind projects and sell electricity to utilities. The model has the flexibility to accommodate the development of large and small wind projects. Margins from the purchase and sale of wind-generated electricity would be divided among counties based on load.

Derick stated that the Federal Energy Regulatory Commission (FERC) has a model for electricity markets. In Minnesota, the Midwest Independent Transmission System Operator (MISO) buys all electricity from generators and covers most of Minnesota. Smaller wind projects developed under this proposal would not be subject to MISO. Larger wind projects, subject to MISO, would be developed as the transmission system expands to accommodate growing wind generation in Minnesota. Because delivery of wind energy is limited by transmission, the model allows for phased development of wind as the transmission system expands.

Projects can be located in counties dependent on wind resource at selected sites, access to available transmission and sufficient load to place a project onto the local distribution system. The goal would be for projects to be owned and financed locally. The plan is that projects would negotiate a PPA with the entity formed by the counties.

Smaller projects could be up to 10 MW (a physical limit), with CWIB buying output under a standard contract. Projects in excess of 10 MW would be connected to the transmission system and may require upgrades that could take up to two years longer for approval and project development. CWIB could provide interconnection with the utility. CWIB could provide a business template for local ownership and financing. Projects could be eligible for the federal Production Tax Credit if they involved sufficient passive investment. Additional public sector financing models may also become available, including additional Clean Renewable Energy Bonds modeled after those included in the federal Energy Policy Act of 2005.

Avant advises the counties to create a governance structure and adopt a business plan that allows them to prepare wind purchase agreements, negotiate contracts with utilities for the sale of electricity and interconnection and metering. This would require six months to one year. If negotiation with the utilities is unsuccessful, the boards would need to seek legislation.

V. Discussion on Presentations. The discussion that followed included questions regarding risk associated with the project, negotiation strategies with utilities, and the various fuel options that might compete with or compliment the development of wind energy. Commissioners expressed interest in a fuller evaluation of the cost and benefit structure of the project to better understand the financial model.

- VI. Discussion of Next Steps.** Commissioner Keers and Kriesel concurred that it made sense for the current working group to continue meeting to work out details of the existing proposal. They and Commissioner McLaughlin agreed that, while RMEB and MCETF members are not required to bring details of this discussion back to their respective boards, that doing so would be helpful in the months ahead as efforts were made to further develop the concept. It would also be useful to discuss the issue with relevant state and federal officials. Commissioner Ortega suggested that some boards may have more familiarity or acceptance of the concept and for them there would need to be a fuller discussion of the business plan and the consequences of success or failure. There was also acknowledgment of the need to better understand the interests that may support or oppose the counties efforts to develop wind energy.

The discussion then centered on how best to bring the information back to individual county boards to present all with uniform information. Staff were requested to work with the consultants to consider options and bring a recommendation to the Board and Task Force that made a clear case for what the presentation would accomplish. Options included presentations by staff, by selected commissioners, and by the consultants. It was also agreed that the presentation was needed equally in the rural counties as well as the metro area, and that perhaps it would be useful to prepare a one-page document of consistent information that would be available to uniformly present information to county board members statewide.

Brian Kletscher then presented Commissioner Keers with a plaque thanking him and acknowledging him for his work with electricity and wind power generation development. Commissioner Keers thanked the group and commented that this is a project that has grown near and dear to him.

- VII. Adjourn:** There being no further business, with the consent of the Boards; the meeting was adjourned at 3:15 p.m.

Minutes respectfully submitted by Cathy Hanson, AMC