

State of Minnesota
OFFICE OF ENERGY SECURITY

Utility Information Request Response

Docket Number: ET2,E002/CN-06-1115

Date Request Received: *

Requested By: Elizabeth Goodpaster and Mary Marro
Minnesota Center for Environmental
Advocacy (MCEA)

Date of Response: June 19, 2008

Beth Soholt *
Wind on the Wires

Response submitted by: Susan L. Peirce
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Division/Unit: Energy Division
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Request No.	
2	<p>OES Witness Susan L. Peirce states on page 11 of her direct testimony:</p> <p>“Prior to the establishment of M-RETS, the Commission did not allow REC purchases to count toward compliance with Minnesota REO Statutes. In its December 18, 2007 Order in Docket E999/CI-04-1616, the Commission established a four-year shelf life for RECs that are to be used for compliance with Minnesota RES requirements. A four-year shelf life means a REC will be eligible for use in the year of generation and for four years following the year of generation.”</p> <ul style="list-style-type: none">a. Please explain the usefulness of RECs to the utility or other REC owner after the four-year shelf life.b. Can the owning utility or other owning party re-sell the RECs at the conclusion of the four years?c. If RECs can be sold and are sold to another utility in Minnesota, would that trigger another four-year shelf life?d. If RECs can be sold, could the RECs be sold out of state to another entity shopping for RECs either before or after the shelf life expiration? If yes, must the sale be outside of the states participating in the M-RETS program?e. The shelf life limitation would indicate that a REC sale of only four years to a utility would be appropriate if the owner has the flexibility to make a subsequent sale for an indefinite period to another party. Is this correct? <p><i>Contd. on next page</i></p>

MOES Response:

- a & b. The four-year shelf life for RECs was adopted by the Minnesota Public Utilities Commission for determining eligibility toward compliance with Minnesota RES Statutes. Other state commissions set their own policies regarding the acceptance of RECs for their state's renewable portfolio standard, if any. Consequently, while a REC is only eligible to count for compliance with Minnesota RES Statutes for a period of four years (the year of generation plus an additional four), a utility could potentially use a REC that is past its eligibility date in Minnesota to count towards another state's renewable portfolio standard. Likewise, a utility may be able to sell a REC in the voluntary market beyond its four-year shelf life in Minnesota.
- c. No. Each REC contains the vintage of the generation, as well as a designation that it is Minnesota RES eligible (that it meets the criteria of eligible generation contained in Minn. Stat. §216B.1691, Subd. 1) The vintage date on the REC is what triggers the determination of a four-year shelf life. Once a REC is beyond the four-year shelf life, the M-RETS system will remove its designation as Minnesota RES eligible.
- d. The M-RETS system allows account holders to retire RECs, and to transfer RECs to the account of another M-RETS participant. Although export accounts are available in M-RETS, there are currently no agreements between the various regional tracking systems (i.e., M-RETS, PJM-GATS, WREGIS, NEPOOL-GIS) to provide for export/import capability. The issue of tracking system compatibility and export/import capabilities are currently being addressed by the Environmental Tracking Network of North America (ETNNA) (the successor organization to the North American Association of Issuing Bodies , or NAAIB).
- e. The OES understands the question to be asking whether a REC can be sold to a utility for meeting Minnesota RES requirements, and then resold after the four-year shelf life expires to another entity for meeting Minnesota's RES. The answer to this question is no. In order to comply with Minnesota RES, a utility will need to retire RECs in an amount equivalent to its RES obligations. Once a REC has been retired (i.e. transferred into a retirement account in the M-RETS system, it is no longer available for use for further or additional compliance with Minnesota's RES. RECs may not be transferred out of a retirement account. If a utility has more RECs than it needs to meet its RES obligations, it could sell the REC to another Minnesota utility for purposes of meeting the Minnesota RES during the period of the four-year shelf life, but not after that time period expires. As indicated in response to (c) above, once the REC has passed its four-year shelf life it will lose its designation as Minnesota RES eligible.