



Community Based Energy Development Tariff

What is the C-BED Tariff?

The Community-Based Energy Development (C-BED) Tariff is a public policy adopted by the Minnesota Legislature in 2005 to promote more locally owned and dispersed wind energy facilities within the state. The Tariff is a new concept that creates a standardized framework for community wind projects to negotiate with utilities. Right now the C-BED law only applies only to wind energy, but it could be expanded in the future to other forms of renewable energy.

Who Qualifies for a C-BED Tariff Contract?

The legislation has a detailed definition of eligible entities. However, Virtually any resident tax payer, small business, cooperative, school, local government, tribal government or non-profit organization located in Minnesota can be considered an eligible entity to develop a C-BED project and receive payment for energy sold under the tariff. The tariff is not limited to projects of any specific size, thus there are no artificial limits to

How much Does the C-BED Tariff Pay?

The C-BED statute does not specify a specific price for wind energy. It sets a top price that utilities are allowed to pay. This ceiling is 2.7 cents Net Present Value Rate per kilowatt-hour. The Net Present Value Rate is calculated using a financial tool called discounting. The actual payment allowed is much higher than 2.7 cents. The statute allows for payments of approximately 5 ½ cents per kilowatt-hour. In addition, the statute explicitly allows for "front loading"

of revenues. A project can sign a 20 year contract and receive more money in years one through ten, and then offset the front load by taking reduced payments in years eleven through twenty. This will shift revenue forward during the time bank loans are being paid off. Front loading can improve the cash flow of community wind projects to facilitate financing. For example a project receiving a 2.7 cent NPV rate contract could be paid 6 cents per kWh in years 1-10 and 4.4 cents in years 11- 20. The web site www.c-bed.org includes a more detailed description of Net Present Value Rate and includes a rate calculator to determine what payment streams might look like under different scenarios.

Will the Utility Sign a Power Purchase Agreement?

The C-BED Tariff does not guarantee a contract to sell electricity to a utility. The law requires that utilities negotiate with qualified C-BED projects, but it does not require them to actually sign the contracts. C-BED projects will have to be competitive and provide value to a utility. Value could take the form of low cost energy - where wind resources are good or it could take the form of strategic location. Strategic locations might include local areas with high and growing demand for electricity. The Legislature has made clear that it expects utilities to sign C-BED contracts. The C-BED Tariff opens the door to community wind projects and enables them to negotiate.

What is the Legislative Citation?

Minnesota Session Laws 2005 - Chapter 97 / Minnesota Statute 216B.1612

A PUBLICATION OF
THE MINNESOTA PROJECT
WWW.MNPROJECT.ORG

PARTNER OF

CERTS

helping Minnesota communities
determine their energy future

WWW.CLEANENERGYRESOURCE TEAMS.ORG

CERTs Partners: Minnesota Department of Commerce, The Minnesota Project, University of Minnesota Regional Sustainable Development Partnerships, The Rural Minnesota Energy Board, Metropolitan Counties Energy Task Force, Resource Conservation and Development Councils