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RENEWABLE ENERGY INCENTIVES State Renewable Energy Funds

A number of U.S. states have recently created funds to promote and develop renewable energy. The 15 states that have established renewable energy funds are slated to amass more than \$3.5 billion between 1998 and 2012. This represents a growing trend by states to aggressively support the development of renewable energy technologies.

In September of 2002, the Lawrence Berkeley National Laboratory (LBNL) in collaboration with the Clean Energy Group published a series of case studies summarizing renewable energy funds in several states including Wisconsin, Montana, and Minnesota. The following cases summarize the renewable energy funds in the states mentioned above.

Wisconsin – Funds used to Support Education, Training, and Technical Assistance

In 1998, the Wisconsin Department of Administration began funding a pilot, renewable energy program called the Demand-Side Applications of Renewable Energy (DSARE). DSARE has since been replaced by a new statewide program funded at roughly \$4.5 million per year. Initially, the DSARE program focused on market preparation and infrastructure building activities; the new statewide program has since expanded to include the following components: information, education, training, project facilitation, technical assistance, and financial assistance for qualified projects.

To educate the public about the program, funds were used to create TV commercials, radio ads, brochures, posters, print ads, and a 30-minute video. This was the first time in Wisconsin that a professional marketing company was used to promote renewable energy in the state.

One of the main goals of the Wisconsin program has been creating educational materials on renewable energy technologies and policies for the general public and other interested groups. Funds from the program have been used to produce many fact sheets on renewable technologies, case studies on successful projects in Wisconsin, and a listing of renewable energy businesses in Wisconsin – all accessible by the web at www.focusonenergy.com. The program includes a toll free call center, which is used to answer questions and refer customers to other renewable energy information sources or vendors. Furthermore, funds from the program have been used to co-sponsor several conferences for consumers, educators, professionals, and students and have been well received throughout Wisconsin.

In addition to public education and information sharing, a project facilitator provides technical and any other assistance to customers interested in developing and installing renewable energy projects. This portion of the program has helped many customers overcome the high transaction costs involved in developing and installing a renewable energy project. The duties of the project facilitator include: explaining the program to potential customers; tracking leads and making referrals to contractors; providing phone consultations; offering renewable energy audits to

homes, farms, and businesses; site assessment; system options; financing advice; business plan development; early project planning; proposal writing assistance; project feasibility assessment; and speaking engagements.

The Wisconsin program has been quite successful, and over time, changes to the program have proven to be valuable to both the administrators and customers requesting assistance. The call center now receives nearly 75 – 100 calls per day with the quality of calls improving considerably (due to tweaks in the system). The administrators of the fund are confident the demand for their assistance will significantly increase as the progressive regions of the state begin to take part in the program.

Montana – Funds support Photovoltaics (PV) and Small Wind Projects

Montana's largest investor-owned utility, NorthWestern Energy has collected approximately \$9 million a year for the past 2-3 years from a systems benefit charge paid for by their customers. Roughly \$1 million of these funds have been used to support the development of renewable energy, especially photovoltaics (PV) and small wind projects. To date, approximately 200 kW of PV and small wind projects have gone online in Montana.

Because NorthWestern Energy has a small staff, an advisory committee called the National Center for Appropriate Technology (NCAT) administers most of the funds used for renewable energy programs. NCAT has been apart of projects such as the Montana AgSolar project, which has funded PV-powered livestock watering systems for several farmers and ranchers in the state. NCAT has also created a website called Montana Green Power at www.montanagreenpower.com. This site provides broad information on renewable energy resources, technologies, and polices for Montana and the Northwest region.

In addition to the projects above, NCAT has created the Sun4Schools program. This program completely funds the installation of 2 kW PV systems for local schools - 20 such installations have already occurred. In addition to installing the PV systems, NCAT has developed a solar energy curriculum to be used in the classroom. Furthermore, each school is required to showcase their PV system to the public at open houses and/or science fairs. As this and the above examples show, funds from a systems benefit charge can be used rather innovatively and successfully to help educate the public about renewable energy technologies.

Minnesota – Funds used to Support Biomass and Innovative Wind Projects

In Minnesota, funds created from a nuclear waste disposal settlement were used to create the Xcel Renewable Development Fund (RDF). A Renewable Development Board, consisting of two representatives from Xcel Energy and two representatives from the environmental community, administrates the fund. The RDF has since been used to support several grant requests from a variety of renewable energy technologies.

For example, in mid-2001 Xcel energy began its first solicitation for renewable energy grant proposals. The solicitation for proposals was relatively open and unstructured. In other words, the renewable development board had four criteria for selecting winning projects including project approach and work plan, project team, economic development impact, and cost effectiveness (given greatest weight); however, the board also wanted to fund a diverse mix of

renewable energy technologies, especially small-scale biomass and wind projects that may not otherwise compete with large-scale projects. Therefore, the four criteria mentioned above were not necessarily the sole standards for selecting projects.

Of the 28 proposals received by the renewable development board, 8 were eventually awarded funds. The 8 projects funded included three biomass projects, two hydro projects, and two relatively innovative wind projects. The \$9.8 million awarded to these 8 projects could result in 12 MW of new renewables for the state of Minnesota (assuming the projects are completed). The two small-scale wind projects combined will receive approximately \$1.7 million from the fund. Each wind project is worth mentioning for its rather innovative project design. The first project incorporates a new investment program where individuals from the community can purchase shares and earn a return from the project without having wind turbines on their land. The second project will be built on public school property. The school plans on using 75% of the energy and selling the rest to a local utility.

Although the funding is relatively high per MW installed, the renewable development board was able to diversify the states renewable portfolio while at the same time supporting smaller-scale projects that might have a difficult time competing with larger projects. In all, the board is pleased with results of its first solicitation.

Oklahoma

Oklahoma does not yet have a renewable energy fund, however money from such a fund could be used to support several renewable energy and energy efficiency options. For example, funds could be used to support renewable energy education and outreach as was used in Wisconsin. Funds could be used to provide a tax credit or to buy down the cost of small, home use wind turbines. Moreover, funds could be used to provide a tax credit for small, farmer or community owned wind farms, which could significantly benefit rural economies. These are only a few examples of how the state of Oklahoma could support renewable energy and energy efficiency technologies. The above case studies can be used by state policy makers to develop a renewable energy fund that best suits the renewable energy goals of Oklahoma.

Information regarding state renewable energy funds is based on “Case Studies of State Support for Renewable Energy”, by the Lawrence Berkeley National Laboratory in collaboration with the Clean Energy Group. Access to the full document or individual case studies can be found at <http://eetd.lbl.gov/ea/ems/cases/>. Several case studies are expected to be published each year.