

HOUSE RESEARCH

Bill Summary

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Overview

Recent projections by Minnesota utilities indicate that 4,000 to 6,000 MW of new electric generating capacity may be built in Minnesota over the next 10 to 15 years. Constructing transmission lines to bring that energy to market is not a simple prospect, given the changes made in the electricity system over the last decade designed to create a more market-driven regime. The federal government has ordered utilities to separate their transmission and generation operations, requiring them to transfer operational control of transmission to regional transmission organizations. In order to create a free-flowing market in wholesale electricity, all transmission lines are now common carriers with access equally available to all generators. As a result, the incentive vertically-integrated utilities had in the past to build transmission facilities - to insure the transport of power from generators they owned to their own customers -- has been weakened.

H.F. 1347 provides incentives to encourage construction of transmission facilities by providing utilities opportunities for annual recovery of transmission-related costs outside of a general rate case, allowing utilities to transfer transmission assets to entities under federal jurisdiction under certain conditions, and permitting the Minnesota Public Utilities Commission to consider regional energy needs and benefits in the certificate of need process for transmission lines.

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1 **Transmission cost adjustment.** Allows the Minnesota Public Utilities Commission to

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permit a utility to file a rate schedule annually to recover changes in transmission costs outside of a general rate case, including investment costs in transmission facilities, a current return on construction work in progress for such facilities, and related operations and maintenance expenses.

- 2 **Transmission assets transfer.** Allows owners of transmission facilities to transfer these assets to a transmission provider under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Minnesota's commission shall approve a transfer it finds to be in the public interest and that facilitates the development of transmission infrastructure needed to insure reliability, encourage the development of renewable resources, and accommodate energy transfers within and between states.

Following such a transfer, a public utility may petition the commission to file a rate schedule, outside of a general rate case, to recover the cost of transmission services purchased from a transportation provider under rates approved by FERC.

- 3 **Showing required for construction.** Adds additional factors the commission must evaluate in assessing whether a high-voltage transmission line should receive a certificate of need. These include the relationship of the proposed line to regional energy needs and the benefits of enhanced regional reliability, access or deliverability to improve the system's robustness or lower electricity costs.

- 4 **Stakeholder process and report.** Requires the Legislative Electric Energy Task Force to convene a group of stakeholders representing utilities, consumer advocates, and affected state agencies, to investigate whether current state administrative processes to certify and route transmission lines can be modified to increase their efficiency and effectiveness. A report summarizing the group's findings and recommendations must be submitted to the legislature by January 15, 2006.