

HOUSE RESEARCH

Bill Summary

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Article 1: Transmission Companies

Overview

- Provides conditions under which the Public Utilities Commission may approve the transfer of electric transmission assets to a transmission company that is under the jurisdiction of the Federal Energy Regulatory Commission.
- Extends to transmission companies commission jurisdiction in several regulatory areas.
- Specifies conditions under which the commission may approve tariffs that allowing utilities to automatically recover certain transmission costs.
- Directs the commission to take regional impacts on the electricity grid into account in evaluating need under the certificate of need process.

- 1 1** **Transmission company.** Defines "transmission company" to exclude utilities owning transmission facilities.
- 2** **Transmission cost adjustment.** Allows the Public Utilities Commission to approve a tariff for the automatic adjustment of charges for the costs of new transmission facilities reviewed and approved by the commission as part of a state transmission plan or through the certificate of need process.

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The commission may approve, modify, or reject a tariff that:

- allows a utility to recover costs, net of revenues, of facilities approved as part of a state transmission plan or certificate of need process;
- allows a return on investment at the level approved in the utility's last general rate case, unless a different return is found to be in the public interest;
- provides a return on current work in progress, provided that recovery of these costs is not sought through another mechanism;
- allows other expenses to be recovered, if shown to promote a least-cost project option or is otherwise in the public interest;
- allocates project costs appropriately between wholesale and retail customers;
- provides a mechanism for recovery above cost if necessary to improve a project's economics or is otherwise in the public interest.

A utility may file annual rate adjustments to be applied to customer bills under the tariff, which the commission shall approve if the costs to be recovered were or are expected to be prudently incurred and to improve the transmission system at the lowest feasible and prudent cost to ratepayers.

3 **Transmission assets transfer.** Allows transmission system owners to transfer operational control of it to a transmission company that is under Federal Energy Regulatory Commission (FERC) jurisdiction. Minnesota's commission may review such a transfer in a general rate case or a separate proceeding, may limit the extent or timing of a transfer, and may only approve transfers found to be consistent with the public interest. In determining the latter, the commission shall evaluate, among other things, whether the transfer

- facilitates the development of transmission infrastructure necessary to ensure reliability, develop renewable resources and accommodate energy transfers within and between states;
- protects Minnesota ratepayers from subsidizing wholesale transactions and from paying capital costs for transmission assets that have already been recovered;
- ensures that the state retains jurisdiction over the transferring utility for all aspects of service regulated under chapter 216B.

A transfer requires commission approval under section 216B.50, which governs utility mergers and plant transfers. The commission's standard for approving such actions is that they are consistent with the public interest. The relationship between the transferring utility and the entity with operational control is subject to regulation under section 216B.48, which governs relations between utilities and affiliated interests, and requires the commission to approve any contract between the parties in excess of \$50,000. Under that section, the

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commission may exclude any payments to an affiliated interest from a utility that are found to be unreasonable.

The commission may allow a utility to file for an automatic adjustment of charges to recover the costs of transmission services purchased under FERC-approved rates.

A municipal utility, municipal power agency or a utility joint venture project under section 452.25 may transfer operational control or ownership of transmission assets or invest in a transmission company if its governing body finds that action to be consistent with the public interest and will facilitate infrastructure development ensuring reliability.

4 Large energy facility. Amends the definition of a high voltage transmission line, currently 200 kV or more, to require that it also be greater than 1,500 feet in length.

5 Showing required for construction. Directs the commission, in assessing need during the certificate of need process, to evaluate, with respect to a high voltage transmission line or other large energy facility:

- the relationship of the line to proposed regional energy needs, as presented in the utility's transmission plan submitted under section 216B.2425;
- the benefits of enhanced regional reliability, access, or deliverability that improves the robustness of the system or lower costs to consumers;
- whether the applicant is in compliance with renewable energy objectives, state transmission plan requirements, or has filed or will file by a date certain an application for a certificate of need;
- whether the applicant has shown, under section 216B. 243, subdivision 3a, that it has explored the option of generating power from renewable energy and demonstrated that the alternative selected is less expensive, including environmental costs;
- for nonrenewable generation projects, the applicant's assessment of the risks of environmental costs and regulation on the proposed facility over the life of the plant, and how costs of those risks are proposed to be allocated.

6 Application fees; rules. Strikes language allowing the commission to require an additional fee to recover the costs of rehearing. Specifies that costs exceeding the application fee may be recovered from the applicant. Recovery from a public utility, cooperative electric association, generation and transmission cooperative, municipal power agency municipal electric utility or a transmission company shall be governed by section 216B.62.

7 List development; transmission projects report. Requires transmission companies to submit a biennial report to the commission, as utilities are currently required to do, identifying future transmission inadequacies and offering means to address them.

8 Commission approval required. Requires commission approval for a public utility to sell, acquire, lease or rent any plant in excess of \$100,000 to, or to merge with, a transmission company.

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- 9 Assessing cooperatives and municipals.** Allows the commission to charge a cooperative electric association, generation and transmission cooperative, or municipal power agency its share of expenses for the review of plans or other proceedings, including those relating to renewable energy objectives and certificates of need.
- 10 Assessing transmission companies.** Allows the commission and the Department of Commerce to assess transmission companies for their proportionate share of expenses resulting from commission reviews and proceedings.
- 11 Preventative maintenance.** Extends the commission's authority to order utilities to make infrastructure investments and preventative maintenance expenditures to a transmission company owning or operating transmission lines in Minnesota.

Article 2: Community-Based Energy Tariff

Overview

Article 2 requires public utilities, municipal power agencies and generation and transmission cooperatives to establish a community-based energy development tariff to promote wind projects throughout the state. It defines who may own such projects, the tariff rate and how it must be structured, and other issues. Article 2 also provides for a statewide study to determine the impacts on rates and reliability of increasing wind capacity in Minnesota to 20 percent by 2020, and a study of alternative ways to compensate landowners on whose land high voltage transmission lines are constructed.

1 1 Community-based energy development; tariff.

Subd. 1. Tariff establishment. Directs that a tariff be established to facilitate development of community-based wind energy projects.

Subd. 2. Definitions. Defines terms used in this section, including:

(c) "Qualifying owner" means a Minnesota resident; limited liability corporation composed of Minnesota residents; a Minnesota nonprofit organization organized under chapter 317A; a Minnesota cooperative association organized under chapter 308A or 308B, excluding a rural electric cooperative association or a generation and transmission cooperative; a Minnesota political subdivision, other than a municipal utility or municipal power agency; or a tribal council.

(d) "Net present value rate" means a rate equal to the net present value of the nominal payments to a project divided by expected energy production over the life of the power purchase agreement.

(f) "Community-based energy project" or "C-BED project" means a new wind energy project that has no single qualifying owner owning more than 15 percent of a project consisting of two or more turbines, or, for one- and two-turbine projects, is owned entirely by qualifying owners, with at least 51 percent of the project's total financial benefits flowing to qualifying owners. A C-BED project must have a resolution of

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support adopted by the county board or, if applicable, a tribal council, where the project is located.

Subd. 3. Tariff rate. Directs the Public Utilities Commission to establish a model C-BED tariff by September 1, 2005. The rate must have a higher rate during the first ten years of the power purchase agreement than in the last ten years, and may be up to 2.7 cents per kilowatt hour in net present value terms. The discount rate used to compute the net present value must be the utility's normal discount rate used for other business purposes.

The model tariff shall require owners to provide sufficient security to ensure performance under the power purchase agreement, and shall prohibit transfer of project ownership to a nonqualifying owner during the initial 20 years of the contract.

Subd. 4. Utilities to offer tariff. Requires public utilities to file a CBED-tariff with the commission within 90 days after the commission issues an order containing a model tariff. Within 90 days of the first commission approval order of such a tariff, municipal power agencies and generation and transmission cooperatives are to adopt a C-BED tariff.

Subd. 5. Priority for C-BED projects. Encourages a utility seeking to satisfy a renewable energy objective under section 216B.1691 to take reasonable steps to determine if C-BED projects that meet the utility's cost and reliability requirements are available to fulfill the objectives with minimal rate impact.

Subd. 6. Property owner participation. Requires a C-BED project developer to provide in writing, to the extent feasible, an opportunity to invest in the project to each property owner on whose property a high voltage transmission line is constructed after June 30, 2005 to transmit energy from the C-BED project, so long as the property owner resides in the county where the C-BED project is located.

Subd. 7. Other C-BED tariff issues. Requires a C-BED project developer and a utility to negotiate a rate and power purchase agreement consistent with the requirements of the tariff offered in subdivision 4, but allows, at the discretion of the developer, for negotiation of an agreement with terms different from those requirements.

Any C-BED project that is a joint venture between qualifying and nonqualifying owners must utilize the terms of a C-BED tariff only for the portion of the project's energy production equal to the equity share of qualifying owners.

A project receiving a C-BED tariff is ineligible for net energy billing (section 216.164) and renewable energy production incentives (section 216C.41).

The commission must approve a power purchase agreement under a C-BED tariff, and must provide ratepayers an opportunity to address the reasonableness of such an agreement.

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- 2 2 Commission authority.** Requires commission approval of contracts, investments or expenditures to satisfy a utility's renewable energy objectives, including reasonable costs of studies to identify new transmission facilities needed to transmit electricity to Minnesota retail consumers to satisfy those objectives.
- 3 3 Transmission needed to support renewable resources.** Requires the commission, until this provision expires on June 30, 2010, to certify as a priority electric transmission project those it determines are necessary to meet a utility's renewable energy objective. To make this finding, the commission must find:
- that the transmission facility is necessary to allow power from renewable energy sources to be delivered to Minnesota customers;
 - that the applicant has signed or will sign power purchase agreements for resources to meet the objective that are dependent on or will use the transmission facility to deliver the energy to Minnesota customers;
 - that the operation date of the renewable resources will match the planned in-service date of the transmission facility;
 - that the transmission facility is consistent with a least cost solution to the utility's need for additional electricity.
- 4 4 Exemptions.** Exempts from the certificate of need process a wind project generating 50,000 kW or more that serves Minnesota customers; is specifically intended to be used to meet the utility's renewable energy objectives or addresses a need identified in an integrated resource plan approved or reviewed by the commission; and which derives at least 10 percent of its nameplate capacity from C-BED projects.
- 5 5 Renewable energy development.** Requires the Department of Commerce to encourage the deployment of cost-effective renewable energy development throughout the state and to collect and provide information on renewable projects and resources for commission review of a utility's integrated resource plan or during a certificate of need process. Requires a utility to notify the commissioner of its intent to add generation.
- 6 6 Wind integration study.** Requires the commission to order public utilities, municipal power associations and generation and transmission cooperative associations to participate in a statewide study of the impact on reliability and costs of increasing wind capacity in Minnesota to 20 percent of total electric retail sales by 2020. The reliability administrator is to select a contractor to conduct the study, which must be completed by November 30, 2006. Utilities are to incorporate the study's findings into their integrated resource plans.

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Article 3: Routing and Siting Authority Transfer

Overview

Article 3 transfers responsibility for power plant siting and routing of high voltage transmission lines from the Environmental Quality Board to the Public Utilities Commission, leaving those processes largely unchanged. It thereby consolidates in the commission authority to issue a certificate of need for such projects and, following a review of the environmental impacts of the proposed project as compared with alternatives, siting and routing permits. The bill makes joint hearings on both need and siting issues the norm.

The bill also specifies that the Department of Commerce will provide technical assistance with respect to environmental review for these projects, and transfers the position and responsibility of the Reliability Administrator from the Department of Commerce to the commission.

- 1 **1** **Commission.** Defines "commission" as the Public Utilities Commission.
- 2 **High voltage transmission line.** Amends the definition of high voltage transmission line, currently one operating at 100 kilovolts or more, to require that the line also be greater than 1,500 feet in length.
- 3 **Jurisdiction.** Substitutes "commission" for "board" as the holder of authority to determine the route and site of and to issue permits for large electric power facilities. Strikes language stating that issues of need, size, type of facility, and other issues are outside the siting and routing authority.
- 4 **Site permit.** Substitutes "commission" for "board" with respect to specifying that a large electric generating plant may only be constructed on an approved site.
- 5 **Environmental review.** Specifies that the Department of Commerce shall prepare an environmental impact statement for the commission on a large electric generating plant or high voltage transmission line applying for a permit. Prohibits the commissioner of the Department of Commerce from considering questions of need regarding the project, even if the project has not obtained a certificate of need from the commission.
- 6 **Department of Commerce to provide technical assistance and other assistance.** Requires the Department of Commerce to consult with other agencies and provide technical expertise to the commission, including the sharing of staff, in evaluating the environmental impacts of alternative sites and routes for power plants, high voltage transmission lines and wind energy conversion systems. The commission will reimburse the agency for the cost of such assistance. At either agency's request, an interagency agreement will be entered into that establishes terms and conditions for the provision of assistance.
- 7 **Environmental review.** Designates that the Department of Commerce will prepare an environmental assessment for a project electing the alternative review procedure established under section 116C.575.
- 8 **Emergency permit.** Substitutes "commission" for "board" with respect to issuing an emergency permit for construction of a large electric generating plant or high voltage transmission line.

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- 9 Annual hearing.** Substitutes "commission" for "board" with respect to the holding of an annual hearing on siting and routing issues.
- 10 State agency participation.** Requires permit applicants to notify the commissioner of agriculture if the proposed project impacts cultivated agricultural land. Allows the commissioner of agriculture to participate in the process and advise the commission.
- 11 Site application fee.** Strikes language setting fees to applicants of \$500 per \$1,000,000 investment in the proposed generating plant and a ceiling of \$1,000 per \$1,000,000 invested. Provides that fees shall be paid to the commissioner of commerce to recover "necessary and reasonable" costs of acting on the application. The commission may adopt rules regarding payment of the fee, which is exempted from the statutory requirement that the legislature set fees.
- 12 Route application fee.** Strikes language setting a base fee of \$35,000 and \$1,000 per mile for applications for a route permit for a high voltage transmission line. Provides that the fees shall be paid to the department of commerce to recover "necessary and reasonable" costs of acting on the application. The commission may adopt rules regarding payment of the fee, which is exempted from the statutory requirement that the legislature set fees.
- 13 Application for certificate; hearing.** Strikes language requiring an applicant to apply for a certificate of need prior to applying for a site and route permit. A joint hearing on both need and siting and routing must be held unless the commission determines it is not feasible, not more efficient, or otherwise not in the public interest.
- 14 Approval, denial, or modification.** Extends the commission's deadline for approving a certificate of need from six to 12 months after an application is submitted. The commission may extend the time period further if the parties agree to an extension, or may do so on its own motion, for good cause.
- 15 Participation by other agency or political subdivision.** Directs an applicant for a certificate of need to notify the commissioner of agriculture if the proposed project will impact cultivated agricultural land. The commissioner of agriculture may make recommendations regarding issuance of the permit and actions that should be taken to mitigate impacts to cultivated agricultural land.
- 16 Reliability administrator.** Transfers the position of Reliability Administrator from the Department of Commerce to the commission and extends the position for an additional year, to June 30, 2007. Strikes language requiring the reliability administrator to advise the commissioner of commerce and the Legislative Energy Electric Task Force. Amends the reliability administrator's duties to including assisting the commission with respect to power plant siting and routing, emergency permits, eminent domain issues, wind systems, and pipelines. Strikes language prohibiting the reliability administrator from being considered a party or participant in a commission proceeding.
- 17 Transferring power plant siting responsibilities.** Transfers all responsibilities for power plant siting and routing (sections 116C. 51 to 116C.69) and wind energy conversion systems (sections 116C.691 to 116C.697) and rules associated with them to the commission. Responsibilities for environmental review of siting, construction, and operation of an independent spent-fuel storage installation on the site of a Minnesota nuclear generating facility (section 116C.83, subdivision 6) are transferred to the Department of Commerce. The power plant siting staff of the environmental quality board is transferred to the Department of Commerce, and the department's budget is adjusted to reflect the transfer.
- 18 Transferring reliability administrator responsibilities.** Transfers all responsibilities of

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the Commerce Department relating to the reliability administrator and staff currently performing those duties to the commission.

- 19** **Revisor's instruction.** Instructs the revisor to change entity names, as appropriate.
20 **Effective date.** Sections 1 to 18 are effective July 1, 2005.

Article 4: Energy Assistance Technical Corrections

Overview

Article 4 recodifies statutes and amends references regarding residential energy conservation standards, and strikes language prohibiting disbursements of certain funds.

- 1 1** **Energy programs.** Recodifies treatment of data on individuals applying for services under energy programs under new section 216C.266 (but keeps data private).
2 **Excluded programs.** Inserts new references to recodified sections.
3 **Commissioner duties.** Strikes language prohibiting the commissioner of commerce from disbursing money from oil overcharge funds received after August 1, 1988 and from a 1983 settlement of a federal court case regarding stripper oil wells.
4 **Rental property loans.** Current law allows the Department of Commerce to make loans to or purchase loans from owners of rental properties primarily occupied by low-or moderate-income tenants if the property does not comply with energy efficiency standards for rental property established under section 216C.27, subd. 3. This bill strikes that statutory reference and substitutes the state building code, section 16B.61, subdivision 1.
5 **Insuring financial institution loans.** Makes the same statutory reference change as in section 4 with respect to the department's participation in or insuring of loans to owners of rental properties primarily occupied by low-or moderate-income tenants.
6 **Recodification.** Recodifies the following statutes:
- section 119A.40 is recodified as section 216C.263
 - section 119A.41 is recodified as section 216C.264
 - section 119A.42 is recodified as section 216C.265
 - section 119A.425 is recodified as section 216C.266
 - section 216C.27, subdivision 8, is recodified as section 16B.681, subdivision 8

Article 5: Woody Biomass Project

Overview

Article 5 expands the definition of farm-grown closed-loop biomass that projects seeking to fulfill the state's biomass mandate must meet. The bill reflects several changes made in a power purchase agreement for a biomass project in northern Minnesota that has been pending before the Public Utilities Commission since 2003, and requires the commission to approve the changes so the project can move forward.

1 1 Farm-grown closed-loop biomass. Expands the definition of farm-grown closed-loop biomass to include "sustainably managed woody biomass," which means:

- brush, trees and other biomass harvested from designated utility, railroad and road rights-of-way
- upland and lowland brush harvested from lands incorporated into brushland habitat management activities of the Department of Natural Resources and from lands managed in compliance with the department's "Best Management Practices for Managing Brushlands"
- logging slash or waste wood created by harvest, precommercial timber stand improvement to meet silvicultural objectives, or by fire, disease or insect control treatments, and that is managed in compliance with Minnesota Forest Council guidelines as modified by the requirement of this subdivision.
- trees or parts of trees that do not meet utilization standards for pulpwood, posts, bolts or saw timber as described in certain DNR manuals

2 2 Municipal waste-to-energy project. Requires that woody biomass from state-owned land must be harvested in compliance with an adopted management plan and a program of ecologically-based third-party certification.

Requires the project owner to file annual fuel plans and certification of the types of fuel used in the preceding year with the Minnesota Departments of Commerce and Natural Resources, within 30 days of being provided to the utility. A petition may be filed with the commission by any person who believes that these documents indicate that the project will not comply with the fuel requirements of this subdivision.

Requires third-party audit certification to verify that applicable best management practices were utilized to procure sustainably managed biomass. Failure to verify in two consecutive years during the original contract term results in the increase of the requirement to use farm-grown closed-loop biomass from 25 to 50 percent for the remainder of the contract term. However, if this occurs, and the project meets the 50 percent requirement for two consecutive years, the requirement reverts to the original 25 percent level for the remainder of the contract term. Any subsequent failure to verify results in the 50 percent requirement remaining for the duration of the contract.

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Prohibits the use of transgenic plants in the closed-loop plantation.

Prohibits the harvesting of wood from land identified by the State Biological Survey as having statewide significance as native plant communities, large populations of rare species, or critical animal habitat.

Requires a wood procurement plan to be prepared every five years, with public meetings and the taking of written comments.

Requires the Minnesota Department of Natural Resources and the Minnesota Forest Resources Council to adopt guidelines for sustainably managing woody biomass by July 1, 2007. The utilities owning or controlling the project shall fund or obtain funding of up to \$150,000 to complete the guidelines.

3 3 Interim exemption. Allows a biomass project that becomes controlled by two municipal utilities under section 3 to satisfy the requirement to use farm-grown closed-loop biomass as an interim fuel if such crops account for at least 25 percent of the fuel used over 20 years or the term of the power purchase agreement, whichever is longer.

4 4 Reduction of biomass mandate. Adds conditions to the requirement that the Public Utilities Commission approve amendments to the pending power purchase agreement. The average price over the term of the agreement must be \$104 per megawatt-hour or less. The commission is also required to approve any assignment or sale of the agreement to an entity owned or controlled by two municipal utilities located north of Route 8 that propose to retrofit their current coal-fired generating facilities to utilize biomass fuels in order to perform the contract.

The commission is also required to find that:

- the agreement fully satisfies this section's provisions to the full extent of its 35-megawatt capacity;
- all costs incurred by the public utility purchasing the electricity and all amounts to be paid to the project owner under the agreement are fully recoverable under section 216B.1645, which allows for cost recovery to satisfy the state's biomass mandate
- the public utility may recover the Minnesota jurisdictional portions of costs from its Minnesota customers, subject to the commission's prudence review;
- if the agreement meets the requirements of this section, it is reasonable and in the public interest.

The commission shall approve for recovery any Minnesota jurisdictional costs with respect to improving or constructing transmission, distribution or other electrical facilities owned by the public utility or other persons in order to interconnect the retrofitted biomass generating facilities or to transport the energy to the public utility. The commission shall disapprove any provision in the agreement requiring the project owner to pay the jurisdictional costs or that allow the public utility to terminate the agreement as a result of

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these costs.

- 5 5 Remaining megawatt compliance process.** Currently, if additional megawatts of biomass capacity are needed to fulfill the state's biomass mandate after the commission has taken action on all contracts filed by September 1, 2000, final compliance with the mandate is to be governed by section 216B.2424, subdivision 6. This bill amends that language to refer to contracts "as amended and assigned."
- 6 6 Agricultural biomass requirement.** Recognizes the reduction of the state's biomass mandate from 125 to 110 megawatts established in current law.

Article 6: E-Filing

- 1 1 Establishment of fund.** Establishes the Department of Commerce's e-filing account and allows it to make a one-time assessment of \$315,000 to regulated utilities. Revenue in the account is appropriated to the commerce commissioner to establish an e-filing system.
- 2 2 Completion date.** The system is to be operational by July 1, 2006.

Article 7: CIP Technical Corrections

- 1 1 Conservation improvement by cooperative association or municipality.** Strikes obsolete standards for past years and establishes that load-management activities that increase efficiency but do not reduce energy use may account for 50 percent of conservation investment and spending. Reduces filing requirements for municipalities and cooperatives filing overviews of their conservation improvement plan from at least every two years to at least every four years.
- 2 Programs.** Requires public utilities to file conservation improvement plans at least every four years, and the programs themselves are to cover a four-year period.

Article 8: Power Quality Zones

- 1 1 Opportunities for distributed generation.** Requires the commission to insure that opportunities to install distributed generation projects are considered in the resource planning process, the transmission planning process, and the certificate of need process.
- 2 2 Local power quality zones.** Allows the commission to establish, upon joint petition of a utility and a customer, a zone in the utility's service territory where the utility will install additional or upgraded equipment to decrease the risk of power outages. All customers in such a zone must approve the installation and a plan to recover the costs. The commission shall authorize the utility to recover the costs of investment, operation and maintenance through tariffs and surcharges. Service quality outside a designated zone may not decline.

Article 9: Biogas Incentive Payments

- 1 1 Definitions.** Strikes language requiring that on-farm biogas recovery facilities begin generating electricity after July 1, 2001 in order to qualify for renewable energy incentive payments.

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Article 10: Gas Infrastructure Cost Recovery

Overview

Article 10 provides a mechanism for gas utilities to recover, outside of a general rate case, the costs of relocating and replacing infrastructure that must be moved because of public construction projects.

1 1 Recovery of eligible infrastructure replacement costs by gas utilities.

Subd. 1. Definitions. "Gas utility infrastructure costs" ("GUIC") means gas utility projects that: 1) do not increase revenues by directly connecting new customers; 2) are in service but were not included in the company's last general rate case; and 3) replace or modify existing infrastructure, as long as that action does not constitute a betterment, unless the betterment is required by a political subdivision.

"Gas utility projects" means relocation and replacement of natural gas facilities located in the public right-of-way required by the construction of a highway or other public work by the federal or state government, or a political subdivision.

Subd. 2. Filing. Allows a company to file to recover GUIC no more than once a year. The filing must contain sufficient information to satisfy the Public Utilities Commission regarding the proposed recovery, or it may deny the request. Necessary information includes, but is not limited to:

- ▶ the costs and salvage value associated with the infrastructure replaced or modified;
- ▶ the ratio of GUIC to the utility's base revenue approved by the commission in the utility's last general rate case, exclusive of gas purchase and transportation charges;
- ▶ the ratio of GUIC to the utility's capital expenditures since its last general rate case;
- ▶ documentation supporting the calculation of GUIC.

Subd. 3. Commission authority. The commission may issue orders and adopt rules to implement and administer this section.

2 2 **Report to legislature.** Requires the Department of Commerce to submit a report to the legislature on the operation and impact of the GUIC recovery mechanism on utilities and ratepayers four years after the effective date of this section.

3 3 **Sunset.** Sections 1 and 2 expire on June 30, 2015.

Article 11: Eminent Domain Landowner Compensation

- 1 1 **Landowner payments working group.** Requires the Legislative Electric Energy Task Force to convene, by June 15, 2005, a 12-member working group to study alternative methods of remunerating rural landowners on whose land high voltage transmission lines are constructed, and to issue a report by January 15, 2006.

Article 12: Technical Corrections

- 1 1 **Wind energy; property tax.** Allows an owner of a wind energy conversion system or a public utility purchasing wind-generated electricity to petition the commission to include in the price contained in a power purchase agreement the amount of production taxes paid by the utility. The commission is required to do so if it finds that the owner has paid production taxes that the power purchase agreement does not require the utility to pay. This adjustment must also be made in an agreement entered into prior to 1997 if the production taxes in any year exceeded the amount of property or production taxes included in the price paid to the utility.

Article 13: Hydrogen

- 1 1 **Definitions.** Defines "fuel cell," "hydrogen," and ""related technologies."
- 2 2 **Fostering the transition toward energy security.** Requires the Department of Administration to identify opportunities to demonstrate the use of hydrogen fuel cells in state-owned facilities and vehicle fleets, including purchasing such technologies.

Requires the Department of Commerce to report to the legislature by November 1, 2005, and biennially thereafter, with a list of proposed that contribute to realizing Minnesota's hydrogen goals established in section 216B.013. Among the priorities the department must consider in developing the list are:

- bridge technologies such as vehicles that run on hydrogen or hydrogen blends;
- cost-competitive on-site hydrogen production technologies;
- projects that improve the cost and efficiency of producing hydrogen from renewable fuels, including direct solar energy.

The commissioner of commerce may accept federal funds or expend funds to design, site and construct multifuel hydrogen fueling stations (including ethanol and biodiesel) that will eventually link urban centers along key regional trade corridors.

- 3 3 **Authorize and encourage the state's public research institutions to coordinate and leverage their strengths through a regional energy research and education partnership.** Encourages Minnesota's public research and higher education institutions to cooperate in making the state a center for hydrogen research, education and technology transfer, in order to compete effectively for federal and private investment. Requires an advisory committee to be established, comprised of representatives from government, industry, academia and nonprofit organizations to help focus research and educational issues. Initiatives of the partnership may include:

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- collaborative and interdisciplinary research and demonstration projects;
- development and field-testing of undergraduate and graduate course offerings;
- establishment of fellows programs that provide financial incentives for study and research.

4 4 Hydrogen refueling stations. Requires the commissioner of commerce to make annual assessments on Minnesota utilities, under section 216C.052, of \$300,000 in fiscal years 2006 and 2007 to match federal and private investments in three multifuel hydrogen refueling stations in Moorhead, Alexandria and the Twin Cities. Sums are appropriated to the commissioner to carry out this section.

5 5 Fuel cell curriculum development pilot. Encourages the Board of Trustees of the Minnesota State Colleges and Universities to work with the Upper Midwest Hydrogen Initiatives and others to develop hydrogen and fuel cell curricula and training programs.

Article 14: Soy-Diesel

1 1 Allocation; renewable development grant. Allocates \$150,000 in Fiscal Year 2006 from the renewable development account to the Agricultural Utilization Research Institute to disburse as grants over three years for a project using a soy-diesel generator to provide backup energy for a wind energy conversion system less than 1 megawatt in capacity.

Article 15: Biodiesel Fuel for Home Heating

1 1 Study; biodiesel fuel for home heating. Directs the reliability administrator to utilize up to \$25,000 of the funds available to the commissioner of commerce under section 216C.052 to conduct a technical and economic analysis of the benefits to be realized from using biodiesel fuel as a home heating fuel. A report of the study results shall be made to the legislature by March 15, 2007.

Article 16: City of Alexandria Joint Venture

1 1 Joint venture authority. Allows the City of Alexandria to enter into joint venture agreements with the Runestone Electric Association and two other named entities to provide certain telecommunications and information services.