

1.1 moves to amend H.F. No. 1025 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "ARTICLE 1

1.4 ENERGY RATES

1.5 Section 1. Minnesota Statutes 2010, section 216B.03, is amended to read:

1.6 **216B.03 REASONABLE RATE.**

1.7 Every rate made, demanded, or received by any public utility, or by any two or
1.8 more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably
1.9 preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable,
1.10 and consistent in application to a class of consumers and among classes of consumers.
1.11 To the maximum reasonable extent, the commission shall set rates to encourage energy
1.12 conservation and renewable energy use and to further the goals of sections 216B.164,
1.13 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the
1.14 consumer. For rate-making purposes a public utility may treat two or more municipalities
1.15 served by it as a single class wherever the populations are comparable in size or the
1.16 conditions of service are similar.

1.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.18 Sec. 2. Minnesota Statutes 2010, section 216B.07, is amended to read:

1.19 **216B.07 RATE PREFERENCE PROHIBITED.**

1.20 No public utility shall, as to rates or service, make or grant any unreasonable
1.21 preference or advantage to any person or class of consumers or subject any person or class
1.22 of consumers to any unreasonable prejudice or disadvantage.

1.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.1 Sec. 3. Minnesota Statutes 2010, section 216B.16, subdivision 6b, is amended to read:

2.2 Subd. 6b. **Energy conservation improvement.** (a) Except as otherwise provided
2.3 in this subdivision, all investments and expenses of a public utility as defined in section
2.4 216B.241, subdivision 1, paragraph (i), incurred in connection with energy conservation
2.5 improvements shall be recognized and included by the commission in the determination of
2.6 just and reasonable rates as if the investments and expenses were directly made or incurred
2.7 by the utility in furnishing utility service.

2.8 (b) The commission shall not include investments and expenses for energy
2.9 conservation improvements ~~shall not be included by the commission in the determination~~
2.10 ~~of (i) determining: (1) just and reasonable electric and gas rates for retail electric and gas~~
2.11 ~~service provided to large electric customer facilities that have been exempted by the~~
2.12 ~~commissioner of the department pursuant to energy customers exempted under section~~
2.13 216B.241, subdivision 1a, paragraph (b) or (e); or (ii) (2) just and reasonable gas rates for
2.14 large energy facilities or commercial gas customers that are not large energy customers
2.15 that have been exempted under section 216B.241, subdivision 1a, paragraph (c) or (e).

2.16 (c) The commission may permit a public utility to file rate schedules providing for
2.17 annual recovery of the costs of energy conservation improvements. These rate schedules
2.18 may be applicable to less than all the customers in a class of retail customers if necessary to
2.19 reflect the requirements of section 216B.241. The commission shall allow a public utility,
2.20 without requiring a general rate filing under this section, to reduce the electric and gas
2.21 rates applicable to a large electric energy customer facilities that have has been exempted
2.22 by the commissioner of the department pursuant to under section 216B.241, subdivision
2.23 1a, paragraph (b) or (e), and to reduce the gas rate applicable to a large energy facility or
2.24 to a commercial gas customer that is not a large energy customer that has been exempted
2.25 under section 216B.241, subdivision 1a, paragraph (c) or (e), by an amount that reflects
2.26 the elimination of energy conservation improvement investments or expenditures for those
2.27 facilities. In the event that the commission has set electric or gas rates based on the use of
2.28 an accounting methodology that results in the cost of conservation improvements being
2.29 recovered from utility customers over a period of years, the rate reduction may occur in a
2.30 series of steps to coincide with the recovery of balances due to the utility for conservation
2.31 improvements made by the utility on or before December 31, 2007.

2.32 (d) Investments and expenses of a public utility shall not include electric utility
2.33 infrastructure costs as defined in section 216B.1636, subdivision 1, paragraph (b).

2.34 (e) Notwithstanding any provision in this chapter, a power plant using natural gas
2.35 as a primary fuel to generate electricity by means of cogeneration, as defined in section
2.36 216B.166, subdivision 2, and whose construction began after July 1, 1994, and before

3.1 July 1, 1997, is exempt from any charges from a public utility serving the power plant
3.2 to recover costs incurred by the public utility to meet the requirements to make energy
3.3 conservation improvements under section 216B.241.

3.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.5 Sec. 4. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision
3.6 to read:

3.7 Subd. 6e. **Revenue allocation among consumer classes.** Cost of service shall
3.8 be the primary consideration in the commission's determination of revenue allocation
3.9 among consumer classes. Factors other than cost of service, including impact on business
3.10 development and job growth, may also be considered and evaluated by the commission in
3.11 determining revenue allocations. Factors used in determining revenue allocation must
3.12 be supported by record evidence.

3.13 **EFFECTIVE DATE.** This section is effective the day following final enactment
3.14 and applies to filings for rate changes filed on and after that date.

3.15 Sec. 5. Minnesota Statutes 2010, section 216B.16, subdivision 7, is amended to read:

3.16 Subd. 7. **Energy and emission control products cost adjustment.** Notwithstanding
3.17 any other provision of this chapter, the commission may permit a public utility to file
3.18 rate schedules containing provisions for the automatic adjustment of charges for public
3.19 utility service in direct relation to changes in:

3.20 (1) federally regulated wholesale rates for energy delivered through interstate
3.21 facilities;

3.22 (2) direct costs for natural gas delivered; ~~or~~

3.23 (3) costs for fuel used in generation of electricity or the manufacture of gas; or

3.24 (4) prudent costs incurred by a public utility for sorbents, reagents, or chemicals
3.25 used to control emissions from an electric generation facility, provided that these costs are
3.26 not recovered elsewhere in rates. The utility must track and report annually the volumes
3.27 and costs of sorbents, reagents, or chemicals using separate accounts by generating plant.

3.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.29 Sec. 6. Minnesota Statutes 2010, section 216B.16, subdivision 9, is amended to read:

3.30 Subd. 9. **Charitable contribution.** The commission shall allow as operating
3.31 expenses only those charitable contributions ~~which~~ that the commission deems prudent and

4.1 ~~which~~ that qualify under section ~~290.21, subdivision 3, clause (b)~~ 300.66, subdivision 3.
4.2 Only 50 percent of the qualified contributions ~~shall be~~ are allowed as operating expenses.

4.3 Sec. 7. Minnesota Statutes 2010, section 216B.16, subdivision 15, is amended to read:

4.4 Subd. 15. **Low-income affordability programs.** (a) The commission must
4.5 consider ability to pay as a factor in setting utility rates and may establish affordability
4.6 programs for low-income residential ratepayers in order to ensure affordable, reliable,
4.7 and continuous service to low-income utility customers. ~~Affordability programs may~~
4.8 ~~include inverted block rates in which lower energy prices are made available to lower~~
4.9 ~~usage customers. By September 1, 2007,~~ A public utility serving low-income residential
4.10 ratepayers who use natural gas for heating must file an affordability program with the
4.11 commission. For purposes of this subdivision, "low-income residential ratepayers" means
4.12 ratepayers who receive energy assistance from the low-income home energy assistance
4.13 program (LIHEAP).

4.14 (b) Any affordability program the commission orders a utility to implement must:

4.15 (1) lower the percentage of income that participating low-income households devote
4.16 to energy bills;

4.17 (2) increase participating customer payments over time by increasing the frequency
4.18 of payments;

4.19 (3) decrease or eliminate participating customer arrears;

4.20 (4) lower the utility costs associated with customer account collection activities; and

4.21 (5) coordinate the program with other available low-income bill payment assistance
4.22 and conservation resources.

4.23 (c) In ordering affordability programs, the commission may require public utilities to
4.24 file program evaluations that measure the effect of the affordability program on:

4.25 (1) the percentage of income that participating households devote to energy bills;

4.26 (2) service disconnections; and

4.27 (3) frequency of customer payments, utility collection costs, arrearages, and bad
4.28 debt.

4.29 (d) The commission must issue orders necessary to implement, administer, and
4.30 evaluate affordability programs, and to allow a utility to recover program costs, including
4.31 administrative costs, on a timely basis. The commission may not allow a utility to recover
4.32 administrative costs, excluding start-up costs, in excess of five percent of total program
4.33 costs, or program evaluation costs in excess of two percent of total program costs. The
4.34 commission must permit deferred accounting, with carrying costs, for recovery of program
4.35 costs incurred during the period between general rate cases.

5.1 (e) Public utilities may use information collected or created for the purpose of
5.2 administering energy assistance to administer affordability programs.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.4 Sec. 8. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision
5.5 to read:

5.6 Subd. 19. **Multiyear rate plan.** (a) A public utility may propose, and the
5.7 commission may approve, approve as modified, or reject, a multiyear rate plan as provided
5.8 in this subdivision. The term "multiyear rate plan" refers to a plan establishing the rates
5.9 the utility may charge for each year of the specified period of years, which period cannot
5.10 exceed four years, to be covered by the plan. The commission may approve a multiyear
5.11 rate plan only if it finds that the plan establishes just and reasonable rates for the utility,
5.12 applying the factors described in subdivision 6 and, if enacted, subdivision 6e. Consistent
5.13 with subdivision 4 of this section, the burden of proof to demonstrate that the multiyear
5.14 rate plan is just and reasonable shall be on the public utility proposing the plan.

5.15 (b) Rates charged under the multiyear rate plan must be based only upon the utility's
5.16 reasonable and prudent costs of service over the term of the plan, as determined by the
5.17 commission, provided that the costs are not being recovered elsewhere in rates. Rate
5.18 adjustments authorized under subdivisions 6b and 7 may continue outside of a plan
5.19 authorized under this subdivision.

5.20 (c) The commission may, by order, establish terms, conditions, and procedures for a
5.21 multiyear rate plan necessary to implement this section and ensure that rates remain just
5.22 and reasonable during the course of the plan, including terms and procedures for rate
5.23 adjustment. At any time prior to conclusion of a multiyear rate plan, the commission
5.24 shall have the discretion to hear and consider a petition by any party to examine the
5.25 reasonableness of the utility's rates under the plan, and adjust rates as necessary.

5.26 (d) In reviewing a multiyear rate plan proposed in a general rate case under
5.27 this section, the commission may extend the time requirements for issuance of a final
5.28 determination prescribed in this section by an additional 90 days beyond its existing
5.29 authority under subdivision 2, paragraph (f).

5.30 Sec. 9. Minnesota Statutes 2010, section 216B.164, subdivision 3, is amended to read:

5.31 **Subd. 3. Purchases; small facilities.** (a) For a qualifying facility having less than
5.32 40-kilowatt capacity, the customer shall be billed for the net energy supplied by the utility
5.33 according to the applicable rate schedule for sales to that class of customer. In the case
5.34 of net input into the utility system by a qualifying facility having less than 40-kilowatt

6.1 capacity, compensation to the customer shall be at a per kilowatt-hour rate determined
6.2 under paragraph (b) ~~or~~ (c), or subdivision 4.

6.3 (b) In setting rates, the commission shall consider the fixed distribution costs to the
6.4 utility not otherwise accounted for in the basic monthly charge and shall ensure that the
6.5 costs charged to the qualifying facility are not discriminatory in relation to the costs
6.6 charged to other customers of the utility. The commission shall set the rates for net
6.7 input into the utility system based on avoided costs as defined in the Code of Federal
6.8 Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of
6.9 Federal Regulations, title 18, section 292.304, and all other relevant factors.

6.10 (c) Notwithstanding any provision in this chapter to the contrary, a qualifying facility
6.11 having less than 40-kilowatt capacity that is interconnected with a nongenerating utility
6.12 may elect that the compensation to be compensated for net input by the qualifying facility
6.13 into the utility system shall be at the average retail utility energy rate. "Average retail
6.14 utility energy rate" is defined as the average of the retail energy rates, exclusive of special
6.15 rates based on income, age, or energy conservation, according to the applicable rate
6.16 schedule of the utility for sales to that class of customer rate the nongenerating utility pays
6.17 a generating utility or utilities to supply electricity to the nongenerating utility, including,
6.18 but not limited to, energy, capacity, and transmission costs.

6.19 (d) If the qualifying facility is interconnected with a nongenerating utility which has
6.20 a sole source contract with a municipal power agency or a generation and transmission
6.21 utility, the nongenerating utility may elect to treat its purchase of any net input under this
6.22 subdivision as being made on behalf of its supplier and shall be reimbursed by its supplier
6.23 for any additional costs incurred in making the purchase. A qualifying facilities facility
6.24 having less than 40-kilowatt capacity may, at the customer's option, elect to be governed
6.25 by the provisions of subdivision 4.

6.26 For the purposes of this section, "nongenerating utility" has the meaning given
6.27 in Minnesota Rules, chapter 7835.0100.

6.28 **EFFECTIVE DATE.** This section is effective the day following final enactment
6.29 and applies to power purchase agreements signed after July 1, 2011.

6.30 Sec. 10. Minnesota Statutes 2010, section 216B.1691, is amended by adding a
6.31 subdivision to read:

6.32 **Subd. 2e. Rate impact of standard compliance; report.** Each electric utility
6.33 must submit to the commission and to the chairs and ranking minority members of
6.34 the senate and house committees with primary jurisdiction over energy policy a report
6.35 containing an analysis and estimation of the rate impact of activities of the electric utility

7.1 necessary to comply with section 216B.1691. Those activities include, without limitation,
 7.2 energy purchases, generation facility acquisition and construction, and transmission
 7.3 improvements. An initial report must be submitted within 150 days of the effective date of
 7.4 this section. After the initial report, a report must be updated and submitted with each
 7.5 integrated resource plan or plan modification filed by the electric utility under section
 7.6 216B.2422. The reporting obligation of an electric utility under this subdivision expires
 7.7 December 31, 2025, for an electric utility subject to subdivision 2a, paragraph (a), and
 7.8 December 31, 2020, for an electric utility subject to subdivision 2a, paragraph (b).

7.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.10 Sec. 11. **REPEALER.**

7.11 Minnesota Statutes 2010, section 216B.242, is repealed.

7.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.13 **ARTICLE 2**

7.14 **ENERGY CONSERVATION**

7.15 Section 1. Minnesota Statutes 2010, section 216B.2401, is amended to read:

7.16 **216B.2401 ENERGY CONSERVATION POLICY GOAL.**

7.17 It is the energy policy of the state of Minnesota to achieve annual energy savings
 7.18 equal to 1.5 percent of annual retail energy sales of electricity and natural gas directly
 7.19 through customer-initiated conservation activities, energy conservation improvement
 7.20 programs and rate design, ~~such as inverted block rates in which lower energy prices~~
 7.21 ~~are made available to lower-usage residential customers~~, and indirectly through energy
 7.22 codes and appliance standards, programs designed to transform the market or change
 7.23 consumer behavior, energy savings resulting from efficiency improvements to the utility
 7.24 infrastructure and system, and other efforts to promote energy efficiency and energy
 7.25 conservation.

7.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.27 Sec. 2. Minnesota Statutes 2010, section 216B.241, subdivision 1, is amended to read:

7.28 Subdivision 1. **Definitions.** For purposes of this section and section 216B.16,
 7.29 subdivision 6b, the terms defined in this subdivision have the meanings given them.

7.30 (a) "Commission" means the Public Utilities Commission.

7.31 (b) "Commissioner" means the commissioner of commerce.

8.1 ~~(c) "Customer facility" means all buildings, structures, equipment, and installations~~
 8.2 ~~at a single site.~~

8.3 ~~(d)~~ "Department" means the Department of Commerce.

8.4 ~~(e)~~ (d) "Energy conservation" means demand-side management of energy supplies
 8.5 resulting in a net reduction in energy use. Load management that reduces overall energy
 8.6 use is energy conservation.

8.7 ~~(f)~~ (e) "Energy conservation improvement" means a project that results in energy
 8.8 efficiency or energy conservation. Energy conservation improvement may include waste
 8.9 heat recovery converted into electricity but does not include electric utility infrastructure
 8.10 projects approved by the commission under section 216B.1636.

8.11 ~~(g)~~ (f) "Energy efficiency" means measures or programs, including energy
 8.12 conservation measures or programs, that target consumer behavior, equipment, processes,
 8.13 or devices designed to produce either an absolute decrease in consumption of electric
 8.14 energy or natural gas or a decrease in consumption of electric energy or natural gas on a
 8.15 per unit of production basis without a reduction in the quality or level of service provided
 8.16 to the energy consumer.

8.17 ~~(h)~~ (g) "Gross annual retail energy sales" means annual electric sales to all retail
 8.18 customers in a utility's or association's Minnesota service territory or natural gas
 8.19 throughput to all retail customers, including natural gas transportation customers, on a
 8.20 utility's distribution system in Minnesota. For purposes of this section, gross annual retail
 8.21 energy sales exclude: (1) gas sales to a large energy facility or a commercial gas customer
 8.22 that is not a large energy customer and is exempted under subdivision 1a, paragraph (c) or
 8.23 (e); and (2) gas and electric sales to a large ~~electric energy~~ customer ~~facility~~ exempted
 8.24 by the commissioner under subdivision 1a, paragraph (b).

8.25 ~~(i)~~ (h) "Investments and expenses of a public utility" includes the investments
 8.26 and expenses incurred by a public utility in connection with an energy conservation
 8.27 improvement, including but not limited to:

8.28 (1) the differential in interest cost between the market rate and the rate charged on a
 8.29 no-interest or below-market interest loan made by a public utility to a customer for the
 8.30 purchase or installation of an energy conservation improvement;

8.31 (2) the difference between the utility's cost of purchase or installation of energy
 8.32 conservation improvements and any price charged by a public utility to a customer for
 8.33 such improvements.

8.34 ~~(j)~~ (i) "Large ~~electric energy~~ customer ~~facility~~" means a customer with a facility
 8.35 that imposes a peak electrical demand on an electric utility's system of not less than
 8.36 20,000 kilowatts, measured in the same way as the utility that serves the customer facility

9.1 measures electrical demand for billing purposes, ~~and for which electric services are~~
 9.2 ~~provided at retail on a single bill by a utility operating in the state~~ or a customer with a
 9.3 facility that consumes not less than 500 million cubic feet of natural gas annually. When
 9.4 calculating peak demand, a large energy customer may: (1) include demand offset by
 9.5 on-site cogeneration facilities; and (2) if engaged in mineral extraction, aggregate peak
 9.6 energy demand from the customer's mining and processing facilities.

9.7 ~~(k)~~ (j) "Large energy facility" has the meaning given it in section 216B.2421,
 9.8 subdivision 2, clause (1).

9.9 ~~(l)~~ (k) "Load management" means an activity, service, or technology to change the
 9.10 timing or the efficiency of a customer's use of energy that allows a utility or a customer to
 9.11 respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

9.12 ~~(m)~~ (l) "Low-income programs" means energy conservation improvement programs
 9.13 that directly serve the needs of low-income persons, including low-income renters.

9.14 ~~(n)~~ (m) "Waste heat recovery converted into electricity" means an energy recovery
 9.15 process that converts otherwise lost energy from the heat of exhaust stacks or pipes used
 9.16 for engines or manufacturing or industrial processes, or the reduction of high pressure
 9.17 in water or gas pipelines.

9.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.19 Sec. 3. Minnesota Statutes 2010, section 216B.241, subdivision 1a, is amended to read:

9.20 Subd. 1a. **Investment, expenditure, and contribution; public utility.** (a) For
 9.21 purposes of this subdivision and subdivision 2, "public utility" has the meaning given it
 9.22 in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy
 9.23 conservation improvements under this subdivision and subdivision 2 the following
 9.24 amounts:

9.25 (1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues
 9.26 from service provided in the state;

9.27 (2) for a utility that furnishes electric service, 1.5 percent of its gross operating
 9.28 revenues from service provided in the state; and

9.29 (3) for a utility that furnishes electric service and that operates a nuclear-powered
 9.30 electric generating plant within the state, two percent of its gross operating revenues
 9.31 from service provided in the state.

9.32 For purposes of this paragraph (a), "gross operating revenues" do not include revenues
 9.33 from large ~~electric customer facilities~~ energy customers ~~exempted by the commissioner~~
 9.34 under paragraph (b), or from commercial gas customers that are not large energy
 9.35 customers and that are exempted under paragraph (c) or (e).

10.1 (b) ~~The owner of A large electric energy customer facility may petition~~ file with the
10.2 commissioner to exempt both electric and gas utilities serving the large energy customer
10.3 ~~facility~~ from the investment and expenditure requirements of paragraph (a) with respect
10.4 to retail revenues attributable to the facility customer. ~~At a minimum, The petition must~~
10.5 ~~be supported by evidence relating to filing~~ must include a discussion of the competitive
10.6 or economic pressures on the customer and a showing by the customer of reasonable
10.7 of the efforts taken by the customer to identify, evaluate, and implement cost-effective
10.8 conservation improvements at the facility. ~~If a petition is filed on or before October 1 of~~
10.9 ~~any year, the order of the commissioner to exempt revenues attributable to the facility can~~
10.10 ~~be effective no earlier than January 1 of the following year. The commissioner shall not~~
10.11 ~~grant an exemption if the commissioner determines that granting the exemption is contrary~~
10.12 ~~to the public interest. The commissioner may, after investigation, rescind any exemption~~
10.13 ~~granted under this paragraph upon a determination that the customer is not continuing~~
10.14 ~~to make reasonable efforts to identify, evaluate, and implement energy conservation~~
10.15 ~~improvements at the large electric customer facility. For the purposes of investigations by~~
10.16 ~~the commissioner under this paragraph, the owner of any large electric customer facility~~
10.17 ~~shall, upon request, provide the commissioner with updated information comparable to that~~
10.18 ~~originally supplied in or with the owner's original petition under this paragraph. Any such~~
10.19 filing must be approved and become effective January 1 of the year following the filing. A
10.20 large energy customer that is exempt from the investment and expenditure requirements of
10.21 paragraph (a) under an order from the commissioner issued before the effective date of this
10.22 section does not need to resubmit a petition to retain its exempt status. No exempt large
10.23 energy customer may participate in a utility conservation improvement program unless the
10.24 large energy customer files with the commissioner to withdraw its exemption.

10.25 (c) A commercial gas customer that is not a large energy customer and that purchases
10.26 natural gas from a public utility having fewer than 300,000 natural gas customers in
10.27 Minnesota may petition the commissioner to exempt gas utilities serving the commercial
10.28 gas customer from the investment and expenditure requirements of paragraph (a) with
10.29 respect to retail revenues attributable to the commercial gas customer. The petition must
10.30 be supported by evidence demonstrating that the commercial gas customer has or can
10.31 reasonably acquire the capability to bypass use of the utility's gas distribution system by
10.32 obtaining natural gas directly from a supplier not regulated by the commission.

10.33 (d) The commissioner may require investments or spending greater than the amounts
10.34 required under this subdivision for a public utility whose most recent advance forecast
10.35 required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100
10.36 megawatts or greater within five years under midrange forecast assumptions.

11.1 ~~(d)~~ (e) A public utility ~~or owner of a large electric customer facility~~ may appeal a
 11.2 decision of the commissioner under paragraph (b), ~~or (c)~~, or (d) to the commission under
 11.3 subdivision 2. In reviewing a decision of the commissioner under paragraph (b), ~~or (c)~~, or
 11.4 (d), the commission shall rescind the decision if it finds that the required investments or
 11.5 spending will:

- 11.6 (1) not result in cost-effective energy conservation improvements; or
 11.7 (2) otherwise not be in the public interest.

11.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.9 Sec. 4. Minnesota Statutes 2010, section 216B.241, subdivision 1b, is amended to read:

11.10 Subd. 1b. **Conservation improvement by cooperative association or**
 11.11 **municipality.** (a) This subdivision applies to:

- 11.12 (1) a cooperative electric association that provides retail service to its members;
 11.13 (2) a municipality that provides electric service to retail customers; and
 11.14 (3) a municipality with more than 1,000,000,000 cubic feet in annual throughput
 11.15 sales to natural gas to retail customers.

11.16 (b) Each cooperative electric association and municipality subject to this subdivision
 11.17 shall spend and invest for energy conservation improvements under this subdivision
 11.18 the following amounts:

- 11.19 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
 11.20 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding
 11.21 gross operating revenues from electric and gas service provided in the state to large
 11.22 electric customer facilities; and

- 11.23 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
 11.24 from service provided in the state, excluding gross operating revenues from service
 11.25 provided in the state to large electric customer facilities indirectly through a distribution
 11.26 cooperative electric association.

11.27 (c) Each municipality and cooperative electric association subject to this subdivision:

- 11.28 (1) shall make a good-faith effort to meet an annual energy-savings goal equivalent
 11.29 to 1.5 percent gross annual retail energy sales, although no municipality or cooperative
 11.30 association is required to spend more than the proportion of gross operating revenues cited
 11.31 in paragraph (b) to achieve the energy-savings goal;

- 11.32 (2) may, if it experiences zero or negative growth in gross retail energy sales, be
 11.33 deemed to satisfy the energy-savings goal if it achieves savings equal to 0.75 percent of
 11.34 gross retail energy sales;

12.1 (3) shall calculate the energy-savings goal based on weather-normalized average
12.2 gross retail energy sales during the three most recent calendar years;

12.3 (4) may elect to carry forward energy-savings in excess of 1.5 percent to apply to the
12.4 energy-savings goal in subsequent years;

12.5 (5) may use a particular energy savings only for one year's goal;

12.6 (6) may apply towards its energy-savings goal energy saved from electric utility
12.7 infrastructure projects as defined in section 216B.1636, provided that the projects result
12.8 in increased efficiency greater than that which would have occurred through normal
12.9 maintenance activity; and

12.10 (7) may apply toward its energy-savings goal five kilowatt-hours per dollar spent,
12.11 including labor and administrative costs, to educate customers about energy conservation
12.12 and to educate and train utility employees, contractors, and others to perform energy
12.13 audits, install conservation measures, and conduct other activities directly related to
12.14 conservation investments.

12.15 (d) Each municipality and cooperative electric association subject to this subdivision
12.16 shall identify and implement energy conservation improvement spending and investments
12.17 that are appropriate for the municipality or association, except that a municipality or
12.18 association may not spend or invest for energy conservation improvements that directly
12.19 benefit a large energy facility or a large electric energy customer facility for which the
12.20 commissioner has issued an exemption exempted under subdivision 1a, paragraph (b). A
12.21 municipality or cooperative electric association whose annual gross retail energy sales
12.22 increase by ten percent or more over the previous year as the result of the addition of a
12.23 single new customer or increased demand from a single existing customer may petition
12.24 the commissioner to exclude all sales from that customer from its energy-savings goal.
12.25 If the commissioner approves the exclusion, the municipality or cooperative electric
12.26 association may petition the commissioner annually to extend the exclusion, even if the
12.27 incremental sales added by the customer no longer increase gross retail energy sales by ten
12.28 percent or more over the previous year. The commissioner must approve the extension if
12.29 the commissioner determines that the petition contains sufficient evidence to demonstrate
12.30 that the customer whose sales are sought to be excluded continues to make reasonable
12.31 efforts to identify, evaluate, and implement energy conservation improvements at the
12.32 customer's facility. A municipality or cooperative electric association may petition for an
12.33 exemption under this paragraph regarding an eligible sales increase that occurred in 2008,
12.34 2009, or 2010, but any exemption approved for an eligible sales increase in those years
12.35 may apply only to the municipality's or cooperative electric association's energy-saving
12.36 goal for 2012 and, if extended by the commissioner, thereafter.

13.1 (e) A municipality and cooperative electric association subject to this subdivision
 13.2 is not required to make energy conservation investments to attain the energy-savings
 13.3 goal of this subdivision that are not cost-effective even if the investment is necessary
 13.4 to attain the energy-savings goal. For the purpose of this paragraph, in determining
 13.5 cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers,
 13.6 the cooperative electric association or municipality, participants, and society. In addition,
 13.7 the commissioner shall consider the rate at which a cooperative electric association or
 13.8 municipality is increasing its energy savings and its expenditures on energy conservation.

13.9 ~~(d)~~ (f) Each municipality and cooperative electric association subject to this
 13.10 subdivision may spend and invest annually up to ten percent of the total amount required
 13.11 to be spent and invested on energy conservation improvements under this subdivision
 13.12 on research and development projects that meet the definition of energy conservation
 13.13 improvement in subdivision 1 and that are funded directly by the municipality or
 13.14 cooperative electric association.

13.15 ~~(e)~~ (g) Load-management activities may be used to meet 50 percent of the
 13.16 conservation investment and spending requirements of this subdivision. The amount
 13.17 of energy a utility shifts from peak daily demand by implementing load-management
 13.18 activities may count for up to 50 percent of the energy-savings goal of a municipality or
 13.19 cooperative electric association.

13.20 ~~(f)~~ (h) A generation and transmission cooperative electric association that provides
 13.21 energy services to cooperative electric associations that provide electric service at retail to
 13.22 consumers may invest in energy conservation improvements on behalf of the associations
 13.23 it serves and may fulfill the conservation, spending, reporting, and energy-savings goals on
 13.24 an aggregate basis. A municipal power agency or other not-for-profit entity that provides
 13.25 energy service to municipal utilities that provide electric service at retail may invest in
 13.26 energy conservation improvements on behalf of the municipal utilities it serves and may
 13.27 fulfill the conservation, spending, reporting, and energy-savings goals on an aggregate
 13.28 basis, under an agreement between the municipal power agency or not-for-profit entity
 13.29 and each municipal utility for funding the investments.

13.30 ~~(g)~~ (i) Each municipality or cooperative electric association shall file energy
 13.31 conservation improvement plans or a summary of the plans by June 1 on a schedule
 13.32 determined by order of the commissioner, but at least every three years. Plans or
 13.33 summaries received by June 1 must be ~~approved or approved as modified~~ reviewed by the
 13.34 commissioner and the commissioner's comments must be submitted to the municipality
 13.35 or cooperative electric association by December 1 of the same year. The municipality or
 13.36 cooperative electric association shall provide an evaluation to the commissioner ~~detailing~~

14.1 summarizing its energy conservation improvement spending and investments for the
 14.2 previous period. The evaluation must briefly describe each conservation program and must
 14.3 specify the energy savings or increased efficiency in the use of energy within the service
 14.4 territory of the ~~utility~~ municipality or cooperative electric association that is the result of
 14.5 the spending and investments. The evaluation must analyze the cost-effectiveness of the
 14.6 ~~utility's~~ municipality's or cooperative electric association's conservation programs, using a
 14.7 list of baseline energy and capacity savings assumptions developed in consultation with the
 14.8 department. The commissioner shall review each evaluation and make recommendations,
 14.9 where appropriate, to the municipality or cooperative electric association to increase the
 14.10 effectiveness of conservation improvement activities. In making recommendations, the
 14.11 commissioner may consider the municipality's or cooperative electric association's rate of
 14.12 conservation spending and energy savings, historical conservation investment experience,
 14.13 impact on rates of conservation spending and energy savings, customer class profile, load
 14.14 growth trends, conservation potential, customers' ability to pay, as well as local economic
 14.15 conditions, advancing technology, and other relevant factors.

14.16 ~~(h)~~ (j) A municipality may spend up to 50 percent of its required spending under this
 14.17 section to refurbish an existing district heating or cooling system until July 1, 2007. From
 14.18 July 1, 2007, through June 30, 2011, expenditures made to refurbish a district heating or
 14.19 cooling system are considered to be load-management activities under paragraph ~~(e)~~ (g).
 14.20 This paragraph expires July 1, 2011.

14.21 ~~(i)~~ (k) The commissioner shall consider and may require a utility, association, or
 14.22 other entity providing energy efficiency and conservation services under this section to
 14.23 undertake a program suggested by an outside source, including a political subdivision,
 14.24 nonprofit corporation, or community organization.

14.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.26 Sec. 5. Minnesota Statutes 2010, section 216B.241, subdivision 1c, is amended to read:

14.27 Subd. 1c. **Energy-saving goals; public utility.** (a) The commissioner shall
 14.28 establish energy-saving goals for energy conservation improvement expenditures and shall
 14.29 evaluate an energy conservation improvement program on how well it meets the goals set.

14.30 (b) Each individual public utility ~~and association~~ shall have an annual energy-savings
 14.31 goal equivalent to 1.5 percent of gross annual retail energy sales unless modified by the
 14.32 commissioner under paragraph (d). The savings goals must be calculated based on the
 14.33 most recent three-year weather-normalized average. A public utility ~~or association~~ may
 14.34 elect to carry forward energy savings in excess of 1.5 percent for a year to the succeeding
 14.35 three calendar years, except that savings from electric utility infrastructure projects

15.1 allowed under paragraph (d) may be carried forward for five years. A particular energy
15.2 savings can be used only for one year's goal.

15.3 (c) The commissioner must adopt a filing schedule that is designed to have all
15.4 utilities and associations operating under an energy-savings plan by calendar year 2010.

15.5 (d) In its energy conservation improvement plan filing, a public utility ~~or association~~
15.6 may request the commissioner to adjust its annual energy-savings percentage goal based
15.7 on its historical conservation investment experience, customer class makeup, load growth,
15.8 a conservation potential study, or other factors the commissioner determines warrants
15.9 an adjustment. The commissioner may not approve a plan that provides for an annual
15.10 energy-savings goal of less than one percent of gross annual retail energy sales from
15.11 energy conservation improvements.

15.12 A public utility ~~or association~~ may include in its energy conservation plan energy
15.13 savings from electric utility infrastructure projects approved by the commission under
15.14 section 216B.1636 or waste heat recovery converted into electricity projects that may
15.15 count as energy savings in addition to the minimum energy-savings goal of at least one
15.16 percent for energy conservation improvements. Electric utility infrastructure projects
15.17 must result in increased energy efficiency greater than that which would have occurred
15.18 through normal maintenance activity.

15.19 (e) An energy-savings goal is not satisfied by attaining the revenue expenditure
15.20 requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the
15.21 energy-savings goal established in this subdivision.

15.22 (f) ~~An association or~~ A public utility is not required to make energy conservation
15.23 investments to attain the energy-savings goals of this subdivision that are not cost-effective
15.24 even if the investment is necessary to attain the energy-savings goals. For the purpose
15.25 of this paragraph, in determining cost-effectiveness, the commissioner shall consider
15.26 the costs and benefits to ratepayers, the utility, participants, and society. ~~In addition,~~
15.27 ~~the commissioner shall consider the rate at which an association or municipal utility is~~
15.28 ~~increasing its energy savings and its expenditures on energy conservation.~~

15.29 (g) On an annual basis, the commissioner shall produce and make publicly available
15.30 a report on the annual energy savings and estimated carbon dioxide reductions achieved
15.31 by the energy conservation improvement programs for the two most recent years for
15.32 which data is available. The commissioner shall report on program performance both in
15.33 the aggregate and for each entity filing an energy conservation improvement plan for
15.34 approval or review by the commissioner.

16.1 (h) By January 15, 2010, the commissioner shall report to the legislature whether
16.2 the spending requirements under subdivisions 1a and 1b are necessary to achieve the
16.3 energy-savings goals established in this subdivision.

16.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.5 Sec. 6. Minnesota Statutes 2010, section 216B.241, subdivision 2, is amended to read:

16.6 Subd. 2. **Programs.** (a) The commissioner may require public utilities to make
16.7 investments and expenditures in energy conservation improvements, explicitly setting
16.8 forth the interest rates, prices, and terms under which the improvements must be offered to
16.9 the customers. The required programs must cover no more than a three-year period. Public
16.10 utilities shall file conservation improvement plans by June 1, on a schedule determined by
16.11 order of the commissioner, but at least every three years. Plans received by a public utility
16.12 by June 1 must be approved or approved as modified by the commissioner by December
16.13 1 of that same year. The commissioner shall evaluate the program on the basis of
16.14 cost-effectiveness and the reliability of technologies employed. The commissioner's order
16.15 must provide to the extent practicable for a free choice, by consumers participating in the
16.16 program, of the device, method, material, or project constituting the energy conservation
16.17 improvement and for a free choice of the seller, installer, or contractor of the energy
16.18 conservation improvement, provided that the device, method, material, or project seller,
16.19 installer, or contractor is duly licensed, certified, approved, or qualified, including under
16.20 the residential conservation services program, where applicable.

16.21 (b) The commissioner may require a utility to make an energy conservation
16.22 improvement investment or expenditure whenever the commissioner finds that the
16.23 improvement will result in energy savings at a total cost to the utility less than the cost
16.24 to the utility to produce or purchase an equivalent amount of new supply of energy. The
16.25 commissioner shall nevertheless ensure that every public utility operate one or more
16.26 programs under periodic review by the department.

16.27 (c) Each public utility subject to subdivision 1a may spend and invest annually up to
16.28 ten percent of the total amount required to be spent and invested on energy conservation
16.29 improvements under this section by the utility on research and development projects
16.30 that meet the definition of energy conservation improvement in subdivision 1 and that
16.31 are funded directly by the public utility.

16.32 (d) A public utility may not spend for or invest in energy conservation improvements
16.33 that directly benefit a large energy facility, ~~or a large electric energy customer, facility~~
16.34 ~~for which the commissioner has issued an exemption pursuant to~~ or a commercial gas
16.35 customer that is not a large energy customer exempted under subdivision 1a, paragraph

17.1 (b), (c), or (e). The commissioner shall consider and may require a utility to undertake
 17.2 a program suggested by an outside source, including a political subdivision, a nonprofit
 17.3 corporation, or community organization.

17.4 (e) A utility, a political subdivision, or a nonprofit or community organization
 17.5 that has suggested a program, the attorney general acting on behalf of consumers and
 17.6 small business interests, or a utility customer that has suggested a program and is not
 17.7 represented by the attorney general under section 8.33 may petition the commission to
 17.8 modify or revoke a department decision under this section, and the commission may do
 17.9 so if it determines that the program is not cost-effective, does not adequately address the
 17.10 residential conservation improvement needs of low-income persons, has a long-range
 17.11 negative effect on one or more classes of customers, or is otherwise not in the public
 17.12 interest. The commission shall reject a petition that, on its face, fails to make a reasonable
 17.13 argument that a program is not in the public interest.

17.14 (f) The commissioner may order a public utility to include, with the filing of the
 17.15 utility's ~~proposed conservation improvement plan under paragraph (a)~~, program status
 17.16 report required under Minnesota Rules, part 7690.0550, the results of an independent audit
 17.17 of the utility's conservation improvement programs and expenditures performed by the
 17.18 department or an auditor with experience in the provision of energy conservation and
 17.19 energy efficiency services approved by the commissioner and chosen by the utility. The
 17.20 audit must specify the energy savings or increased efficiency in the use of energy within
 17.21 the service territory of the utility that is the result of the spending and investments. The
 17.22 audit must evaluate the cost-effectiveness of the utility's conservation programs.

17.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.24 ARTICLE 3

17.25 MISCELLANEOUS

17.26 Section 1. Minnesota Statutes 2010, section 16E.15, subdivision 2, is amended to read:

17.27 Subd. 2. **Software sale fund.** (a) Except as provided in ~~paragraphs~~ paragraph (b)
 17.28 ~~and (c)~~, proceeds of the sale or licensing of software products or services by the chief
 17.29 information officer must be credited to the enterprise technology revolving fund. If a state
 17.30 agency other than the Office of Enterprise Technology has contributed to the development
 17.31 of software sold or licensed under this section, the chief information officer may reimburse
 17.32 the agency by discounting computer services provided to that agency.

17.33 (b) Proceeds of the sale or licensing of software products or services developed by
 17.34 the Pollution Control Agency, or custom developed by a vendor for the agency, must be
 17.35 credited to the environmental fund.

18.1 ~~(e) Proceeds of the sale or licensing of software products or services developed by~~
18.2 ~~the Department of Education, or custom developed by a vendor for the agency, to support~~
18.3 ~~the achieved savings assessment program, must be appropriated to the commissioner of~~
18.4 ~~education and credited to the weatherization program to support weatherization activities.~~

18.5 Sec. 2. Minnesota Statutes 2010, section 216B.096, subdivision 3, is amended to read:

18.6 Subd. 3. **Utility obligations before cold weather period.** Each year, between
18.7 September 1 and October 15, each utility must provide all customers, personally, ~~or~~ by
18.8 first class mail, or electronically for those requesting electronic billing, a summary of
18.9 rights and responsibilities. The summary must also be provided to all new residential
18.10 customers when service is initiated.

18.11 Sec. 3. Minnesota Statutes 2010, section 216B.1691, subdivision 1, is amended to read:

18.12 Subdivision 1. **Definitions.** (a) Unless otherwise specified in law, "eligible energy
18.13 technology" means an energy technology that generates electricity from the following
18.14 renewable energy sources:

18.15 (1) solar;

18.16 (2) wind;

18.17 (3) hydroelectric with a capacity of less than 100 megawatts;

18.18 (4) hydrogen, provided that after January 1, 2010, the hydrogen must be generated
18.19 from the resources listed in this paragraph; or

18.20 (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester
18.21 system; the predominantly organic components of wastewater effluent, sludge, or related
18.22 by-products from publicly owned treatment works, but not including incineration of
18.23 wastewater sludge to produce electricity; and an energy recovery facility used to capture
18.24 the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal
18.25 solid waste as a primary fuel.

18.26 (b) "Electric utility" means a public utility providing electric service, a generation
18.27 and transmission cooperative electric association, a municipal power agency, or a power
18.28 district.

18.29 (c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year
18.30 by an electric utility to retail customers of the electric utility or to a distribution utility for
18.31 distribution to the retail customers of the distribution utility. "Total retail electric sales"
18.32 does not include the sale of electricity generated by hydropower by a federal power agency.

18.33 **EFFECTIVE DATE.** This section is effective retroactively from March 19, 2010.

19.1 Sec. 4. Minnesota Statutes 2010, section 216B.1694, is amended by adding a
19.2 subdivision to read:

19.3 Subd. 3. **Staging and permitting.** (a) A natural gas fired plant that is located
19.4 on one site designated as an innovative energy project site under subdivision 1, clause
19.5 (3), is accorded the regulatory incentives granted to an innovative energy project under
19.6 subdivision 2, clauses (1) to (3), and may exercise the authorities therein.

19.7 (b) Following issuance of a final state or federal environmental impact statement for
19.8 an innovative energy project that was a subject of contested case proceedings before an
19.9 administrative law judge:

19.10 (1) site and route permits and water appropriation approvals for an innovative energy
19.11 project shall also be deemed valid for a plant meeting the requirements of paragraph (a)
19.12 and shall remain valid until the earlier of: (i) four years from the date the final required
19.13 state or federal preconstruction permit is issued; or (ii) June 30, 2019; and

19.14 (2) no air, water, and other permit issued by a state agency that is necessary for
19.15 the construction of an innovative energy project shall be the subject of contested case
19.16 hearings, notwithstanding Minnesota Rules, chapters 7000.1750 to 7000.2200.

19.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

19.18 Sec. 5. Minnesota Statutes 2010, section 216B.2425, subdivision 2, is amended to read:

19.19 **Subd. 2. List development; transmission projects report.** (a) By November
19.20 1 of each odd-numbered year, a transmission projects report must be submitted to the
19.21 commission by each utility, organization, or company that:

19.22 (1) is a public utility, a municipal utility, a cooperative electric association, the
19.23 generation and transmission organization that serves each utility or association, or a
19.24 transmission company; and

19.25 (2) owns or operates electric transmission lines in Minnesota, except a company or
19.26 organization that owns a transmission line that serves a single customer or interconnects a
19.27 single generating facility.

19.28 (b) The report may be submitted jointly or individually to the commission.

19.29 (c) The report must:

19.30 (1) list specific present and reasonably foreseeable future inadequacies in the
19.31 transmission system in Minnesota;

19.32 (2) identify alternative means of addressing each inadequacy listed;

19.33 (3) identify general economic, environmental, and social issues associated with
19.34 each alternative; and

20.1 (4) provide a summary of public input related to the list of inadequacies and the role
 20.2 of local government officials and other interested persons in assisting to develop the list
 20.3 and analyze alternatives.

20.4 (d) To meet the requirements of this subdivision, reporting parties may rely on
 20.5 available information and analysis developed by a regional transmission organization
 20.6 or any subgroup of a regional transmission organization and may develop and include
 20.7 additional information as necessary.

20.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

20.9 Sec. 6. Minnesota Statutes 2010, section 216B.49, subdivision 3, is amended to read:

20.10 Subd. 3. **Commission approval required.** It ~~shall be~~ is unlawful for any public
 20.11 utility organized under the laws of this state to offer or sell any security or, if organized
 20.12 under the laws of any other state or foreign country, to subject property in this state to
 20.13 an encumbrance for the purpose of securing the payment of any indebtedness unless the
 20.14 security issuance of the public utility ~~shall is~~ is first be approved by the commission, either
 20.15 as an individual issuance or as one of multiple possible issuances approved in the course
 20.16 of a periodic proceeding reviewing the utility's proposed sources and uses of capital funds.
 20.17 Approval by the commission ~~shall~~ must be by formal written order.

20.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.

20.19 Sec. 7. Minnesota Statutes 2010, section 216B.62, subdivision 2, is amended to read:

20.20 Subd. 2. **Assessing specific utility.** Whenever the commission or department, in a
 20.21 proceeding upon its own motion, on complaint, or upon an application to it, shall deem it
 20.22 necessary, in order to carry out the duties imposed under this chapter and section ~~216A.085~~
 20.23 216A.14 (1) to investigate the books, accounts, practices, and activities of, or make
 20.24 appraisals of the property of, any public utility, (2) to render any engineering or accounting
 20.25 services to any public utility, or (3) to intervene before an energy regulatory agency, the
 20.26 public utility shall pay the expenses reasonably attributable to the investigation, appraisal,
 20.27 service, or intervention. The commission and department shall ascertain the expenses, and
 20.28 the department shall render a bill therefor to the public utility, either at the conclusion of
 20.29 the investigation, appraisal, or services, or from time to time during its progress, which bill
 20.30 shall constitute notice of the assessment and a demand for payment. The amount of the
 20.31 bills so rendered by the department shall be paid by the public utility into the state treasury
 20.32 within 30 days from the date of rendition. The total amount, in any one calendar year, for
 20.33 which any public utility shall become liable, by reason of costs incurred by the commission

21.1 within that calendar year, shall not exceed two-fifths of one percent of the gross operating
 21.2 revenue from retail sales of gas, or electric service by the public utility within the state in
 21.3 the last preceding calendar year. Where, pursuant to this subdivision, costs are incurred
 21.4 within any calendar year which are in excess of two-fifths of one percent of the gross
 21.5 operating revenues, the excess costs shall not be chargeable as part of the remainder under
 21.6 subdivision 3, but shall be paid out of the general appropriation to the department and
 21.7 commission. In the case of public utilities offering more than one public utility service
 21.8 only the gross operating revenues from the public utility service in connection with which
 21.9 the investigation is being conducted shall be considered when determining this limitation.

21.10 Sec. 8. Minnesota Statutes 2010, section 216B.62, subdivision 3, is amended to read:

21.11 Subd. 3. **Assessing all public utilities.** The department and commission shall
 21.12 quarterly, at least 30 days before the start of each quarter, estimate the total of their
 21.13 expenditures in the performance of their duties relating to public utilities under sections
 21.14 ~~216A.085~~ 216A.14 and 216B.01 to 216B.67, other than amounts chargeable to public
 21.15 utilities under subdivision 2, 6, 7, or 8. The remainder shall be assessed by the commission
 21.16 and department to the several public utilities in proportion to their respective gross
 21.17 operating revenues from retail sales of gas or electric service within the state during the
 21.18 last calendar year. The assessment shall be paid into the state treasury within 30 days
 21.19 after the bill has been transmitted via mail, personal delivery, or electronic service to the
 21.20 several public utilities, which shall constitute notice of the assessment and demand of
 21.21 payment thereof. The total amount which may be assessed to the public utilities, under
 21.22 authority of this subdivision, shall not exceed one-sixth of one percent of the total gross
 21.23 operating revenues of the public utilities during the calendar year from retail sales of gas
 21.24 or electric service within the state. The assessment for the third quarter of each fiscal
 21.25 year shall be adjusted to compensate for the amount by which actual expenditures by
 21.26 the commission and department for the preceding fiscal year were more or less than the
 21.27 estimated expenditures previously assessed.

21.28 Sec. 9. Minnesota Statutes 2010, section 216C.052, is amended to read:

21.29 **216C.052 ENERGY RELIABILITY ADMINISTRATOR AND**
 21.30 **INTERVENTION OFFICE.**

21.31 Subdivision 1. **Responsibilities.** (a) ~~There is established the position of reliability~~
 21.32 ~~administrator~~ The Energy Reliability and Intervention Office is established in the
 21.33 Department of Commerce to represent the interests of Minnesota residents, businesses,
 21.34 and governments before bodies and agencies outside the state that make, interpret, or

22.1 implement regional, national, and international energy policy and regulate and implement
 22.2 regional or national energy planning or infrastructure development. The ~~administrator~~
 22.3 office shall act as a source of independent expertise and a technical advisor to advice for
 22.4 the commissioner of commerce, the Public Utilities Commission, and the public on issues
 22.5 related to the reliability and economics of the electric system. Under the guidance of the
 22.6 commissioner and the commission, the office shall also participate and advocate for the
 22.7 state's interests in other regional, national, and international energy matters potentially
 22.8 impacting Minnesota. In conducting its work, the ~~administrator~~ office shall provide
 22.9 assistance to the commissioner and the commission, as requested, in administering
 22.10 and implementing the department's duties under this section and sections 216B.1612,
 22.11 216B.1691, 216B.2422, 216B.2425, and 216B.243; chapters 216E, 216F, and 216G; and
 22.12 rules associated with ~~those provisions~~ these sections and shall also:

22.13 (1) model and monitor in the state as well as regionally, nationally, and
 22.14 internationally, as appropriate, the use and operation of the energy infrastructure ~~in~~
 22.15 ~~the state, including~~ which includes generation facilities, transmission lines, natural gas
 22.16 pipelines, new and emerging energy technologies, demand response and energy efficiency
 22.17 technologies, and other energy infrastructure;

22.18 (2) develop and present to the commissioner and the commission ~~and parties~~
 22.19 ~~technical advice and analyses of on~~ proposed infrastructure projects, ~~and provide technical~~
 22.20 ~~advice to the commission~~ within and outside of the state that could impact the state;

22.21 (3) present independent, factual, expert, and technical information on infrastructure
 22.22 proposals and reliability issues at public meetings ~~hosted by the task force, the~~
 22.23 ~~Environmental Quality Board, the department, or the commission.~~

22.24 (b) Upon request and subject to resource constraints, the administrator shall
 22.25 provide technical assistance regarding matters unrelated to applications for infrastructure
 22.26 improvements to the task force, the department, or the commission.

22.27 (c) The ~~administrator may not advocate for any particular outcome in a commission~~
 22.28 ~~proceeding, but~~ office may give policy or technical advice to the commission as to the
 22.29 impact on the reliability and economic viability of the energy system of a particular project
 22.30 or projects of any state, region, or nation.

22.31 Subd. 2. **Administrative issues.** (a) ~~The commissioner may select the administrator.~~
 22.32 ~~The administrator must have at least five years of experience working as a power systems~~
 22.33 ~~engineer or transmission planner, or in a position dealing with power system reliability~~
 22.34 ~~issues, and may not have been a party or a participant in a commission energy proceeding~~
 22.35 ~~for at least one year prior to selection by the commissioner.~~ The commissioner shall
 22.36 oversee and direct the work of the ~~administrator~~ office, annually review ~~the~~ its expenses

23.1 ~~of the administrator~~, and annually approve ~~the its~~ budget ~~of the administrator~~. The
 23.2 ~~administrator~~ commissioner may hire staff and may contract for technical expertise in
 23.3 performing duties when existing state resources are required for other state responsibilities
 23.4 or when special expertise is required. ~~The salary of the administrator is governed by~~
 23.5 ~~section 15A.0815, subdivision 2.~~

23.6 (b) Costs relating to a specific proceeding, analysis, or project are not general
 23.7 administrative costs. For purposes of this section, "energy utility" means public utilities,
 23.8 generation and transmission cooperative electric associations, and municipal power
 23.9 agencies providing natural gas or electric service in the state.

23.10 (c) The Department of Commerce shall pay:

23.11 (1) the general administrative costs of the ~~administrator~~ office, not to exceed
 23.12 \$1,000,000 in a fiscal year, and shall assess energy utilities for those administrative costs.
 23.13 These costs must be consistent with the budget approved by the commissioner under
 23.14 paragraph (a). The department shall apportion the costs among all energy utilities in
 23.15 proportion to their respective gross operating revenues from sales of gas or electric service
 23.16 within the state during the last calendar year, and shall then render a bill to each utility on
 23.17 a regular basis; and

23.18 (2) costs relating to a specific proceeding analysis or project and shall render a bill to
 23.19 the specific energy utility or utilities participating in the proceeding, analysis, or project
 23.20 directly, either at the conclusion of a particular proceeding, analysis, or project, or from
 23.21 time to time during the course of the proceeding, analysis, or project.

23.22 (d) For purposes of administrative efficiency, the department shall assess energy
 23.23 utilities and issue bills in accordance with the billing and assessment procedures provided
 23.24 in section 216B.62, to the extent that these procedures do not conflict with this subdivision.
 23.25 The amount of the bills rendered by the department under paragraph (c) must be paid by
 23.26 the energy utility into an account in the special revenue fund in the state treasury within
 23.27 30 days from the date of billing and is appropriated to the department for the purposes
 23.28 provided in this section. The commission shall approve or approve as modified a rate
 23.29 schedule providing for the automatic adjustment of charges to recover amounts paid by
 23.30 utilities under this section. All amounts assessed under this section are in addition to
 23.31 amounts appropriated to the commission and the department by other law.

23.32 ~~Subd. 4. Expiration. Subdivisions 1 and 2 expire June 30, 2012. Subdivision~~
 23.33 ~~3 expires June 30, 2008.~~

23.34 Sec. 10. Minnesota Statutes 2010, section 216C.11, is amended to read:

23.35 **216C.11 ENERGY CONSERVATION INFORMATION CENTER.**

24.1 The commissioner shall establish an Energy Information Center in the department's
 24.2 offices in St. Paul. The information center shall maintain a toll-free telephone information
 24.3 service and disseminate printed materials on energy conservation topics, including but
 24.4 not limited to, availability of loans and other public and private financing methods
 24.5 for energy conservation physical improvements, the techniques and materials used to
 24.6 conserve energy in buildings, including retrofitting or upgrading insulation and installing
 24.7 weatherstripping, the projected prices and availability of different sources of energy,
 24.8 and alternative sources of energy.

24.9 The Energy Information Center shall serve as the official Minnesota Alcohol Fuels
 24.10 Information Center and shall disseminate information, printed, by the toll-free telephone
 24.11 information service, or otherwise on the applicability and technology of alcohol fuels.

24.12 The information center shall include information on the potential hazards of energy
 24.13 conservation techniques and improvements in the printed materials disseminated. The
 24.14 commissioner shall not be liable for damages arising from the installation or operation of
 24.15 equipment or materials recommended by the information center.

24.16 The information center shall use the information collected under section 216C.02,
 24.17 subdivision 1, to maintain a central source of information on conservation and other
 24.18 energy-related programs, including both programs required by law or rule and programs
 24.19 developed and carried on voluntarily. ~~In particular, the information center shall compile
 24.20 and maintain information on policies covering disconnections or denials of fuel during
 24.21 cold weather adopted by public utilities and other fuel suppliers not governed by section
 24.22 216B.096 or 216B.097, including the number of households disconnected or denied fuel
 24.23 and the duration of the disconnections or denials.~~

24.24 Sec. 11. Minnesota Statutes 2010, section 216C.264, is amended to read:

24.25 **216C.264 COORDINATING RESIDENTIAL WEATHERIZATION**
 24.26 **PROGRAMS.**

24.27 Subdivision 1. **Agency designation.** The department is the state agency to apply
 24.28 for, receive, and disburse money made available to the state by federal law for the purpose
 24.29 of weatherizing the residences of low-income persons. The commissioner must coordinate
 24.30 available federal money with state money appropriated for this purpose.

24.31 Subd. 2. **Grants.** The commissioner must make grants of federal and state money
 24.32 to community action agencies and other public or private nonprofit agencies for the
 24.33 purpose of weatherizing the residences of low-income persons. ~~Grant applications must
 24.34 be submitted in accordance with rules promulgated by the commissioner.~~

25.1 Subd. 3. **Benefits of weatherization.** In the case of any grant made to an owner of a
25.2 rental dwelling unit for weatherization, the commissioner must require that (1) the benefits
25.3 of weatherization assistance in connection with the dwelling unit accrue primarily to the
25.4 low-income family that resides in the unit; (2) the rents on the dwelling unit will not be
25.5 raised because of any increase in value due solely to the weatherization assistance; and (3)
25.6 no undue or excessive enhancement will occur to the value of the dwelling unit.

25.7 ~~Subd. 4. **Rules.** The commissioner must promulgate rules that describe procedures~~
25.8 ~~for the administration of grants, data to be reported by grant recipients, and compliance~~
25.9 ~~with relevant federal regulations. The commissioner must require that a rental unit~~
25.10 ~~weatherized under this section be rented to a household meeting the income limits of~~
25.11 ~~the program for 24 of the 36 months after weatherization is complete. In applying this~~
25.12 ~~restriction to multiunit buildings weatherized under this section, the commissioner must~~
25.13 ~~require that occupancy continue to reflect the proportion of eligible households in the~~
25.14 ~~building at the time of weatherization.~~

25.15 Subd. 5. **Grant allocation.** The commissioner must distribute supplementary
25.16 state grants in a manner consistent with the goal of producing the maximum number of
25.17 weatherized units. Supplementary state grants are provided primarily for the payment of
25.18 additional labor costs for the federal weatherization program, and as an incentive for the
25.19 increased production of weatherized units.

25.20 Criteria for the allocation of state grants to local agencies include existing local
25.21 agency production levels, emergency needs, and the potential for maintaining or increasing
25.22 acceptable levels of production in the area.

25.23 An eligible local agency may receive advance funding for 90 days' production, but
25.24 thereafter must receive grants solely on the basis of program criteria.

25.25 Subd. 6. **Eligibility criteria.** To the extent allowed by federal regulations, the
25.26 commissioner must ensure that the same income eligibility criteria apply to both the
25.27 weatherization program and the energy assistance program.

25.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

25.29 Sec. 12. Minnesota Statutes 2010, section 216E.18, subdivision 3, is amended to read:

25.30 Subd. 3. **Funding; assessment.** The commission shall finance its baseline studies,
25.31 general environmental studies, development of criteria, inventory preparation, monitoring
25.32 of conditions placed on site and route permits, and all other work, other than specific site
25.33 and route designation, from an assessment made quarterly, at least 30 days before the start
25.34 of each quarter, by the commission against all utilities with annual retail kilowatt-hour
25.35 sales greater than 4,000,000 kilowatt-hours in the previous calendar year.

26.1 Each share shall be determined as follows: (1) the ratio that the annual retail
26.2 kilowatt-hour sales in the state of each utility bears to the annual total retail kilowatt-hour
26.3 sales in the state of all these utilities, multiplied by 0.667, plus (2) the ratio that the annual
26.4 gross revenue from retail kilowatt-hour sales in the state of each utility bears to the annual
26.5 total gross revenues from retail kilowatt-hour sales in the state of all these utilities,
26.6 multiplied by 0.333, as determined by the commission. The assessment shall be credited
26.7 to the special revenue fund and shall be paid to the state treasury within 30 days after
26.8 receipt of the bill, which shall constitute notice of said assessment and demand of payment
26.9 thereof. The total amount which may be assessed to the several utilities under authority
26.10 of this subdivision shall not exceed the sum of the annual budget of the commission
26.11 for carrying out the purposes of this subdivision. The assessment for the ~~second~~ third
26.12 quarter of each fiscal year shall be adjusted to compensate for the amount by which actual
26.13 expenditures by the commission for the preceding fiscal year were more or less than the
26.14 estimated expenditures previously assessed.

26.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

26.16 Sec. 13. **MELROSE PUBLIC UTILITIES COMMISSION MEMBERSHIP.**

26.17 Notwithstanding Minnesota Statutes, section 412.341, subdivision 1, the city
26.18 of Melrose may by ordinance increase the membership of the city's public utilities
26.19 commission to a maximum of seven members. The ordinance may also provide for the
26.20 terms of the commission members and the terms must be staggered, provide that residency
26.21 within the city is not a qualification for serving on the commission, and permit one or
26.22 more members of the city council to serve on the commission.

26.23 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after
26.24 the governing body of the city of Melrose and its chief clerical officer complete in timely
26.25 fashion their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

26.26 Sec. 14. **REVISOR'S INSTRUCTION.**

26.27 The revisor of statutes shall renumber Minnesota Statutes, section 216C.052, as
26.28 Minnesota Statutes, section 216A.14, and also make necessary cross-reference changes
26.29 consistent with this renumbering.

26.30 Sec. 15. **REPEALER.**

26.31 Minnesota Statutes 2010, sections 216A.085; and 216C.264, subdivision 4, are
26.32 repealed."

27.1 Amend the title accordingly