

House Research Act Summary

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TOPIC: Minnesota Energy Security and Reliability Act

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Overview

The Minnesota Energy Security and Reliability Act is comprehensive energy legislation, addressing energy issues in the following areas:

Essential Energy Infrastructure:

- rewrites the Power Plant Siting Act
- provides for a State Transmission Plan
- reforms the Certificate of Need statute
- establishes a Reliability Administrator

Distributed Energy Resources:

- makes changes to the state's Conservation Improvement Program
- provides for renewable energy goals and customer rate options
- requires the development of distributed generation interconnection standards
- requires investment in renewable and distributed generation facilities

This act also provides: (1) residential customer protections; (2) distribution reliability standards and authority; (3) authority to form utility joint ventures; and (4) a requirement that the state conduct comprehensive energy planning.

Issue and Citation

Essential Energy Infrastructure

Rewrite of Power Plant Siting Act.

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| Article 7, section 1 | EQB jurisdiction. Extends Environmental Quality Board (EQB) jurisdiction to transmission lines 100 kilovolts and above. Current law grants the EQB jurisdiction over transmission lines 200 kilovolts and above. |
| Article 7, section 3 | Determination of need. Specifies that when the Public Utilities Commission (PUC) has determined the need for a project, the EQB may not consider issues of need in the siting or routing of the project. Issues of need include: the size, type and timing of the project; alternative system configurations; and voltage. |
| Article 7, section 11 | EQB goals. Requires the EQB's permit determinations to be guided by the state's goals to conserve resources, minimize environmental impacts, minimize human settlement and other land use conflicts, and to ensure the state's electric energy security through efficient, cost-effective power supply and electric transmission infrastructure. |
| Article 7, section 12 | Time for final decision. Requires the EQB to make a final decision on projects that are subject to the full permitting process within 15 months. |
| Article 7, section 14 | Expedited process. Establishes a shorter (final decision in 9 months) permitting process for certain projects, such as small generation facilities; natural gas generation facilities; transmission lines between 100 and 200 kilovolts; transmission line upgrades along existing transmission rights of way. |
| Article 7, section 15 | Local siting/routing process. Provides for permitting of certain projects by local governments. Eligible projects include: small generation facilities; natural gas peaking generation facilities; transmission lines between 100 and 200 kilovolts; and transmission lines of between 200 and 300 kilovolts less than 10 miles in length. |
| Article 7, section 30 | State transmission plan. Subd. 1. Plan. Requires the commission to maintain a state transmission plan, consisting of a list of certified high voltage transmission line projects. Subd. 2. Plan development. Requires each entity that owns or operates electric transmission lines in Minnesota to jointly or individually submit a transmission projects report to the commission by November 1 of each odd-numbered year. Subd. 3. Commission approval. Requires the commission to adopt a state transmission plan and to certify, certify as modified, or deny certification of the projects proposed under subdivision 2, by June 1 of each even-numbered year. Specifies that the commission may only certify a project that the commission finds is: necessary to maintain or enhance the reliability of the electric service to Minnesota consumers; |

needed, applying the certificate of need criteria; and
in the public interest, taking into account electric energy system needs and
economic, environmental, and social interests affected by the project.

Subd. 4. Effect. Specifies that each certified transmission project on an approved state transmission plan is exempt from additional commission review under section 216B.243 (Certificate of Need).

Certificate of Need reform.

Article 7,
section 29 **Consolidated proceeding.** Specifies that the PUC may determine the need for a generation facility and any transmission lines directly associated with the proposed facility in a single proceeding.

Article 7,
section 31 **Need criteria.** Makes minor changes to the showing that must be made to the PUC to determine if a project is needed.

Article 7,
section 33 **CON exemptions.** Provides for certain exemptions from the CON process, including a project to modify an existing generating facility to increase its efficiency, as long as the capacity of the facility is not increased by more than 10 percent or 100 megawatts, whichever is greater.

Article 8,
section 10 **Reliability Administrator.**

Subd. 1. Establishment. Establishes a Reliability Administrator at the Department of Commerce to "act as a source of independent expertise and a technical advisor to the commissioner, the PUC, the public and the Legislative Electric Energy Task Force on issues related to the reliability of the electric system."

Subd. 2. Administrative issues. Specifies that the commissioner of commerce may appoint the Administrator, who would serve a 4 year term. Authorizes the Administrator to hire staff and contract for technical services, and provides the Administrator with a budget of up to \$1.5 million annually for general administrative expenses, to be assessed to all energy utilities. (Up to \$500,000 annually may be used for public buildings conservation - see article 1, sections 1 to 3.) Expenses relating to specific proceedings or projects may also be assessed to the specific utility or utilities involved.

Subd. 3. Expiration. Specifies this section expires June 30, 2006.

**Distributed
Energy
Resources**

Conservation.

Article 1,
sections 1 to 3 **Public buildings energy conservation.** Establishes new goals and guidelines for energy use in new and existing public buildings.

Article 8,
section 4 **Definition.** Significantly tightens the definition of what constitutes an eligible energy conservation improvement for the purposes of the state's Conservation Improvement Plan program.

Article 8,
section 6 **Expenditure requirements; municipal utilities.** Increases the conservation expenditures requirements on municipal utilities, by requiring those entities to spend 1.5 percent of their gross operating revenues on the sale of electricity on conservation. Currently, municipal utilities are required to spend 1 percent of a somewhat smaller class of operating revenues.

Expenditure requirements; cooperative utilities. Increases the conservation expenditure requirements on cooperative electric utilities, by basing those

requirements on retail gross revenues, rather than wholesale gross revenues. Phases that increase in over 4 years (see article 8, section 12).

Load management. Reduces the amount that expenditures by cooperative and municipal utilities on load management activities that do not reduce energy use but that increase the efficiency of the electric system can count toward those entities' conservation expenditure requirements, from 100 percent of those requirements as under current law, to 50 percent by 2005.

Municipal power agencies. Allows a municipal power agency to provide conservation services on behalf of the municipal distribution utilities it services, similar to the current arrangement generation and transmission cooperatives enjoy with respect to the distribution cooperatives they service.

Biennial report. Replaces the cursory annual conservation report required of cooperative and municipal utilities with a more extensive biennial report that utilizes a list of baseline assumptions developed in consultation with the Department of Commerce.

Article 8,
section 7

Plan approval deadlines. Requires the commissioner of commerce to approve plans filed by investor-owned utilities within 6 months, if those plans are filed by June 1 of the year in which they are due. Currently, there is no deadline for commissioner-action on such plans.

Optional conservation programs. Authorizes the commissioner of commerce to develop a list of conservation programs that utilities subject to the CIP requirements may offer. Utilities are not required to offer these programs, but may if they so choose, or they may offer other programs not on the list as long as the programs they offer satisfy CIP criteria.

Independent audit. Authorizes the commissioner of commerce to order an investor-owned utility to submit an independent audit of the cost-effectiveness of the utility's conservation expenditures and programs.

Article 8,
section 11

Evaluation of municipal and cooperative conservation programs. Requires an extensive and thorough review of conservation programs and expenditures by cooperative and municipal utilities, to be submitted to the Legislature by June 1, 2002.

Article 8,
section 15

Evaluation of CIP program. Requires the commissioner of commerce to study the CIP program and make recommendations to the Legislature on changes to the program to obtain the maximum energy savings possible from the expenditures required, while reducing administrative burdens to the maximum extent possible. Requires the commissioner to report by November 15, 2001.

Article 8,
section 16

Exemptions extended. Provides for a five year extension for CIP exemptions granted to large customers.

Distributed generation.

Article 3,
section 1

Interconnection standards. Requires the PUC to develop standards for interconnection and operation of distributed generation facilities fueled by natural gas or a renewable fuel of no more than 10 megawatts of interconnected capacity.

Tariffs. Requires each utility to file distributed distributed generation tariffs consistent with the standards established by the PUC.

Reporting. Requires each utility to maintain records records and file reports annually regarding applications for interconnection of distributed generation.

Article 8, section 2 **Rate options.** Allows customers the opportunity to determine that a portion of the energy supplied to them by their utility is high-efficiency, low-emissions distributed generation.

Article 8, section 13 **CIP funds to underwrite costs.** Requires each utility to use 5 percent of their required conservation expenditures on distributed generation or renewable energy projects. This requirement expires May 30, 2006.

Renewable energy.

Article 3, section 3 **Alternative and renewable energy sources; LEETF study.** Requires the Legislative Electric Energy Task Force to evaluate options and priorities related to energy source development of resources derived from agricultural production and to energy options available in rural parts of the state.

Article 5, sections 1 to 3 **Renewable production incentive.** Makes several changes to the eligibility provisions of the renewable production incentive statute.

Article 8, section 2 **Rate options.** Allows customers the opportunity to determine that a portion of the energy supplied to them by their utility is renewable energy.

Article 8, section 3 **Renewable energy objectives.** Requires each electric utility make a good faith effort to ensure that, by 2015, 10 percent of the electricity provided to retail customers is renewable energy.

Article 8, section 13 **CIP funds to underwrite costs.** Requires each utility to use 5 percent of their required conservation expenditures on distributed generation or renewable energy projects, including agricultural renewables. This requirement expires May 30, 2006.

Residential Consumer Protections and Universal Service

Article 4, sections 1 and 2 **Cold weather disconnection prohibition.** Clarifies the state's cold-weather disconnection requirements.

Article 4, section 3 **Residential customer protections.** Requires utilities to offer budget billing plans. Requires a utility to offer payment agreements to customers, unless the customer has the financial resources to make full payment. Provides additional disconnection protections for consumers that have medically necessary equipment in their home. Clarifies that the PUC has authority to resolve customer complaints against a public utility.

Article 4, section 4 **Low income rate programs.** Eliminates references to a pilot program for low income rate programs and clarifies the purpose of such programs.

Universal energy service program; recommendations. Requires the Department of Commerce to report to the legislature by January 15, 2002, regarding the development of a universal energy service program.

Distribution Reliability

Article 6, section 1 **Standards for distribution utilities.** Requires the commission and each cooperative and municipal utility to adopt standards for safety, reliability and service quality for distribution utilities.

Article 6, **Cost-benefit analysis.** Requires the commissioner of commerce to provide the

section 2 legislature with an analysis of the costs and benefits of the distribution reliability standards by February 1, 2003.

Article 4, section 2 **Preventative maintenance.** Authorizes the commission to order public utilities to make adequate investment in plants and other facilities used in the production, transmission or distribution of electricity, and to undertake sufficient preventive maintenance with respect to those plants and facilities.

Legislative Electric Energy Task Force

Article 3, section 3 **Alternative and renewable energy sources; LEETF study.** Requires the Legislative Electric Energy Task Force to evaluate options and priorities related to energy source development of resources derived from agricultural production and to energy options available in rural parts of the state.

Article 8, section 8 **LEETF budget.** Provides the Legislative Electric Energy Task Force with an annual budget of \$150,000, to be assessed against all energy utilities.

Article 8, section 9 **LEETF extension.** Extends the life of the LEETF to June 30, 2005.

Miscellaneous Provisions

Article 2 **Joint ventures.** Authorizes rural electric cooperatives, municipal utilities and investor-owned utilities to form joint ventures for the provision of utility services. Patterned after legislation that passed in 1996 and 1997 authorizing joint ventures between cooperative and municipal utilities.

Article 7, section 35 **Energy plan.** Requires the commissioner of commerce to prepare a state energy planning report and submit it to the legislature by December 15, 2001, with an update by December 15, 2002. The commissioner must provide necessary information regarding the energy needs of the state, as well as recommendations for energy policy goals.