Overview

This bill modifies the conservation improvement program (CIP), which requires utilities to spend a certain portion of their gross operating revenues on energy efficiency and conservation projects. The bill provides that CIP spending is not required for large facilities with a connected electric load of 10,000 kilowatts or greater unless the Commissioner of the Department of Public Service (DPS) finds that there are additional cost effective conservation improvements available for the facility. The bill also expands opportunities for CIP spending by allowing utilities to spend CIP money on research and development projects and on recycled and reclaimed materials used in the electric or gas system infrastructure. Finally, the bill requires the DPS to develop a more efficient delivery system of CIP services.

1 Rates for large electric customers served by public utilities. Provides that after December 31, 1999, electric and gas rates for large electric customer facilities served by public utilities will not include CIP expenditures, except to recover CIP expenditures made before that date or in other limited circumstances. Authorizes utilities to submit rate schedules to the PUC that are for less than all members of a class of retail customers to reflect the different levels of CIP spending under section 216B.241 for large electric customer facilities. Allows utilities to reduce rates applicable to large electric customer facilities after December 31, 1999 to reflect reductions in CIP spending without a general rate filing and provides that the reductions may be done in a series of steps if necessary to coincide with the recovery of balances due for CIP spending prior to December 31, 1999. Provides that after December 31, 1999, the owner of a large electric customer facility may elect to have the utility which serves it make energy conservation improvements at the facility and that the costs will be recoverable from the owner of the facility.

2 Definitions. Defines "customer facility" as all buildings, structures, equipment and installations at a single site. Expands the definition of "energy conservation improvement" to include energy efficiency and conservation research and development projects, and recycled and reclaimed materials used in the electric generation, transmission, and distribution system or the natural gas
distribution system in the state. Defines "large electric customer facility" as a customer facility with a connected load of at least 10,000 megawatts and which receives retail electric service on a single bill from a utility operating in the state.

3 Exclusion of large electric facilities from CIP contributions and spending by public utilities. Provides that gross operating revenues from service provided to large electric customer facilities shall not be included in gross operating revenues for purposes of determining the amount of required CIP expenditures to be made by a public utility. Retains the existing requirements for CIP spending based upon gross operating revenues from all other service provided in the state.

Provides that if the department of public service (DPS) determines that there are cost effective energy conservation improvements which could still be made at the large electric customer facility served by a public utility, the commissioner of DPS may require the owner of the facility to undertake energy conservation improvements up to certain spending limits. The owner can appeal such a decision to the PUC. If the owner fails to implement the CIP projects required by DPS, the PUC can require the public utility serving the large electric customer facility to undertake the CIP projects and recover the costs in the rates of the large electric customer facility.

Authorizes a public utility to designate that any or all funds it contributes to the energy and conservation account administered by DPS be spent on research and development projects.

4 Exclusion of large electric customer facilities from CIP contributions and spending by cooperative electric associations and municipal utilities. Eliminates CIP spending based on gross operating revenues for service provided to large electric customer facilities served by municipalities and electric cooperative associations. Retains existing CIP spending requirements for all other gross operating revenues.

Authorizes each municipality and cooperative electric association subject to section 216B.241 to spend up to 15 percent of the required CIP spending on energy conservation and efficiency research and development projects. Authorizes each municipality and cooperative electric association subject to section 216B.241 to designate that funds contributed to the energy and conservation account administered by DPS be spent on research and development projects.

5 Public utility CIP research and development programs. Authorizes each public utility to spend up to 15 percent of the required CIP spending on energy conservation and efficiency research and development projects. Provides that PUC and DPS approval is not required for research and development projects that meet the requirements of section 216B.241. However, each public utility must report annually on the nature of any research and development projects funded by CIP expenditures.

6 Use of energy and conservation account funds for research and development. Specifies that funds in the energy conservation account may be spent by DPS for energy conservation and efficiency research and development projects. Provides that any funds dedicated by a utility for that purpose must be spent by DPS for that purpose. Authorizes DPS to make grants for research and development projects.

7 Exclusion of large electric facility operating revenue. Provides that gross operating revenues from electric and gas service provided to large electric customer facilities shall not be included in gross operating revenues for purposes of the section of law that allows for adjustments in taxes, fees, and permits based upon the level of CIP expenditure as a percentage of gross operating revenue.

8 DPS report on alternative CIP structures. Require DPS to develop and report to the legislature by January 15, 2000 on a new, more efficient CIP service delivery system through the creation of a quasi public or nonprofit authority whose purpose is to facilitate incremental
improvements in the CIP process and facilitate the development of a structure compatible with restructuring. The DPS is required to consult with interested persons in conducting its analysis.

9 **Effective date.** Provides that section 3 shall not be effective until January 1, 1999.