

HOUSE RESEARCH

Bill Summary

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Article 1: Energy Rates

- 1 **[216B.03] Reasonable rate.** Specifies that public utility rates must not be unreasonably preferential, prejudicial, or discriminatory, but equitable and consistently applied among customer classes as well as within a customer class.
- 2 **[216B.07] Rate preference prohibited.** Specifies that a public utility may not grant unreasonable preference or advantage with respect to rates or service to any customer class.
- 3 **[216B.16] Subd. 6b. Energy conservation improvement.** Prohibits the Minnesota Public Utilities Commission from including a utility's conservation expenditures in determining:
 - electric and gas rates for large energy customers (defined in art. 2, § 1) exempted under section 216B.241, subdivision 1a, from having their energy revenues included in the gross operating revenues of their utilities for the purpose of determining the utility's required expenditures under the Conservation Improvement Program (CIP);
 - gas rates for electric generating facilities of 50 MW or more; or
 - gas rates for commercial gas customers exempted under section 216B.241, subdivision 1a, from having their energy revenues included in the gross operating revenues of their gas utility for the purpose of determining the utility's required expenditures under the Conservation Improvement Program (CIP).
- 4 **[216B.16] Subd. 6e. Revenue allocation among consumer classes.** Requires cost of service to be the primary consideration in the commission's allocation of revenues among customer classes. Other factors considered must be supported by record evidence.
- 5 **[216B.16] Subd. 7. Energy and emission control products cost adjustment.** Allows a public utility to file rate schedules allowing for an automatic adjustment in rates for costs of chemicals used to reduce air emissions of the utility's generating plants.
- 6 **[216B.16] Subd. 9. Charitable contribution.** Technical. Updates a reference.

- 7 **[216B.16] Subd. 15. Low-income affordability programs.** Strikes language allowing affordability programs to include inverted block rate designs, which charge lower prices for smaller blocks of energy consumption.
- 8 **[216B.16] Subd. 19. Multiyear rate plan.** Allows the filing and commission approval, modification, or disapproval of multiyear rate plans up to four years in length.
- 9 **[216B.164] Subd. 3. Purchases; small facilities.** Strikes language allowing independent power producers whose facility is less than 40 kW to elect to be compensated at the average retail rate of the purchasing utility. Provides that non-generating utilities compensate such projects at the rate the utility pays its electricity supplier (including, at a minimum, energy, capacity, and transmission costs). Projects interconnected with a generating utility may be compensated at the rate of the utility's avoided costs.
- 10 **[216B.1691] Subd. 2e. Rate impact of standard compliance report.** Requires electric utilities subject to the state's Renewable Energy Standard to submit a report to the legislature estimating the cost impact on wholesale and retail rates of complying with the standard.
- 11 **Repealer.** Deletes section 216B.242, which allows the Public Utilities Commission to initiate a pilot program of inverted rates for residential customers at a public natural gas utility.

Article 2: Energy Conservation

- 1 **[216B.2401] Energy conservation policy goal.** Specifies that the state's annual conservation goal of 1.5 percent of annual electricity sales may be accomplished through customer-initiated conservation measures. Strikes language allowing inverted block rates as a method to achieve conservation through rate design alternatives.
- 2 **[216B.241] Subd. 1. Definitions.**
(g) Amends the definition of "gross annual retail energy sales" to conform with the changes in article 1, section 3.
(h) Replaces the definition of "large electric customer facility" with "large energy customer," and expands it to include natural gas customers consuming 500 million cubic feet or more annually. In calculating peak demand (to meet the definition's 20,000 kW threshold), a customer may include demand offset by on-site cogeneration facilities, and may, if it is a mineral extraction company, aggregate the electricity consumption of its mining and processing facilities.
- 3 **[216B.241] Subd. 1a. Investment, expenditure, and contribution; public utility.** Makes exemption of a large energy customer from the conservation spending requirements of this paragraph automatic upon the filing of a petition that discusses competitive economic pressures on the customer, efforts to identify and implement cost-effective conservation improvements, and evidence from a third-party audit indicating that the customer has implemented cost-effective conservation measures. Strikes language allowing the commissioner of commerce to deny the exemption if it is determined not to be in the public interest. Strikes language authorizing the commissioner to rescind an exemption if it is determined that the customer no longer is making reasonable efforts to identify and implement cost-effective conservation improvements. Allows a commercial gas customer that is not a large energy customer to petition for exemption of its retail revenues from the conservation spending requirements of the gas utility serving it, provided the utility has fewer than 600,000 gas customers and the customer demonstrates the capability to obtain natural gas directly from an unregulated supplier rather than from the utility. Permits a utility to appeal a commissioner's exemption decision to the commission.
- 4 **[216B.241] Subd. 1b. Conservation improvement by cooperative association or municipality.**

(c) Establishes a new energy savings goal for cooperative associations and municipal utilities as follows:

- requires a good-faith effort to save 1.5 percent annually, but spending beyond 0.5 percent of gross annual retail revenues for gas and 1.5 percent for electricity is not required;
- allows utilities experiencing zero or negative sales growth to meet a goal of 0.75 percent of gross retail sales;
- permits utilities to carry forward to future years energy-savings exceeding 1.5 percent;
- allows savings from electric utility infrastructure projects, as defined in section 216B.1636, to be applied toward the energy-savings goal; and
- applies five kWh towards a utility's energy savings goal for each dollar spent educating customers and training employees and contractors regarding conservation.

(d) Allows a utility to petition the commissioner to exempt from the utility's energy-savings goal sales of any single customer, new or current, whose consumption increases total annual utility sales by ten percent or more.

(e) Prohibits utilities from being required to make conservation investments that are not cost-effective in pursuit of an energy-savings goal.

(g) Allows energy shifted from peak daily loads to account for up to 50 percent of a utility's energy-savings goal.

(i) Amends language requiring utility reports of conservation improvement plans to be filed with the commission to allow summaries of plans rather than plans themselves, and to no longer require commission approval.

5 [216B.241] **Subd. 1c. Energy saving goals; public utility.** Removes references to cooperative electric associations and municipalities, whose energy-saving goals are now in section 216B.241, subdivision 1b.

6 [216B.241] **Subd. 2. Programs.** Specifies that a public utility may not invest in energy measures that benefit large energy customers or commercial gas customers exempted under subdivision 1a.

Article 3: Miscellaneous

1 [16E.15] **Subd. 2. Software sale fund.** Strikes language requiring proceeds from sales of energy-saving software developed by or for the Department of Education to be credited to the weatherization program.

2 [216B.026] **Subd. 1. Election.** Strikes language allowing certain merged electric cooperative associations to require an election to determine whether the association should have its rates regulated by the Public Utilities Commission upon petition by one percent of its members, in contrast to the five percent required for other associations.

3 [216B.096] **Subd. 3. Utility obligations before cold weather period.** Allows notification of customers regarding their rights and responsibilities with respect to the cold weather rule to be delivered electronically to customers receiving electronic bills.

4 [216B.1636] **Subd. 1. Definitions.** Technical.

- 5 **[216B.1691] Subd. 1. Definitions.** Amends definition of "total retail electric sales" used to calculate a utility's Renewable Energy Standard obligations to exclude hydropower generated by a federal facility.
- 6 **[216B.1694] Subd. 3. Staging and permitting.** Accords a natural gas plant located at a single designated innovative energy project site certain regulatory incentives originally intended for an innovative energy project. Allows a natural gas plant to utilize certain state permits and approvals issued to an innovative energy project, which remain valid for four years from the date of the last permit issued or until June 30, 2019, whichever is earliest. Prohibits any state permit for an innovative energy project to be the subject of contested case hearings.
- 7 **[216B.2425] Subd. 2. List development; transmission projects report.** Exempts a company owning or operating transmission lines in the state that serve a single customer or interconnect a single generating facility from filing a biennial transmission projects report with the commission.
- 8 **[216B.49] Subd. 3. Commission approval required.** Specifies that the commission must approve a utility's sale of securities, either as an individual issuance or as one of multiple possible issuances.
- 9 to 10 **[216B.62] Subds. 2. and 3. Technical.** Reference change.
- 11 **[216C.052] Energy reliability and intervention office.** Establishes the Energy Reliability and Intervention Office in the commerce department to represent the interests of Minnesota before bodies outside the state that regulate or impact energy policy. The office will also provide technical advice to the commissioner of commerce and the commission on energy infrastructure and reliability issues. Costs of the office will be assessed to utilities, up to \$1 million annually, as per the current reliability administrator language. The expiration date for this section of June 30, 2012, is stricken.
- 12 **[216C.11] Energy conservation information center.** Strikes language requiring the center to compile information regarding disconnections of service under the cold weather rule.
- 13 **[216C.264] Coordinating residential weatherization programs.** Strikes language requiring the commissioner of commerce to issue rules regarding residential weatherization grants.
- 14 **[216E.18] Subd. 3. Funding; assessment.** Changes from the second to the third quarter when the commission's assessment for environmental analysis and siting large power plants and high-voltage transmission lines adjusts for the amount by which actual expenditures for the preceding fiscal year differ from those previously estimated and assessed.
- 15 **Melrose Public Utilities Commission membership.** Allows the city of Melrose to increase membership on its municipal utility commission to up to seven members, and make other changes regarding membership.
- 16 **Revisor's instruction.** Technical.
- 17 **Repealer.** Repeals sections 216A.085 (Energy Issues Intervention Office) and 216C.264, subdivision 4 (see § 11).

Article 4: Appropriation

- 1 **Appropriation.** Appropriates \$207,000 to the Public Utilities Commission for rulemaking required under article 1, section 9, and for appeals of exemptions made under article 2, sections 3 and 4.