

HOUSE RESEARCH

Bill Summary

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Subject: Utility cost recovery for air emissions-reduction projects

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Overview

House File 1326 amends section 216B.1692 (the Emissions-Reduction Rider) to provide for cost recovery with respect to Otter Tail Power's estimated \$400 million project to upgrade air emissions controls on its Big Stone coal-fired power plant in South Dakota, 2.5 miles from the Minnesota border. The estimated share of the costs that Minnesota ratepayers will contribute is approximately \$125 million. This section of law was originally drafted to allow Xcel Energy to recover costs incurred on its Metropolitan Emissions Reduction Project (MERP) – converting two coal plants to natural gas and adding air emission controls to a third plant.

The bill allows cost recovery only if the project has received an advance determination of prudence from the Minnesota Public Utilities Commission, which occurred in January 2012. This determination is allowed for environmental projects undertaken to comply with federal or state air quality standards.

The exemptions from the Emissions-Reduction Rider statute provided in section 2 of the bill exempt the project from submitting a proposal to the commission and the Pollution Control Agency (already done to receive the advance determination of prudence) and from a restriction preventing cost recovery unless the action taken is voluntary (as was the case with Xcel's MERP).

The bill extends the expiration date of the Emissions-Reduction Rider from 2015 to 2020.

The amendment amends the Emissions-Rider Reduction statute's requirement that the commission approve a rate of return equal to that received by the company in its most recent general rate case by allowing the commission to approve any rate of return it deems to be in the public interest.