

Regulation of Energy Utilities in Minnesota

Regulated energy services

Regulation of energy services is divided between wholesale services and retail services. Retail energy services are services provided directly to customers who use the energy (called retail or “end-use” customers). Retail energy services are subject to state regulatory jurisdiction, either by the Minnesota Public Utilities Commission (PUC), or some other authority designated by state law.

Wholesale energy services are activities that do not involve retail (or “end-use”) customers. Wholesale services are regulated at the federal level by the Federal Energy Regulatory Commission. Examples of wholesale energy services include:

- the buying and trading of electricity and natural gas between wholesale generators and power marketers, and
- the transportation of electricity through high voltage transmission wires and natural gas through interstate natural gas pipelines.

Regulatory authority

As a general rule, the PUC has the authority to:

- establish the rates that utilities subject to PUC jurisdiction charge to retail customers in the state
- approve plans for new energy facilities, such as generation stations and transmission lines
- establish industry-wide standards, practices, and policies and
- resolve customer and provider complaints for utilities under its jurisdiction.

Not all energy utilities are subject to PUC jurisdiction. Investor-owned utilities (described below) are subject to comprehensive regulation by the PUC. However, regulation of municipal and cooperative energy utilities by the PUC is statutorily deemed unnecessary. The legislature has determined that these not-for-profit utilities are “effectively regulated” by other entities. Municipal utilities are regulated through oversight by the municipal government. Cooperative utilities are regulated by boards made up of members of each cooperative. Municipal and cooperative utilities can elect to be subject to comprehensive oversight by the PUC, but only one utility has exercised that option (Dakota Electric Cooperative Association).

Investor-owned utilities

Investor-owned (IOUs) are private, for-profit corporations whose rates are regulated by the PUC.

- The five **electric** IOUs that serve Minnesota are Allete (formerly Minnesota Power), Alliant (formerly Interstate Power), Northwestern Wisconsin Electric, Otter Tail Power, and Xcel Energy (formerly Northern States Power). These five provide generation, transmission, and distribution services to their customers.
- The six **natural gas** IOUs in Minnesota are Alliant, Great Plains Natural Gas, Xcel, CenterPoint Energy Minnegasco, Aquila (formerly Utiliticorp – People’s Natural Gas and Northern Municipal Utilities), and Western Natural Gas. These utilities only distribute natural gas to end-use customers, getting their natural gas through pipelines owned by other entities that are regulated by the Federal Regulatory Energy Commission.

Rural electric associations

Rural electric associations (co-ops) are nonprofit organizations whose rates are overseen by a board composed of co-op members. There are two types of co-ops:

- **Distribution cooperatives** provide distribution electric service to Minnesota consumers. There are 45 distribution co-ops in Minnesota.
- **Generation and transmission cooperatives (G&T’s)** generate and transmit electricity to distribution co-ops. The six generation and transmission cooperatives that serve Minnesota distribution co-ops are Basin Electric, Dairyland Power, East River Electric, Great River Energy, L&O Power, and Minnkota Power.

Municipal utilities

Municipal utilities (Munis) are public, nonprofit utilities overseen by local public utilities commissions or city councils. There are two kinds of municipal utilities:

- **Distribution Munis**, like their co-operative counterpart, provide distribution electric services to retail customers. In Minnesota, there are 126 electric distribution Munis and 31 natural gas distribution Munis.
- **Municipal power agencies (MPAs)** provide distribution Munis with electric generation and transmission services. The six MPAs (also known as “joint operating agencies”) operating in Minnesota are Central Minnesota MPA, Heartland Consumers Power District, Minnesota MPA, Missouri River Energy Services, Northern MPA, and Southern Minnesota MPA.

For more information: Contact legislative analyst Mike Bull at 651-296-8961. Also see the House Research publication *The Minnesota Public Utilities Commission and Related Agencies: Structure and Function*, September 2002.

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