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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2769

03/12/2012 Authored by Hackbarth and Beard

The bill was read for the first time and referred to the Committee on Environment, Energy and Natural Resources Policy and Finance

1.1 A bill for an act  
1.2 relating to utilities; requiring utility rates be based primarily on cost of service  
1.3 between and among consumer classes; making clarifying and technical changes;  
1.4 making changes to the low-income affordability program; amending Minnesota  
1.5 Statutes 2010, sections 216B.03; 216B.07; 216B.16, by adding subdivisions.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2010, section 216B.03, is amended to read:

1.8 **216B.03 REASONABLE RATE.**

1.9 Every rate made, demanded, or received by any public utility, or by any two or  
1.10 more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably  
1.11 preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable,  
1.12 and consistent in application to a class of consumers and among classes of consumers.

1.13 To the maximum reasonable extent, the commission shall set rates to encourage energy  
1.14 conservation and renewable energy use and to further the goals of sections 216B.164,  
1.15 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the  
1.16 consumer. For rate-making purposes a public utility may treat two or more municipalities  
1.17 served by it as a single class wherever the populations are comparable in size or the  
1.18 conditions of service are similar.

1.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.20 Sec. 2. Minnesota Statutes 2010, section 216B.07, is amended to read:

1.21 **216B.07 RATE PREFERENCE PROHIBITED.**

2.1 No public utility shall, as to rates or service, make or grant any unreasonable  
 2.2 preference or advantage to any person or class of consumers or subject any person or class  
 2.3 of consumers to any unreasonable prejudice or disadvantage.

2.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.5 Sec. 3. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision  
 2.6 to read:

2.7 **Subd. 6e. Revenue allocation among consumer classes.** Cost of service shall  
 2.8 be the primary consideration in the commission's determination of revenue allocation  
 2.9 among consumer classes. Factors other than cost of service, including impact on business  
 2.10 development and job growth, may also be considered and evaluated by the commission  
 2.11 in determining revenue allocations. Revenue allocation among consumer classes that  
 2.12 deviates from the cost of service must be supported by clear and convincing record  
 2.13 evidence.

2.14 **EFFECTIVE DATE.** This section is effective the day following final enactment  
 2.15 and applies to filings for rate changes filed on and after that date.

2.16 Sec. 4. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision  
 2.17 to read:

2.18 **Subd. 15a. Electric utility low-income affordability program improvements.**  
 2.19 (a) This subdivision applies only to investor-owned electric public utilities with more than  
 2.20 100,000 residential service customers as of the effective date of this section.

2.21 (b) The Department of Commerce, in consultation with other interested parties, is  
 2.22 authorized to review and make recommendations to improve low-income affordability  
 2.23 programs under subdivision 15.

2.24 (c) In addition to the requirements under subdivision 15, any affordability program  
 2.25 implemented by a public utility subject to this subdivision must also:

2.26 (1) be designed to increase the percentage of low-income residential ratepayers  
 2.27 enrolled in the program;

2.28 (2) have an adequate and stable source of funding; and

2.29 (3) operate efficiently and with minimal administrative expenses.

2.30 (d) The allocation and recovery of costs for affordability programs approved under  
 2.31 this subdivision must be determined on the basis of each public utility's number of  
 2.32 customers. Cost cannot be allocated to rate classes on the basis of revenue or volume of  
 2.33 consumption, and cannot be recovered from ratepayers through a volumetric charge.

3.1 (e) Any proposed improvements under paragraph (c) are subject to review and  
3.2 approval by the commission. The Department of Commerce is authorized to administer  
3.3 or assist in the administration of low-income affordability programs approved by the  
3.4 commission under this subdivision.

3.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.