

A bill for an act

relating to energy; modifying provisions relating to energy rates, energy conservation and savings programs, utility cost recovery and investments, qualifying facilities and nongenerating utilities, energy-related rate impacts, large energy customers, cold weather notices to energy consumers, hydropower, an innovative energy project, transmission lines, Public Utilities Commission approval for security issuance by utilities, assessments, establishment of Energy Reliability and Intervention Office, the Energy Conservation Information Center and residential weatherization programs, and membership in the Melrose Public Utilities Commission; making technical and clarifying changes; appropriating money; amending Minnesota Statutes 2010, sections 16E.15, subdivision 2; 216B.026, subdivision 1; 216B.03; 216B.07; 216B.096, subdivision 3; 216B.16, subdivisions 6b, 7, 9, 15, by adding subdivisions; 216B.1636, subdivision 1; 216B.164, subdivision 3; 216B.1691, subdivision 1, by adding a subdivision; 216B.1694, by adding a subdivision; 216B.2401; 216B.241, subdivisions 1, 1a, 1b, 1c, 2; 216B.2425, subdivision 2; 216B.49, subdivision 3; 216B.62, subdivisions 2, 3; 216C.052; 216C.11; 216C.264, subdivision 2; 216E.18, subdivision 3; repealing Minnesota Statutes 2010, sections 216A.085; 216B.242; 216C.264, subdivision 4.

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

ARTICLE 1

ENERGY RATES

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

216B.03 REASONABLE RATE.

Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable, and consistent in application to a class of consumers and among classes of consumers. To the maximum reasonable extent, the commission shall set rates to encourage energy

conservation and renewable energy use and to further the goals of sections 216B.164, 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in favor of the consumer. For rate-making purposes a public utility may treat two or more municipalities served by it as a single class wherever the populations are comparable in size or the conditions of service are similar.

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

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

216B.07 RATE PREFERENCE PROHIBITED.

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

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

Sec. 3. Minnesota Statutes 2010, section 216B.16, subdivision 6b, is amended to read:

Subd. 6b. **Energy conservation improvement.** (a) Except as otherwise provided in this subdivision, all investments and expenses of a public utility as defined in section 216B.241, subdivision 1, ~~paragraph (i),~~ incurred in connection with energy conservation improvements shall be recognized and included by the commission in the determination of just and reasonable rates as if the investments and expenses were directly made or incurred by the utility in furnishing utility service.

(b) The commission shall not include investments and expenses for energy conservation improvements ~~shall not be included by the commission in the determination of (i) determining:~~

(1) just and reasonable electric and gas rates for retail electric and gas service provided to large electric customer facilities that have been exempted by the commissioner of the department pursuant to energy customers exempted under section 216B.241, subdivision 1a, paragraph (b) or (e); or (ii)

(2) just and reasonable gas rates for large energy facilities or commercial gas customers that are not large energy customers that have been exempted under section 216B.241, subdivision 1a, paragraph (c) or (e).

(c) The commission may permit a public utility to file rate schedules providing for annual recovery of the costs of energy conservation improvements. These rate schedules may be applicable to less than all the customers in a class of retail customers if necessary to reflect the requirements of section 216B.241. The commission shall allow a public utility,

without requiring a general rate filing under this section, to reduce the electric and gas rates applicable to a large electric energy customer facilities that have has been exempted by the commissioner of the department pursuant to under section 216B.241, subdivision 1a, paragraph (b) or (e), and to reduce the gas rate applicable to a large energy facility or to a commercial gas customer that is not a large energy customer that has been exempted under section 216B.241, subdivision 1a, paragraph (c) or (e), by an amount that reflects the elimination of energy conservation improvement investments or expenditures for those facilities. In the event that the commission has set electric or gas rates based on the use of an accounting methodology that results in the cost of conservation improvements being recovered from utility customers over a period of years, the rate reduction may occur in a series of steps to coincide with the recovery of balances due to the utility for conservation improvements made by the utility on or before December 31, 2007.

(d) Investments and expenses of a public utility ~~shall~~ do not include electric utility infrastructure costs as defined in section 216B.1636, subdivision 1, paragraph (b).

(e) Notwithstanding any provision in this chapter, a power plant using natural gas as a primary fuel to generate electricity by means of cogeneration, as defined in section 216B.166, subdivision 2, and whose construction began after July 1, 1994, and before July 1, 1997, is exempt from any charges from a public utility serving the power plant to recover costs incurred by the public utility to meet the requirements to make energy conservation improvements under section 216B.241.

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

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

Subd. 6e. **Revenue allocation among consumer classes.** Cost of service must be the primary consideration in the commission's determination of revenue allocation among consumer classes. Factors other than cost of service, including impact on business development and job growth, may also be considered and evaluated by the commission in determining revenue allocation. Factors used in determining revenue allocation must be supported by record evidence.

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

Sec. 5. Minnesota Statutes 2010, section 216B.16, subdivision 7, is amended to read:

Subd. 7. **Energy and emission-control products cost adjustment.**

Notwithstanding any other provision of this chapter, the commission may permit a public utility to file rate schedules containing provisions for the automatic adjustment of charges for public utility service in direct relation to changes in:

(1) federally regulated wholesale rates for energy delivered through interstate facilities;

(2) direct costs for natural gas delivered; ~~or~~

(3) costs for fuel used in generation of electricity or the manufacture of gas; or

(4) prudent costs incurred by a public utility for sorbents, reagents, or chemicals used to control emissions from an electric generation facility, provided that these costs are not recovered elsewhere in rates. The utility shall track and report annually the volumes and costs of sorbents, reagents, or chemicals using separate accounts by generating plant.

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

Sec. 6. Minnesota Statutes 2010, section 216B.16, subdivision 9, is amended to read:

Subd. 9. **Charitable contribution.** The commission shall allow as operating expenses only those charitable contributions ~~which~~ that the commission deems prudent and ~~which that~~ qualify under section ~~290.21, subdivision 3, clause (b)~~ 300.66, subdivision 3. Only 50 percent of the qualified contributions ~~shall be~~ are allowed as operating expenses.

Sec. 7. Minnesota Statutes 2010, section 216B.16, subdivision 15, is amended to read:

Subd. 15. **Low-income affordability programs.** (a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. ~~Affordability programs may include inverted block rates in which lower energy prices are made available to lower usage customers. By September 1, 2007, A public utility serving low-income residential ratepayers who use natural gas for heating must file an affordability program with the commission. For purposes of this subdivision, "low-income residential ratepayers" means ratepayers who receive energy assistance from the low-income home energy assistance program (LIHEAP).~~

(b) Any affordability program the commission orders a utility to implement must:

(1) lower the percentage of income that participating low-income households devote to energy bills;

(2) increase participating customer payments over time by increasing the frequency of payments;

(3) decrease or eliminate participating customer arrears;
(4) lower the utility costs associated with customer account collection activities; and
(5) coordinate the program with other available low-income bill payment assistance and conservation resources.

(c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:

(1) the percentage of income that participating households devote to energy bills;
(2) service disconnections; and
(3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

(d) The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.

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

Sec. 8. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision to read:

Subd. 19. Multiyear rate plan. (a) A public utility may propose, and the commission may approve, approve as modified, or reject, a multiyear rate plan as provided in this subdivision. The term "multiyear rate plan" refers to a plan establishing the rates the utility may charge for each year of the specified period of years, which cannot exceed four years, to be covered by the plan. The commission may approve a multiyear rate plan only if it finds that the plan establishes just and reasonable rates for the utility, applying the factors described in subdivisions 6 and 6e. Consistent with subdivision 4, the burden of proof to demonstrate that the multiyear rate plan is just and reasonable is on the public utility proposing the plan.

(b) Rates charged under the multiyear rate plan must be based only upon the utility's reasonable and prudent costs of service over the term of the plan, as determined by the commission, provided that the costs are not being recovered elsewhere in rates. Rate

adjustments authorized under subdivisions 6b and 7 may continue outside of a plan authorized under this subdivision.

(c) The commission may, by order, establish terms, conditions, and procedures for a multiyear rate plan necessary to implement this section and ensure that rates remain just and reasonable during the course of the plan, including terms and procedures for rate adjustment. At any time prior to conclusion of a multiyear rate plan, the commission, upon its own motion or upon petition of any party, has the discretion to examine the reasonableness of the utility's rates under the plan, and adjust rates as necessary.

(d) In reviewing a multiyear rate plan proposed in a general rate case under this section, the commission may extend the time requirements for issuance of a final determination prescribed in this section by an additional 90 days beyond its existing authority under subdivision 2, paragraph (f).

Sec. 9. Minnesota Statutes 2010, section 216B.164, subdivision 3, is amended to read:

Subd. 3. **Purchases; small facilities.** (a) For a qualifying facility having less than 40-kilowatt capacity, the customer shall be billed for the net energy supplied by the utility according to the applicable rate schedule for sales to that class of customer. In the case of net input into the utility system by a qualifying facility having less than 40-kilowatt capacity, compensation to the customer shall be at a per kilowatt-hour rate determined under paragraph (b) or (c) or subdivision 4.

(b) In setting rates, the commission shall consider the fixed distribution costs to the utility not otherwise accounted for in the basic monthly charge and shall ensure that the costs charged to the qualifying facility are not discriminatory in relation to the costs charged to other customers of the utility. The commission shall set the rates for net input into the utility system based on avoided costs as defined in the Code of Federal Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of Federal Regulations, title 18, section 292.304, and all other relevant factors.

(c) Notwithstanding any provision in this chapter to the contrary, a qualifying facility having less than 40-kilowatt capacity that is interconnected with a nongenerating utility may elect ~~that the compensation to be compensated~~ for net input ~~by the qualifying facility~~ into the utility system ~~shall be at the average retail utility energy rate. "Average retail utility energy rate" is defined as the average of the retail energy rates, exclusive of special rates based on income, age, or energy conservation, according to the applicable rate schedule of the utility for sales to that class of customer~~ rate the nongenerating utility pays a generating utility or utilities to supply electricity to the nongenerating utility, including, but not limited to, energy, capacity, and transmission costs.

(d) If the qualifying facility is interconnected with a nongenerating utility which has a sole source contract with a municipal power agency or a generation and transmission utility, the nongenerating utility may elect to treat its purchase of any net input under this subdivision as being made on behalf of its supplier and shall be reimbursed by its supplier for any additional costs incurred in making the purchase. A qualifying facilities facility having less than 40-kilowatt capacity may, at the customer's option, elect to be governed by the provisions of subdivision 4.

(e) For the purposes of this section, "nongenerating utility" has the meaning given in Minnesota Rules, part 7835.0100.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to power purchase agreements signed after June 30, 2011.

Sec. 10. Minnesota Statutes 2010, section 216B.1691, is amended by adding a subdivision to read:

Subd. 2e. **Rate impact of standard compliance; report.** (a) Each electric utility must submit to the commission and to the chairs and ranking minority members of the legislative committees with primary jurisdiction over energy policy a report containing an estimation of the rate impact on wholesale rates and, if applicable, retail rates, of activities of the electric utility necessary to comply with this section. Those activities include, without limitation, energy purchases, generation facility acquisition and construction, and transmission improvements. An initial report must be submitted within 150 days of the effective date of this section. After the initial report, a report must be updated and submitted as part of each integrated resource plan or plan modification filed by the electric utility under section 216B.2422.

(b) The reporting obligation of an electric utility under this subdivision expires December 31, 2025, for an electric utility subject to subdivision 2a, paragraph (a), and December 31, 2020, for an electric utility subject to subdivision 2a, paragraph (b).

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

Sec. 11. **REPEALER.**

Minnesota Statutes 2010, section 216B.242, is repealed.

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

ARTICLE 2

ENERGY CONSERVATION

Section 1. Minnesota Statutes 2010, section 216B.2401, is amended to read:

216B.2401 ENERGY CONSERVATION POLICY GOAL.

It is the energy policy of the state of Minnesota to achieve annual energy savings equal to 1.5 percent of annual retail energy sales of electricity and natural gas directly through customer-initiated and utility-initiated conservation activities and energy conservation improvement programs and rate design, ~~such as inverted block rates in which lower energy prices are made available to lower-usage residential customers,~~ and indirectly through energy codes and appliance standards, programs designed to transform the market or change consumer behavior, energy savings resulting from efficiency improvements to the utility infrastructure and system, and other efforts to promote energy efficiency and energy conservation.

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

Sec. 2. Minnesota Statutes 2010, section 216B.241, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 216B.16, subdivision 6b, the terms defined in this subdivision have the meanings given them.

(a) "Commission" means the Public Utilities Commission.

(b) "Commissioner" means the commissioner of commerce.

~~(c) "Customer facility" means all buildings, structures, equipment, and installations at a single site.~~

~~(d)~~ (c) "Department" means the Department of Commerce.

~~(e)~~ (d) "Energy conservation" means demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.

~~(f)~~ (e) "Energy conservation improvement" means a project that results in energy efficiency or energy conservation. Energy conservation improvement may include waste heat recovery converted into electricity but does not include electric utility infrastructure projects approved by the commission under section 216B.1636.

~~(g)~~ (f) "Energy efficiency" means measures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a

per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

(g) "Facility" means all buildings, structures, equipment, and installations at a single site.

(h) "Gross annual retail energy sales" means annual electric sales to all retail customers in a utility's or association's Minnesota service territory or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota. For purposes of this section, gross annual retail energy sales exclude:

(1) gas sales to a large energy facility or a commercial gas customer that is not a large energy customer and is exempted under subdivision 1a, paragraph (c) or (e); and

(2) gas and electric sales to a large ~~electric energy~~ customer ~~facility~~ exempted by the ~~commissioner~~ under subdivision 1a, paragraph (b).

(i) "Investments and expenses of a public utility" includes the investments and expenses incurred by a public utility in connection with an energy conservation improvement, including but not limited to:

(1) the differential in interest cost between the market rate and the rate charged on a no-interest or below-market interest loan made by a public utility to a customer for the purchase or installation of an energy conservation improvement;

(2) the difference between the utility's cost of purchase or installation of energy conservation improvements and any price charged by a public utility to a customer for such improvements.

(j) "Large ~~electric energy~~ customer ~~facility~~" means a customer with a facility that imposes a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts, measured in the same way as the utility that serves the customer facility measures electrical demand for billing purposes, and for which electric services are provided at retail on a single bill by a utility operating in the state or a customer with a facility that consumes not less than 500,000,000 cubic feet of natural gas annually. When calculating peak demand, a large energy customer may:

(1) include demand offset by on-site cogeneration facilities; and

(2) if engaged in mineral extraction, aggregate peak energy demand from the customer's mining and processing facilities.

(k) "Large energy facility" has the meaning given it in section 216B.2421, subdivision 2, clause (1).

(l) "Load management" means an activity, service, or technology to change the timing or the efficiency of a customer's use of energy that allows a utility or a customer to respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

(m) "Low-income programs" means energy conservation improvement programs that directly serve the needs of low-income persons, including low-income renters.

(n) "Waste heat recovery converted into electricity" means an energy recovery process that converts otherwise lost energy from the heat of exhaust stacks or pipes used for engines or manufacturing or industrial processes, or the reduction of high pressure in water or gas pipelines.

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

Sec. 3. Minnesota Statutes 2010, section 216B.241, subdivision 1a, is amended to read:

Subd. 1a. **Investment, expenditure, and contribution; public utility.** (a) For purposes of this subdivision and subdivision 2, "public utility" has the meaning given it in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy conservation improvements under this subdivision and subdivision 2 the following amounts:

(1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues from service provided in the state;

(2) for a utility that furnishes electric service, 1.5 percent of its gross operating revenues from service provided in the state; and

(3) for a utility that furnishes electric service and that operates a nuclear-powered electric generating plant within the state, two percent of its gross operating revenues from service provided in the state.

For purposes of this paragraph (a), "gross operating revenues" do not include revenues from large ~~electric customer facilities~~ energy customers exempted by the commissioner under paragraph (b), or from commercial gas customers that are not large energy customers and that are exempted under paragraph (c) or (e).

(b) ~~The owner of~~ A large ~~electric~~ energy customer ~~facility~~ may ~~petition~~ file with the commissioner to exempt both electric and gas utilities serving the large energy customer ~~facility~~ from the investment and expenditure requirements of paragraph (a) with respect to retail revenues attributable to the ~~facility~~ facility that qualifies the customer as a large energy customer. ~~At a minimum, The petition must be supported by evidence relating to filing must include a discussion of the~~ competitive or economic pressures on the customer and ~~a showing by the customer of reasonable~~ of the efforts taken by the customer to

11.1 identify, evaluate, and implement cost-effective conservation improvements ~~at the facility~~
11.2 and an audit or other report prepared by an independent third party with expertise in
11.3 energy conservation verifying that the customer has taken reasonable and appropriate
11.4 measures to implement cost-effective conservation improvements. ~~If a petition is filed~~
11.5 ~~on or before October 1 of any year, the order of the commissioner to exempt revenues~~
11.6 ~~attributable to the facility can be effective no earlier than January 1 of the following year.~~
11.7 ~~The commissioner shall not grant an exemption if the commissioner determines that~~
11.8 ~~granting the exemption is contrary to the public interest. The commissioner may, after~~
11.9 ~~investigation, rescind any exemption granted under this paragraph upon a determination~~
11.10 ~~that the customer is not continuing to make reasonable efforts to identify, evaluate, and~~
11.11 ~~implement energy conservation improvements at the large electric customer facility.~~
11.12 ~~For the purposes of investigations by the commissioner under this paragraph, the owner~~
11.13 ~~of any large electric customer facility shall, upon request, provide the commissioner~~
11.14 ~~with updated information comparable to that originally supplied in or with the owner's~~
11.15 ~~original petition under this paragraph.~~ The filing must be approved and become effective
11.16 January 1 of the year following the filing. A large energy customer that is exempt from
11.17 the investment and expenditure requirements of paragraph (a) under an order from the
11.18 commissioner issued before the effective date of this section does not need to resubmit a
11.19 petition to retain its exempt status. No exempt large energy customer may participate in a
11.20 utility conservation improvement program unless the large energy customer files with the
11.21 commissioner to withdraw its exemption.

11.22 (c) A commercial gas customer that is not a large energy customer and that purchases
11.23 natural gas from a public utility having fewer than 600,000 natural gas customers in
11.24 Minnesota may petition the commissioner to exempt gas utilities serving the commercial
11.25 gas customer from the investment and expenditure requirements of paragraph (a) with
11.26 respect to retail revenues attributable to the commercial gas customer. The petition must
11.27 be supported by evidence demonstrating that the commercial gas customer has acquired or
11.28 can reasonably acquire the capability to bypass use of the utility's gas distribution system
11.29 by obtaining natural gas directly from a supplier not regulated by the commission.

11.30 (d) The commissioner may require investments or spending greater than the amounts
11.31 required under this subdivision for a public utility whose most recent advance forecast
11.32 required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100
11.33 megawatts or greater within five years under midrange forecast assumptions.

11.34 ~~(d)~~ (e) A public utility or owner of a large electric customer facility may appeal a
11.35 decision of the commissioner under paragraph (b) ~~or~~ (c), or (d) to the commission under
11.36 subdivision 2. In reviewing a decision of the commissioner under paragraph (b) ~~or~~ (c), or

12.1 (d), the commission shall rescind the decision if it finds that the required investments or
12.2 spending will:

12.3 (1) not result in cost-effective energy conservation improvements; or

12.4 (2) otherwise not be in the public interest.

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

12.6 Sec. 4. Minnesota Statutes 2010, section 216B.241, subdivision 1b, is amended to read:

12.7 Subd. 1b. **Conservation improvement by cooperative association or**

12.8 **municipality.** (a) This subdivision applies to:

12.9 (1) a cooperative electric association that provides retail service to its members;

12.10 (2) a municipality that provides electric service to retail customers; and

12.11 (3) a municipality with more than 1,000,000,000 cubic feet in annual throughput
12.12 sales to natural gas to retail customers.

12.13 (b) Each cooperative electric association and municipality subject to this subdivision
12.14 shall spend and invest for energy conservation improvements under this subdivision
12.15 the following amounts:

12.16 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
12.17 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding
12.18 gross operating revenues from electric and gas service provided in the state to large
12.19 electric customer facilities; and

12.20 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
12.21 from service provided in the state, excluding gross operating revenues from service
12.22 provided in the state to large electric customer facilities indirectly through a distribution
12.23 cooperative electric association.

12.24 (c) Each municipality and cooperative electric association subject to this subdivision:

12.25 (1) shall make a good-faith effort to meet an annual energy-savings goal equivalent
12.26 to 1.5 percent gross annual retail energy sales, although no municipality or cooperative
12.27 association is required to spend more than the proportion of gross operating revenues cited
12.28 in paragraph (b) to achieve the energy-savings goal;

12.29 (2) may, if it experiences zero or negative growth in gross retail energy sales, be
12.30 deemed to satisfy the energy-savings goal if it achieves savings equal to 0.75 percent of
12.31 gross retail energy sales;

12.32 (3) shall calculate the energy-savings goal based on weather-normalized average
12.33 gross retail energy sales during the three most recent calendar years;

12.34 (4) may elect to carry forward energy savings in excess of 1.5 percent to apply to the
12.35 energy-savings goal in subsequent years;

(5) may use a particular energy savings only for one year's goal;

(6) may apply toward its energy-savings goal energy saved from electric utility infrastructure projects as defined in section 216B.1636, provided that the projects result in increased efficiency greater than that which would have occurred through normal maintenance activity; and

(7) may apply toward its energy-savings goal five kilowatt-hours per dollar spent, including labor and administrative costs, to educate customers about energy conservation and to educate and train utility employees, contractors, and others to perform energy audits, install conservation measures, and conduct other activities directly related to conservation investments.

(d) Each municipality and cooperative electric association subject to this subdivision shall identify and implement energy conservation improvement spending and investments that are appropriate for the municipality or association, except that a municipality or association may not spend or invest for energy conservation improvements that directly benefit a large energy facility or a large ~~electric energy~~ customer facility for which the ~~commissioner has issued an exemption~~ exempted under subdivision 1a, paragraph (b). A municipality or cooperative electric association whose annual gross retail energy sales increase by ten percent or more over the previous year as the result of the addition of a single new customer or increased demand from a single existing customer may petition the commissioner to exclude all sales from that customer from its energy-savings goal. If the commissioner approves the exclusion, the municipality or cooperative electric association may petition the commissioner annually to extend the exclusion, even if the incremental sales added by the customer no longer increase gross retail energy sales by ten percent or more over the previous year. The commissioner shall approve the extension if the commissioner determines that the petition contains sufficient evidence to demonstrate that the customer whose sales are sought to be excluded continues to make reasonable efforts to identify, evaluate, and implement energy conservation improvements at the customer's facility. A municipality or cooperative electric association may petition for an exemption under this paragraph regarding an eligible sales increase that occurred in 2008, 2009, or 2010, but any exemption approved for an eligible sales increase in those years may apply only to the municipality's or cooperative electric association's energy-savings goal for 2012 and, if extended by the commissioner, thereafter.

(e) A municipality or cooperative electric association subject to this subdivision is not required to make energy conservation investments to attain the energy-savings goal of this subdivision that are not cost-effective even if the investment is necessary to attain the energy-savings goal. For the purpose of this paragraph, in determining

cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers, the cooperative electric association or municipality, participants, and society. In addition, the commissioner shall consider the rate at which a cooperative electric association or municipality is increasing its energy savings and its expenditures on energy conservation.

~~(d)~~ (f) Each municipality and cooperative electric association subject to this subdivision may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this subdivision on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the municipality or cooperative electric association.

~~(e)~~ (g) Load-management activities may be used to meet 50 percent of the conservation investment and spending requirements of this subdivision. The amount of energy a utility shifts from peak daily demand by implementing load-management activities may count for up to 50 percent of the energy-savings goal of a municipality or cooperative electric association.

~~(f)~~ (h) A generation and transmission cooperative electric association that provides energy services to cooperative electric associations that provide electric service at retail to consumers may invest in energy conservation improvements on behalf of the associations it serves and may fulfill the conservation, spending, reporting, and energy-savings goals on an aggregate basis. A municipal power agency or other not-for-profit entity that provides energy service to municipal utilities that provide electric service at retail may invest in energy conservation improvements on behalf of the municipal utilities it serves and may fulfill the conservation, spending, reporting, and energy-savings goals on an aggregate basis, under an agreement between the municipal power agency or not-for-profit entity and each municipal utility for funding the investments.

~~(g)~~ (i) Each municipality or cooperative electric association shall file energy conservation improvement plans or a summary of the plans by June 1 on a schedule determined by order of the commissioner, but at least every three years. Plans or summaries received by June 1 must be ~~approved or approved as modified~~ reviewed by the commissioner and the commissioner's comments must be submitted to the municipality or cooperative electric association by December 1 of the same year. The municipality or cooperative electric association shall provide an evaluation to the commissioner ~~detailing~~ summarizing its energy conservation improvement spending and investments for the previous period. The evaluation must briefly describe each conservation program and must specify the energy savings or increased efficiency in the use of energy within the service territory of the ~~utility~~ municipality or cooperative electric association that is the result of

the spending and investments. The evaluation must analyze the cost-effectiveness of the ~~utility's~~ municipality's or cooperative electric association's conservation programs, using a list of baseline energy and capacity savings assumptions developed in consultation with the department. The commissioner shall review each evaluation and make recommendations, where appropriate, to the municipality or cooperative electric association to increase the effectiveness of conservation improvement activities. In making recommendations, the commissioner may consider the municipality's or cooperative electric association's rate of conservation spending and energy savings, historical conservation investment experience, impact on rates of conservation spending and energy savings, customer class profile, load growth trends, conservation potential, and customers' ability to pay, as well as local economic conditions, advancing technology, and other relevant factors.

~~(h)~~ (i) A municipality may spend up to 50 percent of its required spending under this section to refurbish an existing district heating or cooling system until July 1, 2007. From July 1, 2007, through June 30, 2011, expenditures made to refurbish a district heating or cooling system are considered to be load-management activities under paragraph ~~(e)~~ (g). This paragraph expires July 1, 2011.

~~(i)~~ (k) The commissioner shall consider and may require a utility, association, or other entity providing energy efficiency and conservation services under this section to undertake a program suggested by an outside source, including a political subdivision, nonprofit corporation, or community organization.

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

Sec. 5. Minnesota Statutes 2010, section 216B.241, subdivision 1c, is amended to read:

Subd. 1c. **Energy-saving goals; public utility.** (a) The commissioner shall establish energy-saving goals for energy conservation improvement expenditures and shall evaluate an energy conservation improvement program on how well it meets the goals set.

(b) Each individual public utility ~~and association~~ shall have an annual energy-savings goal equivalent to 1.5 percent of gross annual retail energy sales unless modified by the commissioner under paragraph (d). The savings goals must be calculated based on the most recent three-year weather-normalized average. A public utility ~~or association~~ may elect to carry forward energy savings in excess of 1.5 percent for a year to the succeeding three calendar years, except that savings from electric utility infrastructure projects allowed under paragraph (d) may be carried forward for five years. A particular energy savings can be used only for one year's goal.

(c) The commissioner must adopt a filing schedule that is designed to have all utilities and associations operating under an energy-savings plan by calendar year 2010.

(d) In its energy conservation improvement plan filing, a public utility ~~or association~~ may request the commissioner to adjust its annual energy-savings percentage goal based on its historical conservation investment experience, customer class makeup, load growth, a conservation potential study, or other factors the commissioner determines warrants an adjustment. The commissioner may not approve a plan that provides for an annual energy-savings goal of less than one percent of gross annual retail energy sales from energy conservation improvements.

A public utility ~~or association~~ may include in its energy conservation plan energy savings from electric utility infrastructure projects approved by the commission under section 216B.1636 or waste heat recovery converted into electricity projects that may count as energy savings in addition to the minimum energy-savings goal of at least one percent for energy conservation improvements. Electric utility infrastructure projects must result in increased energy efficiency greater than that which would have occurred through normal maintenance activity.

(e) An energy-savings goal is not satisfied by attaining the revenue expenditure requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the energy-savings goal established in this subdivision.

(f) ~~An association or~~ A public utility is not required to make energy conservation investments to attain the energy-savings goals of this subdivision that are not cost-effective even if the investment is necessary to attain the energy-savings goals. For the purpose of this paragraph, in determining cost-effectiveness, the commissioner shall consider the costs and benefits to ratepayers, the utility, participants, and society. ~~In addition, the commissioner shall consider the rate at which an association or municipal utility is increasing its energy savings and its expenditures on energy conservation.~~

(g) On an annual basis, the commissioner shall produce and make publicly available a report on the annual energy savings and estimated carbon dioxide reductions achieved by the energy conservation improvement programs for the two most recent years for which data is available. The commissioner shall report on program performance both in the aggregate and for each entity filing an energy conservation improvement plan for approval or review by the commissioner.

(h) By January 15, 2010, the commissioner shall report to the legislature whether the spending requirements under subdivisions 1a and 1b are necessary to achieve the energy-savings goals established in this subdivision.

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

Sec. 6. Minnesota Statutes 2010, section 216B.241, subdivision 2, is amended to read:

Subd. 2. **Programs.** (a) The commissioner may require public utilities to make investments and expenditures in energy conservation improvements, explicitly setting forth the interest rates, prices, and terms under which the improvements must be offered to the customers. The required programs must cover no more than a three-year period. Public utilities shall file conservation improvement plans by June 1, on a schedule determined by order of the commissioner, but at least every three years. Plans received by a public utility by June 1 must be approved or approved as modified by the commissioner by December 1 of that same year. The commissioner shall evaluate the program on the basis of cost-effectiveness and the reliability of technologies employed. The commissioner's order must provide to the extent practicable for a free choice, by consumers participating in the program, of the device, method, material, or project constituting the energy conservation improvement and for a free choice of the seller, installer, or contractor of the energy conservation improvement, provided that the device, method, material, or project seller, installer, or contractor is duly licensed, certified, approved, or qualified, including under the residential conservation services program, where applicable.

(b) The commissioner may require a utility to make an energy conservation improvement investment or expenditure whenever the commissioner finds that the improvement will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy. The commissioner shall nevertheless ensure that every public utility operate one or more programs under periodic review by the department.

(c) Each public utility subject to subdivision 1a may spend and invest annually up to ten percent of the total amount required to be spent and invested on energy conservation improvements under this section by the utility on research and development projects that meet the definition of energy conservation improvement in subdivision 1 and that are funded directly by the public utility.

(d) A public utility may not spend for or invest in energy conservation improvements that directly benefit a large energy facility ~~or, a large electric energy customer facility for which the commissioner has issued an exemption pursuant to, or a commercial gas customer that is not a large energy customer exempted under~~ subdivision 1a, paragraph (b), (c), or (e). The commissioner shall consider and may require a utility to undertake a program suggested by an outside source, including a political subdivision, a nonprofit corporation, or community organization.

(e) A utility, a political subdivision, or a nonprofit or community organization that has suggested a program, the attorney general acting on behalf of consumers and small business interests, or a utility customer that has suggested a program and is not

represented by the attorney general under section 8.33 may petition the commission to modify or revoke a department decision under this section, and the commission may do so if it determines that the program is not cost-effective, does not adequately address the residential conservation improvement needs of low-income persons, has a long-range negative effect on one or more classes of customers, or is otherwise not in the public interest. The commission shall reject a petition that, on its face, fails to make a reasonable argument that a program is not in the public interest.

(f) The commissioner may order a public utility to include, with the filing of the utility's ~~proposed conservation improvement plan under paragraph (a),~~ program status report required under Minnesota Rules, part 7690.0550, the results of an independent audit of the utility's conservation improvement programs and expenditures performed by the department or an auditor with experience in the provision of energy conservation and energy efficiency services approved by the commissioner and chosen by the utility. The audit must specify the energy savings or increased efficiency in the use of energy within the service territory of the utility that is the result of the spending and investments. The audit must evaluate the cost-effectiveness of the utility's conservation programs.

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

ARTICLE 3

MISCELLANEOUS

Section 1. Minnesota Statutes 2010, section 16E.15, subdivision 2, is amended to read:

Subd. 2. **Software sale fund.** (a) Except as provided in ~~paragraphs~~ paragraph (b) ~~and (c),~~ proceeds of the sale or licensing of software products or services by the chief information officer must be credited to the enterprise technology revolving fund. If a state agency other than the Office of Enterprise Technology has contributed to the development of software sold or licensed under this section, the chief information officer may reimburse the agency by discounting computer services provided to that agency.

(b) Proceeds of the sale or licensing of software products or services developed by the Pollution Control Agency, or custom developed by a vendor for the agency, must be credited to the environmental fund.

~~(c) Proceeds of the sale or licensing of software products or services developed by the Department of Education, or custom developed by a vendor for the agency, to support the achieved savings assessment program, must be appropriated to the commissioner of education and credited to the weatherization program to support weatherization activities.~~

Sec. 2. Minnesota Statutes 2010, section 216B.026, subdivision 1, is amended to read:

Subdivision 1. **Election.** ~~(a)~~ A cooperative electric association may elect to become subject to rate regulation by the commission pursuant to sections 216B.03 to 216B.23. The election shall be approved by a majority of members or stockholders voting by mail ballot initiated by petition of not less than five percent of the members or stockholders of the association, as determined by membership figures submitted by the association to the Rural Electric Administration for the month in which the petition was submitted.

~~(b) For a cooperative electric association that is the product of a merger or consolidation of three or more associations between December 30, 1996, and January 1, 2001, the number of members or stockholders necessary to initiate the petition shall be no less than one percent of the members or stockholders of the association.~~

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

Sec. 3. Minnesota Statutes 2010, section 216B.096, subdivision 3, is amended to read:

Subd. 3. **Utility obligations before cold weather period.** Each year, between September 1 and October 15, each utility must provide all customers, personally ~~or~~₂ by first class mail, or electronically for those requesting electronic billing, a summary of rights and responsibilities. The summary must also be provided to all new residential customers when service is initiated.

Sec. 4. Minnesota Statutes 2010, section 216B.1636, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) "Electric utility" means a public utility as defined in section 216B.02, subdivision 4, that furnishes electric service to retail customers.

(b) "Electric utility infrastructure costs" or "EUIC" means costs for electric utility infrastructure projects that were not included in the electric utility's rate base in its most recent general rate case.

(c) "Electric utility infrastructure projects" means projects owned by an electric utility that:

(1) replace or modify existing electric utility infrastructure, including utility-owned buildings, if the replacement or modification is shown to conserve energy or use energy more efficiently, consistent with section 216B.241, subdivision 1c; or

(2) conserve energy or use energy more efficiently by using waste heat recovery converted into electricity as defined in section 216B.241, subdivision 1, ~~paragraph (n).~~

Sec. 5. Minnesota Statutes 2010, section 216B.1691, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) Unless otherwise specified in law, "eligible energy technology" means an energy technology that generates electricity from the following renewable energy sources:

(1) solar;

(2) wind;

(3) hydroelectric with a capacity of less than 100 megawatts;

(4) hydrogen, provided that after January 1, 2010, the hydrogen must be generated from the resources listed in this paragraph; or

(5) biomass, which includes, without limitation, landfill gas; an anaerobic digester system; the predominantly organic components of wastewater effluent, sludge, or related by-products from publicly owned treatment works, but not including incineration of wastewater sludge to produce electricity; and an energy recovery facility used to capture the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste as a primary fuel.

(b) "Electric utility" means a public utility providing electric service, a generation and transmission cooperative electric association, a municipal power agency, or a power district.

(c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year by an electric utility to retail customers of the electric utility or to a distribution utility for distribution to the retail customers of the distribution utility. Total retail electric sales does not include the sale of electricity generated by hydropower by a federal power agency.

EFFECTIVE DATE. This section is effective retroactively from March 19, 2010.

Sec. 6. Minnesota Statutes 2010, section 216B.1694, is amended by adding a subdivision to read:

Subd. 3. Staging and permitting. (a) A natural gas-fired plant that is located on one site designated as an innovative energy project site under subdivision 1, clause (3), is accorded the regulatory incentives granted to an innovative energy project under subdivision 2, clauses (1) through (3), and may exercise the authorities therein.

(b) Following issuance of a final state or federal environmental impact statement for an innovative energy project that was a subject of contested case proceedings before an administrative law judge:

(1) site and route permits and water appropriation approvals for an innovative energy project must also be deemed valid for a plant meeting the requirements of paragraph (a) and shall remain valid until the earlier of (i) four years from the date the final required state or federal preconstruction permit is issued or (ii) June 30, 2019; and

21.1 (2) no air, water, or other permit issued by a state agency that is necessary for
21.2 constructing an innovative energy project may be the subject of contested case hearings,
21.3 notwithstanding Minnesota Rules, parts 7000.1750 to 7000.2200.

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

21.5 Sec. 7. Minnesota Statutes 2010, section 216B.2425, subdivision 2, is amended to read:

21.6 Subd. 2. **List development; transmission projects report.** (a) By November
21.7 1 of each odd-numbered year, a transmission projects report must be submitted to the
21.8 commission by each utility, organization, or company that:

21.9 (1) is a public utility, a municipal utility, a cooperative electric association, the
21.10 generation and transmission organization that serves each utility or association, or a
21.11 transmission company; and

21.12 (2) owns or operates electric transmission lines in Minnesota, except a company or
21.13 organization that owns a transmission line that serves a single customer or interconnects a
21.14 single generating facility.

21.15 (b) The report may be submitted jointly or individually to the commission.

21.16 (c) The report must:

21.17 (1) list specific present and reasonably foreseeable future inadequacies in the
21.18 transmission system in Minnesota;

21.19 (2) identify alternative means of addressing each inadequacy listed;

21.20 (3) identify general economic, environmental, and social issues associated with
21.21 each alternative; and

21.22 (4) provide a summary of public input related to the list of inadequacies and the role
21.23 of local government officials and other interested persons in assisting to develop the list
21.24 and analyze alternatives.

21.25 (d) To meet the requirements of this subdivision, reporting parties may rely on
21.26 available information and analysis developed by a regional transmission organization
21.27 or any subgroup of a regional transmission organization and may develop and include
21.28 additional information as necessary.

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

21.30 Sec. 8. Minnesota Statutes 2010, section 216B.49, subdivision 3, is amended to read:

21.31 Subd. 3. **Commission approval required.** It ~~shall be~~ is unlawful for any public
21.32 utility organized under the laws of this state to offer or sell any security or, if organized
21.33 under the laws of any other state or foreign country, to subject property in this state to

22.1 an encumbrance for the purpose of securing the payment of any indebtedness unless the
22.2 security issuance of the public utility ~~shall~~ is first be approved by the commission, either
22.3 as an individual issuance or as one of multiple possible issuances approved in the course
22.4 of a periodic proceeding reviewing the utility's proposed sources and uses of capital funds.
22.5 Approval by the commission ~~shall~~ must be by formal written order.

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

22.7 Sec. 9. Minnesota Statutes 2010, section 216B.62, subdivision 2, is amended to read:

22.8 Subd. 2. **Assessing specific utility.** Whenever the commission or department,
22.9 in a proceeding upon its own motion, on complaint, or upon an application to it, ~~shall~~
22.10 ~~deem~~ deems it necessary, in order to carry out the duties imposed under this chapter
22.11 and section ~~216A.085~~ 216A.14 (1) to investigate the books, accounts, practices, and
22.12 activities of, or make appraisals of the property of, any public utility, (2) to render any
22.13 engineering or accounting services to any public utility, or (3) to intervene before an
22.14 energy regulatory agency, the public utility shall pay the expenses reasonably attributable
22.15 to the investigation, appraisal, service, or intervention. The commission and department
22.16 shall ascertain the expenses, and the department shall render a bill therefor to the public
22.17 utility, either at the conclusion of the investigation, appraisal, or services, or from time to
22.18 time during its progress, which bill shall constitute notice of the assessment and a demand
22.19 for payment. The amount of the bills so rendered by the department shall be paid by the
22.20 public utility into the state treasury within 30 days from the date of rendition. The total
22.21 amount, in any one calendar year, for which any public utility shall become liable, by
22.22 reason of costs incurred by the commission within that calendar year, shall not exceed
22.23 two-fifths of one percent of the gross operating revenue from retail sales of gas, or electric
22.24 service by the public utility within the state in the last preceding calendar year. Where,
22.25 pursuant to this subdivision, costs are incurred within any calendar year which are in
22.26 excess of two-fifths of one percent of the gross operating revenues, the excess costs shall
22.27 not be chargeable as part of the remainder under subdivision 3, but shall be paid out of the
22.28 general appropriation to the department and commission. In the case of public utilities
22.29 offering more than one public utility service only the gross operating revenues from the
22.30 public utility service in connection with which the investigation is being conducted shall
22.31 be considered when determining this limitation.

22.32 Sec. 10. Minnesota Statutes 2010, section 216B.62, subdivision 3, is amended to read:

22.33 Subd. 3. **Assessing all public utilities.** The department and commission shall
22.34 quarterly, at least 30 days before the start of each quarter, estimate the total of their

expenditures in the performance of their duties relating to public utilities under sections ~~216A.085~~ 216A.14 and 216B.01 to 216B.67, other than amounts chargeable to public utilities under subdivision 2, 6, 7, or 8. The remainder shall be assessed by the commission and department to the several public utilities in proportion to their respective gross operating revenues from retail sales of gas or electric service within the state during the last calendar year. The assessment shall be paid into the state treasury within 30 days after the bill has been transmitted via mail, personal delivery, or electronic service to the several public utilities, which shall constitute notice of the assessment and demand of payment thereof. The total amount which may be assessed to the public utilities, under authority of this subdivision, shall not exceed one-sixth of one percent of the total gross operating revenues of the public utilities during the calendar year from retail sales of gas or electric service within the state. The assessment for the third quarter of each fiscal year shall be adjusted to compensate for the amount by which actual expenditures by the commission and department for the preceding fiscal year were more or less than the estimated expenditures previously assessed.

Sec. 11. Minnesota Statutes 2010, section 216C.052, is amended to read:

216C.052 ENERGY RELIABILITY ~~ADMINISTRATOR~~ AND INTERVENTION OFFICE.

Subdivision 1. **Responsibilities.** (a) ~~There is established the position of reliability administrator~~ The Energy Reliability and Intervention Office is established in the Department of Commerce to represent the interests of Minnesota residents, businesses, and governments before bodies and agencies outside the state that make, interpret, or implement regional, national, and international energy policy and regulate and implement regional or national energy planning or infrastructure development. The administrator office shall act as a source of independent expertise and a technical advisor to advice for the commissioner of commerce, the Public Utilities Commission, and the public on issues related to the reliability and economics of the electric system. Under the guidance of the commissioner and the commission, the office shall also participate and advocate for the state's interests in other regional, national, and international energy matters potentially impacting Minnesota. In conducting its work, the administrator office shall provide assistance to the commissioner and the commission, as requested, in administering and implementing the department's duties under this section and sections 216B.1612, 216B.1691, 216B.2422, 216B.2425, and 216B.243; chapters 216E, 216F, and 216G; and rules associated with those provisions these sections and shall also:

24.1 (1) model and monitor in the state as well as regionally, nationally, and
24.2 internationally, as appropriate, the use and operation of the energy infrastructure in the
24.3 ~~state, including,~~ which includes generation facilities, transmission lines, natural gas
24.4 pipelines, new and emerging energy technologies, demand response and energy efficiency
24.5 technologies, and other energy infrastructure;

24.6 (2) develop and present to the commissioner and the commission ~~and parties~~
24.7 technical advice and analyses of on proposed infrastructure projects; and provide technical
24.8 advice to the commission within and outside of the state that could impact the state;

24.9 (3) present independent, factual, expert, and technical information on infrastructure
24.10 proposals and reliability issues at public meetings ~~hosted by the task force, the~~
24.11 ~~Environmental Quality Board, the department, or the commission.~~

24.12 (b) Upon request and subject to resource constraints, the administrator shall
24.13 provide technical assistance regarding matters unrelated to applications for infrastructure
24.14 improvements to the task force, the department, or the commission.

24.15 (c) ~~The administrator may not advocate for any particular outcome in a commission~~
24.16 ~~proceeding, but~~ office may give policy or technical advice to the commission as to the
24.17 impact on the reliability and economic viability of the energy system of a particular project
24.18 or projects of any state, region, or nation.

24.19 Subd. 2. **Administrative issues.** ~~(a) The commissioner may select the administrator.~~
24.20 ~~The administrator must have at least five years of experience working as a power systems~~
24.21 ~~engineer or transmission planner, or in a position dealing with power system reliability~~
24.22 ~~issues, and may not have been a party or a participant in a commission energy proceeding~~
24.23 ~~for at least one year prior to selection by the commissioner. The commissioner shall~~
24.24 ~~oversee and direct the work of the administrator office, annually review the its expenses~~
24.25 ~~of the administrator, and annually approve the its budget of the administrator. The~~
24.26 ~~administrator commissioner~~ may hire staff and may contract for technical expertise in
24.27 performing duties when existing state resources are required for other state responsibilities
24.28 or when special expertise is required. ~~The salary of the administrator is governed by~~
24.29 ~~section 15A.0815, subdivision 2.~~

24.30 (b) Costs relating to a specific proceeding, analysis, or project are not general
24.31 administrative costs. For purposes of this section, "energy utility" means public utilities,
24.32 generation and transmission cooperative electric associations, and municipal power
24.33 agencies providing natural gas or electric service in the state.

24.34 (c) The Department of Commerce shall pay:

24.35 (1) the general administrative costs of the administrator office, not to exceed
24.36 \$1,000,000 in a fiscal year, and shall assess energy utilities for those administrative costs.

These costs must be consistent with the budget approved by the commissioner under paragraph (a). The department shall apportion the costs among all energy utilities in proportion to their respective gross operating revenues from sales of gas or electric service within the state during the last calendar year, and shall then render a bill to each utility on a regular basis; and

(2) costs relating to a specific proceeding analysis or project and shall render a bill to the specific energy utility or utilities participating in the proceeding, analysis, or project directly, either at the conclusion of a particular proceeding, analysis, or project, or from time to time during the course of the proceeding, analysis, or project.

(d) For purposes of administrative efficiency, the department shall assess energy utilities and issue bills in accordance with the billing and assessment procedures provided in section 216B.62, to the extent that these procedures do not conflict with this subdivision. The amount of the bills rendered by the department under paragraph (c) must be paid by the energy utility into an account in the special revenue fund in the state treasury within 30 days from the date of billing and is appropriated to the department for the purposes provided in this section. The commission shall approve or approve as modified a rate schedule providing for the automatic adjustment of charges to recover amounts paid by utilities under this section. All amounts assessed under this section are in addition to amounts appropriated to the commission and the department by other law.

~~Subd. 4. **Expiration.** Subdivisions 1 and 2 expire June 30, 2012. Subdivision 3 expires June 30, 2008.~~

Sec. 12. Minnesota Statutes 2010, section 216C.11, is amended to read:

216C.11 ENERGY CONSERVATION INFORMATION CENTER.

The commissioner shall establish an Energy Information Center in the department's offices in St. Paul. The information center shall maintain a toll-free telephone information service and disseminate printed materials on energy conservation topics, including but not limited to, availability of loans and other public and private financing methods for energy conservation physical improvements, the techniques and materials used to conserve energy in buildings, including retrofitting or upgrading insulation and installing weatherstripping, the projected prices and availability of different sources of energy, and alternative sources of energy.

The Energy Information Center shall serve as the official Minnesota Alcohol Fuels Information Center and shall disseminate information, printed, by the toll-free telephone information service, or otherwise on the applicability and technology of alcohol fuels.

The information center shall include information on the potential hazards of energy conservation techniques and improvements in the printed materials disseminated. The commissioner shall not be liable for damages arising from the installation or operation of equipment or materials recommended by the information center.

The information center shall use the information collected under section 216C.02, subdivision 1, to maintain a central source of information on conservation and other energy-related programs, including both programs required by law or rule and programs developed and carried on voluntarily. ~~In particular, the information center shall compile and maintain information on policies covering disconnections or denials of fuel during cold weather adopted by public utilities and other fuel suppliers not governed by section 216B.096 or 216B.097, including the number of households disconnected or denied fuel and the duration of the disconnections or denials.~~

Sec. 13. Minnesota Statutes 2010, section 216C.264, subdivision 2, is amended to read:

Subd. 2. **Grants.** The commissioner must make grants of federal and state money to community action agencies and other public or private nonprofit agencies for the purpose of weatherizing the residences of low-income persons. ~~Grant applications must be submitted in accordance with rules promulgated by the commissioner.~~

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

Sec. 14. Minnesota Statutes 2010, section 216E.18, subdivision 3, is amended to read:

Subd. 3. **Funding; assessment.** The commission shall finance its baseline studies, general environmental studies, development of criteria, inventory preparation, monitoring of conditions placed on site and route permits, and all other work, other than specific site and route designation, from an assessment made quarterly, at least 30 days before the start of each quarter, by the commission against all utilities with annual retail kilowatt-hour sales greater than 4,000,000 kilowatt-hours in the previous calendar year.

Each share shall be determined as follows: (1) the ratio that the annual retail kilowatt-hour sales in the state of each utility bears to the annual total retail kilowatt-hour sales in the state of all these utilities, multiplied by 0.667, plus (2) the ratio that the annual gross revenue from retail kilowatt-hour sales in the state of each utility bears to the annual total gross revenues from retail kilowatt-hour sales in the state of all these utilities, multiplied by 0.333, as determined by the commission. The assessment shall be credited to the special revenue fund and shall be paid to the state treasury within 30 days after receipt of the bill, which shall constitute notice of said assessment and demand of payment thereof. The total amount which may be assessed to the several utilities under authority

of this subdivision shall not exceed the sum of the annual budget of the commission for carrying out the purposes of this subdivision. The assessment for the ~~second~~ third quarter of each fiscal year shall be adjusted to compensate for the amount by which actual expenditures by the commission for the preceding fiscal year were more or less than the estimated expenditures previously assessed.

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

Sec. 15. **MELROSE PUBLIC UTILITIES COMMISSION MEMBERSHIP.**

Notwithstanding Minnesota Statutes, section 412.341, subdivision 1, the city of Melrose may by ordinance increase the membership of the city's public utilities commission to a maximum of seven members. The ordinance may also provide for the terms of the commission members and the terms must be staggered, provide that residency within the city is not a qualification for serving on the commission, and permit one or more members of the city council to serve on the commission.

EFFECTIVE DATE; LOCAL APPROVAL. This section is effective the day after the governing body of the city of Melrose and its chief clerical officer complete in timely fashion their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 16. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber Minnesota Statutes, section 216C.052, as Minnesota Statutes, section 216A.14, and also make necessary cross-reference changes consistent with this renumbering.

Sec. 17. **REPEALER.**

(a) Minnesota Statutes 2010, section 216A.085 is repealed.
(b) Minnesota Statutes 2010, section 216C.264, subdivision 4, is repealed effective the day following final enactment.

ARTICLE 4

APPROPRIATION

Section 1. **APPROPRIATION.**

\$207,000 is appropriated from the general fund to the Public Utilities Commission for the rulemaking required under article 1, section 9, and for appeals of exemptions made under article 2, sections 3 and 4.

APPENDIX
Article locations in H1025-2

ARTICLE 1	ENERGY RATES	Page.Ln 1.21
ARTICLE 2	ENERGY CONSERVATION	Page.Ln 8.1
ARTICLE 3	MISCELLANEOUS	Page.Ln 18.18
ARTICLE 4	APPROPRIATION	Page.Ln 27.25

216A.085 ENERGY ISSUES INTERVENTION OFFICE.

Subdivision 1. **Creation.** There is created within the Department of Commerce an Intervention Office to represent the interests of Minnesota residents, businesses, and governments before bodies and agencies outside the state that make, interpret, or implement national and international energy policy.

Subd. 2. **Duties.** The Intervention Office shall determine those areas in which state intervention is most needed, most likely to have a positive impact, and most effective for the broad public interest of the state. The office shall seek recommendations from appropriate public and private sources before deciding which cases merit intervention.

Subd. 3. **Staffing.** The Intervention Office shall be under the control and supervision of the commissioner of commerce. The commissioner may hire staff or contract for outside services as needed to carry out the purposes of this section. The attorney general shall act as counsel in all intervention proceedings.

216B.242 NATURAL GAS INVERTED RATES PROGRAM.

The commission may initiate a program designed to demonstrate the effect of inverted rates on promoting conservation by the residential customers of natural gas utilities. Any inverted rates ordered by the commission shall present customers with a tailblock price that, to the maximum extent practicable, reflects the replacement cost of gas. Total revenues collected from customers involved in this pilot program may not exceed those that would be collected under a flat rate. The commission may order one public gas utility to implement a pilot program of inverted rates for residential customers and to monitor the effects of these rates on gas consumption, and on costs to residential customers. The program shall include a sufficient number of residential customers to provide statistically significant conclusions regarding the effects and costs of inverted rates.

216C.264 COORDINATING RESIDENTIAL WEATHERIZATION PROGRAMS.

Subd. 4. **Rules.** The commissioner must promulgate rules that describe procedures for the administration of grants, data to be reported by grant recipients, and compliance with relevant federal regulations. The commissioner must require that a rental unit weatherized under this section be rented to a household meeting the income limits of the program for 24 of the 36 months after weatherization is complete. In applying this restriction to multiunit buildings weatherized under this section, the commissioner must require that occupancy continue to reflect the proportion of eligible households in the building at the time of weatherization.