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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1522

03/05/2015 Authored by O'Neill, Garofalo, Anzele and Lueck

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act  
1.2 relating to energy; allowing public utility commission approval for rate recovery  
1.3 for natural gas extension projects; proposing coding for new law in Minnesota  
1.4 Statutes, chapter 216B.

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

1.6 Section 1. [216B.1638] RECOVERY OF NATURAL GAS EXTENSION  
1.7 PROJECT COSTS.

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the terms defined in  
1.9 this subdivision have the meanings given them.

1.10 (b) "Contribution in aid of construction" means a monetary contribution, paid by  
1.11 a developer or local unit of government to a utility providing natural gas service to a  
1.12 community receiving that service as the result of a natural gas extension project, that  
1.13 reduces or offsets the difference between the total revenue requirement of the project and  
1.14 the revenue generated from the customers served by the project.

1.15 (c) "Developer" means a developer of the project or a person that owns or will own  
1.16 the property served by the project.

1.17 (d) "Local unit of government" means a city, county, township, commission, district,  
1.18 authority, or other political subdivision or instrumentality of this state.

1.19 (e) "Natural gas extension project" or "project" means the construction of new  
1.20 infrastructure or upgrades to existing natural gas facilities necessary to serve currently  
1.21 unserved or inadequately served areas.

1.22 (f) "Revenue deficiency" means the deficiency in funds that results when projected  
1.23 revenues from customers receiving natural gas service as the result of a natural gas

extension project, plus any contributions in aid of construction paid by these customers, fall short of the total revenue requirement of the natural gas extension project.

(g) "Total revenue requirement" means the total cost of extending and maintaining service to a currently unserved or inadequately served area.

(h) "Unserved or inadequately served area" means an area in this state lacking adequate natural gas pipeline infrastructure to meet the demand of existing or potential end-use customers.

Subd. 2. **Filing.** (a) A public utility may petition the commission outside of a general rate case for a rider on all of the utility's customers, including transport customers, to recover the revenue deficiency from a natural gas extension project.

(b) The petition shall include:

(1) a description of the natural gas extension project, including the number and location of new customers to be served and the distance over which natural gas will be distributed to serve the unserved or inadequately served area;

(2) the project's construction schedule;

(3) the proposed project budget;

(4) the amount of any contributions in aid of construction;

(5) a description of efforts made by the public utility to offset the revenue deficiency through contributions in aid to construction;

(6) the proposed method and amount of recovery by customer class and whether the utility is proposing that the rider be a flat fee, a volumetric charge, or another form of recovery;

(7) how recovery of the revenue deficiency will be allocated between industrial, commercial, residential, and transport customers;

(8) the proposed termination date of the rider to recover the revenue deficiency; and

(9) a description of benefits to the public utility's existing natural gas customers that will accrue from the natural gas extension project.

Subd. 3. **Review; approval.** (a) The commission shall allow opportunity for comment on the petition.

(b) The commission shall approve a public utility's petition for a rider to recover the costs of a natural gas extension project if it determines that:

(1) the project is designed to extend natural gas service to an unserved or inadequately served area; and

(2) project costs are reasonable and prudently incurred.

(c) The commission must not approve a rider under this section that allows a utility to recover more than 25 percent of the costs of a natural gas extension project.

3.1 (d) The revenue deficiency from a natural gas extension project recoverable through  
3.2 a rider under this section must include the currently authorized rate of return, incremental  
3.3 income taxes, incremental property taxes, incremental depreciation expenses, and any  
3.4 incremental operation and maintenance costs.

3.5 Subd. 4. **Commission authority; order.** The commission may issue orders  
3.6 necessary to implement and administer this section.

3.7 Subd. 5. **Implementation.** Nothing in this section commits a public utility to  
3.8 implement a project approved by the commission. The public utility seeking to provide  
3.9 natural gas service shall notify the commission whether it intends to proceed with the  
3.10 project as approved by the commission. The public utility may adjust the construction  
3.11 schedule set forth in its petition under subdivision 2, paragraph (b), clause (2), based on the  
3.12 utility's business judgment and without obtaining any further order from the commission.

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