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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 3026

03/13/2014 Authored by Fabian; Erickson, R., and Kiel  
The bill was read for the first time and referred to the Committee on Energy Policy

1.1 A bill for an act  
1.2 relating to energy; utilities; amending rates governing compensation by  
1.3 utilities for certain small power generators; amending Minnesota Statutes 2013  
1.4 Supplement, section 216B.164, subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2013 Supplement, section 216B.164, subdivision 3,  
1.7 is amended to read:

1.8 Subd. 3. **Purchases; small facilities.** (a) This paragraph applies to cooperative  
1.9 electric associations and municipal utilities. For a qualifying facility having less than  
1.10 40-kilowatt capacity, the customer shall be billed for the net energy supplied by the utility  
1.11 according to the applicable rate schedule for sales to that class of customer. In the case  
1.12 of net input into the utility system by a qualifying facility having less than 40-kilowatt  
1.13 capacity, compensation to the customer shall be at a per kilowatt-hour rate determined  
1.14 under paragraph (c) or (d).

1.15 (b) This paragraph applies to public utilities. For a qualifying facility having less  
1.16 than 1,000-kilowatt capacity, the customer shall be billed for the net energy supplied by  
1.17 the utility according to the applicable rate schedule for sales to that class of customer. In  
1.18 the case of net input into the utility system by a qualifying facility having: (1) more than  
1.19 40-kilowatt but less than 1,000-kilowatt capacity, compensation to the customer shall be  
1.20 at a per kilowatt-hour rate determined under paragraph (c); or (2) less than 40-kilowatt  
1.21 capacity, compensation to the customer shall be at a per-kilowatt rate determined under  
1.22 paragraph (d).

1.23 (c) In setting rates, the commission shall consider the fixed distribution costs to the  
1.24 utility not otherwise accounted for in the basic monthly charge and shall ensure that the

2.1 costs charged to the qualifying facility are not discriminatory in relation to the costs  
2.2 charged to other customers of the utility. The commission shall set the rates for net  
2.3 input into the utility system based on avoided costs as defined in the Code of Federal  
2.4 Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of  
2.5 Federal Regulations, title 18, section 292.304, and all other relevant factors.

2.6 (d) Notwithstanding any provision in this chapter to the contrary, a qualifying facility  
2.7 having less than 40-kilowatt capacity if interconnected with a cooperative association or  
2.8 municipal utility, or a qualifying facility having less than a 1,000-kilowatt capacity if  
2.9 interconnected with a public utility, may elect that the compensation for net input by  
2.10 the qualifying facility into the utility system shall be at the average retail utility energy  
2.11 rate, except as provided in paragraph (f). "Average retail utility energy rate" is defined  
2.12 as the average of the retail energy rates, exclusive of special rates based on income, age,  
2.13 or energy conservation, according to the applicable rate schedule of the utility for sales  
2.14 to that class of customer.

2.15 (e) If the qualifying facility or net metered facility is interconnected with a  
2.16 nongenerating utility which has a sole source contract with a municipal power agency or a  
2.17 generation and transmission utility, the nongenerating utility may elect to treat its purchase  
2.18 of any net input under this subdivision as being made on behalf of its supplier and shall  
2.19 be reimbursed by its supplier for any additional costs incurred in making the purchase.  
2.20 Qualifying facilities or net metered facilities having less than 1,000-kilowatt capacity if  
2.21 interconnected to a public utility, or less than 40-kilowatt capacity if interconnected to a  
2.22 cooperative electric association or municipal utility may, at the customer's option, elect to  
2.23 be governed by the provisions of subdivision 4.

2.24 (f) A qualifying facility interconnected with a cooperative association or a municipal  
2.25 utility providing electric service to customers located outside of a metropolitan county, as  
2.26 defined in section 473.121, may not be paid more than the interconnecting utility's avoided  
2.27 cost rate under paragraph (c) or subdivision 4, paragraph (b), as applicable.

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