

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 1628

(SENATE AUTHORS: DIBBLE)

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| 04/23/2013 | 2606 | Introduction and first reading Referred to Environment and Energy |

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A bill for an act

relating to energy; requiring a public utility to file a mechanism to decouple its revenues from its energy sales; requiring reports; amending Minnesota Statutes 2012, section 216B.16, by adding a subdivision; repealing Minnesota Statutes 2012, section 216B.2412.

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

Section 1. **TITLE.**

This act may be cited as the "Aligning Utility Incentives to Save Energy Act."

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

Sec. 2. Minnesota Statutes 2012, section 216B.16, is amended by adding a subdivision to read:

Subd. 6e. **Revenue decoupling.** (a) The purpose of this subdivision is to:

(1) require public utilities to propose mechanisms governing the decoupling of utility sales and revenue that adjusts rates upward and downward in the period between general rate cases so that a utility collects the amount of revenue authorized by the commission;

(2) align a utility's financial incentives with the interest of its customers in using energy more efficiently;

(3) encourage utility investment in infrastructure;

(4) promote utility investment in least-cost resources that will reduce long-term energy demand; and

(5) increase system reliability.

(b) Each public utility must include in its general rate filings a mechanism to decouple utility revenues from utility sales volumes. At a minimum, the mechanism must:

(1) ensure that a utility recovers all reasonable and prudent utility costs of service;

(2) periodically fully reconcile utility revenues that are both below and above the most recent revenue requirement approved by the commission;

(3) minimize the proportion of utility revenue that is recovered in fixed charges that do not vary with the volume of energy sales; and

(4) sustain and enhance utility customer incentives to use energy more efficiently.

(c) In considering a decoupling mechanism, the commission must consider, among other factors:

(1) how and when rate adjustments are to be calculated;

(2) how rate adjustments will be displayed on a customer's bill;

(3) how a decoupling mechanism will work in concert with automatic cost recovery mechanisms;

(4) the impact of decoupling on rates, particularly on the rates of low-income utility customers;

(5) the need for any mechanism to mitigate the risk of rate shock as a result of implementing decoupling; and

(6) whether the sales and revenues attributable to large customer facilities should be excluded from the decoupling mechanism.

(d) The commission may approve, modify, or reject a proposed decoupling mechanism.

(e) Each utility shall, two years after implementation of a decoupling mechanism and every two years thereafter, file a report with the commission that documents the impact of decoupling on the utility's operations and its ratepayers, including impacts on:

(1) utility revenues;

(2) revenue stability;

(3) customer rates;

(4) the utility's cost of capital;

(5) the utility's level of conservation spending under section 216B.241; and

(6) the utility's level of investment in utility infrastructure.

(f) By January 1, 2016, and every other January 1 thereafter, the commission shall submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy policy summarizing the information contained in the reports on decoupling of the individual utilities filed with the commission under paragraph (e). The report may contain recommendations for legislative or other changes to improve the operation of a decoupling mechanism.

3.1 **EFFECTIVE DATE.** This section is effective the day following final enactment
3.2 for a general rate filing occurring on and after that date.

3.3 Sec. 3. **PILOT PROGRAMS.**

3.4 Any pilot program approved by the commission under Minnesota Statutes, section
3.5 216B.2412, that is operating on the effective date of this act may continue to operate
3.6 until its original termination date.

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

3.8 Sec. 4. **REPEALER.**

3.9 Minnesota Statutes 2012, section 216B.2412, is repealed.

3.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.
3.11 Decoupling plans in effect on the effective date may continue in effect until the end of
3.12 the term of the plan.

216B.2412 DECOUPLING OF ENERGY SALES FROM REVENUES.

Subdivision 1. **Definition and purpose.** For the purpose of this section, "decoupling" means a regulatory tool designed to separate a utility's revenue from changes in energy sales. The purpose of decoupling is to reduce a utility's disincentive to promote energy efficiency.

Subd. 2. **Decoupling criteria.** The commission shall, by order, establish criteria and standards for decoupling. The commission may establish these criteria and standards in a separate proceeding or in a general rate case or other proceeding in which it approves a pilot program, and shall design the criteria and standards to mitigate the impact on public utilities of the energy-savings goals under section 216B.241 without adversely affecting utility ratepayers. In designing the criteria, the commission shall consider energy efficiency, weather, and cost of capital, among other factors.

Subd. 3. **Pilot programs.** The commission shall allow one or more rate-regulated utilities to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation. Each pilot program must utilize the criteria and standards established in subdivision 2 and be designed to determine whether a rate-decoupling strategy achieves energy savings. On or before a date established by the commission, the commission shall require electric and gas utilities that intend to implement a decoupling program to file a decoupling pilot plan, which shall be approved or approved as modified by the commission. A pilot program may not exceed three years in length. Any extension beyond three years can only be approved in a general rate case, unless that decoupling program was previously approved as part of a general rate case. The commission shall report on the programs annually to the chairs of the house of representatives and senate committees with primary jurisdiction over energy policy.