

**SENATE  
STATE OF MINNESOTA  
EIGHTY-NINTH SESSION**

**S.F. No. 3052**

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DATE	D-PG	OFFICIAL STATUS
03/21/2016	5161	Introduction and first reading Referred to Environment and Energy

1.1 A bill for an act  
 1.2 relating to energy; modifying qualifying projects that may be approved for  
 1.3 an emissions-reduction rider; amending Minnesota Statutes 2014, section  
 1.4 216B.1692, subdivisions 1, 1a, 5, 8.

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

1.6 Section 1. Minnesota Statutes 2014, section 216B.1692, subdivision 1, is amended to  
 1.7 read:

1.8 Subdivision 1. **Qualifying projects.** (a) Projects that may be approved for the  
 1.9 emissions reduction-rate rider allowed in this section must:

1.10 (1) be installed on existing large electric generating power plants, as defined in  
 1.11 section 216B.2421, subdivision 2, clause (1), that are located in the state and that are  
 1.12 currently not subject to emissions limitations for new power plants under the federal Clean  
 1.13 Air Act, United States Code, title 42, section 7401 et seq.;

1.14 (2) not increase the accredited capacity, as determined by the Midcontinent  
 1.15 Independent System Operator, of the existing electric generating power plant by more than  
 1.16 ten percent or more than 100 megawatts, whichever is greater; and

1.17 (3) result in the existing plant either:

1.18 (i) complying with applicable new source review standards under the federal Clean  
 1.19 Air Act; or

1.20 (ii) emitting air contaminants at levels substantially lower than allowed for new  
 1.21 facilities by the applicable new source performance standards under the federal Clean  
 1.22 Air Act; or

2.1 (iii) reducing emissions from current levels at a unit to the lowest cost-effective level  
2.2 when, due to the age or condition of the generating unit, the public utility demonstrates  
2.3 that it would not be cost-effective to reduce emissions to the levels in item (i) or (ii).

2.4 (b) Notwithstanding paragraph (a), a project may be approved for the emission  
2.5 reduction rate rider allowed in this section if:

2.6 (1) the project is to be installed on existing large electric generating power plants,  
2.7 as defined in section 216B.2421, subdivision 2, clause (1), that are located outside the  
2.8 state and are needed to comply with state or federal air quality standards, but only if the  
2.9 project has received an advance determination of prudence from the commission under  
2.10 section 216B.1695;

2.11 (2) the project includes a utility ceasing operations of one or more coal-fired units  
2.12 with a combined capacity of greater than 500 megawatts at an existing large electric  
2.13 generating power plant, provided that the project includes the addition of one or more  
2.14 utility-owned natural gas-fired units, or the repowering of one or more existing coal-fired  
2.15 units to natural gas, or both, at the same existing large electric generation power plant  
2.16 where the coal-fired unit or units were located; or

2.17 (3) the project includes a utility ceasing operations of one or more coal-fired units  
2.18 with a combined capacity of 500 megawatts or less at an existing large electric generation  
2.19 power plant, provided that the project includes the addition of one or more utility-owned  
2.20 renewable energy facilities that are an eligible energy technology under section  
2.21 216B.1691, subdivision 1, or the repowering of one or more existing coal-fired units to an  
2.22 eligible energy technology, or both, at the same existing large electric generation power  
2.23 plant where the coal unit or units were located.

2.24 (c) A project approved under paragraph (b), clause (2), must not exceed the capacity  
2.25 limitation under paragraph (a), clause (2). A project approved under paragraph (b),  
2.26 clause (3), must not increase the accredited capacity, as determined by the Midcontinent  
2.27 Independent System Operator, of the existing large electric generating power plant by  
2.28 more than 200 megawatts.

2.29 (d) A project approved under paragraph (b), clause (2) or (3), that does not exceed  
2.30 the accredited capacity limits set forth in paragraph (c) may also include the addition of a  
2.31 utility-owned natural gas-fired unit, or utility-owned renewable resources, or both, in any  
2.32 location, provided that the total accredited capacity of the project not exceed the limit.

2.33 (e) A utility proposing generation resources in a project approved under paragraph  
2.34 (b), clause (2) or (3), including generation resources described in paragraph (d), shall use a  
2.35 competitive process to acquire the utility-owned generation units.

3.1 Sec. 2. Minnesota Statutes 2014, section 216B.1692, subdivision 1a, is amended to read:

3.2 Subd. 1a. **Exemption.** Subdivisions ~~2;~~ 3, paragraph (a), clause (4); ~~4;~~ 5,  
 3.3 paragraph ~~(e)~~ (d), clause (1), do not apply to projects qualifying under subdivision 1,  
 3.4 ~~paragraph~~ paragraphs (b) and (c).

3.5 Sec. 3. Minnesota Statutes 2014, section 216B.1692, subdivision 5, is amended to read:

3.6 Subd. 5. **Proposal approval.** (a) After receiving the Pollution Control Agency's  
 3.7 environmental assessment, if any, the commission shall allow opportunity for written and  
 3.8 oral comment on the proposed emissions reduction-rate rider proposal. The commission  
 3.9 must assess the costs of an emissions-reduction project on a stand-alone basis and  
 3.10 may approve, modify, or reject the proposed emissions-reduction rider. In making its  
 3.11 determination, the commission shall consider whether the project, proposed cost recovery,  
 3.12 and any proposed recovery above cost appropriately achieves environmental benefits  
 3.13 without unreasonable consumer costs.

3.14 (b) The commission may approve a rider that:

3.15 (1) allows the utility to recover costs of qualifying emissions-reduction projects  
 3.16 net of revenues attributable to the project;

3.17 (2) allows ~~an appropriate~~ a return on investment ~~associated with qualifying~~  
 3.18 ~~emissions-reduction projects at the level established in the public utility's last general rate~~  
 3.19 ~~ease at the level approved in the utility's last general rate case, unless a different return is~~  
 3.20 deemed consistent with the public interest;

3.21 (3) provides a current return on construction work in progress, provided that  
 3.22 recovery for the allowance of funds used during construction is not sought from Minnesota  
 3.23 retail customers through any other mechanism;

3.24 (4) allows for recovery of other expenses, if the expenses are shown to promote a  
 3.25 least-cost project option or are otherwise in the public interest;

3.26 (5) allows for ongoing associated operation and maintenance costs;

3.27 (6) allocates project costs appropriately between wholesale and retail customers;

3.28 ~~(4)~~ (7) provides a mechanism for recovery above cost, if necessary to improve the  
 3.29 overall economics of the qualifying projects to ensure implementation;

3.30 ~~(5)~~ (8) recovers costs from retail customer classes in proportion to class energy  
 3.31 consumption; and

3.32 ~~(6)~~ (9) terminates recovery once the costs of qualifying projects have been fully  
 3.33 recovered.

4.1 (c) If a utility proposes the addition of utility-owned renewable resources under  
4.2 subdivision 1, paragraph (b), clause (3), or subdivision 1, paragraph (c), the utility may  
4.3 elect to seek recovery of costs under section 216B.1645 or this section.

4.4 (d) The commission must not approve an emissions-reduction project and its  
4.5 associated rate rider if:

4.6 (1) the emissions-reduction project is needed to comply with new state or federal  
4.7 air quality standards; or

4.8 (2) the emissions-reduction project is required as a corrective action as part of any  
4.9 state or federal enforcement action.

4.10 ~~(d)~~ (e) The commission may not include any costs of a proposed project in the  
4.11 emissions-reduction rider that are not directly allocable to reduction of emissions.

4.12 Sec. 4. Minnesota Statutes 2014, section 216B.1692, subdivision 8, is amended to read:

4.13 Subd. 8. **Sunset.** This section is effective until December 31, ~~2020~~ 2030, and  
4.14 applies to plans, projects, and riders approved before that date and modifications made to  
4.15 them after that date.