

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1084

03/04/2013 Authored by Kelly, Morgan and Atkins

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; regulating utility recovery of transmission costs; amending
1.3 Minnesota Statutes 2012, section 216B.16, subdivision 7b; proposing coding for
1.4 new law in Minnesota Statutes, chapter 216B.

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

1.6 Section 1. Minnesota Statutes 2012, section 216B.16, subdivision 7b, is amended to
1.7 read:

1.8 Subd. 7b. **Transmission cost adjustment.** (a) Notwithstanding any other
1.9 provision of this chapter, the commission may approve a tariff mechanism for the
1.10 automatic annual adjustment of charges for the Minnesota jurisdictional costs of (i) new
1.11 transmission facilities that have been separately filed and reviewed and approved by
1.12 the commission under section 216B.243 or are certified as a priority project or deemed
1.13 to be a priority transmission project under section 216B.2425; ~~and~~ (ii) new transmission
1.14 facilities proposed to be constructed by a utility, or an affiliate operating an integrated
1.15 system with the utility, approved by the regulatory commission of the state in which
1.16 the new transmission facilities are to be constructed to the extent approval is required
1.17 by the laws of that state, and determined by the Midwest Independent Transmission
1.18 System Operator to benefit the utility or integrated utility transmission system; (iii) new
1.19 transmission facilities to be constructed by a utility, or an affiliate operating an integrated
1.20 utility transmission system with the utility, where the commission has made an advance
1.21 determination under section 216B.1696; and (iv) charges incurred by a utility that accrue
1.22 from other transmission owners' regionally planned transmission projects that have been
1.23 determined by the Midwest Independent Transmission System Operator to benefit the
1.24 utility or integrated system, as provided for under a federally approved tariff.

(b) Upon filing by a public utility or utilities providing transmission service, the commission may approve, reject, or modify, after notice and comment, a tariff that:

(1) allows the utility to recover on a timely basis the costs net of revenues of facilities approved under section 216B.243 or certified or deemed to be certified under section 216B.2425 or exempt from the requirements of section 216B.243;

(2) allows the charges incurred by a utility that accrue from other transmission owners' regionally planned transmission projects that have been determined by the Midwest Independent Transmission System Operator to benefit the utility or integrated system, as provided for under a federally approved tariff. These charges must be reduced or offset by revenues received by the utility and by amounts the utility charges to other regional transmission owners, to the extent those revenues and charges have not been otherwise offset;

(3) allows the utility to recover on a timely basis the net costs of revenues of facilities approved by the regulatory commission of the state in which the new transmission facilities are to be constructed and determined by the Midwest Independent Transmission System Operator to benefit the utility or integrated transmission system;

(4) allows the utility to recover on a timely basis the net costs of revenues of facilities where the commission has made an advance determination under section 216B.1696;

(5) allows a return on investment at the level approved in the utility's last general rate case, unless a different return is found to be consistent with the public interest;

~~(4)~~ (6) provides a current return on construction work in progress, provided that recovery from Minnesota retail customers for the allowance for funds used during construction is not sought through any other mechanism;

~~(5)~~ (7) allows for recovery of other expenses if shown to promote a least-cost project option or is otherwise in the public interest;

~~(6)~~ (8) allocates project costs appropriately between wholesale and retail customers;

~~(7)~~ (9) provides a mechanism for recovery above cost, if necessary to improve the overall economics of the project or projects or is otherwise in the public interest; and

(8) (10) terminates recovery once costs have been fully recovered or have otherwise been reflected in the utility's general rates.

(c) A public utility may file annual rate adjustments to be applied to customer bills paid under the tariff approved in paragraph (b). In its filing, the public utility shall provide:

(1) a description of and context for the facilities included for recovery;

(2) a schedule for implementation of applicable projects;

(3) the utility's costs for these projects;

(4) a description of the utility's efforts to ensure the lowest costs to ratepayers for the project; and

(5) calculations to establish that the rate adjustment is consistent with the terms of the tariff established in paragraph (b).

(d) Upon receiving a filing for a rate adjustment pursuant to the tariff established in paragraph (b), the commission shall approve the annual rate adjustments provided that, after notice and comment, the costs included for recovery through the tariff were or are expected to be prudently incurred and achieve transmission system improvements at the lowest feasible and prudent cost to ratepayers.

Sec. 2. **[216B.1696] TRANSMISSION PROJECTS; ADVANCE DETERMINATION OF PRUDENCE.**

Subdivision 1. **Qualifying project.** A public utility may petition the commission for an advance determination of prudence for one or more transmission projects undertaken by a utility, or an affiliate operating an integrated transmission system with the utility, that will be constructed within Minnesota or in another state, if the projects have an expected jurisdictional cost to Minnesota ratepayers of at least \$1,000,000.

Subd. 2. **Petition.** A petition filed under this section must include a description of the project; evidence supporting the project's reasonableness, which may include the Midwest Independent Transmission System Operator regional transmission plan that includes the transmission project; a discussion of project alternatives; a project implementation schedule; a cost estimate and support for the reasonableness of the estimated cost; and a description of the public utility's or affiliate's efforts to ensure the lowest reasonable costs. The commission shall allow opportunity for oral and written comment on the petition. The commission shall make a final determination on the petition within ten months of its filing date. The commission must make findings in support of its determination.