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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **956**

02/25/2013 Authored by Hortman

The bill was read for the first time and referred to the Committee on Energy Policy

03/18/2013 Adoption of Report: Pass as Amended and re-referred to the Committee on Commerce and Consumer Protection Finance and Policy

04/02/2013 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to energy; amending various provisions related to utilities; modifying
1.3 provisions governing cogeneration and small power production; establishing a
1.4 value of solar rate and related regulations; permitting community solar generating
1.5 facilities; creating various renewable energy incentives; requiring studies;
1.6 extending sunsets; making technical corrections; amending Minnesota Statutes
1.7 2012, sections 16C.144, subdivision 2; 116C.779, subdivision 3; 216B.02,
1.8 subdivision 4; 216B.03; 216B.16, subdivision 7b, by adding a subdivision;
1.9 216B.1611; 216B.1635; 216B.164, subdivisions 3, 4, 5, 6, by adding subdivisions;
1.10 216B.1691, subdivisions 1, 2a, 2e, by adding a subdivision; 216B.1692,
1.11 subdivisions 1, 8, by adding a subdivision; 216B.1695, subdivision 5, by adding a
1.12 subdivision; 216B.23, subdivision 1a; 216B.241, subdivisions 1e, 5c; 216B.2411,
1.13 subdivision 3; 216B.40; 216C.436, subdivisions 7, 8; Laws 2005, chapter 97,
1.14 article 10, section 3; proposing coding for new law in Minnesota Statutes,
1.15 chapters 216B; 216C; repealing Minnesota Statutes 2012, section 216B.1637.

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

1.17 Section 1. Minnesota Statutes 2012, section 16C.144, subdivision 2, is amended to read:

1.18 Subd. 2. **Guaranteed energy-savings agreement.** The commissioner may enter
1.19 into a guaranteed energy-savings agreement with a qualified provider if:

1.20 (1) the qualified provider is selected through a competitive process in accordance
1.21 with the guaranteed energy-savings program guidelines within the Department of
1.22 Administration;

1.23 (2) the qualified provider agrees to submit an engineering report prior to the
1.24 execution of the guaranteed energy-savings agreement. The cost of the engineering report
1.25 may be considered as part of the implementation costs if the commissioner enters into a
1.26 guaranteed energy-savings agreement with the provider;

1.27 (3) the term of the guaranteed energy-savings agreement shall not exceed ~~15~~ 25
1.28 years from the date of final installation;

2.1 (4) the commissioner finds that the amount it would spend on the utility cost-savings
2.2 measures recommended in the engineering report will not exceed the amount to be
2.3 saved in utility operation and maintenance costs over ~~15~~ 25 years from the date of
2.4 implementation of utility cost-savings measures;

2.5 (5) the qualified provider provides a written guarantee that the annual utility,
2.6 operation, and maintenance cost savings during the term of the guaranteed energy-savings
2.7 agreement will meet or exceed the annual payments due under a lease purchase agreement.
2.8 The qualified provider shall reimburse the state for any shortfall of guaranteed utility,
2.9 operation, and maintenance cost savings; and

2.10 (6) the qualified provider gives a sufficient bond in accordance with section
2.11 574.26 to the commissioner for the faithful implementation and installation of the utility
2.12 cost-savings measures.

2.13 Sec. 2. Minnesota Statutes 2012, section 116C.779, subdivision 3, is amended to read:

2.14 Subd. 3. **Initiative for Renewable Energy and the Environment.** (a)
2.15 Notwithstanding subdivision 1, paragraph (g), beginning July 1, 2009, and each July
2.16 1 through 2014 ~~2011~~ 2014, \$5,000,000 must be allocated from the renewable development
2.17 account to fund a grant to the Board of Regents of the University of Minnesota for the
2.18 Initiative for Renewable Energy and the Environment for the purposes described in
2.19 paragraph (b). The Initiative for Renewable Energy and the Environment must set aside
2.20 at least 15 percent of the funds received annually under the grant for qualified projects
2.21 conducted at a rural campus or experiment station. Any set-aside funds not awarded to a
2.22 rural campus or experiment station at the end of the fiscal year revert back to the Initiative
2.23 for Renewable Energy and the Environment for its exclusive use. This subdivision does
2.24 not create an obligation to contribute funds to the account.

2.25 (b) Activities funded under this grant may include, but are not limited to:

2.26 (1) environmentally sound production of energy from a renewable energy source,
2.27 including biomass and agricultural crops;

2.28 (2) environmentally sound production of hydrogen from biomass and any other
2.29 renewable energy source for energy storage and energy utilization;

2.30 (3) development of energy conservation and efficient energy utilization technologies;

2.31 (4) energy storage technologies; and

2.32 (5) analysis of policy options to facilitate adoption of technologies that use or
2.33 produce low-carbon renewable energy.

2.34 (c) For the purposes of this subdivision:

3.1 (1) "biomass" means plant and animal material, agricultural and forest residues,
3.2 mixed municipal solid waste, and sludge from wastewater treatment; and

3.3 (2) "renewable energy source" means hydro, wind, solar, biomass, and geothermal
3.4 energy, and microorganisms used as an energy source.

3.5 (d) Beginning January 15 of 2010, and each year thereafter, the director of the
3.6 Initiative for Renewable Energy and the Environment at the University of Minnesota shall
3.7 submit a report to the chair and ranking minority members of the senate and house of
3.8 representatives committees with primary jurisdiction over energy finance describing the
3.9 activities conducted during the previous year funded under this subdivision.

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

3.11 Sec. 3. Minnesota Statutes 2012, section 216B.02, subdivision 4, is amended to read:

3.12 Subd. 4. **Public utility.** "Public utility" means persons, corporations, or other legal
3.13 entities, their lessees, trustees, and receivers, now or hereafter operating, maintaining,
3.14 or controlling in this state equipment or facilities for furnishing at retail natural,
3.15 manufactured, or mixed gas or electric service to or for the public or engaged in the
3.16 production and retail sale thereof but does not include (1) a municipality or a cooperative
3.17 electric association, organized under the provisions of chapter 308A, producing or
3.18 furnishing natural, manufactured, or mixed gas or electric service; (2) a retail seller of
3.19 compressed natural gas used as a vehicular fuel which purchases the gas from a public
3.20 utility; or (3) a retail seller of electricity used to recharge a battery that powers an electric
3.21 vehicle, as defined in section 169.011, subdivision 26a, and that is not otherwise a public
3.22 utility under this chapter. Except as otherwise provided, the provisions of this chapter shall
3.23 not be applicable to any sale of natural, manufactured, or mixed gas or electricity by a
3.24 public utility to another public utility for resale. In addition, the provisions of this chapter
3.25 shall not apply to a public utility whose total natural gas business consists of supplying
3.26 natural, manufactured, or mixed gas to not more than 650 customers within a city pursuant
3.27 to a franchise granted by the city, provided a resolution of the city council requesting
3.28 exemption from regulation is filed with the commission. The city council may rescind
3.29 the resolution requesting exemption at any time, and, upon the filing of the rescinding
3.30 resolution with the commission, the provisions of this chapter shall apply to the public
3.31 utility. No person shall be deemed to be a public utility if it furnishes its services only to
3.32 tenants or cooperative or condominium owners in buildings owned, leased, or operated
3.33 by such person. No person shall be deemed to be a public utility if it furnishes service
3.34 to occupants of a manufactured home or trailer park owned, leased, or operated by such
3.35 person. No person shall be deemed to be a public utility if it produces or furnishes service

4.1 to less than 25 persons. No person shall be deemed to be a public utility solely as a result
4.2 of the person furnishing consumers with electricity or heat generated from wind or solar
4.3 generating equipment located on the consumer's property, provided the equipment is
4.4 owned or operated by an entity other than the consumer.

4.5 Sec. 4. Minnesota Statutes 2012, section 216B.03, is amended to read:

4.6 **216B.03 REASONABLE RATE.**

4.7 Every rate made, demanded, or received by any public utility, or by any two or
4.8 more public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably
4.9 preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable,
4.10 and consistent in application to a class of consumers. To the maximum reasonable extent,
4.11 the commission shall set rates to encourage energy conservation and renewable energy use
4.12 and to further the goals of sections 216B.164, 216B.241, ~~and~~ 216C.05, and 216C.412. Any
4.13 doubt as to reasonableness should be resolved in favor of the consumer. For rate-making
4.14 purposes a public utility may treat two or more municipalities served by it as a single class
4.15 wherever the populations are comparable in size or the conditions of service are similar.

4.16 Sec. 5. Minnesota Statutes 2012, section 216B.16, is amended by adding a subdivision
4.17 to read:

4.18 Subd. 6e. **Solar energy production incentive.** (a) Except as otherwise provided in
4.19 this subdivision, all assessments authorized by section 216C.412 incurred in connection
4.20 with the solar energy production incentive shall be recognized and included by the
4.21 commission in the determination of just and reasonable rates as if the expenses were
4.22 directly made or incurred by the utility in furnishing utility service.

4.23 (b) The commission shall not include expenses for the solar energy production
4.24 incentive in determining just and reasonable electric rates for retail electric service provided
4.25 to customers receiving the low-income electric rate discount authorized by subdivision 14.

4.26 Sec. 6. Minnesota Statutes 2012, section 216B.16, subdivision 7b, is amended to read:

4.27 Subd. 7b. **Transmission cost adjustment.** (a) Notwithstanding any other provision
4.28 of this chapter, the commission may approve a tariff mechanism for the automatic annual
4.29 adjustment of charges for the Minnesota jurisdictional costs net of associated revenues of:

4.30 (i) new transmission facilities that have been separately filed and reviewed and
4.31 approved by the commission under section 216B.243 or are certified as a priority project
4.32 or deemed to be a priority transmission project under section 216B.2425; ~~and~~

5.1 (ii) new transmission facilities approved by the regulatory commission of the state
 5.2 in which the new transmission facilities are to be constructed, to the extent approval
 5.3 is required by the laws of that state, and determined by the Midwest Independent
 5.4 Transmission System Operator to benefit the utility or integrated transmission system; and

5.5 (iii) charges incurred by a utility under a federally approved tariff that accrue
 5.6 from other transmission owners' regionally planned transmission projects that have been
 5.7 determined by the Midwest Independent Transmission System Operator to benefit the
 5.8 utility, as provided for under a federally approved tariff or integrated transmission system.

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

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

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

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

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

5.27 (4) (5) provides a current return on construction work in progress, provided that
 5.28 recovery from Minnesota retail customers for the allowance for funds used during
 5.29 construction is not sought through any other mechanism;

5.30 (5) (6) allows for recovery of other expenses if shown to promote a least-cost project
 5.31 option or is otherwise in the public interest;

5.32 (6) (7) allocates project costs appropriately between wholesale and retail customers;

5.33 (7) (8) provides a mechanism for recovery above cost, if necessary to improve the
 5.34 overall economics of the project or projects or is otherwise in the public interest; and

5.35 (8) (9) terminates recovery once costs have been fully recovered or have otherwise
 5.36 been reflected in the utility's general rates.

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

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

6.4 (2) a schedule for implementation of applicable projects;

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

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

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

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

6.15 Sec. 7. Minnesota Statutes 2012, section 216B.1611, is amended to read:

6.16 **216B.1611 INTERCONNECTION OF ON-SITE DISTRIBUTED**
6.17 **GENERATION.**

6.18 Subdivision 1. **Purpose.** The purpose of this section is to:

6.19 (1) establish the terms and conditions that govern the interconnection and parallel
6.20 operation of on-site distributed generation resources interconnected with a public utility's
6.21 distribution system;

6.22 (2) provide cost savings and reliability benefits to customers;

6.23 (3) establish technical requirements that will promote the safe and reliable parallel
6.24 operation of on-site distributed generation resources interconnected with a public utility's
6.25 distribution system;

6.26 (4) enhance both the reliability of electric service and economic efficiency in the
6.27 production and consumption of electricity; and

6.28 (5) promote the use of distributed resources in order to provide electric system
6.29 benefits during periods of capacity constraints.

6.30 Subd. 2. **Distributed generation; generic proceeding.** (a) The commission shall
6.31 initiate a proceeding within 30 days of July 1, ~~2001~~ 2013, to establish, by order, generic
6.32 standards for utility tariffs for the interconnection and parallel operation of distributed
6.33 generation projects, including a qualified cogeneration project under section 216B.164,
6.34 that are:

7.1 (1) fueled by natural gas or a renewable fuel, or another similarly clean fuel or
7.2 combination of fuels of;

7.3 (2) no more than ten megawatts of interconnected capacity; and

7.4 (3) interconnected with a public utility's distribution system where system voltages
7.5 are less than 100 kilovolts.

7.6 (b) At a minimum, these the tariff standards established in paragraph (a) must:

7.7 (1) to the extent possible, be consistent with industry and other federal and state
7.8 operational and safety standards;

7.9 (2) provide for the low-cost, safe, and standardized interconnection of facilities;

7.10 (3) take into account differing system requirements and hardware, as well as
7.11 encourage maximum penetration of distributed generation while considering the overall
7.12 demand load requirements of individual utilities;

7.13 (4) allow for just and reasonable terms and conditions, consistent with the cost and
7.14 operating characteristics of the various technologies, so that a utility can reasonably be
7.15 assured of the reliable, safe, and efficient operation of the interconnected equipment while
7.16 expediting the evaluation of interconnection applications; and

7.17 (5) establish (i) a standard interconnection agreement that sets forth the contractual
7.18 conditions under which a company and a customer agree that one or more facilities may
7.19 be interconnected with the company's utility system, and (ii) a standard application for
7.20 interconnection and parallel operation with the utility system;

7.21 (6) establish a procedure whereby, when the size of a distributed generation resource
7.22 causes power to flow intermittently into transmission facilities operated by the Midwest
7.23 Independent Systems Operator, a local load-serving utility may coordinate with the
7.24 Midwest Independent Systems Operator to conduct the interconnection transmission
7.25 system analysis and transmission system usage reservations, as needed;

7.26 (7) include payments for ancillary services and other system benefits provided by a
7.27 distributed generation resource;

7.28 (8) reflect the savings that accrue to a public utility's distribution system resulting
7.29 from avoided demand charges and avoided transmission and transmission infrastructure
7.30 costs; and

7.31 (9) recognize the role played by the regional wholesale electricity market and demand
7.32 side and storage resources as a source of standby power for a distributed energy resource.

7.33 (b) (c) The commission may shall develop financial incentives based on a public
7.34 utility's performance in encouraging residential and small business customers to participate
7.35 in on-site generation interconnected with a public utility's distribution system. A public
7.36 utility's performance shall be evaluated on:

8.1 (1) steps taken by the public utility to reduce barriers to the development of
8.2 distributed generation resources, including but not limited to financial, technical, and
8.3 interconnection barriers; and

8.4 (2) the extent to which a public utility has effectively and thoroughly analyzed
8.5 available locations on its distribution system for siting future distributed generation
8.6 resources and provided that information to developers.

8.7 Subd. 3. **Distributed generation tariff.** Within 90 days of the issuance of an order
8.8 under subdivision 2:

8.9 (1) each public utility providing electric service at retail shall file a distributed
8.10 generation tariff consistent with that order, for commission approval or approval with
8.11 modification; and

8.12 (2) each municipal utility and cooperative electric association shall adopt a
8.13 distributed generation tariff that addresses the issues included in the commission's order.

8.14 Subd. 4. **Reporting requirements.** (a) Each electric utility shall maintain records
8.15 concerning applications received for interconnection and parallel operation of distributed
8.16 generation. The records must include the date each application is received, documents
8.17 generated in the course of processing each application, correspondence regarding each
8.18 application, and the final disposition of each application.

8.19 (b) Every electric utility shall file with the commissioner a distributed generation
8.20 interconnection report for the preceding calendar year that identifies:

8.21 (1) each distributed generation facility interconnected with the utility's distribution
8.22 system. ~~The report must list the;~~

8.23 (2) new distributed generation facilities interconnected with the system since the
8.24 previous year's report, any distributed generation facilities no longer interconnected with
8.25 the utility's system since the previous report, the capacity of each facility, and the feeder or
8.26 other point on the company's utility system where the facility is connected. ~~The annual~~
8.27 report must also identify;

8.28 (3) all applications for interconnection received during the previous one-year period,
8.29 and the disposition of the applications; and

8.30 (4) the most optimal locations on its distribution system for the interconnection
8.31 of future distributed generation resources, considering the technical feasibility of
8.32 accommodating a project of up to ten megawatts capacity, the system benefits that accrue
8.33 for power quality improvements from distributed generation resources and from reducing
8.34 local system demand, and the avoidance of future expenditures to expand generation
8.35 or transmission or distribution capacity.

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

9.1 Sec. 8. Minnesota Statutes 2012, section 216B.1635, is amended to read:

9.2 **216B.1635 RECOVERY OF GAS UTILITY INFRASTRUCTURE COSTS.**

9.3 Subdivision 1. **Definitions.** (a) "Gas utility" means a public utility as defined in
9.4 section 216B.02, subdivision 4, that furnishes natural gas service to retail customers.

9.5 (b) "Gas utility infrastructure costs" or "GUIC" means costs incurred in gas utility
9.6 projects that:

9.7 (1) do not serve to increase revenues by directly connecting the infrastructure
9.8 replacement to new customers;

9.9 (2) are in service but were not included in the gas utility's rate base in its most
9.10 recent general rate case; ~~and,~~ or are planned to be in service during the period covered
9.11 by the report submitted under subdivision 2, but in no case longer than the one-year
9.12 forecast period in the report; and

9.13 (3) ~~replace or modify existing infrastructure if the replacement or modification does~~
9.14 ~~not constitute a betterment, unless the betterment is required by a political subdivision,~~
9.15 ~~as evidenced by specific documentation from the government entity requiring the~~
9.16 ~~replacement or modification of infrastructure~~ do not constitute a betterment, unless the
9.17 betterment is based on requirements by a political subdivision or a federal or state agency,
9.18 as evidenced by specific documentation, an order, or other similar requirement from the
9.19 government entity requiring the replacement or modification of infrastructure.

9.20 (c) "Gas utility projects" means ~~relocation and:~~

9.21 (1) replacement of natural gas facilities located in the public right-of-way required
9.22 by the construction or improvement of a highway, road, street, public building, or other
9.23 public work by or on behalf of the United States, the state of Minnesota, or a political
9.24 subdivision; and

9.25 (2) replacement or modification of existing natural gas facilities, including surveys,
9.26 assessments, reassessment, and other work necessary to determine the need for replacement
9.27 or modification of existing infrastructure that is required by a federal or state agency.

9.28 Subd. 2. **Gas infrastructure filing.** (a) ~~The commission may approve a gas utility's~~
9.29 ~~petition for a rate schedule~~ A public utility submitting a petition to recover GUIC gas
9.30 infrastructure costs under this section. A gas utility may must submit to the commission,
9.31 the department, and interested parties a gas infrastructure project plan report and a
9.32 ~~petition the commission to recover a rate of return, income taxes on the rate of return,~~
9.33 ~~incremental property taxes, plus incremental depreciation expense associated with GUIC~~
9.34 for rate recovery of only incremental costs associated with projects under subdivision
9.35 1, paragraph (c), clause (2). The report and petition must be made at least 150 days in
9.36 advance of implementation of the rate schedule, provided that the rate schedule will not be

10.1 implemented until the petition is approved by the commission pursuant to subdivision

10.2 7. The report must be for a forecast period of one year.

10.3 ~~(b) The filing is subject to the following:~~

10.4 ~~(1) A gas utility may submit a filing under this section no more than once per year.~~

10.5 ~~(2) A gas utility must file sufficient information to satisfy the commission regarding~~
10.6 ~~the proposed GUIC or be subject to denial by the commission. The information includes,~~
10.7 ~~but is not limited to:~~

10.8 ~~(i) the government entity ordering the gas utility project and the purpose for which~~
10.9 ~~the project is undertaken;~~

10.10 ~~(ii) the location, description, and costs associated with the project;~~

10.11 ~~(iii) a description of the costs, and salvage value, if any, associated with the existing~~
10.12 ~~infrastructure replaced or modified as a result of the project;~~

10.13 ~~(iv) the proposed rate design and an explanation of why the proposed rate design~~
10.14 ~~is in the public interest;~~

10.15 ~~(v) the magnitude and timing of any known future gas utility projects that the utility~~
10.16 ~~may seek to recover under this section;~~

10.17 ~~(vi) the magnitude of GUIC in relation to the gas utility's base revenue as approved~~
10.18 ~~by the commission in the gas utility's most recent general rate case, exclusive of gas~~
10.19 ~~purchase costs and transportation charges;~~

10.20 ~~(vii) the magnitude of GUIC in relation to the gas utility's capital expenditures since~~
10.21 ~~its most recent general rate case;~~

10.22 ~~(viii) the amount of time since the utility last filed a general rate case and the utility's~~
10.23 ~~reasons for seeking recovery outside of a general rate case; and~~

10.24 ~~(ix) documentation supporting the calculation of the GUIC.~~

10.25 Subd. 3. **Gas infrastructure project plan report.** The gas infrastructure project
10.26 plan report required to be filed under subdivision 2 shall include all pertinent information
10.27 and supporting data on each proposed project including, but not limited to, project
10.28 description and scope, estimated project costs, and project in-service date.

10.29 Subd. 4. **Cost recovery petition for utility's facilities.** Notwithstanding any other
10.30 provision of this chapter, the commission may approve a rate schedule for the automatic
10.31 annual adjustment of charges for gas utility infrastructure costs net of revenues under
10.32 this section, including a rate of return, income taxes on the rate of return, incremental
10.33 property taxes, incremental depreciation expense, and any incremental operation and
10.34 maintenance costs. A gas utility's petition for approval of a rate schedule to recover
10.35 gas utility infrastructure costs outside of a general rate case under section 216B.16 is
10.36 subject to the following:

11.1 (1) a gas utility may submit a filing under this section no more than once per year; and
 11.2 (2) a gas utility must file sufficient information to satisfy the commission regarding
 11.3 the proposed GUIC. The information includes, but is not limited to:

11.4 (i) the information required to be included in the gas infrastructure project plan
 11.5 report under subdivision 3;

11.6 (ii) the government entity ordering or requiring the gas utility project and the
 11.7 purpose for which the project is undertaken;

11.8 (iii) a description of the estimated costs and salvage value, if any, associated with the
 11.9 existing infrastructure replaced or modified as a result of the project;

11.10 (iv) a comparison of the utility's estimated costs included in the gas infrastructure
 11.11 project plan and the actual costs incurred, including a description of the utility's efforts to
 11.12 ensure the costs of the facilities are reasonable and prudently incurred;

11.13 (v) calculations to establish that the rate adjustment is consistent with the terms
 11.14 of the rate schedule, including the proposed rate design and an explanation of why the
 11.15 proposed rate design is in the public interest;

11.16 (vi) the magnitude and timing of any known future gas utility projects that the
 11.17 utility may seek to recover under this section;

11.18 (vii) the magnitude of GUIC in relation to the gas utility's base revenue as approved
 11.19 by the commission in the gas utility's most recent general rate case, exclusive of gas
 11.20 purchase costs and transportation charges;

11.21 (viii) the magnitude of GUIC in relation to the gas utility's capital expenditures
 11.22 since its most recent general rate case; and

11.23 (ix) the amount of time since the utility last filed a general rate case and the utility's
 11.24 reasons for seeking recovery outside of a general rate case.

11.25 Subd. 5. **Commission action.** Upon receiving a gas utility report and petition for
 11.26 cost recovery under subdivision 2 and assessment and verification under subdivision 4, the
 11.27 commission may approve the annual GUIC rate adjustments provided that, after notice
 11.28 and comment, the costs included for recovery through the rate schedule are prudently
 11.29 incurred and achieve gas facility improvements at the lowest reasonable and prudent
 11.30 cost to ratepayers.

11.31 Subd. 6. **Rate of return.** The return on investment for the rate adjustment shall be
 11.32 at the level approved by the commission in the public utility's last general rate case, unless
 11.33 the commission determines that a different rate of return is in the public interest.

11.34 Subd. 3 7. **Commission authority; rules.** The commission may issue orders and
 11.35 adopt rules necessary to implement and administer this section.

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

12.1 Sec. 9. Minnesota Statutes 2012, section 216B.164, is amended by adding a
12.2 subdivision to read:

12.3 Subd. 2a. **Definitions.** (a) For the purposes of this section, the following terms
12.4 have the meanings given them:

12.5 (b) "Aggregated meter" means a meter located on the premises of a customer's
12.6 owned or leased property that is contiguous with property containing the customer's
12.7 designated meter.

12.8 (c) "Capacity" means the number of megawatts alternating current (AC) at the point
12.9 of interconnection between a solar photovoltaic device and a utility's electric system.

12.10 (d) "Cogeneration" means a combined process whereby electrical and useful thermal
12.11 energy are produced simultaneously.

12.12 (e) "Contiguous property" means property owned or leased by the customer sharing
12.13 a common border, without regard to interruptions in contiguity caused by easements,
12.14 public thoroughfares, transportation rights-of-way, or utility rights-of-way.

12.15 (f) "Customer" means the person who is named on the utility electric bill for the
12.16 premises.

12.17 (g) "Designated meter" means a meter that is physically attached to the customer's
12.18 facility that the customer-generator designates as the first meter to which net metered
12.19 credits are to be applied as the primary meter for billing purposes when the customer is
12.20 serviced by more than one meter.

12.21 (h) "Distributed generation" means a facility that:

12.22 (1) has a capacity of ten megawatts or less;

12.23 (2) is interconnected with a utility's distribution system, over which the commission
12.24 has jurisdiction; and

12.25 (3) generates electricity from natural gas, renewable fuel, or a similarly clean fuel,
12.26 and may include waste heat, cogeneration, or fuel cell technology.

12.27 (i) "High-efficiency distributed generation" means a distributed energy facility
12.28 that has a minimum efficiency of 40 percent, as calculated under section 272.0211,
12.29 subdivision 1.

12.30 (j) "Net metered facility" means an electric generation facility with the purpose of
12.31 offsetting energy use through the use of renewable energy or high-efficiency distributed
12.32 generation sources.

12.33 (k) "Renewable energy" has the meaning given in section 216B.2411, subdivision 2.

12.34 (l) "Standby charge" means a charge imposed by an electric utility upon a distributed
12.35 generation facility for the recovery of fixed costs necessary to make electricity service
12.36 available to the distributed generation facility.

13.1 Sec. 10. Minnesota Statutes 2012, section 216B.164, subdivision 3, is amended to read:

13.2 Subd. 3. **Purchases; small facilities.** (a) For a qualifying facility having less
13.3 than ~~40-kilowatt~~ 105-kilowatt capacity, the customer shall be billed for the net energy
13.4 supplied by the utility according to the applicable rate schedule for sales to that class of
13.5 customer. In the case of net input into the utility system by a qualifying facility having
13.6 less than ~~40-kilowatt~~ 105-kilowatt capacity, compensation to the customer shall be at a per
13.7 kilowatt-hour rate determined under paragraph (b) or (c).

13.8 (b) In setting rates, the commission shall consider the fixed distribution costs to the
13.9 utility not otherwise accounted for in the basic monthly charge and shall ensure that the
13.10 costs charged to the qualifying facility are not discriminatory in relation to the costs
13.11 charged to other customers of the utility. The commission shall set the rates for net
13.12 input into the utility system based on avoided costs as defined in the Code of Federal
13.13 Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of
13.14 Federal Regulations, title 18, section 292.304, and all other relevant factors.

13.15 (c) Notwithstanding any provision in this chapter to the contrary, a qualifying facility
13.16 having less than ~~40-kilowatt~~ 105-kilowatt capacity may elect that the compensation for net
13.17 input by the qualifying facility into the utility system shall be at the average retail utility
13.18 energy rate plus the premium charged by the utility to customers of that customer class
13.19 who elect to purchase renewable electricity under section 216B.169. If the utility does not
13.20 offer a renewable rate under section 216B.169, the rate that a qualifying facility may elect
13.21 to receive under this paragraph is the average rate charged under section 216B.169 to the
13.22 applicable customer class by the three utilities that offer such a rate whose service areas
13.23 are located closest to that of the utility that does not offer a rate under section 216B.169.
13.24 "Average retail utility energy rate" is defined as the average of the retail energy rates,
13.25 exclusive of special rates based on income, age, or energy conservation, according to the
13.26 applicable rate schedule of the utility for sales to that class of customer.

13.27 (d) If the qualifying facility is interconnected with a nongenerating utility which has
13.28 a ~~sole source~~ contract with a municipal power agency or a generation and transmission
13.29 utility, the nongenerating utility may elect to treat its purchase of any net input under this
13.30 subdivision as being made on behalf of its supplier and shall be reimbursed by its supplier
13.31 for any additional costs incurred in making the purchase. Qualifying facilities having less
13.32 than ~~40-kilowatt~~ 105-kilowatt capacity may, at the customer's option, elect to be governed
13.33 by the provisions of subdivision 4.

13.34 (e) A utility may elect to take possession of any renewable energy credits attached to
13.35 electricity purchased under this section.

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

14.1 Sec. 11. Minnesota Statutes 2012, section 216B.164, subdivision 4, is amended to read:

14.2 Subd. 4. **Purchases; wheeling; costs.** (a) Except as otherwise provided in
14.3 paragraph (c), this subdivision shall apply to all qualifying facilities having ~~40-kilowatt~~
14.4 1,000-kilowatt capacity or more as well as qualifying facilities as defined in subdivision 3
14.5 and net metered facilities under subdivision 4a which elect to be governed by its provisions.

14.6 (b) The utility to which the qualifying facility is interconnected shall purchase all
14.7 energy and capacity made available by the qualifying facility. The qualifying facility shall
14.8 be paid the utility's full avoided capacity and energy costs as negotiated by the parties, as
14.9 set by the commission, or as determined through competitive bidding approved by the
14.10 commission. The full avoided capacity and energy costs to be paid a qualifying facility
14.11 that generates electric power by means of a renewable energy source are the utility's least
14.12 cost renewable energy facility or the bid of a competing supplier of a least cost renewable
14.13 energy facility, whichever is lower, unless the commission's resource plan order, under
14.14 section 216B.2422, subdivision 2, provides that the use of a renewable resource to meet
14.15 the identified capacity need is not in the public interest.

14.16 (c) For all qualifying facilities having 30-kilowatt capacity or more, the utility
14.17 shall, at the qualifying facility's or the utility's request, provide wheeling or exchange
14.18 agreements wherever practicable to sell the qualifying facility's output to any other
14.19 Minnesota utility having generation expansion anticipated or planned for the ensuing ten
14.20 years. The commission shall establish the methods and procedures to insure that except
14.21 for reasonable wheeling charges and line losses, the qualifying facility receives the full
14.22 avoided energy and capacity costs of the utility ultimately receiving the output.

14.23 (d) The commission shall set rates for electricity generated by renewable energy.

14.24 Sec. 12. Minnesota Statutes 2012, section 216B.164, is amended by adding a
14.25 subdivision to read:

14.26 Subd. 4a. **Net metered facility.** Notwithstanding any provision of this chapter to
14.27 the contrary, a customer with a net metered facility having less than 105-kilowatt capacity
14.28 may elect to be compensated for the customer's net input into the utility system in the form
14.29 of a kilowatt-hour credit on the customer's energy bill carried forward and applied to
14.30 subsequent energy bills. Any net input supplied by the customer into the utility system
14.31 that exceeds energy supplied to the customer by the utility during a 12-month period must
14.32 be compensated at the utility's avoided cost rate under subdivision 3, paragraph (b), or
14.33 subdivision 4, paragraph (b), as applicable. The customer may choose the month in which
14.34 the annual billing period begins.

15.1 Sec. 13. Minnesota Statutes 2012, section 216B.164, is amended by adding a
15.2 subdivision to read:

15.3 Subd. 4b. **Aggregation of meters.** (a) For the purpose of measuring electricity
15.4 under subdivisions 3 and 4a, a utility must aggregate for billing purposes a customer's
15.5 designated meter with one or more aggregated meters if a customer requests that it do so.
15.6 Any aggregation of meters must be governed under this section.

15.7 (b) A customer must give at least 60 days' notice to the utility prior to a request that
15.8 additional meters be included in meter aggregation. The specific meters must be identified
15.9 at the time of the request. In the event that more than one meter is identified, the customer
15.10 must designate the rank order for the aggregated meters to which the net metered credits
15.11 are to be applied. At least 60 days prior to the beginning of the next annual billing period,
15.12 a customer may amend the rank order of the aggregated meters, subject to the provisions
15.13 of this subdivision.

15.14 (c) The aggregation of meters applies only to charges that use kilowatt-hours as the
15.15 billing determinant. All other charges applicable to each meter account must be billed to
15.16 the customer.

15.17 (d) The utility must first apply the kilowatt-hour credit to the charges for the
15.18 designated meter and then to the charges for the aggregated meters in the rank order
15.19 specified by the customer. If the net metered facility supplies more electricity to the utility
15.20 than the energy usage recorded by the customer's designated and aggregated meters during
15.21 a monthly billing period, the utility must apply credits to the customer's next monthly
15.22 bill for the excess kilowatt-hours.

15.23 (e) With the commission's prior approval, a utility may charge the customer
15.24 requesting to aggregate meters a reasonable fee to cover the administrative costs incurred
15.25 as a result of implementing the provisions of this subdivision, pursuant to a tariff approved
15.26 by the commission for a public utility or by a governing body for a municipal electric
15.27 utility or electric cooperative.

15.28 Sec. 14. Minnesota Statutes 2012, section 216B.164, is amended by adding a
15.29 subdivision to read:

15.30 Subd. 4c. **Limiting cumulative generation prohibited.** The commission and any
15.31 other governing body regulating public utilities, municipal electric utilities, or electric
15.32 cooperatives are prohibited from limiting the cumulative generation of net metered facilities
15.33 under subdivision 4a and qualifying facilities under subdivision 3 to less than five percent
15.34 of a utility's or cooperative's average annual retail electricity sales as measured over the
15.35 previous three calendar years. After the cumulative limit of five percent has been reached,

16.1 a public utility, municipal electric utility, or electric cooperative's obligation to offer net
 16.2 metering to additional customers may be limited by the commission or governing body if
 16.3 it determines doing so is in the public interest. The commission may limit additional net
 16.4 metering obligations under this subdivision only after providing notice and opportunity for
 16.5 public comment. The governing body of a municipal electric utility or electric cooperative
 16.6 may limit additional net metering obligations under this subdivision only after providing
 16.7 the affected municipal electric utility or electric cooperative's customers with notice
 16.8 and opportunity to comment. In determining whether to limit additional net metering
 16.9 obligations under this subdivision, the commission or governing body shall consider:
 16.10 (1) the environmental and other public policy benefits of net metered facilities;
 16.11 (2) the impact of net metered facilities on electricity rates for customers without
 16.12 net metered systems;
 16.13 (3) the effects of net metering on the reliability of the electric system;
 16.14 (4) technical advances or technical concerns; and
 16.15 (5) other statutory obligations imposed on the commission or on a utility.

16.16 The commission or governing body may limit additional net metering obligations under
 16.17 clauses (2) to (4) only if it determines that additional net metering obligations would
 16.18 cause significant rate impact, require significant measures to address reliability, or raise
 16.19 significant technical issues.

16.20 Sec. 15. Minnesota Statutes 2012, section 216B.164, subdivision 5, is amended to read:

16.21 Subd. 5. **Nondiscrimination; dispute; resolution.** (a) A utility may not impose
 16.22 unduly burdensome conditions or stipulations on, and may not discriminate against, a
 16.23 qualifying facility seeking to interconnect with and sell electric power to the utility.

16.24 (b) In the event of disputes between an electric utility and a qualifying facility,
 16.25 either party may request a determination of the issue by the commission. In any such
 16.26 determination, the burden of proof shall be on the utility. The commission in its order
 16.27 resolving each such dispute shall require payments to the prevailing party of the prevailing
 16.28 party's costs, disbursements, and reasonable attorneys' fees, except that the qualifying
 16.29 facility will be required to pay the costs, disbursements, and attorneys' fees of the utility
 16.30 only if the commission finds that the claims of the qualifying facility in the dispute have
 16.31 been made in bad faith, or are a sham, or are frivolous.

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

16.33 Sec. 16. Minnesota Statutes 2012, section 216B.164, subdivision 6, is amended to read:

17.1 Subd. 6. **Rules and uniform contract.** (a) The commission shall promulgate rules
17.2 to implement the provisions of this section. The commission shall also establish a uniform
17.3 statewide form of contract for use between utilities and a qualifying facility having less
17.4 than ~~40-kilowatt~~ 105-kilowatt capacity.

17.5 (b) The commission shall require the qualifying facility to provide the utility with
17.6 reasonable access to the premises and equipment of the qualifying facility if the particular
17.7 configuration of the qualifying facility precludes disconnection or testing of the qualifying
17.8 facility from the utility side of the interconnection with the utility remaining responsible
17.9 for its personnel.

17.10 (c) The uniform statewide form of contract shall be applied to all new and existing
17.11 interconnections established between a utility and a qualifying facility having less than
17.12 ~~40-kilowatt~~ 105-kilowatt capacity, except that existing contracts may remain in force
17.13 until written notice of election that the uniform statewide contract form applies is given
17.14 by either party to the other, with the notice being of the shortest time period permitted
17.15 under the existing contract for termination of the existing contract by either party, but
17.16 not less than ten nor longer than 30 days.

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

17.18 Sec. 17. Minnesota Statutes 2012, section 216B.164, is amended by adding a
17.19 subdivision to read:

17.20 **Subd. 6a. Generation exceeding capacity.** Electrical generation that exceeds a
17.21 qualifying facility's nameplate capacity:

17.22 (1) does not nullify the contract between a qualifying facility and a utility purchasing
17.23 electricity under this section; and

17.24 (2) must be purchased at the utility's avoided cost rate, as defined by the commission
17.25 under subdivision 3 or 4, as applicable.

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

17.27 Sec. 18. Minnesota Statutes 2012, section 216B.164, is amended by adding a
17.28 subdivision to read:

17.29 **Subd. 10. Energy for public buildings.** (a) All the provisions of this section that
17.30 apply to a qualifying facility with a capacity of less than one megawatt shall apply to a
17.31 wind energy conversion system with a capacity of up to 3.5 megawatts or an energy
17.32 storage device storing energy generated by a wind energy conversion system that provides
17.33 energy to a public building.

18.1 (b) For the purposes of this subdivision:

18.2 (1) "energy storage device" means a device capable of storing up to 3.5 megawatts
18.3 of previously generated energy and releasing that energy for use at a later time; and

18.4 (2) "public building" means a building or facility financed wholly or in part with
18.5 public funds, including facilities financed by the Public Facilities Authority.

18.6 Sec. 19. **[216B.1641] VALUE OF SOLAR RATE.**

18.7 Subdivision 1. **Definition.** For the purposes of this section, "solar photovoltaic
18.8 device" has the meaning given in section 216C.06, subdivision 16, and must meet the
18.9 requirements of section 216C.25.

18.10 Subd. 2. **Applicability.** (a) Beginning January 1, 2014, this section shall apply to
18.11 public utilities selling electricity at retail in Minnesota, and to electric cooperatives and
18.12 municipalities selling electricity at retail in Minnesota that have elected to be governed
18.13 under section 216C.412.

18.14 (b) Notwithstanding section 216B.164, an owner of a solar photovoltaic device may,
18.15 with respect to the purchase price credited by a utility to an owner of a solar photovoltaic
18.16 device, elect to be governed under this section or section 216B.164. All other provisions
18.17 of section 216B.164, except those in subdivision 3, subdivision 4, paragraphs (a) to (c),
18.18 and subdivision 4a, shall apply to an owner of a solar photovoltaic device electing to
18.19 be governed under this section.

18.20 (c) This section does not apply to a utility that owns a solar photovoltaic device.

18.21 (d) An owner of a solar photovoltaic device governed under the net metering
18.22 provisions of section 216B.164 prior to the effective date of the commission order issued
18.23 under subdivision 10 and who elects to be governed under section 216B.1641 with respect
18.24 to the purchase price credited by a utility must provide written notice of that election to
18.25 the utility. The utility shall begin crediting the value of solar rate most recently approved
18.26 by the commission to the owner of the solar photovoltaic device on the first day of the first
18.27 month that begins at least 30 days after receipt of the notice.

18.28 (e) This section does not apply to a solar photovoltaic device whose capacity
18.29 exceeds two megawatts.

18.30 Subd. 3. **Standby charge prohibited.** A utility may not apply a standby charge to
18.31 a solar photovoltaic device governed under this section.

18.32 Subd. 4. **Standard contract.** The commission shall establish a statewide uniform
18.33 form of contract that must be used by a purchasing utility and an owner of a solar
18.34 photovoltaic device who elects to be governed under this section. The term of a contract
18.35 entered into under this section must be no less than 20 years. The agreement must provide

19.1 for credit of the value of solar rate as approved by the commission under this section,
19.2 and must require the transfer of all renewable energy credits associated with the energy
19.3 generated by the solar photovoltaic device to the purchasing utility.

19.4 Subd. 5. **Credits.** The utility interconnected to a solar photovoltaic device whose
19.5 owner elects to be governed under this section shall purchase, throughout the term of the
19.6 contract, all energy and capacity made available by the owner of the solar photovoltaic
19.7 device. All credits must be made at the value of solar rate approved by the commission
19.8 under this section.

19.9 Subd. 6. **Value of solar rate; calculation.** (a) By February 1, 2014, the Department
19.10 of Commerce shall calculate the value of solar rate for each utility subject to the provisions
19.11 of this section. The value of solar rate is expressed on a per kilowatt-hour basis and is
19.12 composed of the following components:

19.13 (1) line loss savings equal to the value of the average amount of electricity lost
19.14 through transmission and distribution when electricity is generated by the utility's nonsolar
19.15 photovoltaic generators;

19.16 (2) transmission and distribution capacity savings equal to the value of delaying
19.17 the need for capital investment in a utility's transmission and distribution system by
19.18 contracting to purchase energy from solar photovoltaic devices;

19.19 (3) energy savings equal to the reduction in a utility's wholesale energy purchases
19.20 and costs, based on the time of day the energy would have been generated, realized as a
19.21 result of energy purchases from solar photovoltaic devices;

19.22 (4) generation capacity savings equal to the value of the benefit of the capacity
19.23 added to the utility's system by solar photovoltaic devices;

19.24 (5) fuel price hedge value equal to the value of eliminating price uncertainty
19.25 associated with the utility's purchases of fuel for electricity generation; and

19.26 (6) environmental benefits equal to the premium retail customers are willing to pay
19.27 to consume energy produced from renewable resources.

19.28 (b) The department may, based on known and measurable evidence of the economic
19.29 development benefits of solar electricity generation, including the net increase in local
19.30 employment and taxes generated from the manufacture, assembly, installation, operation,
19.31 and maintenance of solar photovoltaic devices, or other factors, incorporate additional
19.32 amounts into the value of solar rate.

19.33 (c) The value of solar rate is equal to the present value of the future revenue streams
19.34 of the values components calculated in paragraphs (a) and (b) over the useful life of a
19.35 solar photovoltaic device.

20.1 Subd. 7. Value of solar rate; information. The Department of Commerce shall
20.2 solicit information from each utility subject to the provisions of this section to assist it in
20.3 calculating the value of solar rate. A utility shall provide the information requested by the
20.4 department in a timely fashion.

20.5 Subd. 8. Value of solar rate; process. The Department of Commerce shall solicit
20.6 comments and recommendations from utilities, ratepayers, and other interested parties
20.7 regarding the calculation of the value of solar rate.

20.8 Subd. 9. Value of solar rate; adjustments. By January 1, 2015, and every January
20.9 1 thereafter through 2049, the commissioner shall make a determination as to whether
20.10 the value of solar rate needs to be adjusted in order to reflect current conditions in energy
20.11 markets or changes in the value of the components calculated in subdivision 6. In making
20.12 that determination, the commissioner shall solicit comments and recommendations from
20.13 interested parties in the same manner as required under subdivision 8. After considering
20.14 the comments and recommendations, the commissioner may adjust the value of solar rate.

20.15 Subd. 10. Value of solar rate; billing. Notwithstanding section 216B.164, an
20.16 owner of a solar photovoltaic device who elects to receive the value of solar rate for
20.17 electricity generated by the solar photovoltaic device that is sold to a utility must be:

20.18 (1) charged by the utility the applicable rate schedule for sales to that class of
20.19 customer for all electricity consumed by the customer;

20.20 (2) credited the value of solar rate by the utility for all electricity generated by the
20.21 solar photovoltaic device;

20.22 (3) provided by the utility with a monthly bill that contains, in addition to the
20.23 amounts in clauses (1) and (2), the net amount owed to the utility or net credit realized
20.24 by the owner for that month and on a year-to-date basis. In the event that the customer
20.25 has a positive balance after the 12-month cycle ending on the last day of February, that
20.26 balance will be eliminated and the credit cycle will restart the following billing period
20.27 beginning March 1; and

20.28 (4) provided by the utility a meter that allows for the separate calculation of the
20.29 amount of electricity consumed and generated at the property.

20.30 Subd. 11. Commission review; approval. (a) The commissioner shall submit the
20.31 value of solar rate calculated under subdivision 6 and the information, comments, and
20.32 recommendations received under subdivisions 7 and 8 to the commission for its review
20.33 and approval. The commission shall review the rate and the information, comments,
20.34 and recommendations and may, at its discretion, solicit additional comments and
20.35 recommendations from utilities, ratepayers, and other interested parties regarding the
20.36 calculation of the value of solar rate.

21.1 (b) By January 1, 2014, and each January 1 thereafter through 2049, the commission
 21.2 shall approve or modify the value of solar rate submitted to it by the commissioner. The
 21.3 commission shall, by order, direct all electric utilities subject to this section to begin
 21.4 crediting the value of solar rate most recently approved by the commission to: (1) owners
 21.5 of solar photovoltaic devices who sign a standard contract under this section on or after the
 21.6 first day of the first month following the effective date of the order; and (2) owners of solar
 21.7 photovoltaic devices who were governed under the net metering provisions of section
 21.8 216B.164 prior to the effective date of the order and who elect to be governed under
 21.9 section 216B.1641 with respect to the purchase price credited by a utility by complying
 21.10 with the provisions of section 216B.1641, subdivision 2, paragraph (d).

21.11 (c) In no case shall the commission approve a value of solar rate under this section
 21.12 that is lower than the applicable retail rate of the subject utility.

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

21.14 Sec. 20. **[216B.1651] DEFINITIONS.**

21.15 Subdivision 1. **Scope.** For the purposes of sections 216B.1651 to 216B.1654, the
 21.16 following definitions have the meanings given.

21.17 Subd. 2. **Community solar generating facility.** "Community solar generating
 21.18 facility" means a facility:

21.19 (1) that generates electricity by means of a solar photovoltaic device that has a
 21.20 capacity of less than two megawatts direct current nameplate;

21.21 (2) that is interconnected with a utility's distribution system under the jurisdiction
 21.22 of the commission;

21.23 (3) that is located in the electric service area of the utility with which it is
 21.24 interconnected;

21.25 (4) whose subscribers purchase, under long-term contract with the community solar
 21.26 generating facility, the right to consume the electricity generated from a specified portion
 21.27 of the facility's generating capacity;

21.28 (5) that is not owned by a utility; and

21.29 (6) that has at least two subscribers.

21.30 Subd. 3. **Facility manager.** "Facility manager" means an entity that manages a
 21.31 community solar generating facility for the benefit of subscribers and may, in addition,
 21.32 develop, construct, own, or operate the community solar generating facility. A facility
 21.33 manager may not be a utility, but may be:

21.34 (1) a person whose sole purpose is to beneficially own and operate a community
 21.35 solar generating facility;

- 22.1 (2) a Minnesota nonprofit corporation organized under chapter 317A;
22.2 (3) a Minnesota cooperative association organized under chapter 308A or 308B;
22.3 (4) a Minnesota political subdivision or local government including, but not limited
22.4 to, a county, statutory or home rule charter city, town, school district, public or private
22.5 higher education institution, or any other local or regional governmental organization such
22.6 as a board, commission, or association; or
22.7 (5) a tribal council.

22.8 Subd. 4. **Renewable energy credit.** "Renewable energy credit" has the meaning
22.9 given in section 216B.1691, subdivision 1, paragraph (d).

22.10 Subd. 5. **Solar photovoltaic device.** "Solar photovoltaic device" has the meaning
22.11 given in section 216C.06, subdivision 16.

22.12 Subd. 6. **Subscriber.** "Subscriber" means a retail customer of a utility who owns
22.13 one or more subscriptions of a community solar generating facility interconnected with
22.14 that utility. A facility manager may be a subscriber.

22.15 Subd. 7. **Subscription.** "Subscription" means a contract between a subscriber and a
22.16 community solar generating facility that has a term of no less than 20 years and that
22.17 provides to the subscriber a portion of the generation of the community solar generating
22.18 facility and a corresponding proportion of the electricity generated by the community
22.19 solar generating facility.

22.20 Subd. 8. **Utility.** "Utility" means a public utility or a cooperative association or
22.21 municipality that has elected to be governed under section 216C.412.

22.22 Sec. 21. **[216B.1652] SUBSCRIPTIONS.**

22.23 Subdivision 1. **Presale of subscriptions.** A community solar generating facility
22.24 may not commence construction of the facility until contracts have been executed for
22.25 subscriptions, excluding the subscription of the facility manager, that represent at least 80
22.26 percent of the proposed nameplate capacity of the community solar generating facility.

22.27 Subd. 2. **Size.** (a) A subscription must be a portion of the community solar generating
22.28 facility's nameplate capacity sized so as to produce no more than 120 percent of the annual
22.29 average amount of electricity consumed over the previous three years at the site where the
22.30 subscriber's meter is located. If the site is newly constructed, the subscription must be sized
22.31 based on 120 percent of the average annual amount of electricity consumed by a facility of
22.32 similar size and type in the utility's service area, as determined by the facility manager.

22.33 (b) A subscriber may not own one or more subscriptions whose total capacity
22.34 exceeds the maximum capacity allowed for a qualifying facility subject to section
22.35 216B.164, subdivision 3.

23.1 (c) A facility manager may not own subscriptions whose total capacity exceeds the
23.2 maximum subscription size allowed under paragraph (a) plus ten percent of the remaining
23.3 available nameplate capacity in the community solar generating facility, subject to the
23.4 limit in paragraph (b).

23.5 (d) The maximum subscription size for a subscriber consuming electricity generated
23.6 from an eligible energy technology, as defined in section 216B.1691, subdivision 1, at any
23.7 time during the term of the subscriber's subscription, is the maximum subscription size
23.8 allowed under paragraph (a) minus the nameplate capacity of the eligible energy technology
23.9 device providing electricity to the subscriber, subject to the limit in paragraph (b).

23.10 Subd. 3. **Certification.** Prior to the sale of a subscription, a facility manager
23.11 must provide certification to the subscriber signed by the facility manager under penalty
23.12 of perjury:

23.13 (1) identifying the rate of insolation at the community solar generating facility;

23.14 (2) certifying that the solar photovoltaic devices employed by the community solar
23.15 generating facility to generate electricity have an electrical energy degradation rate of no
23.16 more than 0.5 percent annually; and

23.17 (3) certifying that the community solar generating facility is in full compliance with
23.18 all applicable federal and state utility, securities, and tax laws.

23.19 Subd. 4. **On-site subscriber.** A subscriber who owns the property on which
23.20 a community solar generating facility is located has no more rights with respect to
23.21 subscription size or price than any other subscriber.

23.22 Subd. 5. **Subscription prices.** The price for a subscription to a community solar
23.23 generating facility is not subject to regulation by the commission and is negotiated
23.24 between the prospective subscriber and the facility manager.

23.25 Subd. 6. **Subscription transfer.** A subscriber that terminates the contract between
23.26 the subscriber and the community solar generating facility must transfer the subscription
23.27 to a person eligible to be a subscriber or to the facility manager at a price negotiated
23.28 by both parties.

23.29 Subd. 7. **New subscribers.** Within 30 days of the execution of a contract between the
23.30 community solar generating facility and a new subscriber, the facility manager shall submit
23.31 the following information to the utility serving the community solar generating facility:

23.32 (1) the new subscriber's name, address, number of meters, and utility customer
23.33 account; and

23.34 (2) the share of the community solar generating facility's nameplate capacity owned
23.35 by the new subscriber.

24.1 Subd. 8. **Meter change.** A subscriber that moves to a different property served by
 24.2 the community solar generating facility from the property at which the subscriber resided
 24.3 at the time the contract between the subscriber and the community solar generating facility
 24.4 was executed, or that changes the number of meters attached to the subscriber's account,
 24.5 must notify the facility manager within 30 days of the change.

24.6 Subd. 9. **Renewable energy credits.** (a) Notwithstanding any other law, a
 24.7 subscriber owns the renewable energy credits associated with the electricity allocated to
 24.8 the subscriber's subscription. A utility or facility manager may purchase renewable energy
 24.9 credits under a contract with a subscriber.

24.10 (b) Renewable energy credits may not be assigned to a utility as a condition of entering
 24.11 into a contract or an interconnection agreement with a community solar generating facility.

24.12 Subd. 10. **Disputes.** The dispute resolution provisions available under section
 24.13 216B.164 shall be used to resolve disputes between a facility manager and the utility
 24.14 serving the community solar generating facility.

24.15 **Sec. 22. [216B.1653] DISPOSITION OF ELECTRICITY GENERATED.**

24.16 Subdivision 1. **Allocation.** (a) The total amount of electricity available for allocation
 24.17 to all subscribers of a community solar generating facility shall be determined by a
 24.18 production meter installed by the utility.

24.19 (b) The total amount of electricity available to a subscriber shall be the total amount
 24.20 of electricity available for allocation to all subscribers of a community solar generating
 24.21 facility prorated by a subscriber's subscription size in relation to the nameplate capacity of
 24.22 the community solar generating facility.

24.23 (c) A subscriber may not resell electricity governed by the subscriber's contract
 24.24 with a community solar generating facility.

24.25 (d) All electricity generated by a community solar generating facility that is not
 24.26 allocated to or consumed by subscribers must be sold to the utility interconnected with
 24.27 the community solar generating facility.

24.28 Subd. 2. **Utility purchases.** The utility to which the community solar generating
 24.29 facility is interconnected shall purchase all electricity generated by the community solar
 24.30 generating facility that is not consumed by subscribers. The price paid to the community
 24.31 solar generating facility by the utility is governed by section 216B.164 or any law that
 24.32 governs the price a utility must pay to purchase electricity from a solar photovoltaic device.

24.33 Subd. 3. **Interconnection.** The commission shall establish uniform fees for the
 24.34 interconnection of a community solar generating facility with a utility.

25.1 Subd. 4. **Nonutility status.** Notwithstanding section 216B.02, a community solar
25.2 generating facility is not a public utility.

25.3 Sec. 23. **[216B.1654] BILLING.**

25.4 Subdivision 1. **Billing procedure.** A subscriber to a community solar generating
25.5 facility must be:

25.6 (1) charged by the utility interconnected with the community solar generating
25.7 facility the utility's applicable rate schedule for sales to that class of customer for all
25.8 electricity consumed by the subscriber;

25.9 (2) paid by the utility the maximum rate allowable under section 216B.164, or
25.10 any other law that may govern the price a utility must pay to purchase electricity from
25.11 a solar photovoltaic device, for a portion of all electricity the utility purchases from
25.12 the community solar generating facility that is equal to the ratio of the subscriber's
25.13 subscription to the nameplate capacity of the community solar generating facility;

25.14 (3) provided by the utility with a monthly bill that contains, in addition to the
25.15 amounts in clauses (1) and (2), the net amount owed to the utility or net credit realized by
25.16 the owner for that month and on a year-to-date basis; and

25.17 (4) provided by the utility with a meter that allows for the separate calculation of the
25.18 amount of electricity consumed and generated at the property.

25.19 Subd. 2. **Billing system.** The Department of Commerce shall, by January 1, 2014,
25.20 establish a uniform administrative system to credit the utility accounts of subscribers to a
25.21 community solar generating facility. In determining the uniform administrative system, the
25.22 commission shall solicit comments and recommendations from utilities, ratepayers, and
25.23 other interested parties, and shall review commercially available administrative systems
25.24 and administrative systems used in jurisdictions where entities similar to community
25.25 solar generating facilities are operating.

25.26 Subd. 3. **Commission proceeding; rate adjustment.** By September 1, 2014, the
25.27 commission shall initiate a proceeding to examine whether the rate paid by a utility to
25.28 purchase energy from a community solar generating facility under section 216B.1653,
25.29 subdivision 2, should be adjusted to reflect the actual fixed costs incurred by a utility to
25.30 provide service to a community solar generating facility.

25.31 Sec. 24. Minnesota Statutes 2012, section 216B.1691, subdivision 1, is amended to read:

25.32 Subdivision 1. **Definitions.** (a) Unless otherwise specified in law, "eligible energy
25.33 technology" means an energy technology that generates electricity from the following
25.34 renewable energy sources:

- 26.1 (1) solar;
- 26.2 (2) wind;
- 26.3 (3) hydroelectric with a capacity of less than 100 megawatts;
- 26.4 (4) hydrogen, provided that after January 1, 2010, the hydrogen must be generated
- 26.5 from the resources listed in this paragraph; or
- 26.6 (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester
- 26.7 system; the predominantly organic components of wastewater effluent, sludge, or related
- 26.8 by-products from publicly owned treatment works, but not including incineration of
- 26.9 wastewater sludge to produce electricity; and an energy recovery facility used to capture
- 26.10 the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal
- 26.11 solid waste as a primary fuel.

26.12 (b) "Electric utility" means a public utility providing electric service, a generation

26.13 and transmission cooperative electric association, a municipal power agency, or a power

26.14 district.

26.15 (c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year

26.16 by an electric utility to retail customers of the electric utility or to a distribution utility

26.17 for distribution to the retail customers of the distribution utility. "Total retail electric

26.18 sales" does not include the sale of hydroelectricity supplied by a federal power marketing

26.19 administration or other federal agency, regardless of whether the sales are directly to a

26.20 distribution utility or are made to a generation and transmission utility and pooled for

26.21 further allocation to a distribution utility.

26.22 (d) "Renewable energy credit" means a certificate of proof, issued through the

26.23 accounting system approved by the commission under subdivision 4, attesting that one

26.24 unit of electricity was generated and delivered by an eligible energy technology, and

26.25 including all renewable and environmental attributes associated with the production of

26.26 electricity from the eligible energy technology.

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

26.28 Sec. 25. Minnesota Statutes 2012, section 216B.1691, subdivision 2a, is amended to

26.29 read:

26.30 Subd. 2a. **Eligible energy technology standard.** (a) Except as provided in

26.31 paragraph (b), each electric utility shall generate or procure sufficient electricity generated

26.32 by an eligible energy technology to provide its retail customers in Minnesota, or the

26.33 retail customers of a distribution utility to which the electric utility provides wholesale

26.34 electric service, so that at least the following standard percentages of the electric utility's

27.1 total retail electric sales to retail customers in Minnesota are generated by eligible energy
27.2 technologies by the end of the year indicated:

- 27.3 (1) 2012 12 percent
27.4 (2) 2016 17 percent
27.5 (3) 2020 20 percent
27.6 (4) 2025 25 percent.

27.7 (b) An electric utility that owned a nuclear generating facility as of January 1, 2007,
27.8 must meet the requirements of this paragraph rather than paragraph (a). An electric utility
27.9 subject to this paragraph must generate or procure sufficient electricity generated by
27.10 an eligible energy technology to provide its retail customers in Minnesota or the retail
27.11 customer of a distribution utility to which the electric utility provides wholesale electric
27.12 service so that at least the following percentages of the electric utility's total retail electric
27.13 sales to retail customers in Minnesota are generated by eligible energy technologies by the
27.14 end of the year indicated:

- 27.15 (1) 2010 15 percent
27.16 (2) 2012 18 percent
27.17 (3) 2016 25 percent
27.18 (4) 2020 30 percent.

27.19 Of the 30 percent in 2020, at least 25 percent must be generated by solar energy
27.20 or wind energy conversion systems and the remaining five percent by other eligible
27.21 energy technology. Of the 25 percent that must be generated by wind or solar, no more
27.22 than one percent may be solar generated and the remaining 24 percent or greater must
27.23 be wind generated.

27.24 (c) By 2030, each public utility shall generate or procure sufficient electricity
27.25 generated by an eligible energy technology to provide at least 40 percent of its total retail
27.26 electric sales to retail customers in Minnesota.

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

27.28 Sec. 26. Minnesota Statutes 2012, section 216B.1691, subdivision 2e, is amended to
27.29 read:

27.30 Subd. 2e. **Rate impact of standard compliance; report.** Each electric utility must
27.31 submit to the commission and the legislative committees with primary jurisdiction over
27.32 energy policy a report containing an estimation of the rate impact of activities of the
27.33 electric utility necessary to comply with this section. In consultation with the Department
27.34 of Commerce, the commission shall determine a uniform reporting system to ensure that
27.35 individual utility reports are consistent and comparable, and shall, by order, require each

28.1 electric utility subject to this section to use that reporting system. The rate impact estimate
 28.2 must be for wholesale rates and, if the electric utility makes retail sales, the estimate
 28.3 shall also be for the impact on the electric utility's retail rates. Those activities include,
 28.4 without limitation, energy purchases, generation facility acquisition and construction, and
 28.5 transmission improvements. An initial report must be submitted within 150 days of May
 28.6 28, 2011. After the initial report, a report must be updated and submitted as part of each
 28.7 integrated resource plan or plan modification filed by the electric utility under section
 28.8 216B.2422. The reporting obligation of an electric utility under this subdivision expires
 28.9 December 31, 2025, for an electric utility subject to subdivision 2a, paragraph (a), and
 28.10 December 31, 2020, for an electric utility subject to subdivision 2a, paragraph (b).

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

28.12 Sec. 27. Minnesota Statutes 2012, section 216B.1691, is amended by adding a
 28.13 subdivision to read:

28.14 Subd. 2f. **Solar energy standard.** (a) In addition to the requirements of subdivision
 28.15 2a, each public utility shall generate or procure sufficient electricity generated by solar
 28.16 energy to serve its retail electricity customers in Minnesota so that at least the following
 28.17 standard percentages of the utility's total retail electric sales to retail customers in
 28.18 Minnesota are generated by solar energy by the end of the year indicated:

28.19	(1)	<u>2016</u>	<u>0.5 percent</u>
28.20	(2)	<u>2020</u>	<u>2.0 percent</u>
28.21	(3)	<u>2025</u>	<u>4.0 percent</u>

28.22 (b) The solar energy standard established in this subdivision is subject to all the
 28.23 provisions of this section governing a utility's standard obligation under subdivision 2a.

28.24 (c) It is an energy goal of the state of Minnesota that by 2030, ten percent of the
 28.25 retail electric sales in Minnesota be generated by solar energy.

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

28.27 Sec. 28. Minnesota Statutes 2012, section 216B.1692, subdivision 1, is amended to read:

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

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

29.1 (2) not increase the capacity of the existing electric generating power plant more
 29.2 than ten percent or more than 100 megawatts, whichever is greater; and

29.3 (3) result in the existing plant either:

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

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

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

29.12 (b) Notwithstanding paragraph (a), a project may be approved for the emission
 29.13 reduction rate rider allowed in this section if the project is to be installed on existing
 29.14 large electric generating power plants, as defined in section 216B.2421, subdivision 2,
 29.15 clause (1), that are located outside the state and are needed to comply with state or federal
 29.16 air quality standards, but only if the project has received an advance determination of
 29.17 prudence from the commission under section 216B.1695.

29.18 Sec. 29. Minnesota Statutes 2012, section 216B.1692, is amended by adding a
 29.19 subdivision to read:

29.20 Subd. 1a. **Exemption.** Subdivisions 2, 4, and 5, paragraph (c), clause (1), do not
 29.21 apply to projects qualifying under subdivision 1, paragraph (b).

29.22 Sec. 30. Minnesota Statutes 2012, section 216B.1692, subdivision 8, is amended to read:

29.23 Subd. 8. **Sunset.** This section is effective until December 31, ~~2015~~ 2020, and
 29.24 applies to plans, projects, and riders approved before that date and modifications made to
 29.25 them after that date.

29.26 Sec. 31. Minnesota Statutes 2012, section 216B.1695, subdivision 5, is amended to read:

29.27 Subd. 5. **Cost recovery.** The utility may begin recovery of costs that have been
 29.28 incurred by the utility in connection with implementation of the project in the next rate
 29.29 case following an advance determination of prudence or in a rider approved under section
 29.30 216B.1692. The commission shall review the costs incurred by the utility for the project.
 29.31 The utility must show that the project costs are reasonable and necessary, and demonstrate
 29.32 its efforts to ensure the lowest reasonable project costs. Notwithstanding the commission's
 29.33 prior determination of prudence, it may accept, modify, or reject any of the project costs.

30.1 The commission may determine whether to require an allowance for funds used during
30.2 construction offset.

30.3 Sec. 32. Minnesota Statutes 2012, section 216B.1695, is amended by adding a
30.4 subdivision to read:

30.5 Subd. 5a. **Rate of return.** The return on investment in the rider shall be at the
30.6 level approved by the commission in the public utility's last general rate case, unless the
30.7 commission determines that a different rate of return is in the public interest.

30.8 Sec. 33. Minnesota Statutes 2012, section 216B.23, subdivision 1a, is amended to read:

30.9 Subd. 1a. **Authority to issue refund.** (a) On determining that a public utility has
30.10 charged a rate in violation of this chapter, a commission rule, or a commission order, the
30.11 commission, after conducting a proceeding, may require the public utility to refund to its
30.12 customers, in a manner approved by the commission, any revenues the commission finds
30.13 were collected as a result of the unlawful conduct. Any refund authorized by this section
30.14 is permitted in addition to any remedies authorized by section 216B.16 or any other law
30.15 governing rates. Exercising authority under this section does not preclude the commission
30.16 from pursuing penalties under sections 216B.57 to 216B.61 for the same conduct.

30.17 (b) This section must not be construed as allowing:

30.18 (1) retroactive ratemaking;

30.19 (2) refunds based on claims that prior or current approved rates have been unjust,
30.20 unreasonable, unreasonably preferential, discriminatory, insufficient, inequitable, or
30.21 inconsistent in application to a class of customers; or

30.22 (3) refunds based on claims that approved rates have not encouraged energy
30.23 conservation or renewable energy use, or have not furthered the goals of section 216B.164,
30.24 216B.241, ~~or 216C.05,~~ or 216C.412.

30.25 (c) A refund under this subdivision does not apply to revenues collected more than
30.26 six years before the date of the notice of the commission proceeding required under this
30.27 subdivision.

30.28 Sec. 34. Minnesota Statutes 2012, section 216B.241, subdivision 1e, is amended to read:

30.29 Subd. 1e. **Applied research and development grants.** (a) The commissioner
30.30 may, by order, approve and make grants for applied research and development projects
30.31 of general applicability that identify new technologies or strategies to maximize energy
30.32 savings, improve the effectiveness of energy conservation programs, or document
30.33 the carbon dioxide reductions from energy conservation programs. When approving

31.1 projects, the commissioner shall consider proposals and comments from utilities and
 31.2 other interested parties. The commissioner may assess up to \$3,600,000 annually for the
 31.3 purposes of this subdivision. The assessments must be deposited in the state treasury
 31.4 and credited to the energy and conservation account created under subdivision 2a. An
 31.5 assessment made under this subdivision is not subject to the cap on assessments provided
 31.6 by section 216B.62, or any other law.

31.7 (b) The commissioner, as part of the assessment authorized under paragraph (a),
 31.8 shall annually assess and grant up to \$500,000 for the purpose of subdivision 9.

31.9 (c) The commissioner, as part of the assessment authorized under paragraph (a),
 31.10 shall annually assess \$500,000 per fiscal year for a grant to the partnership created by
 31.11 section 216C.385, subdivision 2. The grant must be used to exercise the powers and
 31.12 perform the duties specified in section 216C.385, subdivision 3.

31.13 (d) By February 15 annually, the commissioner shall report to the chairs and ranking
 31.14 minority members of the committees of the legislature with primary jurisdiction over
 31.15 energy policy and energy finance on the assessments made under this subdivision for the
 31.16 previous calendar year and the use of the assessment. The report must clearly describe the
 31.17 activities supported by the assessment and the parties that engaged in those activities.

31.18 Sec. 35. Minnesota Statutes 2012, section 216B.241, subdivision 5c, is amended to read:

31.19 Subd. 5c. **Large solar electric generating plant.** (a) For the purpose of this
 31.20 subdivision:

31.21 (1) "project" means a solar electric generation project consisting of arrays of solar
 31.22 photovoltaic cells with a capacity of up to two megawatts located on the site of a closed
 31.23 landfill in Olmsted County owned by the Minnesota Pollution Control Agency; and

31.24 (2) "cooperative electric association" means a generation and transmission
 31.25 cooperative electric association that has a member distribution cooperative association to
 31.26 which it provides wholesale electric service in whose service territory a project is located.

31.27 (b) A cooperative electric association may elect to count all of its purchases of
 31.28 electric energy from a project toward only one of the following:

31.29 (1) its energy-savings goal under subdivision 1c; or

31.30 (2) its ~~energy objective~~ or solar energy standard under section 216B.1691.

31.31 (c) A cooperative electric association may include in its conservation plan purchases
 31.32 of electric energy from a project. The cost-effectiveness of project purchases may be
 31.33 determined by a different standard than for other energy conservation improvements
 31.34 under this section if the commissioner determines that doing so is in the public interest
 31.35 in order to encourage solar energy. The kilowatt hours of solar energy purchased by a

32.1 cooperative electric association from a project may count for up to 33 percent of its one
32.2 percent savings goal under subdivision 1c or up to 22 percent of its 1.5 percent savings
32.3 goal under that subdivision. Expenditures made by a cooperative association for the
32.4 purchase of energy from a project may not be used to meet the revenue expenditure
32.5 requirements of subdivisions 1a and 1b.

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

32.7 Sec. 36. Minnesota Statutes 2012, section 216B.2411, subdivision 3, is amended to read:

32.8 Subd. 3. **Other provisions.** (a) Electricity generated by a facility constructed with
32.9 funds provided under this section and using an eligible renewable energy source may be
32.10 counted toward the renewable energy objectives in section 216B.1691, subject to the
32.11 provisions of that section, except as provided in paragraph (c).

32.12 (b) Two or more entities may pool resources under this section to provide assistance
32.13 jointly to proposed eligible renewable energy projects. The entities shall negotiate and
32.14 agree among themselves for allocation of benefits associated with a project, such as the
32.15 ability to count energy generated by a project toward a utility's renewable energy objectives
32.16 under section 216B.1691, except as provided in paragraph (c). The entities shall provide a
32.17 summary of the allocation of benefits to the commissioner. A utility may spend funds under
32.18 this section for projects in Minnesota that are outside the service territory of the utility.

32.19 (c) Electricity generated by a solar photovoltaic device constructed with funds
32.20 provided under this section may be counted toward a public utility's solar energy standard
32.21 under section 216B.1691.

32.22 Sec. 37. Minnesota Statutes 2012, section 216B.40, is amended to read:

32.23 **216B.40 EXCLUSIVE SERVICE RIGHT; SERVICE EXTENSION.**

32.24 Except as provided in sections 216B.42 and 216B.421, each electric utility shall
32.25 have the exclusive right to provide electric service by electric line at retail to each and
32.26 every present and future customer in its assigned service area and no electric utility shall
32.27 render or extend electric service at retail within the assigned service area of another
32.28 electric utility unless the electric utility consents thereto in writing; provided that any
32.29 electric utility may extend its facilities through the assigned service area of another
32.30 electric utility if the extension is necessary to facilitate the electric utility connecting its
32.31 facilities or customers within its own assigned service area.

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

33.1 Sec. 38. **[216C.411] SOLAR ENERGY PRODUCTION INCENTIVE ACCOUNT.**

33.2 Subdivision 1. **Account established; account management.** A solar energy
33.3 production incentive account is established as a separate account in the special revenue
33.4 fund in the state treasury. The commissioner of commerce shall credit to the account the
33.5 amounts assessed and collected under this section and appropriations and transfers to
33.6 the account. Earnings, such as interest, dividends, and any other earnings arising from
33.7 account assets, must be credited to the account. Funds remaining in the account at the
33.8 end of a fiscal year are not canceled to the general fund but remain in the account. The
33.9 commissioner of commerce shall manage the account.

33.10 Subd. 2. **Purpose.** The purpose of the account is to pay the solar energy production
33.11 incentive to owners of qualified solar photovoltaic devices located in the electric service
33.12 territory of a cooperative association or municipality that has elected to be governed under
33.13 section 216C.412, and the Department of Commerce's actual and reasonable costs to
33.14 administer this section and section 216C.412.

33.15 Subd. 3. **Administrative procedure.** By April 1, 2014, the commissioner of
33.16 commerce shall develop an administrative procedure that transfers funds from the account
33.17 to pay the solar energy production incentive to owners of solar photovoltaic devices
33.18 located in the electric service territory of a cooperative association or municipality that has
33.19 elected to be governed under section 216C.412.

33.20 Subd. 4. **Transfer.** The public utility that contributes to the account established
33.21 under section 116C.779 shall transfer from that account up to \$5,000,000 annually to the
33.22 commissioner of commerce for deposit in the account established in subdivision 1 to pay
33.23 the solar energy production incentive to owners of solar photovoltaic devices located in
33.24 the electric service territory of a cooperative association or municipality that has elected
33.25 to be governed under section 216C.412. The commissioner of commerce shall request
33.26 funds to be transferred by the public utility only to the extent necessary to fully fund the
33.27 annual aggregate solar production incentives paid to owners of solar photovoltaic devices
33.28 that are interconnected with cooperative associations or municipalities that have elected
33.29 to be governed under section 216C.412.

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

33.31 Sec. 39. **[216C.412] SOLAR ENERGY PRODUCTION INCENTIVE.**

33.32 Subdivision 1. **Applicability.** (a) A public utility providing retail electric service to
33.33 Minnesota customers is subject to the provisions of this section.

33.34 (b) A cooperative association or a municipality providing retail electric service
33.35 to Minnesota customers may elect to be subject to the provisions of this section. The

34.1 election shall be approved by resolution of the board of directors of the association
34.2 or the governing body of the municipality, a copy of which must be provided to the
34.3 commissioner of commerce. The election is effective 30 days after the election by the
34.4 board of directors or governing body.

34.5 Subd. 2. **Incentive payment.** (a) Incentive payments may be made under this
34.6 section only to an owner of a solar photovoltaic device who has:

34.7 (1) submitted to the utility to which the solar photovoltaic device is interconnected,
34.8 on a form prescribed by the utility, an application to receive the incentive; and

34.9 (2) received from the utility in writing a determination that the solar photovoltaic
34.10 device qualifies for the incentive.

34.11 (b) A utility shall make incentive payments under this section on a first-come,
34.12 first-served basis. A utility is not required to make aggregate incentive payments under
34.13 this section in any one calendar year that exceed 1.33 percent of the utility's gross
34.14 operating revenues from retail sales of electric service provided to Minnesota customers
34.15 during the previous calendar year.

34.16 (c) A cooperative association or a municipality that elects to be subject to the
34.17 provisions of this section may elect to have the Department of Commerce pay the incentive
34.18 to owners of solar photovoltaic devices from the account established in section 216C.411.

34.19 (d) A utility that owns a solar photovoltaic device is not eligible to receive incentive
34.20 payments under this section.

34.21 (e) A solar photovoltaic device whose capacity exceeds two megawatts is ineligible
34.22 to receive incentive payments under this section.

34.23 Subd. 3. **Eligibility window; payment duration.** (a) Payments may be made under
34.24 this section only for electricity generated from a solar photovoltaic device that first begins
34.25 generating electricity after January 1, 2014, through December 31, 2049.

34.26 (b) Payment of the incentive begins and runs consecutively from the date the solar
34.27 photovoltaic device begins generating electricity.

34.28 (c) A utility paying an incentive under this section must enter into a contract with
34.29 an owner of a solar photovoltaic system under which the utility agrees to make incentive
34.30 payments for a period of 20 years.

34.31 (d) No payment may be made under this section for electricity generated after
34.32 December 31, 2049.

34.33 Subd. 4. **Amount of payment.** (a) An incentive payment is based on the number of
34.34 kilowatt hours of electricity generated. The per-kilowatt-hour amount of the payment for
34.35 each category of qualified solar photovoltaic device listed below is equal to the applicable
34.36 reference price specified in this subdivision minus:

35.1 (1) the value of solar rate approved by the commissioner under section 216B.1641,
 35.2 for owners of solar photovoltaic devices that have elected to have the utility's purchase
 35.3 price for electricity governed by that section; or

35.4 (2) the rate a utility pays an owner of a solar photovoltaic device for excess electricity
 35.5 generation under section 216B.164, for owners of solar photovoltaic devices that have
 35.6 elected to have the utility's purchase price for electricity governed by that section.

<u>Nameplate Capacity</u>	<u>Reference Price</u>
35.7 <u>Residential</u>	35.8 <u>20.4 cents per kilowatt-hour</u>
35.9 <u>Nonresidential:</u>	
35.10 <u>Under 25 kilowatts</u>	35.10 <u>18.1 cents per kilowatt-hour</u>
35.11 <u>Rooftop, 25 kilowatts to 2</u>	
35.12 <u>megawatts</u>	35.12 <u>15.9 cents per kilowatt-hour</u>
35.13 <u>Ground-mounted, 25 kilowatts to</u>	
35.14 <u>2 megawatts</u>	35.14 <u>13.6 cents per kilowatt-hour</u>

35.15 (b) By January 1, 2015, and every January 1 thereafter through 2049, the
 35.16 commissioner shall make a determination as to whether the reference price needs to be
 35.17 adjusted in order to achieve the solar energy standard established in section 216B.1691,
 35.18 subdivision 2f, at the lowest level of incentive payments. In making the determination, the
 35.19 commissioner shall solicit comments and recommendations from utilities, ratepayers, and
 35.20 other interested parties regarding the calculation of the reference price. After considering
 35.21 the comments and recommendations, the commissioner may adjust the reference price.

35.22 (c) For the purposes of this subdivision, "reference price" means the lowest
 35.23 per-kilowatt price for electricity generated by a qualified solar photovoltaic system the
 35.24 commissioner determines is sufficient to provide an economic incentive that will result
 35.25 in the development of aggregate capacity in this state to meet the solar energy standard
 35.26 established in section 216B.1691, subdivision 2f.

35.27 Subd. 5. **Additional payment; Made in Minnesota.** (a) The commissioner of
 35.28 commerce shall determine an additional incentive amount to be paid by utilities under this
 35.29 section to owners of solar photovoltaic devices that are "Made in Minnesota."

35.30 (b) For the purposes of this subdivision:

35.31 (1) "Made in Minnesota" means the manufacture in this state of solar photovoltaic
 35.32 modules:

35.33 (i) at a manufacturing facility located in Minnesota that is registered and authorized
 35.34 to manufacture and apply the UL 1703 certification mark to solar photovoltaic modules by
 35.35 Underwriters Laboratory (UL), CSA International, Intertek, or an equivalent UL-approved
 35.36 independent certification agency;

36.1 (ii) that bear UL 1703 certification marks from UL, CSA International, Intertek,
 36.2 or an equivalent UL-approved independent certification agency, which marks must be
 36.3 physically applied to the modules at a manufacturing facility described in item (i), and that
 36.4 meet either of the following conditions:

36.5 (A) that are manufactured in Minnesota via manufacturing processes that must
 36.6 include tabbing, stringing, and lamination; or

36.7 (B) that are manufactured in Minnesota by interconnecting low-voltage direct current
 36.8 photovoltaic elements that produce the final useful photovoltaic output of the modules.

36.9 A solar photovoltaic module that is manufactured by attaching microinverters, direct
 36.10 current optimizers, or other power electronics to a laminate or solar photovoltaic
 36.11 module that has received UL 1703 certification marks outside Minnesota from UL, CSA
 36.12 International, Intertek, or an equivalent UL-approved independent certification agency
 36.13 is not "Made in Minnesota" under this subdivision; and

36.14 (2) "solar photovoltaic module" has the meaning given in section 116C.7791,
 36.15 subdivision 1.

36.16 Subd. 6. **Appropriation.** An amount sufficient to pay the solar energy production
 36.17 incentive under this section is annually appropriated from the account established under
 36.18 section 216C.411 to the commissioner of commerce for the purposes of this section.

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

36.20 Sec. 40. Minnesota Statutes 2012, section 216C.436, subdivision 7, is amended to read:

36.21 Subd. 7. **Repayment.** An implementing entity that finances an energy improvement
 36.22 under this section must:

36.23 (1) secure payment with a lien against the benefited qualifying real property; and

36.24 (2) collect repayments as a special assessment as provided for in section 429.101
 36.25 or by charter, provided that special assessments may be made payable in up to 20 equal
 36.26 annual installments.

36.27 If the implementing entity is an authority, the local government that authorized
 36.28 the authority to act as implementing entity shall impose and collect special assessments
 36.29 necessary to pay debt service on bonds issued by the implementing entity under subdivision
 36.30 8, and shall transfer all collections of the assessments upon receipt to the authority.

36.31 Sec. 41. Minnesota Statutes 2012, section 216C.436, subdivision 8, is amended to read:

37.1 Subd. 8. **Bond issuance; repayment.** (a) An implementing entity may issue
37.2 revenue bonds as provided in chapter 475 for the purposes of this section, provided the
37.3 revenue bond must not be payable more than 20 years from the date of issuance.

37.4 (b) The bonds must be payable as to both principal and interest solely from the
37.5 revenues from the assessments established in subdivision 7.

37.6 (c) No holder of bonds issued under this subdivision may compel any exercise of the
37.7 taxing power of the implementing entity that issued the bonds to pay principal or interest
37.8 on the bonds, and if the implementing entity is an authority, no holder of the bonds may
37.9 compel any exercise of the taxing power of the local government. Bonds issued under
37.10 this subdivision are not a debt or obligation of the issuer or any local government that
37.11 issued them, nor is the payment of the bonds enforceable out of any money other than the
37.12 revenue pledged to the payment of the bonds.

37.13 Sec. 42. Laws 2005, chapter 97, article 10, section 3, is amended to read:

37.14 Sec. 3. **SUNSET.**

37.15 Sections 1 and 2 shall expire on June 30, ~~2015~~ 2023.

37.16 Sec. 43. **STUDY OF POTENTIAL FOR SOLAR ENERGY INSTALLATIONS**
37.17 **ON PUBLIC BUILDINGS.**

37.18 (a) The commissioner of commerce shall contract with an independent consultant
37.19 selected through a request for proposal process to produce a report analyzing the potential
37.20 for electricity generation resulting from the installation of solar photovoltaic devices on
37.21 and adjacent to public buildings in this state. The study must:

37.22 (1) determine, for buildings identified under the process initiated in Laws 2001,
37.23 chapter 212, article 1, section 3, commonly referred to as the B3 program, the amount
37.24 of space available for the installation of solar photovoltaic devices and the maximum
37.25 solar electricity generation potential; and

37.26 (2) utilize existing data on energy efficiency potential developed under the B3
37.27 program and determine how investments in energy efficiency for these buildings could
37.28 be combined with solar photovoltaic systems to enhance a building's overall energy
37.29 efficiency. The analysis must include a schedule for installing solar photovoltaic systems
37.30 on public buildings at a rate of four percent of available space per year and must prioritize
37.31 installations that result in the largest benefits with the shortest payback periods.

37.32 (b) By January 1, 2014, the commissioner of commerce shall submit a copy of the
37.33 report to the chairs and ranking minority members of the legislative committees with
37.34 primary jurisdiction over energy policy and state government finance.

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

38.2 Sec. 44. **TRANSMISSION FOR FUTURE RENEWABLE ENERGY STANDARD.**

38.3 The commission shall order all Minnesota electric utilities, as defined in Minnesota
38.4 Statutes, section 216B.1691, subdivision 1, paragraph (b), to study and develop plans for
38.5 the transmission network enhancements necessary to support increasing the renewable
38.6 energy standard established in Minnesota Statutes, section 216B.1691, subdivision 2a, to
38.7 40 percent by 2030, while maintaining system reliability.

38.8 The Minnesota electric utilities must complete the study work under the direction of
38.9 the commissioner of commerce. Prior to the start of the study, the commissioner shall
38.10 appoint a technical review committee consisting of up to 15 individuals with experience
38.11 and expertise in electric transmission system engineering, electric power systems
38.12 operations, and renewable energy generation technology to review the study's proposed
38.13 methods and assumptions, ongoing work, and preliminary results.

38.14 As part of the planning process, the Minnesota electric utilities must incorporate
38.15 and build upon the analyses that have previously been done or that are in progress
38.16 including but not limited to the 2006 Minnesota Wind Integration Study and ongoing
38.17 work to address geographically dispersed development plans, the 2007 Minnesota
38.18 Transmission for Renewable Energy Standard Study, the 2008 and 2009 Statewide Studies
38.19 of Dispersed Renewable Generation, the 2009 Minnesota RES Update, Corridor, and
38.20 Capacity Validation Studies, the 2010 Regional Generation Outlet Study, the 2011 Multi
38.21 Value Project Portfolio Study, and recent and ongoing Midwest Independent System
38.22 Operator transmission expansion planning work. The utilities shall collaborate with the
38.23 Midwest Independent System Operator to optimize and integrate, to the extent possible,
38.24 Minnesota's transmission plans with other regional considerations and to encourage the
38.25 Midwest Independent System Operator to incorporate Minnesota's planning work into its
38.26 transmission expansion future planning.

38.27 The study must be completed and submitted to the Minnesota Public Utilities
38.28 Commission by December 1, 2013. The report shall include a description of the analyses
38.29 that have been conducted and the results, including:

38.30 (1) a conceptual plan for transmission necessary for generation interconnection and
38.31 delivery and for access to regional geographic diversity and regional supply and demand
38.32 side flexibility; and

38.33 (2) identification and development of potential solutions to any critical issues
38.34 encountered to support increasing the renewable energy standard to 40 percent by 2030

39.1 while maintaining system reliability, as well as potential impacts and barriers of increasing
39.2 the renewable energy standard to 45 percent and 50 percent.

39.3 **Sec. 45. SOLAR INTERCONNECTION STUDY.**

39.4 Each public utility, cooperative association, and municipal utility selling electricity
39.5 shall, by November 1, 2013, provide to the commissioner of commerce an assessment of the
39.6 capacity available on its electric distribution system for interconnecting solar photovoltaic
39.7 devices installed on or adjacent to nonresidential buildings in the utility's service area. For
39.8 each such potential interconnection point, the utility must calculate the maximum capacity
39.9 of solar photovoltaic devices that could be installed on or adjacent to nearby nonresidential
39.10 buildings, the amount of available capacity that could be installed without upgrading the
39.11 utility's distribution system, and the cost of the upgrade necessary to accommodate the
39.12 installation of the maximum capacity and lesser amounts. The assessment must be in map
39.13 format, must be updated annually, and must be made available to the public.

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

39.15 **Sec. 46. VALUE OF ON-SITE ENERGY STORAGE STUDY.**

39.16 (a) The commissioner of commerce shall contract with an independent consultant
39.17 selected through a request for proposal process to produce a report analyzing the potential
39.18 costs and benefits of installing utility-managed, grid-connected energy storage devices in
39.19 residential and commercial buildings in this state. The study must:

39.20 (1) estimate the potential value of on-site energy storage devices as a
39.21 load-management tool to reduce costs for individual customers and for the utility, including
39.22 but not limited to reductions in energy, particularly peaking, costs, and capacity costs;

39.23 (2) examine the interaction of energy storage devices with on-site solar photovoltaic
39.24 devices; and

39.25 (3) analyze existing barriers to the installation of on-site energy storage devices by
39.26 utilities, and examine strategies and design potential economic incentives to overcome
39.27 those barriers.

39.28 (b) The commissioner of commerce shall assess an amount necessary under
39.29 Minnesota Statutes, section 216B.241, subdivision 1e, for the purpose of completing the
39.30 study described in this section.

39.31 By January 1, 2014, the commissioner of commerce shall submit the study to the chairs
39.32 and ranking minority members of the legislative committees with jurisdiction over energy
39.33 policy and finance.

40.1 Sec. 47. **VALUE OF SOLAR THERMAL STUDY.**

40.2 (a) The commissioner of commerce shall contract with an independent consultant
40.3 selected through a request for proposal process to produce a report analyzing the potential
40.4 costs and benefits of expanding the installation of solar thermal projects, as defined in
40.5 Minnesota Statutes, section 216B.2411, subdivision 2, in residential and commercial
40.6 buildings in this state. The study must examine the potential for solar thermal projects
40.7 to reduce heating and cooling costs for individual customers and to reduce costs at the
40.8 utility level as well. The study must also analyze existing barriers to the installation of
40.9 on-site energy storage devices by utilities and examine strategies and design potential
40.10 economic incentives to overcome those barriers. By January 1, 2014, the commissioner
40.11 of commerce shall submit the study to the chairs and ranking minority members of the
40.12 legislative committees with jurisdiction over energy policy and finance.

40.13 (b) The commissioner of commerce shall assess an amount necessary under
40.14 Minnesota Statutes, section 216B.241, subdivision 1e, for the purpose of completing the
40.15 study described in this section.

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

40.17 Sec. 48. **SEVERABILITY.**

40.18 If any provision of this act is found to be unconstitutional and void, the remaining
40.19 provisions of this act are valid.

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

40.21 Sec. 49. **REPEALER.**

40.22 Minnesota Statutes 2012, section 216B.1637, is repealed.

216B.1637 RECOVERY OF CERTAIN GREENHOUSE GAS INFRASTRUCTURE COSTS.

A public utility that owns a nuclear power plant and a public utility furnishing gas service may file for recovery of investments and expenses associated with the replacement of cast iron natural gas distribution and service lines owned by the utility and to replace breakers that contain sulfur hexafluoride in order to reduce the risk of greenhouse gases being released into the atmosphere. Upon a finding that the projects are consistent with the public interest and do not impose excessive costs on customers, the commission shall provide timely recovery of the utility's investment and expenses on any approved projects through a rate adjustment mechanism similar to that provided for transmission projects under section 216B.16, subdivision 7b, paragraphs (b) to (d).