

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 1177

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DATE
02/20/2017

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Introduction and first reading
Referred to Energy and Utilities Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; requiring that economic growth and job growth and retention
1.3 be considered during the ratemaking process; amending Minnesota Statutes 2016,
1.4 sections 216B.03; 216B.16, subdivisions 1a, 6; 216B.2422, subdivisions 2, 3, 4.

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

1.6 Section 1. Minnesota Statutes 2016, section 216B.03, is amended to read:

1.7 **216B.03 REASONABLE RATE.**

1.8 Every rate made, demanded, or received by any public utility, or by any two or more
1.9 public utilities jointly, shall be just and reasonable. Rates shall not be unreasonably
1.10 preferential, unreasonably prejudicial, or discriminatory, but shall be sufficient, equitable,
1.11 and consistent in application to a class of consumers. To the maximum reasonable extent,
1.12 the commission shall set rates to encourage economic growth, job retention, energy
1.13 conservation and renewable energy use, and to further the goals of sections 216B.164,
1.14 216B.1961, 216B.241, and 216C.05. Any doubt as to reasonableness should be resolved in
1.15 favor of the consumer. For rate-making purposes a public utility may treat two or more
1.16 municipalities served by it as a single class wherever the populations are comparable in size
1.17 or the conditions of service are similar.

1.18 **EFFECTIVE DATE.** This section is effective upon enactment and applies immediately
1.19 to all proceedings pending before the commission.

1.20 Sec. 2. Minnesota Statutes 2016, section 216B.16, subdivision 1a, is amended to read:

1.21 Subd. 1a. **Settlement.** (a) When a public utility submits a general rate filing, the Office
1.22 of Administrative Hearings, before conducting a contested case hearing, shall convene a

2.1 settlement conference including all of the parties for the purpose of encouraging settlement
2.2 of any or all of the issues in the contested case. If a stipulated settlement is not reached
2.3 before the contested case hearing, the Office of Administrative Hearings may reconvene
2.4 the settlement conference during or after completion of the contested case hearing at its
2.5 discretion or a party's request. The Office of Administrative Hearings or the commission
2.6 may, upon the request of any party and the public utility, extend the procedural schedule
2.7 of the contested case in order to permit the parties to engage in settlement discussions. An
2.8 extension must be for a definite period of time not to exceed 60 days.

2.9 (b) If the applicant and all intervening parties agree to a stipulated settlement of the case
2.10 or parts of the case, the settlement must be submitted to the commission. The commission
2.11 shall accept or reject the settlement in its entirety and, at any time until its final order is
2.12 issued in the case, may require the Office of Administrative Hearings to conduct a contested
2.13 case hearing. The commission may accept the settlement on finding that ~~to do so the~~ the
2.14 settlement is supported by substantial evidence and approving the settlement is in the public
2.15 interest and is supported by substantial evidence. The analysis must consider the impact of
2.16 the proposed settlement on the economy, job growth, and job retention. If the commission
2.17 does not accept the settlement, it may issue an order modifying the settlement subject to
2.18 the approval of the parties. Each party shall have ten days in which to reject the proposed
2.19 modification. If no party rejects the proposed modification, the commission's order becomes
2.20 final. If the commission rejects the settlement, or a party rejects the commission's proposed
2.21 modification, a contested case hearing must be completed.

2.22 **EFFECTIVE DATE.** This section is effective upon enactment and applies immediately
2.23 to all proceedings pending before the commission.

2.24 Sec. 3. Minnesota Statutes 2016, section 216B.16, subdivision 6, is amended to read:

2.25 Subd. 6. **Factors considered, generally.** The commission, in the exercise of its powers
2.26 under this chapter to determine just and reasonable rates for public utilities, shall give due
2.27 consideration to the public need for adequate, efficient, and reasonable service, as well as
2.28 the need for competitive electric rates, job preservation, and economic growth, and to the
2.29 need of the public utility for revenue sufficient to enable it to meet the cost of furnishing
2.30 the service, including adequate provision for depreciation of its utility property used and
2.31 useful in rendering service to the public, and to earn a fair and reasonable return upon the
2.32 investment in such property. In determining the rate base upon which the utility is to be
2.33 allowed to earn a fair rate of return, the commission shall give due consideration to evidence
2.34 of the cost of the property when first devoted to public use, to prudent acquisition cost to

the public utility less appropriate depreciation on each, to construction work in progress, to offsets in the nature of capital provided by sources other than the investors, and to other expenses of a capital nature. For purposes of determining rate base, the commission shall consider the original cost of utility property included in the base and shall make no allowance for its estimated current replacement value. If the commission orders a generating facility to terminate its operations before the end of the facility's physical life in order to comply with a specific state or federal energy statute or policy, the commission may allow the public utility to recover any positive net book value of the facility as determined by the commission.

EFFECTIVE DATE. This section is effective upon enactment and applies immediately to all proceedings pending before the commission.

Sec. 4. Minnesota Statutes 2016, section 216B.2422, subdivision 2, is amended to read:

Subd. 2. **Resource plan filing and approval.** A utility shall file a resource plan with the commission periodically in accordance with rules adopted by the commission. The commission shall approve, reject, or modify the plan of a public utility, as defined in section 216B.02, subdivision 4, consistent with the public interest. The analysis must consider the economy, job growth, and job retention. In the resource plan proceedings of all other utilities, the commission's order shall be advisory and the order's findings and conclusions shall constitute prima facie evidence which may be rebutted by substantial evidence in all other proceedings. With respect to utilities other than those defined in section 216B.02, subdivision 4, the commission shall consider the filing requirements and decisions in any comparable proceedings in another jurisdiction. As a part of its resource plan filing, a utility shall include the least cost plan for meeting 50 and 75 percent of all new and refurbished capacity needs through a combination of conservation and renewable energy resources.

EFFECTIVE DATE. This section is effective upon enactment and applies immediately to all proceedings pending before the commission.

Sec. 5. Minnesota Statutes 2016, section 216B.2422, subdivision 3, is amended to read:

Subd. 3. **Environmental costs.** (a) The commission shall, to the extent practicable, quantify and establish a range of environmental costs associated with each method of electricity generation. A utility shall use the values established by the commission in conjunction with other external factors, including socioeconomic costs, when evaluating and selecting resource options in all proceedings before the commission, including resource plan and certificate of need proceedings. As part of the resource options and socioeconomic cost analysis under this section, the utility must calculate the impact of resource options on

customers' bills and utility rates. Any doubt regarding the various resource options before the commission must be resolved in favor of supporting the economy, job growth, and job retention.

(b) The commission shall establish interim environmental cost values associated with each method of electricity generation by March 1, 1994. These values expire on the date the commission establishes environmental cost values under paragraph (a).

EFFECTIVE DATE. This section is effective upon enactment and applies immediately to all proceedings pending before the commission.

Sec. 6. Minnesota Statutes 2016, section 216B.2422, subdivision 4, is amended to read:

Subd. 4. **Preference for renewable energy facility.** The commission shall not approve a new or refurbished nonrenewable energy facility in an integrated resource plan or a certificate of need, pursuant to section 216B.243, nor shall the commission allow rate recovery pursuant to section 216B.16 for such a nonrenewable energy facility, unless the utility has demonstrated that a renewable energy facility is not in the public interest. The public interest determination must include whether the resource plan helps the utility achieve the greenhouse gas reduction goals under section 216H.02, the renewable energy standard under section 216B.1691, or the solar energy standard under section 216B.1691, subdivision 2f, as well as the resource plan's impact on the economy, job growth, and job retention.

EFFECTIVE DATE. This section is effective upon enactment and applies immediately to all proceedings pending before the commission.