

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE **S.F. No. 1197**

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DATE	D-PG	OFFICIAL STATUS
04/14/2011	1343	Introduction and first reading Referred to Energy, Utilities and Telecommunications
05/02/2011	1589a 1604	Comm report: To pass as amended Second reading
05/13/2011	2017a 2025	Special Order: Amended Third reading Passed
05/22/2011	3262 3262 3262 3269 3269	Returned from House with amendment Senate concurred and repassed bill Third reading Reconsidered Third reading Passed
		Presentment date 05/24/11
	3594	Governor's action Approval 05/27/11
	3594	Secretary of State Chapter 97 05/27/11
		Effective date Various Dates

A bill for an act

1.1 relating to energy; modifying provisions related to software sale fund and
1.2 renewable development account; clarifying Department of Commerce regional
1.3 and national duties on energy policy; removing obsolete and redundant language;
1.4 changing reporting requirements for energy conservation improvements;
1.5 providing for cost recovery for certain pollution control products; authorizing
1.6 the Public Utilities Commission to approve a multiyear plan for certain utilities;
1.7 providing for nuclear power plant decommissioning and storage of used nuclear
1.8 fuel; defining certain terms; requiring a report on the rate impact of activities of an
1.9 electric utility; making clarifying and technical changes; making provisions for
1.10 regulatory incentives granted to an innovative energy project; exempting certain
1.11 utilities from the conservation improvement program; allowing assessments
1.12 to energy utilities for department regional and national duties; providing an
1.13 exemption from greenhouse gas emissions and conservation improvement
1.14 program; providing a temporary prohibition on Public Utilities Commission
1.15 approval of certain renewable development account expenditures; allowing the
1.16 city of Melrose to increase the city's Public Utilities Commission membership;
1.17 amending Minnesota Statutes 2010, sections 16E.15, subdivision 2; 116C.779,
1.18 subdivisions 1, 3; 216A.07, by adding a subdivision; 216B.02, by adding a
1.19 subdivision; 216B.026, subdivision 1; 216B.096, subdivision 3; 216B.16,
1.20 subdivisions 6b, 7, 9, 15, by adding a subdivision; 216B.1691, subdivision 1,
1.21 by adding a subdivision; 216B.1694, by adding a subdivision; 216B.2401;
1.22 216B.241, subdivisions 1, 1a, 1c, 2; 216B.2425, subdivision 2; 216B.49,
1.23 subdivision 3; 216B.62, subdivisions 2, 3, by adding a subdivision; 216C.11;
1.24 216C.264; 216E.18, subdivision 3; 216H.03, subdivision 7; proposing coding
1.25 for new law in Minnesota Statutes, chapter 216B; repealing Minnesota Statutes
1.26 2010, sections 216A.085; 216B.242; 216C.052, subdivisions 1, 2, 4; 216F.09.

1.27
1.28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.29 Section 1. Minnesota Statutes 2010, section 16E.15, subdivision 2, is amended to read:

1.30 Subd. 2. **Software sale fund.** (a) Except as provided in ~~paragraphs~~ paragraph (b)
1.31 ~~and (c)~~, proceeds of the sale or licensing of software products or services by the chief
1.32 information officer must be credited to the enterprise technology revolving fund. If a state
1.33 agency other than the Office of Enterprise Technology has contributed to the development

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2.1 of software sold or licensed under this section, the chief information officer may reimburse
2.2 the agency by discounting computer services provided to that agency.

2.3 (b) Proceeds of the sale or licensing of software products or services developed by
2.4 the Pollution Control Agency, or custom developed by a vendor for the agency, must be
2.5 credited to the environmental fund.

2.6 ~~(c) Proceeds of the sale or licensing of software products or services developed by~~
2.7 ~~the Department of Education, or custom developed by a vendor for the agency, to support~~
2.8 ~~the achieved savings assessment program, must be appropriated to the commissioner of~~
2.9 ~~education and credited to the weatherization program to support weatherization activities.~~

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

2.11 Sec. 2. Minnesota Statutes 2010, section 116C.779, subdivision 1, is amended to read:

2.12 Subdivision 1. **Renewable development account.** (a) The public utility that owns
2.13 the Prairie Island nuclear generating plant must transfer to a renewable development
2.14 account \$500,000 each year for each dry cask containing spent fuel that is located at the
2.15 Prairie Island power plant for each year the plant is in operation, and \$7,500,000 each
2.16 year the plant is not in operation if ordered by the commission pursuant to paragraph (d).
2.17 The fund transfer must be made if nuclear waste is stored in a dry cask at the independent
2.18 spent-fuel storage facility at Prairie Island for any part of a year. Funds in the account
2.19 may be expended only for development of renewable energy sources. Preference must be
2.20 given to development of renewable energy source projects located within the state. The
2.21 utility that owns a nuclear generating plant is eligible to apply for renewable development
2.22 fund grants. The utility's proposals must be evaluated by the renewable development fund
2.23 board in a manner consistent with that used to evaluate other renewable development fund
2.24 project proposals.

2.25 (b) The public utility that owns the Monticello nuclear generating plant must transfer
2.26 to the renewable development account \$350,000 each year for each dry cask containing
2.27 spent fuel that is located at the Monticello nuclear power plant for each year the plant is
2.28 in operation, and \$5,250,000 each year the plant is not in operation if ordered by the
2.29 commission pursuant to paragraph (d). The fund transfer must be made if nuclear waste
2.30 is stored in a dry cask at the independent spent-fuel storage facility at Monticello for
2.31 any part of a year.

2.32 (c) Expenditures authorized by this subdivision from the account may only be made
2.33 after approval by order of the Public Utilities Commission upon a petition by the public
2.34 utility. Commission approval is not required for expenditures required under subdivisions
2.35 2 and 3, section 116C.7791, or other law.

3.1 (d) After discontinuation of operation of the Prairie Island nuclear plant or the
3.2 Monticello nuclear plant and each year spent nuclear fuel is stored in dry cask at the
3.3 discontinued facility, the commission shall require the public utility to pay \$7,500,000 for
3.4 the discontinued Prairie Island facility and \$5,250,000 for the discontinued Monticello
3.5 facility for any year in which the commission finds, by the preponderance of the evidence,
3.6 that the public utility did not make a good faith effort to remove the spent nuclear
3.7 fuel stored at the facility to a permanent or interim storage site out of the state. This
3.8 determination shall be made at least every two years.

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

3.10 Sec. 3. Minnesota Statutes 2010, section 116C.779, subdivision 3, is amended to read:

3.11 Subd. 3. **Initiative for Renewable Energy and the Environment.** (a) Beginning
3.12 July 1, 2009, and each July 1 through ~~2012~~ 2011, \$5,000,000 must be allocated from the
3.13 renewable development account to fund a grant to the Board of Regents of the University
3.14 of Minnesota for the Initiative for Renewable Energy and the Environment for the purposes
3.15 described in paragraph (b). The Initiative for Renewable Energy and the Environment
3.16 must set aside at least 15 percent of the funds received annually under the grant for
3.17 qualified projects conducted at a rural campus or experiment station. Any set-aside funds
3.18 not awarded to a rural campus or experiment station at the end of the fiscal year revert
3.19 back to the Initiative for Renewable Energy and the Environment for its exclusive use.
3.20 This subdivision does not create an obligation to contribute funds to the account.

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

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

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

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

3.27 (4) energy storage technologies; and

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

3.30 (c) For the purposes of this subdivision:

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

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

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

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

4.7 Sec. 4. Minnesota Statutes 2010, section 216A.07, is amended by adding a subdivision
4.8 to read:

4.9 Subd. 3a. **Regional and national duties.** The Department of Commerce has the duty
4.10 and power to represent the interests of Minnesota residents, businesses, and governments
4.11 before bodies and agencies outside the state that make, interpret, or implement regional,
4.12 national, and international energy policy and that regulate and implement regional or
4.13 national energy planning or infrastructure development. This subdivision does not limit
4.14 regional, national, or international activities of the Public Utilities Commission.

4.15 **EFFECTIVE DATE.** This section is effective July 1, 2011.

4.16 Sec. 5. Minnesota Statutes 2010, section 216B.02, is amended by adding a subdivision
4.17 to read:

4.18 Subd. 1b. **Commissioner.** "Commissioner" means the commissioner of the
4.19 Minnesota Department of Commerce.

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

4.21 Sec. 6. Minnesota Statutes 2010, section 216B.026, subdivision 1, is amended to read:

4.22 Subdivision 1. **Election.** ~~(a)~~ A cooperative electric association may elect to become
4.23 subject to rate regulation by the commission pursuant to sections 216B.03 to 216B.23.
4.24 The election shall be approved by a majority of members or stockholders voting by mail
4.25 ballot initiated by petition of not less than five percent of the members or stockholders of
4.26 the association, as determined by membership figures submitted by the association to the
4.27 Rural Electric Administration for the month in which the petition was submitted.

4.28 ~~(b) For a cooperative electric association that is the product of a merger or~~
4.29 ~~consolidation of three or more associations between December 30, 1996, and January 1,~~
4.30 ~~2001, the number of members or stockholders necessary to initiate the petition shall be no~~
4.31 ~~less than one percent of the members or stockholders of the association.~~

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

5.2 Sec. 7. Minnesota Statutes 2010, section 216B.096, subdivision 3, is amended to read:

5.3 Subd. 3. **Utility obligations before cold weather period.** Each year, between
5.4 September 1 and October 15, each utility must provide all customers, personally ~~or~~ by
5.5 first class mail, or electronically for those requesting electronic billing, a summary of
5.6 rights and responsibilities. The summary must also be provided to all new residential
5.7 customers when service is initiated.

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

5.9 Sec. 8. Minnesota Statutes 2010, section 216B.16, subdivision 6b, is amended to read:

5.10 Subd. 6b. **Energy conservation improvement.** (a) Except as otherwise provided
5.11 in this subdivision, all investments and expenses of a public utility as defined in section
5.12 216B.241, subdivision 1, paragraph (i), incurred in connection with energy conservation
5.13 improvements shall be recognized and included by the commission in the determination of
5.14 just and reasonable rates as if the investments and expenses were directly made or incurred
5.15 by the utility in furnishing utility service.

5.16 (b) The commission shall not include investments and expenses for energy
5.17 conservation improvements ~~shall not be included by the commission in the determination~~
5.18 of determining (i) just and reasonable electric and gas rates for retail electric and gas
5.19 service provided to large ~~electric~~ customer facilities ~~that whose electric utilities~~ have been
5.20 exempted by the commissioner of the department pursuant to under section 216B.241,
5.21 subdivision 1a, paragraph (b) with respect to those large customer facilities; or (ii) just and
5.22 reasonable gas rates for large energy facilities, large customer facilities whose natural gas
5.23 utilities have been exempted by the commissioner under section 216B.241, subdivision 1a,
5.24 paragraph (b) or commercial gas customer facilities whose natural gas utilities have been
5.25 exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (c).

5.26 (c) The commission may permit a public utility to file rate schedules providing
5.27 for annual recovery of the costs of energy conservation improvements. These rate
5.28 schedules may be applicable to less than all the customers in a class of retail customers
5.29 if necessary to reflect the requirements of section 216B.241. The commission shall
5.30 allow a public utility, without requiring a general rate filing under this section, to reduce
5.31 the electric ~~and gas~~ rates applicable to large ~~electric~~ customer facilities that have been
5.32 exempted by the commissioner ~~of the department pursuant to under~~ section 216B.241,
5.33 subdivision 1a, paragraph (b), and to reduce the gas rate applicable to a large energy
5.34 facility, a large customer facility or commercial customer facility that has been exempted

6.1 by the commissioner under section 216B.241, subdivision 1a, paragraph (b) or (c), or by
6.2 the commission under section 216B.241, subdivision 2, by an amount that reflects the
6.3 elimination of energy conservation improvement investments or expenditures for those
6.4 facilities. In the event that the commission has set electric or gas rates based on the use of
6.5 an accounting methodology that results in the cost of conservation improvements being
6.6 recovered from utility customers over a period of years, the rate reduction may occur in a
6.7 series of steps to coincide with the recovery of balances due to the utility for conservation
6.8 improvements made by the utility on or before December 31, 2007.

6.9 (d) Investments and expenses of a public utility shall not include electric utility
6.10 infrastructure costs as defined in section 216B.1636, subdivision 1, paragraph (b).

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

6.12 Sec. 9. Minnesota Statutes 2010, section 216B.16, subdivision 7, is amended to read:

6.13 Subd. 7. **Energy and emission control products cost adjustment.** Notwithstanding
6.14 any other provision of this chapter, the commission may permit a public utility to file
6.15 rate schedules containing provisions for the automatic adjustment of charges for public
6.16 utility service in direct relation to changes in:

6.17 (1) federally regulated wholesale rates for energy delivered through interstate
6.18 facilities;

6.19 (2) direct costs for natural gas delivered; ~~or~~

6.20 (3) costs for fuel used in generation of electricity or the manufacture of gas; or

6.21 (4) prudent costs incurred by a public utility for sorbents, reagents, or chemicals
6.22 used to control emissions from an electric generation facility, provided that these costs are
6.23 not recovered elsewhere in rates. The utility must track and report annually the volumes
6.24 and costs of sorbents, reagents, or chemicals using separate accounts by generating plant.

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

6.26 Sec. 10. Minnesota Statutes 2010, section 216B.16, subdivision 9, is amended to read:

6.27 Subd. 9. **Charitable contribution.** The commission shall allow as operating
6.28 expenses only those charitable contributions ~~which that~~ the commission deems prudent and
6.29 ~~which that~~ qualify under section ~~290.21, subdivision 3, clause (b)~~ 300.66, subdivision 3.
6.30 Only 50 percent of the qualified contributions ~~shall be~~ are allowed as operating expenses.

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

6.32 Sec. 11. Minnesota Statutes 2010, section 216B.16, subdivision 15, is amended to read:

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7.1 Subd. 15. **Low-income affordability programs.** (a) The commission must
7.2 consider ability to pay as a factor in setting utility rates and may establish affordability
7.3 programs for low-income residential ratepayers in order to ensure affordable, reliable,
7.4 and continuous service to low-income utility customers. ~~Affordability programs may~~
7.5 ~~include inverted block rates in which lower energy prices are made available to lower~~
7.6 ~~usage customers. By September 1, 2007,~~ A public utility serving low-income residential
7.7 ratepayers who use natural gas for heating must file an affordability program with the
7.8 commission. For purposes of this subdivision, "low-income residential ratepayers" means
7.9 ratepayers who receive energy assistance from the low-income home energy assistance
7.10 program (LIHEAP).

7.11 (b) Any affordability program the commission orders a utility to implement must:

7.12 (1) lower the percentage of income that participating low-income households devote
7.13 to energy bills;

7.14 (2) increase participating customer payments over time by increasing the frequency
7.15 of payments;

7.16 (3) decrease or eliminate participating customer arrears;

7.17 (4) lower the utility costs associated with customer account collection activities; and

7.18 (5) coordinate the program with other available low-income bill payment assistance
7.19 and conservation resources.

7.20 (c) In ordering affordability programs, the commission may require public utilities to
7.21 file program evaluations that measure the effect of the affordability program on:

7.22 (1) the percentage of income that participating households devote to energy bills;

7.23 (2) service disconnections; and

7.24 (3) frequency of customer payments, utility collection costs, arrearages, and bad
7.25 debt.

7.26 (d) The commission must issue orders necessary to implement, administer, and
7.27 evaluate affordability programs, and to allow a utility to recover program costs, including
7.28 administrative costs, on a timely basis. The commission may not allow a utility to recover
7.29 administrative costs, excluding start-up costs, in excess of five percent of total program
7.30 costs, or program evaluation costs in excess of two percent of total program costs. The
7.31 commission must permit deferred accounting, with carrying costs, for recovery of program
7.32 costs incurred during the period between general rate cases.

7.33 (e) Public utilities may use information collected or created for the purpose of
7.34 administering energy assistance to administer affordability programs.

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

8.1 Sec. 12. Minnesota Statutes 2010, section 216B.16, is amended by adding a
8.2 subdivision to read:

8.3 Subd. 19. **Multiyear rate plan.** (a) A public utility may propose, and the
8.4 commission may approve, approve as modified, or reject, a multiyear rate plan as provided
8.5 in this subdivision. The term "multiyear rate plan" refers to a plan establishing the rates
8.6 the utility may charge for each year of the specified period of years, which cannot exceed
8.7 three years, to be covered by the plan. The commission may approve a multiyear rate plan
8.8 only if it finds that the plan establishes just and reasonable rates for the utility, applying
8.9 the factors described in subdivision 6. Consistent with subdivision 4, the burden of proof
8.10 to demonstrate that the multiyear rate plan is just and reasonable is on the public utility
8.11 proposing the plan.

8.12 (b) Rates charged under the multiyear rate plan must be based only upon the utility's
8.13 reasonable and prudent costs of service over the term of the plan, as determined by the
8.14 commission, provided that the costs are not being recovered elsewhere in rates. Rate
8.15 adjustments authorized under subdivisions 6b and 7 may continue outside of a plan
8.16 authorized under this subdivision.

8.17 (c) The commission may, by order, establish terms, conditions, and procedures for a
8.18 multiyear rate plan necessary to implement this section and ensure that rates remain just
8.19 and reasonable during the course of the plan, including terms and procedures for rate
8.20 adjustment. At any time prior to conclusion of a multiyear rate plan, the commission,
8.21 upon its own motion or upon petition of any party, has the discretion to examine the
8.22 reasonableness of the utility's rates under the plan, and adjust rates as necessary.

8.23 (d) In reviewing a multiyear rate plan proposed in a general rate case under
8.24 this section, the commission may extend the time requirements for issuance of a final
8.25 determination prescribed in this section by an additional 90 days beyond its existing
8.26 authority under subdivision 2, paragraph (f).

8.27 (e) A utility may not file a multiyear rate plan that would establish rates under the
8.28 terms of the plan until after May 31, 2012.

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

8.30 Sec. 13. **[216B.1614] NUCLEAR POWER PLANT DECOMMISSIONING AND**
8.31 **STORAGE OF USED NUCLEAR FUEL.**

8.32 Subdivision 1. **Decommissioning costs.** (a) The Public Utilities Commission shall,
8.33 when considering approval of a plan for the accrual of funds for the decommissioning of
8.34 nuclear facilities filed in accordance with a commission order, include an evaluation of the
8.35 costs, if any, arising from storage of used nuclear fuel that may be incurred by the state of

9.1 Minnesota, and any tribal community, county, city, or township where used nuclear fuel is
9.2 located following the cessation of operations at a nuclear plant.

9.3 (b) To assist the commission in making the determination required in paragraph
9.4 (a), the filing shall provide cost estimates, including ratepayer impacts, assuming used
9.5 nuclear fuel will be stored in the state for 60 years, 100 years, and 200 years following the
9.6 cessation of operation of the nuclear plant.

9.7 Subd. 2. **Rate.** A public utility filing a decommissioning plan in accordance with
9.8 a commission order and this section may include, as part of a general rate case petition,
9.9 the costs of decommissioning accrual incurred in complying with a commission order
9.10 implementing this section.

9.11 Subd. 3. **Commission report.** The commission shall prepare a nuclear
9.12 decommissioning report after each of the commission's periodic review of nuclear
9.13 decommissioning costs. The report shall be submitted within 180 days of the date of
9.14 the final order related to that review to the chairs and ranking minority members of the
9.15 legislative committees with primary jurisdiction over energy policy and public safety.
9.16 That report shall, without limitation, include the following:

9.17 (1) an explanation of the commission's funding decisions regarding nuclear
9.18 decommissioning;

9.19 (2) the progress of the United States Department of Energy to remove from
9.20 Minnesota spent fuel produced by nuclear generating plants in Minnesota;

9.21 (3) an analysis of the financial and other obligations related to decommissioning and
9.22 storage of used fuel of the utility holding title to spent nuclear fuel to the state and to host
9.23 communities, including affected tribal communities; and

9.24 (4) any recommendations to the legislature on legislation or other actions that may
9.25 be necessary for addressing long-term or indefinite storage costs.

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

9.27 Sec. 14. Minnesota Statutes 2010, section 216B.1691, subdivision 1, is amended to
9.28 read:

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

9.32 (1) solar;

9.33 (2) wind;

9.34 (3) hydroelectric with a capacity of less than 100 megawatts;

10.1 (4) hydrogen, provided that after January 1, 2010, the hydrogen must be generated
10.2 from the resources listed in this paragraph; or

10.3 (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester
10.4 system; the predominantly organic components of wastewater effluent, sludge, or related
10.5 by-products from publicly owned treatment works, but not including incineration of
10.6 wastewater sludge to produce electricity; and an energy recovery facility used to capture
10.7 the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal
10.8 solid waste as a primary fuel.

10.9 (b) "Electric utility" means a public utility providing electric service, a generation
10.10 and transmission cooperative electric association, a municipal power agency, or a power
10.11 district.

10.12 (c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year
10.13 by an electric utility to retail customers of the electric utility or to a distribution utility
10.14 for distribution to the retail customers of the distribution utility. "Total retail electric
10.15 sales" does not include the sale of hydroelectricity supplied by a federal power marketing
10.16 administration or other federal agency, regardless of whether the sales are directly to a
10.17 distribution utility or are made to a generation and transmission utility and pooled for
10.18 further allocation to a distribution utility.

10.19 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2010,
10.20 and applies to sales of electricity made on and after that date.

10.21 Sec. 15. Minnesota Statutes 2010, section 216B.1691, is amended by adding a
10.22 subdivision to read:

10.23 Subd. 2e. **Rate impact of standard compliance; report.** Each electric utility must
10.24 submit to the commission and the legislative committees with primary jurisdiction over
10.25 energy policy a report containing an estimation of the rate impact of activities of the
10.26 electric utility necessary to comply with section 216B.1691. The rate impact estimate
10.27 must be for wholesale rates and, if the electric utility makes retail sales, the estimate
10.28 shall also be for the impact on the electric utility's retail rates. Those activities include,
10.29 without limitation, energy purchases, generation facility acquisition and construction,
10.30 and transmission improvements. An initial report must be submitted within 150 days of
10.31 the effective date of this section. After the initial report, a report must be updated and
10.32 submitted as part of each integrated resource plan or plan modification filed by the electric
10.33 utility under section 216B.2422. The reporting obligation of an electric utility under
10.34 this subdivision expires December 31, 2025, for an electric utility subject to subdivision

11.1 2a, paragraph (a), and December 31, 2020, for an electric utility subject to subdivision
11.2 2a, paragraph (b).

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

11.4 Sec. 16. Minnesota Statutes 2010, section 216B.1694, is amended by adding a
11.5 subdivision to read:

11.6 Subd. 3. **Staging and permitting.** (a) A natural gas-fired plant that is located
11.7 on one site designated as an innovative energy project site under subdivision 1, clause
11.8 (3), is accorded the regulatory incentives granted to an innovative energy project under
11.9 subdivision 2, clauses (1) through (3), and may exercise the authorities therein.

11.10 (b) Following issuance of a final state or federal environmental impact statement for
11.11 an innovative energy project that was a subject of contested case proceedings before an
11.12 administrative law judge:

11.13 (1) site and route permits and water appropriation approvals for an innovative energy
11.14 project must also be deemed valid for a plant meeting the requirements of paragraph (a)
11.15 and shall remain valid until the earlier of (i) four years from the date the final required
11.16 state or federal preconstruction permit is issued or (ii) June 30, 2019; and

11.17 (2) no air, water, or other permit issued by a state agency that is necessary for
11.18 constructing an innovative energy project may be the subject of contested case hearings,
11.19 notwithstanding Minnesota Rules, parts 7000.1750 to 7000.2200.

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

11.21 Sec. 17. Minnesota Statutes 2010, section 216B.2401, is amended to read:

11.22 **216B.2401 ENERGY CONSERVATION POLICY GOAL.**

11.23 It is the energy policy of the state of Minnesota to achieve annual energy savings
11.24 equal to 1.5 percent of annual retail energy sales of electricity and natural gas directly
11.25 through energy conservation improvement programs and rate design, ~~such as inverted~~
11.26 ~~block rates in which lower energy prices are made available to lower-usage residential~~
11.27 ~~customers,~~ and indirectly through energy codes and appliance standards, programs
11.28 designed to transform the market or change consumer behavior, energy savings resulting
11.29 from efficiency improvements to the utility infrastructure and system, and other efforts to
11.30 promote energy efficiency and energy conservation.

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

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- 12.1 Sec. 18. Minnesota Statutes 2010, section 216B.241, subdivision 1, is amended to read:
- 12.2 Subdivision 1. **Definitions.** For purposes of this section and section 216B.16,
- 12.3 subdivision 6b, the terms defined in this subdivision have the meanings given them.
- 12.4 (a) "Commission" means the Public Utilities Commission.
- 12.5 (b) "Commissioner" means the commissioner of commerce.
- 12.6 (c) ~~"Customer facility" means all buildings, structures, equipment, and installations~~
- 12.7 ~~at a single site.~~
- 12.8 ~~(d)~~ "Department" means the Department of Commerce.
- 12.9 ~~(e)~~ (d) "Energy conservation" means demand-side management of energy supplies
- 12.10 resulting in a net reduction in energy use. Load management that reduces overall energy
- 12.11 use is energy conservation.
- 12.12 ~~(f)~~ (e) "Energy conservation improvement" means a project that results in energy
- 12.13 efficiency or energy conservation. Energy conservation improvement may include waste
- 12.14 heat recovery converted into electricity but does not include electric utility infrastructure
- 12.15 projects approved by the commission under section 216B.1636.
- 12.16 ~~(g)~~ (f) "Energy efficiency" means measures or programs, including energy
- 12.17 conservation measures or programs, that target consumer behavior, equipment, processes,
- 12.18 or devices designed to produce either an absolute decrease in consumption of electric
- 12.19 energy or natural gas or a decrease in consumption of electric energy or natural gas on a
- 12.20 per unit of production basis without a reduction in the quality or level of service provided
- 12.21 to the energy consumer.
- 12.22 ~~(h)~~ (g) "Gross annual retail energy sales" means annual electric sales to all retail
- 12.23 customers in a utility's or association's Minnesota service territory or natural gas
- 12.24 throughput to all retail customers, including natural gas transportation customers, on a
- 12.25 utility's distribution system in Minnesota. For purposes of this section, gross annual
- 12.26 retail energy sales exclude:
- 12.27 (1) gas sales to:
- 12.28 (i) a large energy facility;
- 12.29 (ii) a large customer facility whose natural gas utility has been exempted by the
- 12.30 commissioner under subdivision 1a, paragraph (b), with respect to natural gas sales made
- 12.31 to the large customer facility; and
- 12.32 (iii) a commercial gas customer facility whose natural gas utility has been exempted
- 12.33 by the commissioner under subdivision 1a, paragraph (c), with respect to natural gas sales
- 12.34 made to the commercial gas customer facility; and gas and

13.1 (2) electric sales to a large ~~electric~~ customer facility whose electric utility has been
13.2 exempted by the commissioner under subdivision 1a, paragraph (b), with respect to
13.3 electric sales made to the large customer facility.

13.4 ~~(h)~~ (h) "Investments and expenses of a public utility" includes the investments
13.5 and expenses incurred by a public utility in connection with an energy conservation
13.6 improvement, including but not limited to:

13.7 (1) the differential in interest cost between the market rate and the rate charged on a
13.8 no-interest or below-market interest loan made by a public utility to a customer for the
13.9 purchase or installation of an energy conservation improvement;

13.10 (2) the difference between the utility's cost of purchase or installation of energy
13.11 conservation improvements and any price charged by a public utility to a customer for
13.12 such improvements.

13.13 ~~(i)~~ (i) "Large ~~electric~~ customer facility" means ~~a customer facility that imposes all~~
13.14 buildings, structures, equipment, and installations at a single site that collectively: (1)
13.15 impose a peak electrical demand on an electric utility's system of not less than 20,000
13.16 kilowatts, measured in the same way as the utility that serves the customer facility
13.17 measures electrical demand for billing purposes, ~~and for which electric services are~~
13.18 ~~provided at retail on a single bill by a utility operating in the state~~ or (2) consume not less
13.19 than 500 million cubic feet of natural gas annually. In calculating peak electrical demand,
13.20 a large customer facility may include demand offset by on-site cogeneration facilities and,
13.21 if engaged in mineral extraction, may aggregate peak energy demand from the large
13.22 customer facility's mining and processing operations.

13.23 ~~(j)~~ (j) "Large energy facility" has the meaning given it in section 216B.2421,
13.24 subdivision 2, clause (1).

13.25 ~~(k)~~ (k) "Load management" means an activity, service, or technology to change the
13.26 timing or the efficiency of a customer's use of energy that allows a utility or a customer to
13.27 respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

13.28 ~~(l)~~ (l) "Low-income programs" means energy conservation improvement programs
13.29 that directly serve the needs of low-income persons, including low-income renters.

13.30 (m) "Qualifying utility" means a utility that supplies the energy to a customer that
13.31 enables the customer to qualify as a large customer facility.

13.32 (n) "Waste heat recovery converted into electricity" means an energy recovery
13.33 process that converts otherwise lost energy from the heat of exhaust stacks or pipes used
13.34 for engines or manufacturing or industrial processes, or the reduction of high pressure
13.35 in water or gas pipelines.

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

14.1 Sec. 19. Minnesota Statutes 2010, section 216B.241, subdivision 1a, is amended to
14.2 read:

14.3 Subd. 1a. **Investment, expenditure, and contribution; public utility.** (a) For
14.4 purposes of this subdivision and subdivision 2, "public utility" has the meaning given it
14.5 in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy
14.6 conservation improvements under this subdivision and subdivision 2 the following
14.7 amounts:

14.8 (1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues
14.9 from service provided in the state;

14.10 (2) for a utility that furnishes electric service, 1.5 percent of its gross operating
14.11 revenues from service provided in the state; and

14.12 (3) for a utility that furnishes electric service and that operates a nuclear-powered
14.13 electric generating plant within the state, two percent of its gross operating revenues
14.14 from service provided in the state.

14.15 For purposes of this paragraph (a), "gross operating revenues" do not include
14.16 revenues from large ~~electric~~ customer facilities exempted ~~by the commissioner~~ under
14.17 paragraph (b), or from commercial gas customers that are exempted under paragraph
14.18 (c) or (e).

14.19 (b) The owner of a large ~~electric~~ customer facility may petition the commissioner to
14.20 exempt both electric and gas utilities serving the large ~~energy~~ customer facility from the
14.21 investment and expenditure requirements of paragraph (a) with respect to retail revenues
14.22 attributable to the large customer facility. ~~At a minimum, the petition must be supported~~
14.23 ~~by evidence relating to competitive or economic pressures on the customer and a showing~~
14.24 ~~by the customer of reasonable efforts to identify, evaluate, and implement cost-effective~~
14.25 ~~conservation improvements at the facility. If a petition is filed on or before October 1 of~~
14.26 ~~any year, the order of the commissioner to exempt revenues attributable to the facility can~~
14.27 ~~be effective no earlier than January 1 of the following year. The commissioner shall~~
14.28 ~~not grant an exemption if the commissioner determines that granting the exemption~~
14.29 ~~is contrary to the public interest. The commissioner may, after investigation, rescind~~
14.30 ~~any exemption granted under this paragraph upon a determination that the customer is~~
14.31 ~~not continuing to make reasonable efforts to identify, evaluate, and implement energy~~
14.32 ~~conservation improvements at the large electric customer facility. For the purposes of~~
14.33 ~~investigations by the commissioner under this paragraph, the owner of any large electric~~
14.34 ~~customer facility shall, upon request, provide the commissioner with updated information~~
14.35 ~~comparable to that originally supplied in or with the owner's original petition under this~~
14.36 ~~paragraph. The filing must include a discussion of the competitive or economic pressures~~

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15.1 facing the owner of the facility and the efforts taken by the owner to identify, evaluate,
15.2 and implement energy conservation and efficiency improvements. A filing submitted on
15.3 or before October 1 of any year must be approved within 90 days and become effective
15.4 January 1 of the year following the filing, unless the commissioner finds that the owner of
15.5 the large customer facility has failed to take reasonable measures to identify, evaluate,
15.6 and implement energy conservation and efficiency improvements. If a facility qualifies as
15.7 a large customer facility solely due to its peak electrical demand or annual natural gas
15.8 usage, the exemption may be limited to the qualifying utility if the commissioner finds
15.9 that the owner of the large customer facility has failed to take reasonable measures to
15.10 identify, evaluate, and implement energy conservation and efficiency improvements with
15.11 respect to the nonqualifying utility. Once an exemption is approved, the commissioner
15.12 may request the owner of a large customer facility to submit, not more often than once
15.13 every five years, a report demonstrating the large customer facility's ongoing commitment
15.14 to energy conservation and efficiency improvement after the exemption filing. The
15.15 commissioner may request such reports for up to ten years after the effective date of
15.16 the exemption, unless the majority ownership of the large customer facility changes, in
15.17 which case the commissioner may request additional reports for up to ten years after the
15.18 change in ownership occurs. The commissioner may, within 180 days of receiving a report
15.19 submitted under this paragraph, rescind any exemption granted under this paragraph upon
15.20 a determination that the large customer facility is not continuing to make reasonable efforts
15.21 to identify, evaluate, and implement energy conservation improvements. A large customer
15.22 facility that is, under an order from the commissioner, exempt from the investment and
15.23 expenditure requirements of paragraph (a) as of December 31, 2010, is not required to
15.24 submit a report to retain its exempt status, except as otherwise provided in this paragraph
15.25 with respect to ownership changes. No exempt large customer facility may participate in
15.26 a utility conservation improvement program unless the owner of the facility submits a
15.27 filing with the commissioner to withdraw its exemption.

15.28 (c) A commercial gas customer that is not a large customer facility and that
15.29 purchases or acquires natural gas from a public utility having fewer than 600,000 natural
15.30 gas customers in Minnesota may petition the commissioner to exempt gas utilities serving
15.31 the commercial gas customer from the investment and expenditure requirements of
15.32 paragraph (a) with respect to retail revenues attributable to the commercial gas customer.
15.33 The petition must be supported by evidence demonstrating that the commercial gas
15.34 customer has acquired or can reasonably acquire the capability to bypass use of the utility's
15.35 gas distribution system by obtaining natural gas directly from a supplier not regulated by

16.1 the commission. The commissioner shall grant the exemption if the commissioner finds
16.2 that the petitioner has made the demonstration required by this paragraph.

16.3 (d) The commissioner may require investments or spending greater than the amounts
16.4 required under this subdivision for a public utility whose most recent advance forecast
16.5 required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100
16.6 megawatts or greater within five years under midrange forecast assumptions.

16.7 ~~(d)~~ (e) A public utility or owner of a large ~~electric~~ customer facility may appeal a
16.8 decision of the commissioner under paragraph (b) ~~or~~ (c), or (d) to the commission under
16.9 subdivision 2. In reviewing a decision of the commissioner under paragraph (b) ~~or~~ (c), or
16.10 (d), the commission shall rescind the decision if it finds that the required investments or
16.11 spending will:

16.12 (1) not result in cost-effective energy conservation improvements; or

16.13 (2) otherwise not be in the public interest.

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

16.15 Sec. 20. Minnesota Statutes 2010, section 216B.241, subdivision 1c, is amended to
16.16 read:

16.17 Subd. 1c. **Energy-saving goals.** (a) The commissioner shall establish energy-saving
16.18 goals for energy conservation improvement expenditures and shall evaluate an energy
16.19 conservation improvement program on how well it meets the goals set.

16.20 (b) Each individual utility and association shall have an annual energy-savings
16.21 goal equivalent to 1.5 percent of gross annual retail energy sales unless modified by the
16.22 commissioner under paragraph (d). The savings goals must be calculated based on the
16.23 most recent three-year weather normalized average. A utility or association may elect to
16.24 carry forward energy savings in excess of 1.5 percent for a year to the succeeding three
16.25 calendar years, except that savings from electric utility infrastructure projects allowed
16.26 under paragraph (d) may be carried forward for five years. A particular energy savings can
16.27 be used only for one year's goal.

16.28 (c) The commissioner must adopt a filing schedule that is designed to have all
16.29 utilities and associations operating under an energy-savings plan by calendar year 2010.

16.30 (d) In its energy conservation improvement plan filing, a utility or association may
16.31 request the commissioner to adjust its annual energy-savings percentage goal based on
16.32 its historical conservation investment experience, customer class makeup, load growth, a
16.33 conservation potential study, or other factors the commissioner determines warrants an
16.34 adjustment. The commissioner may not approve a plan of a public utility that provides for

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17.1 an annual energy-savings goal of less than one percent of gross annual retail energy sales
17.2 from energy conservation improvements.

17.3 A utility or association may include in its energy conservation plan energy savings
17.4 from electric utility infrastructure projects approved by the commission under section
17.5 216B.1636 or waste heat recovery converted into electricity projects that may count as
17.6 energy savings in addition to ~~the~~ a minimum energy-savings goal of at least one percent
17.7 for energy conservation improvements. Electric utility infrastructure projects must result
17.8 in increased energy efficiency greater than that which would have occurred through
17.9 normal maintenance activity.

17.10 (e) An energy-savings goal is not satisfied by attaining the revenue expenditure
17.11 requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the
17.12 energy-savings goal established in this subdivision.

17.13 (f) An association or utility is not required to make energy conservation investments
17.14 to attain the energy-savings goals of this subdivision that are not cost-effective even
17.15 if the investment is necessary to attain the energy-savings goals. For the purpose of
17.16 this paragraph, in determining cost-effectiveness, the commissioner shall consider the
17.17 costs and benefits to ratepayers, the utility, participants, and society. In addition, the
17.18 commissioner shall consider the rate at which an association or municipal utility is
17.19 increasing its energy savings and its expenditures on energy conservation.

17.20 (g) On an annual basis, the commissioner shall produce and make publicly available
17.21 a report on the annual energy savings and estimated carbon dioxide reductions achieved
17.22 by the energy conservation improvement programs for the two most recent years for
17.23 which data is available. The commissioner shall report on program performance both in
17.24 the aggregate and for each entity filing an energy conservation improvement plan for
17.25 approval or review by the commissioner.

17.26 (h) By January 15, 2010, the commissioner shall report to the legislature whether
17.27 the spending requirements under subdivisions 1a and 1b are necessary to achieve the
17.28 energy-savings goals established in this subdivision.

17.29 **EFFECTIVE DATE.** This section is effective the day following final enactment
17.30 and applies to energy savings plans for calendar year 2012 and thereafter.

17.31 Sec. 21. Minnesota Statutes 2010, section 216B.241, subdivision 2, is amended to read:

17.32 Subd. 2. **Programs.** (a) The commissioner may require public utilities to make
17.33 investments and expenditures in energy conservation improvements, explicitly setting
17.34 forth the interest rates, prices, and terms under which the improvements must be offered to

18.1 the customers. The required programs must cover no more than a three-year period. Public
18.2 utilities shall file conservation improvement plans by June 1, on a schedule determined by
18.3 order of the commissioner, but at least every three years. Plans received by a public utility
18.4 by June 1 must be approved or approved as modified by the commissioner by December
18.5 1 of that same year. The commissioner shall evaluate the program on the basis of
18.6 cost-effectiveness and the reliability of technologies employed. The commissioner's order
18.7 must provide to the extent practicable for a free choice, by consumers participating in the
18.8 program, of the device, method, material, or project constituting the energy conservation
18.9 improvement and for a free choice of the seller, installer, or contractor of the energy
18.10 conservation improvement, provided that the device, method, material, or project seller,
18.11 installer, or contractor is duly licensed, certified, approved, or qualified, including under
18.12 the residential conservation services program, where applicable.

18.13 (b) The commissioner may require a utility to make an energy conservation
18.14 improvement investment or expenditure whenever the commissioner finds that the
18.15 improvement will result in energy savings at a total cost to the utility less than the cost
18.16 to the utility to produce or purchase an equivalent amount of new supply of energy. The
18.17 commissioner shall nevertheless ensure that every public utility operate one or more
18.18 programs under periodic review by the department.

18.19 (c) Each public utility subject to subdivision 1a may spend and invest annually up to
18.20 ten percent of the total amount required to be spent and invested on energy conservation
18.21 improvements under this section by the utility on research and development projects
18.22 that meet the definition of energy conservation improvement in subdivision 1 and that
18.23 are funded directly by the public utility.

18.24 (d) A public utility may not spend for or invest in energy conservation improvements
18.25 that directly benefit a large energy facility or a large electric customer facility for which
18.26 the commissioner has issued an exemption pursuant to subdivision 1a, paragraph (b).
18.27 The commissioner shall consider and may require a utility to undertake a program
18.28 suggested by an outside source, including a political subdivision, a nonprofit corporation,
18.29 or community organization.

18.30 (e) A utility, a political subdivision, or a nonprofit or community organization
18.31 that has suggested a program, the attorney general acting on behalf of consumers and
18.32 small business interests, or a utility customer that has suggested a program and is not
18.33 represented by the attorney general under section 8.33 may petition the commission to
18.34 modify or revoke a department decision under this section, and the commission may do
18.35 so if it determines that the program is not cost-effective, does not adequately address the
18.36 residential conservation improvement needs of low-income persons, has a long-range

19.1 negative effect on one or more classes of customers, or is otherwise not in the public
19.2 interest. The commission shall reject a petition that, on its face, fails to make a reasonable
19.3 argument that a program is not in the public interest.

19.4 (f) The commissioner may order a public utility to include, with the filing of the
19.5 utility's ~~proposed conservation improvement plan under paragraph (a)~~ annual status report,
19.6 the results of an independent audit of the utility's conservation improvement programs and
19.7 expenditures performed by the department or an auditor with experience in the provision
19.8 of energy conservation and energy efficiency services approved by the commissioner and
19.9 chosen by the utility. The audit must specify the energy savings or increased efficiency
19.10 in the use of energy within the service territory of the utility that is the result of the
19.11 spending and investments. The audit must evaluate the cost-effectiveness of the utility's
19.12 conservation programs.

19.13 (g) A gas utility may not spend for or invest in energy conservation improvements
19.14 that directly benefit a large customer facility or commercial gas customer facility for
19.15 which the commissioner has issued an exemption pursuant to subdivision 1a, paragraph
19.16 (b), (c), or (e). The commissioner shall consider and may require a utility to undertake
19.17 a program suggested by an outside source, including a political subdivision, a nonprofit
19.18 corporation, or community organization.

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

19.20 Sec. 22. Minnesota Statutes 2010, section 216B.2425, subdivision 2, is amended to
19.21 read:

19.22 Subd. 2. **List development; transmission projects report.** (a) By November
19.23 1 of each odd-numbered year, a transmission projects report must be submitted to the
19.24 commission by each utility, organization, or company that:

19.25 (1) is a public utility, a municipal utility, a cooperative electric association, the
19.26 generation and transmission organization that serves each utility or association, or a
19.27 transmission company; and

19.28 (2) owns or operates electric transmission lines in Minnesota, except a company or
19.29 organization that owns a transmission line that serves a single customer or interconnects a
19.30 single generating facility.

19.31 (b) The report may be submitted jointly or individually to the commission.

19.32 (c) The report must:

19.33 (1) list specific present and reasonably foreseeable future inadequacies in the
19.34 transmission system in Minnesota;

19.35 (2) identify alternative means of addressing each inadequacy listed;

20.1 (3) identify general economic, environmental, and social issues associated with
20.2 each alternative; and

20.3 (4) provide a summary of public input related to the list of inadequacies and the role
20.4 of local government officials and other interested persons in assisting to develop the list
20.5 and analyze alternatives.

20.6 (d) To meet the requirements of this subdivision, reporting parties may rely on
20.7 available information and analysis developed by a regional transmission organization
20.8 or any subgroup of a regional transmission organization and may develop and include
20.9 additional information as necessary.

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

20.11 Sec. 23. Minnesota Statutes 2010, section 216B.49, subdivision 3, is amended to read:

20.12 Subd. 3. **Commission approval required.** It ~~shall be~~ is unlawful for any public
20.13 utility organized under the laws of this state to offer or sell any security or, if organized
20.14 under the laws of any other state or foreign country, to subject property in this state to
20.15 an encumbrance for the purpose of securing the payment of any indebtedness unless the
20.16 security issuance of the public utility ~~shall~~ is first ~~be~~ approved by the commission, either
20.17 as an individual issuance or as one of multiple possible issuances approved in the course
20.18 of a periodic proceeding reviewing the utility's proposed sources and uses of capital funds.
20.19 Approval by the commission ~~shall~~ must be by formal written order.

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

20.21 Sec. 24. Minnesota Statutes 2010, section 216B.62, subdivision 2, is amended to read:

20.22 Subd. 2. **Assessing specific utility.** Whenever the commission or department, in a
20.23 proceeding upon its own motion, on complaint, or upon an application to it, shall deem it
20.24 necessary, in order to carry out the duties imposed under this chapter ~~and section 216A.085~~
20.25 (1) to investigate the books, accounts, practices, and activities of, or make appraisals of
20.26 the property of, any public utility, (2) to render any engineering or accounting services to
20.27 any public utility, or (3) to intervene before an energy regulatory agency, the public utility
20.28 shall pay the expenses reasonably attributable to the investigation, appraisal, service,
20.29 or intervention. The commission and department shall ascertain the expenses, and the
20.30 department shall render a bill therefor to the public utility, either at the conclusion of the
20.31 investigation, appraisal, or services, or from time to time during its progress, which bill
20.32 shall constitute notice of the assessment and a demand for payment. The amount of the
20.33 bills so rendered by the department shall be paid by the public utility into the state treasury

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21.1 within 30 days from the date of rendition. The total amount, in any one calendar year, for
21.2 which any public utility shall become liable, by reason of costs incurred by the commission
21.3 within that calendar year, shall not exceed two-fifths of one percent of the gross operating
21.4 revenue from retail sales of gas, or electric service by the public utility within the state in
21.5 the last preceding calendar year. Where, pursuant to this subdivision, costs are incurred
21.6 within any calendar year which are in excess of two-fifths of one percent of the gross
21.7 operating revenues, the excess costs shall not be chargeable as part of the remainder under
21.8 subdivision 3, but shall be paid out of the general appropriation to the department and
21.9 commission. In the case of public utilities offering more than one public utility service
21.10 only the gross operating revenues from the public utility service in connection with which
21.11 the investigation is being conducted shall be considered when determining this limitation.

21.12 **EFFECTIVE DATE.** This section is effective July 1, 2011.

21.13 Sec. 25. Minnesota Statutes 2010, section 216B.62, subdivision 3, is amended to read:

21.14 Subd. 3. **Assessing all public utilities.** The department and commission shall
21.15 quarterly, at least 30 days before the start of each quarter, estimate the total of their
21.16 expenditures in the performance of their duties relating to public utilities under sections
21.17 ~~216A.085~~ and 216B.01 to 216B.67, other than amounts chargeable to public utilities
21.18 under subdivision 2, 6, 7, or 8. The remainder shall be assessed by the commission and
21.19 department to the several public utilities in proportion to their respective gross operating
21.20 revenues from retail sales of gas or electric service within the state during the last calendar
21.21 year. The assessment shall be paid into the state treasury within 30 days after the bill has
21.22 been transmitted via mail, personal delivery, or electronic service to the several public
21.23 utilities, which shall constitute notice of the assessment and demand of payment thereof.
21.24 The total amount which may be assessed to the public utilities, under authority of this
21.25 subdivision, shall not exceed one-sixth of one percent of the total gross operating revenues
21.26 of the public utilities during the calendar year from retail sales of gas or electric service
21.27 within the state. The assessment for the third quarter of each fiscal year shall be adjusted
21.28 to compensate for the amount by which actual expenditures by the commission and
21.29 department for the preceding fiscal year were more or less than the estimated expenditures
21.30 previously assessed.

21.31 **EFFECTIVE DATE.** This section is effective July 1, 2011.

21.32 Sec. 26. Minnesota Statutes 2010, section 216B.62, is amended by adding a
21.33 subdivision to read:

22.1 Subd. 3b. Assessment for department regional and national duties. In addition
22.2 to other assessments in subdivision 3, the department may assess up to \$1,000,000 per
22.3 fiscal year for performing its duties under section 216A.07, subdivision 3a. The amount
22.4 in this subdivision shall be assessed to energy utilities in proportion to their respective
22.5 gross operating revenues from retail sales of gas or electric service within the state
22.6 during the last calendar year and shall be deposited into an account in the special revenue
22.7 fund and is appropriated to the commissioner of commerce for the purposes of section
22.8 216A.07, subdivision 3a. An assessment made under this subdivision is not subject to
22.9 the cap on assessments provided in subdivision 3 or any other law. For the purpose of
22.10 this subdivision, an "energy utility" means public utilities, generation and transmission
22.11 cooperative electric associations, and municipal power agencies providing natural gas or
22.12 electric service in the state. This subdivision expires June 30, 2015.

22.13 **EFFECTIVE DATE.** This section is effective July 1, 2011.

22.14 Sec. 27. Minnesota Statutes 2010, section 216C.11, is amended to read:

22.15 **216C.11 ENERGY CONSERVATION INFORMATION CENTER.**

22.16 The commissioner shall establish an Energy Information Center in the department's
22.17 offices in St. Paul. The information center shall maintain a toll-free telephone information
22.18 service and disseminate printed materials on energy conservation topics, including but
22.19 not limited to, availability of loans and other public and private financing methods
22.20 for energy conservation physical improvements, the techniques and materials used to
22.21 conserve energy in buildings, including retrofitting or upgrading insulation and installing
22.22 weatherstripping, the projected prices and availability of different sources of energy,
22.23 and alternative sources of energy.

22.24 The Energy Information Center shall serve as the official Minnesota Alcohol Fuels
22.25 Information Center and shall disseminate information, printed, by the toll-free telephone
22.26 information service, or otherwise on the applicability and technology of alcohol fuels.

22.27 The information center shall include information on the potential hazards of energy
22.28 conservation techniques and improvements in the printed materials disseminated. The
22.29 commissioner shall not be liable for damages arising from the installation or operation of
22.30 equipment or materials recommended by the information center.

22.31 The information center shall use the information collected under section 216C.02,
22.32 subdivision 1, to maintain a central source of information on conservation and other
22.33 energy-related programs, including both programs required by law or rule and programs
22.34 developed and carried on voluntarily. ~~In particular, the information center shall compile~~

23.1 ~~and maintain information on policies covering disconnections or denials of fuel during~~
23.2 ~~cold weather adopted by public utilities and other fuel suppliers not governed by section~~
23.3 ~~216B.096 or 216B.097, including the number of households disconnected or denied fuel~~
23.4 ~~and the duration of the disconnections or denials.~~

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

23.6 Sec. 28. Minnesota Statutes 2010, section 216C.264, is amended to read:

23.7 **216C.264 COORDINATING RESIDENTIAL WEATHERIZATION**
23.8 **PROGRAMS.**

23.9 Subdivision 1. **Agency designation.** The department is the state agency to apply
23.10 for, receive, and disburse money made available to the state by federal law for the purpose
23.11 of weatherizing the residences of low-income persons. The commissioner must coordinate
23.12 available federal money with state money appropriated for this purpose.

23.13 Subd. 2. **Grants.** The commissioner must make grants of federal and state money
23.14 to community action agencies and other public or private nonprofit agencies for the
23.15 purpose of weatherizing the residences of low-income persons. ~~Grant applications must~~
23.16 ~~be submitted in accordance with rules promulgated by the commissioner.~~

23.17 Subd. 3. **Benefits of weatherization.** In the case of any grant made to an owner of a
23.18 rental dwelling unit for weatherization, the commissioner must require that (1) the benefits
23.19 of weatherization assistance in connection with the dwelling unit accrue primarily to the
23.20 low-income family that resides in the unit; (2) the rents on the dwelling unit will not be
23.21 raised because of any increase in value due solely to the weatherization assistance; and (3)
23.22 no undue or excessive enhancement will occur to the value of the dwelling unit.

23.23 ~~Subd. 4. **Rules.** The commissioner must promulgate rules that describe procedures~~
23.24 ~~for the administration of grants, data to be reported by grant recipients, and compliance~~
23.25 ~~with relevant federal regulations. The commissioner must require that a rental unit~~
23.26 ~~weatherized under this section be rented to a household meeting the income limits of~~
23.27 ~~the program for 24 of the 36 months after weatherization is complete. In applying this~~
23.28 ~~restriction to multiunit buildings weatherized under this section, the commissioner must~~
23.29 ~~require that occupancy continue to reflect the proportion of eligible households in the~~
23.30 ~~building at the time of weatherization.~~

23.31 Subd. 5. **Grant allocation.** The commissioner must distribute supplementary
23.32 state grants in a manner consistent with the goal of producing the maximum number of
23.33 weatherized units. Supplementary state grants are provided primarily for the payment of

24.1 additional labor costs for the federal weatherization program, and as an incentive for the
24.2 increased production of weatherized units.

24.3 Criteria for the allocation of state grants to local agencies include existing local
24.4 agency production levels, emergency needs, and the potential for maintaining or increasing
24.5 acceptable levels of production in the area.

24.6 An eligible local agency may receive advance funding for 90 days' production, but
24.7 thereafter must receive grants solely on the basis of program criteria.

24.8 Subd. 6. **Eligibility criteria.** To the extent allowed by federal regulations, the
24.9 commissioner must ensure that the same income eligibility criteria apply to both the
24.10 weatherization program and the energy assistance program.

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

24.12 Sec. 29. Minnesota Statutes 2010, section 216E.18, subdivision 3, is amended to read:

24.13 Subd. 3. **Funding; assessment.** The commission shall finance its baseline studies,
24.14 general environmental studies, development of criteria, inventory preparation, monitoring
24.15 of conditions placed on site and route permits, and all other work, other than specific site
24.16 and route designation, from an assessment made quarterly, at least 30 days before the start
24.17 of each quarter, by the commission against all utilities with annual retail kilowatt-hour
24.18 sales greater than 4,000,000 kilowatt-hours in the previous calendar year.

24.19 Each share shall be determined as follows: (1) the ratio that the annual retail
24.20 kilowatt-hour sales in the state of each utility bears to the annual total retail kilowatt-hour
24.21 sales in the state of all these utilities, multiplied by 0.667, plus (2) the ratio that the annual
24.22 gross revenue from retail kilowatt-hour sales in the state of each utility bears to the annual
24.23 total gross revenues from retail kilowatt-hour sales in the state of all these utilities,
24.24 multiplied by 0.333, as determined by the commission. The assessment shall be credited
24.25 to the special revenue fund and shall be paid to the state treasury within 30 days after
24.26 receipt of the bill, which shall constitute notice of said assessment and demand of payment
24.27 thereof. The total amount which may be assessed to the several utilities under authority
24.28 of this subdivision shall not exceed the sum of the annual budget of the commission
24.29 for carrying out the purposes of this subdivision. The assessment for the ~~second~~ third
24.30 quarter of each fiscal year shall be adjusted to compensate for the amount by which actual
24.31 expenditures by the commission for the preceding fiscal year were more or less than the
24.32 estimated expenditures previously assessed.

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

25.1 Sec. 30. Minnesota Statutes 2010, section 216H.03, subdivision 7, is amended to read:

25.2 Subd. 7. **Other exemptions.** The prohibitions in subdivision 3 do not apply to:

25.3 (1) a new large energy facility under consideration by the Public Utilities
25.4 Commission pursuant to proposals or applications filed with the Public Utilities
25.5 Commission before April 1, 2007, or to any power purchase agreement related to a facility
25.6 described in this clause. The exclusion of pending proposals and applications from the
25.7 prohibitions in subdivision 3 does not limit the applicability of any other law and is not an
25.8 expression of legislative intent regarding whether any pending proposal or application
25.9 should be approved or denied;

25.10 (2) a contract not subject to commission approval that was entered into prior to
25.11 April 1, 2007, to purchase power from a new large energy facility that was approved by
25.12 a comparable authority in another state prior to that date, for which municipal or public
25.13 power district bonds have been issued, and on which construction has begun; ~~or~~

25.14 (3) a new large energy facility or a power purchase agreement between a Minnesota
25.15 utility and a new large energy facility located outside Minnesota that the Public
25.16 Utilities Commission has determined is essential to ensure the long-term reliability of
25.17 Minnesota's electric system, to allow electric service for increased industrial demand,
25.18 or to avoid placing a substantial financial burden on Minnesota ratepayers. An order
25.19 of the commission granting an exemption under this clause is stayed until the June 1
25.20 following the next regular or annual session of the legislature that begins after the date of
25.21 the commission's final order; or

25.22 (4) a new large energy facility with a combined electric generating capacity of less
25.23 than 100 megawatts, which did not require a Minnesota certificate of need, which received
25.24 an air pollution control permit to construct from an adjoining state before January 1, 2008,
25.25 and on which construction began before July 1, 2008, or to any power purchase agreement
25.26 related to a facility described in this clause.

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

25.28 Sec. 31. **CONSERVATION IMPROVEMENT PROGRAM EXEMPTION;**
25.29 **TEMPORARY COMMISSIONER AUTHORITY.**

25.30 The commissioner of commerce may, if the commissioner determines it is in the
25.31 public interest, grant an initial exemption to a gas customer petitioning for an exemption
25.32 under Minnesota Statutes, section 216B.241, subdivision 1a, paragraph (b) or (c), effective
25.33 sooner than otherwise provided under Minnesota Statutes, section 216B.241, subdivision
25.34 1a. This section applies only to customers of a gas utility that on May 1, 2011, was subject
25.35 to a Public Utilities Commission order temporarily exempting certain of its customers

26.1 from the imposition of conservation improvement program charges associated with
26.2 obligations imposed on the utility under Minnesota Statutes, section 216B.241. This
26.3 section expires December 31, 2011.

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

26.5 Sec. 32. **TEMPORARY PROHIBITION ON PUBLIC UTILITIES**
26.6 **COMMISSION APPROVAL OF CERTAIN RENEWABLE DEVELOPMENT**
26.7 **ACCOUNT EXPENDITURES.**

26.8 (a) Notwithstanding Minnesota Statutes, section 116C.779, the Public Utilities
26.9 Commission may not approve expenditures from the renewable development account
26.10 for which commission approval is required by Minnesota Statutes, section 116C.779,
26.11 subdivision 1, during the period between the effective date of this section and July 1, 2012.

26.12 (b) This section does not prohibit commission approval for rate recovery rider filings
26.13 for expenditures from the renewable development account.

26.14 (c) This section does not prohibit expenditures for projects approved by the
26.15 commission before the effective date of this section.

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

26.17 Sec. 33. **MELROSE PUBLIC UTILITIES COMMISSION MEMBERSHIP.**

26.18 Notwithstanding Minnesota Statutes, section 412.341, subdivision 1, the city
26.19 of Melrose may by ordinance increase the membership of the city's public utilities
26.20 commission to a maximum of seven members. The ordinance may also provide for the
26.21 terms of the commission members and the terms must be staggered, provide that residency
26.22 within the city is not a qualification for serving on the commission, and permit one or
26.23 more members of the city council to serve on the commission.

26.24 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after
26.25 the governing body of the city of Melrose and its chief clerical officer complete in timely
26.26 fashion their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

26.27 Sec. 34. **REPEALER.**

26.28 (a) Minnesota Statutes 2010, sections 216A.085; 216B.242; 216C.052, subdivisions
26.29 1, 2, and 4; and 216F.09, are repealed.

26.30 (b) The repeal of section 216B.242 does not affect an inverted rate pilot program
26.31 ordered by the Public Utilities Commission under that section before May 1, 2011.