

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1735

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DATE	D-PG	OFFICIAL STATUS
03/16/2015	894	Introduction and first reading Referred to Environment and Energy
04/16/2015	1733a	Comm report: To pass as amended Joint rule 2.03, referred to Rules and Administration
05/06/2015	3298	Comm report: Adopt previous comm report
	3298	Second reading
05/07/2015	3405a	Special Order: Amended
	3418	Third reading Passed See HF3, Art. 3, Sec. 17-19, 22 (First Special Session)

A bill for an act

1.1 relating to energy; modifying the guaranteed energy-savings program;
1.2 increasing the size limit of natural gas utilities not subject to rate regulation;
1.3 allowing performance-based, multiyear rate plans; allowing rate recovery for
1.4 natural gas extension projects; modifying the renewable energy standard;
1.5 modifying certificate of need exemptions; modifying energy auditor standards;
1.6 making changes to the energy improvements program for local governments;
1.7 modifying eligibility for various siting requirements; providing for competitive
1.8 rate schedules for energy-intensive trade-exposed electric utility customers;
1.9 modifying and adding definitions; amending Minnesota Statutes 2014, sections
1.10 16C.144; 216B.02, by adding subdivisions; 216B.16, subdivisions 6, 7b, 12, 19;
1.11 216B.1691, subdivision 2a; 216B.2421, subdivision 2; 216B.2425; 216C.31;
1.12 216C.435, subdivisions 3a, 4, 5, 10, by adding a subdivision; 216C.436,
1.13 subdivisions 1, 2; 216E.01, subdivision 5; 216E.021; 216E.03, subdivision 3;
1.14 216E.05, subdivision 2; 453A.02, subdivision 5; proposing coding for new law
1.15 in Minnesota Statutes, chapters 216B; 216E; repealing Minnesota Statutes 2014,
1.16 section 216C.436, subdivision 6.
1.17

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

1.19 Section 1. Minnesota Statutes 2014, section 16C.144, is amended to read:

1.20 **16C.144 GUARANTEED ENERGY-SAVINGS PROGRAM.**

1.21 Subdivision 1. **Definitions.** The following definitions apply to this section.

1.22 (a) "Utility" means electricity, natural gas, or other energy resource, water, and
1.23 wastewater.

1.24 (b) "Utility cost savings" means the difference between the utility costs after
1.25 installation of the utility cost-savings measures pursuant to the guaranteed energy-savings
1.26 agreement and the baseline utility costs after baseline adjustments have been made.

1.27 (c) "Baseline" means the preagreement utilities, operations, and maintenance costs.

1.28 (d) "Utility cost-savings measure" means a measure that produces utility cost savings
1.29 or operation and maintenance cost savings.

2.1 (e) "Operation and maintenance cost savings" means a measurable difference
2.2 between operation and maintenance costs after the installation of the utility cost-savings
2.3 measures pursuant to the guaranteed energy-savings agreement and the baseline operation
2.4 and maintenance costs after inflation adjustments have been made. Operation and
2.5 maintenance costs savings shall not include savings from in-house staff labor.

2.6 (f) "Guaranteed energy-savings agreement" means an agreement for the installation
2.7 of one or more utility cost-savings measures that includes the qualified provider's
2.8 guarantee as required under subdivision 2.

2.9 (g) "Baseline adjustments" means adjusting the utility cost-savings baselines
2.10 annually for changes in the following variables:

- 2.11 (1) utility rates;
- 2.12 (2) number of days in the utility billing cycle;
- 2.13 (3) square footage of the facility;
- 2.14 (4) operational schedule of the facility;
- 2.15 (5) facility temperature set points;
- 2.16 (6) weather; and
- 2.17 (7) amount of equipment or lighting utilized in the facility.

2.18 (h) "Inflation adjustment" means adjusting the operation and maintenance
2.19 cost-savings baseline annually for inflation.

2.20 (i) ~~"Lease purchase agreement~~ Project financing" means ~~an agreement any type of~~
2.21 financing including but not limited to lease, lease purchase, installment agreements, or
2.22 bonds for those other than the state who have bonding authority, obligating the state to
2.23 make regular lease payments to satisfy the lease costs of the utility cost-savings measures
2.24 until the final payment, ~~after which time the utility cost-savings measures become the~~
2.25 ~~sole property of the state of Minnesota.~~

2.26 (j) "Qualified provider" means a person or business experienced in the design,
2.27 implementation, and installation of utility cost-savings measures.

2.28 (k) "Engineering report" means a report prepared by a professional engineer licensed
2.29 by the state of Minnesota summarizing estimates of all costs of installations, modifications,
2.30 or remodeling, including costs of design, engineering, installation, maintenance, repairs,
2.31 and estimates of the amounts by which utility and operation and maintenance costs will be
2.32 reduced.

2.33 (l) "Capital cost avoidance" means money expended by a state agency to pay for
2.34 utility cost-savings measures with a guaranteed savings agreement so long as the measures
2.35 that are being implemented to achieve the utility, operation, and maintenance cost savings
2.36 are a significant portion of an overall project as determined by the commissioner.

3.1 (m) "Guaranteed energy-savings program guidelines" means policies, procedures,
3.2 and requirements of guaranteed savings agreements established by the Department of
3.3 Administration.

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

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

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

3.13 (3) the term of the guaranteed energy-savings agreement shall not exceed 25 years
3.14 from the date of final installation;

3.15 (4) the commissioner finds that the amount it would spend, less the amount
3.16 contributed for capital cost avoidance, on the utility cost-savings measures recommended
3.17 in the engineering report will not exceed the amount to be saved in utility operation and
3.18 maintenance costs over 25 years from the date of implementation of utility cost-savings
3.19 measures;

3.20 (5) the qualified provider provides a written guarantee that the annual utility,
3.21 operation, and maintenance cost savings during the term of the guaranteed energy-savings
3.22 agreement will meet or exceed the annual payments due under ~~a lease purchase agreement~~
3.23 the project financing. The qualified provider shall reimburse the state for any shortfall of
3.24 guaranteed utility, operation, and maintenance cost savings; and

3.25 (6) the qualified provider gives a sufficient bond in accordance with section
3.26 574.26 to the commissioner for the faithful implementation and installation of the utility
3.27 cost-savings measures.

3.28 Subd. 3. ~~Lease purchase agreement~~ **Project financing**. The commissioner
3.29 may enter into ~~a lease purchase agreement~~ project financing with any party for the
3.30 implementation of utility cost-savings measures in accordance with the guaranteed
3.31 energy-savings agreement. ~~The implementation costs of the utility cost-savings measures~~
3.32 ~~recommended in the engineering report shall not exceed the amount to be saved in utility~~
3.33 ~~and operation and maintenance costs over the term of the lease purchase agreement.~~ The
3.34 term of the ~~lease purchase agreement~~ project financing shall not exceed 25 years from
3.35 the date of final installation. The ~~lease~~ project financing is assignable in accordance with
3.36 terms approved by the commissioner of management and budget.

4.1 Subd. 4. **Use of capital cost avoidance.** The affected state agency may contribute
4.2 funds for capital cost avoidance for guaranteed energy-savings agreements. Use of capital
4.3 cost avoidance is subject to the guaranteed energy-savings program guidelines within the
4.4 Department of Administration.

4.5 Subd. 5. **Independent report.** For each guaranteed energy-savings agreement
4.6 entered into, the commissioner of administration shall contract with an independent third
4.7 party to evaluate the cost-effectiveness of each utility cost-savings measure implemented
4.8 to ensure that such measures were the least-cost measures available. For the purposes of
4.9 this section, "independent third party" means an entity not affiliated with the qualified
4.10 provider, that is not involved in creating or providing conservation project services to that
4.11 provider, and that has expertise (or access to expertise) in energy-savings practices.

4.12 Sec. 2. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
4.13 to read:

4.14 Subd. 3a. **Propane.** "Propane" means a gas made of primarily propane and butane,
4.15 and stored in liquid form in pressurized tanks.

4.16 Sec. 3. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
4.17 to read:

4.18 Subd. 3b. **Propane storage facility.** "Propane storage facility" means a facility
4.19 designed to store or capable of storing propane in liquid form in pressurized tanks.

4.20 Sec. 4. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
4.21 to read:

4.22 Subd. 6b. **Synthetic gas.** "Synthetic gas" means flammable gas created from (1)
4.23 gaseous, liquid, or solid hydrocarbons, or (2) other organic or inorganic matter. Synthetic
4.24 gas includes hydrogen or methane produced through processing, but does not include
4.25 propane.

4.26 Sec. 5. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
4.27 to read:

4.28 Subd. 11. **Repowering.** "Repowering" means the modification of a large wind
4.29 energy conversion system or a solar-powered large energy facility to increase efficiency,
4.30 replace a large wind energy conversion system, or, if the Midcontinent Independent
4.31 System Operator has provided a signed generator interconnection agreement that reflects

5.1 the expected net power increase, an increase to the nameplate capacity of the wind energy
 5.2 conversion system.

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

5.4 Sec. 6. Minnesota Statutes 2014, section 216B.16, subdivision 6, is amended to read:

5.5 Subd. 6. **Factors considered, generally.** The commission, in the exercise of its
 5.6 powers under this chapter to determine just and reasonable rates for public utilities, shall
 5.7 give due consideration to the public need for adequate, efficient, and reasonable service
 5.8 and to the need of the public utility for revenue sufficient to enable it to meet the cost of
 5.9 furnishing the service, including adequate provision for depreciation of its utility property
 5.10 used and useful in rendering service to the public, and to earn a fair and reasonable return
 5.11 upon the investment in such property. In determining the rate base upon which the utility
 5.12 is to be allowed to earn a fair rate of return, the commission shall give due consideration to
 5.13 evidence of the cost of the property when first devoted to public use, to prudent acquisition
 5.14 cost to the public utility less appropriate depreciation on each, to construction work in
 5.15 progress, to offsets in the nature of capital provided by sources other than the investors,
 5.16 and to other expenses of a capital nature. For purposes of determining rate base, the
 5.17 commission shall consider the original cost of utility property included in the base and
 5.18 shall make no allowance for its estimated current replacement value. If the commission
 5.19 orders a generating facility to terminate its operations before the end of the facility's
 5.20 physical life in order to comply with a specific state or federal energy statute or policy,
 5.21 the commission may allow the public utility to recover any positive net book value of the
 5.22 facility as determined by the commission.

5.23 Sec. 7. Minnesota Statutes 2014, section 216B.16, subdivision 7b, is amended to read:

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

5.27 (i) new transmission facilities that have been separately filed and reviewed and
 5.28 approved by the commission under section 216B.243 or new transmission or distribution
 5.29 facilities that are certified as a priority project or deemed to be a priority transmission
 5.30 project under section 216B.2425;

5.31 (ii) new transmission facilities approved by the regulatory commission of the state
 5.32 in which the new transmission facilities are to be constructed, to the extent approval
 5.33 is required by the laws of that state, and determined by the Midcontinent Independent
 5.34 System Operator to benefit the utility or integrated transmission system; and

6.1 (iii) charges incurred by a utility under a federally approved tariff that accrue
 6.2 from other transmission owners' regionally planned transmission projects that have been
 6.3 determined by the Midcontinent Independent System Operator to benefit the utility or
 6.4 integrated transmission system.

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

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

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

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

6.20 (4) allows the utility to recover costs associated with distribution planning required
 6.21 under section 216B.2425;

6.22 (5) allows the utility to recover costs associated with investments in distribution
 6.23 facilities to modernize the utility's grid that have been certified by the commission under
 6.24 section 216B.2425;

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

6.27 ~~(7)~~ (7) provides a current return on construction work in progress, provided that
 6.28 recovery from Minnesota retail customers for the allowance for funds used during
 6.29 construction is not sought through any other mechanism;

6.30 ~~(6)~~ (8) allows for recovery of other expenses if shown to promote a least-cost project
 6.31 option or is otherwise in the public interest;

6.32 ~~(7)~~ (9) allocates project costs appropriately between wholesale and retail customers;

6.33 ~~(8)~~ (10) provides a mechanism for recovery above cost, if necessary to improve the
 6.34 overall economics of the project or projects or is otherwise in the public interest; and

6.35 ~~(9)~~ (11) terminates recovery once costs have been fully recovered or have otherwise
 6.36 been reflected in the utility's general rates.

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

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

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

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

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

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

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

7.15 Sec. 8. Minnesota Statutes 2014, section 216B.16, subdivision 12, is amended to read:

7.16 Subd. 12. **Exemption for small gas utility franchise.** (a) A municipality may file
7.17 with the commission a resolution of its governing body requesting exemption from the
7.18 provisions of this section for a public utility that is under a franchise with the municipality
7.19 to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in
7.20 the municipality as long as the public utility serves no more than a total of ~~2,000~~ 5,000
7.21 customers.

7.22 (b) The commission shall grant an exemption from this section for that portion of
7.23 a public utility's business that is requested by each municipality it serves. Furthermore,
7.24 the commission shall also grant the public utility an exemption from this section for any
7.25 service provided outside of a municipality's border that is considered by the commission
7.26 to be incidental. The public utility shall file with the commission and the department
7.27 all initial and subsequent changes in rates, tariffs, and contracts for service outside the
7.28 municipality at least 30 days in advance of implementation.

7.29 (c) However, the commission shall require the utility to adopt the commission's
7.30 policies and procedures governing disconnection during cold weather. The utility shall
7.31 annually submit a copy of its municipally approved rates to the commission.

7.32 (d) In all cases covered by this subdivision in which an exemption for service outside
7.33 of a municipality is granted, the commission may initiate an investigation under section
7.34 216B.17, on its own motion or upon complaint from a customer.

8.1 (e) If a municipality files with the commission a resolution of its governing body
8.2 rescinding the request for exemption, the commission shall regulate the public utility's
8.3 business in that municipality under this section.

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

8.5 Sec. 9. Minnesota Statutes 2014, section 216B.16, subdivision 19, is amended to read:

8.6 Subd. 19. **Multiyear rate plan.** (a) A public utility may propose, and the
8.7 commission may approve, approve as modified, or reject, a multiyear rate plan as provided
8.8 in this subdivision. The term "multiyear rate plan" refers to a plan establishing the rates the
8.9 utility may charge for each year of the specified period of years, which cannot exceed ~~three~~
8.10 five years, to be covered by the plan. A utility proposing a multiyear rate plan shall provide
8.11 a general description of the utility's major planned investments over the plan period.
8.12 The commission may also require the utility to provide a set of reasonable performance
8.13 measures and incentives that are quantifiable, verifiable, and consistent with state energy
8.14 policies. The commission may allow the utility to adjust recovery of its cost of capital or
8.15 other costs in a reasonable manner within the plan period. The utility may propose:

8.16 (1) recovery of the utility's forecasted rate base, based on a formula, a budget forecast,
8.17 or a fixed escalation rate, individually or in combination. The forecasted rate base must
8.18 include the utility's planned capital investments and investment-related costs, including
8.19 income tax impacts, depreciation and property taxes, as well as forecasted capacity-related
8.20 costs from purchased power agreements that are not recovered through subdivision 7;

8.21 (2) recovery of operations and maintenance expenses, based on an electricity-related
8.22 price index or other formula;

8.23 (3) tariffs that expand the products and services available to customers, including,
8.24 but not limited to, an affordability rate for low-income residential customers; and

8.25 (4) adjustments to the rates approved under the multiyear plan for rate changes
8.26 that the commission determines to be just and reasonable, including, but not limited
8.27 to, changes in the utility's cost of operating its nuclear facilities, or other significant
8.28 investments not addressed in the plan.

8.29 (b) A utility that has filed a petition with the commission to approve a multiyear
8.30 rate plan may request to be allowed to implement interim rates for the first and second
8.31 years of the multiyear plan. If the commission approves the request, interim rates shall be
8.32 implemented in the same manner as allowed under subdivision 3.

8.33 (c) The commission may approve a multiyear rate plan only if it finds that the plan
8.34 establishes just and reasonable rates for the utility, applying the factors described in

9.1 subdivision 6. Consistent with subdivision 4, the burden of proof to demonstrate that the
 9.2 multiyear rate plan is just and reasonable is on the public utility proposing the plan.

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

9.8 ~~(e)~~ (e) The commission may, by order, establish terms, conditions, and procedures
 9.9 for a multiyear rate plan necessary to implement this section and ensure that rates remain
 9.10 just and reasonable during the course of the plan, including terms and procedures for rate
 9.11 adjustment. At any time prior to conclusion of a multiyear rate plan, the commission,
 9.12 upon its own motion or upon petition of any party, has the discretion to examine the
 9.13 reasonableness of the utility's rates under the plan, and adjust rates as necessary.

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

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

9.20 (h) The commission may initiate a proceeding to determine a set of performance
 9.21 measures that can be used to assess a utility operating under a multiyear rate plan.

9.22 Sec. 10. **[216B.1615] ELECTRIC VEHICLE PROMOTION PROGRAM.**

9.23 Subdivision 1. Definitions. (a) For the purposes of this section and section
 9.24 216B.1616, the terms defined in this subdivision have the meanings given them.

9.25 (b) "Electric vehicle charging station" means a public or private parking space
 9.26 that is served by battery charging station equipment that has as its primary purpose the
 9.27 transfer of electric energy by conductive or inductive means to a battery or other energy
 9.28 storage device in an electric vehicle.

9.29 (c) "Electric vehicle infrastructure" means structures, machinery, and equipment
 9.30 necessary and integral to support an electric vehicle, including electric vehicle charging
 9.31 stations and battery exchange stations.

9.32 (d) "Public utility" has the meaning given in section 216B.02, subdivision 4.

9.33 (e) "Electric vehicle" or "plug-in vehicle" means an electric drive motor vehicle that
 9.34 draws propulsion using a traction battery that has at least five kilowatt hours (kWh) of

10.1 capacity, uses an external source of energy to recharge the battery, and has a gross vehicle
10.2 weight rating of up to 14,000 pounds.

10.3 Subd. 2. **Program.** (a) By February 1, 2016, each public utility serving a city of the
10.4 first class must file with the commission a program to promote the purchase of electric
10.5 vehicles by their customers and the construction of electric vehicle infrastructure.

10.6 (b) The program may include, but is not limited to, the following elements:

10.7 (1) educational resources for individuals, electric vehicle dealers, multifamily
10.8 housing developers and property management companies, and vehicle fleet managers; and

10.9 (2) rebates for installing electric vehicle charging stations at residences or workplaces.

10.10 Subd. 3. **Program review and implementation.** The commissioner of commerce
10.11 shall review the program plans submitted under this section. The commissioner shall
10.12 approve, modify, or reject the plan based on the plan's effectiveness in promoting electric
10.13 vehicles among utility customers, and the extent to which the plan will result in the
10.14 construction of electric vehicle infrastructure. If the commissioner rejects a utility's plan,
10.15 the utility must submit a new plan for commissioner review within 75 days of the notice of
10.16 rejection. The utility shall begin implementing the plan within 90 days of commissioner
10.17 approval.

10.18 Subd. 4. **Cost recovery.** Notwithstanding section 216B.16, subdivision 8, paragraph
10.19 (a), clause (3), the commission shall approve recovery of costs for expenses incurred by a
10.20 public utility to provide public advertisement as part of a promotion program and the costs
10.21 reasonably incurred to implement and administer the program in subdivision 2.

10.22 Subd. 5. **Reporting.** Beginning one year after implementing a program approved by
10.23 the commissioner, each public utility implementing a plan under this section shall report
10.24 annually to the commissioner on its activities to promote electric vehicle usage and the
10.25 outcomes of those efforts and the potential to utilize plug-in vehicles as dynamic demand
10.26 response resources or to develop vehicle-to-grid technology.

10.27 Sec. 11. **[216B.1638] RECOVERY OF NATURAL GAS EXTENSION PROJECT**
10.28 **COSTS.**

10.29 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in
10.30 this subdivision have the meanings given them.

10.31 (b) "Contribution in aid of construction" means a monetary contribution, paid by
10.32 a developer or local unit of government to a utility providing natural gas service to a
10.33 community receiving that service as the result of a natural gas extension project, that
10.34 reduces or offsets the difference between the total revenue requirement of the project and
10.35 the revenue generated from the customers served by the project.

11.1 (c) "Developer" means a developer of the project or a person that owns or will own
11.2 the property served by the project.

11.3 (d) "Local unit of government" means a city, county, township, commission, district,
11.4 authority, or other political subdivision or instrumentality of this state.

11.5 (e) "Natural gas extension project" or "project" means the construction of new
11.6 infrastructure or upgrades to existing natural gas facilities necessary to serve currently
11.7 unserved or inadequately served areas.

11.8 (f) "Revenue deficiency" means the deficiency in funds that results when projected
11.9 revenues from customers receiving natural gas service as the result of a natural gas
11.10 extension project, plus any contributions in aid of construction paid by these customers,
11.11 fall short of the total revenue requirement of the natural gas extension project.

11.12 (g) "Total revenue requirement" means the total cost of extending and maintaining
11.13 service to a currently unserved or inadequately served area.

11.14 (h) "Unserved or inadequately served area" means an area in this state lacking
11.15 adequate natural gas pipeline infrastructure to meet the demand of existing or potential
11.16 end-use customers.

11.17 Subd. 2. **Filing.** (a) A public utility may petition the commission outside of a
11.18 general rate case for a rider that shall include all of the utility's customers, including
11.19 transport customers, to recover the revenue deficiency from a natural gas extension project.

11.20 (b) The petition shall include:

11.21 (1) a description of the natural gas extension project, including the number and
11.22 location of new customers to be served and the distance over which natural gas will be
11.23 distributed to serve the unserved or inadequately served area;

11.24 (2) the project's construction schedule;

11.25 (3) the proposed project budget;

11.26 (4) the amount of any contributions in aid of construction;

11.27 (5) a description of efforts made by the public utility to offset the revenue deficiency
11.28 through contributions in aid to construction;

11.29 (6) the proposed method and amount of recovery by customer class and whether
11.30 the utility is proposing that the rider be a flat fee, a volumetric charge, or another form of
11.31 recovery;

11.32 (7) how recovery of the revenue deficiency will be allocated between industrial,
11.33 commercial, residential, and transport customers;

11.34 (8) the proposed termination date of the rider to recover the revenue deficiency; and

11.35 (9) a description of benefits to the public utility's existing natural gas customers that
11.36 will accrue from the natural gas extension project.

12.1 Subd. 3. **Review; approval.** (a) The commission shall allow opportunity for
 12.2 comment on the petition.

12.3 (b) The commission may approve a public utility's petition for a rider to recover the
 12.4 costs of a natural gas extension project if it determines that:

12.5 (1) the project is designed to extend natural gas service to an unserved or
 12.6 inadequately served area; and

12.7 (2) project costs are reasonable and prudently incurred.

12.8 (c) The commission must not approve a rider under this section that allows a utility
 12.9 to recover more than 33 percent of the costs of a natural gas extension project.

12.10 (d) The revenue deficiency from a natural gas extension project recoverable through
 12.11 a rider under this section must include the currently authorized rate of return, incremental
 12.12 income taxes, incremental property taxes, incremental depreciation expenses, and any
 12.13 incremental operation and maintenance costs.

12.14 Subd. 4. **Commission authority; order.** The commission may issue orders
 12.15 necessary to implement and administer this section.

12.16 Subd. 5. **Implementation.** Nothing in this section commits a public utility to
 12.17 implement a project approved by the commission. The public utility seeking to provide
 12.18 natural gas service shall notify the commission whether it intends to proceed with the
 12.19 project as approved by the commission.

12.20 Subd. 6. **Evaluation and report.** By January 15, 2017, and every three years
 12.21 thereafter, the commission shall report to the chairs and ranking minority members of the
 12.22 senate and house of representatives committees having jurisdiction over energy:

12.23 (1) the number of public utilities and projects proposed and approved under this
 12.24 section;

12.25 (2) the total cost of each project;

12.26 (3) rate impacts of the cost recovery mechanism; and

12.27 (4) an assessment of the effectiveness of the cost recovery mechanism in realizing
 12.28 increased natural gas service to unserved or inadequately served areas from natural gas
 12.29 extension projects.

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

12.31 Sec. 12. Minnesota Statutes 2014, section 216B.1691, subdivision 2a, is amended to
 12.32 read:

12.33 Subd. 2a. **Eligible energy technology standard.** (a) Except as provided in
 12.34 paragraph (b), each electric utility shall generate or procure sufficient electricity generated
 12.35 by an eligible energy technology to provide its retail customers in Minnesota, or the

13.1 retail customers of a distribution utility to which the electric utility provides wholesale
 13.2 electric service, so that at least the following standard percentages of the electric utility's
 13.3 total retail electric sales to retail customers in Minnesota are generated by eligible energy
 13.4 technologies by the end of the year indicated:

- | | | | |
|------|-----|------|-------------|
| 13.5 | (1) | 2012 | 12 percent |
| 13.6 | (2) | 2016 | 17 percent |
| 13.7 | (3) | 2020 | 20 percent |
| 13.8 | (4) | 2025 | 25 percent. |

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

- | | | | |
|-------|-----|------|-------------|
| 13.17 | (1) | 2010 | 15 percent |
| 13.18 | (2) | 2012 | 18 percent |
| 13.19 | (3) | 2016 | 25 percent |
| 13.20 | (4) | 2020 | 30 percent. |

13.21 ~~Of the 30 percent in 2020, at least 25 percent must be generated by solar energy~~
 13.22 ~~or wind energy conversion systems and the remaining five percent by other eligible~~
 13.23 ~~energy technology. Of the 25 percent that must be generated by wind or solar, no more~~
 13.24 ~~than one percent may be solar generated and the remaining 24 percent or greater must~~
 13.25 ~~be wind generated.~~

13.26 Sec. 13. Minnesota Statutes 2014, section 216B.2421, subdivision 2, is amended to read:

13.27 Subd. 2. **Large energy facility.** "Large energy facility" means:

13.28 (1) any electric power generating plant or combination of plants at a single site with
 13.29 a combined capacity of 50,000 kilowatts or more and transmission lines directly associated
 13.30 with the plant that are necessary to interconnect the plant to the transmission system;

13.31 (2) any high-voltage transmission line with a capacity of 200 kilovolts or more and
 13.32 greater than 1,500 feet in length;

13.33 (3) any high-voltage transmission line with a capacity of 100 kilovolts or more with
 13.34 more than ten miles of its length in Minnesota or that crosses a state line;

14.1 (4) any pipeline greater than six inches in diameter and having more than 50 miles of
 14.2 its length in Minnesota used for the transportation of coal, crude petroleum or petroleum
 14.3 fuels or oil, or their derivatives;

14.4 (5) any pipeline for transporting natural or synthetic gas at pressures in excess of
 14.5 200 pounds per square inch with more than 50 miles of its length in Minnesota;

14.6 (6) any facility designed for or capable of storing on a single site more than 100,000
 14.7 gallons of liquefied natural gas or synthetic gas, excluding propane storage facilities;

14.8 (7) any underground gas storage facility requiring a permit pursuant to section
 14.9 103I.681;

14.10 (8) any nuclear fuel processing or nuclear waste storage or disposal facility; and

14.11 (9) any facility intended to convert any material into any other combustible fuel and
 14.12 having the capacity to process in excess of 75 tons of the material per hour.

14.13 Sec. 14. Minnesota Statutes 2014, section 216B.2425, is amended to read:

14.14 **216B.2425 STATE TRANSMISSION AND DISTRIBUTION PLAN.**

14.15 Subdivision 1. **List.** The commission shall maintain a list of certified high-voltage
 14.16 transmission line projects.

14.17 Subd. 2. **List development; transmission projects report.** (a) By November
 14.18 1 of each odd-numbered year, a transmission projects report must be submitted to the
 14.19 commission by each utility, organization, or company that:

14.20 (1) is a public utility, a municipal utility, a cooperative electric association, the
 14.21 generation and transmission organization that serves each utility or association, or a
 14.22 transmission company; and

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

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

14.27 (c) The report must:

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

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

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

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

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

15.5 (e) In addition to providing the information required under this subdivision, a utility
15.6 operating under a multiyear rate plan approved by the commission under section 216B.16,
15.7 subdivision 19, shall identify in its report investments that it considers necessary to
15.8 modernize the transmission and distribution system by enhancing reliability, improving
15.9 security against cyber and physical threats, and by increasing energy conservation
15.10 opportunities by facilitating communication between the utility and its customers
15.11 through the use of two-way meters, control technologies, energy storage and microgrids,
15.12 technologies to enable demand response, and other innovative technologies.

15.13 Subd. 3. **Commission approval.** By June 1 of each even-numbered year, the
15.14 commission shall adopt a state transmission project list and shall certify, certify as
15.15 modified, or deny certification of the transmission and distribution projects proposed
15.16 under subdivision 2. The commission may only certify a project that is a high-voltage
15.17 transmission line as defined in section 216B.2421, subdivision 2, that the commission
15.18 finds is:

15.19 (1) necessary to maintain or enhance the reliability of electric service to Minnesota
15.20 consumers;

15.21 (2) needed, applying the criteria in section 216B.243, subdivision 3; and

15.22 (3) in the public interest, taking into account electric energy system needs and
15.23 economic, environmental, and social interests affected by the project.

15.24 Subd. 4. **List; effect.** Certification of a project as a priority electric transmission
15.25 project satisfies section 216B.243. A certified project on which construction has not begun
15.26 more than six years after being placed on the list, must be reapproved by the commission.

15.27 Subd. 5. **Transmission inventory.** The Department of Commerce shall create,
15.28 maintain, and update annually an inventory of transmission lines in the state.

15.29 Subd. 6. **Exclusion.** This section does not apply to any transmission line proposal
15.30 that has been approved by, or was pending before, a local unit of government, the
15.31 Environmental Quality Board, or the Public Utilities Commission on August 1, 2001.

15.32 Subd. 7. **Transmission needed to support renewable resources.** (a) Each entity
15.33 subject to this section shall determine necessary transmission upgrades to support
15.34 development of renewable energy resources required to meet objectives under section
15.35 216B.1691 and shall include those upgrades in its report under subdivision 2.

15.36 (b) MS 2008 [Expired]

16.1 Subd. 8. **Distribution study for distributed generation.** Each entity subject to
 16.2 this section that is operating under a multiyear rate plan approved under section 216B.16,
 16.3 subdivision 19, shall conduct a distribution study to identify interconnection points on
 16.4 its distribution system for small-scale distributed generation resources and shall identify
 16.5 necessary distribution upgrades to support the continued development of distributed
 16.6 generation resources, and shall include the study in its report required under subdivision 2.

16.7 Sec. 15. [216B.247] **LARGE SOLAR ENERGY SYSTEM OR LWECS**
 16.8 **REPOWERING.**

16.9 (a) A large wind energy conversion system, as defined in section 216F.01,
 16.10 subdivision 2, or a solar-powered large energy facility, as defined in section 216B.2421,
 16.11 subdivision 2, engaging in a repowering project that will not result in the facility exceeding
 16.12 the nameplate capacity under its most recent interconnection agreement is exempt from
 16.13 the certificate of need requirements under section 216B.243.

16.14 (b) A large wind energy conversion system, as defined in section 216F.01,
 16.15 subdivision 2, or a solar-powered large energy facility, as defined in section 216B.2421,
 16.16 subdivision 2, engaging in a repowering project that will result in the facility exceeding
 16.17 the nameplate capacity under its most recent interconnection agreement is exempt from
 16.18 the certificate of need requirements under section 216B.243, if the project has obtained a
 16.19 signed generator interconnection agreement from the Midcontinent Independent System
 16.20 Operator that reflects the net power increase.

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

16.22 Sec. 16. Minnesota Statutes 2014, section 216C.31, is amended to read:

16.23 **216C.31 ENERGY AUDIT PROGRAMS.**

16.24 The commissioner shall develop state or approve programs ~~of for~~ energy audits of
 16.25 ~~residential and commercial buildings including the training and qualifications necessary~~
 16.26 auditors for the auditing of residential and commercial buildings ~~under the auspices of a~~
 16.27 program created under section 216B.241, 216C.436, or any other energy program.

16.28 Sec. 17. Minnesota Statutes 2014, section 216C.435, subdivision 3a, is amended to read:

16.29 Subd. 3a. **Cost-effective energy improvements.** "Cost-effective energy
 16.30 improvements" mean energy improvements that have been identified in an energy audit
 16.31 or renewable energy system feasibility study as repaying their purchase and installation

17.1 costs in 20 years or less, based on the amount of ~~future~~ energy saved and estimated future
 17.2 energy prices.

17.3 Sec. 18. Minnesota Statutes 2014, section 216C.435, subdivision 4, is amended to read:

17.4 Subd. 4. **Energy audit.** "Energy audit" means a formal evaluation of the energy
 17.5 consumption of a building by a ~~certified energy auditor, whose certification is approved by~~
 17.6 ~~the commissioner~~ qualified professional, for the purpose of identifying appropriate energy
 17.7 improvements that could be made to the building and including an estimate of the length
 17.8 of time a specific energy improvement will take to repay its purchase and installation
 17.9 costs, based on the amount of energy saved and estimated future energy prices.

17.10 Sec. 19. Minnesota Statutes 2014, section 216C.435, subdivision 5, is amended to read:

17.11 Subd. 5. **Energy improvement.** "Energy improvement" means:

17.12 (1) any renovation or retrofitting of a building to improve energy efficiency that
 17.13 is permanently affixed to the property and that results in a net reduction in energy
 17.14 consumption without altering the principal source of energy;

17.15 (2) permanent installation of new or upgraded electrical circuits and related
 17.16 equipment to enable electrical vehicle charging; ~~or~~

17.17 (3) a renewable energy system attached to, installed within, or proximate to a
 17.18 building that generates electrical or thermal energy from a renewable energy source; or

17.19 (4) the installation of infrastructure, machinery, and appliances that will allow
 17.20 natural gas to be used as a heating fuel on the premises of a building that was previously
 17.21 not connected to a source of natural gas.

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

17.23 Sec. 20. Minnesota Statutes 2014, section 216C.435, subdivision 10, is amended to read:

17.24 Subd. 10. **Renewable energy system feasibility study.** "Renewable energy system
 17.25 feasibility study" means a written study, conducted by a ~~contractor~~ qualified professional
 17.26 trained to perform that analysis, for the purpose of determining the feasibility of installing
 17.27 a renewable energy system in a building, including an estimate of the length of time
 17.28 a specific renewable energy system will take to repay its purchase and installation
 17.29 costs, based on the amount of energy saved and estimated future energy prices. For a
 17.30 geothermal energy improvement, the feasibility study must calculate net savings in terms
 17.31 of nongeothermal energy and costs.

18.1 Sec. 21. Minnesota Statutes 2014, section 216C.435, is amended by adding a
 18.2 subdivision to read:

18.3 Subd. 13. **Qualified professional.** "Qualified professional" means an individual
 18.4 who has successfully completed one of the programs developed or approved by the
 18.5 commissioner, as referenced in section 216C.31.

18.6 Sec. 22. Minnesota Statutes 2014, section 216C.436, subdivision 1, is amended to read:

18.7 Subdivision 1. **Program authority.** An implementing entity may establish a
 18.8 program to finance energy improvements to enable owners of qualifying real property
 18.9 to pay for cost-effective energy improvements to the qualifying real property ~~with the~~
 18.10 ~~net proceeds and interest earnings of revenue bonds authorized in this section.~~ An
 18.11 implementing entity may limit the number of qualifying real properties for which a
 18.12 property owner may receive program financing.

18.13 Sec. 23. Minnesota Statutes 2014, section 216C.436, subdivision 2, is amended to read:

18.14 Subd. 2. **Program requirements.** ~~A~~ The implementing entity must ensure that a
 18.15 financing program must:

18.16 (1) ~~impose~~ imposes requirements and conditions on financing arrangements to
 18.17 ensure timely repayment;

18.18 (2) ~~require~~ requires an energy audit or renewable energy system feasibility study to
 18.19 be conducted on the qualifying real property and reviewed by the implementing entity
 18.20 prior to approval of the financing;

18.21 (3) ~~require~~ requires the inspection of all installations and a performance verification
 18.22 of at least ten percent of the energy improvements financed by the program;

18.23 (4) ~~does not~~ prohibit the financing of all cost-effective energy improvements not
 18.24 otherwise prohibited by this section;

18.25 (5) ~~require~~ requires that all cost-effective energy improvements be made to a
 18.26 qualifying real property are completed and operational prior to, or in conjunction with,
 18.27 ~~an applicant's repayment of financing for energy improvements for that property~~ the first
 18.28 scheduled assessment payment due to the taxing authority;

18.29 (6) ~~have~~ has energy improvements financed by the program performed by licensed
 18.30 contractors as required by chapter 326B or other law or ordinance;

18.31 (7) ~~require~~ requires disclosures to borrowers by the implementing entity of the risks
 18.32 involved in borrowing, including the risk of ~~foreclosure~~ forfeiture if a tax delinquency
 18.33 results from a default;

18.34 (8) ~~provide~~ provides financing only to those who demonstrate an ability to repay;

19.1 (9) does not provide financing for a qualifying real property in which the owner is
 19.2 not current on mortgage or real property tax payments;

19.3 (10) ~~require~~ requires a petition to the implementing entity by all owners of the
 19.4 qualifying real property requesting collections of repayments as a special assessment
 19.5 under section 429.101;

19.6 (11) ~~provide~~ provides that payments and assessments are not accelerated due to a
 19.7 default and that a tax delinquency exists only for assessments not paid when due; and

19.8 (12) ~~require~~ requires that liability for special assessments related to the financing
 19.9 runs with the qualifying real property.

19.10 Sec. 24. Minnesota Statutes 2014, section 216E.01, subdivision 5, is amended to read:

19.11 Subd. 5. **Large electric power generating plant.** "Large electric power generating
 19.12 plant" shall mean electric power generating equipment and associated facilities designed
 19.13 for or capable of operation at a capacity of 50,000 kilowatts or more, or a solar energy
 19.14 generating system designed for or capable of operation at a capacity of 10,000 kilowatts
 19.15 or more.

19.16 Sec. 25. Minnesota Statutes 2014, section 216E.021, is amended to read:

19.17 **216E.021 SOLAR ENERGY SYSTEM SIZE DETERMINATION.**

19.18 (a) This section must be used to determine whether a combination of solar energy
 19.19 generating systems meets the definition of large electric power generating plant and is
 19.20 subject to the commission's siting authority jurisdiction under this chapter. The alternating
 19.21 current nameplate capacity of one solar energy generating system must be combined with
 19.22 the alternating current nameplate capacity of any other solar energy generating system that:

19.23 (1) is constructed within the same 12-month period as the solar energy generating
 19.24 system; and

19.25 (2) exhibits characteristics of being a single development, including but not limited
 19.26 to ownership structure, an umbrella sales arrangement, shared interconnection, revenue
 19.27 sharing arrangements, and common debt or equity financing.

19.28 (b) An application to a county or municipality for a permit to construct a solar
 19.29 energy generating system with a capacity of 1,000 kilowatts or greater is not complete
 19.30 unless it includes a solar energy system size determination under this section.

19.31 ~~(b)~~ (c) The commissioner of commerce shall provide forms and assistance for
 19.32 applicants to make a request for a size determination. Upon written request of an applicant,
 19.33 the commissioner shall provide a written size determination within 30 days of receipt of

20.1 the request and of any information requested by the commissioner. In the case of a dispute,
 20.2 the chair of the Public Utilities Commission shall make the final size determination.

20.3 Sec. 26. Minnesota Statutes 2014, section 216E.03, subdivision 3, is amended to read:

20.4 Subd. 3. **Application.** Any person seeking to construct a large electric power
 20.5 generating plant or a high-voltage transmission line must apply to the commission for a
 20.6 site or route permit. The application shall contain such information as the commission may
 20.7 require. The applicant shall propose at least two sites for a large electric power generating
 20.8 plant and two routes for a high-voltage transmission line, except that an applicant shall
 20.9 only be required to propose one site for a large electric power generating plant that is a
 20.10 solar energy generating system. Neither of the two proposed routes may be designated as
 20.11 a preferred route and all proposed routes must be numbered and designated as alternatives.
 20.12 The commission shall determine whether an application is complete and advise the
 20.13 applicant of any deficiencies within ten days of receipt. An application is not incomplete if
 20.14 information not in the application can be obtained from the applicant during the first phase
 20.15 of the process and that information is not essential for notice and initial public meetings.

20.16 Sec. 27. Minnesota Statutes 2014, section 216E.05, subdivision 2, is amended to read:

20.17 Subd. 2. **Applicable projects.** Applicants may seek approval from local units of
 20.18 government to construct the following projects:

20.19 (1) large electric power generating plants, except solar energy generating systems,
 20.20 with a capacity of less than 80 megawatts;

20.21 (2) large electric power generating plants of any size that burn natural gas and are
 20.22 intended to be a peaking plant;

20.23 (3) high-voltage transmission lines of between 100 and 200 kilovolts;

20.24 (4) substations with a voltage designed for and capable of operation at a nominal
 20.25 voltage of 100 kilovolts or more;

20.26 (5) a high-voltage transmission line service extension to a single customer between
 20.27 200 and 300 kilovolts and less than ten miles in length; and

20.28 (6) a high-voltage transmission line rerouting to serve the demand of a single
 20.29 customer when the rerouted line will be located at least 80 percent on property owned or
 20.30 controlled by the customer or the owner of the transmission line.

20.31 Sec. 28. **[216E.055] SOLAR FACILITY PERMIT AUTHORITY; ASSUMPTION**
 20.32 **BY COUNTIES AND MUNICIPALITIES.**

21.1 (a) A county or municipality may, by resolution and upon written notice to the
 21.2 Public Utilities Commission, assume responsibility for processing applications for permits
 21.3 required under this chapter for large electric power generating plants solely within their
 21.4 jurisdiction that are solar energy generating systems up to 25,000 kilowatts. If a county
 21.5 or municipality assumes the responsibility for permit application processing, the county
 21.6 or municipality may delegate the authority to issue the permit to an appropriate county
 21.7 officer or employee; or the county or municipality may determine the permit application
 21.8 should be processed as a conditional use in accordance with procedures and processes
 21.9 established under chapter 394 or 462.

21.10 (b) A county or municipality that exercises its option under paragraph (a) may issue,
 21.11 deny, modify, impose conditions upon, or revoke permits pursuant to this section. The
 21.12 action of the county or municipality about a permit application is final, subject to appeal.

21.13 (c) The commission shall, by order, establish general permit standards, including
 21.14 appropriate set-backs, governing site permits for solar energy generating systems under
 21.15 this chapter. The order must consider existing and historic commission standards for
 21.16 permits issued by the commission. The general permit standards shall apply to permits
 21.17 issued by counties and municipalities under this section and to permits issued by the
 21.18 commission under this chapter. The commission or a county or municipality may grant a
 21.19 variance from a general permit standard if the variance is found to be in the public interest.

21.20 (d) A county or municipality may by ordinance adopt standards for solar energy
 21.21 generating systems that are more stringent than standards in commission rules or in the
 21.22 commission's permit standards. The commission, when considering a permit application
 21.23 for a solar energy generating system in a jurisdiction that has assumed permitting authority
 21.24 under this section, shall consider and apply the jurisdiction's more stringent standards
 21.25 unless the commission finds good cause to not apply the standards.

21.26 (e) The commission and the commissioner of commerce shall provide technical
 21.27 assistance to a county or municipality with respect to the processing of site permit
 21.28 applications for solar energy generating systems under this section.

21.29 (f) This section does not exempt applicants from the requirements under section
 21.30 216E.021.

21.31 Sec. 29. Minnesota Statutes 2014, section 453A.02, subdivision 5, is amended to read:

21.32 Subd. 5. **Gas.** "Gas" means either natural or synthetic gas, ~~including~~ propane,
 21.33 manufactured gas, methane from coal beds, geothermal gas, or any mixture thereof,
 21.34 whether in gaseous or liquid form, or any by-product resulting therefrom.

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

22.1 Sec. 30. **COMPETITIVE RATE FOR ENERGY-INTENSIVE,**
 22.2 **TRADE-EXPOSED ELECTRIC UTILITY CUSTOMER.**

22.3 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms
 22.4 have the meanings given them.

22.5 (b) "Energy-intensive, trade-exposed (EITE) customer" means a customer of an
 22.6 investor-owned utility that provides electric service at retail to fewer than 200,000
 22.7 customers and is:

22.8 (1) an iron mining extraction and processing facility, including a "scram mining
 22.9 operation," as that term is defined in Minnesota Rules, part 6130.0100, subpart 16;

22.10 (2) a paper mill, wood products manufacturer, sawmill, or oriented strand board
 22.11 manufacturer;

22.12 (3) a steel mill and related facility; or

22.13 (4) any other globally competitive electric customer who can demonstrate that: (i)
 22.14 energy costs are at least 15 percent of the customer's overall cost of production; (ii) their
 22.15 energy rates are significantly higher than their competitors; and (iii) those higher rates
 22.16 impede the customer's ability to compete in the global market.

22.17 (c) "EITE rate schedule" means a rate schedule that establishes the terms of service
 22.18 for an individual or group of energy-intensive, trade-exposed customers.

22.19 (d) "EITE rate" means the rate or rates offered by the utility under an EITE rate
 22.20 schedule.

22.21 Subd. 2. **Rates and terms of EITE rate schedule.** (a) An investor-owned electric
 22.22 utility that provides electric service at retail to fewer than 200,000 customers may propose
 22.23 an EITE rate schedule within its service territory for commission approval that includes
 22.24 various EITE rate options such as fixed rates or market-based rates.

22.25 (b) The minimum rate for the EITE schedule must recover at least the incremental
 22.26 cost of providing the service, including the cost of additional capacity that is to be added
 22.27 while the rate is in effect and any applicable on-peak or off-peak differential.

22.28 (c) Notwithstanding Minnesota Statutes, section 216B.03, 216B.05, 216B.06,
 22.29 216B.07, or 216B.16, the commission shall approve a proposed EITE rate schedule if
 22.30 it finds the schedule provides net benefits to the utility and its customers, considering
 22.31 among other things:

22.32 (1) potential cost impacts to the utility's customers;

22.33 (2) the net benefit to the local or state economy through the retention or increase of
 22.34 jobs;

22.35 (3) a net increase in economic development in the utility's service territory; and

23.1 (4) the extent to which a significant rate increase for all other customers might
23.2 otherwise be avoided by preventing a reduction of EITE customer load.

23.3 Subd. 3. **Eligibility for EITE rate.** A customer is eligible for an EITE rate under
23.4 the EITE rate schedule if the customer can demonstrate to the commission that it meets
23.5 the defined criteria under subdivision 1, paragraph (b).

23.6 Subd. 4. **Commission process.** (a) The commission shall review the EITE rate
23.7 schedule proposed by an investor-owned electric utility and make a final determination in
23.8 any proceeding begun under this section within 120 days of a miscellaneous rate filing by
23.9 the electric utility.

23.10 (b) An EITE rate offered by an electric utility under an approved EITE rate schedule
23.11 must be filed with the commission.

23.12 Subd. 5. **Cost recovery.** (a) Upon approval of an EITE rate, the utility shall create
23.13 a separate account to track the difference in revenue between what would have been
23.14 collected under the electric utility's applicable standard tariff and the EITE rate schedule.
23.15 In its next general rate case or other methodology the commission shall determine, the
23.16 commission shall allow the utility to recover the incremental costs if it determines that
23.17 recovery is in the public interest, or refund the incremental revenues, associated with
23.18 providing service to a customer under the EITE rate from the utility's nonenergy-intensive,
23.19 trade-exposed customers.

23.20 (b) The commission shall take steps as necessary to mitigate the impacts of
23.21 cost recovery of the implementation of the EITE rate on other ratepayers, unless the
23.22 commission finds that the cost impacts are minimal.

23.23 Sec. 31. **REPEALER.**

23.24 Minnesota Statutes 2014, section 216C.436, subdivision 6, is repealed.

APPENDIX
Repealed Minnesota Statutes: S1735-2

216C.436 ENERGY IMPROVEMENTS PROGRAM FOR LOCAL GOVERNMENTS.

Subd. 6. **Certificate of participation.** Upon completion of a project, an implementing entity shall provide a borrower with a certificate stating participation in the program and what energy improvements have been made with financing program proceeds.