

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-NINTH SESSION**

**S.F. No. 602**

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DATE	D-PG	OFFICIAL STATUS
02/05/2015	218	Introduction and first reading Referred to Environment and Energy

1.1 A bill for an act  
 1.2 relating to energy; allowing inclusion of supply-side savings in meeting  
 1.3 conservation improvement goals; amending Minnesota Statutes 2014, section  
 1.4 216B.241, subdivisions 1, 1c, 10.

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

1.6 Section 1. Minnesota Statutes 2014, section 216B.241, subdivision 1, is amended to  
 1.7 read:

1.8 Subdivision 1. **Definitions.** For purposes of this section and section 216B.16,  
 1.9 subdivision 6b, the terms defined in this subdivision have the meanings given them.

1.10 (a) "Commission" means the Public Utilities Commission.

1.11 (b) "Commissioner" means the commissioner of commerce.

1.12 (c) "Department" means the Department of Commerce.

1.13 (d) "Energy conservation" means demand-side or supply-side management of energy  
 1.14 supplies resulting in a net reduction in energy use. Load management that reduces overall  
 1.15 energy use is energy conservation.

1.16 (e) "Energy conservation improvement" means a project that results in energy  
 1.17 efficiency or energy conservation. Energy conservation improvement may include waste  
 1.18 heat that is recovered and converted into electricity, ~~but does not include electric utility~~  
 1.19 ~~infrastructure projects approved by the commission under section 216B.1636.~~ Energy  
 1.20 conservation improvement also includes waste heat recovered and used as thermal energy.

1.21 (f) "Energy efficiency" means measures or programs, including energy conservation  
 1.22 measures or programs, that target consumer behavior, equipment, processes, or devices  
 1.23 designed to produce either an absolute decrease in consumption of electric energy or natural

2.1 gas or a decrease in consumption of electric energy or natural gas on a per unit of production  
2.2 basis without a reduction in the quality or level of service provided to the energy consumer.

2.3 (g) "Gross annual retail energy sales" means annual electric sales to all retail  
2.4 customers in a utility's or association's Minnesota service territory or natural gas  
2.5 throughput to all retail customers, including natural gas transportation customers, on a  
2.6 utility's distribution system in Minnesota. For purposes of this section, gross annual  
2.7 retail energy sales exclude:

2.8 (1) gas sales to:

2.9 (i) a large energy facility;

2.10 (ii) a large customer facility whose natural gas utility has been exempted by the  
2.11 commissioner under subdivision 1a, paragraph (b), with respect to natural gas sales made  
2.12 to the large customer facility; and

2.13 (iii) a commercial gas customer facility whose natural gas utility has been exempted  
2.14 by the commissioner under subdivision 1a, paragraph (c), with respect to natural gas sales  
2.15 made to the commercial gas customer facility; and

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

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

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

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

2.28 (i) "Large customer facility" means all buildings, structures, equipment, and  
2.29 installations at a single site that collectively (1) impose a peak electrical demand on an  
2.30 electric utility's system of not less than 20,000 kilowatts, measured in the same way as the  
2.31 utility that serves the customer facility measures electrical demand for billing purposes or  
2.32 (2) consume not less than 500 million cubic feet of natural gas annually. In calculating  
2.33 peak electrical demand, a large customer facility may include demand offset by on-site  
2.34 cogeneration facilities and, if engaged in mineral extraction, may aggregate peak energy  
2.35 demand from the large customer facility's mining and processing operations.

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

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

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

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

3.10 (n) "Waste heat recovered and used as thermal energy" means capturing heat energy  
3.11 that would otherwise be exhausted or dissipated to the environment from machinery,  
3.12 buildings, or industrial processes and productively using such recovered thermal energy  
3.13 where it was captured or distributing it as thermal energy to other locations where it is  
3.14 used to reduce demand-side consumption of natural gas, electric energy, or both.

3.15 (o) "Waste heat recovery converted into electricity" means an energy recovery  
3.16 process that converts otherwise lost energy from the heat of exhaust stacks or pipes used  
3.17 for engines or manufacturing or industrial processes, or the reduction of high pressure  
3.18 in water or gas pipelines.

3.19 Sec. 2. Minnesota Statutes 2014, section 216B.241, subdivision 1c, is amended to read:

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

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

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

3.33 (d) In its energy conservation improvement plan filing, a utility or association may  
3.34 request the commissioner to adjust its annual energy-savings percentage goal based on  
3.35 its historical conservation investment experience, customer class makeup, load growth, a

4.1 conservation potential study, or other factors the commissioner determines warrants an  
4.2 adjustment. The commissioner may not approve a plan of a public utility that provides for  
4.3 an annual energy-savings goal of less than one percent of gross annual retail energy sales  
4.4 from energy conservation improvements.

4.5 A utility or association may include in its energy conservation plan energy savings  
4.6 from electric utility infrastructure projects approved by the commission under section  
4.7 216B.1636 or waste heat recovery converted into electricity projects that may count as  
4.8 energy savings ~~in addition to a minimum energy-savings goal of at least one percent for~~  
4.9 ~~energy conservation improvements~~. Electric utility infrastructure projects must result in  
4.10 increased energy efficiency greater than that which would have occurred through normal  
4.11 maintenance activity.

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

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

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

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

4.31 Sec. 3. Minnesota Statutes 2014, section 216B.241, subdivision 10, is amended to read:

4.32 Subd. 10. **Waste heat recovery; thermal energy distribution.** Demand-side or  
4.33 supply-side natural gas or electric energy displaced by use of waste heat recovered and  
4.34 used as thermal energy, including the recovered thermal energy from a cogeneration or

- 5.1 combined heat and power facility, is eligible to be counted towards a utility's natural gas
- 5.2 or electric energy savings goals, subject to department approval.