State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4393

03/17/2022 Authored by Hollins
The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

A bill for an act

relating to energy; directing the Public Utilities Commission to issue an order; requiring utilities to install an energy storage system under certain conditions; directing public utilities to file a tariff with the Public Utilities Commission; requiring the Public Utilities Commission to order the installation of energy storage systems; requiring public utilities to file a plan to install energy storage systems; establishing an incentive program to install energy storage systems; appropriating money; amending Minnesota Statutes 2020, sections 216B.1611, by adding a subdivision; 216B.2422, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 216B; 216C.

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

Section 1. Minnesota Statutes 2020, section 216B.1611, is amended by adding a subdivision to read:

Subd. 5. **Energy storage; capacity; treatment.** No later than November 1, 2022, the commission must issue an order clarifying that for the purpose of interconnecting an on-site customer-owned distributed generation facility that operates in conjunction with an on-site customer-owned energy storage system, as defined in section 216B.2422, subdivision 1, paragraph (f), the system capacity must be calculated as including only the alternating current capacity of the distributed generation facility.

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

Sec. 2. **[216B.1615] FEEDER LINE REPLACEMENT; STORAGE REQUIREMENT.**

(a) When replacing a feeder line with a feeder line of higher capacity, an electric utility must install at the applicable distribution substation an energy storage system that is of sufficient capacity to insure customer safety and grid reliability.

(b) For the purposes of this section:

(1) "energy storage system" has the meaning given in section 216B.2422, subdivision 1, paragraph (f); and

(2) "feeder line" means a powerline (i) that transfers power from a distribution system substation to distribution transformers, and (ii) whose current flow is the same at the sending and receiving end of the powerline.

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

Sec. 3. **[216B.1616] ENERGY STORAGE; PEAK SHAVING TARIFF.**

(a) No later than September 15, 2022, the commission must initiate a docket designed to result in a commission order requiring public utilities providing electric service to file a tariff with the commission, based on guidelines established in the order, to compensate customer-owners of on-site energy storage systems, as defined in section 216B.2422, subdivision 1, paragraph (f), for the discharge of stored energy that is net input to the utility during periods of peak electricity demand by utility customers.

(b) Within 90 days of the date the commission issues an order under this subdivision, each public utility must file with the commission for commission approval, disapproval, or modification a tariff that is consistent with the order.

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

Sec. 4. Minnesota Statutes 2020, section 216B.2422, is amended by adding a subdivision to read:

Subd. 8. **Energy storage systems; installation.** The commission must, as part of an order regarding a public utility's integrated resource plan filed under this section, require a public utility to install one or more energy storage systems, provided that the commission finds the investments are reasonable, prudent, and in the public interest. When determining the aggregate capacity of the energy storage systems ordered under this subdivision, the commission must consider the public utility's assessment of energy storage systems contained in the public utility's integrated resource plan, as required under subdivision 7.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies to any order issued to a public utility by the commission in an integrated resource plan proceeding after July 1, 2022.

Sec. 5. **[216B.2429] ENERGY STORAGE SYSTEM; APPLICATION.**

Subdivision 1. **Definition.** For the purposes of this section, "energy storage system" has the meaning given in section 216B.2422, subdivision 1, paragraph (f).

Subd. 2. **Application requirement.** No later than one year following the date of the commission's order to a public utility in an integrated resource plan proceeding under section 216B.2422, the public utility must submit an application to the commission for review and approval to install one or more energy storage systems whose aggregate capacity meets or exceeds that ordered by the commission in the public utility's most recent integrated resource plan proceeding under section 216B.2422, subdivision 8.

Subd. 3. **Application contents.** (a) Each application submitted under this section must contain:

(1) the energy storage system's technical specifications, including but not limited to:

(i) the maximum amount of electric output that the energy storage system can provide;

(ii) the length of time the energy storage system can sustain maximum output;

(iii) the location of the project within the utility's distribution system and a description of the analysis conducted to determine the location;

(iv) a description of the public utility's electric system needs that the proposed energy storage system addresses;

(v) a description of the types of services the energy storage system is expected to provide; and

(vi) a description of the technology required to construct, operate, and maintain the energy storage system, including any data or communication system necessary to operate the energy storage system;

(2) the estimated cost of the project, including:

(i) capital costs;

(ii) the estimated cost per unit of energy delivered by the energy storage system; and

(iii) an evaluation of the cost-effectiveness of the energy storage system;

(3) the estimated benefits of the energy storage system to the public utility's electric system, including but not limited to:

(i) deferred investments in generation, transmission, or distribution capacity;

(ii) reduced need for electricity during times of peak demand;

(iii) improved reliability of the public utility's transmission or distribution system; and

(iv) improved integration of the public utility's renewable energy resources;

(4) a description indicating how the addition of an energy storage system complements the public utility's proposed actions described in the most recent integrated resource plan submitted under section 216B.2422 to meet expected demand with the least expensive combination of resources; and

(5) any additional information required by the commission.

(b) A public utility must include in the application an evaluation of the potential to store energy throughout the public utility's electric system and must identify geographic areas in the public utility's service area where the deployment of energy storage systems has the greatest potential to achieve the economic benefits identified in paragraph (a), clause (3).

Subd. 4. **Commission review.** The commission must review each proposal submitted under this section and may approve, reject, or modify the proposal. The commission must approve a proposal the commission determines is in the public interest and reasonably balances the value derived from the deployment of an energy storage system for ratepayers and the public utility's operations with the cost to procure, construct, operate, and maintain the energy storage system.

Subd. 5. **Cost recovery.** A public utility may recover from ratepayers all costs prudently incurred by the public utility to deploy an energy storage system approved by the commission under this section, net of any revenues generated by the operation of the energy storage system.

Subd. 6. **Commission authority; orders.** The commission may issue orders necessary to implement and administer this section.

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

Sec. 6. **[216C.377] ENERGY STORAGE INCENTIVE PROGRAM.**

(a) The electric utility subject to section 116C.779 must develop and operate a program to provide a lump-sum grant to customers to reduce the cost to purchase and install an on-site energy storage system, as defined in section 216B.2422, subdivision 1, paragraph (f). The utility subject to this section must file a plan with the commissioner to operate the program no later than October 1, 2022. The utility must not operate the program until it is approved

by the commissioner. Any change to an operating program must be approved by the commissioner.

(b) To be eligible to receive a grant under this section, an energy storage system:

(1) must have a capacity no greater than 50 kilowatt hours; and

(2) must be located within the electric service area of the utility subject to this section.

(c) An owner of an energy storage system is eligible to receive a grant under this section if:

(1) a solar energy generating system is operating at the same site as the proposed energy storage system; or

(2) the owner has filed an application with the utility subject to this section to interconnect a solar energy generating system at the same site as the proposed energy storage system.

(d) The commissioner must annually review and may adjust the amount of grants awarded under this section, but must not increase the amount over that awarded in previous years unless the commissioner demonstrates in writing that an upward adjustment is warranted by market conditions.

(e) A customer who receives a grant under this section is eligible to receive financial assistance under programs operated by the state or the utility for the solar energy generating system operating in conjunction with the energy storage system.

(f) For the purposes of this section, "solar energy generating system" has the meaning given in section 216E.01, subdivision 9a.

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

Sec. 7. **APPROPRIATION.**

Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j), $..... in fiscal year 2023 is appropriated from the renewable development account established in Minnesota Statutes, section 116C.779, to the commissioner of commerce to award grants to install energy storage systems under Minnesota Statutes, section 216C.377, and to pay the reasonable costs of the department to administer that section. This appropriation remains available until expended. The base for this program in fiscal year 2024 is $.....

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