

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 817

(SENATE AUTHORS: BENSON)

DATE	D-PG	OFFICIAL STATUS
03/16/2011	518	Introduction and first reading Referred to Energy, Utilities and Telecommunications
04/28/2011	1457a 1539 3599	Comm report: To pass as amended Second reading Rule 47, returned to Energy, Utilities and Telecommunications See SF1197, Sec. 11, 17, 34 See SF2315, Sec. 1-3

1.1 A bill for an act
1.2 relating to utilities; requiring utility rates be based primarily on cost of service
1.3 between and among consumer classes; making clarifying and technical changes;
1.4 amending Minnesota Statutes 2010, sections 216B.03; 216B.07; 216B.16,
1.5 subdivision 15, by adding a subdivision; 216B.2401; repealing Minnesota
1.6 Statutes 2010, section 216B.242.

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

1.8 Section 1. Minnesota Statutes 2010, section 216B.03, is amended to read:

1.9 **216B.03 REASONABLE RATE.**

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

1.20 Sec. 2. Minnesota Statutes 2010, section 216B.07, is amended to read:

1.21 **216B.07 RATE PREFERENCE PROHIBITED.**

1.22 No public utility shall, as to rates or service, make or grant any unreasonable
1.23 preference or advantage to any person or class of consumers or subject any person or class
1.24 of consumers to any unreasonable prejudice or disadvantage.

Sec. 3. Minnesota Statutes 2010, section 216B.16, is amended by adding a subdivision to read:

Subd. 6e. **Revenue allocation among consumer classes.** Cost of service shall be the primary consideration in the commission's determination of revenue allocation among consumer classes. Factors other than cost of service, including impact on business development and job growth, may also be considered and evaluated by the commission in determining revenue allocations. Factors used in determining revenue allocation must be supported by record evidence.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to filings for rate changes filed on and after that date.

Sec. 4. Minnesota Statutes 2010, section 216B.16, subdivision 15, is amended to read:

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

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

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

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

(3) decrease or eliminate participating customer arrears;

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

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

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

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

(2) service disconnections; and

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

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

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

Sec. 5. Minnesota Statutes 2010, section 216B.2401, is amended to read:

216B.2401 ENERGY CONSERVATION POLICY GOAL.

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

Sec. 6. **REPEALER.**

Minnesota Statutes 2010, section 216B.242, is repealed.