

CHAPTER 216B

PUBLIC UTILITIES

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216B.02 DEFINITIONS.

[For text of subs 1 to 3, see M.S.1980]

Subd. 4. "Public utility" means persons, corporations or other legal entities, their lessees, trustees, and receivers, now or hereafter operating, maintaining, or controlling in this state equipment or facilities for furnishing at retail natural, manufactured or mixed gas or electric service to or for the public or engaged in the production and retail sale thereof but does not include a municipality or a cooperative electric association, organized under the provisions of chapter 308 producing or furnishing natural, manufactured or mixed gas or electric service. Except as otherwise provided, the provisions of this chapter shall not be applicable to any sale of natural, manufactured or mixed gas or electricity by a public utility to another public utility for resale. In addition, the provisions of this chapter shall not apply to a public utility whose total natural gas business consists of supplying natural, manufactured or mixed gas to not more than 650 customers within a city pursuant to a franchise granted by the city, provided a resolution of the city council requesting exemption from regulation is filed with the commission. The city council may rescind the resolution requesting exemption at any time, and, upon the filing of the rescinding resolution with the commission, the provisions of this chapter shall apply to the public utility. No person shall be deemed to be a public utility if it presently furnishes its services only to tenants in buildings owned, leased or operated by such person. No person shall be deemed to be a public utility if it presently furnishes service to occupants of a mobile home or trailer park owned, leased, or operated by such person. No person shall be deemed to be a public utility if it presently produces or furnishes service to less than 25 persons.

[For text of subs 5 to 9, see M.S.1980]

History: 1981 c 17 s 1; 1981 c 144 s 1

216B.025 MUNICIPAL REGULATION OPTION.

A municipality may elect to become subject to regulation by the commission pursuant to sections 216B.10 and 216B.11. An election for regulation may be effected by resolution of the governing body requesting regulation and filed with the commission.

History: 1981 c 142 s 1

216B.026 COOPERATIVE ELECTRIC ASSOCIATION; ELECTION ON REGULATION.

Subdivision 1. **Petition.** A cooperative electric association may elect to become subject to rate regulation by the commission pursuant to sections 216B.03 to 216B.23. The election shall be approved by a majority of members or

stockholders voting by mail ballot initiated by petition of not less than five percent of the members or stockholders of the association, as determined by membership figures submitted by the association to the rural electric administration for the month in which the petition was submitted.

Subd. 2. **Petition contents; verification.** The petition form shall be prescribed by the department and sample forms shall be available from the department and electric cooperative associations. Petitions shall include a uniform statement that petition signers are requesting a balloting of the association membership on the question of regulation of electric rates of the association by the commission. The department shall, upon receipt, transmit the prescribed form of petition to the appropriate association for validation of petition signatures in accordance with agreed procedures between the association and the department. When the association rejects any signature on a petition as invalid, it shall provide the department with a written statement as to the reason the cooperative deems the signature invalid. The department may challenge the association's decisions on the validity of signatures and may appeal to the commission for a resolution of the issue through informal proceedings before the commission after notice to all parties.

Subd. 3. **Voting for members.** Whenever a vote or petition of members or stockholders of an association is submitted pursuant to this section, the spouse of the member or stockholder may sign the petition and vote on behalf of the member or stockholder unless the member or stockholder has notified the association in writing otherwise. Such a notification by a member or stockholder shall be provided to the association and to the department for those petition matters pursuant to this section.

Subd. 4. **Election procedure; effect.** If the department determines that the petition meets the five percent requirement, a balloting of members on the question of regulation of electric rates by the commission shall be supervised by the department. The ballot to be used for the election shall be approved by the board of directors of the association and the department. In the event of a dispute on balloting procedures, the dispute shall be resolved through informal proceedings before the commission after notice to all parties. The association shall mail ballots to the association's members who shall return the ballots to the department. The department shall keep the ballots sealed until a date agreed upon by the department and the board of directors. On this date, representatives of the department and the association shall count the ballots. If a majority of the association's members or spouses who vote, elect to become subject to rate regulation by the commission, the election shall be effective 30 days after certified copies of the resolutions approving the election are filed with the commission. These provisions also apply to associations that wish to be deregulated. Any cooperative that is regulated by the commission, pursuant to sections 216B.03 to 216B.23 may follow the procedures set forth above. Any association subject to regulation of rates by the commission shall be exempt from the provisions of sections 216B.48, 216B.49, 216B.50, and 216B.51.

History: 1981 c 144 s 2

216B.10 ACCOUNTING SYSTEM.

[For text of subs 1 to 5, see M.S.1980]

Subd. 6. *[Repealed, 1981 c 142 s 3]*

216B.11 DEPRECIATION RATES AND PRACTICES.

The commission shall fix proper and adequate rates and methods of depreciation, amortization, or depletion in respect of utility property, and every public utility shall conform its depreciation, amortization or depletion accounts to the rates and methods fixed by the commission.

History: 1981 c 142 s 2

216B.12 RIGHT OF ENTRANCE; INSPECTION.

[For text of subd 1, see M.S.1980]

Subd. 2. [Repealed, 1981 c 142 s 3]

216B.13 PRODUCTION OF RECORDS.

[For text of subd 1, see M.S.1980]

Subd. 2. [Repealed, 1981 c 142 s 3]

216B.16 RATE CHANGES; PROCEDURE; HEARING.

[For text of subd 1, see M.S.1980]

Subd. 1a. When a public utility proposes changes in general rates that would increase general rates paid by consumers more than \$500,000, the commission shall not approve the change until after requiring the office of administrative hearings to conduct a contested case hearing on, at a minimum, the appropriate rate base, expense and revenue levels for the test year, and the rate of return. If the formal parties to the contested case choose not to cross-examine the testimony presented, it shall be the duty of the commission and its staff to make inquiry of the witnesses presented to ensure that the testimony is well reasoned and constitutes substantial evidence. After a report of the examiner has been issued, the commission may proceed to take action on the proposed rates consistent with the provisions of this section. The commission shall not accept any stipulation that is not agreed to by all intervening parties.

[For text of subds 2 to 9, see M.S.1980]

History: 1981 c 357 s 70; 1Sp1981 c 4 art 4 s 15

216B.164 COGENERATION AND SMALL POWER PRODUCTION.

Subdivision 1. **Scope and purpose.** This section shall at all times be construed in accordance with its intent to give the maximum possible encouragement to cogeneration and small power production consistent with protection of the ratepayers and the public.

Subd. 2. **Applicability.** This section as well as any rules promulgated by the commission pursuant to the public utility regulatory policies act of 1978, Pub.L. 95-617, 92 Stat. 3117, and the federal energy regulatory commission regulations thereunder, 18 C.F.R. Part 292, shall apply to all Minnesota electric utilities, including cooperative electric associations and municipal electric utilities, that become interconnected with any qualifying facility as defined in 18 C.F.R. Section 292.101(b)(1).

Subd. 3. **Purchases; small facilities.** For qualifying facilities having less than 40 kilowatt capacity, the customer shall be billed for the net energy supplied by the utility according to the applicable rate schedule for sales to that class of customer. In the case of net input into the utility system by the qualifying facility,

compensation to the customer shall be at a per kilowatt hour rate set by the commission. In setting these rates, the commission shall consider the fixed distribution costs to the utility not otherwise accounted for in the basic monthly charge and shall ensure that the costs charged to the qualifying facility are not discriminatory in relation to the costs charged to other customers of the utility. Notwithstanding any other language to the contrary in this section, the commission shall set the rates for net input into the utility system based on avoided costs as defined in 18 C.F.R. Section 292.101(b)(6), the factors listed in 18 C.F.R. Section 292.304, and all other relevant factors. If the qualifying facility is interconnected with a non-generating utility which has a sole source contract with a municipal power agency or a generation and transmission utility, the non-generating utility may elect to treat its purchase of any net input under this subdivision as being made on behalf of its supplier and shall be reimbursed by its supplier for any additional costs incurred in making the purchase. Qualifying facilities having less than 40 kilowatt capacity may, at the customer's option, elect to be governed by the provisions of subdivision 4.

Subd. 4. **Purchases; wheeling.** (a) Except as otherwise provided in paragraph (c), this subdivision shall apply to all qualifying facilities having 40 kilowatt capacity or more as well as qualifying facilities as defined in subdivision 3 which elect to be governed by its provisions.

(b) The utility to which the qualifying facility is interconnected shall purchase all energy and capacity made available by the qualifying facility. The qualifying facility shall be paid the utility's full avoided capacity and energy costs as negotiated by the parties or set by the commission.

(c) For all qualifying facilities having 30 kilowatt capacity or more, the utility shall, at the qualifying facility's or the utility's request, provide wheeling or exchange agreements wherever practicable to sell the qualifying facility's output to any other Minnesota utility having generation expansion anticipated or planned for the ensuing ten years. The commission shall establish the methods and procedures to insure that except for reasonable wheeling charges and line losses, the qualifying facility receives the full avoided energy and capacity costs of the utility ultimately receiving the output.

Subd. 5. **Disputes.** In the event of disputes between an electric utility and a qualifying facility, either party may request a determination of the issue by the commission. In any such determination, the burden of proof shall be on the utility.

Subd. 6. **Rules.** The commission shall promulgate rules to implement the provisions of this section.

Subd. 7. **Reports.** On January 1, 1983, the commission shall submit a report to the legislature. The report shall describe:

(a) The location, type and output of cogenerators and small power producers in the state;

(b) Whether cogeneration and small power production has resulted in any major impacts on the utility system; and

(c) The effectiveness of the provisions of this section and the commission's rules in encouraging cogeneration and small power production.

Subd. 8. **Customer, interconnection and wheeling charges.** Nothing contained in this section shall be construed to excuse the qualifying facility from any obligation for costs of interconnection and wheeling in excess of those normally incurred by the utility for customers with similar load characteristics who are not

cogenerators or small power producers, or from any fixed charges normally assessed such non-generating customers.

History: 1981 c 237 s 1

216B.166 COGENERATING POWER PLANTS.

Subdivision 1. **Finding.** The legislature finds and declares that significant public benefits may be derived from the cogeneration of electrical and thermal energy and that cogenerated district heating may result in improved utilization and conservation of fuel, the substitution of coal for scarce oil and natural gas, the substitution of domestic fuel for imported fuel, and the establishment of a reliable, competitively priced heat source. Since the cost of cogenerated thermal energy is dependent upon the method used to allocate costs between the production of electric and thermal energy at a power plant, and because the method of cost allocation can be a significant factor in determining investment in district heating, it is necessary to develop cost allocation methods rapidly.

Subd. 2. **Definitions.** For the purpose of this section, the following terms shall have the meanings given.

(a) "Cogeneration" means a combined process whereby electrical and thermal energy are simultaneously produced by a public utility power plant.

(b) "District heating" means a process whereby thermal energy is distributed within a community for use as a primary heat source.

(c) "District heating utility" means any person, corporation, or other legal entity which owns and operates a facility for district heating.

Subd. 3. **Allocation.** The methods used to allocate or assign costs between electrical and thermal energy produced by cogeneration power plants owned by public utilities shall be consistent with the following principles:

(a) The method used shall result in a cost per unit of electricity which is no greater than the cost per unit which would exist if the power plants owned by the public utility had been normally constructed and operated without cogenerating capability;

(b) Costs which the public utility incurs for the exclusive benefit of the district heating utility, including but not limited to backup and peaking facilities, shall be assigned to thermal energy produced by cogeneration;

(c) The methods and procedures may be different for retrofitted than for new cogeneration power plants; and

(d) The methods should encourage cogeneration while preventing subsidization by electric consumers so that both heating and electricity consumers are treated fairly and equitably with respect to the costs and benefits of cogeneration.

History: 1981 c 334 s 9

216B.241 ENERGY CONSERVATION IMPROVEMENTS.

[For text of subd 1, see M.S.1980]

Subd. 2. **Programs.** The commission shall initiate a pilot program designed to demonstrate the feasibility of investments and expenses of a public utility in energy conservation improvements. The commission, as part of the pilot program, shall order at least one public utility to make investments and expenditures in energy conservation improvements, explicitly setting forth the interest rates, prices, and terms under which the improvements shall be offered to the customers. The order of the commission shall provide to the extent practicable for a free choice of

contractor, qualified under the residential conservation services program of the energy agency, for consumers participating in the pilot program. The commission shall not order a utility to make any energy conservation improvement investment or expenditure unless it first finds that the improvement will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy. Investments and expenditures made pursuant to an order shall be treated for ratemaking purposes in the manner prescribed in section 216B.16, subdivision 6b. No utility shall make an energy conservation improvement pursuant to this section to a residential building envelope unless it is the primary supplier of energy used for either space heating or cooling in the building.

[For text of subs 3 and 4, see M.S.1980]

History: 1981 c 356 s 182

216B.62 COST OF EXAMINATION; ASSESSMENT OF EXPENSES; LIMITATIONS; OBJECTIONS.

[For text of subd 2, see M.S.1980]

Subd. 3. The department and commission shall quarterly, at least 30 days before the start of each quarter, estimate the total of their expenditures in the performance of their duties relating to public utilities under sections 216B.01 to 216B.67, other than amounts chargeable to public utilities under subdivision 2 or 6. The remainder shall be assessed by the commission and department to the several public utilities in proportion to their respective gross operating revenues from retail sales of gas or electric service within the state during the last calendar year. The assessment shall be paid into the state treasury within 30 days after the bill has been mailed to the several public utilities, which shall constitute notice of the assessment and demand of payment thereof. The total amount which may be assessed to the public utilities, under authority of this subdivision, shall not exceed one-eighth of one percent of the total gross operating revenues of the public utilities during the calendar year from retail sales of gas or electric service within the state. The assessment for the second quarter of each fiscal year shall be adjusted to compensate for the amount by which actual expenditures by the commission and department for the preceding fiscal year were more or less than the estimated expenditures previously assessed.

[For text of subs 4 and 5, see M.S.1980]

Subd. 6. **Administrative hearing costs.** Any amounts billed to the commission or the department by the office of administrative hearings for public utility contested case hearings shall be assessed by the commission or the department against the public utility. The assessment shall be paid into the state treasury within 30 days after a bill, which constitutes notice of the assessment and demand for payment of it, has been mailed to the public utility. Money received shall be credited to a special account and is appropriated to the commission or the department for payment to the office of administrative hearings.

History: 1981 c 357 s 71,72