

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1431

(SENATE AUTHORS: MARTY, Eaton, Sieben, Hoffman and Hawj)

DATE	D-PG	OFFICIAL STATUS
03/05/2015	573	Introduction and first reading Referred to Environment and Energy
03/23/2015		Comm report: To pass as amended Second reading

A bill for an act

1.1 relating to energy; modifying the guaranteed energy-savings program; increasing
 1.2 the size limit of natural gas utilities not subject to rate regulations; allowing
 1.3 performance-based, multiyear rate plans; allowing public utility commission
 1.4 approval for rate recovery for natural gas extension projects; modifying the
 1.5 renewable energy standard; modifying certificate of need exemptions; enhancing
 1.6 the energy assurance and emergency conservation plan; establishing a petroleum
 1.7 end user program; modifying energy auditor standards; making changes to the
 1.8 energy improvements program for local governments; modifying eligibility for
 1.9 various siting requirements; allowing an extension of certain lease of wind rights;
 1.10 providing for a competitive rate for energy-intensive, trade-exposed electric utility
 1.11 customers; amending Minnesota Statutes 2014, sections 16C.144; 216B.02,
 1.12 by adding subdivisions; 216B.16, subdivisions 6, 7, 7b, 12, 19; 216B.1691,
 1.13 subdivisions 2a, 2b; 216B.2401; 216B.241, subdivisions 1, 1b, 1c; 216B.2421,
 1.14 subdivision 2; 216B.2425; 216C.05, subdivision 2; 216C.16, subdivisions 1, 2;
 1.15 216C.31; 216C.435, subdivisions 3a, 4, 5, 10, by adding a subdivision; 216C.436,
 1.16 subdivisions 1, 2; 216E.01, subdivision 5; 216E.021; 216E.03, subdivision 3;
 1.17 216E.05, subdivision 2; 453A.02, subdivision 5; 500.30, by adding a subdivision;
 1.18 proposing coding for new law in Minnesota Statutes, chapters 216B; 216C; 216E;
 1.19 repealing Minnesota Statutes 2014, sections 216C.15; 216C.436, subdivision 6.
 1.20

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

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

1.23 **16C.144 GUARANTEED ENERGY-SAVINGS PROGRAM.**

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

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

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

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

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

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

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

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

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

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

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

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

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

2.35 (l) "Capital cost avoidance" means money expended by a state agency to pay for
2.36 utility cost-savings measures with a guaranteed savings agreement so long as the measures

3.1 that are being implemented to achieve the utility, operation, and maintenance cost savings
3.2 are a significant portion of an overall project as determined by the commissioner.

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

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

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

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

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

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

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

3.27 (6) the qualified provider gives a sufficient bond in accordance with section
3.28 574.26 to the commissioner for the faithful implementation and installation of the utility
3.29 cost-savings measures.

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

4.1 the date of final installation. The ~~lease~~ project financing is assignable in accordance with
4.2 terms approved by the commissioner of management and budget.

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

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

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

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

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

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

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

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

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

4.30 Subd. 11. **Repowering.** "Repowering" means the modification of large wind energy
4.31 conversion system or a solar-powered large energy facility to increase efficiency, replace
4.32 a large wind energy conversion system, or, if the Midcontinent Independent System

5.1 Operator has provided a signed generator interconnection agreement that reflects the
5.2 expected net power increase, an increase to the nameplate capacity of the wind energy
5.3 conversion system.

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

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

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

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

5.24 Subd. 7. **Energy and emission control products cost adjustment.** Notwithstanding
5.25 any other provision of this chapter, the commission may permit a public utility to file
5.26 rate schedules containing provisions for the automatic adjustment of charges for public
5.27 utility service in direct relation to changes in:

5.28 (1) federally regulated wholesale rates for energy delivered through interstate
5.29 facilities;

5.30 (2) direct costs for natural gas delivered;

5.31 (3) costs for fuel used in generation of electricity or the manufacture of gas; or

5.32 (4) prudent costs incurred by a public utility for sorbents, reagents, or chemicals

5.33 used to control emissions from an electric generation facility, provided that these costs are

6.1 not recovered elsewhere in rates. The utility must track and report annually the volumes
6.2 and costs of sorbents, reagents, or chemicals using separate accounts by generating plant.
6.3 The charges collected under this subdivision may be adjusted to reflect different energy
6.4 costs imposed on the system by different categories of customers.

6.5 Sec. 8. Minnesota Statutes 2014, section 216B.16, subdivision 7b, is amended to read:

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

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

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

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

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

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

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

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

7.1 (4) costs associated with distribution planning required under section 216B.2425,
 7.2 including, but not limited to, all reasonable incremental labor, material, and capital costs;

7.3 (5) costs associated with grid modernization required under section 216B.2425,
 7.4 including, but not limited to, all reasonable incremental labor, material, and capital costs;

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

7.7 ~~(5)~~ (7) provides a current return on construction work in progress, provided that
 7.8 recovery from Minnesota retail customers for the allowance for funds used during
 7.9 construction is not sought through any other mechanism;

7.10 ~~(6)~~ (8) allows for recovery of other expenses if shown to promote a least-cost project
 7.11 option or is otherwise in the public interest;

7.12 ~~(7)~~ (9) allocates project costs appropriately between wholesale and retail customers;

7.13 ~~(8)~~ (10) provides a mechanism for recovery above cost, if necessary to improve the
 7.14 overall economics of the project or projects or is otherwise in the public interest; and

7.15 ~~(9)~~ (11) terminates recovery once costs have been fully recovered or have otherwise
 7.16 been reflected in the utility's general rates.

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

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

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

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

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

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

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

7.31 Sec. 9. Minnesota Statutes 2014, section 216B.16, subdivision 12, is amended to read:

7.32 Subd. 12. **Exemption for small gas utility franchise.** (a) A municipality may file
 7.33 with the commission a resolution of its governing body requesting exemption from the
 7.34 provisions of this section for a public utility that is under a franchise with the municipality
 7.35 to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in

8.1 the municipality as long as the public utility serves no more than a total of ~~2,000~~ 5,000
8.2 customers.

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

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

8.13 (d) In all cases covered by this subdivision in which an exemption for service outside
8.14 of a municipality is granted, the commission may initiate an investigation under section
8.15 216B.17, on its own motion or upon complaint from a customer.

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

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

8.20 Sec. 10. Minnesota Statutes 2014, section 216B.16, subdivision 19, is amended to read:

8.21 Subd. 19. **Multiyear rate plan.** (a) A public utility may propose, and the
8.22 commission may approve, approve as modified, or reject, a multiyear rate plan as provided
8.23 in this subdivision. The term "multiyear rate plan" refers to a plan establishing the rates
8.24 the utility may charge for each year of the specified period of years, which cannot exceed
8.25 ~~three~~ five years, to be covered by the plan. If the utility proposes a multiyear rate plan, the
8.26 utility shall provide a general description of the utility's major planned investments over
8.27 the plan period. The commission may also require the utility to provide a set of reasonable
8.28 performance metrics and incentives that are quantifiable, verifiable, and consistent with
8.29 state policies. The commission may allow the utility to adjust recovery of its cost of capital
8.30 or other costs in a reasonable manner within the plan period. The utility may propose:

8.31 (1) recovery of the utility's forecast rate base, including its planned capital
8.32 investments and investment-related costs, including income tax impacts, depreciation,
8.33 and property taxes, as well as forecasted capacity-related costs from purchased power
8.34 agreements that are not recovered through section 216B.16, subdivision 7, based on a
8.35 formula, a budget forecast, a fixed escalation rate, individually or in combination;

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

9.3 (3) tariffed rates and service options to expand the products and services available to
9.4 customers to improve energy efficiency, affordability and reliability, renewable energy,
9.5 grid modernization and stability, or promote economic development. These tariffs and
9.6 service options may include time-of-day or location-based rates, an affordability rate for
9.7 low-income residential customers, or a rate for large, energy-intensive customers that
9.8 demonstrate electric rates impede their ability to compete in the global market; and

9.9 (4) adjustments to the rates approved under the plan for rate changes that the
9.10 commission determines to be just and reasonable, including, but not limited to, changes
9.11 in the utility's cost of operating its nuclear facilities or other significant investments not
9.12 contemplated in the plan.

9.13 (b) A utility may file a multiyear rate plan based on a prior final rate order from
9.14 the commission, provided the rate order was issued within 12 months of submitting a
9.15 multiyear rate plan, provided that the plan contains a mechanism for returning excess
9.16 earnings above the allowed return on equity to its customers.

9.17 (c) A utility may request to implement interim rates for the first and second years
9.18 of the multiyear plan. Interim rates may be implemented in the same manner as interim
9.19 rates under section 216B.16, subdivision 3.

9.20 (d) The commission may approve a multiyear rate plan only if it finds that the plan
9.21 establishes just and reasonable rates for the utility, applying the factors described in
9.22 subdivision 6. Consistent with subdivision 4, the burden of proof to demonstrate that the
9.23 multiyear rate plan is just and reasonable is on the public utility proposing the plan.

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

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

9.35 ~~(d)~~ (g) In reviewing a multiyear rate plan proposed in a general rate case under
9.36 this section, the commission may extend the time requirements for issuance of a final

10.1 determination prescribed in this section by an additional 90 days beyond its existing
 10.2 authority under subdivision 2, paragraph (f).

10.3 (e) (h) A utility may not file a multiyear rate plan that would establish rates under the
 10.4 terms of the plan until after May 31, 2012.

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

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

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

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

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

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

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

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

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

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

10.33 (b) The petition shall include:

- 11.1 (1) a description of the natural gas extension project, including the number and
 11.2 location of new customers to be served and the distance over which natural gas will be
 11.3 distributed to serve the unserved or inadequately served area;
- 11.4 (2) the project's construction schedule;
 11.5 (3) the proposed project budget;
 11.6 (4) the amount of any contributions in aid of construction;
 11.7 (5) a description of efforts made by the public utility to offset the revenue deficiency
 11.8 through contributions in aid to construction;
- 11.9 (6) the proposed method and amount of recovery by customer class and whether
 11.10 the utility is proposing that the rider be a flat fee, a volumetric charge, or another form of
 11.11 recovery;
- 11.12 (7) how recovery of the revenue deficiency will be allocated between industrial,
 11.13 commercial, residential, and transport customers;
- 11.14 (8) the proposed termination date of the rider to recover the revenue deficiency; and
 11.15 (9) a description of benefits to the public utility's existing natural gas customers that
 11.16 will accrue from the natural gas extension project.
- 11.17 Subd. 3. **Review; approval.** (a) The commission shall allow opportunity for
 11.18 comment on the petition.
- 11.19 (b) The commission may approve a public utility's petition for a rider to recover the
 11.20 costs of a natural gas extension project if it determines that:
- 11.21 (1) the project is designed to extend natural gas service to an unserved or
 11.22 inadequately served area; and
- 11.23 (2) project costs are reasonable and prudently incurred.
- 11.24 (c) The commission must not approve a rider under this section that allows a utility
 11.25 to recover more than 33 percent of the costs of a natural gas extension project.
- 11.26 (d) The revenue deficiency from a natural gas extension project recoverable through
 11.27 a rider under this section must include the currently authorized rate of return, incremental
 11.28 income taxes, incremental property taxes, incremental depreciation expenses, and any
 11.29 incremental operation and maintenance costs.
- 11.30 Subd. 4. **Commission authority; order.** The commission may issue orders
 11.31 necessary to implement and administer this section.
- 11.32 Subd. 5. **Implementation.** Nothing in this section commits a public utility to
 11.33 implement a project approved by the commission. The public utility seeking to provide
 11.34 natural gas service shall notify the commission whether it intends to proceed with the
 11.35 project as approved by the commission.

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

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

12.6 (2) the total cost of each project;

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

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

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

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

12.14 Subd. 2a. **Eligible energy technology standard.** (a) Except as provided in
 12.15 paragraph (b), each electric utility shall generate or procure sufficient electricity generated
 12.16 by an eligible energy technology to provide its retail customers in Minnesota, or the
 12.17 retail customers of a distribution utility to which the electric utility provides wholesale
 12.18 electric service, so that at least the following standard percentages of the electric utility's
 12.19 total retail electric sales to retail customers in Minnesota are generated by eligible energy
 12.20 technologies by the end of the year indicated:

12.21 (1) 2012 12 percent

12.22 (2) 2016 17 percent

12.23 (3) 2020 ~~20~~ 25 percent

12.24 (4) 2025 ~~25~~ 32 percent.

12.25 (5) 2030 40 percent.

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

12.34 (1) 2010 15 percent

12.35 (2) 2012 18 percent

- 13.1 (3) 2016 25 percent
 13.2 (4) 2020 30 percent.
 13.3 (5) 2025 35 percent
 13.4 (6) 2030 40 percent.

13.5 ~~Of the 30 percent in 2020, at least 25 percent must be generated by solar energy~~
 13.6 ~~or wind energy conversion systems and the remaining five percent by other eligible~~
 13.7 ~~energy technology. Of the 25 percent that must be generated by wind or solar, no more~~
 13.8 ~~than one percent may be solar generated and the remaining 24 percent or greater must~~
 13.9 ~~be wind generated.~~

13.10 Sec. 13. Minnesota Statutes 2014, section 216B.1691, subdivision 2b, is amended to
 13.11 read:

13.12 Subd. 2b. **Off ramps; modification or delay of standard.** (a) The commission
 13.13 shall modify or delay the implementation of a standard obligation, in whole or in part, if
 13.14 the commission determines it is in the public interest to do so. The commission, when
 13.15 requested to modify or delay implementation of a standard, must consider:

13.16 (1) the impact of implementing the standard on its customers' utility costs, including
 13.17 the economic and competitive pressure on the utility's customers;

13.18 (2) the effects of implementing the standard on the reliability of the electric system;

13.19 (3) technical advances or technical concerns;

13.20 (4) delays in acquiring sites or routes due to rejection or delays of necessary siting or
 13.21 other permitting approvals;

13.22 (5) delays, cancellations, or nondelivery of necessary equipment for construction or
 13.23 commercial operation of an eligible energy technology facility;

13.24 (6) transmission constraints preventing delivery of service; and

13.25 (7) other statutory obligations imposed on the commission or a utility.

13.26 The commission may modify or delay implementation of a standard obligation
 13.27 under clauses (1) to (3) only if it finds implementation would cause significant rate impact,
 13.28 requires significant measures to address reliability, or raises significant technical issues.

13.29 The commission may modify or delay implementation of a standard obligation under
 13.30 clauses (4) to (6) only if it finds that the circumstances described in those clauses were due
 13.31 to circumstances beyond an electric utility's control and make compliance not feasible.

13.32 (b) When considering whether to delay or modify implementation of a standard
 13.33 obligation, the commission must give due consideration to a preference for electric
 13.34 generation through use of eligible energy technology and to the achievement of the
 13.35 standards set by this section.

14.1 (c) An electric utility requesting a modification or delay in the implementation of a
 14.2 standard must file a plan to comply with its modified or delayed standard obligation in the
 14.3 same proceeding that it is requesting the delay.

14.4 Sec. 14. Minnesota Statutes 2014, section 216B.2401, is amended to read:

14.5 **216B.2401 ENERGY SAVINGS POLICY GOAL.**

14.6 The legislature finds that energy savings are an energy resource, and that
 14.7 cost-effective energy savings are preferred over all other energy resources. The legislature
 14.8 further finds that cost-effective energy savings should be procured systematically and
 14.9 aggressively in order to reduce utility costs for businesses and residents, improve the
 14.10 competitiveness and profitability of businesses, create more energy-related jobs, reduce
 14.11 the economic burden of fuel imports, and reduce pollution and emissions that cause
 14.12 climate change. Therefore, it is the energy policy of the state of Minnesota to achieve
 14.13 annual energy savings equal to at least ~~1.5~~ two percent of annual retail energy sales of
 14.14 electricity and natural gas through cost-effective energy conservation improvement
 14.15 programs and rate design, energy efficiency achieved by energy consumers without
 14.16 direct utility involvement, energy codes and appliance standards, programs designed
 14.17 to transform the market or change consumer behavior, energy savings resulting from
 14.18 efficiency improvements to the utility infrastructure and system, and other efforts to
 14.19 promote energy efficiency and energy conservation.

14.20 Sec. 15. Minnesota Statutes 2014, section 216B.241, subdivision 1, is amended to read:

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

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

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

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

14.26 (d) "Energy conservation" means demand-side and supply-side management of
 14.27 energy ~~supplies~~ resources resulting in a net reduction in energy use. Load management
 14.28 that reduces overall energy use is energy conservation.

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

15.1 (f) "Energy efficiency" means measures or programs, including energy conservation
15.2 measures or programs, that target consumer behavior, facility performance, equipment,
15.3 processes, operations and maintenance, or devices designed to produce either an absolute
15.4 decrease in consumption of electric energy or natural gas or a decrease in consumption
15.5 of electric energy or natural gas on a per unit of production basis without a reduction in
15.6 the quality or level of service provided to the energy consumer, or energy use intensity
15.7 defined as a net reduction in energy consumed per square foot of a facility.

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

15.13 (1) gas sales to:

15.14 (i) a large energy facility;

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

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

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

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

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

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

15.33 (i) "Large customer facility" means all buildings, structures, equipment, and
15.34 installations at a single site that collectively (1) impose a peak electrical demand on an
15.35 electric utility's system of not less than 20,000 kilowatts, measured in the same way as the
15.36 utility that serves the customer facility measures electrical demand for billing purposes or

16.1 (2) consume not less than 500 million cubic feet of natural gas annually. In calculating
16.2 peak electrical demand, a large customer facility may include demand offset by on-site
16.3 cogeneration facilities and, if engaged in mineral extraction, may aggregate peak energy
16.4 demand from the large customer facility's mining and processing operations.

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

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

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

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

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

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

16.23 Sec. 16. Minnesota Statutes 2014, section 216B.241, subdivision 1b, is amended to read:

16.24 Subd. 1b. **Conservation improvement by cooperative association or**
16.25 **municipality.** (a) This subdivision applies to:

16.26 (1) a cooperative electric association that provides retail service to its members;

16.27 (2) a municipality that provides electric service to retail customers; and

16.28 (3) a municipality with more than 1,000,000,000 cubic feet in annual throughput
16.29 sales to natural gas to retail customers.

16.30 (b) Each cooperative electric association and municipality subject to this subdivision
16.31 shall spend and invest for energy conservation improvements under this subdivision
16.32 the following amounts:

16.33 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
16.34 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding

17.1 gross operating revenues from electric and gas service provided in the state to large
17.2 electric customer facilities; and

17.3 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
17.4 from service provided in the state, excluding gross operating revenues from service
17.5 provided in the state to large electric customer facilities indirectly through a distribution
17.6 cooperative electric association.

17.7 (c) Each municipality and cooperative electric association subject to this subdivision
17.8 shall identify and implement energy conservation improvement spending and investments
17.9 that are appropriate for the municipality or association, except that a municipality
17.10 or association may not spend or invest for energy conservation improvements that
17.11 directly benefit a large energy facility or a large electric customer facility for which the
17.12 commissioner has issued an exemption under subdivision 1a, paragraph (b).

17.13 (d) Each municipality and cooperative electric association subject to this subdivision
17.14 may spend and invest annually up to ten percent of the total amount required to be spent
17.15 and invested on energy conservation improvements under this subdivision on research
17.16 and development projects that meet the definition of energy conservation improvement
17.17 in subdivision 1 and that are funded directly by the municipality or cooperative electric
17.18 association.

17.19 (e) Load-management activities may be used to meet 50 percent of the conservation
17.20 investment and spending requirements of this subdivision.

17.21 (f) A generation and transmission cooperative electric association that provides
17.22 energy services to cooperative electric associations that provide electric service at retail to
17.23 consumers may invest in energy conservation improvements on behalf of the associations
17.24 it serves and may fulfill the conservation, spending, reporting, and energy-savings goals on
17.25 an aggregate basis. A municipal power agency or other not-for-profit entity that provides
17.26 energy service to municipal utilities that provide electric service at retail may invest in
17.27 energy conservation improvements on behalf of the municipal utilities it serves and may
17.28 fulfill the conservation, spending, reporting, and energy-savings goals on an aggregate
17.29 basis, under an agreement between the municipal power agency or not-for-profit entity
17.30 and each municipal utility for funding the investments.

17.31 (g) Each municipality or cooperative shall file energy conservation improvement
17.32 plans by June 1 on a schedule determined by order of the commissioner, but at least every
17.33 three years. Plans received by June 1 must be approved or approved as modified by the
17.34 commissioner by December 1 of the same year. The municipality or cooperative shall
17.35 provide an evaluation to the commissioner detailing its energy conservation improvement
17.36 spending and investments for the previous period. The evaluation must briefly describe

18.1 each conservation program and must specify the energy savings or increased efficiency in
 18.2 the use of energy within the service territory of the utility or association that is the result of
 18.3 the spending and investments. The evaluation must analyze the cost-effectiveness of the
 18.4 utility's or association's conservation programs, using a list of baseline energy and capacity
 18.5 savings assumptions developed in consultation with the department. The commissioner
 18.6 shall review each evaluation and make recommendations, where appropriate, to the
 18.7 municipality or association to increase the effectiveness of conservation improvement
 18.8 activities.

18.9 (h) MS 2010 [Expired, 1Sp2003 c 11 art 3 s 4; 2007 c 136 art 2 s 5]

18.10 (i) The commissioner shall consider and may require a utility, association, or
 18.11 other entity providing energy efficiency and conservation services under this section to
 18.12 undertake a program suggested by an outside source, including a political subdivision,
 18.13 nonprofit corporation, or community organization.

18.14 (j) A municipality or cooperative electric association may appeal a decision of the
 18.15 commissioner under this subdivision, to the commission under subdivision 2. In reviewing
 18.16 a decision of the commissioner under this subdivision, the commission shall rescind the
 18.17 decision if it finds that the required investments or spending will:

18.18 (1) not result in cost-effective energy conservation improvements; or

18.19 (2) otherwise not be in the public interest.

18.20 Sec. 17. Minnesota Statutes 2014, section 216B.241, subdivision 1c, is amended to read:

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

18.24 (b) Each individual electric utility and association shall have an annual
 18.25 energy-savings goal equivalent to ~~1.5~~ two percent and each individual natural gas utility
 18.26 shall have annual energy-saving goal equivalent to 1.5 percent of gross annual retail energy
 18.27 sales unless modified by the commissioner under paragraph (d). The savings goals must be
 18.28 calculated based on the most recent three-year weather-normalized average. ~~A~~ An electric
 18.29 utility or association may elect to carry forward energy savings in excess of 1.5 ~~two~~ percent
 18.30 and a natural gas utility may elect to carry forward energy savings in excess of 1.5 percent
 18.31 for a year to the succeeding three ~~five~~ calendar years, except that savings from electric
 18.32 utility infrastructure projects allowed under paragraph (d) may be carried forward for five
 18.33 years. A particular energy savings can be used only for one year's goal upon achievement
 18.34 of a minimum 1.5 percent energy savings from demand-side energy conservation

19.1 improvements for electric utilities and achievement of a minimum one percent energy
19.2 savings from demand-side energy conservation improvements for natural gas utilities.

19.3 (c) The commissioner must adopt a filing schedule that is designed to have all
19.4 utilities and associations operating under an energy-savings plan with the goals indicated
19.5 in this subdivision by calendar year ~~2010~~ 2017.

19.6 (d) In its energy conservation improvement plan filing, a utility or association may
19.7 request the commissioner to adjust its annual energy-savings percentage goal based on
19.8 its historical conservation investment experience, customer class makeup, load growth, a
19.9 conservation potential study, or other factors the commissioner determines warrants an
19.10 adjustment. The commissioner may not approve a plan of a public utility ~~that provides for~~
19.11 providing electric service an annual energy-savings goal of less than ~~one~~ 1.5 percent of
19.12 gross annual retail energy sales from demand-side energy conservation improvements, and
19.13 less than a one percent goal of gross annual retail energy sales from demand-side energy
19.14 conservation improvements from a public utility providing natural gas service.

19.15 ~~A~~ An electric utility or association may include in its energy conservation plan
19.16 energy savings from electric utility infrastructure projects approved by the commission
19.17 under section 216B.1636 or waste heat recovery converted into electricity projects that
19.18 may count as energy savings in addition to a minimum energy-savings goal of at least
19.19 ~~one~~ 1.5 percent for demand-side energy conservation improvements. Electric utility
19.20 infrastructure projects must result in increased energy efficiency greater than that which
19.21 would have occurred through normal maintenance activity.

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

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

19.32 (g) On an annual basis, the commissioner shall produce and make publicly available
19.33 a report on the annual energy savings and estimated carbon dioxide reductions achieved
19.34 by the energy conservation improvement programs for the two most recent years for
19.35 which data is available. The commissioner shall report on program performance both in

20.1 the aggregate and for each entity filing an energy conservation improvement plan for
 20.2 approval or review by the commissioner.

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

20.6 Sec. 18. Minnesota Statutes 2014, section 216B.2421, subdivision 2, is amended to read:

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

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

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

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

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

20.18 (5) any pipeline for transporting natural or synthetic gas at pressures in excess of
 20.19 200 pounds per square inch with more than 50 miles of its length in Minnesota;

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

20.22 (7) any underground gas storage facility requiring a permit pursuant to section
 20.23 103I.681;

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

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

20.27 Sec. 19. Minnesota Statutes 2014, section 216B.2425, is amended to read:

20.28 **216B.2425 STATE TRANSMISSION AND DISTRIBUTION PLAN.**

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

20.31 Subd. 2. **List development; transmission projects report.** (a) By November
 20.32 1 of each odd-numbered year, a transmission projects report must be submitted to the
 20.33 commission by each utility, organization, or company that:

21.1 (1) is a public utility, a municipal utility, a cooperative electric association, the
 21.2 generation and transmission organization that serves each utility or association, or a
 21.3 transmission company; and

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

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

21.8 (c) The report must:

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

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

21.12 (3) identify general economic, environmental, and social issues associated with
 21.13 each alternative; ~~and~~

21.14 (4) identify incremental investments needed to modernize the existing transmission
 21.15 and distribution grid, including, but not limited to, two-way meters and communication
 21.16 technologies, control technologies, energy storage and microgrids, outage management,
 21.17 investments to enable demand response, and incremental investments to enhance
 21.18 reliability and security against cyber and physical threats; and

21.19 (5) provide a summary of public input related to the list of inadequacies and the role
 21.20 of local government officials and other interested persons in assisting to develop the list
 21.21 and analyze alternatives.

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

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

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

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

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

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

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

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

22.9 Subd. 7. **Transmission needed to support renewable resources.** (a) Each entity
 22.10 subject to this section shall determine necessary transmission upgrades to support
 22.11 development of renewable energy resources required to meet objectives under section
 22.12 216B.1691 and shall include those upgrades in its report under subdivision 2.

22.13 (b) MS 2008 [Expired]

22.14 Subd. 8. **Distribution study to support distributed generation resources.** Each
 22.15 entity subject to this section shall conduct a distribution study to identify interconnection
 22.16 points on its distribution system for small-scale distributed generation resource and shall
 22.17 identify necessary distribution upgrades to support continued development of distributed
 22.18 generation resources.

22.19 Sec. 20. **[216B.247] LARGE SOLAR ENERGY SYSTEM OR LWECS**
 22.20 **REPOWERING.**

22.21 (a) A large wind energy conversion system, as defined in section 216F.01,
 22.22 subdivision 2, or a solar-powered large energy facility, as defined in section 216B.2421,
 22.23 subdivision 2, engaging in a repowering project that will not result in the facility exceeding
 22.24 the nameplate capacity under its most recent interconnection agreement is exempt from
 22.25 the certificate of need requirements under section 216B.241.

22.26 (b) A large wind energy conversion system, as defined in section 216F.01,
 22.27 subdivision 2, or a solar-powered large energy facility, as defined in section 216B.2421,
 22.28 subdivision 2, engaging in a repowering project that will result in the facility exceeding
 22.29 the nameplate capacity under its most recent interconnection agreement is exempt from
 22.30 the certificate of need requirements under section 216B.241, if the project has obtained a
 22.31 signed generator interconnection agreement from the Midcontinent Independent System
 22.32 Operator that reflects the net power increase.

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

22.34 Sec. 21. Minnesota Statutes 2014, section 216C.05, subdivision 2, is amended to read:

23.1 Subd. 2. **Energy policy goals.** It is the energy policy of the state of Minnesota that:

23.2 (1) annual energy savings equal to at least ~~1.5~~ two percent of annual retail energy
23.3 sales of electricity and natural gas be achieved through cost-effective energy efficiency;

23.4 (2) the per capita use of fossil fuel as an energy input be reduced by 15 percent by
23.5 the year 2015, through increased reliance on energy efficiency and renewable energy
23.6 alternatives; and

23.7 (3) 25 percent of the total energy used in the state be derived from renewable energy
23.8 resources by the year 2025.

23.9 Sec. 22. [216C.155] ENERGY ASSURANCE AND EMERGENCY
23.10 CONSERVATION PLAN.

23.11 Subdivision 1. Plan requirements. (a) The commissioner shall maintain an energy
23.12 assurance and emergency conservation plan. The plan shall:

23.13 (1) profile the state's energy sectors, including an assessment of the risk within each
23.14 energy sector and the character of the vulnerabilities;

23.15 (2) establish priorities for Minnesota's long-term preparedness activities to ensure
23.16 the availability of energy resources critical for the safety, health, and welfare of the state's
23.17 citizens;

23.18 (3) include Minnesota's three main energy sectors of electricity, natural gas, and
23.19 liquid fuels, including renewable and biological sources of energy available in each sector;

23.20 (4) identify relevant legal authorities governing the commissioner's actions during
23.21 an energy emergency and any necessary allocation of limited energy resources under the
23.22 emergency conservation section of the plan; and

23.23 (5) establish response protocols for the commissioner's actions in the event of an
23.24 energy supply emergency.

23.25 (b) At least once every five years, the commissioner shall review and update the
23.26 plan. Revisions of the plan directly relating to the emergency conservation requirements
23.27 of the plan must be adopted under the rulemaking procedures of chapter 14.

23.28 Subd. 2. **Long-term preparedness.** (a) The commissioner shall establish priorities
23.29 for Minnesota's long-term preparedness activities, with the primary goal of reducing the
23.30 consequences of any energy disruption by increasing Minnesota's resilience to short-
23.31 and long-term disruptions of energy delivery to government, commercial, industrial,
23.32 nonprofit, and citizen energy consumers.

23.33 (b) Long-term preparedness goals must also include:

23.34 (1) increasing the utilization of Minnesota-derived energy sources;

24.1 (2) reducing overall demand for energy through both cost-effective energy efficiency
 24.2 and conservation activities;

24.3 (3) developing new energy production technologies, new consumer-level energy
 24.4 monitoring mechanisms, and new energy provider business models; and

24.5 (4) minimizing consumer and ratepayer costs, and maximizing the economic benefits
 24.6 for the state as a result of these preparedness activities.

24.7 Subd. 3. **Emergency energy conservation protocols.** (a) The commissioner shall
 24.8 establish protocols for responding to an energy supply emergency. These protocols must
 24.9 be consistent with the responsibilities identified in chapter 12, the Minnesota Emergency
 24.10 Operations Plan, the State All-Hazard Mitigation Plan, and relevant guidelines issued by
 24.11 the National Association of State Energy Officials.

24.12 (b) The protocols must:

24.13 (1) include a plan for coordinating information and any required response actions
 24.14 with private-sector energy providers;

24.15 (2) include a plan for providing uniform, timely, and accurate information to the
 24.16 public and to state agencies with responsibilities for emergency management and disaster
 24.17 response; and

24.18 (3) ensure that emergency energy conservation actions by private-sector energy
 24.19 providers minimize disruption for critical facilities as identified by state and local
 24.20 emergency management officials.

24.21 (c) Whenever possible, the emergency energy conservation protocols should place a
 24.22 priority on broader energy conservation activities that reduce the severity and duration of
 24.23 an energy supply disruption, for the purpose of limiting the number of critical facilities
 24.24 experiencing a complete disruption of energy at individual facilities.

24.25 Subd. 4. **Emergency energy allocation protocols.** (a) The commissioner shall
 24.26 establish guidelines and criteria for allocation of energy supplies to critical facilities
 24.27 and priority users, in the case of a widespread or severe disruption to the state's energy
 24.28 sector. The guidelines and criteria shall contain alternative conservation actions and
 24.29 allocation plans to reasonably meet various foreseeable shortage circumstances and allow
 24.30 a choice of appropriate responses, based on reasonable energy savings or transfers from
 24.31 scarce energy resources.

24.32 (b) Consistent with requirements of federal emergency energy conservation and
 24.33 allocation laws and regulations, the guidelines and criteria must:

24.34 (1) require that all individuals, state agencies, local subdivisions of government,
 24.35 businesses, and public transit agencies requesting emergency allocation of energy

25.1 resources demonstrate they have adopted an emergency energy conservation plan and
25.2 have engaged in energy-saving measures;

25.3 (2) ensure maintenance of reasonable job safety conditions and minimize
25.4 environmental sacrifices;

25.5 (3) ensure the availability of energy resources to emergency authorities, including
25.6 state and local law enforcement, emergency medical services, and other first responders;

25.7 (4) prioritize allocating fuel, electricity, and other available energy resources to those
25.8 critical facilities identified by state and local emergency management officials;

25.9 (5) as necessary, control the use, sale, or distribution of commodities, materials,
25.10 goods, or services that will prevent the restoration of adequate energy supply conditions
25.11 to affected individuals, state agencies, local subdivisions of government, businesses,
25.12 and public transit agencies;

25.13 (6) as necessary, determine at what level of an energy supply emergency the
25.14 Pollution Control Agency shall be requested to ask the governor to petition the president
25.15 for a temporary emergency suspension of air quality standards as required by the Clean
25.16 Air Act, United States Code, title 42, section 7410f; and

25.17 (7) ensure all affected entities maintain their rights to due process, including a fair
25.18 and equitable review of complaints and requests for special exemptions.

25.19 Subd. 5. **Declaration of energy supply emergency.** (a) The governor or the
25.20 Executive Council may declare an energy supply emergency when an acute shortage of
25.21 energy exists by issuing a declaration indicating the nature of the emergency, the area or
25.22 areas threatened if less than the whole state is threatened, and the conditions causing
25.23 the emergency.

25.24 (b) An energy supply emergency exists only when the state and private sector energy
25.25 partners have exhausted all economical and reasonable means of meeting the energy
25.26 needs of the state and its citizens, including operating energy facilities at their emergency
25.27 capacity, importing additional external energy resources, and implementing all available
25.28 voluntary energy conservation measures.

25.29 (c) An energy supply emergency declaration shall be disseminated promptly by
25.30 means calculated to bring its contents to the attention of the general public and shall
25.31 be promptly filed with the commissioner, the commissioner of public safety, and the
25.32 secretary of state. Upon a declaration of an energy supply emergency, the governor and
25.33 the commissioner, in consultation with the commissioner of public safety, shall implement
25.34 and enforce the emergency and energy allocation protocols or any part thereof.

25.35 (d) The Executive Council may terminate an energy supply emergency at any time
25.36 by issuing a termination declaration and indicating the condition or conditions supporting

26.1 termination. No energy supply emergency may continue for longer than 30 days unless
 26.2 renewed by the Executive Council. Each renewed energy supply emergency may not
 26.3 continue for longer than 30 days unless otherwise provided by law. Each person shall
 26.4 carry out the responsibilities specified in the emergency conservation allocation plan, and
 26.5 violation of any provision of such emergency conservation or allocation requirements shall
 26.6 be deemed a violation of sections 216C.05 to 216C.30 and the rules adopted thereunder
 26.7 for purposes of enforcement under section 216C.30.

26.8 Sec. 23. Minnesota Statutes 2014, section 216C.16, subdivision 1, is amended to read:

26.9 Subdivision 1. **Purpose.** The purpose of this section is to grant to the commissioner
 26.10 authority to exercise specific power to deal with shortages of refined petroleum products.
 26.11 Authority granted shall be exercised for the purpose of minimizing the adverse impacts
 26.12 of prolonged petroleum shortages and dislocations upon the citizens and the economy of
 26.13 the state and nation.

26.14 Sec. 24. Minnesota Statutes 2014, section 216C.16, subdivision 2, is amended to read:

26.15 Subd. 2. **Establishment.** The commissioner shall establish and is responsible for
 26.16 a state set-aside system for motor gasoline and middle distillates to provide emergency
 26.17 petroleum requirements and thereby relieve the hardship caused by ~~shortage, prolonged~~
 26.18 petroleum shortages and supply dislocations, or other emergencies. The commissioner, for
 26.19 purposes of administration, may exercise all of the powers granted by this chapter.

26.20 Sec. 25. **[216C.165] PETROLEUM END USER PROGRAM.**

26.21 Subdivision 1. **Purpose.** The purpose of this section is to grant to the commissioner
 26.22 authority to ensure availability of necessary supplies of motor gasoline, middle distillates,
 26.23 and propane for priority end users essential to ensure the health, safety, and welfare of
 26.24 the general public.

26.25 Subd. 2. **Establishment.** The commissioner shall establish and is responsible for
 26.26 a state priority end user program for motor gasoline, middle distillates, and propane to
 26.27 provide emergency petroleum requirements and thereby relieve the hardship caused by
 26.28 emergency petroleum shortages. The commissioner, for purposes of administration, may
 26.29 exercise all of the powers granted by this chapter.

26.30 Subd. 3. **Definitions.** (a) For the purposes of this section, the following terms have
 26.31 the meaning given them.

27.1 (b) "Current requirements" means the supply of motor gasoline, distillate fuel oil,
27.2 and propane needed by an end user or wholesale purchaser to meet its present priority
27.3 end use needs.

27.4 (c) "End user" means any person who is an ultimate consumer of a petroleum
27.5 product other than a wholesale purchaser-consumer.

27.6 (d) "Middle distillates" means distillates obtained between kerosene and lubricating
27.7 oil fractions in the refining process, including but not limited to kerosene, number one and
27.8 number two heating oil, and diesel fuel.

27.9 (e) "Motor gasoline" means a liquid mixture of hydrocarbons produced by the
27.10 distillation of petroleum and used chiefly as a fuel in internal combustion engines.

27.11 (f) "Prime supplier" means the producer or supplier now or hereafter making the first
27.12 sale of middle distillates or motor gasoline subject to the state set-aside for consumption
27.13 within the state.

27.14 (g) "Propane" means a normally gaseous paraffinic compound that boils at a
27.15 temperature of -43.67 degrees Fahrenheit, and is used primarily for heating and cooking.
27.16 It does not include the propane portion of any natural gas liquid mixes, including a
27.17 butane-propane mix.

27.18 (h) "Supplier" means any prime supplier or any other firm which presently, or during
27.19 the last 12 months, supplies, sells, transfers, or otherwise furnishes motor gasoline,
27.20 distillate oil, and propane to wholesale purchasers or end users, including but not limited
27.21 to a refiner, importer, reseller, jobber, or retailer.

27.22 Subd. 4. **Priority end user program; declaration.** (a) The commissioner may
27.23 implement the priority end user program only upon:

27.24 (1) declaration of an energy supply emergency under the authority of section
27.25 216C.155, or a declaration of an emergency under chapter 12; and

27.26 (2) a finding by the commissioner that (i) major petroleum suppliers are unable to
27.27 fully satisfy contractually obligated volumes and have limited customers to a percentage
27.28 of their historical purchases or contractual volumes, and (ii) public services and public
27.29 health and safety are either interrupted or threatened due to insufficient supplies of
27.30 petroleum products.

27.31 (b) A declaration implementing the priority end user program shall remain in effect
27.32 for 60 days from date of declaration unless otherwise amended, superseded, or rescinded.

27.33 Subd. 5. **Supplier responsibilities.** Upon commissioner order implementing the
27.34 program and within 30 days of submission of the sworn statement required under this
27.35 section, petroleum suppliers shall supply 100 percent of the current requirements of motor
27.36 gasoline, middle distillates, and propane each month to certified priority end users.

28.1 Subd. 6. **Priority end users.** (a) The commissioner shall certify as priority end
28.2 users those end users whose continuity of operations in an emergency is critical for public
28.3 health, safety, and welfare. Such priority end users shall include the Minnesota State
28.4 Patrol, local law enforcement, fire fighting units, emergency medical services, and any
28.5 other end users as certified by the commissioner.

28.6 (b) Priority end users shall present to a petroleum supplier evidence of this
28.7 certification and the following information:

28.8 (1) the most recent 12 months of fuel purchases, in gallons;

28.9 (2) anticipated requirements for the next 12 months;

28.10 (3) written justification explaining the need for any volumes in excess of historical
28.11 or contractual purchases; and

28.12 (4) a sworn statement that the information provided in the certification is true and
28.13 accurate and that the petroleum product to be provided will only be used for priority
28.14 use as indicated.

28.15 Subd. 7. **Appeal process.** (a) A person aggrieved by certification of priority end
28.16 use may file a written petition of appeal to the Office of Administrative Hearings. The
28.17 petition must include:

28.18 (1) the name and address of the petitioner;

28.19 (2) a concise statement of facts surrounding the case, including the reason for the
28.20 appeal and relief sought; and

28.21 (3) the names and addresses of persons known to the petitioner who may be affected
28.22 adversely by the outcome of the appeal.

28.23 (b) The petitioner shall attach a sworn statement to the petition which states that the
28.24 information provided in the petition is true to the best of the petitioner's knowledge.

28.25 (c) The Office of Administrative Hearings shall, within three work days after the
28.26 filing of a petition, serve a copy of the petition on known persons who might be affected
28.27 adversely by the outcome of the appeal. Persons served with a petition may, not later
28.28 than five working days from service of the petition, file a written reply, supported by a
28.29 sworn statement to the effect that the information in the reply is true to the best of the
28.30 respondent's knowledge. A copy of the response shall be made available to the petitioner.

28.31 (d) Within 20 working days after the petition of appeal is filed, the Office of
28.32 Administrative Hearings shall render a decision on the appeal and serve it upon all persons
28.33 who participated in the appellate proceeding and any other person who is aggrieved by the
28.34 decision and order. A supplier is deemed to have exhausted all administrative remedies
28.35 once a decision has been rendered on the appeal.

29.1 Sec. 26. Minnesota Statutes 2014, section 216C.31, is amended to read:

29.2 **216C.31 ENERGY AUDIT PROGRAMS.**

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

29.7 Sec. 27. Minnesota Statutes 2014, section 216C.435, subdivision 3a, is amended to read:

29.8 Subd. 3a. **Cost-effective energy improvements.** "Cost-effective energy
 29.9 improvements" mean energy improvements that have been identified in an energy audit
 29.10 or renewable energy system feasibility study as repaying their purchase and installation
 29.11 costs in 20 years or less, based on the amount of ~~future~~ energy saved and estimated future
 29.12 energy prices.

29.13 Sec. 28. Minnesota Statutes 2014, section 216C.435, subdivision 4, is amended to read:

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

29.20 Sec. 29. Minnesota Statutes 2014, section 216C.435, subdivision 5, is amended to read:

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

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

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

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

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

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

30.1 Sec. 30. Minnesota Statutes 2014, section 216C.435, subdivision 10, is amended to read:

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

30.10 Sec. 31. Minnesota Statutes 2014, section 216C.435, is amended by adding a
30.11 subdivision to read:

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

30.15 Sec. 32. Minnesota Statutes 2014, section 216C.436, subdivision 1, is amended to read:

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

30.22 Sec. 33. Minnesota Statutes 2014, section 216C.436, subdivision 2, is amended to read:

30.23 Subd. 2. **Program requirements.** A The implementing entity must ensure that a
30.24 financing program must:

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

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

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

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

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

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

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

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

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

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

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

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

31.20 Sec. 34. Minnesota Statutes 2014, section 216E.01, subdivision 5, is amended to read:

31.21 Subd. 5. **Large electric power generating plant.** "Large electric power generating
 31.22 plant" shall mean electric power generating equipment and associated facilities designed
 31.23 for or capable of operation at a capacity of 50,000 kilowatts or more, or a solar energy
 31.24 generating system designed for or capable of operation at a capacity of 10,000 kilowatts
 31.25 or more.

31.26 Sec. 35. Minnesota Statutes 2014, section 216E.021, is amended to read:

31.27 **216E.021 SOLAR ENERGY SYSTEM SIZE DETERMINATION.**

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

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

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

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

32.7 ~~(b)~~ (c) The commissioner of commerce shall provide forms and assistance for
 32.8 applicants to make a request for a size determination. Upon written request of an applicant,
 32.9 the commissioner shall provide a written size determination within 30 days of receipt of
 32.10 the request and of any information requested by the commissioner. In the case of a dispute,
 32.11 the chair of the Public Utilities Commission shall make the final size determination.

32.12 Sec. 36. Minnesota Statutes 2014, section 216E.03, subdivision 3, is amended to read:

32.13 Subd. 3. **Application.** Any person seeking to construct a large electric power
 32.14 generating plant or a high-voltage transmission line must apply to the commission for a
 32.15 site or route permit. The application shall contain such information as the commission may
 32.16 require. The applicant shall propose at least two sites for a large electric power generating
 32.17 plant and two routes for a high-voltage transmission line, except that an applicant shall
 32.18 only be required to propose one site for a large electric power generating plant that is a
 32.19 solar energy generating system. Neither of the two proposed routes may be designated as
 32.20 a preferred route and all proposed routes must be numbered and designated as alternatives.
 32.21 The commission shall determine whether an application is complete and advise the
 32.22 applicant of any deficiencies within ten days of receipt. An application is not incomplete if
 32.23 information not in the application can be obtained from the applicant during the first phase
 32.24 of the process and that information is not essential for notice and initial public meetings.

32.25 Sec. 37. Minnesota Statutes 2014, section 216E.05, subdivision 2, is amended to read:

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

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

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

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

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

33.1 (5) a high-voltage transmission line service extension to a single customer between
 33.2 200 and 300 kilovolts and less than ten miles in length; and

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

33.6 Sec. 38. [216E.055] SOLAR FACILITY PERMIT AUTHORITY; ASSUMPTION
 33.7 BY COUNTIES AND MUNICIPALITIES.

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

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

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

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

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

34.1 (f) This section does not exempt applicants from the requirements under section
34.2 216E.021.

34.3 Sec. 39. Minnesota Statutes 2014, section 453A.02, subdivision 5, is amended to read:

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

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

34.8 Sec. 40. Minnesota Statutes 2014, section 500.30, is amended by adding a subdivision
34.9 to read:

34.10 Subd. 2a. **Lease of wind rights extension.** Notwithstanding subdivision 2, a wind
34.11 energy project that meets the requirements of this subdivision shall extend lease of wind
34.12 rights to an eight-year period. In order to qualify for the extension under this subdivision a
34.13 facility must:

- 34.14 (1) utilize between 35 and 41 wind turbines;
34.15 (2) have a nameplate capacity of between 75 and 82 megawatts; and
34.16 (3) have commenced construction of the facility before June 1, 2015.

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

34.18 Sec. 41. **STUDY OF PERFORMANCE METRICS.**

34.19 The commission may initiate a proceeding to determine a set of performance metrics
34.20 that are quantifiable, verifiable, and consistent with state policy.

34.21 Sec. 42. **COMPETITIVE RATE FOR ENERGY-INTENSIVE,**
34.22 **TRADE-EXPOSED ELECTRIC UTILITY CUSTOMER.**

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

34.25 (b) "Energy-intensive, trade-exposed customer" is defined as:

34.26 (1) a retail customer of an investor-owned electric utility that has facilities at a
34.27 single site that:

34.28 (i) collectively impose a peak electrical demand of at least 10,000 kilowatts on
34.29 the electric utility's system; and

34.30 (ii) have a combined annual average load factor in excess of 80 percent; and

35.1 (2) any other globally competitive electric utility customer who can demonstrate
35.2 that energy costs are a significant portion of the customer's overall cost of production and
35.3 impedes the customer's ability to compete in the global market.

35.4 (c) "EITE rate schedule" means a rate schedule of an investor-owned electric utility
35.5 that establishes the terms of service for an individual or group of energy-intensive,
35.6 trade-exposed customers.

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

35.9 Subd. 2. **Rates and terms of EITE rate schedule.** (a) An investor-owned electric
35.10 utility that has at least 50 percent of its load from 15 or fewer customers may propose an
35.11 EITE rate schedule for commission approval that includes various EITE rate options such
35.12 as fixed rates, market-based rates.

35.13 (b) Notwithstanding Minnesota Statutes, section 216B.03, 216B.05, 216B.06,
35.14 216B.07, or 216B.16, the commission shall approve a proposed EITE rate schedule, if
35.15 it finds the schedule provides net benefits to the utility and its customers, considering
35.16 among other things:

35.17 (1) potential cost impacts to the utility customers;

35.18 (2) the net benefit to the local or state economy through the retention of or increase
35.19 to existing jobs;

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

35.21 (4) avoiding a significant increase in rates due to a reduction of EITE customer load.

35.22 (c) An EITE rate offered by an electric utility under an approved EITE rate schedule
35.23 must be filed with the commission. The commission shall review and approve the EITE
35.24 rate offered by an electric utility if it finds the rate provides net benefits to the utility and
35.25 its customers as described above. The commission shall make a final determination in
35.26 any proceeding begun under this section within 90 days of a miscellaneous rate filing by
35.27 the electric utility.

35.28 (d) Upon approval of an EITE rate, the utility may recover the incremental costs, or
35.29 refund the incremental revenues, associated with providing service to a customer under
35.30 the EITE rate from the utility's nonenergy-intensive, trade-exposed customers, except
35.31 low-income residential ratepayers, as defined in Minnesota Statutes, section 216B.16,
35.32 subdivision 15.

35.33 Sec. 43. **REPEALER.**

35.34 Minnesota Statutes 2014, sections 216C.15; and 216C.436, subdivision 6, are
35.35 repealed.

216C.15 EMERGENCY ENERGY CONSERVATION AND ALLOCATION PLAN.

Subdivision 1. **Priorities and requirements.** The commissioner shall maintain an emergency conservation and allocation plan. The plan shall provide a variety of strategies and staged conservation measures to reduce energy use and, in the event of an energy supply emergency, shall establish guidelines and criteria for allocation of fuels to priority users. The plan shall contain alternative conservation actions and allocation plans to reasonably meet various foreseeable shortage circumstances and allow a choice of appropriate responses. The plan shall be consistent with requirements of federal emergency energy conservation and allocation laws and regulations, shall be based on reasonable energy savings or transfers from scarce energy resources and shall:

(1) give priority to individuals, institutions, agriculture, businesses, and public transit under contract with the commissioner of transportation or the Metropolitan Council which demonstrate they have engaged in energy-saving measures and shall include provisions to insure that:

(i) immediate allocations to individuals, institutions, agriculture, businesses, and public transit be based on needs at energy conservation levels;

(ii) successive allocations to individuals, institutions, agriculture, businesses, and public transit be based on needs after implementation of required action to increase energy conservation; and

(iii) needs of individuals, institutions, and public transit are adjusted to insure the health and welfare of the young, old and infirm;

(2) insure maintenance of reasonable job safety conditions and avoid environmental sacrifices;

(3) establish programs, controls, standards, priorities or quotas for the allocation, conservation, and consumption of energy resources; and for the suspension and modification of existing standards and the establishment of new standards affecting or affected by the use of energy resources, including those related to the type and composition of energy sources, and to the hours and days during which public buildings, commercial and industrial establishments, and other energy-consuming facilities may or are required to remain open;

(4) establish programs to control the use, sale or distribution of commodities, materials, goods or services;

(5) establish regional programs and agreements for the purpose of coordinating the energy resources, programs and actions of the state with those of the federal government, of local governments, and of other states and localities;

(6) determine at what level of an energy supply emergency situation the Pollution Control Agency shall be requested to ask the governor to petition the president for a temporary emergency suspension of air quality standards as required by the Clean Air Act, United States Code, title 42, section 7410f; and

(7) establish procedures for fair and equitable review of complaints and requests for special exemptions regarding emergency conservation measures or allocations.

Subd. 2. **Periodic revision.** At least once every five years and whenever construction of a new large energy facility is completed which affects the supply of energy in Minnesota, the commissioner shall review and if necessary revise the emergency conservation and allocation plan. Revisions of the emergency conservation and allocation plan shall be adopted pursuant to the rulemaking procedures in chapter 14 and reviewed by the appropriate standing committees of the legislature.

Subd. 3. **Declaration of energy supply emergency.** The Executive Council or the legislature may declare an energy supply emergency when an acute shortage of energy exists by issuing a declaration which indicates the nature of the emergency, the area or areas threatened if less than the whole state is threatened, and the conditions causing the emergency. The declaration shall be disseminated promptly by means calculated to bring its contents to the attention of the general public and shall be promptly filed with the commissioner, the Division of Emergency Management and the secretary of state. Upon a declaration of an energy supply emergency by the Executive Council or the legislature, the governor and the Division of Emergency Management, in consultation with the commissioner, shall implement and enforce the emergency conservation and allocation plan or any part thereof. Revisions of the plan shall be made by the commissioner in accordance with subdivision 2. The Executive Council or the legislature may terminate an energy supply emergency at any time by issuing a declaration which terminates the energy supply emergency and indicates the conditions which make possible termination of the emergency, but no energy supply emergency may continue for longer than 30 days unless renewed by the legislature. Each renewed energy supply emergency may not continue for longer than 30 days,

APPENDIX

Repealed Minnesota Statutes: S1431-1

unless otherwise provided by law. Each person shall carry out the responsibilities specified in the emergency conservation allocation plan, and violation of any provision of such emergency conservation or allocation requirements shall be deemed a violation of sections 216C.05 to 216C.30 and the rules promulgated thereunder for purposes of enforcement pursuant to section 216C.30.

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.