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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. 1221

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to energy; requiring commissioner of commerce to engage in activities
1.3 designed to increase energy savings under conservation investment program;
1.4 amending Minnesota Statutes 2006, section 216B.241, subdivision 1c, by adding
1.5 a subdivision; proposing coding for new law in Minnesota Statutes, chapter 216B.

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

1.7 Section 1. Minnesota Statutes 2006, section 216B.241, subdivision 1c, is amended to
1.8 read:

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

1.12 (b) On an annual basis, the commissioner shall make publicly available a report
1.13 on the annual energy savings and estimated carbon dioxide reductions achieved by the
1.14 conservation improvement program for the two most recent years for which data is
1.15 available. The commissioner shall report on program performance both in the aggregate
1.16 and for each entity filing an energy conservation plan for approval or review by the
1.17 commissioner under subdivisions 1a and 1b.

1.18 (c) The commissioner shall establish statewide electric and natural gas energy
1.19 conservation goals that would result in energy savings equivalent to 1.5 percent of
1.20 statewide annual energy sales. Each utility and association shall file by June 2008 plans
1.21 on how they can achieve these goals. The goals must be in effect for 2009 and every
1.22 year thereafter. Based upon the statewide goals and input from utilities and associations,
1.23 the commissioner shall establish individual goals for each utility and association. The
1.24 commissioner may increase or decrease individual utility and association goals based upon
1.25 the energy-saving potential in individual service territories. Both statewide performance

2.1 and individual utility performance in relation to these established goals must be included
 2.2 in the commissioner's report described in paragraph (b).

2.3 (d) The commissioner shall maintain an inventory of the most effective energy
 2.4 conservation programs. The commissioner shall encourage all Minnesota utilities to
 2.5 implement these programs where appropriate to their service territories. The commissioner
 2.6 shall continually maintain and update the inventory so that the inventory contains the
 2.7 most effective energy savings programs and describes those programs in sufficient detail
 2.8 that a utility has reasonable guidance concerning implementation. The commissioner
 2.9 shall prioritize the opportunities in order of potential energy savings and in order of
 2.10 cost-effectiveness.

2.11 Sec. 2. Minnesota Statutes 2006, section 216B.241, is amended by adding a
 2.12 subdivision to read:

2.13 Subd. 7. **Applied research and development grants.** (a) The commissioner
 2.14 shall establish an applied research and development fund to identify strategies to
 2.15 maximize energy savings and carbon dioxide reductions from utility energy conservation
 2.16 improvement programs. In awarding applied research and development grants, the
 2.17 commissioner shall consult with an advisory group consisting of utilities, consumer
 2.18 advocates, and other interested parties. All grants must be for projects that directly lead
 2.19 to improvements in the effectiveness of utility conservation programs or provide better
 2.20 documentation on the carbon dioxide reductions from the programs, or both.

2.21 (b) The commissioner shall assess energy utilities for costs related to the
 2.22 administration of applied research and development grants. The commissioner shall
 2.23 apportion costs among all energy utilities in proportion to their respective gross operation
 2.24 revenues from sales of gas or electric service within the state during the last calendar year
 2.25 and shall then render a bill to each utility on a regular basis.

2.26 (c) The commissioner shall assess up to \$3,000,000 annually under this subdivision.

2.27 Sec. 3. **[216B.2412] RATE DECOUPLING; PILOT PROJECT.**

2.28 Subdivision 1. **Definition.** For the purpose of this section, "decoupling" means a
 2.29 ratemaking strategy that recognizes the impacts of a variety of factors that affect energy
 2.30 sales, including energy conservation, and eliminates incentives to sell energy beyond
 2.31 approved revenue requirements and disincentives for conserving energy.

2.32 Subd. 2. **Decoupling criteria.** The commission may, by order, establish criteria
 2.33 and standards for decoupling energy sales by public utilities from the revenues of those
 2.34 utilities. The commission shall design the criteria and standards to mitigate the impact

3.1 on the public utilities of the energy efficiency objectives under this section without
3.2 adversely affecting utility ratepayers. Upon adoption of criteria and standards under this
3.3 section, the commission may approve utility proposals for decoupling that are consistent
3.4 with those criteria and standards.

3.5 Subd. 3. **Pilot programs.** The Public Utilities Commission is authorized to allow
3.6 one or more rate-regulated electric utilities and one or more rate-regulated gas utilities to
3.7 participate in separate pilot programs to assess the merits of a rate-decoupling strategy.
3.8 Each pilot program must utilize the criteria and standards established in subdivision
3.9 2 and be designed to determine whether a rate-decoupling strategy works to achieve
3.10 energy savings. Each program must be designed and be of a length to determine whether
3.11 a rate-decoupling strategy works to achieve energy savings. A pilot program may not
3.12 exceed three years in length. The commission shall report on the programs annually to the
3.13 chairs of the house of representatives and senate committees with primary jurisdiction
3.14 over energy policy.