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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1677**

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Authored by Sertich and Rukavina

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

1.1 A bill for an act
1.2 relating to energy; modifying conservation reinvestment program provision
1.3 regarding expenditures by existing heating or cooling system; amending
1.4 Minnesota Statutes 2006, section 216B.241, subdivision 1b.

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

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

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

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

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

1.12 (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales
1.13 of natural gas to retail customers.

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

1.17 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of
1.18 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding
1.19 gross operating revenues from electric and gas service provided in the state to large
1.20 electric customer facilities; and

1.21 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
1.22 from service provided in the state, excluding gross operating revenues from service
1.23 provided in the state to large electric customer facilities indirectly through a distribution
1.24 cooperative electric association.

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

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

2.13 (e) Load-management activities that do not reduce energy use but that increase the
2.14 efficiency of the electric system may be used to meet 50 percent of the conservation
2.15 investment and spending requirements of this subdivision.

2.16 (f) A generation and transmission cooperative electric association that provides
2.17 energy services to cooperative electric associations that provide electric service at retail to
2.18 consumers may invest in energy conservation improvements on behalf of the associations
2.19 it serves and may fulfill the conservation, spending, reporting, and energy savings goals on
2.20 an aggregate basis. A municipal power agency or other not-for-profit entity that provides
2.21 energy service to municipal utilities that provide electric service at retail may invest in
2.22 energy conservation improvements on behalf of the municipal utilities it serves and may
2.23 fulfill the conservation, spending, reporting, and energy savings goals on an aggregate
2.24 basis, under an agreement between the municipal power agency or not-for-profit entity
2.25 and each municipal utility for funding the investments.

2.26 (g) At least every four years, on a schedule determined by the commissioner, each
2.27 municipality or cooperative shall file an overview of its conservation improvement plan
2.28 with the commissioner. With this overview, the municipality or cooperative shall also
2.29 provide an evaluation to the commissioner detailing its energy conservation improvement
2.30 spending and investments for the previous period. The evaluation must briefly describe
2.31 each conservation program and must specify the energy savings or increased efficiency in
2.32 the use of energy within the service territory of the utility or association that is the result of
2.33 the spending and investments. The evaluation must analyze the cost-effectiveness of the
2.34 utility's or association's conservation programs, using a list of baseline energy and capacity
2.35 savings assumptions developed in consultation with the department. The commissioner
2.36 shall review each evaluation and make recommendations, where appropriate, to the

3.1 municipality or association to increase the effectiveness of conservation improvement
3.2 activities. Up to three percent of a utility's conservation spending obligation under this
3.3 section may be used for program pre-evaluation, testing, and monitoring and program
3.4 evaluation. The overview and evaluation filed by a municipality with less than 60,000,000
3.5 kilowatt-hours in annual retail sales of electric service may consist of a letter from the
3.6 governing board of the municipal utility to the department providing the amount of annual
3.7 conservation spending required of that municipality and certifying that the required
3.8 amount has been spent on conservation programs pursuant to this subdivision.

3.9 (h) The commissioner shall also review each evaluation for whether a portion of the
3.10 money spent on residential conservation improvement programs is devoted to programs
3.11 that directly address the needs of renters and low-income persons unless an insufficient
3.12 number of appropriate programs are available. For the purposes of this subdivision and
3.13 subdivision 2, "low-income" means an income at or below 50 percent of the state median
3.14 income.

3.15 (i) As part of its spending for conservation improvement, a municipality or
3.16 association may contribute to the energy and conservation account. A municipality or
3.17 association may propose to the commissioner to designate that all or a portion of funds
3.18 contributed to the account be used for research and development projects that can best
3.19 be implemented on a statewide basis. Any amount contributed must be remitted to the
3.20 commissioner by February 1 of each year.

3.21 (j) A municipality may spend up to 50 percent of its required spending under this
3.22 section to refurbish an existing district heating or cooling system. ~~This paragraph expires~~
3.23 until July 1, 2007. From July 1, 2007, through June 30, 2011, expenditures made to
3.24 refurbish an existing heating or cooling system are considered to be load-management
3.25 activities under paragraph (e). This paragraph expires July 1, 2011.