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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-SIXTH  
SESSION**

**HOUSE FILE No. 1605**

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

1.1 A bill for an act  
1.2 relating to utilities; regulating incentive rate plans for conservation investments;  
1.3 amending Minnesota Statutes 2008, sections 216B.16, subdivision 6c; 216B.241,  
1.4 subdivision 5a.

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

1.6 Section 1. Minnesota Statutes 2008, section 216B.16, subdivision 6c, is amended to  
1.7 read:

1.8 Subd. 6c. **Incentive plan for energy conservation improvement.** (a) The  
1.9 commission may order public utilities to develop and submit for commission approval  
1.10 incentive plans that describe the method of recovery and accounting for utility  
1.11 conservation expenditures and savings. In developing the incentive plans the commission  
1.12 shall ensure the effective involvement of interested parties.

1.13 (b) In approving incentive plans, the commission shall consider:

1.14 (1) whether the plan is likely to increase utility investment in cost-effective energy  
1.15 conservation;

1.16 (2) whether the plan is compatible with the interest of utility ratepayers and other  
1.17 interested parties;

1.18 (3) whether the plan links the incentive to the utility's performance in achieving  
1.19 cost-effective conservation; and

1.20 (4) whether the plan is in conflict with other provisions of this chapter.

1.21 (c) The commission may set rates to encourage the vigorous and effective  
1.22 implementation of utility conservation programs. The commission may:

1.23 (1) increase or decrease any otherwise allowed rate of return on net investment based  
1.24 upon the utility's skill, efforts, and success in conserving energy;

2.1 (2) share between ratepayers and utilities the net savings resulting from energy  
 2.2 conservation programs to the extent justified by the utility's skill, efforts, and success in  
 2.3 conserving energy; and

2.4 (3) ~~compensate the utility for earnings lost as a result of its conservation programs~~  
 2.5 adopt any mechanism that satisfies the criteria of this subdivision.

2.6 (d) In a review of an incentive plan, including a review under section 216B.241,  
 2.7 subdivision 2c, the commission shall ensure that any changes to the incentive plan will  
 2.8 encourage public utilities to achieve or exceed the state's energy conservation goals  
 2.9 and maintain the cost-effectiveness of its programs. The commission shall provide the  
 2.10 utility with a reasonable opportunity to improve its overall profitability by effective  
 2.11 implementation of energy conservation programs, taking into consideration earnings lost  
 2.12 as a result of the conservation program. The commission shall ensure that cost-effective  
 2.13 conservation is the most profitable resource option for public utilities.

2.14 Sec. 2. Minnesota Statutes 2008, section 216B.241, subdivision 5a, is amended to read:

2.15 Subd. 5a. **Qualifying solar energy project.** (a) A utility or association may include  
 2.16 in its conservation plan programs for the installation of qualifying solar energy projects as  
 2.17 defined by section 216B.2411 to the extent of the spending allowed for generation projects  
 2.18 by section 216B.2411. The cost-effectiveness of a qualifying solar energy project may  
 2.19 be determined by a different standard than for other energy conservation improvements  
 2.20 under this section if the commissioner determines it is in the public interest to do so to  
 2.21 encourage solar energy projects. Energy savings from qualifying solar energy projects  
 2.22 may not be counted toward the minimum energy-savings goal of at least one percent  
 2.23 for energy conservation improvements required under subdivision 1c, but may, if the  
 2.24 conservation plan is approved:

2.25 (1) be counted toward energy savings above that minimum percentage; and

2.26 (2) ~~be considered when establishing performance incentives under section 216B.241,~~  
 2.27 ~~subdivision 2c~~ eligible for a performance incentive under section 216B.16, subdivision 6c,  
 2.28 or 216B.241, subdivision 2c, that is distinct from the incentive for energy conservation  
 2.29 and is based on the competitiveness and cost-effectiveness of solar projects in relation to  
 2.30 other potential solar projects available to the utility.

2.31 (b) Qualifying solar energy projects may not be considered when establishing  
 2.32 demand-side management targets under section 216B.2422, 216B.243, or any other  
 2.33 section of this chapter.