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HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. **3493**

March 8, 2010

Authored by Hilty

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

March 23, 2010

Committee Recommendation and Adoption of Report:

To Pass as Amended

Read Second Time

1.1 A bill for an act
1.2 relating to utilities; regulating rates charged to low-income customers; providing
1.3 for inverted block rates; amending Minnesota Statutes 2008, sections 216B.16,
1.4 subdivisions 14, 15; 216B.2401.

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

1.6 Section 1. Minnesota Statutes 2008, section 216B.16, subdivision 14, is amended to
1.7 read:

1.8 Subd. 14. **Low-income electric rate discount.** A public utility shall fund an
1.9 affordability program for low-income customers in an amount based on a 50 percent
1.10 electric rate discount on the first ~~300~~ 400 kilowatt-hours consumed in a billing period for
1.11 low-income residential customers of the utility. For the purposes of this subdivision,
1.12 "low-income" describes a customer who is receiving assistance from the federal
1.13 low-income home energy assistance program. The affordability program must be designed
1.14 to target participating customers with the lowest incomes and highest energy costs in order
1.15 to lower the percentage of income they devote to energy bills, increase their payments,
1.16 and lower costs associated with collection activities on their accounts. For low-income
1.17 customers who are 62 years of age or older or disabled, the program must, in addition to
1.18 any other program benefits, include a 50 percent electric rate discount on the first ~~300~~ 400
1.19 kilowatt-hours consumed in a billing period. For the purposes of this subdivision, "public
1.20 utility" includes only those public utilities with more than 200,000 residential electric
1.21 service customers. The commission may issue orders necessary to implement, administer,
1.22 and recover the costs of the program on a timely basis.

1.23 Sec. 2. Minnesota Statutes 2008, section 216B.16, subdivision 15, is amended to read:

2.1 Subd. 15. **Low-income affordability programs.** (a) The commission must
2.2 consider ability to pay as a factor in setting utility rates and may establish affordability
2.3 programs for low-income residential ratepayers in order to ensure affordable, reliable,
2.4 and continuous service to low-income utility customers. Affordability programs may
2.5 include inverted block rates in which lower energy prices are made available to lower
2.6 usage customers. By September 1, 2007, a public utility serving low-income residential
2.7 ratepayers who use natural gas for heating must file an affordability program with the
2.8 commission. For purposes of this subdivision, "low-income residential ratepayers" means
2.9 ratepayers who receive energy assistance from the low-income home energy assistance
2.10 program (LIHEAP).

2.11 (b) Any affordability program the commission orders a utility to implement must:

2.12 (1) lower the percentage of income that participating low-income households devote
2.13 to energy bills;

2.14 (2) increase participating customer payments over time by increasing the frequency
2.15 of payments;

2.16 (3) decrease or eliminate participating customer arrears;

2.17 (4) lower the utility costs associated with customer account collection activities; and

2.18 (5) coordinate the program with other available low-income bill payment assistance
2.19 and conservation resources.

2.20 (c) In ordering affordability programs, the commission may require public utilities to
2.21 file program evaluations that measure the effect of the affordability program on:

2.22 (1) the percentage of income that participating households devote to energy bills;

2.23 (2) service disconnections; and

2.24 (3) frequency of customer payments, utility collection costs, arrearages, and bad
2.25 debt.

2.26 (d) The commission must issue orders necessary to implement, administer, and
2.27 evaluate affordability programs, and to allow a utility to recover program costs, including
2.28 administrative costs, on a timely basis. The commission may not allow a utility to recover
2.29 administrative costs, excluding start-up costs, in excess of five percent of total program
2.30 costs, or program evaluation costs in excess of two percent of total program costs. The
2.31 commission must permit deferred accounting, with carrying costs, for recovery of program
2.32 costs incurred during the period between general rate cases.

2.33 (e) Public utilities may use information collected or created for the purpose of
2.34 administering energy assistance to administer affordability programs.

3.1 Sec. 3. Minnesota Statutes 2008, section 216B.2401, is amended to read:

3.2 **216B.2401 ENERGY CONSERVATION POLICY GOAL.**

3.3 It is the energy policy of the state of Minnesota to achieve annual energy savings
3.4 equal to 1.5 percent of annual retail energy sales of electricity and natural gas directly
3.5 through energy conservation improvement programs and rate design, such as inverted
3.6 block rates in which lower energy prices are made available to lower usage residential
3.7 customers, and indirectly through energy codes and appliance standards, programs
3.8 designed to transform the market or change consumer behavior, energy savings resulting
3.9 from efficiency improvements to the utility infrastructure and system, and other efforts to
3.10 promote energy efficiency and energy conservation.