

120.17 **ARTICLE 8**120.18 **ENERGY CONSERVATION**

120.19 Section 1. Minnesota Statutes 2014, section 216B.16, subdivision 6b, is amended to  
120.20 read:

120.21 Subd. 6b. **Energy conservation improvement.** (a) Except as otherwise provided  
120.22 in this subdivision, all investments and expenses of a public utility as defined in section  
120.23 216B.241, subdivision 1, paragraph (h), incurred in connection with energy conservation  
120.24 improvements shall be recognized and included by the commission in the determination of  
120.25 just and reasonable rates as if the investments and expenses were directly made or incurred  
120.26 by the utility in furnishing utility service.

120.27 (b) The commission shall not include investments and expenses for energy  
120.28 conservation improvements in determining (i) just and reasonable electric rates for retail  
120.29 electric service provided to large customer facilities whose electric utilities have been  
120.30 exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (b),  
120.31 with respect to those large customer facilities; or (ii) just and reasonable gas rates for  
120.32 large energy facilities, large customer facilities whose natural gas utilities have been  
120.33 exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (b), or  
121.1 commercial gas customer facilities whose natural gas utilities have been exempted by the  
121.2 commissioner under section 216B.241, subdivision 1a, paragraph (c).

121.3 (c) The commission may permit a public utility to file rate schedules providing for  
121.4 annual recovery of the costs of energy conservation improvements. These rate schedules  
121.5 may be applicable to less than all the customers in a class of retail customers if necessary  
121.6 to reflect the requirements of section 216B.241. The commission shall allow a public  
121.7 utility, without requiring a general rate filing under this section, to reduce the electric rates  
121.8 applicable to large customer facilities that have been exempted by the commissioner under  
121.9 section 216B.241, subdivision 1a, paragraph (b), and to reduce the gas rate applicable to a  
121.10 large energy facility, a large customer facility or commercial customer facility that has  
121.11 been exempted by the commissioner under section 216B.241, subdivision 1a, paragraph  
121.12 (b) or (c), or by the commission under section 216B.241, subdivision 2, by an amount that  
121.13 reflects the elimination of energy conservation improvement investments or expenditures  
121.14 for those facilities. In the event that the commission has set electric or gas rates based on  
121.15 the use of an accounting methodology that results in the cost of conservation improvements  
121.16 being recovered from utility customers over a period of years, the rate reduction may  
121.17 occur in a series of steps to coincide with the recovery of balances due to the utility for  
121.18 conservation improvements made by the utility on or before December 31, 2007.

121.19 (d) Investments and expenses of a public utility shall not include electric utility  
121.20 infrastructure costs as defined in section 216B.1636, subdivision 1, paragraph (b).

121.21 (e) This subdivision expires December 31, 2016.

121.22 Sec. 2. Minnesota Statutes 2014, section 216B.16, subdivision 6c, is amended to read:

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

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

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

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

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

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

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

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

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

122.8 (3) adopt any mechanism that satisfies the criteria of this subdivision, such that  
122.9 implementation of cost-effective conservation is a preferred resource choice for the public  
122.10 utility considering the impact of conservation on earnings of the public utility.

122.11 (d) This subdivision expires December 31, 2016.

122.12 Sec. 3. Minnesota Statutes 2014, section 216B.2401, is amended to read:  
122.13 **216B.2401 ENERGY SAVINGS POLICY GOAL.**

122.14 (a) The legislature finds that energy savings are an energy resource, and that  
122.15 cost-effective energy savings are preferred over all other energy resources. The legislature  
122.16 further finds that cost-effective energy savings should be procured systematically and  
122.17 aggressively in order to reduce utility costs for businesses and residents, improve the  
122.18 competitiveness and profitability of businesses, create more energy-related jobs, reduce  
122.19 the economic burden of fuel imports, and reduce pollution and emissions that cause  
122.20 climate change. Therefore, it is the energy policy of the state of Minnesota to achieve  
122.21 annual energy savings equal to at least 1.5 percent of annual retail energy sales of  
122.22 electricity and natural gas through cost-effective energy conservation improvement  
122.23 programs and rate design, energy efficiency achieved by energy consumers without  
122.24 direct utility involvement, energy codes and appliance standards, programs designed  
122.25 to transform the market or change consumer behavior, energy savings resulting from  
122.26 efficiency improvements to the utility infrastructure and system, and other efforts to  
122.27 promote energy efficiency and energy conservation.

122.28 (b) This section expires December 31, 2016.

122.29 Sec. 4. Minnesota Statutes 2014, section 216B.241, is amended by adding a  
122.30 subdivision to read:

122.31 Subd. 11. **Expiration.** This section expires December 31, 2016.

122.32 Sec. 5. **[216C.418] ENERGY STORAGE, SOLAR THERMAL, WIND, AND**  
122.33 **GEOTHERMAL HEAT PUMP REBATE PROGRAM.**

123.1 Subdivision 1. **Definitions.** For the purposes of this section, the following terms

123.2 have the meanings given them:

123.3 (1) "energy storage system" means a technology that stores electricity that has been

123.4 previously generated and that releases the electricity for use at a later time;

123.5 (2) "geothermal heat pump" means a technology consisting of:

123.6 (i) a ground heat exchanger that consists of a system of underground pipes containing

123.7 a circulating liquid that absorbs and relinquishes heat from the earth;

123.8 (ii) a heat pump that transfers heat between the ground and a building interior; and

123.9 (iii) an air delivery system that delivers heat throughout a building's interior rooms;

123.10 (3) "solar thermal system" means a flat plate or evacuated tube that meets the

123.11 requirements of section 216C.25 with a fixed orientation that collects the sun's radiant

123.12 energy and transfers it to a storage medium for distribution as energy to heat or cool air

123.13 or water; and

123.14 (4) "wind energy conversion system" has the meaning given in section 216C.06,

123.15 subdivision 19, except that for the purposes of this section a wind energy conversion

123.16 system may have a capacity no greater than 40 kilowatts.

- 123.17 Subd. 2. **Program.** (a) The commissioner of commerce shall establish a program  
123.18 to provide rebates to residential, commercial, and industrial property owners who install  
123.19 energy storage systems, wind energy conversion systems, geothermal heat pumps, or solar  
123.20 thermal systems in their Minnesota business or residence after the effective date of this  
123.21 act. Applications for a rebate under this section must be made to the commissioner on a  
123.22 form developed by the commissioner. The commissioner shall develop administrative  
123.23 procedures governing the application and rebate award process. Applications will be  
123.24 reviewed and rebates awarded on a first-come, first-served basis.
- 123.25 (b) An applicant is ineligible to receive a rebate under this section for installing a  
123.26 technology if the utility served by the applicant offers a rebate for installing that technology.
- 123.27 Subd. 3. **Geothermal heat pump; application.** An application for a rebate for a  
123.28 geothermal heat pump under this section must, at a minimum, contain evidence that  
123.29 the geothermal heat pump:
- 123.30 (1) is a closed-loop system;
- 123.31 (2) includes both air cooling and heating applications; and
- 123.32 (3) has a Coefficient of Performance and an Energy Efficiency Ratio that meet the  
123.33 minimum standards set by the commissioner.
- 123.34 Subd. 4. **Rebate amounts.** (a) For a geothermal heat pump, the rebate amount is the  
123.35 lesser of 20 percent of the installation and equipment cost or \$20,000.
- 124.1 (b) For an energy storage system with a capacity of 40 kilowatts or less, the rebate  
124.2 shall be the lesser of 50 percent of the installation and equipment cost or \$40,000.
- 124.3 (c) For a solar thermal system, the maximum rebate for a single family residential  
124.4 dwelling installation is the lesser of 25 percent of the installed cost of a complete system  
124.5 or \$2,500. The maximum rebate for a multiple family residential dwelling installation  
124.6 is the lesser of 25 percent of the installed cost of a complete system or \$5,000. The  
124.7 maximum rebate for a commercial or industrial installation is the lesser of 25 percent of  
124.8 the installation cost of the complete system or \$25,000. The system must be installed  
124.9 by a factory authorized installer.
- 124.10 (d) For a wind energy conversion system, the rebate amount is equal to the lesser of  
124.11 30 percent of the installation and equipment cost or \$15,000.
- 124.12 Sec. 6. Minnesota Statutes 2014, section 216C.435, subdivision 5, is amended to read:
- 124.13 Subd. 5. **Energy improvement.** "Energy improvement" means:
- 124.14 (1) any renovation or retrofitting of a building to improve energy efficiency that  
124.15 is permanently affixed to the property and that results in a net reduction in energy  
124.16 consumption without altering the principal source of energy;

- 124.17 (2) permanent installation of new or upgraded electrical circuits and related  
124.18 equipment to enable electrical vehicle charging; or
- 124.19 (3) a renewable energy system attached to, installed within, or proximate to a  
124.20 building that generates electrical or thermal energy from a renewable energy source; or
- 124.21 (4) the installation of infrastructure, machinery, and appliances that allow:
- 124.22 (i) natural gas to be used as a heating fuel on the premises of an existing building  
124.23 that was previously not connected to a source of natural gas; or
- 124.24 (ii) propane to be used as a heating fuel on the premises of an existing building that  
124.25 previously did not use propane.
- 124.26 Sec. 7. **ENERGY CONSERVATION SERVICE DELIVERY; ADVISORY TASK**  
124.27 **FORCE.**
- 124.28 (a) By July 1, 2015, the commissioner of commerce shall convene an energy  
124.29 conservation advisory task force to examine the feasibility of reorganizing the delivery  
124.30 of energy conservation services under Minnesota Statutes, section 216B.241, in order to  
124.31 increase energy savings, make energy more affordable to ratepayers, and reduce pollution  
124.32 from energy generation. As part of its inquiry, the task force shall examine new and  
124.33 emerging energy technologies and the experience of states that deliver energy conservation  
124.34 services to ratepayers through a third-party provider.
- 125.1 (b) The commissioner of commerce or the commissioner's designee shall serve as  
125.2 chair of the advisory task force. The commissioner of commerce shall appoint to the task  
125.3 force one member to represent the interests of each of the following:
- 125.4 (1) public utilities;
- 125.5 (2) generation and transmission cooperatives that implement energy conservation  
125.6 programs for member utilities;
- 125.7 (3) municipal utilities;
- 125.8 (4) an organization representing utility business customers; and
- 125.9 (5) a nonprofit organization experienced in developing and implementing energy  
125.10 conservation programs.
- 125.11 The speaker of the house of representatives and the president of the senate shall each  
125.12 appoint one at-large member to the advisory task force.
- 125.13 (c) The advisory task force shall submit a report containing its findings and  
125.14 recommendations by February 1, 2016, to the chairs and ranking minority members of  
125.15 the senate and house of representatives committees with primary jurisdiction over energy  
125.16 policy.