

# House Research Act Summary

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**TOPIC:** Conservation Improvement Program

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## Overview

This act modifies the conservation improvement program (CIP), which requires utilities to spend a certain portion of their gross operating revenues on energy efficiency and conservation projects. The act authorizes the Department of Public Service (DPS) to exempt investor owned utilities from including gross operating revenues derived from service to very large facilities from the CIP spending requirements if the DPS finds that the facility is subject to economic pressures and has made available cost effective energy conservation improvements. Municipal and cooperative utilities are allowed to exclude gross operating revenue from very large facilities from their CIP spending requirements. The act also expands opportunities for the CIP spending by allowing utilities to spend the CIP money on research and development projects and on recycled and reclaimed materials used in the electric or gas system infrastructure. Finally, the act requires the DPS to evaluate possible changes in the CIP and report to the legislature on the same.

- 1 Rates for large electric customers served by public utilities.** Provides that after December 31, 1999, electric and gas rates for large electric customer facilities that have been exempted by DPS from the CIP requirements under section 3 will not include CIP expenditures, except to recover CIP expenditures made before that date or in other limited circumstances. Authorizes utilities to submit rate schedules to the PUC that are for less than all members of a class of retail customers to reflect the different levels of CIP spending for large electric customer facilities exempted by DPS. Allows utilities to reduce rates applicable to large electric customer facilities exempted by DPS after December 31, 1999 to reflect reductions in CIP spending without a general rate filing and provides that the reductions may be done in a series of steps if necessary to coincide with the recovery of balances due for CIP spending prior to December 31, 1999.
- 2 Definitions.** Defines "customer facility" as all buildings, structures, equipment and installations at a single site. Expands the definition of "energy conservation improvement" to include energy efficiency and conservation research and development projects, and recycled and reclaimed

materials used in the electric generation, transmission, and distribution system or the natural gas distribution system in the state. Defines "large electric customer facility" as a customer facility with a connected load of at least 20,000 kilowatts and which receives retail electric service on a single bill from a utility operating in the state.

**3 Exemption of certain large electric facilities from CIP contributions and spending by public utilities.**

Provides that the owner of a large electric customer facility may petition the DPS to exempt revenue generated from the large electric customer facility from the CIP spending requirements. Requires that the petition be supported by evidence of economic pressures and a showing that available cost-effective CIP projects at the facility have been implemented. Provides that DPS may not grant the request if it is contrary to the public interest and may rescind an exemption if it finds that cost-effective CIP projects are available at the facility. Authorizes the owner of a large energy facility or a public utility serving the facility to appeal a decision of DPS under this section to the PUC.

Provides that gross operating revenues from service provided to large electric customer facilities that have been exempted by DPS shall not be included in gross operating revenues for purposes of determining the amount of required CIP expenditures to be made by a public utility. Retains the existing requirements for CIP spending based upon gross operating revenues from all other service provided in the state.

Authorizes a public utility to propose to DPS to designate that all or a portion of funds the utility contributes to the energy and conservation account administered by DPS be spent on research and development projects.

**4 Exclusion of large electric customer facilities from CIP contributions and spending by cooperative electric associations and municipal utilities.** Eliminates CIP spending based on gross operating revenues for service provided to large electric customer facilities served by municipalities and electric cooperative associations. Retains existing CIP spending requirements for all other gross operating revenues. Precludes a municipality or cooperative from spending on CIP projects that directly benefit a large electric customer facility.

Authorizes each municipality and cooperative electric association subject to section 216B.241 to spend up to 15 percent of the required CIP spending on energy conservation and efficiency research and development projects. Authorizes each municipality and cooperative electric association subject to section 216B.241 to propose to DPS to designate funds contributed by the municipality or cooperative to the energy and conservation account administered by DPS be spent on research and development projects.

**5 Public utility CIP research and development programs.** Authorizes each public utility to spend up to 15 percent of the required CIP spending on energy conservation and efficiency research and development projects.

Precludes a public utility from spending CIP funds on projects that directly benefit large energy facilities that have been exempted by DPS under section 3.

**6 Use of energy and conservation account funds for research and development.** Specifies that funds in the energy conservation account may be spent by the DPS for energy conservation and efficiency research and development projects. Authorizes DPS to make grants for research and development projects.

**7 Exclusion of large electric facility operating revenue.** Provides that gross operating revenues from electric and gas service provided to large electric customer facilities exempted by the DPS shall not be included in gross operating revenues of a public utility for purposes of the section of law that allows for rate adjustments for changes in expenses for taxes, fees, and permits based

upon a certain level of CIP expenditure as a percentage of gross operating revenue of the public utility.

- 8** **DPS report on CIP.** Requires DPS to evaluate and report to the legislature by January 15, 2000 on possible changes to CIP. The DPS is required to consult with representatives of certain interested persons and entities in conducting its analysis.
- 9** **Effective date.** Provides that sections 2 and 3 shall be effective the day following final enactment.