MN HOUSE RESEARCH

Act Summary

Chapter 29

2021 Regular Session

Subject	Energy Conservation
Bill	H.F. 164
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Overview

Chapter 29 amends the statute governing the Conservation Improvement Program (CIP), which for almost 40 years has required electric and gas utilities to invest in energy conservation measures that save energy at a lower cost than purchasing an additional unit of energy for consumption. The changes fall into three categories: reorganization; amending the current language; and the addition of entirely new provisions.

Reorganization

The bulk of Chapter 29's language is retained from the current statute, but is reorganized according to the type of utility to which the language applies. All provisions applying to municipal utilities and electric cooperative associations—jointly defined as consumer-owned utilities—are grouped under section 4 of the act, while those governing public (investor-owned) utilities are found in sections 5 through 18.

Amendments to Current Language

- the state's annual energy savings goal is raised from 1.5 to 2.5 percent (§ 3)
- the annual energy savings goal for public utilities providing electric service is raised from 1.5 to 1.75 percent (§ 6, subd. 1c, para. (b))
- the annual energy savings goal for public utilities providing natural gas service is lowered from 1.5 to 1.0 percent (§ 6, subd. 1c, para. (b))
- the annual energy savings goal for consumer-owned utilities remains at 1.5 percent, while the proportion that must be met from traditional energy conservation investments is lowered from 1.0 to 0.95 percent (§ 4, subd. 2, para. (a))
- an energy conservation and optimization plan submitted by a consumer-owned utility to the Minnesota Public Utilities Commission for review—describing the various conservation programs the utility will implement and the energy savings that are projected to result—may span up to three years, rather than the annual plans currently required (§ 4, subd.3, para. (b))
- a consumer-owned utility is not required to meet the 0.95 and 1.5 percent energy savings goals annually, but must meet them on an average basis over the plan's

duration, unless the 1.5 percent goal is reduced by the commissioner of commerce, as allowed under current law (§ 4, subd. 3, para. (b)).

- changes are made in the annual percentage of gross operating revenues utilities must spend on conservation programs targeting low-income households, as follows:
  - public utilities providing electric service: raised from 0.2 to 0.4 percent, and to 0.6 percent beginning in 2024 (§ 14, subd. 7, para. (a))
  - public utilities providing natural gas service: raised from 0.4 to 1.0 percent, beginning in 2022 (§ 14, subd. 7, para. (a))
  - a municipal utility providing electric or natural gas service: raised from 0.1 to 0.2 percent (§ 14, subd. 5, para. (a))
  - an electric cooperative association: raised from 0.1 to 0.2 percent (§ 4, subd. 5, para. (a))
- both public and consumer-owned utilities are required to encourage the use of LED lights, and may recover from electricity customers the cost of collecting and recycling LEDs (§ 13, subd. 5)

New Provisions

- energy savings from efficient fuel-switching (as defined in § 5, subd. 8) may contribute to annual energy savings above the 0.95 percent minimum level for consumer-owned utilities, up to 0.55 percent (§ 4, subd. 2, para. (a)), and above the 1.0 minimum for public utilities providing natural gas service, with no limit (§ 17, subd. 12, para. (b))
- a public utility's energy conservation plan must include activities to improve energy conservation in public schools within its service territory (§ 10, subd. 2, para. (i))
- up to 15 percent of a utility's spending targeted to low-income households may fund preweatherization measures (e.g., repairing a broken window or leaky roof), without which, under federal law, weatherization measures such as insulation cannot be installed in a home. The commissioner of commerce must develop a list of preweatherization measures. Utilities may also contribute funds for the removal of asbestos insulation from homes as a preweatherization measure (§ 4, subd. 5, paras. (b) and (f); § 14, subd. 7, paras. (b) and (f))
- a public utility providing electric service may not receive a financial incentive from the Public Utilities Commission for fuel-switching activities, while a public utility providing natural gas may only receive a financial incentive if it achieves energy savings of at least 1.0 percent without counting fuel-switching
- a public utility that achieves energy savings of at least 1.0 percent without counting fuel-switching may request the commission to provide it a financial incentive to implement load management measures (shifting energy demand from peak times when it is most expensive), which may include making the investment a utility asset on which a rate of return is earned