

HOUSE RESEARCH

Bill Summary

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Overview

This legislation is proposed on behalf of the POWER coalition (People Organized for Workers, the Environment and Ratepayers). It contains the following articles:

- Article 1 - Citation, Findings and Definitions
- Article 2 - Reliability Assessment
- Article 3 - Public Benefits Fund
- Article 4 - Renewables Portfolio Standard
- Article 5 - Environmental Protection
- Article 6 - Consumer Protection
- Article 7 - Worker Protections
- Article 8 - Service Quality Standards Generally
- Article 9 - Electric Service Reliability Standards
- Article 10 - Distributed Resources
- Article 11 - Conforming Amendments
- Article 12 - Technical Provisions

Section

Article 1 - Citation, Findings, and Definitions

- 1 **Title.** Refers to this legislation as the "Energy Reliability and Affordability Act of 2001."
- 2 **Legislative findings.**
- 3 **Definitions.**

Article 2 - Reliability Assessment

- 1 **Reliability assessment.** Requires the commission to issue an annual assessment of the status of the reliability of electric service in the state. Authorizes the commission to ensure that

distribution utilities are making adequate investment in plants and other facilities used in the production, transmission or distribution of electricity, and are conducting preventive maintenance with respect to those plants and facilities.

Article 3 - Public Benefits Fund

1 **Public benefits fund.**

Subd. 1. Establishment. Establishes a public benefits fund for funding energy efficiency and for low-income bill payment and conservation assistance.

Subd. 2. Funding level. Imposes a surcharge on the sales of electricity (\$0.00189 per kilowatt hour) and natural gas (\$0.095 per thousand cubic feet). This raises roughly \$135 million annually. (100 cubic feet equals one therm.)

Subd. 4. Allocation of fund proceeds. Dedicates 70 percent of the surcharge on electricity and 20 percent of the surcharge on natural gas to energy efficiency. Dedicates 80 percent of the surcharge on natural gas and 30 percent of the surcharge on electricity to low-income assistance.

2 **Energy efficiency program.** Requires the commissioner to select one or more contractors to provide energy efficiency services (similar to the department's conservation utility proposal), through a competitive bid process.

Establishes an advisory board made up of 8 members (one engineer or research scientist, one member each from the department, a nonprofit consumer organization, and a nonprofit community organization; two members from nonprofit environmental organizations; and two members from distribution utilities). Establishes duties:

- for the board, developing criteria for the selection of contractors, review bids and make recommendation to the commissioner;

- for the department, manage the fund, issue RFP's, oversee programs, select contractors etc.; and

- for the commission., review and approve, or reject and select, the department's selection of contractors; and act as the final authority over all matters relating to the fund.

3 **Universal service program.**

Subd. 1. Establishment of universal service program. Requires the department of economic security to establish a universal service program for the purposes of providing bill payment and energy conservation assistance to low-income customers.

Subd. 2. Goal. Establishes the goal of the universal service program to be a reduction in the energy burden of at least 50 percent of the income-eligible consumers, and to reduce the energy burden to no more than 3 percent of household income.

Subd. 3. Eligibility. Specifies that customers are eligible to participate in the universal service program if their household income does not exceed 60 percent of the state median income.

Subd. 4. Duties of the administrator. Establishes duties for the department of economic security (the "administrator" of the universal service program), such as:

- designing, implementing, and administering the program

- developing and implementing a comprehensive outreach program to increase awareness of and participation in the program

- developing and implementing a statewide, uniform, real-time computer system that allows tracking of participant levels, payments, consumption, and other data for program reporting; and

- transferring a percentage (to be determined by the administrator, but not less than 15%) of the low-income assistance support to be used for conservation and energy efficiency

services

Subd. 5. Coordination. Requires the administrator to coordinate with federal programs and with utilities.

Subd. 6. Report to the legislature. Requires the commission to report biennially on the operation and effectiveness of the universal service program.

Article 4 - Renewables Portfolio Standard

1 **Renewables portfolio standard.** Requires that an increasing amount of renewable energy must
be part of the portfolio of energy supplies that utilities provide to retail customers in Minnesota.
Requires that this amount increases no less than 1.5 percent each year from the amount provided
in 2002 until in 2010, the amount is 9 percent greater than in 2002.

Article 5 - Environmental Protection

1 **Environmental protection; purposes.**

2 **Definitions.**

3 **Emissions permit.** Requires the pollution control agency to issue permits for electric generating
facilities to ensure those facilities meet the emissions limits in section 4. Specifies that no
facilities can operate beyond 2007 without a permit, unless the facility receives an exemption
from the agency.

4 **Emissions limits.** Establishes statewide, aggregate, annual emissions limits for four pollutants:

no more than 25, 000 tons of nitrogen oxide emitted by 2007;

no more than 45,000 tons of sulfur dioxide emitted by 2007;

no more than 425 pounds of mercury emitted by 2005; and

no more than 30 million tons of carbon dioxide emitted by 2005.

Requires that within 40 years after an electric generation facility began operations or five years
after the enactment of this article (whichever is later), the facility must comply with the most
recent new source performance standards and maximum achievable control technology
standards under the federal Clean Air Act. Currently, several facilities are exempt from these
standards.

Provides that a coal-fired facility that converts its systems to meet these standards and emissions
limitations is exempt from the personal property tax.

Article 6 - Consumer Protection

1 **Purpose; scope; rules.** Requires the commission, municipalities, and electric cooperatives to
amend their rules, policies and procedures for customer service to be consistent with this article.

2 **Application for new service; denial of application.** Requires a utility to provide service upon
request if the applicant does not owe money for residential service from the utility; or makes
full payment or makes an agreement to pay amounts due the utility. Requires a utility denying
service to provide the reasons for the denial, to specify what the applicant must do to qualify for
service, and advise the applicant of its right to an investigation regarding the denial.

3 **Third party notice and payment.** Authorizes a customer to designate a third party to receive
copies of the customer's bills and notices, and to be responsible to pay utility bills.

4 **Budget billing plans.** Requires utilities to offer budget billing plans. Authorizes the
commission to establish terms and conditions for budget billing plans.

5 **Payment agreements.** Requires a utility to offer payment agreements to customers, unless the
customer has the financial resources to make full payment.

6 **Disconnection of service.**

Subd. 1. Notice requirements. Prohibits a utility from disconnecting service without providing 15 days prior notice.

Subd. 2. Time. Prohibits disconnections prior to 8:00 am or after 4:00 pm, Monday through Thursday; anytime Friday, Saturday or Sunday; on a holiday; on the day preceding a holiday; or on a day when the commission's or the utility's offices are closed.

Subd. 3. For customers with payment arrears. Prohibits disconnection of a customer on a payment plan that has failed to make timely payments if the utility provides an opportunity for the customer to cure the failure or attempts to renegotiate the agreement.

Subd. 4. Special protections. Prohibits disconnections between April 15 and October 15 for a household with a person 62 years of age or older or 5 years of age or younger or has a disability, unless the utility gives personal notice 72 hours in advance and gives the opportunity to enter into a payment plan.

Subd. 5. Medically necessary equipment. Requires continuation or reconnection of service if medically necessary equipment is in use.

Subd. 6. Extreme weather periods. Specifies that, between October 15 and April 15, a utility, among other things:

may disconnect only households whose income is 250% the federal income poverty guidelines and when health and safety would not be endangered; and

bears the burden of demonstrating the household is eligible for disconnection.

Prohibits disconnections for at least two days after a heat advisory, heat warning or heat emergency has been issued by the National Weather Service in any county in the utility's service territory.

7 **Reporting.** Requires each distribution utility to report annually information regarding disconnections, arrearages, payment plans and payment assistance.

8 **Commission authority.** Specifies that the commission, or staff designated by the commission, has the authority to resolve disputes involving violations of this chapter or involving businesses under the commission's jurisdiction.

Article 7 - Worker Protections

1 **Worker protections; sale or transfer of facilities.** Specifies provisions preserving collective bargaining agreements for a period of time after the sale of a generation facility.

Article 8 - Service Quality Standards Generally

1 **Service quality standards; penalties.** Requires the commission to establish service quality standards relating to repair response times; service outages; distribution system upgrades; safety measures and customer service. Authorizes the commission to impose penalties for non-compliance.

Article 9 - Electric Service Reliability Standards

to 66 **Electric Service Reliability Standards.** Requires extensive reporting on outages, interruptions and other reliability incidents.

Establishes a benchmark of performance for each utility with over 1,000 retail customers.

Article 10 - Distributed Resources

& 22 **Net metering.** Increases the size of facility eligible for "net metering" from 40 kilowatts to 2 megawatts. Net metering allows a customer to "net" the energy the customer uses against the energy the customer generates using its own generation equipment. Current law allows a customer with a 40 kilowatt facility generating more electricity than the customer uses to sell

this excess to its utility at the "average retail utility energy rate" (referencing the applicable rate schedule for sales to the customer class of the customer).

This provision would allow customers with a facility between 40 kilowatts and 2 megawatts to sell excess electricity to their utility at the market price that existed at the time the excess energy was generated.

to 1313 **Interconnection for distributed resources.** These section provide technical specifications for interconnecting distributed generation resources (small generation facilities installed close to load) to a utility's electric system.

Article 11 - Conforming Amendments

Makes technical amendments to conform other statutory provisions to the changes made in this legislation.

Article 12 - Technical Provisions

- 1 **Repealer.** Repeals the conservation improvement plan program and associated rules
- 2 **Effective date.** Provides that the legislation is effective the day following final enactment.