

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1743

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**Version:** As amended by author's amendment

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**Subject:** Modifying performance-based utility regulation plans

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### Overview

Since 1997, Minnesota natural gas utilities have had the opportunity to choose an alternative to traditional cost-of-service regulation for both gas purchasing and gas distribution services. Known as performance-based regulation, this option was designed to lower regulatory costs and provide financial incentives for companies to deliver services more efficiently. While no utility has yet chosen to operate under this alternative regulatory regime with respect to distribution services, House File 1743 would preserve that option by removing the current statute's 2006 sunset provision. The bill also modifies some aspects of the program.

#### Section

- 1 Modifies a purpose of the current statute stating that performance-based regulation should reasonably be expected to result in lower rates than under current regulation. The bill specifies "materially" lower rates.
- 2 Removes one of the criteria the Minnesota Public Utilities Commission (PUC) is to use in reviewing and approving a utility's plan to implement performance-based regulation, namely, that the plan "is compatible with increased competition in the natural gas industry."
- 3 Extends the date on which the PUC is to report to the Legislature on the effectiveness of performance-based plans from January 1, 2005 to January 1, 2012.
- 4 Removes the current statute's January 1, 2006 sunset provision.