

HOUSE RESEARCH

Bill Summary

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Overview

Under current law, a single industrial facility that consumes a very large amount of electricity may petition the commissioner of commerce to deduct its annual electricity and natural gas bills from the total revenues collected by the electric and gas utilities that serve the facility, which serves as the base from which those utilities must spend a certain proportion (0.5 percent to 1.5 percent) on conservation investments under the state's Conservation Improvement Program (CIP).

House File 1189 reduces the peak electrical demand facilities must attain to qualify for this exemption, and sets a consumption threshold to allow large natural gas customers' energy revenues to be deducted from total utility revenues as well. The bill also allows a company to aggregate the peak electrical demand of all its facilities located in a utility's system to apply toward the threshold for exemption. Utilities may not invest in energy conservation that benefits these exempt facilities.

- 1 **[216B.2401] Energy conservation policy goal.** Specifies that the state's policy to achieve 1.5 percent annual energy savings is to be reached through customer-initiated conservation activities, in addition to current methods in statute that are initiated by utilities.
- 2 **[216B.241] Subd. 1. Definitions.**

(j) Replaces the definition of "large electric customer facility" with that of "large energy customer." Reduces the peak electrical demand needed to meet the definition from 20,000 to 10,000 kW, and allows all of a company's separate facilities located in the utility's system to be aggregated to meet that threshold. Establishes a threshold for natural gas customers of 500 million cubic feet annually.
- 3 **[216B.241] Subd. 1a. Investment, expenditure, and contribution; public utility.** Allows a large energy customer to petition the commissioner of commerce to exempt the electric and gas utilities serving it from including the facility's retail energy bill in the utilities' calculation of total retail revenues, the base on which the utility's required conservation spending is computed. Makes exemption automatic upon the filing of a petition that discusses competitive economic pressures and the customer's efforts to identify and implement cost-effective conservation improvements. Strikes language allowing the commissioner to deny the exemption if it is determined not to be in the public interest. Strikes language authorizing the commissioner to rescind an exemption if it is determined

that the customer no longer is making reasonable efforts to identify and implement cost-effective conservation improvements. Prohibits exempt facilities from participating in a utility CIP.

- 4 **[216B.241] Subd. 1b. Conservation improvement by cooperative association or municipality.** Technical. Substitutes "large energy customer" for "large electric customer facility."
- 5 **[216B.241] Subd. 2. Programs.** Technical. Substitutes "large energy customer" for "large electric customer facility."