

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 2710

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Introduction and first reading
Referred to Energy and Utilities Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; requiring energy storage systems to be considered in integrated
1.3 resource plans and in certificate of need proceedings; amending Minnesota Statutes
1.4 2016, sections 216B.2422, subdivision 1, by adding a subdivision; 216B.243,
1.5 subdivision 3.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2016, section 216B.2422, subdivision 1, is amended to read:

1.8 Subdivision 1. **Definitions.** (a) For purposes of this section, the terms defined in this
1.9 subdivision have the meanings given them.

1.10 (b) "Utility" means an entity with the capability of generating 100,000 kilowatts or more
1.11 of electric power and serving, either directly or indirectly, the needs of 10,000 retail
1.12 customers in Minnesota. Utility does not include federal power agencies.

1.13 (c) "Renewable energy" means electricity generated through use of any of the following
1.14 resources:

1.15 (1) wind;

1.16 (2) solar;

1.17 (3) geothermal;

1.18 (4) hydro;

1.19 (5) trees or other vegetation;

1.20 (6) landfill gas; or

2.1 (7) predominantly organic components of wastewater effluent, sludge, or related
 2.2 by-products from publicly owned treatment works, but not including incineration of
 2.3 wastewater sludge.

2.4 (d) "Resource plan" means a set of resource options that a utility could use to meet the
 2.5 service needs of its customers over a forecast period, including an explanation of the supply
 2.6 and demand circumstances under which, and the extent to which, each resource option
 2.7 would be used to meet those service needs. These resource options include using,
 2.8 refurbishing, and constructing utility plant and equipment, buying power generated by other
 2.9 entities, controlling customer loads, and implementing customer energy conservation.

2.10 (e) "Refurbish" means to rebuild or substantially modify an existing electricity generating
 2.11 resource of 30 megawatts or greater.

2.12 (f) "Energy storage system" means a commercially available technology capable of (1)
 2.13 absorbing and storing electrical energy, and (2) dispatching stored electrical energy for use
 2.14 at a later time.

2.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.16 Sec. 2. Minnesota Statutes 2016, section 216B.2422, is amended by adding a subdivision
 2.17 to read:

2.18 **Subd. 4a. Preference for energy storage systems.** (a) The commission is prohibited
 2.19 from (1) approving a new or refurbished energy facility in an integrated resource plan or a
 2.20 certificate of need under section 216B.243, or (2) allowing rate recovery under section
 2.21 216B.16 for a new or refurbished energy facility, unless the utility has demonstrated that
 2.22 the deployment of one or more energy storage systems on the utility's grid is not in the
 2.23 public interest.

2.24 (b) When making the public interest determination, the commission must consider:

2.25 (1) whether the energy storage systems can replace part or all of the energy provided by
 2.26 the proposed facility;

2.27 (2) whether the energy storage systems are economically competitive compared to the
 2.28 proposed facility;

2.29 (3) the value of energy storage systems approved by the commission under paragraph

2.30 (c);

2.31 (4) whether the deployment of energy storage systems helps the utility achieve the
 2.32 greenhouse gas reduction goals under section 216H.02;

3.1 (5) impacts on local and regional grid reliability; and

3.2 (6) any other utility, ratepayer, and societal impacts resulting from the deployment of
 3.3 energy storage systems.

3.4 (c) The commissioner of commerce must develop a methodology a utility must use to
 3.5 calculate the value of energy to the utility, to ratepayers, and to society resulting from the
 3.6 operation of energy storage systems deployed on the utility's electrical grid. In developing
 3.7 the energy storage system value methodology, the commissioner must:

3.8 (1) consult stakeholders with experience and expertise in power systems, energy storage
 3.9 systems, and electric utility ratemaking;

3.10 (2) include in the methodology a means of calculating the value attained by deploying
 3.11 energy storage systems, including at a minimum the value of the stored energy and its
 3.12 delivery, generation and transmission capacity, transmission and distribution line losses,
 3.13 reduced costs of providing ancillary services, reduced curtailment of renewable energy
 3.14 generators, environmental costs, and other values deemed relevant by the commissioner;
 3.15 and

3.16 (3) submit the methodology to the commission for approval.

3.17 (d) A utility must use the methodology approved by the commission under this section
 3.18 when evaluating and selecting resource options in a utility's integrated resource plan under
 3.19 section 216B.2422 and certificate of need proceedings under section 216B.243.

3.20 **EFFECTIVE DATE; APPLICATION.** This section is effective the day following
 3.21 final enactment. The commissioner of commerce must submit the value of energy storage
 3.22 methodology to the Public Utilities Commission by December 31, 2018.

3.23 Sec. 3. Minnesota Statutes 2016, section 216B.243, subdivision 3, is amended to read:

3.24 Subd. 3. **Showing required for construction.** (a) No proposed large energy facility
 3.25 shall be certified for construction unless the applicant can show that demand for electricity
 3.26 cannot be met more cost effectively through energy conservation, energy storage, and
 3.27 load-management measures and unless the applicant has otherwise justified its need. In
 3.28 assessing need, the commission shall evaluate:

3.29 (1) the accuracy of the long-range energy demand forecasts on which the necessity for
 3.30 the facility is based;

3.31 (2) the effect of existing or possible energy conservation programs under sections 216C.05
 3.32 to 216C.30 and this section or other federal or state legislation on long-term energy demand;

4.1 (3) the relationship of the proposed facility to overall state energy needs, as described
4.2 in the most recent state energy policy and conservation report prepared under section
4.3 216C.18, or, in the case of a high-voltage transmission line, the relationship of the proposed
4.4 line to regional energy needs, as presented in the transmission plan submitted under section
4.5 216B.2425;

4.6 (4) promotional activities that may have given rise to the demand for this facility;

4.7 (5) benefits of this facility, including its uses to protect or enhance environmental quality,
4.8 and to increase reliability of energy supply in Minnesota and the region;

4.9 (6) possible alternatives for satisfying the energy demand or transmission needs including
4.10 but not limited to potential for increased efficiency and upgrading of existing energy
4.11 generation and transmission facilities, energy storage systems, load-management programs,
4.12 and distributed generation;

4.13 (7) the policies, rules, and regulations of other state and federal agencies and local
4.14 governments;

4.15 (8) any feasible combination of energy conservation improvements, required under
4.16 section 216B.241, or energy storage systems that can (i) replace part or all of the energy to
4.17 be provided by the proposed facility, and (ii) compete with it economically;

4.18 (9) with respect to a high-voltage transmission line, the benefits of enhanced regional
4.19 reliability, access, or deliverability to the extent these factors improve the robustness of the
4.20 transmission system or lower costs for electric consumers in Minnesota;

4.21 (10) whether the applicant or applicants are in compliance with applicable provisions
4.22 of sections 216B.1691 and 216B.2425, subdivision 7, and have filed or will file by a date
4.23 certain an application for certificate of need under this section or for certification as a priority
4.24 electric transmission project under section 216B.2425 for any transmission facilities or
4.25 upgrades identified under section 216B.2425, subdivision 7;

4.26 (11) whether the applicant has made the demonstrations required under subdivision 3a;
4.27 and

4.28 (12) if the applicant is proposing a nonrenewable generating plant, the applicant's
4.29 assessment of the risk of environmental costs and regulation on that proposed facility over
4.30 the expected useful life of the plant, including a proposed means of allocating costs associated
4.31 with that risk.

5.1 (b) For the purposes of this subdivision, "energy storage system" means a commercially
5.2 available technology capable of (1) absorbing and storing electrical energy, and (2)
5.3 dispatching stored electrical energy for use at a later time.

5.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.