

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 4409

(SENATE AUTHORS: RARICK)

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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; establishing the Energy Conservation and Optimization Act of
1.3 2020; amending Minnesota Statutes 2018, sections 216B.2401; 216B.241,
1.4 subdivisions 1a, 1c, 1d, 1f, 2, 2b, 3, 5, 7, by adding a subdivision; proposing coding
1.5 for new law in Minnesota Statutes, chapter 216B; repealing Minnesota Statutes
1.6 2018, section 216B.241, subdivisions 1, 2c, 4.

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

1.8 Section 1. TITLE.

1.9 Sections 2 to 15 may be cited as the "Energy Conservation and Optimization Act of
1.10 2020."

1.11 Sec. 2. [216B.1698] INNOVATIVE CLEAN TECHNOLOGIES.

1.12 (a) For purposes of this section, "innovative clean technology" means advanced energy
1.13 technology that is:

1.14 (1) environmentally superior to technologies currently in use;

1.15 (2) expected to offer energy-related, environmental, or economic benefits; and

1.16 (3) not widely deployed by the utility industry.

1.17 (b) A public utility may petition the commission for authorization to invest in a project
1.18 or projects to deploy one or more innovative clean technologies to further the development,
1.19 commercialization, and deployment of innovative clean technologies that benefit utility
1.20 customers.

1.21 (c) The commission may approve a petition under paragraph (b) if it finds:

- 2.1 (1) the technologies proposed are innovative clean technologies;
 2.2 (2) the utility has demonstrated the investment in an innovative clean energy technology
 2.3 is likely to provide benefits to customers that exceed the cost;
 2.4 (3) the utility is meeting its energy conservation goals under section 216B.241; and
 2.5 (4) the petition does not result in a utility spending more than \$5,000,000 per year on
 2.6 innovative clean technologies under this section.
- 2.7 (d) The commission may authorize a public utility to file a rate schedule containing
 2.8 provisions that automatically adjust charges for public utility service in direct relation to
 2.9 changes in prudent costs incurred by a utility under this section, up to \$5,000,000 each year.
 2.10 To the extent the utility investment under this section is for a capital asset, the utility may
 2.11 request that the asset be included in the utility's rate base.

2.12 Sec. 3. Minnesota Statutes 2018, section 216B.2401, is amended to read:

2.13 **216B.2401 ENERGY SAVINGS AND OPTIMIZATION POLICY GOAL.**

2.14 (a) The legislature finds that energy savings are an energy resource, and that cost-effective
 2.15 energy savings are preferred over all other energy resources. In addition, the legislature
 2.16 finds that optimizing the timing and method used by energy consumers to manage energy
 2.17 use can provide significant benefits to the consumers and to the utility system as a whole.
 2.18 The legislature further finds that cost-effective energy savings and load management
 2.19 programs should be procured systematically and aggressively in order to reduce utility costs
 2.20 for businesses and residents, improve the competitiveness and profitability of businesses,
 2.21 create more energy-related jobs, reduce the economic burden of fuel imports, and reduce
 2.22 pollution and emissions that cause climate change. Therefore, it is the energy policy of the
 2.23 state of Minnesota to achieve annual energy savings equal equivalent to at least ~~1.5~~ 2.5
 2.24 percent of annual retail energy sales of electricity and natural gas through cost-effective
 2.25 energy conservation improvement programs and rate design, energy efficiency achieved by
 2.26 energy consumers without direct utility involvement, energy codes and appliance standards,
 2.27 programs designed to transform the market or change consumer behavior, energy savings
 2.28 resulting from efficiency improvements to the utility infrastructure and system, and other
 2.29 efforts to promote energy efficiency and energy conservation. multiple measures, including
 2.30 but not limited to:

- 2.31 (1) cost-effective energy conservation improvement programs and efficient fuel-switching
 2.32 utility programs under sections 216B.2402 to 216B.241;
 2.33 (2) rate design;

- 3.1 (3) energy efficiency achieved by energy consumers without direct utility involvement;
 3.2 (4) advancements in statewide energy codes and cost-effective appliance and equipment
 3.3 standards;
 3.4 (5) programs designed to transform the market or change consumer behavior;
 3.5 (6) energy savings resulting from efficiency improvements to the utility infrastructure
 3.6 and system; and
 3.7 (7) other efforts to promote energy efficiency and energy conservation.

3.8 (b) A utility is encouraged to design and offer to its customers load management programs
 3.9 that enable (1) customers to maximize the economic value gained from the energy purchased
 3.10 from the customer's utility service provider, and (2) utilities to optimize the infrastructure
 3.11 and generation capacity needed to effectively serve customers and facilitate the integration
 3.12 of renewable energy into the energy system.

3.13 (c) The commissioner must provide a reasonable estimate for progress toward the
 3.14 statewide energy-savings goal under paragraph (a) in the annual report required under section
 3.15 216B.241, subdivision 1c, along with recommendations for administrative or legislative
 3.16 initiatives to increase energy savings toward that goal. The commissioner must also annually
 3.17 report on the energy productivity of the state's economy by providing an estimate of the
 3.18 ratio of economic output produced in the most recently completed calendar year to the
 3.19 primary energy inputs used in that year.

3.20 Sec. 4. **[216B.2402] DEFINITIONS.**

3.21 (a) For the purposes of section 216B.16, subdivision 6b, and sections 216B.2401 to
 3.22 216B.241, the terms defined in this section have the meanings given them.

3.23 (b) "Consumer-owned utility" means a municipal gas utility, a municipal electric utility,
 3.24 or a cooperative electric association.

3.25 (c) "Cumulative lifetime savings" means the total electric energy or natural gas savings
 3.26 during a year from energy conservation improvements installed: (1) during the same year;
 3.27 or (2) in previous years, but that are still operational and have not reached the end of the
 3.28 improvement's useful life.

3.29 (d) "Efficient fuel-switching improvement" means a project that: replaces a fuel used
 3.30 by a customer with electricity or natural gas delivered at retail by a utility subject to this
 3.31 section, and results in a net increase in the use of electricity or natural gas and a net decrease
 3.32 in source energy consumption on a fuel-neutral basis; and otherwise meets the criteria

4.1 established for consumer-owned utilities in section 216B.2403, subdivision 8, and for public
4.2 utilities under section 216B.241, subdivision 11. An efficient fuel-switching improvement
4.3 requires the installation of equipment that utilizes electricity or natural gas, resulting in a
4.4 reduction or elimination of use of the previous fuel. An efficient fuel-switching improvement
4.5 is not an energy conservation improvement or energy efficiency even if it results in a net
4.6 reduction in electricity or natural gas use.

4.7 (e) "Energy conservation" means an action that results in a net reduction in electricity
4.8 or natural gas consumption. Energy conservation does not include an efficient fuel-switching
4.9 improvement.

4.10 (f) "Energy conservation improvement" means a project that results in energy efficiency
4.11 or energy conservation. Energy conservation improvement may include waste heat that is
4.12 recovered and converted into electricity, but does not include electric utility infrastructure
4.13 projects approved by the commission under section 216B.1636. Energy conservation
4.14 improvement includes waste heat recovered and used as thermal energy.

4.15 (g) "Energy efficiency" means measures or programs, including energy conservation
4.16 measures or programs, that target consumer behavior, equipment, processes, or devices and
4.17 are designed to produce either an absolute decrease in consumption of electricity or natural
4.18 gas or a decrease in consumption of electric energy or natural gas on a per unit of production
4.19 basis, without reducing the quality or level of service provided to the energy consumer.

4.20 (h) "Fuel" means energy consumed by a retail utility customer. Fuel includes electricity,
4.21 propane, natural gas, heating oil, gasoline, diesel fuel, or steam.

4.22 (i) "Fuel neutral" means an approach that compares the use of various fuels for a given
4.23 end use, using a common metric.

4.24 (j) "Gross annual retail energy sales" means the annual electric sales to all retail customers
4.25 in a utility's or association's Minnesota service territory or natural gas throughput to all retail
4.26 customers, including natural gas transportation customers, on a utility's distribution system
4.27 in Minnesota. Gross annual retail energy sales does not include:

4.28 (1) gas sales to:

4.29 (i) a large energy facility;

4.30 (ii) a large customer facility whose natural gas utility has been exempted by the
4.31 commissioner under section 216B.241, subdivision 1a, paragraph (a), with respect to natural
4.32 gas sales made to the large customer facility; and

5.1 (iii) a commercial gas customer facility whose natural gas utility has been exempted by
5.2 the commissioner under section 216B.241, subdivision 1a, paragraph (b), with respect to
5.3 natural gas sales made to the commercial gas customer facility;

5.4 (2) electric sales to a large customer facility whose electric utility has been exempted
5.5 by the commissioner under section 216B.241, subdivision 1a, paragraph (a), with respect
5.6 to electric sales made to the large facility; or

5.7 (3) the amount of increased electric sales associated with electric vehicle charging that
5.8 are the result of a utility program or rate until December 31, 2032. Incremental increases
5.9 in electric sales associated with electric vehicle charging after December 31, 2032, must be
5.10 included when determining a utility's gross annual retail sales. A utility must, in consultation
5.11 with the department, develop and report the relevant assumptions and calculation
5.12 methodologies used to determine programmatic electric vehicle sales. The final assumptions
5.13 and calculation methodologies must be complete by December 31, 2020.

5.14 (k) "Investments and expenses of a public utility" means the investments and expenses
5.15 incurred by a public utility in connection with an energy conservation improvement.

5.16 (l) "Large customer facility" means all buildings, structures, equipment, and installations
5.17 at a single site that collectively (1) impose a peak electrical demand on an electric utility's
5.18 system of at least 20,000 kilowatts, measured in the same way as the utility that serves the
5.19 customer facility measures electric demand for billing purposes, or (2) consume at least
5.20 500,000,000 cubic feet of natural gas annually. When calculating peak electrical demand,
5.21 a large customer facility may include demand offset by on-site cogeneration facilities and,
5.22 if engaged in mineral extraction, may aggregate peak energy demand from the large customer
5.23 facility's mining processing operations.

5.24 (m) "Large energy facility" has the meaning given in section 216B.2421, subdivision 2,
5.25 clause (1).

5.26 (n) "Lifetime energy savings" means the amount of savings a particular energy
5.27 conservation improvement produces over the improvement's effective useful lifetime.

5.28 (o) "Load management" means an activity, service, or technology that changes the timing
5.29 or the efficiency of a customer's use of energy that allows a utility or a customer to (1)
5.30 respond to local and regional energy system conditions, or (2) reduce peak demand for
5.31 electricity or natural gas. Load management that reduces the customer's net annual energy
5.32 consumption is also energy conservation.

6.1 (p) "Low-income household" means a household with a household income that is 60
6.2 percent or less of the state median household income.

6.3 (q) "Low-income programs" means energy conservation improvement programs that
6.4 directly serve the needs of low-income persons, including low-income renters.

6.5 (r) "Member" has the meaning given in section 308B.005, subdivision 15.

6.6 (s) "Multifamily building" means a residential building with five or more dwelling units.

6.7 (t) "Qualifying utility" means a utility that supplies a customer with energy that enables
6.8 the customer to qualify as a large customer facility.

6.9 (u) "Source energy" means the total amount of fuel required for a given purpose,
6.10 considering energy losses in the production, transmission, and delivery of the energy.

6.11 (v) "Waste heat recovered and used as thermal energy" means capturing heat energy
6.12 that would be exhausted or dissipated to the environment from machinery, buildings, or
6.13 industrial processes, and productively using the recovered thermal energy where it was
6.14 captured or distributing it as thermal energy to other locations where it is used to reduce
6.15 demand-side consumption of natural gas, electric energy, or both.

6.16 (w) "Waste heat recovery converted into electricity" means an energy recovery process
6.17 that converts otherwise lost energy from the heat of exhaust stacks or pipes used for engines
6.18 or manufacturing or industrial processes, or the reduction of high pressure in water or gas
6.19 pipelines.

6.20 **Sec. 5. [216B.2403] CONSUMER-OWNED UTILITIES; ENERGY CONSERVATION**
6.21 **AND OPTIMIZATION.**

6.22 Subdivision 1. **Applicability.** This section applies to:

6.23 (1) a cooperative electric association that provides retail service to more than 5,000
6.24 members;

6.25 (2) a municipality that provides electric service to more than 1,000 retail customers; and

6.26 (3) a municipality with more than 1,000,000,000 cubic feet in annual throughput sales
6.27 to natural gas retail customers.

6.28 Subd. 2. **Consumer-owned utility; energy-savings goal.** (a) Each individual
6.29 consumer-owned utility subject to this section has an annual energy-savings goal equivalent
6.30 to 1.5 percent of gross annual retail energy sales. The annual energy-savings goal must be
6.31 met with a minimum of energy savings from energy conservation improvements equivalent

7.1 to at least one percent of the consumer-owned utility's gross annual retail energy sales. The
7.2 balance of energy savings toward the annual energy-savings goal may be achieved only by
7.3 the following utility activities:

7.4 (1) energy savings from additional energy conservation improvements;

7.5 (2) electric utility infrastructure projects, as defined in section 216B.1636, subdivision
7.6 1; or

7.7 (3) net energy savings from efficient fuel-switching improvements that meet the criteria
7.8 under subdivision 8.

7.9 (b) Nothing in this section limits a utility's ability to report and recognize savings from
7.10 activities under paragraph (a), clauses (2) and (3), in excess of the utility's annual energy
7.11 savings, provided the utility has met the minimum energy-savings goal from energy
7.12 conservation improvements.

7.13 (c) The energy-savings goals specified in this section must be calculated based on the
7.14 most recent three-year, weather-normalized average. A consumer-owned utility may elect
7.15 to carry forward energy savings in excess of 1.5 percent for a year to the next three years,
7.16 except that savings from electric utility infrastructure projects may be carried forward for
7.17 five years. A particular energy savings can be used for one year's goal.

7.18 (d) A consumer-owned utility subject to this section is not required to make energy
7.19 conservation improvements that are not cost-effective, even if the improvement is necessary
7.20 to attain the energy-savings goal. A consumer-owned utility subject to this section must
7.21 make reasonable efforts to implement energy conservation improvements above the minimum
7.22 level set under this subdivision if cost-effective opportunities and utility funding are available,
7.23 considering other potential investments the utility intends to make for the benefit of customers
7.24 during the term of the plan filed under subdivision 3.

7.25 (e) A consumer-owned utility may request that the commissioner adjust its minimum
7.26 goal for energy savings from energy conservation improvements specified under paragraph
7.27 (a) for the period of the utility's most recent plan filed under subdivision 3. The request
7.28 must be made by January 1 of a year when the utility must file a plan under subdivision 3.
7.29 The request must be based on:

7.30 (1) historical energy conservation improvement program achievements;

7.31 (2) customer class makeup;

7.32 (3) projected load growth;

8.1 (4) an energy conservation potential study that estimates the amount of cost-effective
8.2 energy conservation potential that exists in the utility's service territory;

8.3 (5) the cost-effectiveness and quality of the energy conservation programs offered by
8.4 the utility; and

8.5 (6) other factors the commissioner and consumer-owned utility determine warrant an
8.6 adjustment.

8.7 (f) The commissioner must adjust the energy savings goal to a level the commissioner
8.8 determines is supported by the record, but must not approve a minimum energy-savings
8.9 goal from energy conservation improvements that is less than three percent of gross annual
8.10 retail energy sales over a consecutive three-year period that includes the year the minimum
8.11 energy-savings goal is adjusted.

8.12 Subd. 3. **Consumer-owned utility; energy conservation and optimization plans.** (a)
8.13 By June 1, 2022, each consumer-owned utility must file with the commissioner an energy
8.14 conservation and optimization plan that describes the programs for energy conservation,
8.15 efficient fuel-switching improvements and load management programs, and other processes
8.16 and programs the utility plans to use to achieve its energy savings goal. The plan may cover
8.17 a period not to exceed three years. For plans with a duration greater than a single year, the
8.18 consumer-owned utility's plan may provide for years in which the utility may not achieve
8.19 its annual energy savings goal, provided: (1) the utility's plan provides the percentage of
8.20 the utility's minimum energy savings goal from energy conservation improvements the
8.21 utility intends to meet in each year of the plan, with a summary detailing how the plan
8.22 ultimately satisfies clause (2) for any year in which the minimum energy savings for energy
8.23 conservation improvements is less than one percent of the utility's gross annual retail sales;
8.24 and (2) the total energy savings at the end of the plan's duration is projected to average at
8.25 least the annual energy savings goal for that utility. For existing programs, the plan must
8.26 provide an analysis of the cost-effectiveness of the consumer-owned utility's programs
8.27 offered under the plan, using a list of baseline energy- and capacity-savings assumptions
8.28 developed in consultation with the department. For new programs, the plan must provide a
8.29 preliminary analysis upon which the program begins, in parallel with further development
8.30 of assumptions and standards. An individual utility program may combine elements of
8.31 energy conservation, load management, or efficient fuel-switching.

8.32 (b) Plans, updates, and completion summaries must be evaluated by the commissioner
8.33 based on how well the plan meets the goals set under subdivision 2 and whether the plan is
8.34 likely to achieve the goals. The commissioner must review each evaluation and may also

9.1 make recommendations, where appropriate, to the consumer-owned utility regarding ways
9.2 to increase the effectiveness of the utility's activities and programs under this subdivision.
9.3 The commissioner may recommend that a consumer-owned utility implement a cost-effective
9.4 program, including a program suggested by an outside source such as a political subdivision,
9.5 nonprofit corporation, or community organization.

9.6 (c) Beginning June 1, 2023, and every June 1 thereafter, each consumer-owned utility
9.7 must file: (1) an annual update identifying the status of its plan filed under this subdivision,
9.8 including (i) total expenditures and investments made to date under the plan, and (ii) any
9.9 intended changes to the plan; and (2) a summary of the annual energy-savings achievements
9.10 under a plan. If the annual filing comes in the last year of a plan, the annual filing may
9.11 contain a new plan that complies with this section.

9.12 (d) When evaluating the cost-effectiveness of utility programs, the consumer-owned
9.13 utility and the commissioner must consider the costs and benefits to ratepayers, the utility,
9.14 participants, and society. In addition, the commissioner must consider the rate at which the
9.15 consumer-owned utility is increasing its energy savings and expenditures on energy
9.16 conservation, and its lifetime energy savings and cumulative energy savings.

9.17 (e) Each consumer-owned utility subject to this subdivision may, at its discretion, annually
9.18 spend and invest up to ten percent of the total amount spent and invested on energy
9.19 conservation improvements under this subdivision on research and development projects
9.20 that meet the definition of energy conservation improvement and that are funded directly
9.21 the consumer-owned utility.

9.22 (f) A generation and transmission cooperative electric association or municipal power
9.23 agency that provides energy services to consumer-owned utilities may invest in energy
9.24 conservation improvements on behalf of consumer-owned utilities it serves and may fulfill
9.25 the conservation, reporting, and energy-savings goals for any of those consumer-owned
9.26 utilities on an aggregate basis.

9.27 (g) A consumer-owned utility is prohibited from spending for or investing in energy
9.28 conservation improvements that directly benefit a large energy facility or a large electric
9.29 customer facility the commissioner has issued an exemption to under section 216B.241,
9.30 subdivision 1a.

9.31 (h) The energy conservation and optimization plan of each consumer-owned utility
9.32 subject to this section may include activities to improve energy efficiency in the public
9.33 schools served by the utility. These activities may include programs to update lighting in
9.34 the school, update the heating and cooling systems of the school, provide for building

10.1 recommissioning, provide building operator training, and provide opportunities to educate
10.2 students, teachers, and staff regarding energy efficiency measures implemented at the school.

10.3 Subd. 4. **Consumer-owned utility; energy savings investment.** (a) Except as otherwise
10.4 provided, each consumer-owned utility subject to this section that falls short of the minimum
10.5 energy savings goal from energy conservation improvements established in subdivision 2,
10.6 paragraph (a), for three consecutive years must spend and invest in the following amounts
10.7 for energy conservation improvements under this subdivision:

10.8 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of gas
10.9 and 1.5 percent of its gross operating revenues from the sale of electricity, excluding gross
10.10 operating revenues from electric and gas service provided in Minnesota to large electric
10.11 customer facilities; and

10.12 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues
10.13 from service provided in the state, excluding gross operating revenues from service provided
10.14 in Minnesota to large electric customers facilities indirectly through a distribution cooperative
10.15 electric association.

10.16 (b) The spending requirement under this subdivision must not be imposed if the utility
10.17 has followed the commissioner's recommendations, if any, provided under subdivision 3,
10.18 paragraph (b).

10.19 (c) Upon the request of a utility that demonstrates good cause regarding why the utility
10.20 was unable to achieve its minimum energy savings goal using energy conservation
10.21 improvements, the commissioner may reduce either or both the amount or duration of the
10.22 minimum expenditure imposed under this subdivision. The commissioner is prohibited from
10.23 reducing the amount or duration of the minimum expenditure by more than 50 percent. For
10.24 purposes of this paragraph, "good cause" means a response to a natural disaster declared
10.25 by the executive branch through emergency executive order, a unique load distribution
10.26 experienced by the utility, or other unique factors presented by the utility that the
10.27 commissioner determines justifies a reduction.

10.28 (d) The spending requirement under this section remains in effect until the
10.29 consumer-owned utility has met the minimum energy savings goal for three consecutive
10.30 years.

10.31 Subd. 5. **Energy conservation programs for low-income households.** (a) Each
10.32 consumer-owned utility subject to this section must provide energy conservation programs
10.33 to low-income households. The commissioner must evaluate a utility's plans under this
10.34 section by considering the utility's historic spending and participation levels, energy savings

11.1 resulting from energy conservation programs for low-income households, and the number
11.2 of low-income persons residing in the utility's service territory. A municipal utility that
11.3 furnishes gas service must spend at least 0.4 percent of its most recent three-year average
11.4 gross operating revenue from residential customers in Minnesota on energy conservation
11.5 programs for low-income households. A consumer-owned utility that furnishes electric
11.6 service must spend at least 0.4 percent of its gross operating revenue from residential
11.7 customers in Minnesota on energy conservation programs for low-income households. The
11.8 requirement under this paragraph applies to each generation and transmission cooperative
11.9 association's members' aggregate gross operating revenue from the sale of electricity to
11.10 residential customers in Minnesota.

11.11 (b) To meet the requirements of paragraph (a), a consumer-owned utility may contribute
11.12 money to the energy and conservation account in section 216B.241, subdivision 2a. An
11.13 energy conservation improvement plan must state the amount, if any, of low-income energy
11.14 conservation improvement funds the utility plans to contribute to the energy and conservation
11.15 account. Contributions must be remitted to the commissioner by February 1 each year.

11.16 (c) The commissioner must establish energy conservation programs for low-income
11.17 households to use money contributed to the energy and conservation account under paragraph
11.18 (b). When establishing energy conservation programs for low-income households, the
11.19 commissioner must consult political subdivisions, utilities, and nonprofit and community
11.20 organizations, including organizations engaged in providing energy and weatherization
11.21 assistance to low-income households. Money contributed to the energy and conservation
11.22 account under paragraph (b) must provide programs for low-income households, including
11.23 low-income renters, located in the service territory of the utility or association providing
11.24 the money. The commissioner must record and report expenditures and energy savings
11.25 achieved as a result of energy conservation programs for low-income households funded
11.26 through the energy and conservation account in the report required under section 216B.241,
11.27 subdivision 1c, paragraph (f). The commissioner may contract with a political subdivision,
11.28 nonprofit or community organization, public utility, municipality, or cooperative electric
11.29 association to implement low-income programs funded through the energy and conservation
11.30 account.

11.31 (d) A consumer-owned utility may petition the commissioner to modify its required
11.32 spending under this subdivision if the utility and the commissioner were unable to expend
11.33 the amount required for three consecutive years.

11.34 (e) The commissioner must develop and establish guidelines for determining the eligibility
11.35 of multifamily buildings for low-income programs. Notwithstanding the definition of

12.1 low-income household in section 216B.2402, a utility or association may apply the most
12.2 recent guidelines published by the department for purposes of determining the eligibility
12.3 of multifamily buildings for low-income programs. The commissioner must convene a
12.4 stakeholder group to review and update guidelines by July 1, 2021, and at least once every
12.5 five years thereafter. The stakeholder group must include but is not limited to stakeholders
12.6 representative of public utilities as defined in section 216B.02, subdivision 4; municipal,
12.7 electric, or gas utilities; electric or gas cooperative associations; multifamily housing owners
12.8 and developers; and low-income advocates.

12.9 (f) Up to 15 percent of a consumer-owned utility's spending on low income programs
12.10 may be spent on preweatherization measures. For purposes of this section, "preweatherization
12.11 measures" means an improvement that is necessary to allow energy conservation
12.12 improvements to be installed in a home. A utility is prohibited from claiming energy savings
12.13 from preweatherization measures toward the utility's energy savings goal.

12.14 (g) The commissioner must, by order, establish a list of qualifying preweatherization
12.15 measures eligible for inclusion in low-income programs no later than March 15 of the year
12.16 following enactment of this section.

12.17 (h) A Healthy AIR (Asbestos Insulation Removal) account is established as a separate
12.18 account in the special revenue fund in the state treasury. A utility may elect to contribute
12.19 money to the Healthy AIR account to provide preweatherization measures for households
12.20 that are eligible for weatherization assistance under the state weatherization assistance
12.21 program in section 216C.264. Remediation activities must be executed in conjunction with
12.22 federal weatherization assistance program services. Money contributed to the account counts
12.23 toward: (1) the minimum low-income spending requirement under paragraph (a); and (2)
12.24 the cap on preweatherization measures under paragraph (f). Money in the account is annually
12.25 appropriated to the commissioner of commerce to pay for Healthy AIR-related activities.

12.26 Subd. 6. **Recovery of expenses.** The commission must allow a cooperative electric
12.27 association subject to rate regulation under section 216B.026 to recover expenses resulting
12.28 from (1) a plan under this subdivision, and (2) assessments and contributions to the energy
12.29 and conservation account under section 216B.241, subdivision 2a.

12.30 Subd. 7. **Ownership of energy conservation improvement.** (a) A preweatherization
12.31 measure or energy conservation improvement to or installed in a building under this section,
12.32 excluding a system owned by the consumer-owned utility that is designed to turn off, limit,
12.33 or vary the delivery of energy, is the exclusive property of the building owner except to the

13.1 extent that the improvement is subject to a security interest in favor of the utility in case of
13.2 a loan to the building owner.

13.3 (b) The utility has no liability for loss, damage, or injury directly or indirectly caused
13.4 by a preweatherization measure or energy conservation improvement, except that a utility
13.5 is liable for the utility's negligence in purchasing, installing, or modifying a preweatherization
13.6 product.

13.7 Subd. 8. **Criteria for efficient fuel-switching improvements.** (a) A fuel-switching
13.8 improvement is deemed efficient if, applying the technical criteria established under section
13.9 216B.241, subdivision 1d, paragraph (b), the improvement, relative to the fuel being
13.10 displaced:

13.11 (1) results in a net reduction in the amount of source energy consumed for a particular
13.12 use, measured on a fuel-neutral basis;

13.13 (2) results in a net reduction of statewide greenhouse gas emissions, as defined in section
13.14 216H.01, subdivision 2, over the lifetime of the improvement. For an efficient fuel-switching
13.15 improvement installed by an electric utility, the reduction in emissions must be measured
13.16 based on the hourly emissions profile of the utility or the utility's wholesale provider, if
13.17 available. If the hourly emissions profile is not available, the commissioner must develop
13.18 a proxy assumption for utilities to use as part of the technical criteria developed under
13.19 section 216B.241, subdivision 1d, paragraph (b). Where applicable, the hourly emissions
13.20 profile used must be the most recent resource plan approved by the commission under
13.21 section 216B.2422;

13.22 (3) is cost-effective, considering the costs and benefits from the perspective of the utility,
13.23 participants, and society; and

13.24 (4) is installed and operated in a manner that improves the utility's system load factor.

13.25 (b) For purposes of this subdivision, "source energy" means the total amount of primary
13.26 energy required to deliver energy services, adjusted for conversion losses from fossil fuel
13.27 combustion for electricity generation and transportation losses from transmission and
13.28 distribution.

13.29 Subd. 9. **Manner of filing and service.** (a) A consumer-owned utility must submit the
13.30 filings required by this section to the department using the department's electronic filing
13.31 system.

13.32 (b) The submission of a document to the department's electronic filing system constitutes
13.33 service on the department. If a department rule requires service of a notice, order, or other

14.1 document by the department, utility, or interested party upon persons on a service list
 14.2 maintained by the department, service may be made by personal delivery, mail, or electronic
 14.3 service. Electronic service may be made only to persons on the service list that have
 14.4 previously agreed in writing to accept electronic service at an e-mail address provided to
 14.5 the department for electronic service purposes.

14.6 Subd. 10. **Assessment.** The commission or department may assess utilities subject to
 14.7 this section to carry out the purposes of section 216B.241, subdivisions 1d, 1e, and 1f. An
 14.8 assessment under this paragraph must be proportionate to the utility's respective gross
 14.9 operating revenue from sales of gas or electric service in Minnesota during the previous
 14.10 calendar year. Assessments under this subdivision are not subject to the cap on assessments
 14.11 under section 216B.62 or any other law.

14.12 Subd. 11. **Waste heat recover; thermal energy distribution.** Subject to department
 14.13 approval, demand-side natural gas or electric energy displaced by use of waste heat recovered
 14.14 and used as thermal energy, including the recovered thermal energy from a cogeneration
 14.15 or combined heat and power facility, is eligible to be counted toward a consumer-owned
 14.16 utility's natural gas or electric savings goals.

14.17 Sec. 6. Minnesota Statutes 2018, section 216B.241, subdivision 1a, is amended to read:

14.18 Subd. 1a. ~~Investment, expenditure, and contribution; public utility~~ Large customer
 14.19 facility. ~~(a) For purposes of this subdivision and subdivision 2, "public utility" has the~~
 14.20 ~~meaning given it in section 216B.02, subdivision 4. Each public utility shall spend and~~
 14.21 ~~invest for energy conservation improvements under this subdivision and subdivision 2 the~~
 14.22 ~~following amounts:~~

14.23 ~~(1) for a utility that furnishes gas service, 0.5 percent of its gross operating revenues~~
 14.24 ~~from service provided in the state;~~

14.25 ~~(2) for a utility that furnishes electric service, 1.5 percent of its gross operating revenues~~
 14.26 ~~from service provided in the state; and~~

14.27 ~~(3) for a utility that furnishes electric service and that operates a nuclear-powered electric~~
 14.28 ~~generating plant within the state, two percent of its gross operating revenues from service~~
 14.29 ~~provided in the state.~~

14.30 ~~For purposes of this paragraph (a), "gross operating revenues" do not include revenues~~
 14.31 ~~from large customer facilities exempted under paragraph (b), or from commercial gas~~
 14.32 ~~customers that are exempted under paragraph (c) or (e).~~

15.1 ~~(b)~~ (a) The owner of a large customer facility may petition the commissioner to exempt
15.2 both electric and gas utilities serving the large customer facility from the investment and
15.3 expenditure requirements of ~~paragraph (a)~~ a utility's plan under this section or section
15.4 216B.2403 with respect to retail revenues attributable to the large customer facility. The
15.5 filing must include a discussion of the competitive or economic pressures facing the owner
15.6 of the facility and the efforts taken by the owner to identify, evaluate, and implement energy
15.7 conservation and efficiency improvements. A filing submitted on or before October 1 of
15.8 any year must be approved within 90 days and become effective January 1 of the year
15.9 following the filing, unless the commissioner finds that the owner of the large customer
15.10 facility has failed to take reasonable measures to identify, evaluate, and implement energy
15.11 conservation and efficiency improvements. If a facility qualifies as a large customer facility
15.12 solely due to its peak electrical demand or annual natural gas usage, the exemption may be
15.13 limited to the qualifying utility if the commissioner finds that the owner of the large customer
15.14 facility has failed to take reasonable measures to identify, evaluate, and implement energy
15.15 conservation and efficiency improvements with respect to the nonqualifying utility. Once
15.16 an exemption is approved, the commissioner may request the owner of a large customer
15.17 facility to submit, not more often than once every five years, a report demonstrating the
15.18 large customer facility's ongoing commitment to energy conservation and efficiency
15.19 improvement after the exemption filing. The commissioner may request such reports for
15.20 up to ten years after the effective date of the exemption, unless the majority ownership of
15.21 the large customer facility changes, in which case the commissioner may request additional
15.22 reports for up to ten years after the change in ownership occurs. The commissioner may,
15.23 within 180 days of receiving a report submitted under this paragraph, rescind any exemption
15.24 granted under this paragraph upon a determination that the large customer facility is not
15.25 continuing to make reasonable efforts to identify, evaluate, and implement energy
15.26 conservation improvements. A large customer facility that is, under an order from the
15.27 commissioner, exempt from the investment and expenditure requirements of paragraph (a)
15.28 as of December 31, 2010, is not required to submit a report to retain its exempt status, except
15.29 as otherwise provided in this paragraph with respect to ownership changes. No exempt large
15.30 customer facility may participate in a utility conservation improvement program unless the
15.31 owner of the facility submits a filing with the commissioner to withdraw its exemption.

15.32 ~~(e)~~ (b) A commercial gas customer that is not a large customer facility and that purchases
15.33 or acquires natural gas from a public utility having fewer than 600,000 natural gas customers
15.34 in Minnesota may petition the commissioner to exempt gas utilities serving the commercial
15.35 gas customer from the investment and expenditure requirements of ~~paragraph (a)~~ a utility's
15.36 plan under this section or section 216B.2403 with respect to retail revenues attributable to

16.1 the commercial gas customer. The petition must be supported by evidence demonstrating
 16.2 that the commercial gas customer has acquired or can reasonably acquire the capability to
 16.3 bypass use of the utility's gas distribution system by obtaining natural gas directly from a
 16.4 supplier not regulated by the commission. The commissioner shall grant the exemption if
 16.5 the commissioner finds that the petitioner has made the demonstration required by this
 16.6 paragraph.

16.7 ~~(d)~~ (c) The commissioner may require investments or spending greater than the amounts
 16.8 required under this subdivision for a public utility whose most recent advance forecast
 16.9 required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100
 16.10 megawatts or greater within five years under midrange forecast assumptions.

16.11 ~~(e)~~ (d) A public utility or owner of a large customer facility may appeal a decision of
 16.12 the commissioner under paragraph (a) or (b), ~~(c), or (d)~~ to the commission under subdivision
 16.13 2. In reviewing a decision of the commissioner under paragraph (a) or (b), ~~(c), or (d)~~, the
 16.14 commission shall rescind the decision if it finds ~~that the required investments or spending~~
 16.15 ~~will:~~

16.16 ~~(1) not result in cost-effective energy conservation improvements; or~~

16.17 ~~(2) otherwise the decision is not be in the public interest.~~

16.18 (e) A public utility is prohibited from spending for or investing in energy conservation
 16.19 improvements that directly benefit a large energy facility or a large electric customer facility
 16.20 the commissioner has issued an exemption to under this section.

16.21 Sec. 7. Minnesota Statutes 2018, section 216B.241, subdivision 1c, is amended to read:

16.22 Subd. 1c. **Public utility; energy-saving goals.** (a) The commissioner shall establish
 16.23 energy-saving goals for energy conservation improvement expenditures and shall evaluate
 16.24 an energy conservation improvement program on how well it meets the goals set.

16.25 (b) Each individual public utility and association shall have providing electric service
 16.26 has an annual energy-savings goal equivalent to 1.5 1.75 percent of gross annual retail
 16.27 energy sales unless modified by the commissioner under paragraph ~~(d)~~. (c) A public utility
 16.28 providing natural gas service has an annual energy-savings goal equivalent to one percent
 16.29 of gross annual retail energy sales, which cannot be lowered by the commissioner. The
 16.30 savings goals must be calculated based on the most recent three-year weather-normalized
 16.31 average. A public utility or association providing electric service may elect to carry forward
 16.32 energy savings in excess of ~~1.5~~ 1.75 percent for a year to the succeeding three calendar
 16.33 years, except that savings from electric utility infrastructure projects allowed under paragraph

17.1 (d) may be carried forward for five years. A public utility providing natural gas service may
 17.2 elect to carry forward energy savings in excess of one percent for a year to the succeeding
 17.3 three calendar years. A particular energy savings can be used only for one year's goal.

17.4 ~~(e) The commissioner must adopt a filing schedule that is designed to have all utilities~~
 17.5 ~~and associations operating under an energy savings plan by calendar year 2010.~~

17.6 ~~(d)~~ (c) In its energy conservation ~~improvement~~ and optimization plan filing, a public
 17.7 ~~utility or association~~ may request the commissioner to adjust its annual energy-savings
 17.8 percentage goal based on its historical conservation investment experience, customer class
 17.9 makeup, load growth, a conservation potential study, or other factors the commissioner
 17.10 determines warrants an adjustment. The commissioner may not approve a plan of a public
 17.11 utility that provides for an annual energy-savings goal of less than one percent of gross
 17.12 annual retail energy sales from energy conservation improvements.

17.13 (d) A public utility or association may include in its energy conservation and optimization
 17.14 plan energy savings from electric utility infrastructure projects approved by the commission
 17.15 under section 216B.1636 or waste heat recovery converted into electricity projects that may
 17.16 count as energy savings in addition to a minimum energy-savings goal of at least one percent
 17.17 for energy conservation improvements. ~~Energy savings from electric utility infrastructure~~
 17.18 ~~projects, as defined in section 216B.1636, may be included in the energy conservation plan~~
 17.19 ~~of a municipal utility or cooperative electric association. Electric utility infrastructure projects~~
 17.20 ~~must~~ The balance of energy savings contributing toward the annual energy savings goal
 17.21 must be achieved by: (1) energy savings from additional energy conservation improvements;
 17.22 or (2) electric utility infrastructure projects, as defined in section 216B.1636, subdivision
 17.23 1, that result in increased energy efficiency greater than that which would have occurred
 17.24 through normal maintenance activity.

17.25 ~~(e) An energy savings goal is not satisfied by attaining the revenue expenditure~~
 17.26 ~~requirements of subdivisions 1a and 1b, but can only be satisfied by meeting the~~
 17.27 ~~energy savings goal established in this subdivision.~~

17.28 ~~(f) An association or~~ (e) A public utility is not required to make energy conservation
 17.29 investments to attain the energy-savings goals of this subdivision that are not cost-effective
 17.30 even if the investment is necessary to attain the energy-savings goals. For the purpose of
 17.31 this paragraph, in determining cost-effectiveness, the commissioner shall consider the costs
 17.32 and benefits to ratepayers, the utility, participants, and society. In addition, the commissioner
 17.33 shall consider the rate at which ~~an association or municipal~~ a public utility is increasing its

18.1 energy savings and its expenditures on energy conservation, as well as the public utility's
 18.2 lifetime energy savings and cumulative energy savings.

18.3 ~~(g)~~ (f) On an annual basis, the commissioner shall produce and make publicly available
 18.4 a report on the annual energy and capacity savings and estimated carbon dioxide reductions
 18.5 achieved by the ~~energy conservation improvement~~ programs under this section and section
 18.6 216B.2403 for the two most recent years for which data is available. The report must also
 18.7 include information regarding any annual energy sales or generation capacity increases
 18.8 resulting from efficient fuel-switching improvements. The commissioner shall report on
 18.9 program performance both in the aggregate and for each entity filing an energy conservation
 18.10 improvement plan for approval or review by the commissioner, and must provide an estimate
 18.11 for progress toward the statewide energy-savings goal under section 216B.2401.

18.12 ~~(h) By January 15, 2010, the commissioner shall report to the legislature whether the~~
 18.13 ~~spending requirements under subdivisions 1a and 1b are necessary to achieve the~~
 18.14 ~~energy savings goals established in this subdivision.~~

18.15 ~~(i) This subdivision does not apply to:~~

18.16 ~~(1) a cooperative electric association with fewer than 5,000 members;~~

18.17 ~~(2) a municipal utility with fewer than 1,000 retail electric customers; or~~

18.18 ~~(3) a municipal utility with less than 1,000,000,000 cubic feet in annual throughput sales~~
 18.19 ~~to retail natural gas customers.~~

18.20 Sec. 8. Minnesota Statutes 2018, section 216B.241, subdivision 1d, is amended to read:

18.21 Subd. 1d. **Technical assistance.** (a) The commissioner shall evaluate energy conservation
 18.22 improvement programs under this section and section 216B.2403 on the basis of
 18.23 cost-effectiveness and the reliability of the technologies employed. The commissioner shall,
 18.24 by order, establish, maintain, and update energy-savings assumptions that must be used
 18.25 when filing energy conservation improvement programs. The department must track a public
 18.26 utility's or consumer-owned utility's lifetime energy savings and cumulative lifetime energy
 18.27 savings provided to the commissioner in plans submitted under this section. The
 18.28 commissioner shall establish an inventory of the most effective energy conservation
 18.29 programs, techniques, and technologies, and encourage all Minnesota utilities to implement
 18.30 them, where appropriate, in their service territories. The commissioner shall describe these
 18.31 programs in sufficient detail to provide a utility reasonable guidance concerning
 18.32 implementation. The commissioner shall prioritize the opportunities in order of potential
 18.33 energy savings and in order of cost-effectiveness. The commissioner may contract with a

19.1 third party to carry out any of the commissioner's duties under this subdivision, and to obtain
 19.2 technical assistance to evaluate the effectiveness of any conservation improvement program.
 19.3 The commissioner may assess up to \$850,000 annually for the purposes of this subdivision.
 19.4 The assessments must be deposited in the state treasury and credited to the energy and
 19.5 conservation account created under subdivision 2a. An assessment made under this
 19.6 subdivision is not subject to the cap on assessments provided by section 216B.62, or any
 19.7 other law.

19.8 ~~(b) Of the assessment authorized under paragraph (a), the commissioner may expend~~
 19.9 ~~up to \$400,000 annually for the purpose of developing, operating, maintaining, and providing~~
 19.10 ~~technical support for a uniform electronic data reporting and tracking system available to~~
 19.11 ~~all utilities subject to this section, in order to enable accurate measurement of the cost and~~
 19.12 ~~energy savings of the energy conservation improvements required by this section. This~~
 19.13 ~~paragraph expires June 30, 2018. By March 15 of the year following the enactment of this~~
 19.14 ~~section, the commissioner must, by order, develop and publish technical information~~
 19.15 ~~necessary to evaluate whether deployment of a fuel-switching improvement meets the~~
 19.16 ~~criteria established under subdivision 11, paragraph (c), and section 216B.2403, subdivision~~
 19.17 ~~8, including the formula to account for the energy saved by a fuel-switching improvement~~
 19.18 ~~on a fuel-neutral basis. When developing the technical information under this paragraph,~~
 19.19 ~~the commissioner must work with interested stakeholders. The commissioner must update~~
 19.20 ~~the technical information as necessary.~~

19.21 Sec. 9. Minnesota Statutes 2018, section 216B.241, subdivision 1f, is amended to read:

19.22 Subd. 1f. **Facilities energy efficiency.** (a) The commissioner of administration and the
 19.23 commissioner of commerce shall maintain and, as needed, revise the sustainable building
 19.24 design guidelines developed under section 16B.325.

19.25 (b) The commissioner of administration and the commissioner of commerce shall maintain
 19.26 and update the benchmarking tool developed under Laws 2001, chapter 212, article 1, section
 19.27 3, so that all public buildings can use the benchmarking tool to maintain energy use
 19.28 information for the purposes of establishing energy efficiency benchmarks, tracking building
 19.29 performance, and measuring the results of energy efficiency and conservation improvements.

19.30 (c) The commissioner shall require that utilities include in their conservation improvement
 19.31 plans programs that facilitate professional engineering verification to qualify a building as
 19.32 Energy Star-labeled, Leadership in Energy and Environmental Design (LEED) certified, or
 19.33 Green Globes-certified. ~~The state goal is to achieve certification of 1,000 commercial~~

20.1 ~~buildings as Energy Star-labeled, and 100 commercial buildings as LEED-certified or Green~~
 20.2 ~~Globes certified by December 31, 2010.~~

20.3 (d) The commissioner may assess up to \$500,000 annually for the purposes of this
 20.4 subdivision. The assessments must be deposited in the state treasury and credited to the
 20.5 energy and conservation account created under subdivision 2a. An assessment made under
 20.6 this subdivision is not subject to the cap on assessments provided by section 216B.62, or
 20.7 any other law.

20.8 Sec. 10. Minnesota Statutes 2018, section 216B.241, subdivision 2, is amended to read:

20.9 Subd. 2. ~~Programs~~ Public utility; energy conservation and optimization plans. (a)
 20.10 The commissioner may require public utilities to make investments and expenditures in
 20.11 energy conservation improvements, explicitly setting forth the interest rates, prices, and
 20.12 terms under which the improvements must be offered to the customers. The required
 20.13 programs must cover no more than a three-year period. Public utilities shall file energy
 20.14 conservation improvement and optimization plans by June 1, on a schedule determined by
 20.15 order of the commissioner, but at least every three years. As provided in subdivision 11,
 20.16 plans may include programs for efficient fuel-switching improvements and load management.
 20.17 An individual utility program may combine elements of energy conservation, load
 20.18 management, or efficient fuel-switching. Plans received by a public utility by June 1 must
 20.19 be approved or approved as modified by the commissioner by December 1 of that same
 20.20 year. The plan must account for the lifetime energy savings and cumulative lifetime savings
 20.21 under the plan. The commissioner shall evaluate the program on the basis of
 20.22 cost-effectiveness and the reliability of technologies employed. The commissioner's order
 20.23 must provide to the extent practicable for a free choice, by consumers participating in the
 20.24 program, of the device, method, material, or project constituting the energy conservation
 20.25 improvement and for a free choice of the seller, installer, or contractor of the energy
 20.26 conservation improvement, provided that the device, method, material, or project seller,
 20.27 installer, or contractor is duly licensed, certified, approved, or qualified, including under
 20.28 the residential conservation services program, where applicable.

20.29 (b) The commissioner may require a utility subject to subdivision 1c to make an energy
 20.30 conservation improvement investment or expenditure whenever the commissioner finds
 20.31 that the improvement will result in energy savings at a total cost to the utility less than the
 20.32 cost to the utility to produce or purchase an equivalent amount of new supply of energy.
 20.33 ~~The commissioner shall nevertheless ensure that every public utility operate one or more~~
 20.34 ~~programs under periodic review by the department.~~

21.1 (c) Each public utility subject to this subdivision ~~1a~~ may spend and invest annually up
21.2 to ten percent of the total amount ~~required to be~~ spent and invested on energy conservation
21.3 improvements under this section by the utility on research and development projects that
21.4 meet the definition of energy conservation improvement in subdivision 1 and that are funded
21.5 directly by the public utility.

21.6 (d) ~~A public utility may not spend for or invest in energy conservation improvements~~
21.7 ~~that directly benefit a large energy facility or a large electric customer facility for which the~~
21.8 ~~commissioner has issued an exemption pursuant to subdivision 1a, paragraph (b).~~ The
21.9 commissioner shall consider and may require a public utility to undertake a program
21.10 suggested by an outside source, including a political subdivision, a nonprofit corporation,
21.11 or community organization.

21.12 (e) A utility, a political subdivision, or a nonprofit or community organization that has
21.13 suggested a program, the attorney general acting on behalf of consumers and small business
21.14 interests, or a utility customer that has suggested a program and is not represented by the
21.15 attorney general under section 8.33 may petition the commission to modify or revoke a
21.16 department decision under this section, and the commission may do so if it determines that
21.17 the program is not cost-effective, does not adequately address the residential conservation
21.18 improvement needs of low-income persons, has a long-range negative effect on one or more
21.19 classes of customers, or is otherwise not in the public interest. The commission shall reject
21.20 a petition that, on its face, fails to make a reasonable argument that a program is not in the
21.21 public interest.

21.22 (f) The commissioner may order a public utility to include, with the filing of the utility's
21.23 annual status report, the results of an independent audit of the utility's conservation
21.24 improvement programs and expenditures performed by the department or an auditor with
21.25 experience in the provision of energy conservation and energy efficiency services approved
21.26 by the commissioner and chosen by the utility. The audit must specify the energy savings
21.27 or increased efficiency in the use of energy within the service territory of the utility that is
21.28 the result of the spending and investments. The audit must evaluate the cost-effectiveness
21.29 of the utility's conservation programs.

21.30 (g) ~~A gas utility may not spend for or invest in energy conservation improvements that~~
21.31 ~~directly benefit a large customer facility or commercial gas customer facility for which the~~
21.32 ~~commissioner has issued an exemption pursuant to subdivision 1a, paragraph (b), (c), or~~
21.33 ~~(e).~~ The commissioner shall consider and may require a utility to undertake a program
21.34 suggested by an outside source, including a political subdivision, a nonprofit corporation,
21.35 or a community organization.

22.1 (g) The energy conservation and optimization plan for each public utility subject to this
 22.2 section must include activities to improve energy efficiency in public schools served by the
 22.3 utility. At a minimum, the efficiency in schools component must consist of programs to
 22.4 update lighting in schools, update heating and cooling systems in schools, provide for
 22.5 building recommissioning, provide building operator training, and provide opportunities to
 22.6 educate students, teachers, and staff regarding energy efficiency measures implemented at
 22.7 the school.

22.8 Sec. 11. Minnesota Statutes 2018, section 216B.241, subdivision 2b, is amended to read:

22.9 Subd. 2b. **Recovery of expenses.** The commission shall allow a public utility to recover
 22.10 expenses resulting from a an energy conservation improvement program required and
 22.11 optimization plan approved by the department under this section and contributions and
 22.12 assessments to the energy and conservation account, unless the recovery would be
 22.13 inconsistent with a financial incentive proposal approved by the commission. ~~The commission~~
 22.14 ~~shall allow a cooperative electric association subject to rate regulation under section~~
 22.15 ~~216B.026, to recover expenses resulting from energy conservation improvement programs,~~
 22.16 ~~load management programs, and assessments and contributions to the energy and~~
 22.17 ~~conservation account unless the recovery would be inconsistent with a financial incentive~~
 22.18 ~~proposal approved by the commission.~~ In addition, a public utility may file annually, or the
 22.19 Public Utilities Commission may require the utility to file, and the commission may approve,
 22.20 rate schedules containing provisions for the automatic adjustment of charges for utility
 22.21 service in direct relation to changes in the expenses of the utility for real and personal
 22.22 property taxes, fees, and permits, the amounts of which the utility cannot control. A public
 22.23 utility is eligible to file for adjustment for real and personal property taxes, fees, and permits
 22.24 under this subdivision only if, in the year previous to the year in which it files for adjustment,
 22.25 it has spent or invested at least 1.75 percent of its gross revenues from provision of electric
 22.26 service, excluding gross operating revenues from electric service provided in the state to
 22.27 large electric customer facilities for which the commissioner has issued an exemption under
 22.28 subdivision 1a, paragraph (b), and 0.6 percent of its gross revenues from provision of gas
 22.29 service, excluding gross operating revenues from gas services provided in the state to large
 22.30 electric customer facilities for which the commissioner has issued an exemption under
 22.31 subdivision 1a, paragraph (b), for that year for energy conservation improvements under
 22.32 this section.

23.1 Sec. 12. Minnesota Statutes 2018, section 216B.241, subdivision 3, is amended to read:

23.2 Subd. 3. **Ownership of energy conservation improvement.** ~~As~~ A preweatherization
23.3 measure or energy conservation improvement made to or installed in a building in accordance
23.4 with this section, except systems owned by the utility and designed to turn off, limit, or vary
23.5 the delivery of energy, are the exclusive property of the owner of the building except to the
23.6 extent that the improvement is subjected to a security interest in favor of the utility in case
23.7 of a loan to the building owner. The utility has no liability for loss, damage or injury caused
23.8 directly or indirectly by ~~an~~ a preweatherization measure or energy conservation improvement
23.9 except for negligence by the utility in purchase, installation, or modification of the product.

23.10 Sec. 13. Minnesota Statutes 2018, section 216B.241, subdivision 5, is amended to read:

23.11 Subd. 5. **Efficient lighting program.** (a) Each public utility, cooperative electric
23.12 association, and municipal utility that provides electric service to retail customers and is
23.13 subject to subdivision 1c shall include as part of its conservation improvement activities a
23.14 program to strongly encourage the use of ~~fluorescent and high-intensity discharge lamps~~
23.15 LEDs. The program must include at least a public information campaign to encourage use
23.16 of ~~the lamps~~ LEDs and proper management of spent lamps and LEDs by all customer
23.17 classifications.

23.18 (b) A public utility that provides electric service at retail to 200,000 or more customers
23.19 shall establish, either directly or through contracts with other persons, including lamp
23.20 manufacturers, distributors, wholesalers, and retailers and local government units, a system
23.21 to collect for delivery to a reclamation or recycling facility spent fluorescent and
23.22 high-intensity discharge lamps from households and from small businesses as defined in
23.23 section 645.445 that generate an average of fewer than ten spent lamps per year.

23.24 (c) A collection system must include establishing reasonably convenient locations for
23.25 collecting spent lamps from households and financial incentives sufficient to encourage
23.26 spent lamp generators to take the lamps to the collection locations. Financial incentives may
23.27 include coupons for purchase of new fluorescent or high-intensity discharge lamps, a cash
23.28 back system, or any other financial incentive or group of incentives designed to collect the
23.29 maximum number of spent lamps from households and small businesses that is reasonably
23.30 feasible.

23.31 (d) A public utility that provides electric service at retail to fewer than 200,000 customers,
23.32 a cooperative electric association, or a municipal utility that provides electric service at
23.33 retail to customers may establish a collection system under paragraphs (b) and (c) as part
23.34 of conservation improvement activities required under this section.

24.1 (e) The commissioner of the Pollution Control Agency may not, unless clearly required
 24.2 by federal law, require a public utility, cooperative electric association, or municipality that
 24.3 establishes a household fluorescent and high-intensity discharge lamp collection system
 24.4 under this section to manage the lamps as hazardous waste as long as the lamps are managed
 24.5 to avoid breakage and are delivered to a recycling or reclamation facility that removes
 24.6 mercury and other toxic materials contained in the lamps prior to placement of the lamps
 24.7 in solid waste.

24.8 (f) If a public utility, cooperative electric association, or municipal utility contracts with
 24.9 a local government unit to provide a collection system under this subdivision, the contract
 24.10 must provide for payment to the local government unit of all the unit's incremental costs of
 24.11 collecting and managing spent lamps.

24.12 (g) All the costs incurred by a public utility, cooperative electric association, or municipal
 24.13 utility for promotion and collection of fluorescent and high-intensity discharge lamps under
 24.14 this subdivision are conservation improvement spending under this section.

24.15 (h) For the purposes of this section, "LED" means a light-emitting diode bulb or lighting
 24.16 product.

24.17 Sec. 14. Minnesota Statutes 2018, section 216B.241, subdivision 7, is amended to read:

24.18 Subd. 7. **Low-income programs.** (a) The commissioner shall ensure that each public
 24.19 utility and association subject to subdivision 1c provides low-income energy conservation
 24.20 programs to low-income households. When approving spending and energy-savings goals
 24.21 for low-income programs, the commissioner shall consider historic spending and participation
 24.22 levels, energy savings for low-income programs, and the number of low-income persons
 24.23 residing in the utility's service territory. ~~A municipal utility that furnishes gas service must~~
 24.24 ~~spend at least 0.2 percent, and a public utility furnishing gas service must spend at least 0.4~~
 24.25 0.8 percent, of its most recent three-year average gross operating revenue from residential
 24.26 customers in the state on low-income programs. A public utility or association that furnishes
 24.27 electric service must spend at least 0.4 percent of its gross operating revenue from
 24.28 residential customers in the state on low-income programs. For a generation and transmission
 24.29 cooperative association, this requirement shall apply to each association's members' aggregate
 24.30 gross operating revenue from sale of electricity to residential customers in the state.
 24.31 ~~Beginning in 2010, A utility or association that furnishes electric service must spend 0.2~~
 24.32 ~~percent of its gross operating revenue from residential customers in the state on low-income~~
 24.33 ~~programs.~~

25.1 (b) To meet the requirements of paragraph (a), a public utility ~~or association~~ may
25.2 contribute money to the energy and conservation account. An energy conservation
25.3 improvement plan must state the amount, if any, of low-income energy conservation
25.4 improvement funds the public utility ~~or association~~ will contribute to the energy and
25.5 conservation account. Contributions must be remitted to the commissioner by February 1
25.6 of each year.

25.7 (c) The commissioner shall establish low-income programs to utilize money contributed
25.8 to the energy and conservation account under paragraph (b). In establishing low-income
25.9 programs, the commissioner shall consult political subdivisions, utilities, and nonprofit and
25.10 community organizations, especially organizations engaged in providing energy and
25.11 weatherization assistance to low-income ~~persons~~ households. Money contributed to the
25.12 energy and conservation account under paragraph (b) must provide programs for low-income
25.13 ~~persons~~ households, including low-income renters, in the service territory of the public
25.14 utility ~~or association~~ providing the money. The commissioner shall record and report
25.15 expenditures and energy savings achieved as a result of low-income programs funded
25.16 through the energy and conservation account in the report required under subdivision 1c,
25.17 paragraph (g). The commissioner may contract with a political subdivision, nonprofit or
25.18 community organization, public utility, municipality, or cooperative electric association to
25.19 implement low-income programs funded through the energy and conservation account.

25.20 (d) A public utility ~~or association~~ may petition the commissioner to modify its required
25.21 spending under paragraph (a) if the utility or association and the commissioner have been
25.22 unable to expend the amount required under paragraph (a) for three consecutive years.

25.23 (e) The commissioner must develop and establish guidelines to determine the eligibility
25.24 of multifamily buildings for low-income programs. Notwithstanding the definition of
25.25 low-income household in section 216B.2402, for purposes of determining the eligibility of
25.26 multifamily buildings for low-income programs, a utility or association may apply the most
25.27 recent guidelines published by the department. The commissioner must convene a stakeholder
25.28 group to review and update guidelines by July 1, 2021, and at least once every five years
25.29 thereafter. The stakeholder group must include but is not limited to stakeholders
25.30 representative of public utilities as defined in section 216B.02, subdivision 4; municipal,
25.31 electric, or gas utilities; electric or gas cooperative associations; multifamily housing owners
25.32 and developers; and low-income advocates.

25.33 (f) Up to 15 percent of a public utility's spending on low-income programs may be spent
25.34 on preweatherization measures. For purposes of this section and section 216B.241,
25.35 subdivision 3, "preweatherization measure" means an improvement that is necessary to

26.1 allow energy conservation improvements to be installed in a home. A utility is prohibited
 26.2 from claiming energy savings from preweatherization measures toward the utility's energy
 26.3 savings goal.

26.4 (g) The commissioner must, by order, establish a list of qualifying preweatherization
 26.5 measures eligible for inclusion in low-income programs no later than March 15 of the year
 26.6 following enactment of this section.

26.7 (h) A Healthy AIR (Asbestos Insulation Removal) account is established as a separate
 26.8 account in the special revenue fund in the state treasury. A public utility may elect to
 26.9 contribute money to the Healthy AIR account to provide preweatherization measures to
 26.10 households eligible for weatherization assistance under section 216C.264. Remediation
 26.11 activities must be executed in conjunction with federal weatherization assistance program
 26.12 services. Money contributed to the fund counts toward: (1) the minimum low-income
 26.13 spending requirement in paragraph (a); and (2) the cap on preweatherization measures under
 26.14 this paragraph. Money in the account is annually appropriated to the commissioner of
 26.15 commerce to pay for Healthy AIR-related activities.

26.16 ~~(e)~~ (g) The costs and benefits associated with any approved low-income gas or electric
 26.17 conservation improvement program that is not cost-effective when considering the costs
 26.18 and benefits to the utility may, at the discretion of the utility, be excluded from the calculation
 26.19 of net economic benefits for purposes of calculating the financial incentive to the utility.
 26.20 The energy and demand savings may, at the discretion of the utility, be applied toward the
 26.21 calculation of overall portfolio energy and demand savings for purposes of determining
 26.22 progress toward annual goals and in the financial incentive mechanism.

26.23 Sec. 15. Minnesota Statutes 2018, section 216B.241, is amended by adding a subdivision
 26.24 to read:

26.25 Subd. 11. **Programs for efficient fuel-switching improvements and load**
 26.26 **management.** (a) A public utility subject to this section may include in its plan required
 26.27 under subdivision 2 programs for (1) efficient fuel-switching improvements and load
 26.28 management, or (2) combinations of energy conservation improvements, fuel-switching
 26.29 improvements, and load management. For each program, the utility must provide proposed
 26.30 budgets, cost-effectiveness analyses, and estimated net energy and demand savings.

26.31 (b) The department may approve proposed programs for efficient fuel-switching
 26.32 improvements if it finds the improvements meet the requirements of paragraph (e). For
 26.33 improvements requiring the deployment of electric technologies, the department must also
 26.34 consider whether the fuel-switching improvement can be operated in a manner that facilitates

27.1 the integration of variable renewable energy into the electric system. The net benefits from
27.2 an efficient fuel-switching improvement that is integrated with an energy efficiency program
27.3 approved under this section may be counted toward the net benefits of the energy efficiency
27.4 program, provided the department finds the primary purpose and effect of the program is
27.5 energy efficiency.

27.6 (c) The department may approve a proposed program in load management if it finds the
27.7 program investment is cost-effective after considering the costs and benefits of the proposed
27.8 investment to ratepayers, the utility, participants, and society. The net benefits from a load
27.9 management activity that is integrated with an energy efficiency program approved under
27.10 this section may be counted toward the net benefits of the energy efficiency program,
27.11 provided the department finds the primary purpose and effect of the program is energy
27.12 efficiency.

27.13 (d) The commission may permit a public utility to file rate schedules that provide for
27.14 annual cost recovery for efficient fuel-switching improvements and cost-effective load
27.15 management programs approved by the department, including reasonable and prudent costs
27.16 to implement and promote programs approved under this subdivision. The commission may
27.17 approve, modify, or reject a proposal made by the department or a utility for an incentive
27.18 plan to encourage investments in load management programs, applying the considerations
27.19 established under section 216B.16, subdivision 6c, paragraphs (b) and (c). The commission
27.20 must not approve a financial incentive to encourage efficient fuel-switching programs. The
27.21 commission may structure an incentive plan to encourage cost-effective load management
27.22 programs as a regulatory asset on which a public utility could earn a rate of return. A utility
27.23 is not eligible for a financial incentive under this subdivision in any year the utility does
27.24 not achieve its minimum energy-savings goal.

27.25 (e) A fuel-switching improvement is deemed efficient if, applying the technical criteria
27.26 established under section 216B.241, subdivision 1d, paragraph (b), the improvement meets
27.27 the following criteria, relative to the fuel that is being displaced:

27.28 (1) results in a net reduction in the amount of source energy consumed for a particular
27.29 use, measured on a fuel-neutral basis;

27.30 (2) results in a net reduction of statewide greenhouse gas emissions as defined in section
27.31 216H.01, subdivision 2, over the lifetime of the improvement. For an efficient fuel-switching
27.32 improvement installed by an electric utility, the change in emissions must be measured
27.33 based on the hourly emission profile of the electric utility, using the hourly emissions profile
27.34 in the most recent resource plan approved by the commission under section 216B.2422;

28.1 (3) is cost-effective, considering the costs and benefits from the perspective of the utility,
28.2 participants, and society; and

28.3 (4) is installed and operated in a manner that improves the utility's system load factor.

28.4 (f) For purposes of this subdivision, "source energy" means the total amount of primary
28.5 energy required to deliver energy services, adjusted for conversion losses from fossil fuel
28.6 combustion for electricity generation and transportation losses from transmission and
28.7 distribution.

28.8 Sec. 16. **REPEALER.**

28.9 Minnesota Statutes 2018, section 216B.241, subdivisions 1, 2c, and 4, are repealed.

28.10 Sec. 17. **EFFECTIVE DATE.**

28.11 Sections 1 to 16 are effective the day following final enactment.

216B.241 ENERGY CONSERVATION IMPROVEMENT.

Subdivision 1. **Definitions.** For purposes of this section and section 216B.16, subdivision 6b, the terms defined in this subdivision have the meanings given them.

(a) "Commission" means the Public Utilities Commission.

(b) "Commissioner" means the commissioner of commerce.

(c) "Department" means the Department of Commerce.

(d) "Energy conservation" means demand-side management of energy supplies resulting in a net reduction in energy use. Load management that reduces overall energy use is energy conservation.

(e) "Energy conservation improvement" means a project that results in energy efficiency or energy conservation. Energy conservation improvement may include waste heat that is recovered and converted into electricity, but does not include electric utility infrastructure projects approved by the commission under section 216B.1636. Energy conservation improvement also includes waste heat recovered and used as thermal energy.

(f) "Energy efficiency" means measures or programs, including energy conservation measures or programs, that target consumer behavior, equipment, processes, or devices designed to produce either an absolute decrease in consumption of electric energy or natural gas or a decrease in consumption of electric energy or natural gas on a per unit of production basis without a reduction in the quality or level of service provided to the energy consumer.

(g) "Gross annual retail energy sales" means annual electric sales to all retail customers in a utility's or association's Minnesota service territory or natural gas throughput to all retail customers, including natural gas transportation customers, on a utility's distribution system in Minnesota. For purposes of this section, gross annual retail energy sales exclude:

(1) gas sales to:

(i) a large energy facility;

(ii) a large customer facility whose natural gas utility has been exempted by the commissioner under subdivision 1a, paragraph (b), with respect to natural gas sales made to the large customer facility; and

(iii) a commercial gas customer facility whose natural gas utility has been exempted by the commissioner under subdivision 1a, paragraph (c), with respect to natural gas sales made to the commercial gas customer facility; and

(2) electric sales to a large customer facility whose electric utility has been exempted by the commissioner under subdivision 1a, paragraph (b), with respect to electric sales made to the large customer facility.

(h) "Investments and expenses of a public utility" includes the investments and expenses incurred by a public utility in connection with an energy conservation improvement, including but not limited to:

(1) the differential in interest cost between the market rate and the rate charged on a no-interest or below-market interest loan made by a public utility to a customer for the purchase or installation of an energy conservation improvement;

(2) the difference between the utility's cost of purchase or installation of energy conservation improvements and any price charged by a public utility to a customer for such improvements.

(i) "Large customer facility" means all buildings, structures, equipment, and installations at a single site that collectively (1) impose a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts, measured in the same way as the utility that serves the customer facility measures electrical demand for billing purposes or (2) consume not less than 500 million cubic feet of natural gas annually. In calculating peak electrical demand, a large customer facility may include demand offset by on-site cogeneration facilities and, if engaged in mineral extraction, may aggregate peak energy demand from the large customer facility's mining and processing operations.

(j) "Large energy facility" has the meaning given it in section 216B.2421, subdivision 2, clause (1).

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(k) "Load management" means an activity, service, or technology to change the timing or the efficiency of a customer's use of energy that allows a utility or a customer to respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

(l) "Low-income programs" means energy conservation improvement programs that directly serve the needs of low-income persons, including low-income renters.

(m) "Qualifying utility" means a utility that supplies the energy to a customer that enables the customer to qualify as a large customer facility.

(n) "Waste heat recovered and used as thermal energy" means capturing heat energy that would otherwise be exhausted or dissipated to the environment from machinery, buildings, or industrial processes and productively using such recovered thermal energy where it was captured or distributing it as thermal energy to other locations where it is used to reduce demand-side consumption of natural gas, electric energy, or both.

(o) "Waste heat recovery converted into electricity" means an energy recovery process that converts otherwise lost energy from the heat of exhaust stacks or pipes used for engines or manufacturing or industrial processes, or the reduction of high pressure in water or gas pipelines.

Subd. 2c. **Performance incentives.** By December 31, 2008, the commission shall review any incentive plan for energy conservation improvement it has approved under section 216B.16, subdivision 6c, and adjust the utility performance incentives to recognize making progress toward and meeting the energy-savings goals established in subdivision 1c.

Subd. 4. **Federal law prohibitions.** If investments by public utilities in energy conservation improvements are in any manner prohibited or restricted by federal law and there is a provision under which the prohibition or restriction may be waived, then the commission, the governor, or any other necessary state agency or officer shall take all necessary and appropriate steps to secure a waiver with respect to those public utility investments in energy conservation improvements included in this section.