

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

S.F. No. 5395

(SENATE AUTHORS: XIONG)

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OFFICIAL STATUS
Introduction and first reading
Referred to Energy, Utilities, Environment, and Climate

1.1 A bill for an act
1.2 relating to energy; requiring the initiation of a proceeding at the Public Utilities
1.3 Commission regarding cost allocation of distribution system upgrades; establishing
1.4 an interconnection ombudsperson position at the Public Utilities Commission;
1.5 establishing a surcharge on certain interconnection applications.

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

1.7 Section 1. INTERCONNECTION DOCKET; PUBLIC UTILITIES COMMISSION.

1.8 (a) No later than September 1, 2024, the commission must initiate a proceeding to
1.9 establish, by order, generic standards to allocate utility costs necessary to upgrade a utility's
1.10 distribution system by increasing hosting capacity at a congested location in order to allow
1.11 for the interconnection of distributed generation facilities at that location. The tariff standards
1.12 must reflect an interconnection process designed to, at a minimum:

1.13 (1) accelerate the expansion of hosting capacity at multiple points on a utility's distribution
1.14 system by ensuring that the cost of upgrades is shared fairly among owners of distributed
1.15 generation projects seeking interconnection on a pro rata basis according to the amount of
1.16 the expanded capacity utilized by each interconnected distributed generation facility;

1.17 (2) reduce the capital burden on owners of distributed generation facilities seeking
1.18 interconnection;

1.19 (3) establish a minimum level of upgrade costs an expansion of hosting capacity must
1.20 reach in order to be eligible to participate in the cost-share process and below which a trigger
1.21 project must bear the full cost of the upgrade;

1.22 (4) establish a distributed generation facility's pro rata cost-share amount as the utility's
1.23 total cost of the upgrade divided by the incremental capacity resulting from the upgrade,

2.1 and multiplying the result by the nameplate capacity of the distributed generation facility
2.2 seeking interconnection;

2.3 (5) establish a minimum proportion of the total upgrade cost that a utility must receive
2.4 from one or more distributed generation facilities before initiating constructing an upgrade;

2.5 (6) allow trigger projects and any other distributed generation facilities to pay a utility
2.6 more than the trigger project's or distributed generation facility's pro rata cost-share amount
2.7 only if needed to meet the minimum threshold established in clause (4) and to receive refunds
2.8 for amounts paid beyond the trigger project's or distributed generation facility's pro rata
2.9 share of expansion costs from distributed generation projects that subsequently interconnect
2.10 at the applicable location;

2.11 (7) prohibit owners of distributed generation facilities from using any unsubscribed
2.12 capacity at an interconnection that has undergone an upgrade without the distributed
2.13 generation owners paying the distributed generation owner's pro rata cost of the upgrade;
2.14 and

2.15 (8) limit the amount of unrecovered cost associated with upgraded capacity that is not
2.16 used by a participating distributed generation facility that may be allocated to ratepayers.

2.17 (b) For the purposes of this section, the following terms have the meanings given:

2.18 (1) "distributed generation project" means an energy generating system with a capacity
2.19 no greater than ten megawatts;

2.20 (2) "hosting capacity" means the maximum capacity of a utility distribution system to
2.21 transport electricity at a specific location without compromising the safety or reliability of
2.22 the distribution system;

2.23 (3) "trigger project" means the initial distributed generation project whose application
2.24 for interconnection of a distributed generation project alerts a utility that an upgrade is
2.25 needed in order to accommodate the trigger project and any future interconnections at the
2.26 applicable location;

2.27 (4) "upgrade" means a modification of a utility's distribution system at a specific location
2.28 that is necessary to allow the interconnection of distributed generation projects by increasing
2.29 hosting capacity at the applicable location, including but not limited to installing or modifying
2.30 equipment at a substation or along a distribution line. Upgrade does not mean an expansion
2.31 of hosting capacity dedicated solely to the interconnection of a single distributed generation
2.32 project; and

2.33 (5) "utility" means a utility that provides electric service.

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

3.2 Sec. 2. **POSITION ESTABLISHED; PUBLIC UTILITIES COMMISSION.**

3.3 Subdivision 1. **Position; duties.** (a) The Public Utilities Commission must establish a
3.4 new full-time equivalent interconnection ombudsperson position to assist applicants seeking
3.5 to interconnect distributed generation projects to utility distribution systems under the
3.6 generic statewide standards developed by the commission. The commission must appoint
3.7 a person to the position who possesses technical expertise related to interconnection and
3.8 interconnection procedures.

3.9 (b) The duties of the interconnection ombudsperson include but are not limited to:

3.10 (1) tracking interconnection disputes between applicants and utilities;

3.11 (2) facilitating the efficient and fair resolution of disputes between customers seeking
3.12 to interconnect and utilities;

3.13 (3) reviewing utility interconnection policies to assess opportunities to reduce
3.14 interconnection disputes;

3.15 (4) convening stakeholder groups as necessary to facilitate effective communication
3.16 among interconnection stakeholders; and

3.17 (5) preparing reports that detail the number, type, resolution timelines, and outcome of
3.18 interconnection disputes.

3.19 Subd. 2. **Position; funding.** (a) An electric utility must assess and collect a surcharge
3.20 of \$35 on each application interconnection filed by an owner of a distributed generation
3.21 facility located in Minnesota. An electric utility must remit the full surcharge to the Public
3.22 Utilities Commission monthly for each interconnection application filed with the utility
3.23 during the previous month.

3.24 (b) The interconnection ombudsperson account is established in the special revenue
3.25 account in the state treasury. The Public Utilities Commission must manage the account.
3.26 The Public Utilities Commission must deposit in the account all revenues received from
3.27 utilities from the surcharge on interconnection applications established under this section.
3.28 Money is appropriated from the account to the Public Utilities Commission for the sole
3.29 purpose of funding the ombudsperson position established in subdivision 1.

3.30 (c) The Public Utilities Commission must review the amount of revenues collected from
3.31 the surcharge each year and may adjust the level of the surcharge as necessary to ensure (1)

- 4.1 sufficient money is available to support the position, and (2) the reserve in the account does
- 4.2 not reach more than ... percent of the amount necessary to fully fund the position.
- 4.3 **EFFECTIVE DATE.** This section is effective the day following final enactment and
- 4.4 applies to applications for interconnections filed with a utility on or after that date.