

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**  

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**State of Minnesota**

**S.F. No. 2798 - Gas Utility Service Reconnection Plan  
Early Identification Program**

**Author:** Senator Ellen R. Anderson

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MG*

**Date:** March 17, 2006

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The bill requires natural gas utilities serving more than 300,000 residential customers to annually file with the Commissioner of Commerce a residential reconnection plan that specifies the methods by which all residential customers without natural gas service who have been disconnected within the preceding 12 months will be contacted and informed of available payment options. The bill specifies that if contact cannot be established in writing or over the telephone by October 15, two personal visits must be made between October 15 and November 1. The bill also requires that if any contact results in a determination that the disconnected dwelling is occupied, the utility must immediately restore service and negotiate a payment agreement that considers the financial circumstances of the household. The bill also requires each utility to file an annual report with the Commissioner of Commerce specifying the number of disconnected dwellings assumed to be occupied and the reason service has not been reconnected to those dwellings.

MG:rd

Senators Anderson, Metzen, Rosen and Kubly introduced—

S.F. No. 2798: Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act  
1.2 relating to energy; requiring certain gas utilities to prepare and implement  
1.3 service reconnection plans; proposing coding for new law in Minnesota Statutes,  
1.4 chapter 216B.

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

1.6 Section 1. [216B.096] EARLY IDENTIFICATION PROGRAM.

1.7 Subdivision 1. Scope. For the purpose of this section, "utility" means a public utility  
1.8 with more than 300,000 residential natural gas customers.

1.9 Subd. 2. Submission and approval of reconnection plan. By August 1 each year,  
1.10 a utility must submit a residential reconnection plan to the commission for approval. The  
1.11 plan must specify the methods by which all residential customers remaining without gas  
1.12 service who have been disconnected within the past 12 months will be contacted prior  
1.13 to October 15 and informed of available payment options, including budget billing or  
1.14 deferred payment agreements. At a minimum, the plan must specify that if written or  
1.15 telephone contact does not result in a response from an adult member of the customer's  
1.16 household by October 15, two subsequent personal visits must be made between October  
1.17 15 and November 1.

1.18 Subd. 3. Additional requirements. If any contact results in a determination that the  
1.19 disconnected dwelling is occupied, a utility shall:

1.20 (1) immediately restore service; and

1.21 (2) negotiate a payment agreement that considers the financial circumstances of  
1.22 the household.

1.23 A record must be made of all contacts and attempted contacts.

2.1 Subd. 4. Report to commission. By November 15 each year, each utility shall file a  
2.2 report with the commission specifying the number of dwellings assumed to be occupied  
2.3 where service remains disconnected as of October 15 and November 1 and the reason  
2.4 service has not been reconnected to those dwellings.

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

1.1 Senator ..... moves to amend S.F. No. 2798 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. [216B.096] EARLY IDENTIFICATION OF HEAT-  
1.4 DISCONNECTED CUSTOMERS.

1.5 Subdivision 1. Definitions. For the purposes of this section, the terms defined in this  
1.6 subdivision have the meanings given them:

1.7 (a) "Heat-affected customer" means a residential customer heating with electricity  
1.8 or natural gas.

1.9 (b) "Heating season" means the period between October 15 and the following  
1.10 April 15.

1.11 (c) "Utility" means a public utility serving residential customers who heat with  
1.12 electricity or natural gas.

1.13 Subd. 2. Early identification. Beginning no later than September 15, a utility  
1.14 must attempt to contact heat-affected customers in occupied dwellings whose service  
1.15 was disconnected after the previous heating season to establish payment arrangements  
1.16 or a reconnection plan in order to restore service. A record must be made of all contacts  
1.17 and attempted contacts.

1.18 Subd. 3. Report to commission. Annually on November 1, a utility must file with  
1.19 the commission a report specifying the number of heat-affected customers in occupied  
1.20 dwellings whose service is disconnected on October 1 and on October 15. If heat-affected  
1.21 customers remain disconnected on October 15, each utility shall file a weekly report,  
1.22 beginning November 1, specifying the number of heat-affected customers that are or  
1.23 remain disconnected from service during the current heating season."

1.24 Amend the title accordingly

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**Senate**  

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**State of Minnesota**

**S.F. No. 2799 - Residential Heating Customers Arrears  
Management Protection Provisions**

**Author:** Senator Tarryl Clark

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MS*

**Date:** March 17, 2006

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The bill establishes arrears management programs for Low-Income Home Energy Assistance Program (LIHEAP) and non-LIHEAP customers of a public utility that heat their residences with natural gas or electricity. The arrears management program for LIHEAP customers requires a payment plan that has been mutually assented to by the customer and the utility, and is based upon the amount of the arrears and ability to pay considering household income. The bill also requires the utility to match the LIHEAP customer's arrears payment up to a total contribution of \$500 or until the arrears are retired. The bill proposes an arrears management program for non-LIHEAP customers that requires the customer to submit a down payment of 20 percent of the past-due balance and requires a payment schedule that provides for payment of the arrears within four to six months. The bill requires that customers in arrears be enrolled in one of the management programs between April 16 and June 1, and establishes conditions under which a customer may again be disconnected from service. The bill requires utilities to notify customers of the availability of the programs, and to report program details annually to the Public Utilities Commission. The bill also permits utilities to recover actual and administrative costs of the programs from rate payers.

MG:rdr

Senators Clark, Anderson, Dibble, Kelley and Kubly introduced—

S.F. No. 2799: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

1.2 relating to energy; providing certain protections to residential heating customers  
1.3 of public utilities; proposing coding for new law in Minnesota Statutes, chapter  
1.4 216B.

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

1.6 Section 1. [216B.099] ARREARS MANAGEMENT.

1.7 Subdivision 1. Scope. This section applies to customers of public utilities who  
1.8 heat with natural gas or electricity.

1.9 Subd. 2. Definitions. For the purposes of this section, the terms defined in this  
1.10 subdivision have the meanings given them.

(a) "Arrears management program" means a program designed to help customers  
1.12 repay or retire arrears.

1.13 (b) "Assistance source" means any source of financial assistance that is paid to  
1.14 the utility on behalf of a customer and includes, but is not limited to, funds from public  
1.15 assistance, a charitable organization, or a fuel fund.

1.16 (c) "Customer" means a residential customer of a public utility who is in arrears  
1.17 and is not a LIHEAP customer.

1.18 (d) "LIHEAP customer" means a residential customer of a public utility who is in  
1.19 arrears and in receipt of benefits from the Low-Income Home Energy Assistance Program.

1.20 (e) "Monthly payment" means a customer payment and includes payments from any  
1.21 assistance source.

1.22 (f) "Mutually agreeable payment plan" means a payment plan for LIHEAP  
1.23 customers that:

1.24 (1) is mutually assented to by both parties;

2.1 (2) is based on the amount of the arrears and ability to pay, considering household  
 2.2 income and financial circumstances; and

2.3 (3) extends for a period of between six and 12 months.

2.4 (g) "Personally communicated" means communicated in person or in a telephone  
 2.5 conversation.

2.6 (h) "Utility" means a public utility, as defined in section 216B.02, subdivision 4.

2.7 **Subd. 3. Arrears management program; LIHEAP customers.** On or after April  
 2.8 16 and before June 1 each year, a utility must offer to enroll a LIHEAP customer in an  
 2.9 arrears management program that:

2.10 (1) includes a mutually agreeable payment plan;

2.11 (2) provides that for each monthly payment made by a customer, the utility shall  
 2.12 match the payment until arrears are retired or the utility contribution reaches \$500,  
 2.13 whichever comes first;

2.14 (3) prohibits disconnection of service unless:

2.15 (i) the utility has personally communicated an offer to the LIHEAP customer to  
 2.16 enroll in the program; and

2.17 (ii) the LIHEAP customer has either declined or not responded to the offer; and

2.18 (4) permits a utility to remove a LIHEAP customer from the program upon  
 2.19 the failure to make two consecutive monthly payments, provided that, after the first  
 2.20 missed payment, the utility has personally communicated to the LIHEAP customer the  
 2.21 consequences of missing the next payment.

2.22 **Subd. 4. Arrears management program; nonLIHEAP customers.** On or after  
 2.23 April 16 and before June 1 each year, a utility must offer to enroll a customer in an arrears  
 2.24 management program that:

2.25 (1) requires the customer to submit a down payment of 20 percent of the past due  
 2.26 balance;

2.27 (2) is structured so that the customer pays the remaining debt over a period of not  
 2.28 less than four nor more than six months, but in no event later than the billing cycle  
 2.29 beginning November 1;

2.30 (3) prohibits disconnection of service unless:

2.31 (i) the utility has made an offer to the customer to enroll; or

2.32 (ii) an enrolled customer fails to comply with the terms of the program; and

2.33 (4) permits a utility to remove a customer from the program upon the failure to  
 2.34 make a monthly payment.

2.35 **Subd. 5. Notice of arrears management program.** A utility must notify its  
 2.36 customers of the availability of the arrears management program. Notification must be

3.1 included on past due bills and disconnection notices, must be given to all customers who  
3.2 contact the utility about past due bills, and may include, but is not limited to, bill inserts,  
3.3 bill messages, Web site postings, and prerecorded telephone messages.

3.4 Subd. 6. Cost recovery. The commission shall allow recovery of the actual and  
3.5 administrative cost of the arrears management program. Administrative costs may not  
3.6 exceed five percent of the total program cost.

3.7 Subd. 7. Annual report. A utility must file an annual report with the commission  
3.8 that details:

3.9 (1) the number of customers initially enrolled;

3.10 (2) the number of customers making all required payments;

3.11 (3) the number of customers terminated from the program;

3.12 (4) the outreach methods used to notify customers of the availability of the program;

(5) the method of applying arrears forgiveness;

3.14 (6) the average amount of customer arrears;

3.15 (7) the total amount of arrears forgiven; and

3.16 (8) the total program costs minus the amount of arrears forgiven.

3.17 Subd. 8. Customer obligation. Nothing in this section relieves a customer of the  
3.18 obligation to pay current utility bills in full.

3.19 Subd. 9. Continuing arrearage and budget billing programs. Nothing in this  
3.20 section prevents a utility from combining arrearage forgiveness and budget billing  
3.21 programs.



1.1 Senator ..... moves to amend S.F. No. 2799 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2004, section 216B.16, subdivision 15, is amended  
1.4 to read:

1.5 Subd. 15. **Low-income programs.** (a) The commission may consider ability to  
1.6 pay as a factor in setting utility rates and ~~may~~ must establish programs for low-income  
1.7 residential ratepayers in order to ensure affordable, reliable, and continuous service  
1.8 to low-income utility customers. By September 1, 2006, public utilities that serve  
1.9 low-income electric or natural gas heating customers, except any public utility operating a  
1.10 low-income program under subdivision 14, must file an affordability program with the  
1.11 commission. A program must be implemented upon approval by the commission.

1.12 (b) The purpose of the low-income programs is to lower the percentage of income  
1.13 that participating low-income households devote to energy bills, to increase participating  
1.14 customer payments, to decrease or eliminate participating customer arrears, and to lower  
1.15 the utility costs associated with participating customer account collection activities.

1.16 In ordering low-income programs, the commission may require public utilities to file  
1.17 program evaluations, including the coordination of other available low-income bill  
1.18 payment and conservation resources and the effect of the program on:

- 1.19 (1) reducing the percentage of income that participating households devote to energy  
1.20 bills;
- 1.21 (2) service disconnections; and
- 1.22 (3) customer payment behavior, utility collection costs, arrearages, and bad debt.

1.23 (c) The commission shall issue orders necessary to implement, administer, and  
1.24 recover the costs, including administrative costs, of a program on a timely basis."

1.25 Amend the title accordingly

**Affordability Program  
SF 2799**

**Arrears are growing even before the full impact of this winter's heating cost increases**

CenterPoint Energy information

Date	# accts 60 days past due	Total arrears	# accts 90 days past due	Total arrears
Dec - 03	13,693	\$1.5 million	35,072	\$11.4 million
Dec - 04	14,352	\$1.4 million	37,441	\$14.3 million
Dec - 05	15,056	\$2.0 million	39,640	\$18.3 million

**All ratepayers must pay for the cost of uncollectible utility bills**

Bad debt expense (the level of expense the utility expects to write off due to uncollectible accounts)

	<u>CenterPoint</u>	<u>Xcel</u>
2002	\$3.0 million	\$7.6 million
2003	\$8.1 million	\$9.1 million
2004	\$10.7 million	\$8.5 million
2005	\$14.9 million	\$9.2 million

Aquila (only monthly information available)

	Number of past due customers	Dollars past Due	Write-offs due to uncollectible
Oct 15-31/05	14,193	\$813,332	\$123,145
Nov 2005	16,156	\$1.1 million	\$84,890
Dec 2005	18,021	\$2.0 million	\$44,706

**Utility bills are unaffordable for many low-income Minnesotans**

48% of Minnesota Energy Assistance Program participants live below the federal poverty level  
 34% of MN's EAP population spends between 11 and over 25% of their income on energy costs.  
 15% of MN's EAP population receives a service disconnection notice

**Affordability programs**

- Lower the amount of income customers devote to energy costs
- Provide more affordable payments as an incentive for regular customer payment
- Provide arrearage forgiveness as an incentive for regular customer payment
- Require regular customer payments
- Prevent service disconnections and retain customer contributions to utility revenue
- Lower utility collection costs and write-offs
- Require customers to receive Energy Assistance

## Pre-Buy Fact Sheet

### Overview

Approximately 16% (about 19,000) of all energy assistance households heat with propane. In 2004-05, households heating with propane spent an average of \$1,098 for heating costs while natural gas customers, even with the recent price increases, spent \$977.

The proposal:

- ❖ requires the State to buy propane on behalf of their energy assistance participants in the summer, when the prices are cheaper;
- ❖ seeks to get the biggest bang for the energy assistance dollar;
- ❖ seeks to help low-income program recipients to get more fuel for the money.

### How It Works

The State buys propane in the summer months, at lower than winter prices, and the State provides Minnesota propane vendors with a lump-sum payment. In exchange, many vendors are willing to negotiate additional per/gallon discounts over the summer price.

### Pre-Buy History

The State operated a pre-buy program from FY 2000 – FY 2003. Here are the savings that resulted:

Year	Gallons Purchased	Summer Price (per gallon)	Winter Price (per gallon)	Savings	Return on Investment
FY 2000	1.3 million	67½ ¢	83 – 96 ¢.	\$650,000	23% - 42%
FY 2001	2.3 million	\$1.08	\$1.48 - \$1.55.	\$800,000 – \$950,000	37% - 43.5%
FY 2002	2.8 million	\$1.20	\$1.40	\$560,000	16.6%

### Price History

For the last 11 years (based only on the data compiled and available at the U.S. Department of Energy), the costs for propane have **always** been lower in the month of July versus the following January.

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Maureen O'Connell

OFFICE MANAGER  
Colette Bergeron

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## **Affordability Programs Evaluations**

### *State Reports*

#### Minnesota Department of Commerce Report

*“Other states and utility companies around the country have established low-income programs to [help low-income customers] afford energy services and reduce costs associated with bill collection.”*

*“Most utility customers want to pay their energy bills, but many low-income households lack the means to do so. Utility programs in other parts of the country have been successful in assisting low-income households to maintain energy services while simultaneously increasing utility revenues paid and reducing utility costs.*

Source: MN Department of Commerce, Energy Policy & Conservation Report, 2000.

#### Oregon State Energy Assistance Evaluation Report

*“The actual arrears approximately one year after payment is made is estimated to be roughly \$340 less than it would have been had the Program not existed.”*

*“Due to the reduction in the daily account balance per participant, the Companies saved approximately \$11 per participant simply due to the time value of money and reducing their need to acquire capital.”*

*“The program reduced [collection] costs by approximately \$190,000.*

*“[T]he program is cost effective from the societal perspective with a benefit/cost ratio 1.03.”*

*“Conclusions: The program is effective. Program goals are achieved in a cost-effective manner.”*

Source: Quantec, LLC, “Oregon Energy Assistance Evaluation Report,” January 2003.

Pennsylvania Natural Gas Universal Service Task Force Report

***“[T]he results show that [affordability programs] can be a more cost effective approach for dealing with issues of customer inability to pay than traditional collection methods.”***

Source: “Natural Gas Universal Service Task Force Annual Report to the Pennsylvania Public Utilities Commission and the General Assembly,” December 2004.

*Utility Company Reports*

Xcel Energy (Minnesota)

*“This proactive approach has reduced the need to disconnect services for non-payment and has helped to establish a communications link between Xcel Energy and the customer.”*

***“Xcel Energy’s commitment to controlling active arrears has captured revenue that potentially may have been placed in bad debt.”***

*“Early indications show customers are willing to commit to an affordable payment and identify ways to reduce consumption.”*

Source: Xcel Energy’s Annual Compliance Report Evaluating the Low-Income Discount Program, Docket Nos. E002/M-94-925 and E002/M-04-1956, December 15, 2005.

Niagara Mohawk Power (New York)

**“New York Low-Income Assistance Program Shows Long Term Cost Effectiveness”**

*Niagara Mohawk recently expanded company-wide its Affordability Program [which includes an arrears forgiveness component]. The program addresses the root causes of the [inability to pay problem] and is intended to be ‘a remedy, rather than a Band-Aid approach.’*

*“Negotiated affordable partial payments made on a regular basis were greater than sporadic larger payments made prior to enrollment.”*

***The program is cost effective for the company...because it keeps participating low-income customers on the system in order to help spread out fixed costs, reduced the payment shortfall, and ultimately lowers uncollectibles from these customers.***

Source: LIHEAP Networker, October 1999.

Equitable Gas (Pennsylvania)

*The goal of the program is “to establish an affordable monthly payment that will create regular bill payment behavior, remove customers from the traditional credit and collection cycle, promote energy conservation, [and] increase participation in available energy assistance funds.”*

Source: Pennsylvania Public Utilities Commission, Bureau of Consumer Services, “Report on 2004 Universal Service Programs and Collection Performance of the Pennsylvania Electric Distribution Companies and Natural Gas Distribution Companies.

Columbia Gas (Pennsylvania)

*“Participants arrearages fell 18 percent, disputes by 61 percent, new payment agreements by 53 percent, and cancellation of payment agreements by 69 percent.”*

Source: A&C Enercom, Inc. et al., “Final Report: Process and Impact Evaluation Customer Assistance Program,” 1996.

KeySpan (formerly Brooklyn Union Gas) (New York)

*“‘On Track’ has proven to be good for the community and good for the Company.”*

*On Track Program Components: affordable payment, repair/replacement of gas heating equipment, individualized customer services, arrears forgiveness, financial and energy management education.*

*Customer Retention Rate: 93% (three-year average)  
Reductions in Field Visits: 75% (three-year average)  
Collections from Shifting Collection Resources: \$1,380,540 (three-year total)*

Source: KeysSpan Energy Report to the New York State Department of Public Service, 2000.

*“The cumulative benefit in receivables in three years has been \$14.4 million at a cost of \$3 million.”*

Source: Presentation by James Jacob and Mary Grassi, Program Managers, at the 1999 National Low Income Energy Consortium Conference.

Eugene Water and Electric Board (Oregon)

*“Every dollar spent on low-income services – from home weatherization to bill-paying assistance – returns \$1.48 to the utility by reducing customer arrearages, collection fees and service-shutoff expenses [according to a company audit of its program].*

Source: Northwest Energy Coalition Report, “Low-income assistance pays off for EWEB,” Nov./Dec. 2003

Clark County Public Utility District (Washington)

*“Write-offs dropped 36%, saving \$300,000 per year.*

*“Disconnections dropped 65%.”*

*“Delinquent balances fell from 67% of the eligible population to 13%.”*

*“Collection costs saved were about \$100,000 per year.”*

*“Customer payments increased 79%.”*

*“The direct annual utility benefits of about \$500,000 exceeded total program costs by 11%, generating a one-year benefit cost ratio of 1.11:1.”*

Source: Weiss, “Low-Income Assistance Pays for Itself,” Northwest Energy Coalition, 1998.

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**State of Minnesota**

**S.F. No. 2800 - Public Utilities Commission Residential  
Heating Customer Report**

**Author:** Senator Tarryl Clark

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MS*

**Date:** March 17, 2006

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The bill requires the Public Utilities Commission to issue an annual report containing the preceding year's worth of monthly data from each natural gas and electric utility. The data must be reported for all residential customers and low-income residential customers separately and must include: number of customers; number of accounts in arrears and dollar amount of arrears; number of disconnection notices issued; heating and nonheating involuntary disconnections; average duration of disconnections; heat-affected disconnections in effect as of October 15; service restorations; average past-due bill amounts; number of accounts and dollar amounts written off as uncollectible; amount of revenue generated and the percentage of total overall revenue that amount represents; any other information the commission deems relevant. The bill also requires the commission to report the amount received by customers from federal Low-Income Home Energy Assistance Program and other sources, stated separately by source.

MG:rdr



Senators Clark, Anderson, Kelley, Rosen and Kubly introduced—

S.F. No. 2800: Referred to the Committee on Jobs, Energy and Community Development.

1. A bill for an act  
1.2 relating to utilities; requiring reports to and by the Public Utilities Commission  
1.3 regarding heating customers of certain utilities; proposing coding for new law  
1.4 in Minnesota Statutes, chapter 216B.

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

1.6 Section 1. [216B.091] HEATING CUSTOMER.

1.7 By September 30 of each year, the commission must issue a report that provides  
1.8 monthly data for each natural gas and electric utility for the period beginning July 1 of  
1.9 the preceding year to the following June 30. The data to be reported include totals for  
1.10 all residential customers and for low-income residential customers, respectively, for the  
following:

1.12 (1) number of customers;

1.13 (2) number of accounts in arrears and dollar amount of arrears;

1.14 (3) disconnection notices issued;

1.15 (4) heating and nonheating involuntary customer disconnections;

1.16 (5) average duration of disconnection;

1.17 (6) heat-affected accounts that remain disconnected as of October 15;

1.18 (7) service restorations;

1.19 (8) average past due bill amount;

1.20 (9) number of accounts written off as uncollectible and dollar amount of  
1.21 uncollectible write-offs;

(10) amount of revenue generated and the percentage of total overall revenue that  
1.23 amount represents; and

1.24 (11) any other information the commission deems relevant.

2.1 In addition, the commission must report the amount received by customers from  
2.2 the federal Low-Income Home Energy Assistance Program and from other assistance  
2.3 sources separately stated by source.

2.4 For purposes of this section, "low-income residential customer" means a customer  
2.5 receiving benefits under the Low-Income Home Energy Assistance Program.

2.6 **EFFECTIVE DATE.** This section is effective August 1, 2006, except that the first  
2.7 report by the Public Utilities Commission is not due until September 30, 2007.

1.1 Senator ..... moves to amend S.F. No. 2800 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. [216B.091] UTILITY CUSTOMER.

1.4 Subdivision 1. **Monthly reports.** (a) Each natural gas and electric public utility  
1.5 must submit a monthly report to the commission that includes the following information:

- 1.6 (1) number of residential customers;
- 1.7 (2) total number and dollar amount of residential customer accounts past due;
- 1.8 (3) average residential customer past due amount;
- 1.9 (4) total dollars received from the low-income home energy assistance program  
1.10 and from other sources;
- 1.11 (5) average monthly residential bill;
- 1.12 (6) revenue from sales to residential accounts;
- 1.13 (7) total residential write-offs due to uncollectible bills;
- 1.14 (8) number of disconnection notices mailed to customers;
- 1.15 (9) number of residential accounts disconnected; and
- 1.16 (10) number of residential primary heating accounts reconnected to service.

1.17 (b) During the period from October 15 to April 15, monthly reports must also  
1.18 include the following information:

- 1.19 (1) number of cold weather protection requests;
- 1.20 (2) number of reconnection plan requests received and granted;
- 1.21 (3) number of inability to pay requests received and granted;
- 1.22 (4) number of ten-percent plans received and granted;
- 1.23 (5) number of payment schedule requests received and granted; and
- 1.24 (6) all other information currently provided to the commission in monthly cold  
1.25 weather rule reports.

1.26 Subd. 2. **Commission report.** On or about September 30 of each year, the  
1.27 commission must issue a report that summarizes the monthly data provided under  
1.28 subdivision 1 by each natural gas and electric public utility for the period beginning  
1.29 July 1 to the following June 30 of that year.

1.30 **EFFECTIVE DATE.** This section is effective July 1, 2006, provided that the first  
1.31 report under subdivision 2 is due on or about September 30, 2007."

32 Amend the title accordingly

**Senate Counsel, Research,  
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**Senate**

**State of Minnesota**

**S.F. No. 2913 - Prepurchase Program for Delivered Fuels**

**Author:** Senator James Metzen

**Prepared by:** John C. Fuller, Senate Counsel (651/296-3914)

JCF

**Date:** March 13, 2006

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**Section 1** requires the Commissioner of Commerce, to the extent of available funds and as part of the commissioner's low-income heating assistance program duties, to implement a summer prepurchase program for propane to be used in the next heating season. The rationale for the program is the historical fact that propane prices are usually lower during the summer months. The commissioner is directed to purchase a minimum of one-third of the propane needed for the program in the following heating season.

The commissioner is also authorized to establish a hedge account to hedge against the possibility that prices are higher in the summer. The hedge account would be used to assist those individuals who are affected by an adverse prepurchase price result.

If there are available funds, the commissioner may also engage in the prepurchase of fuel oil used for heating.

The commissioner is to make an annual report on the program.

JCF:cs

Senators Metzen, Anderson and Sparks introduced—

S.F. No. 2913: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act  
relating to energy; creating a prepurchase delivered fuel program; proposing  
coding for new law in Minnesota Statutes, chapter 216B.

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

Section 1. [216B.0951] PREPURCHASE DELIVERED FUEL PROGRAM.

Subdivision 1. Created. The department shall operate, or contract to operate, an annual prepurchase delivered fuel program.

By September 1 of each year, the department must, if it has sufficient funds available for that purpose, purchase at least one-third of the liquid propane fuel consumed by low-income home energy assistance program recipients during the previous heating season. The department shall enter into agreements with vendors who offer summer prepurchase discount programs, and attempt to negotiate price discounts, including discounts for prompt payments. The prepurchase delivered fuel program must be available statewide through each local agency that administers the energy assistance program.

Subd. 2. Hedge account. The department may establish a hedge account with realized program savings due to prepurchasing. The account must be used to compensate program recipients an amount up to the difference in cost for fuel provided to the recipient if winter-delivered fuel prices are lower than the prepurchase or summer-fill price. No more than ten percent of the aggregate prepurchase program savings may be used to establish the hedge account.

Subd. 3. Fuel oil. Any funds allocated for prepurchase remaining after the prepurchase of propane must be used to negotiate summer fills for energy assistance program customers heating with fuel oil.

2.1            Subd. 4. Report. The department shall issue an annual report, made available  
2.2 electronically on its Web site and in print upon request, which contains the following  
2.3 information:

2.4            (1) the cost per gallon of the prepurchased fuel;

2.5            (2) the total gallons of fuel prepurchased;

2.6            (3) the average cost of propane and fuel oil by month between October and the  
2.7 following April;

2.8            (4) the number of energy assistance program households receiving prepurchased  
2.9 fuel; and

2.10           (5) the average savings accruing or benefit increase provided to energy assistance  
2.11 households.

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

1.1 Senator ..... moves to amend S.F. No. 2913 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. [216B.0951] PREPURCHASE PROPANE FUEL PROGRAM.

1.4 Subdivision 1. Created. The commissioner shall operate, or contract to operate, a  
1.5 prepurchase delivered fuel program.

1.6 The commissioner shall each July and August purchase the lesser of one-third of the  
1.7 liquid propane fuel consumed by low-income home energy assistance program recipients  
1.8 during the previous heating season or the amount that can be purchased with available  
1.9 funds. The commissioner shall enter into agreements with vendors who offer summer  
1.10 prepurchase discount programs, and attempt to negotiate price discounts, including  
1.11 discounts for prompt payments. The prepurchase delivered fuel program must be available  
1.12 statewide through each local agency that administers the energy assistance program. The  
1.13 commissioner may decide to limit or not engage in prepurchasing if the commissioner finds  
1.14 that there is a reasonable likelihood that prepurchasing will not provide fuel-cost savings.

1.15 Subd. 2. Hedge account. The commissioner may establish a hedge account with  
1.16 realized program savings due to prepurchasing. The account must be used to compensate  
1.17 program recipients an amount up to the difference in cost for fuel provided to the recipient  
1.18 if winter-delivered fuel prices are lower than the prepurchase or summer-fill price. No  
1.19 more than ten percent of the aggregate prepurchase program savings may be used to  
1.20 establish the hedge account.

1.21 Subd. 3. Report. The department shall issue an annual report, made available  
1.22 electronically on its Web site and in print upon request, which contains the following  
1.23 information:

- 1.24 (1) the cost per gallon of the prepurchased fuel;
- 1.25 (2) the total gallons of fuel prepurchased;
- 1.26 (3) the average cost of propane and fuel oil by month between October and the  
1.27 following April;
- 1.28 (4) the number of energy assistance program households receiving prepurchased  
1.29 fuel; and
- 1.30 (5) the average savings accruing or benefit increase provided to energy assistance  
1.31 households.

1.32 EFFECTIVE DATE. This section is effective the day following final enactment. "

1.33 Amend the title accordingly

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**

**State of Minnesota**

**S.F. No. 2767 - LIHEAP Delivered Fuel Prepurchase**

**Author:** Senator Julie A. Rosen

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MG*

**Date:** March 17, 2006

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The bill directs the Commissioner of Commerce to use Low-Income Home Energy Assistance Program funds to prepurchase propane and home heating oil in the months preceding the winter heating season if the commissioner finds that doing so will likely result in fuel-cost savings for the program.

MG:rdr



Senators Rosen, Metzen, Anderson and Larson introduced-  
S.F. No. 2767: Referred to the Committee on Jobs, Energy and Community Development.

1.1 A bill for an act  
1.2 relating to energy; requiring Department of Commerce to prepurchase delivered  
1.3 fuel in certain circumstances as part of low-income home energy assistance  
1.4 program; proposing coding for new law in Minnesota Statutes, chapter 216C.

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

1.6 Section 1. [216C.267] LOW-INCOME HOME ENERGY ASSISTANCE  
1.7 PROGRAM; PREPURCHASE OF FUEL.

1.8 The commissioner of commerce, to the extent of available funds and as part of the  
1.9 low-income home energy assistance program, shall engage in a program to prepurchase  
1.10 delivered fuel in the months before the succeeding winter heating season. The purpose  
1.11 of the program is to obtain lower unit prices for the delivered fuel. The commissioner  
1.12 may decide to limit or not engage in prepurchasing if the commissioner finds that there  
1.13 is a reasonable likelihood that prepurchasing will not provide fuel-cost savings. For the  
1.14 purposes of this section, "delivered fuel" includes propane and number one and number  
1.15 two fuel oils.

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**  
State of Minnesota

**S.F. No. 2914 - Delivered Fuel Heating Customers  
Consumer Protection**

**Author:** Senator Gary Kubly

**Prepared by:** John C. Fuller, Senate Counsel (651/296-3914)



**Date:** March 13, 2006

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**S.F. No. 2914** provides various consumer protections to propane and fuel oil customers .

A vendor of propane and fuel oil may not discriminate against or refuse to serve a customer on the basis the customer is a recipient of assistance from the low-income home energy assistance program.

A vendor must:

- (1) offer a budget billing plan to new and prospective customers and to an existing customer who is not in arrears;
- (2) offer a payment agreement by May 15, to each customer who is in arrears. The agreement must be designed to eliminate arrearages by October 15 of that year.;
- (3) offer all customers whose accounts are current or are in compliance with a payment agreement, participation in any keep-fill, prebuy, and summer-fill program otherwise offered by the vendor.

JCF:cs

Senators Kubly, Anderson and Saxhaug introduced-

S.F. No. 2914: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act relating to energy; providing consumer protection to delivered fuel residential heating customers; proposing coding for new law in Minnesota Statutes, chapter 325E.

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

Section 1. [325E.027] DELIVERED FUEL CONSUMER PROTECTIONS.

Subdivision 1. Definitions. For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Budget billing plan" means a billing method by which estimated annual consumption costs are billed to the consumer in approximately equal monthly payments, reviewed periodically, and adjusted to credit overcollections and recover undercollections.

(b) "Cold weather period" means the period between October 15 and the following April 15.

(c) "Customer" means a person who contracts with a vendor for the delivery of liquid propane gas, or number one or number two fuel oil.

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

(e) "Vendor" means a dealer or distributor of liquid propane gas, or number one or number two fuel oil. Vendor includes an agent or affiliate of the dealer or distributor.

Subd. 2. Budget billing. By May 1 each year, a vendor must offer the option to enroll in a budget billing plan to new customers, existing customers who are not in arrears, and prospective customers. A vendor may not change the terms of the plan unless reasonable advance notice of the change has been given to an enrollee.

Subd. 3. Payment agreements. Within 30 days of the end of the cold weather period, a vendor must offer a payment agreement to a customer with past due bills.

2.1 Payment agreements must take into consideration the customer's ability to pay and be  
2.2 structured to eliminate past due balances before the onset of the subsequent cold weather  
2.3 period.

2.4 Subd. 4. Keep-fill, prebuy, and summer-fill programs. By August 1 each year,  
2.5 vendors who offer keep-fill, prebuy, and summer-fill programs must offer these programs  
2.6 to all customers whose accounts are current or who are in compliance with a payment  
2.7 arrangement.

2.8 Subd. 5. Service to recipients of energy assistance. No vendor may discontinue  
2.9 service to, refuse to serve, or otherwise discriminate against a person based on receipt of  
2.10 assistance from the low-income home energy assistance program.

1.1 Senator ..... moves to amend S.F. No. 2914 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. [325E.027] LOW-INCOME CUSTOMERS; DELIVERED  
1.4 HEATING FUEL VENDOR'S OBLIGATION.

1.5 A dealer or distributor of liquid propane gas or number 1 or number 2 fuel oil may  
1.6 not refuse to deliver liquid propane gas or number 1 or number 2 fuel oil within their  
1.7 normal delivery area to any person who receives direct grants under the low-income home  
1.8 energy assistance program if that person has requested delivery, the dealer or distributor  
1.9 has product available and the person requesting delivery is capable of making full payment  
1.10 at the time of delivery, and is not in arrears regarding any previous fuel purchase from that  
1.11 dealer or distributor. A distributor or dealer making delivery to a person receiving direct  
1.12 grants from the low-income home energy assistance program may not charge that person  
1.13 any additional costs or fees that would not be charged to any other customer and shall  
1.14 make available to that person any discount programs on the same basis as the dealer or  
1.15 distributor makes available to any other customer."

1.16 Amend the title accordingly

**Senate Counsel, Research,  
and Fiscal Analysis**

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**Senate**  
State of Minnesota

**S.F. No. 2956 - Energy Conservation**

**Author:** Senator Ellen Anderson

**Prepared by:** John C. Fuller, Senate Counsel (651/296-3914)

JCF

**Date:** March 13, 2006

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**OVERVIEW**

This bill contains several provisions to promote conservation of energy by utilities. Several of the amendments relate to the current Conservation Investment Program (CIP). CIP requires utilities to devote a specified percentage of their revenues from the sale of gas and electricity to investments in conservation. The Commissioner of Commerce administers the CIP program

**Sections 1 and 2** contain identical provisions, with section 1 applying to investor owner utilities and section 2 applying to cooperatives and municipal utilities. Current law requires these utilities to spend a percentage of their revenues on conservation. The new amendments in section 1 and 2 specify that the revenue to be utilized in calculating a utility's investment obligation is the revenue for the immediately preceding year.

**Section 3** expands the current obligation of the Commissioner of Commerce to establish energy savings goals for the CIP program. It establishes a statewide objective for electricity at a minimum annual goal of 200 MW of capacity or the maximum cost effective savings, whichever is less. The commissioner may order additional conservation investments to meet the minimum goals. A utility may be excused from its goal if there are not cost effective conservation investments in its service territory. The electric goals commence in 2007.

Gas utilities are given an objective of a reduction of one percent from the previous year's usage or the maximum cost effective savings, whichever is less. This obligation also commences in 2007.

**Section 4** repeals a current two-percent cap on CIP investments to accommodate the changes made in section 3.

**Section 5** prohibits the public utilities commission (PUC) from approving an integrated resource plan that provides for the construction or refurbishing of a nonrenewable energy facility unless the utility filing the plan can demonstrate that using conservation to meet the needs to be served by that facility is not in the public interest.

**Section 6** prohibits the PUC from issuing a certificate of need for a large energy facility unless the applicant can show that using conservation to meet the need to be served by the facility is not in the public interest.

**Section 7** directs the Legislative Electric Energy Task Force to study the use of utility rates to promote energy conservation.

JCF:cs

Senators Anderson, Kubly, Metzen and Kelley introduced-

S.F. No. 2956: Referred to the Committee on Jobs, Energy and Community Development.

A bill for an act

relating to energy; providing state conservation objectives; regulating conservation investments by utilities; requiring consideration of conservation in various regulatory proceedings; providing a study of rate decoupling; amending Minnesota Statutes 2004, sections 216B.241, subdivisions 1a, 1c, 6; 216B.2422, by adding a subdivision; 216B.243, by adding a subdivision; Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 1b.

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

Section 1. Minnesota Statutes 2004, section 216B.241, subdivision 1a, is amended to read:

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

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

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

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

For purposes of this paragraph (a), "gross operating revenues" do not include revenues from large electric customer facilities exempted by the commissioner under paragraph (b).



2.1           The gross operating revenue to be used in determining the amount of spending  
2.2           and investment required under this subdivision is the revenue for the immediately  
2.3           preceding year. The commissioner may true up the revenue and spending and investment  
2.4           requirement at the end of the year, and if necessary, carry over spending and investing  
2.5           obligations into the next and succeeding years.

2.6           (b) The owner of a large electric customer facility may petition the commissioner  
2.7           to exempt both electric and gas utilities serving the large energy customer facility from  
2.8           the investment and expenditure requirements of paragraph (a) with respect to retail  
2.9           revenues attributable to the facility. At a minimum, the petition must be supported by  
2.10          evidence relating to competitive or economic pressures on the customer and a showing  
2.11          by the customer of reasonable efforts to identify, evaluate, and implement cost-effective  
2.12          conservation improvements at the facility. If a petition is filed on or before October 1 of  
2.13          any year, the order of the commissioner to exempt revenues attributable to the facility can  
2.14          be effective no earlier than January 1 of the following year. The commissioner shall not  
2.15          grant an exemption if the commissioner determines that granting the exemption is contrary  
2.16          to the public interest. The commissioner may, after investigation, rescind any exemption  
2.17          granted under this paragraph upon a determination that cost-effective energy conservation  
2.18          improvements are available at the large electric customer facility. For the purposes of this  
2.19          paragraph, "cost-effective" means that the projected total cost of the energy conservation  
2.20          improvement at the large electric customer facility is less than the projected present value  
2.21          of the energy and demand savings resulting from the energy conservation improvement.  
2.22          For the purposes of investigations by the commissioner under this paragraph, the owner  
2.23          of any large electric customer facility shall, upon request, provide the commissioner  
2.24          with updated information comparable to that originally supplied in or with the owner's  
2.25          original petition under this paragraph.

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

2.30          (d) A public utility or owner of a large electric customer facility may appeal  
2.31          a decision of the commissioner under paragraph (b) or (c) to the commission under  
2.32          subdivision 2. In reviewing a decision of the commissioner under paragraph (b) or (c),  
2.33          the commission shall rescind the decision if it finds that the required investments or  
2.34          spending will:

- 2.35                 (1) not result in cost-effective energy conservation improvements; or  
2.36                 (2) otherwise not be in the public interest.

3.1 (e) Each utility shall determine what portion of the amount it sets aside for  
 3.2 conservation improvement will be used for conservation improvements under subdivision  
 3.3 2 and what portion it will contribute to the energy and conservation account established in  
 3.4 subdivision 2a. A public utility may propose to the commissioner to designate that all  
 3.5 or a portion of funds contributed to the account established in subdivision 2a be used  
 3.6 for research and development projects that can best be implemented on a statewide  
 3.7 basis. Contributions must be remitted to the commissioner by February 1 of each year.  
 3.8 Nothing in this subdivision prohibits a public utility from spending or investing for energy  
 3.9 conservation improvement more than required in this subdivision.

3.10 Sec. 2. Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 1b,  
 3.11 is amended to read:

3.12 Subd. 1b. **Conservation improvement by cooperative association or**  
 3.13 **municipality.** (a) This subdivision applies to:

3.14 (1) a cooperative electric association that provides retail service to its members;

3.15 (2) a municipality that provides electric service to retail customers; and

3.16 (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales  
 3.17 of natural gas to retail customers.

3.18 (b) Each cooperative electric association and municipality subject to this subdivision  
 3.19 shall spend and invest for energy conservation improvements under this subdivision  
 3.20 the following amounts:

3.21 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of  
 3.22 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding  
 3.23 gross operating revenues from electric and gas service provided in the state to large  
 3.24 electric customer facilities; and

3.25 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues  
 3.26 from service provided in the state, excluding gross operating revenues from service  
 3.27 provided in the state to large electric customer facilities indirectly through a distribution  
 3.28 cooperative electric association.

3.29 The gross operating revenue to be used in determining the amount of spending and  
 3.30 investments required under this subdivision is the revenue for the immediately preceding  
 3.31 year. The commissioner may true up the revenue and the investment and spending  
 3.32 requirement at the end of the year and, if necessary, carry over spending and investing  
 3.33 obligations into the next and succeeding years.

3.34 (c) Each municipality and cooperative electric association subject to this subdivision  
 3.35 shall identify and implement energy conservation improvement spending and investments

4.1 that are appropriate for the municipality or association, except that a municipality or  
4.2 association may not spend or invest for energy conservation improvements that directly  
4.3 benefit a large electric customer facility for which the commissioner has issued an  
4.4 exemption under subdivision 1a, paragraph (b).

4.5 (d) Each municipality and cooperative electric association subject to this subdivision  
4.6 may spend and invest annually up to ten percent of the total amount required to be spent  
4.7 and invested on energy conservation improvements under this subdivision on research  
4.8 and development projects that meet the definition of energy conservation improvement  
4.9 in subdivision 1 and that are funded directly by the municipality or cooperative electric  
4.10 association.

4.11 (e) Load-management activities that do not reduce energy use but that increase the  
4.12 efficiency of the electric system may be used to meet 50 percent of the conservation  
4.13 investment and spending requirements of this subdivision.

4.14 (f) A generation and transmission cooperative electric association that provides  
4.15 energy services to cooperative electric associations that provide electric service at retail to  
4.16 consumers may invest in energy conservation improvements on behalf of the associations  
4.17 it serves and may fulfill the conservation, spending, reporting, and energy savings goals on  
4.18 an aggregate basis. A municipal power agency or other not-for-profit entity that provides  
4.19 energy service to municipal utilities that provide electric service at retail may invest in  
4.20 energy conservation improvements on behalf of the municipal utilities it serves and may  
4.21 fulfill the conservation, spending, reporting, and energy savings goals on an aggregate  
4.22 basis, under an agreement between the municipal power agency or not-for-profit entity  
4.23 and each municipal utility for funding the investments.

4.24 (g) At least every four years, on a schedule determined by the commissioner, each  
4.25 municipality or cooperative shall file an overview of its conservation improvement plan  
4.26 with the commissioner. With this overview, the municipality or cooperative shall also  
4.27 provide an evaluation to the commissioner detailing its energy conservation improvement  
4.28 spending and investments for the previous period. The evaluation must briefly describe  
4.29 each conservation program and must specify the energy savings or increased efficiency in  
4.30 the use of energy within the service territory of the utility or association that is the result  
4.31 of the spending and investments. The evaluation must analyze the cost-effectiveness  
4.32 of the utility's or association's conservation programs, using a list of baseline energy  
4.33 and capacity savings assumptions developed in consultation with the department.  
4.34 The commissioner shall review each evaluation and make recommendations, where  
4.35 appropriate, to the municipality or association to increase the effectiveness of conservation  
4.36 improvement activities. Up to three percent of a utility's conservation spending obligation

5.1 under this section may be used for program pre-evaluation, testing, and monitoring and  
 5.2 program evaluation. The overview and evaluation filed by a municipality with less than  
 5.3 60,000,000 kilowatt hours in annual retail sales of electric service may consist of a letter  
 5.4 from the governing board of the municipal utility to the department providing the amount  
 5.5 of annual conservation spending required of that municipality and certifying that the  
 5.6 required amount has been spent on conservation programs pursuant to this subdivision.

5.7 (h) The commissioner shall also review each evaluation for whether a portion of the  
 5.8 money spent on residential conservation improvement programs is devoted to programs  
 5.9 that directly address the needs of renters and low-income persons unless an insufficient  
 5.10 number of appropriate programs are available. For the purposes of this subdivision and  
 5.11 subdivision 2, "low-income" means an income at or below 50 percent of the state median  
 5.12 income.

5.13 (i) As part of its spending for conservation improvement, a municipality or  
 5.14 association may contribute to the energy and conservation account. A municipality or  
 5.15 association may propose to the commissioner to designate that all or a portion of funds  
 5.16 contributed to the account be used for research and development projects that can best  
 5.17 be implemented on a statewide basis. Any amount contributed must be remitted to the  
 5.18 commissioner by February 1 of each year.

5.19 (j) A municipality may spend up to 50 percent of its required spending under this  
 5.20 section to refurbish an existing district heating or cooling system. This paragraph expires  
 5.21 July 1, 2007.

2 Sec. 3. Minnesota Statutes 2004, section 216B.241, subdivision 1c, is amended to read:

5.23 Subd. 1c. **Energy-saving goals objectives.** (a) The commissioner shall establish  
 5.24 energy-saving goals objectives for all gas and electric energy conservation improvement  
 5.25 expenditures and shall ~~evaluate an~~ monitor energy conservation improvement program on  
 5.26 ~~how well it meets the goals set~~ programs for success in meeting the objectives.

5.27 (b) The commissioner shall, commencing with calendar year 2007, establish annual  
 5.28 statewide electric capacity and energy savings objectives required from electric energy  
 5.29 conservation investment programs.

5.30 The minimum required annual capacity savings is 200 megawatts, unless the  
 5.31 commissioner finds there is no cost-effective way to achieve that savings, in which case  
 5.32 the annual energy saving requirement is the maximum cost-effective savings available as  
 5.33 determined by the commissioner.

5.34 If the spending required under this section will not result in the required savings, the  
 5.35 commissioner may order the level of spending necessary to obtain the savings.

6.1 The commissioner shall allocate savings requirements among public utilities,  
6.2 cooperative electric associations, and municipals based on their percentage of total electric  
6.3 service revenue. The commissioner may excuse a public utility, cooperative electric  
6.4 association, or municipal from that part of its savings requirement for which it can be  
6.5 shown that no cost-effective conservation investments are available in the particular  
6.6 service territory.

6.7 (c) The commissioner shall, commencing with calendar year 2007, establish gas  
6.8 savings objectives for a public utility and a municipal utility having an investment  
6.9 obligation under this section. The minimum annual energy savings is the lesser of one  
6.10 percent of the preceding year's usage or the maximum cost-effective savings.

6.11 (d) The commissioner shall annually report the success in meeting objectives under  
6.12 this subdivision to the Public Utilities Commission and the chairs of the legislative  
6.13 committees having primary jurisdiction over energy issues.

6.14 Sec. 4. Minnesota Statutes 2004, section 216B.241, subdivision 6, is amended to read:

6.15 Subd. 6. **Renewable energy research.** (a) A public utility that owns a nuclear  
6.16 generation facility in the state shall spend five percent of the total amount that utility  
6.17 is required to spend under this section to support basic and applied research and  
6.18 demonstration activities at the University of Minnesota Initiative for Renewable Energy  
6.19 and the Environment for the development of renewable energy sources and technologies.  
6.20 The utility shall transfer the required amount to the University of Minnesota on or before  
6.21 July 1 of each year and that annual amount shall be deducted from the amount of money the  
6.22 utility is required to spend under this section. The University of Minnesota shall transfer  
6.23 at least ten percent of these funds to at least one rural campus or experiment station.

6.24 (b) Research funded under this subdivision shall include:

6.25 (1) development of environmentally sound production, distribution, and use of  
6.26 energy, chemicals, and materials from renewable sources;

6.27 (2) processing and utilization of agricultural and forestry plant products and other  
6.28 bio-based, renewable sources as a substitute for fossil-fuel-based energy, chemicals, and  
6.29 materials using a variety of means including biocatalysis, biorefining, and fermentation;

6.30 (3) conversion of state wind resources to hydrogen for energy storage and  
6.31 transportation to areas of energy demand;

6.32 (4) improvements in scalable hydrogen fuel cell technologies; and

6.33 (5) production of hydrogen from bio-based, renewable sources; and sequestration  
6.34 of carbon.

7.1 (c) ~~Notwithstanding other law to the contrary, the utility may, but is not required to,~~  
7.2 ~~spend more than two percent of its gross operating revenues from service provided in this~~  
7.3 ~~state under this section or section 216B.2411.~~

7.4 ~~(d)~~ This subdivision expires June 30, 2008.

7.5 Sec. 5. Minnesota Statutes 2004, section 216B.2422, is amended by adding a  
7.6 subdivision to read:

7.7 Subd. 3a. Preference for conservation. The commission shall not approve a new or  
7.8 refurbished nonrenewable energy facility in an integrated resource plan or a certificate of  
7.9 need, pursuant to section 216B.243, and the commission shall not allow rate recovery for  
7.10 such a facility, unless the utility has demonstrated that conservation to meet the capacity  
7.11 needs is not in the public interest.

7.12 Sec. 6. Minnesota Statutes 2004, section 216B.243, is amended by adding a  
7.13 subdivision to read:

7.14 Subd. 3c. Use of conservation resources. The commission may not issue a  
7.15 certificate of need under this section for a large energy facility unless the applicant for the  
7.16 certificate has demonstrated to the commissioner's satisfaction that the use of conservation  
7.17 to replace the need for the facility is not in the public interest.

7.18 Sec. 7. **PROMOTING CONSERVATION THROUGH UTILITY RATES;**  
7.19 **STUDY.**

7.20 The Legislative Electric Energy Task Force must study the issue of the use of utility  
7.21 rates as an incentive to conservation commonly referred to as "decoupling" of rates. The  
7.22 study may include both gas and electric utility rates. The task force may contract for all or  
7.23 part of the study. The study must be completed by January 15, 2007.

1.1 Senator ..... moves to amend S.F. No. 2956 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2004, section 216B.241, subdivision 1a, is amended  
1.4 to read:

1.5 Subd. 1a. **Investment, expenditure, and contribution; public utility.** (a) For  
1.6 purposes of this subdivision and subdivision 2, "public utility" has the meaning given it  
1.7 in section 216B.02, subdivision 4. Each public utility shall spend and invest for energy  
1.8 conservation improvements under this subdivision and subdivision 2 the following  
1.9 amounts:

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

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

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

1.17 For purposes of this paragraph (a), "gross operating revenues" do not include  
1.18 revenues from large electric customer facilities exempted by the commissioner under  
1.19 paragraph (b).

1.20 The gross operating revenue to be used in determining the amount of spending  
1.21 and investment required under this subdivision is the revenue for the year preceding the  
1.22 year that a proposed plan is filed with the commissioner. The commissioner may adjust  
1.23 the spending required after the first or subsequent year of a plan to reflect more recent  
1.24 available revenue figures.

1.25 (b) The owner of a large electric customer facility may petition the commissioner  
1.26 to exempt both electric and gas utilities serving the large energy customer facility from  
1.27 the investment and expenditure requirements of paragraph (a) with respect to retail  
1.28 revenues attributable to the facility. At a minimum, the petition must be supported by  
1.29 evidence relating to competitive or economic pressures on the customer and a showing  
1.30 by the customer of reasonable efforts to identify, evaluate, and implement cost-effective  
1.31 conservation improvements at the facility. If a petition is filed on or before October 1 of  
1.32 any year, the order of the commissioner to exempt revenues attributable to the facility can  
1.33 be effective no earlier than January 1 of the following year. The commissioner shall not  
1.34 grant an exemption if the commissioner determines that granting the exemption is contrary  
1.35 to the public interest. The commissioner may, after investigation, rescind any exemption  
1.36 granted under this paragraph upon a determination that cost-effective energy conservation

2.1 improvements are available at the large electric customer facility. For the purposes of this  
2.2 paragraph, "cost-effective" means that the projected total cost of the energy conservation  
2.3 improvement at the large electric customer facility is less than the projected present value  
2.4 of the energy and demand savings resulting from the energy conservation improvement.  
2.5 For the purposes of investigations by the commissioner under this paragraph, the owner  
2.6 of any large electric customer facility shall, upon request, provide the commissioner  
2.7 with updated information comparable to that originally supplied in or with the owner's  
2.8 original petition under this paragraph.

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

2.13 (d) A public utility or owner of a large electric customer facility may appeal  
2.14 a decision of the commissioner under paragraph (b) or (c) to the commission under  
2.15 subdivision 2. In reviewing a decision of the commissioner under paragraph (b) or (c),  
2.16 the commission shall rescind the decision if it finds that the required investments or  
2.17 spending will:

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

2.19 (2) otherwise not be in the public interest.

2.20 (e) Each utility shall determine what portion of the amount it sets aside for  
2.21 conservation improvement will be used for conservation improvements under subdivision  
2.22 2 and what portion it will contribute to the energy and conservation account established in  
2.23 subdivision 2a. A public utility may propose to the commissioner to designate that all  
2.24 or a portion of funds contributed to the account established in subdivision 2a be used  
2.25 for research and development projects that can best be implemented on a statewide  
2.26 basis. Contributions must be remitted to the commissioner by February 1 of each year.  
2.27 Nothing in this subdivision prohibits a public utility from spending or investing for energy  
2.28 conservation improvement more than required in this subdivision.

2.29 Sec. 2. Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 1b,  
2.30 is amended to read:

2.31 **Subd. 1b. Conservation improvement by cooperative association or**  
2.32 **municipality.** (a) This subdivision applies to:

2.33 (1) a cooperative electric association that provides retail service to its members;

2.34 (2) a municipality that provides electric service to retail customers; and

2.35 (3) a municipality with gross operating revenues in excess of \$5,000,000 from sales  
2.36 of natural gas to retail customers.



3.1 (b) Each cooperative electric association and municipality subject to this subdivision  
3.2 shall spend and invest for energy conservation improvements under this subdivision  
3.3 the following amounts:

3.4 (1) for a municipality, 0.5 percent of its gross operating revenues from the sale of  
3.5 gas and 1.5 percent of its gross operating revenues from the sale of electricity, excluding  
3.6 gross operating revenues from electric and gas service provided in the state to large  
3.7 electric customer facilities; and

3.8 (2) for a cooperative electric association, 1.5 percent of its gross operating revenues  
3.9 from service provided in the state, excluding gross operating revenues from service  
3.10 provided in the state to large electric customer facilities indirectly through a distribution  
3.11 cooperative electric association.

3.12 The gross operating revenue to be used in determining the amount of spending  
3.13 and investment required under this subdivision is the revenue for the year preceding the  
3.14 year that a proposed plan is filed with the commissioner. The commissioner may adjust  
3.15 the spending required after the first or subsequent year of a plan to reflect more recent  
3.16 available revenue figures.

3.17 (c) Each municipality and cooperative electric association subject to this subdivision  
3.18 shall identify and implement energy conservation improvement spending and investments  
3.19 that are appropriate for the municipality or association, except that a municipality or  
3.20 association may not spend or invest for energy conservation improvements that directly  
3.21 benefit a large electric customer facility for which the commissioner has issued an  
3.22 exemption under subdivision 1a, paragraph (b).

23 (d) Each municipality and cooperative electric association subject to this subdivision  
3.24 may spend and invest annually up to ten percent of the total amount required to be spent  
3.25 and invested on energy conservation improvements under this subdivision on research  
3.26 and development projects that meet the definition of energy conservation improvement  
3.27 in subdivision 1 and that are funded directly by the municipality or cooperative electric  
3.28 association.

3.29 (e) Load-management activities that do not reduce energy use but that increase the  
3.30 efficiency of the electric system may be used to meet 50 percent of the conservation  
3.31 investment and spending requirements of this subdivision.

3.32 (f) A generation and transmission cooperative electric association that provides  
3.33 energy services to cooperative electric associations that provide electric service at retail to  
3.34 consumers may invest in energy conservation improvements on behalf of the associations  
3.35 it serves and may fulfill the conservation, spending, reporting, and energy savings goals on  
3.36 an aggregate basis. A municipal power agency or other not-for-profit entity that provides

4.1 energy service to municipal utilities that provide electric service at retail may invest in  
4.2 energy conservation improvements on behalf of the municipal utilities it serves and may  
4.3 fulfill the conservation, spending, reporting, and energy savings goals on an aggregate  
4.4 basis, under an agreement between the municipal power agency or not-for-profit entity  
4.5 and each municipal utility for funding the investments.

4.6 (g) At least every four years, on a schedule determined by the commissioner, each  
4.7 municipality or cooperative shall file an overview of its conservation improvement plan  
4.8 with the commissioner. With this overview, the municipality or cooperative shall also  
4.9 provide an evaluation to the commissioner detailing its energy conservation improvement  
4.10 spending and investments for the previous period. The evaluation must briefly describe  
4.11 each conservation program and must specify the energy savings or increased efficiency in  
4.12 the use of energy within the service territory of the utility or association that is the result  
4.13 of the spending and investments. The evaluation must analyze the cost-effectiveness  
4.14 of the utility's or association's conservation programs, using a list of baseline energy  
4.15 and capacity savings assumptions developed in consultation with the department.  
4.16 The commissioner shall review each evaluation and make recommendations, where  
4.17 appropriate, to the municipality or association to increase the effectiveness of conservation  
4.18 improvement activities. Up to three percent of a utility's conservation spending obligation  
4.19 under this section may be used for program pre-evaluation, testing, and monitoring and  
4.20 program evaluation. The overview and evaluation filed by a municipality with less than  
4.21 60,000,000 kilowatt hours in annual retail sales of electric service may consist of a letter  
4.22 from the governing board of the municipal utility to the department providing the amount  
4.23 of annual conservation spending required of that municipality and certifying that the  
4.24 required amount has been spent on conservation programs pursuant to this subdivision.

4.25 (h) The commissioner shall also review each evaluation for whether a portion of the  
4.26 money spent on residential conservation improvement programs is devoted to programs  
4.27 that directly address the needs of renters and low-income persons unless an insufficient  
4.28 number of appropriate programs are available. For the purposes of this subdivision and  
4.29 subdivision 2, "low-income" means an income at or below 50 percent of the state median  
4.30 income.

4.31 (i) As part of its spending for conservation improvement, a municipality or  
4.32 association may contribute to the energy and conservation account. A municipality or  
4.33 association may propose to the commissioner to designate that all or a portion of funds  
4.34 contributed to the account be used for research and development projects that can best  
4.35 be implemented on a statewide basis. Any amount contributed must be remitted to the  
4.36 commissioner by February 1 of each year.

5.1 (j) A municipality may spend up to 50 percent of its required spending under this  
 5.2 section to refurbish an existing district heating or cooling system. This paragraph expires  
 5.3 July 1, 2007.

5.4 Sec. 3. Minnesota Statutes 2004, section 216B.241, subdivision 1c, is amended to read:

5.5 Subd. 1c. Energy-saving goals objectives. (a) The commissioner shall establish  
 5.6 statewide energy-saving goals objectives for all gas and electric energy conservation  
 5.7 improvement expenditures and shall ~~evaluate an~~ monitor energy conservation  
 5.8 improvement program on how well it meets the goals set programs for success in meeting  
 5.9 the statewide objectives. The commissioner must present a report on these objectives to  
 5.10 the legislature by January 15, 2007.

5.11 (b) The commissioner shall, commencing with calendar year 2008, establish  
 5.12 annual statewide electric capacity and energy savings objectives for electric conservation  
 5.13 investment programs that the commissioner deems to be in the public interest. The  
 5.14 commissioner may establish these goals based upon utility integrated resource plans,  
 5.15 cost-effectiveness potential, utility load-growth projections, and other factors.

5.16 The commissioner shall allocate statewide capacity and energy savings objectives  
 5.17 among public utilities, cooperative electric associations, and municipals as determined by  
 5.18 the commissioner to result in the greatest likelihood of meeting the statewide objective. In  
 5.19 determining the allocation of capacity and energy savings objectives, the commissioner  
 5.20 shall consider individual utilities' load-growth projections, cost-effective savings  
 5.21 potential, and past performance.

5.22 (c) The commissioner shall, commencing with calendar year 2008, establish annual  
 5.23 statewide natural gas savings objectives for natural gas conservation investment programs  
 5.24 that the commissioner deems to be in the public interest. The commissioner may establish  
 5.25 these goals based upon utility forecasts, cost-effectiveness potential, and other sources.

5.26 The commissioner shall determine and allocate statewide capacity and energy  
 5.27 savings objectives among public utilities and municipal utilities having an investment  
 5.28 obligation under this section related to gas revenues so as to result in the greatest  
 5.29 likelihood of meeting the statewide objective. In determining the allocation of capacity  
 5.30 and energy savings objectives, the commissioner shall consider individual utilities'  
 5.31 load-growth projections, cost-effective savings potential, and past performance.

5.32 (d) The commissioner shall annually report the success in meeting these statewide  
 5.33 and individual utility objectives under this subdivision in a publicly available format.

5.34 Sec. 4. Minnesota Statutes 2005 Supplement, section 216B.241, subdivision 2, is  
 5.35 amended to read:

6.1           Subd. 2. **Programs.** (a) The commissioner may require public utilities to make  
6.2 investments and expenditures in energy conservation improvements, explicitly setting  
6.3 forth the interest rates, prices, and terms under which the improvements must be offered to  
6.4 the customers. The required programs must cover no more than a four-year period. Public  
6.5 utilities shall file conservation improvement plans by June 1, on a schedule determined  
6.6 by order of the commissioner, but at least every four years. Plans received by a public  
6.7 utility by June 1 must be approved or approved as modified by the commissioner by  
6.8 December 1 of that same year. The commissioner shall give special consideration and  
6.9 encouragement to programs that bring about significant net savings through the use of  
6.10 energy-efficient lighting. The commissioner shall evaluate the program on the basis of  
6.11 cost-effectiveness and the reliability of technologies employed. The commissioner's order  
6.12 must provide to the extent practicable for a free choice, by consumers participating in the  
6.13 program, of the device, method, material, or project constituting the energy conservation  
6.14 improvement and for a free choice of the seller, installer, or contractor of the energy  
6.15 conservation improvement, provided that the device, method, material, or project seller,  
6.16 installer, or contractor is duly licensed, certified, approved, or qualified, including under  
6.17 the residential conservation services program, where applicable.

6.18           (b) The commissioner may require a utility to make an energy conservation  
6.19 improvement investment or expenditure whenever the commissioner finds that the  
6.20 improvement will result in energy savings at a total cost to the utility less than the cost  
6.21 to the utility to produce or purchase an equivalent amount of new supply of energy. The  
6.22 commissioner shall nevertheless ensure that every public utility operate one or more  
6.23 programs under periodic review by the department.

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

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

6.34           (e) The commissioner may, by order, establish a list of programs that may be  
6.35 offered as energy conservation improvements by a public utility, municipal utility,  
6.36 cooperative electric association, or other entity providing conservation services pursuant

7.1 to this section. The list of programs may include rebates for high-efficiency appliances,  
7.2 rebates or subsidies for high-efficiency lamps, small business energy audits, and building  
7.3 recommissioning. The commissioner may, by order, change this list to add or subtract  
7.4 programs as the commissioner determines is necessary to promote efficient and effective  
7.5 conservation programs.

7.6 (f) The commissioner shall ensure that a portion of the money spent on residential  
7.7 conservation improvement programs is devoted to programs that directly address the  
7.8 needs of ~~renters and low-income persons, in proportion to the amount the utility has~~  
7.9 ~~historically spent on such programs based on the most recent three-year average relative to~~  
7.10 ~~the utility's total conservation spending under this section, unless an insufficient number~~  
7.11 ~~of appropriate programs are available~~ including low-income renters. When approving  
7.12 spending and energy savings goals for low-income conservation improvement programs,  
7.13 the commissioner shall consider historic spending, participation and energy savings for  
7.14 low-income programs, and the number of low-income persons residing in the utility's  
7.15 service territory. A utility that furnishes gas service must spend at least 0.2 percent  
7.16 of its gross operating revenue from residential customers on low-income conservation  
7.17 improvement programs.

7.18 (g) A utility, a political subdivision, or a nonprofit or community organization  
7.19 that has suggested a program, the attorney general acting on behalf of consumers and  
7.20 small business interests, or a utility customer that has suggested a program and is not  
7.21 represented by the attorney general under section 8.33 may petition the commission to  
7.22 modify or revoke a department decision under this section, and the commission may do  
7.23 so if it determines that the program is not cost-effective, does not adequately address the  
7.24 residential conservation improvement needs of low-income persons, has a long-range  
7.25 negative effect on one or more classes of customers, or is otherwise not in the public  
7.26 interest. The commission shall reject a petition that, on its face, fails to make a reasonable  
7.27 argument that a program is not in the public interest.

7.28 (h) The commissioner may order a public utility to include, with the filing of the  
7.29 utility's proposed conservation improvement plan under paragraph (a), the results of an  
7.30 independent audit of the utility's conservation improvement programs and expenditures  
7.31 performed by the department or an auditor with experience in the provision of energy  
7.32 conservation and energy efficiency services approved by the commissioner and chosen by  
7.33 the utility. The audit must specify the energy savings or increased efficiency in the use  
7.34 of energy within the service territory of the utility that is the result of the spending and  
7.35 investments. The audit must evaluate the cost-effectiveness of the utility's conservation  
7.36 programs.

8.1 (i) Up to three percent of a utility's conservation spending obligation under this  
8.2 section may be used for program pre-evaluation, testing, and monitoring and program  
8.3 audit and evaluation.

8.4 Sec. 5. Minnesota Statutes 2004, section 216B.241, subdivision 6, is amended to read:

8.5 Subd. 6. **Renewable energy research.** (a) A public utility that owns a nuclear  
8.6 generation facility in the state shall spend five percent of the total amount that utility  
8.7 is required to spend under this section to support basic and applied research and  
8.8 demonstration activities at the University of Minnesota Initiative for Renewable Energy  
8.9 and the Environment for the development of renewable energy sources and technologies.  
8.10 The utility shall transfer the required amount to the University of Minnesota on or before  
8.11 July 1 of each year and that annual amount shall be deducted from the amount of money the  
8.12 utility is required to spend under this section. The University of Minnesota shall transfer  
8.13 at least ten percent of these funds to at least one rural campus or experiment station.

8.14 (b) Research funded under this subdivision shall include:

8.15 (1) development of environmentally sound production, distribution, and use of  
8.16 energy, chemicals, and materials from renewable sources;

8.17 (2) processing and utilization of agricultural and forestry plant products and other  
8.18 bio-based, renewable sources as a substitute for fossil-fuel-based energy, chemicals, and  
8.19 materials using a variety of means including biocatalysis, biorefining, and fermentation;

8.20 (3) conversion of state wind resources to hydrogen for energy storage and  
8.21 transportation to areas of energy demand;

8.22 (4) improvements in scalable hydrogen fuel cell technologies; and

8.23 (5) production of hydrogen from bio-based, renewable sources; and sequestration  
8.24 of carbon.

8.25 ~~(c) Notwithstanding other law to the contrary, the utility may, but is not required to,~~  
8.26 ~~spend more than two percent of its gross operating revenues from service provided in this~~  
8.27 ~~state under this section or section 216B.2411.~~

8.28 ~~(d)~~ This subdivision expires June 30, 2008.

8.29 Sec. 6. Minnesota Statutes 2004, section 216B.2422, is amended by adding a  
8.30 subdivision to read:

8.31 Subd. 3a. Preference for conservation. The commission shall not approve a new or  
8.32 refurbished nonrenewable energy facility in an integrated resource plan unless the utility  
8.33 has demonstrated that conservation to meet the capacity needs is not in the public interest.

8.34 Sec. 7. Minnesota Statutes 2004, section 216B.243, is amended by adding a  
8.35 subdivision to read:

9.1            Subd. 3c. Use of conservation resources. The commission may not issue a  
9.2            certificate of need under this section for a large energy facility unless the applicant for the  
9.3            certificate has demonstrated to the commissioner's satisfaction that the use of conservation  
9.4            to replace the need for a generation facility is not in the public interest.

9.5            **Sec. 8. PROMOTING CONSERVATION THROUGH UTILITY RATES;**  
9.6            **STUDY.**

9.7            The Legislative Electric Energy Task Force must study the issue of the use of utility  
9.8            rates as an incentive to conservation. The study may include both gas and electric utility  
9.9            rates. The task force may contract for all or part of the study, including contracting with  
9.10           other state agencies. The study must be completed by January 15, 2007."

9.11           Amend the title accordingly