

## S.F. No. 227 – Energy Conservation and Optimization Act

**Author:** Senator Jason Rarick

**Prepared by:** Carlon Doyle Fontaine, Senate Counsel (651/296-4395)

**Date:** February 11, 2021

---

**Section 1. Title.** Provides a title for the act to be known as the "Energy Conservation and Optimization Act of 2021."

**Section 2. Innovative Clean Technologies.** Provides a definition of “innovative clean technology.” Provides criteria for Public Utilities Commission (PUC) approval. Allows a public utility to petition the PUC to deploy innovative clean energy technologies, spending no more than \$6 million over three consecutive years for a public utility with more than 200,000 Minnesota customers and \$3 million over three consecutive years for a public utility with fewer than 200,000 Minnesota customers.

**Section 3. Energy Savings and Optimization Policy Goal.** Adds “optimization” and other activities to those activities that may be included in achieving the annual energy savings goal of the state, including activities such as load management, cost effective energy conservation improvement programs (CIP), rate design, statewide energy codes, and other programs and efforts to promote energy efficiency and energy conservation. Increases the statewide energy savings goal from 1.5 percent to at least 2.5 percent. Requires the Commissioner of Commerce to track progress toward the 2.5 percent goal and annually report on the energy productivity of the state by estimating the state economic output as a function of primary energy inputs.

**Section 4. Definitions.** Provides definitions, including the definition of a “consumer-owned utility” subject to the new section, “efficient fuel-switching improvement,” “energy conservation,” “energy conservation improvements,” “fuel,” “fuel neutral,” and “gross annual retail energy sales.” Other definitions are recodifications of terms found in existing statute at section 216B.241, subdivision. 1, which is being repealed in **section 20**.

**Section 5. Consumer-owned Utilities; Energy Conservation and Optimization. Subdivision 1. Applicability.** Provides that the energy conservation and optimization requirements apply only to certain cooperative electric associations (providing retail service to more than 5,000 members),

municipalities (providing electric service to more than 1,000 retail customers), and a municipality with more than 1,000,000,000 cubic feet in annual throughput sales to natural gas customers.

**Subdivision 2. Consumer-owned utility; energy-savings goal.** Specifies that consumer-owned utilities (COUs) subject to this section have an annual energy savings goal of 1.5 percent of gross annual retail energy sales. This is the current energy savings goal for municipal utilities and cooperative electric associations. Establishes an energy savings goal of 1 percent of annual retail sales from traditional energy conservation programs. Allows certain activities, including energy savings from fuel-switching and conversion improvements to be counted toward the remaining 0.5 percent of the goal for COUs.

**Subdivision 3. Consumer-owned utility; energy conservation and optimization plans.** Requires COUs subject to this section to develop and submit their new CIP plans to the Commissioner of Commerce by June 1, 2022. Allows plans to cover a three-year period. Requires annual updates to the plan to be filed with the commissioner beginning June 1, 2023. Specifies activities that a COU may (energy efficiency at public schools) or may not (spending or investing in a large energy facility) include as part of plan. Allows a COU to request an adjustment to its minimum goal for energy savings.

**Subdivision 4. Consumer-owned utility; energy savings investment.** Requires a COU that does not meet its minimum annual energy savings goal from energy conservation for three years in a row to spend a minimum amount on energy conservation until it meets that goal three years in a row.

**Subdivision 5. Energy conservation for low-income households.** Recodification of current law requiring COUs to develop programs for low-income customers (0.2 percent of gross operating revenues from residential customers). Allows additional activities to achieve the spending requirement such as contributions to the energy and conservation account, “pre-weatherization” measures (up to 15 percent of the spend requirement), and contributions into a Healthy AIR (Asbestos Insulation Removal) account.

**Subdivision 6. Recovery of expenses.** Recodifies current law for COUs allowing cooperative electric associations to recover expenses related to their CIP plan through rate adjustments.

**Subdivision 7. Ownership of preweatherization measure or energy conservation improvement.** Recodifies current law for COUs regarding ownership of energy conservation improvements, but also adds ownership of preweatherization measures.

**Subdivision 8. Criteria for efficient fuel-switching improvements.** Provides criteria for deeming whether a fuel-switching improvement is efficient relative to the fuel being displaced.

**Subdivision 9. Manner of Filing and Service.** Recodifies current law for COUs regarding use of the Department of Commerce’s e-filing system.

**Subdivision 10. Assessment.** Allows the Department of Commerce or PUC to proportionately assess a COU to administer certain activities.

**Section 6. Large Customer Facility.** Modifies current law regarding the authority of certain large customers to opt out of the current conservation improvement program requirements to include energy and conservation plans consistent with changes made throughout the bill.

**Section 7. Public Utility; Energy-Saving Goals.** Increases public utility energy-savings goal to 1.75 percent of gross annual retail sales. Decreases natural gas utility energy-savings goals to one percent of gross annual retail sales. Revises thresholds for carrying savings forward to correspond with the changes in the respective savings goals. Revises requirements for the annual carbon dioxide reduction report produced by the Department of Commerce to include capacity savings. Requires the report to provide an estimate of progress made toward statewide energy-savings goal.

**Section 8. Technical Assistance.** Requires the Department of Commerce to track public utility and COU lifetime energy savings and cumulative lifetime energy savings provided in energy conservation and optimization plans. Requires the department to develop and publish technical information needed to evaluate whether deployment of a fuel-switching improvement meets the criteria, established in consultation with interested stakeholders, by March 15, 2021.

**Section 9. Facilities Energy Efficiency.** Deletes outdated state goal regarding commercial building certification.

**Section 10. Manner of Filing and Service.** Makes changes to terminology and applicability consistent with changes made throughout the bill. Clarifies that this section applies only to public utilities.

**Section 11. Public Utility; Energy Conservation and Optimization Plans.** Allows an energy conservation and optimization plan filed by a public utility to include efficient fuel-switching improvements and load management. Requires plans to include lifetime energy savings and cumulative lifetime savings. Removes the prohibition on energy conservation improvement spending directly benefitting a large energy facility or a large customer facility that has been exempted. Requires plans to include activities to improve energy efficiency in public schools.

**Section 12. Recovery of Expenses.** Makes changes to terminology consistent with changes made throughout the bill.

**Section 13. Ownership of Preweatherization Measure or Energy Conservation Improvement.** Adds preweatherization measures and makes changes to terminology consistent with changes made throughout the bill.

**Section 14. Efficient Lighting Program.** Updates the efficient lighting program to include LEDs.

**Section 15. Low-income Programs.** Increases the natural gas IOU low-income spending requirement to 0.8 percent of its most recent three year average gross operating revenue from residential customers. Increases electric IOU low-income spending requirement to 0.4 percent of its most recent three year average gross operating revenue from residential customers. Requires the commissioner of Commerce to convene a stakeholder group to review and update multifamily low-income guidelines by July 1, 2021. Broadens the kinds of investments that can be made on behalf of low-income customers, including participation of multifamily buildings, “pre-weatherization” measures, and contributions into a Healthy AIR (Asbestos Insulation Removal) account.

**Section 16. Assessment.** Clarifies that this section applies only to public utilities.

**Section 17. Programs for Efficient Fuel-switching Improvements; Electric Utilities.** Allows a public utility to propose as part of an energy conservation and optimization plan, programs to implement efficient fuel-switching improvements or combinations of energy conservation improvements, fuel-switching improvements, and load management.

**Section 18. Programs for Efficient Fuel-switching Improvements; Natural Gas Utilities.** Allows a natural gas utility to propose as part of an energy conservation and optimization plan, one or more programs to install electric technologies that reduce the consumption of natural gas by its retail customers as an energy conservation improvement.

**Section 19. Cost-effective Load Management Programs.** Allows a public utility to include in an energy conservation and optimization plan, programs to implement load management activities, or combinations of energy conservation improvements, fuel-switching improvements, and load management activities.

**Section 20. Repealer.** Repeals the existing conservation improvement definitions in section 216B.241, subdivision 1, which are codified as modified in new section 216B.2402. Repeals the current conservation improvement requirements found in section 216B.241, subdivision 1b, applicable to cooperative associations and municipalities, which are codified as modified in new section 216B.2403. Repeals two out of date (216B.231, subdivision 2c) or unnecessary provisions (216B.241, subdivision 4 - dealing with conflict between Minnesota and federal law) in current law.