

**Minnesota Department of Commerce – Division of Energy Resources
CEUD Workgroup Materials for January 10, 2014**

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Minnesota Regulatory Framework for Energy Efficiency and Conservation

Subject	Legal Authority
Resource Decisions	
General Energy Policy	<p><u>216B.2401 ENERGY SAVINGS POLICY GOAL.</u> The legislature finds that energy savings are an energy resource, and that cost-effective energy savings are preferred over all other energy resources. The legislature further finds that cost-effective energy savings should be procured systematically and aggressively in order to reduce utility costs for businesses and residents, improve the competitiveness and profitability of businesses, create more energy-related jobs, reduce the economic burden of fuel imports, and reduce pollution and emissions that cause climate change. Therefore, it is the energy policy of the state of Minnesota to achieve annual energy savings equal to at least 1.5 percent of annual retail energy sales of electricity and natural gas through cost-effective energy conservation improvement programs and rate design, energy efficiency achieved by energy consumers without direct utility involvement, energy codes and appliance standards, programs designed to transform the market or change consumer behavior, energy savings resulting from efficiency improvements to the utility infrastructure and system, and other efforts to promote energy efficiency and energy conservation.</p>
Conservation Improvement Program	<p><u>216B.241. ENERGY CONSERVATION IMPROVEMENT. (entire statute)</u></p> <p>Energy Savings Goal: <u>216B.241 Subd. 1c.(b)</u> Each individual utility and association shall have an annual energy-savings goal equivalent to 1.5 percent of gross annual retail energy sales ... calculated based on the most recent three-year weather-normalized average.</p> <p>Cost-Effectiveness: <u>216B.241 Subd. 2.:Programs.</u> (a) The commissioner may require public utilities to make investments and expenditures in energy conservation improvements, explicitly setting forth the interest rates, prices, and terms under which the improvements must be offered to the customers. ... The commissioner shall evaluate the program on the basis of cost-effectiveness and the reliability of technologies employed. (b) The commissioner may require a utility to make an energy conservation improvement investment or expenditure whenever the commissioner finds that the improvement will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy. The commissioner shall nevertheless ensure that every public utility operate one or more programs under periodic review by the department.</p> <p>Alternative CIP Projects: MN Rules 7690.1430 allows interested persons, including political subdivisions and nonprofit and community organizations, may submit alternative projects for inclusion in a utility's conservation improvement program at any time.</p>

	<p>Cost Recovery: <u>216B.16, subd. 6b:</u> The commission shall allow a utility to recover expenses resulting from a conservation improvement program required by the department and contributions and assessments to the energy and conservation account, unless the recovery would be inconsistent with a financial incentive proposal approved by the commission. The commission shall allow a cooperative electric association subject to rate regulation under section <u>216B.026</u>, to recover expenses resulting from energy conservation improvement programs, load management programs, and assessments and contributions to the energy and conservation account unless the recovery would be inconsistent with a financial incentive proposal approved by the commission.</p>
Research	<p><u>216B.241 Subd. 1e. Applied research and development grants.</u> (a) The commissioner may, by order, approve and make grants for applied research and development projects of general applicability that identify new technologies or strategies to maximize energy savings, improve the effectiveness of energy conservation programs, or document the carbon dioxide reductions from energy conservation programs.</p>
Carbon	<p><u>216H.02, subd. 1:</u> state goal to reduce GHG emissions to a level at least: 15 percent below 2005 levels by 2015; 30 percent below 2005 levels by 2025; 80 percent below 2005 levels by 2050. Identified state agencies shall submit to the legislature a climate change action plan that meets these requirements.</p> <p><u>216B.2422, subd. 4</u> requires the Commission to make a public interest determination on whether a utility's resource plan helps the utility achieve these GHG goals.</p> <p><u>216H.06:</u> by January 1, 2008 and annually thereafter, the Commission shall establish an estimate of the likely range of costs of future carbon dioxide regulation on electricity generation. The estimate must be used in all electricity generation resource acquisition proceedings.</p> <p><u>216B.241 Subd. 1c. (g):</u> On an annual basis, the commissioner shall produce and make publicly available a report on the annual energy savings and estimated carbon dioxide reductions achieved by the energy conservation improvement programs for the two most recent years for which data is available. The commissioner shall report on program performance both in the aggregate and for each entity filing an energy conservation improvement plan for approval or review by the commissioner.</p>
Building Standards	<p><u>16B.325 Subd. 1</u> requires the Department of Administration and the Department of Commerce, with the assistance of other agencies, to develop sustainable building design guidelines for all new state buildings by January 15, 2003, and for all major renovations of state buildings by February 1, 2009. The primary objectives of these guidelines are to ensure that all new state buildings, and major renovations of state buildings, initially exceed the state energy code, as established in Minnesota Rules, chapter 7676, by at least 30 percent.</p> <p><u>216B.241 Subd. 9</u> establishes the Sustainable Building 2030 standards, cost-effective energy-efficiency performance standards for new and substantially reconstructed commercial, industrial, and institutional buildings that can significantly reduce carbon dioxide emissions by lowering energy use in new and substantially reconstructed buildings. Sustainable Building 2030 energy-efficiency performance standards must be firm, quantitative measures of total building energy use and associated carbon dioxide emissions per square foot for different building types and uses, that allow</p>

	for accurate determinations of a building's conformance with a performance standard.
Building Certifications	<u>216B.241 Subd. 1f(c)</u> requires that utilities include in their conservation improvement plans programs that facilitate professional engineering verification to qualify a building as Energy Star-labeled, Leadership in Energy and Environmental Design (LEED) certified, or Green Globes-certified.
Energy Codes	In a March 23, 2009 letter to the Secretary of US Department of Energy (USDOE), the Governor certified that Minnesota would satisfy all American Recovery and Reinvestment Act of 2009 (ARRA) requirements regarding energy codes. ARRA established minimum energy codes for all states to qualify to receive USDOE State Energy Program formula grant funding: Implement a residential building energy code that meets or exceeds the 2009 edition of the International Energy Conservation Code (IECC); Implement a commercial building energy code throughout the state that meets or exceeds the ASHRAE Standard 90.1–2007; and Create a plan to achieve 90 percent compliance with the above energy codes within eight years. The Minnesota Department of Labor and Industry is facilitating current energy code revisions. The proposed code changes surpassing those minimum energy standards required by ARRA are underway.
Public Buildings (Local Governmental Units and State Agencies)	Guaranteed Energy Savings Program: <u>Executive Order 11-12</u> authorized the Guaranteed Energy Savings Program (GESP) which provides technical, contractual and financial assistance to state agencies, local government units, school districts, and institutions of higher learning that elect to implement energy efficiency and renewable energy improvements through the use of an energy performance contract, a performance-based procurement and financing mechanism Buildings, Benchmarking, and Beyond (B3): <u>Minnesota Laws 2001, chapter 212, article 1, section 3</u> requires the department of administration to maintain information on energy usage in all public buildings for the purpose of establishing energy efficiency benchmarks and energy conservation goals. The department shall develop a comprehensive plan to maximize electrical and thermal energy efficiency in existing public buildings through conservation measures having a simple payback within ten to 15 years. <u>216B.214 Subd. 1f(b)</u> requires the commissioners of administration and commerce to maintain and update the benchmarking tool developed under Laws 2001, chapter 212, article 1, section 3, so that all public buildings can use the benchmarking tool to maintain energy use information for the purposes of establishing energy efficiency benchmarks, tracking building performance, and measuring the results of energy efficiency and conservation improvements.
Municipal Sustainability initiatives	Green Star Award Expansion/"Green Step Cities": <u>Minnesota 2008, Chapter 356, Section 13</u> requires recommendations regarding how to expand eligibility to receive the Green Star award to include cities and communities that take action to help meet the state's greenhouse gas emissions reduction goals. Regional Indicators Initiative: The Regional Indicators Initiative is an outgrowth of the Minnesota Pollution Control Agency's GreenStep Cities Program. The initiative measures annual performance metrics for approximately 30 Minnesota cities committed to increasing their overall efficiency and level of sustainability. To achieve GreenStep recognition, a city must meet minimum requirements and choose from 28 best management practices designed to improve the city's sustainability. The Regional Indicators Initiative allows for the measurement GreenStep Cities program accomplishments.

Low Income	<p><u>216B.241 Subd. 7.</u> Requires the commissioner to ensure that each utility and association provides low-income programs in their CIP plans.</p> <p>The Department of Commerce administers the USDOE Weatherization Assistance Program (WAP). The goal of WAP is to provide cost-effective energy conservation measures and education to low-income seniors and families faced with high energy costs.</p>
Resource Plans	<p><u>216B.2422:</u> Utilities shall file resource plans with the Commission and the Commission shall approve, modify, or reject the plan. (For cooperatives and municipal utilities, the Commission’s decision is advisory.)</p> <p><u>216B.241 Subd. 1a. (d):</u> The commissioner may require investments or spending greater than the amounts required under this subdivision for a public utility whose most recent advance forecast required under section 216B.2422 or 216C.17 projects a peak demand deficit of 100 megawatts or greater within five years under midrange forecast assumptions.</p>
Renewable Energy/Distributed Generation	<p><u>216B.1691:</u> 15 utilities must obtain 25% renewable energy by 2025 (Xcel must obtain 30% by 2020). Under Subd. 2b, the Commission may modify or delay the percentage.</p> <p><u>216B.241 Subc 9. (c):</u> Sustainable Building 2030 energy-efficiency performance standards ...must reflect the reductions in carbon dioxide emissions per square foot resulting from actions taken by utilities to comply with the renewable energy standards in section 216B.1691.</p> <p><u>216B.2411. Subd. 1.: Generation projects.</u></p> <p>(a) Any municipality or rural electric association providing electric service and subject to section 216B.241 may, and each public utility may, use five percent of the total amount to be spent on energy conservation improvements under section 216B.241, on:</p> <p>(1) projects in Minnesota to construct an electric generating facility that utilizes eligible renewable energy sources as defined in subdivision 2, such as methane or other combustible gases derived from the processing of plant or animal wastes, biomass fuels such as short-rotation woody or fibrous agricultural crops, or other renewable fuel, as its primary fuel source;</p> <p>(2) projects in Minnesota to install a distributed generation facility of ten megawatts or less of interconnected capacity that is fueled by natural gas, renewable fuels, or another similarly clean fuel; or</p> <p>(3) projects in Minnesota to install a qualifying solar energy project as defined in subdivision 2.</p>
Rate Decisions	
Overall rates	216B.05: Every public utility shall file with the Commission schedules “showing all rates, tolls, tariffs, and charges which it has established and which are in force at the time for any service performed by it within the state...”
Rates/practices/standards	<p>216B.09, subd. 1: The Commission may “ascertain and fix just and reasonable standards, classifications, rules, or practices to be observed and followed by any or all public utilities with respect to the service to be furnished.”</p> <p>216B.03: “Every rate made, demanded, or received by any public utility...shall be just and reasonable.”</p>
Changes in rates (rate cases/riders)	<p>216B.16, subd. 1: “Unless the Commission otherwise orders, no public utility shall change a rate which has been duly established under this chapter.”</p> <p>216B.16, subd. 6: If, after the hearing, the Commission finds the rates to be unjust/unreasonable/discriminatory, the Commission shall determine the rates to be charged or</p>

<p>applied by the utility. (Rate cases) 216B.16, subd. 7b (et al): annual automatic adjustments of certain expenses outside of a rate case can be allowed by the Commission.</p>
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