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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 655

02/05/2015 Authored by Fabian, Baker, Scott, Pelowski and Nornes

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act  
1.2 relating to energy; amending compensation options for certain net metering  
1.3 facilities; amending Minnesota Statutes 2014, section 216B.164, subdivision 3.

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

1.5 Section 1. Minnesota Statutes 2014, section 216B.164, subdivision 3, is amended to  
1.6 read:

1.7 Subd. 3. **Purchases; small facilities.** (a) This paragraph applies to cooperative  
1.8 electric associations and municipal utilities. For a qualifying facility having less than  
1.9 40-kilowatt capacity, the customer shall be billed for the net energy supplied by the utility  
1.10 according to the applicable rate schedule for sales to that class of customer. In the case  
1.11 of net input into the utility system by a qualifying facility having less than 40-kilowatt  
1.12 capacity, compensation to the customer shall be at a per kilowatt-hour rate determined  
1.13 under paragraph (c) or ~~(d)~~ (f).

1.14 (b) This paragraph applies to public utilities. For a qualifying facility having less  
1.15 than 1,000-kilowatt capacity, the customer shall be billed for the net energy supplied by  
1.16 the utility according to the applicable rate schedule for sales to that class of customer. In  
1.17 the case of net input into the utility system by a qualifying facility having: (1) more than  
1.18 40-kilowatt but less than 1,000-kilowatt capacity, compensation to the customer shall be  
1.19 at a per kilowatt-hour rate determined under paragraph (c); or (2) less than 40-kilowatt  
1.20 capacity, compensation to the customer shall be at a per-kilowatt rate determined under  
1.21 paragraph (d).

1.22 (c) In setting rates, the commission shall consider the fixed distribution costs to the  
1.23 utility not otherwise accounted for in the basic monthly charge and shall ensure that the  
1.24 costs charged to the qualifying facility are not discriminatory in relation to the costs

2.1 charged to other customers of the utility. The commission shall set the rates for net  
2.2 input into the utility system based on avoided costs as defined in the Code of Federal  
2.3 Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of  
2.4 Federal Regulations, title 18, section 292.304, and all other relevant factors.

2.5 (d) Notwithstanding any provision in this chapter to the contrary, a qualifying  
2.6 facility having less than 40-kilowatt capacity that is interconnected to a public utility  
2.7 may elect that the compensation for net input by the qualifying facility into the utility  
2.8 system shall be at the average retail utility energy rate. "Average retail utility energy  
2.9 rate" is defined as the average of the retail energy rates, exclusive of special rates based  
2.10 on income, age, or energy conservation, according to the applicable rate schedule of the  
2.11 utility for sales to that class of customer.

2.12 (e) If the qualifying facility or net metered facility is interconnected with a  
2.13 nongenerating utility which has a sole source contract with a municipal power agency or a  
2.14 generation and transmission utility, the nongenerating utility may elect to treat its purchase  
2.15 of any net input under this subdivision as being made on behalf of its supplier and shall  
2.16 be reimbursed by its supplier for any additional costs incurred in making the purchase.  
2.17 Qualifying facilities or net metered facilities having less than 1,000-kilowatt capacity if  
2.18 interconnected to a public utility, or less than 40-kilowatt capacity if interconnected to a  
2.19 cooperative electric association or municipal utility may, at the customer's option, elect to  
2.20 be governed by the provisions of subdivision 4.

2.21 (f) A customer with a qualifying facility or net metered facility having a capacity  
2.22 below 40 kilowatts that is interconnected to a cooperative electric association or a  
2.23 municipal utility may elect to be compensated for the customer's net input into the utility  
2.24 system in the form of a kilowatt-hour credit on the customer's energy bill carried forward  
2.25 and applied to subsequent energy bills. Any kilowatt-hour credits carried forward by the  
2.26 customer cancel at the end of the calendar year with no additional compensation.

2.27 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
2.28 applies to net metered facilities that are interconnected to utilities after August 15, 2015.