

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-NINTH SESSION**

**S.F. No. 1178**

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02/26/2015	443	Introduction and first reading Referred to Environment and Energy
03/02/2015	507	Author added Scalze
03/23/2015		Comm report: Amended, No recommendation, re-referred to Finance

1.1 A bill for an act  
1.2 relating to energy; conservation; modifying eligibility for energy conservation  
1.3 plans; establishing a Made in Minnesota energy storage system rebate program;  
1.4 appropriating money; amending Minnesota Statutes 2014, section 216B.241,  
1.5 subdivision 1, by adding a subdivision; proposing coding for new law in  
1.6 Minnesota Statutes, chapter 216C.

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

1.8 Section 1. Minnesota Statutes 2014, section 216B.241, subdivision 1, is amended to  
1.9 read:

1.10 Subdivision 1. **Definitions.** For purposes of this section and section 216B.16,  
1.11 subdivision 6b, the terms defined in this subdivision have the meanings given them.

1.12 (a) "Commission" means the Public Utilities Commission.

1.13 (b) "Commissioner" means the commissioner of commerce.

1.14 (c) "Department" means the Department of Commerce.

1.15 (d) "Energy conservation" means demand-side management of energy supplies  
1.16 resulting in a net reduction in energy use. Load management that reduces overall energy  
1.17 use is energy conservation.

1.18 (e) "Energy conservation improvement" means a project that results in energy  
1.19 efficiency or energy conservation. Energy conservation improvement may include waste  
1.20 heat that is recovered and converted into electricity, but does not include electric utility  
1.21 infrastructure projects approved by the commission under section 216B.1636. Energy  
1.22 conservation improvement also includes waste heat recovered and used as thermal energy.

1.23 (f) "Energy efficiency" means measures or programs, including energy conservation  
1.24 measures or programs, that target consumer behavior, equipment, processes, or devices  
1.25 designed to produce either an absolute decrease in consumption of electric energy or natural

2.1 gas or a decrease in consumption of electric energy or natural gas on a per unit of production  
 2.2 basis without a reduction in the quality or level of service provided to the energy consumer.

2.3 (g) "Energy storage system" has the meaning given in section 216C.417, subdivision  
 2.4 1.

2.5 ~~(g)~~ (h) "Gross annual retail energy sales" means annual electric sales to all retail  
 2.6 customers in a utility's or association's Minnesota service territory or natural gas  
 2.7 throughput to all retail customers, including natural gas transportation customers, on a  
 2.8 utility's distribution system in Minnesota. For purposes of this section, gross annual  
 2.9 retail energy sales exclude:

2.10 (1) gas sales to:

2.11 (i) a large energy facility;

2.12 (ii) a large customer facility whose natural gas utility has been exempted by the  
 2.13 commissioner under subdivision 1a, paragraph (b), with respect to natural gas sales made  
 2.14 to the large customer facility; and

2.15 (iii) a commercial gas customer facility whose natural gas utility has been exempted  
 2.16 by the commissioner under subdivision 1a, paragraph (c), with respect to natural gas sales  
 2.17 made to the commercial gas customer facility; and

2.18 (2) electric sales to a large customer facility whose electric utility has been exempted  
 2.19 by the commissioner under subdivision 1a, paragraph (b), with respect to electric sales  
 2.20 made to the large customer facility.

2.21 ~~(h)~~ (i) "Investments and expenses of a public utility" includes the investments  
 2.22 and expenses incurred by a public utility in connection with an energy conservation  
 2.23 improvement, including but not limited to:

2.24 (1) the differential in interest cost between the market rate and the rate charged on a  
 2.25 no-interest or below-market interest loan made by a public utility to a customer for the  
 2.26 purchase or installation of an energy conservation improvement;

2.27 (2) the difference between the utility's cost of purchase or installation of energy  
 2.28 conservation improvements and any price charged by a public utility to a customer for  
 2.29 such improvements.

2.30 ~~(i)~~ (j) "Large customer facility" means all buildings, structures, equipment, and  
 2.31 installations at a single site that collectively (1) impose a peak electrical demand on an  
 2.32 electric utility's system of not less than 20,000 kilowatts, measured in the same way as the  
 2.33 utility that serves the customer facility measures electrical demand for billing purposes or  
 2.34 (2) consume not less than 500 million cubic feet of natural gas annually. In calculating  
 2.35 peak electrical demand, a large customer facility may include demand offset by on-site

3.1 cogeneration facilities and, if engaged in mineral extraction, may aggregate peak energy  
3.2 demand from the large customer facility's mining and processing operations.

3.3 ~~(j)~~ (k) "Large energy facility" has the meaning given it in section 216B.2421,  
3.4 subdivision 2, clause (1).

3.5 ~~(k)~~ (l) "Load management" means an activity, service, or technology to change the  
3.6 timing or the efficiency of a customer's use of energy that allows a utility or a customer to  
3.7 respond to wholesale market fluctuations or to reduce peak demand for energy or capacity.

3.8 ~~(l)~~ (m) "Low-income programs" means energy conservation improvement programs  
3.9 that directly serve the needs of low-income persons, including low-income renters.

3.10 ~~(m)~~ (n) "Qualifying utility" means a utility that supplies the energy to a customer  
3.11 that enables the customer to qualify as a large customer facility.

3.12 ~~(n)~~ (o) "Waste heat recovered and used as thermal energy" means capturing  
3.13 heat energy that would otherwise be exhausted or dissipated to the environment from  
3.14 machinery, buildings, or industrial processes and productively using such recovered  
3.15 thermal energy where it was captured or distributing it as thermal energy to other locations  
3.16 where it is used to reduce demand-side consumption of natural gas, electric energy, or both.

3.17 ~~(o)~~ (p) "Waste heat recovery converted into electricity" means an energy recovery  
3.18 process that converts otherwise lost energy from the heat of exhaust stacks or pipes used  
3.19 for engines or manufacturing or industrial processes, or the reduction of high pressure  
3.20 in water or gas pipelines.

3.21 Sec. 2. Minnesota Statutes 2014, section 216B.241, is amended by adding a  
3.22 subdivision to read:

3.23 Subd. 5e. **Energy storage systems.** (a) The commissioner shall work with all  
3.24 utilities, cooperatives, and municipalities to include the use of energy storage systems in  
3.25 conservation plan programs under this section.

3.26 (b) A utility, cooperative, or municipality may include in its conservation plan  
3.27 programs under this section utility-controlled energy storage devices, to the extent the  
3.28 energy storage device is eligible under section 216C.417, subdivisions 1 and 3. The  
3.29 cost-effectiveness of an energy storage system may be determined by a different standard  
3.30 than for other energy conservation improvements under this section if the commissioner  
3.31 determines it is in the public interest to do so in order to encourage energy storage system  
3.32 installation and use. Energy savings from energy storage systems may be counted  
3.33 toward the minimum energy-savings goal of at least one percent for energy conservation  
3.34 improvements required under subdivision 1c, and may, if the conservation plan is  
3.35 approved, be considered when establishing performance incentives under subdivision 2c.

4.1 (c) For the purposes of this subdivision, the energy savings estimate shall be  
4.2 calculated by multiplying the installed capacity, in kilowatts, of eligible energy storage  
4.3 devices by the hours of availability during peak demand periods.

4.4 (d) For the purposes of this subdivision, the peak demand savings estimate shall  
4.5 equal the total installed capacity, in kilowatts, of installed eligible energy storage capacity.

4.6 Sec. 3. **[216C.417] MADE IN MINNESOTA ENERGY STORAGE SYSTEMS**  
4.7 **REBATE.**

4.8 Subdivision 1. **Definition.** (a) For the purposes of this section, "Made in Minnesota  
4.9 energy storage system" means energy storage systems:

4.10 (1) manufactured at a facility located in Minnesota that is registered and authorized  
4.11 to manufacture and apply the Underwriters Laboratory (UL) 1741 certification mark to  
4.12 energy storage systems by UL, CSA International, Intertek, or an equivalent UL-approved  
4.13 independent certification agency;

4.14 (2) that bear UL 1741 certification marks from UL, CSA International, Intertek, or  
4.15 an equivalent UL-approved independent certification agency, which must be physically  
4.16 applied to the energy storage system at a manufacturing facility described in clause (1); and

4.17 (3) manufactured in Minnesota by a manufacturing process that must include  
4.18 assembly and testing of a complete energy storage system, including batteries, direct  
4.19 current to alternating current power conversion, and communications interface.

4.20 (b) An energy storage system that has received UL 1741 certification marks  
4.21 outside Minnesota from UL, CSA International, Intertek, or an equivalent UL-approved  
4.22 independent certification agency is not Made in Minnesota under this subdivision.

4.23 Subd. 2. **Rebate program created; limitation.** (a) The commissioner of commerce  
4.24 shall administer a program to provide rebates for the installation of Made in Minnesota  
4.25 energy storage systems in the state. Rebates are intended to offset the cost of the energy  
4.26 storage systems and may be awarded for up to 50 percent of an energy storage system's  
4.27 total cost. Rebates may be paid directly to the utility or the customer.

4.28 (b) A rebate under this section may only be issued for an eligible Made in Minnesota  
4.29 energy storage system located within the service territory of a utility identified in section  
4.30 116C.779.

4.31 Subd. 3. **Additional system requirements.** (a) The commissioner of commerce  
4.32 may issue rebates only for utility-controlled, customer-sited energy storage systems.

4.33 (b) In order to be eligible for a rebate under this section, a Made in Minnesota  
4.34 energy storage system must:

4.35 (1) be rated for up to 40 kilowatts in electrical output;

- 5.1 (2) provide at least one hour of continuous operation at full rated output; and  
5.2 (3) be capable of supplying backup power in the event of an electrical grid outage.  
5.3 (c) The utility, cooperative, or municipality may elect to own a Made in Minnesota  
5.4 energy storage system or establish a program that provides incentives to customers that  
5.5 purchase and install eligible energy storage equipment.

5.6 Subd. 4. **Account; funding.** (a) A Made in Minnesota energy storage system rebate  
5.7 account is created as a separate account in the special revenue fund in the state treasury.  
5.8 Earnings, such as interest, dividends, and any other earnings arising from account assets,  
5.9 must be credited to the account. Funds in the account are appropriated to the commissioner  
5.10 of commerce to make rebate payments for eligible Made in Minnesota energy storage  
5.11 systems under this section, and to administer this section.

5.12 (b) Beginning January 1, 2016, and each January 1 thereafter to January 1, 2025,  
5.13 the commissioner of management and budget shall annually transfer \$5,000,000 from the  
5.14 renewable development account under section 116C.779 to the Made in Minnesota energy  
5.15 storage system rebate account under paragraph (a).

5.16 (c) To the extent there are sufficient applications, the commissioner shall annually  
5.17 spend for rebates under this section from 2016 to 2025, for a total of ten years,  
5.18 approximately \$5,000,000 per year. If sufficient applications are not received to spend  
5.19 the money available for rebates in a year under this section, the unspent money must be  
5.20 returned to the account from which it was transferred, provided that funds available for  
5.21 2016 applications shall remain available for 2017 applications.

5.22 Subd. 5. **Application process.** Applications for rebates must be made to the  
5.23 commissioner of commerce on forms provided by the commissioner. The commissioner  
5.24 shall use a random process for the selection of recipients of rebates, except as otherwise  
5.25 required by this section.

5.26 Subd. 6. **Energy conservation improvement; eligibility.** Made in Minnesota  
5.27 energy storage systems are eligible for inclusion in energy conservation plans under  
5.28 section 216B.241, subject to the limitations set forth in section 216B.241, subdivision 5e.

5.29 Sec. 4. **EFFECTIVE DATE.**

5.30 Sections 1 to 3 are effective the day following final enactment.