SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2049

(SENATE AUTHORS: DIBBLE)

DATE	D-PG	OFFICIAL STATUS
02/27/2014	5889	Introduction and first reading
		Referred to Environment and Energy
03/31/2014	7170a	Comm report: To pass as amended
	7187	Second reading

A bill for an act

relating to utilities; authorizing on-bill repayment programs related to conservation improvement plans; requiring greenhouse gas reporting in integrated resource plan filings; amending Minnesota Statutes 2012, sections 216B.241, by adding subdivisions; 216B.2422, by adding a subdivision.

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

Section 1. Minnesota Statutes 2012, section 216B.241, is amended by adding a subdivision to read:

Subd. 5d. **On-bill repayment programs.** (a) For the purposes of this subdivision:

(1) "utility" means a public utility, municipal utility, or cooperative electric association that provides electric or natural gas service to retail customers; and

(2) "on-bill repayment program" means a program in which a utility collects on a customer's bill repayment of a loan to the customer by an eligible lender to finance the customer's investment in eligible energy conservation or renewable energy projects, and remits loan repayments to the lender.

(b) A utility may include as part of its conservation improvement plan an on-bill repayment program to enable a customer to finance eligible projects with installment loans originated by an eligible lender. An eligible project is one that is either an energy conservation improvement, or a project installed on the customer's site that uses an eligible renewable energy source as that term is defined in section 216B.2411, subdivision 2, paragraph (b), but does not include mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste. An eligible renewable energy source also includes solar thermal technology that collects the sun's radiant energy and uses that energy to heat or cool air or water, and meets the requirements of section 216C.25. To be an eligible lender, a lender must:

(1) have a federal or state charter and be eligible for federal deposit insurance;

(2) be a government entity, including an entity established under chapter 469, that has authority to provide financial assistance for energy efficiency and renewable energy projects;

(3) be a joint venture by utilities established under section 452.25; or

(4) be licensed by the commissioner to conduct lending activities.

The commissioner must allow a utility broad discretion in designing and implementing an on-bill repayment program, provided that the program complies with this subdivision.

(c) A utility may establish an on-bill repayment program for all customer classes or for a specific customer class.

(d) A public utility that implements an on-bill repayment program under this subdivision must enter into a contract with one or more eligible lenders that complies with the requirements of this subdivision and contains provisions addressing capital commitments, loan origination, transfer of loans to the public utility for on-bill repayment, and acceptance of loans returned due to delinquency or default.

(e) A public utility's contract with a lender must require the lender to comply with all applicable federal and state laws, rules, and regulations related to lending practices and consumer protection; to conform to reasonable and prudent lending standards; and to provide businesses that sell, maintain, and install eligible projects the ability to participate in an on-bill repayment program under this subdivision on a nondiscriminatory basis.

(f) A public utility's contract with a lender may provide:

(1) for the public utility to purchase loans from the lender with a condition that the lender must purchase back loans in delinquency or default; or

(2) for the lender to retain ownership of loans with the public utility servicing the loans through on-bill repayment as long as payments are current.

The risk of default must remain with the lender. The lender shall not have recourse against the public utility except in the event of negligence or breach of contract by the utility.

(g) If a public utility customer makes a partial payment on a utility bill that includes a loan installment, the partial payment must be credited first to the amount owed for utility service, including taxes and fees. A public utility may not suspend or terminate a customer's utility service for delinquency or default on a loan that is being serviced through the public utility's on-bill repayment program.

(h) An outstanding balance on a loan being repaid under this subdivision is a financial obligation only of the customer who is signatory to the loan, and not to any subsequent customer occupying the property associated with the loan. If the public utility purchases loans from the lender as authorized under paragraph (f), clause (1), the public utility must return to the lender a loan not repaid when a customer borrower no longer occupies the property.

(i) Costs incurred by a public utility under this subdivision are recoverable as provided in section 216B.16, subdivision 6b, paragraph (c), including reasonable incremental costs for billing system modifications necessary to implement and operate an on-bill repayment program and for ongoing costs to operate the program. Costs in a plan approved by the commissioner may be counted toward a utility's conservation spending requirements under subdivisions 1a and 1b. Energy savings from energy conservation improvements resulting from this section may be counted toward satisfying a utility's energy-savings goals under subdivision 1c.

(j) This subdivision does not require a utility to terminate or modify an existing financing program and does not prohibit a utility from establishing an on-bill financing program in which the utility provides the financing capital.

(k) A municipal utility or cooperative electric association that implements an on-bill repayment program shall design the program to address the issues identified in paragraphs (d) through (h) as determined by the governing board of the utility or association.

Sec. 2. Minnesota Statutes 2012, section 216B.241, is amended by adding a subdivision to read:

Subd. 5e. **Commercial and multifamily rental buildings.** The commissioner shall solicit, after consulting with stakeholders about the terms of the solicitation, and may approve proposals for one or more utilities to voluntarily participate in a program that addresses energy efficiency in commercially or residentially-metered rental buildings, including multifamily residential buildings. A program may be included in a conservation improvement plan under this section, or proposed separately. If a program includes an on-bill repayment mechanism, it must, to the extent practical, utilize the criteria and standards of and must comply with the requirements of subdivision 5d, except that a mechanism may allow successor tenants to assume any balance of the loan paid through the utility bill, and may allow the building owner to assume the balance when the unit is empty. Participation in an on-bill repayment program under this subdivision is voluntary for building owners. The commissioner may only approve a program that includes an on-bill repayment mechanism requiring tenants occupying units in the building to repay a loan if the tenants agree to do so in writing.

Sec. 3. Minnesota Statutes 2012, section 216B.2422, is amended by adding a subdivision to read:

Subd. 2c. **Long-range emission reduction planning.** Each utility required to file a resource plan under this section shall include in the filing a narrative identifying and describing the costs, opportunities, and technical barriers to the utility continuing to make progress on its system toward achieving the state greenhouse gas emission reduction goals established in section 216H.02, subdivision 1, and the technologies, alternatives, and steps the utility is considering to address those opportunities and barriers.