SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 642

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DATE	D-PG	OFFICIAL STATUS
02/21/2013	351	Introduction and first reading Referred to Environment and Energy
03/18/2013		Comm report: To pass as amended Second reading

A bill for an act

relating to energy; conservation; permitting waste heat recovered and used as thermal energy and biomass-generated thermal energy to be counted towards energy savings goals; amending Minnesota Statutes 2012, section 216B.241, subdivision 1, by adding subdivisions.

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

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

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

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

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

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

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

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

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

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

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

(1) gas sales to:

(i) a large energy facility;

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

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

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

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

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

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

(i) "Large customer facility" means all buildings, structures, equipment, and installations at a single site that collectively (1) impose a peak electrical demand on an electric utility's system of not less than 20,000 kilowatts, measured in the same way as the utility that serves the customer facility measures electrical demand for billing purposes or (2) consume not less than 500 million cubic feet of natural gas annually. In calculating peak electrical demand, a large customer facility may include demand offset by on-site cogeneration facilities and, if engaged in mineral extraction, may aggregate peak energy demand from the large customer facility's mining and processing operations.

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

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

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

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

(n) "Waste heat recovered and used as thermal energy" means heat energy recovered from equipment, buildings, or industrial processes, including but not limited to electric energy generation, that is distributed as thermal energy in the form of hot water, chilled water, or steam and used to heat or cool one or more buildings or processes, resulting in a net reduction in the demand side consumption of natural gas, electric energy, or both.

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

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

Subd. 10. **Waste heat recovery; thermal energy distribution.** Demand side natural gas or electric energy displaced by use of waste heat recovered and used as thermal energy is eligible to be counted towards a utility's natural gas or electric energy savings goals.

Sec. 3. Minnesota Statutes 2012, section 216B.241, is amended by adding a subdivision to read:

Subd. 11. **Qualifying biomass-generated thermal energy projects.** A utility or association may include in its conservation plan a program that installs biomass-generated thermal energy to displace use of natural gas, fuel oil, or propane to heat buildings in a city or on a college or university campus. Subject to approval by the commissioner, the natural gas displaced through the use of biomass-generated thermal energy is eligible to be counted toward natural gas savings goals. In those locations where a natural gas utility does not exist, the commissioner may allow an electric utility to count the resulting energy savings based upon one kilowatt-hour of electric energy savings for each 3,415 British thermal

units of reduced propane or fuel oil consumption, provided the commissioner determines it is in the public interest to encourage use of thermal energy generated from biomass.