

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH LEGISLATURE**

**S.F. No. 876**

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DATE	D-PG	OFFICIAL STATUS
02/28/2013	448	Introduction and first reading Referred to Environment and Energy

1.1 A bill for an act  
 1.2 relating to energy; providing for economic development rate plans for public  
 1.3 utilities; amending Minnesota Statutes 2012, section 216B.161.

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

1.5 Section 1. Minnesota Statutes 2012, section 216B.161, is amended to read:

1.6 **216B.161 AREA AND ECONOMIC DEVELOPMENT RATE PLAN PLANS.**

1.7 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 1.8 have the meanings given them in this subdivision.

1.9 (b) "Area development rate" means a rate schedule established by a utility that  
 1.10 provides customers within an area development zone service under a base utility rate  
 1.11 schedule, except that charges may be reduced from the base rate as agreed upon by the  
 1.12 utility and the customer consistent with this section.

1.13 (c) "Area development zone" means a contiguous or noncontiguous area designated  
 1.14 by an authority or municipality for development or redevelopment and within which one  
 1.15 of the following conditions exists:

1.16 (1) obsolete buildings not suitable for improvement or conversion or other identified  
 1.17 hazards to the health, safety, and general well-being of the community;

1.18 (2) buildings in need of substantial rehabilitation or in substandard condition; or

1.19 (3) low values and damaged investments.

1.20 (d) "Authority" means a rural development financing authority established under  
 1.21 sections 469.142 to 469.151; a housing and redevelopment authority established under  
 1.22 sections 469.001 to 469.047; a port authority established under sections 469.048 to  
 1.23 469.068; an economic development authority established under sections 469.090  
 1.24 to 469.108; a redevelopment agency as defined in sections 469.152 to 469.165; the

2.1 Iron Range Resources and Rehabilitation Board established under section 298.22; a  
2.2 municipality that is administering a development district created under sections 469.124  
2.3 to 469.134 or any special law; a municipality that undertakes a project under sections  
2.4 469.152 to 469.165, except a town located outside the metropolitan area as defined  
2.5 in section 473.121, subdivision 2, or with a population of 5,000 persons or less; or a  
2.6 municipality that exercises the powers of a port authority under any general or special law.

2.7 (e) "Economic development customer" means a business of at least 350 kilowatts of  
2.8 peak demand at a single site that provides a utility with a sworn affidavit that it is likely to  
2.9 expand operations within the state or likely to relocate operations to the state if the utility  
2.10 offers the business a discounted rate under subdivision 5.

2.11 (f) "Economic development expenses" mean expenses incurred by a utility to attract  
2.12 business expansion or relocation in the service area of a utility.

2.13 (g) "Economic development rate" means a rate schedule established by a utility that  
2.14 provides service to customers designated as economic development customers under a  
2.15 base utility rate schedule, except that charges may be reduced from the base rate as agreed  
2.16 upon by the utility and the customer consistent with this section.

2.17 (h) "Municipality" means a city, however organized, and, with respect to a project  
2.18 undertaken under sections 469.152 to 469.165, "municipality" has the meaning given in  
2.19 sections 469.152 to 469.165, and, with respect to a project undertaken under sections  
2.20 469.142 to 469.151 or a county or multicounty project undertaken under sections 469.004  
2.21 to 469.008, also includes any county.

2.22 Subd. 2. **Area development rate.** The commission may allow gas or electric public  
2.23 utilities to offer area development rates. The program must be designed to assist industrial  
2.24 revitalization projects located within the service area of the participating utility.

2.25 Subd. 3. **Terms and conditions of rate.** An area development rate offered under  
2.26 this section must:

2.27 (1) be offered for a specified length of time to be determined by the commission;

2.28 (2) be offered as a supplement to other development incentives offered by the  
2.29 authority or municipality in which the rate is available;

2.30 (3) be available only to new or expanding manufacturing or wholesale trade  
2.31 customers;

2.32 (4) be designed to recover at least the incremental cost of providing service to the  
2.33 participating customers;

2.34 (5) be offered in a fixed number of area development zones; and

3.1 (6) include a provision that the utility provide participating customers with an  
 3.2 energy audit and inform those customers of all existing energy conservation programs  
 3.3 available from the utility.

3.4 Recovery of costs under clause (4) must not be from residential customers. A utility  
 3.5 within a general rate case, may seek recovery of the difference in revenue collected under  
 3.6 the area development plan rate and what would have been collected under the standard  
 3.7 tariff.

3.8 Subd. 5. Economic development rate. (a) The commission may allow gas or  
 3.9 electric public utilities to offer economic development rates, subject to the requirements of  
 3.10 this section. Prior to implementing an economic development rate, the utility must file with  
 3.11 the commission for approval a description of the programs and services the utility will offer  
 3.12 to support economic development within its service territory including, but not limited to,  
 3.13 business location consultation, infrastructure availability, rate design options, a description  
 3.14 of the utility's plans for economic development within its service territory, and proposed  
 3.15 economic development expenses and activities. The plan must include a provision that the  
 3.16 utility provide economic development customers with an energy audit and inform those  
 3.17 customers of all existing energy conservation programs available from the utility. The  
 3.18 commission may approve the plan if it finds that the plan is consistent with the public  
 3.19 interest, likely to support business and jobs growth, and is cost-effective for the utility's  
 3.20 customers. Upon approval of the plan, the commission will require the utility to submit  
 3.21 annual reports summarizing the costs and benefits of the economic development rate.

3.22 (b) An economic development rate offered under this section is subject to the  
 3.23 approval of the commission and must:

3.24 (1) be offered for a specified length of time to be determined by the commission;

3.25 (2) be granted only to economic development customers that are expanding within  
 3.26 the utility's service territory or are relocating operations to the state; and

3.27 (3) recover incremental revenues from an economic development customer that  
 3.28 exceed the incremental cost of providing service to that customer over the term the rate  
 3.29 will be offered.

3.30 (c) A utility with an approved economic development plan under paragraph (a)  
 3.31 may seek recovery of:

3.32 (1) the difference in revenue collected from customers with economic development  
 3.33 rates and what would have been collected from those customers under the base utility  
 3.34 rate schedule; and

3.35 (2) the utility's economic development expenses incurred under the plan. The  
 3.36 commission shall recognize and include these costs in the determination of just and

- 4.1 reasonable rates under section 216B.16, as if the investments and expenses were directly
- 4.2 made or incurred by the utility in furnishing utility service.