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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **550**

02/02/2015 Authored by Baker, Marquart, Urdahl, Lueck, Miller and others

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

02/12/2015 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to energy; increasing the size limit of natural gas utilities not subject to
1.3 rate regulations; expanding the scope of energy improvement projects whose
1.4 costs can be repaid via a property tax surcharge; exempting propane tank
1.5 purchases from the sales tax; adding and modifying definitions; transferring
1.6 unused funds; requiring a report; appropriating money; amending Minnesota
1.7 Statutes 2014, sections 216B.02, by adding subdivisions; 216B.16, subdivision
1.8 12; 216B.2421, subdivision 2; 216C.435, subdivision 5; 297A.67, by adding a
1.9 subdivision; 453A.02, subdivision 5.

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

1.11 Section 1. Minnesota Statutes 2014, section 216B.02, is amended by adding a
1.12 subdivision to read:

1.13 Subd. 3a. **Propane.** "Propane" means a gas made of primarily propane and butane,
1.14 and stored in liquid form in pressurized tanks.

1.15 Sec. 2. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
1.16 to read:

1.17 Subd. 3b. **Propane storage facility.** "Propane storage facility" means a facility
1.18 designed to store or capable of storing propane in liquid form in pressurized tanks.

1.19 Sec. 3. Minnesota Statutes 2014, section 216B.02, is amended by adding a subdivision
1.20 to read:

1.21 Subd. 6b. **Synthetic gas.** "Synthetic gas" means flammable gas created from (1)
1.22 gaseous, liquid, or solid hydrocarbons, or (2) other organic or inorganic matter. Synthetic
1.23 gas includes hydrogen or methane produced through processing, but does not include
1.24 propane.

2.1 Sec. 4. Minnesota Statutes 2014, section 216B.16, subdivision 12, is amended to read:

2.2 Subd. 12. **Exemption for small gas utility franchise.** (a) A municipality may file
2.3 with the commission a resolution of its governing body requesting exemption from the
2.4 provisions of this section for a public utility that is under a franchise with the municipality
2.5 to supply natural, manufactured, or mixed gas and that serves 650 or fewer customers in
2.6 the municipality as long as the public utility serves no more than a total of ~~2,000~~ 5,000
2.7 customers.

2.8 (b) The commission shall grant an exemption from this section for that portion of
2.9 a public utility's business that is requested by each municipality it serves. Furthermore,
2.10 the commission shall also grant the public utility an exemption from this section for any
2.11 service provided outside of a municipality's border that is considered by the commission
2.12 to be incidental. The public utility shall file with the commission and the department
2.13 all initial and subsequent changes in rates, tariffs, and contracts for service outside the
2.14 municipality at least 30 days in advance of implementation.

2.15 (c) However, the commission shall require the utility to adopt the commission's
2.16 policies and procedures governing disconnection during cold weather. The utility shall
2.17 annually submit a copy of its municipally approved rates to the commission.

2.18 (d) In all cases covered by this subdivision in which an exemption for service outside
2.19 of a municipality is granted, the commission may initiate an investigation under section
2.20 216B.17, on its own motion or upon complaint from a customer.

2.21 (e) If a municipality files with the commission a resolution of its governing body
2.22 rescinding the request for exemption, the commission shall regulate the public utility's
2.23 business in that municipality under this section.

2.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.25 Sec. 5. Minnesota Statutes 2014, section 216B.2421, subdivision 2, is amended to read:

2.26 Subd. 2. **Large energy facility.** "Large energy facility" means:

2.27 (1) any electric power generating plant or combination of plants at a single site with
2.28 a combined capacity of 50,000 kilowatts or more and transmission lines directly associated
2.29 with the plant that are necessary to interconnect the plant to the transmission system;

2.30 (2) any high-voltage transmission line with a capacity of 200 kilovolts or more and
2.31 greater than 1,500 feet in length;

2.32 (3) any high-voltage transmission line with a capacity of 100 kilovolts or more with
2.33 more than ten miles of its length in Minnesota or that crosses a state line;

3.1 (4) any pipeline greater than six inches in diameter and having more than 50 miles of
 3.2 its length in Minnesota used for the transportation of coal, crude petroleum or petroleum
 3.3 fuels or oil, or their derivatives;

3.4 (5) any pipeline for transporting natural or synthetic gas at pressures in excess of
 3.5 200 pounds per square inch with more than 50 miles of its length in Minnesota;

3.6 (6) any facility designed for or capable of storing on a single site more than 100,000
 3.7 gallons of liquefied natural gas or synthetic gas, excluding propane storage facilities;

3.8 (7) any underground gas storage facility requiring a permit pursuant to section
 3.9 103I.681;

3.10 (8) any nuclear fuel processing or nuclear waste storage or disposal facility; and

3.11 (9) any facility intended to convert any material into any other combustible fuel and
 3.12 having the capacity to process in excess of 75 tons of the material per hour.

3.13 Sec. 6. Minnesota Statutes 2014, section 216C.435, subdivision 5, is amended to read:

3.14 Subd. 5. **Energy improvement.** "Energy improvement" means:

3.15 (1) any renovation or retrofitting of a building to improve energy efficiency that
 3.16 is permanently affixed to the property and that results in a net reduction in energy
 3.17 consumption without altering the principal source of energy;

3.18 (2) permanent installation of new or upgraded electrical circuits and related
 3.19 equipment to enable electrical vehicle charging; ~~or~~

3.20 (3) a renewable energy system attached to, installed within, or proximate to a
 3.21 building that generates electrical or thermal energy from a renewable energy source; or

3.22 (4) the installation of infrastructure, machinery, and appliances that will allow: (1)
 3.23 natural gas to be used as a heating fuel on the premises of an existing building that was
 3.24 previously not connected to a source of natural gas; or (2) propane to be used as a heating
 3.25 fuel on the premises of an existing building that previously did not use propane.

3.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.27 Sec. 7. Minnesota Statutes 2014, section 297A.67, is amended by adding a subdivision
 3.28 to read:

3.29 Subd. 34. **Propane tanks.** (a) Propane tanks with a propane capacity of at least 100
 3.30 gallons, and any valves and regulators necessary for use of the propane tank, are exempt
 3.31 when purchased by the user of the tank. This exemption does not apply to the lease of a
 3.32 propane tank from a propane supplier or dealer.

3.33 (b) This subdivision expires December 31, 2017.

4.1 **EFFECTIVE DATE.** This section is effective the day following final enactment
4.2 and applies to sales and purchases made on or after that date.

4.3 Sec. 8. Minnesota Statutes 2014, section 453A.02, subdivision 5, is amended to read:

4.4 Subd. 5. **Gas.** "Gas" means either natural or synthetic gas, ~~including~~ propane,
4.5 manufactured gas, methane from coal beds, geothermal gas, or any mixture thereof,
4.6 whether in gaseous or liquid form, or any by-product resulting therefrom.

4.7 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.8 Sec. 9. **TRANSFER OF FUNDS.**

4.9 Notwithstanding Minnesota Statutes, section 216C.416, of the amounts transferred
4.10 to the solar thermal system rebate account in the special revenue fund in the state treasury
4.11 in calendar years 2014 and 2015, \$300,000 shall be transferred to the commissioner of
4.12 commerce for the purpose of providing energy conservation and weatherization programs
4.13 to low-income persons who use propane as a heating fuel. The commissioner shall
4.14 disburse the funds transferred in this section in a manner consistent with the requirements
4.15 of the federal low-income home energy assistance program under United States Code,
4.16 title 42, sections 8621 to 8630. This is a onetime transfer.

4.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.18 Sec. 10. **PREPURCHASING PROPANE; REPORT.**

4.19 (a) The commissioner of commerce shall conduct a study of the operation of the
4.20 propane prepurchase program under Minnesota Statutes, section 216B.0951. The study
4.21 must address:

4.22 (1) the amount and price of propane prepurchased;

4.23 (2) the locations where prepurchased propane was stored and any costs of storage;

4.24 (3) a description of how the propane was distributed to customers, focusing on the
4.25 activities of the local agencies that deliver energy assistance and propane distributors;

4.26 (4) a description of any obstacles that interfered with the efficient operation of the
4.27 program, and suggestions for overcoming those obstacles; and

4.28 (5) an estimate of the savings that accrued to propane customers as a result of the
4.29 prepurchase program.

4.30 (b) By January 1 of 2016 and 2017, the commissioner of commerce shall submit a
4.31 report containing the information required under this section for the previous calendar year

5.1 to the chairs and ranking minority members of the senate and house of representatives
5.2 committees with primary responsibility for energy policy.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.4 Sec. 11. **APPROPRIATION.**

5.5 (a) \$5,000,000 in fiscal year 2015 and \$5,000,000 in fiscal year 2016 are
5.6 appropriated from the general fund to the commissioner of commerce for the purpose of
5.7 prepurchasing propane under Minnesota Statutes, section 216B.0951. Notwithstanding
5.8 Minnesota Statutes, section 216B.0951, subdivision 1, the commissioner must expend all
5.9 of the funds before September 1 each year. Propane may not be distributed to customers
5.10 before October 1 each year.

5.11 (b) The commissioner shall reserve \$5,000,000 each year from the federal funds
5.12 transferred to the state for use in the 2015-2016 and 2016-2017 heating seasons under
5.13 the Low-Income Home Energy Assistance Program and transfer those amounts to the
5.14 general fund.

5.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.