

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 1142

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Introduction and first reading
Referred to Energy, Utilities, Environment, and Climate

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; modifying various provisions governing net metering; amending
1.3 Minnesota Statutes 2024, section 216B.164, subdivisions 2a, 3.

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

1.5 Section 1. Minnesota Statutes 2024, section 216B.164, subdivision 2a, is amended to read:

1.6 Subd. 2a. **Definitions.** (a) For the purposes of this section, the following terms have the
1.7 meanings given them.

1.8 (b) "Aggregated meter" means a meter located on the premises of a customer's owned
1.9 or leased property that is contiguous with property containing the customer's designated
1.10 meter.

1.11 (c) "Capacity" means the number of megawatts alternating current (AC) ~~at the point of~~
1.12 ~~interconnection between a distributed generation facility and a utility's electric system~~ that
1.13 a qualifying facility is capable of producing.

1.14 (d) "Cogeneration" means a combined process whereby electrical and useful thermal
1.15 energy are produced simultaneously.

1.16 (e) "Contiguous property" means property owned or leased by the customer sharing a
1.17 common border, without regard to interruptions in contiguity caused by easements, public
1.18 thoroughfares, transportation rights-of-way, or utility rights-of-way.

1.19 (f) "Customer" means the person who is named on the utility electric bill for the premises.

1.20 (g) "Designated meter" means a meter that is physically attached to the customer's facility
1.21 that the customer-generator designates as the first meter to which net metered credits are

2.1 to be applied as the primary meter for billing purposes when the customer is serviced by
2.2 more than one meter.

2.3 (h) "Distributed generation" means a facility that:

2.4 (1) has a capacity of ten megawatts or less;

2.5 (2) is interconnected with a utility's distribution system, over which the commission has
2.6 jurisdiction; and

2.7 (3) generates electricity from natural gas, renewable fuel, or a similarly clean fuel, and
2.8 may include waste heat, cogeneration, or fuel cell technology.

2.9 (i) "High-efficiency distributed generation" means a distributed energy facility that has
2.10 a minimum efficiency of 40 percent, as calculated under section 272.0211, subdivision 1.

2.11 (j) "Net metered facility" means an electric generation facility constructed for the purpose
2.12 of offsetting energy use through the use of renewable energy or high-efficiency distributed
2.13 generation sources.

2.14 (k) "Renewable energy" has the meaning given in section 216B.2411, subdivision 2.

2.15 (l) "Standby charge" means a charge imposed by an electric utility upon a distributed
2.16 generation facility for the recovery of costs for the provision of standby services, as provided
2.17 for in a utility's tariffs approved by the commission, necessary to make electricity service
2.18 available to the distributed generation facility.

2.19 Sec. 2. Minnesota Statutes 2024, section 216B.164, subdivision 3, is amended to read:

2.20 Subd. 3. **Purchases; small facilities.** (a) This paragraph applies to cooperative electric
2.21 associations and municipal utilities. For a qualifying facility having less than 40-kilowatt
2.22 capacity, the customer shall be billed for the net energy supplied by the utility according to
2.23 the applicable rate schedule for sales to that class of customer. A cooperative electric
2.24 association or municipal utility may charge an additional fee to recover the fixed costs not
2.25 already paid for by the customer through the customer's existing billing arrangement. Any
2.26 additional charge by the utility must be reasonable and appropriate for that class of customer
2.27 based on the most recent cost of service study. The cost of service study must be made
2.28 available for review by a customer of the utility upon request. In the case of net input into
2.29 the utility system by a qualifying facility having less than 40-kilowatt capacity, compensation
2.30 to the customer shall be at a per kilowatt-hour rate determined under paragraph (c), ~~(d)~~, or
2.31 (f).

3.1 (b) This paragraph applies to public utilities. For a qualifying facility having less than
3.2 1,000-kilowatt capacity, the customer shall be billed for the net energy supplied by the
3.3 utility according to the applicable rate schedule for sales to that class of customer. In the
3.4 case of net input into the utility system by a qualifying facility having: (1) more than
3.5 40-kilowatt but less than 1,000-kilowatt capacity, compensation to the customer shall be at
3.6 a per kilowatt-hour rate determined under paragraph (c); or (2) less than 40-kilowatt capacity,
3.7 compensation to the customer shall be at a per-kilowatt rate determined under paragraph
3.8 (c) or (d).

3.9 (c) In setting rates, the commission shall consider the fixed distribution costs to the
3.10 utility not otherwise accounted for in the basic monthly charge and shall ensure that the
3.11 costs charged to the qualifying facility are not discriminatory in relation to the costs charged
3.12 to other customers of the utility. The commission shall set the rates for net input into the
3.13 utility system based on avoided costs as defined in the Code of Federal Regulations, title
3.14 18, section 292.101, paragraph (b)(6), the factors listed in Code of Federal Regulations,
3.15 title 18, section 292.304, and all other relevant factors.

3.16 (d) Notwithstanding any provision in this chapter to the contrary, a qualifying facility
3.17 ~~having~~ that is interconnected to a public utility and has less than 40-kilowatt capacity may
3.18 elect that the compensation for net input by the qualifying facility into the utility system
3.19 ~~shall be~~ is at the average retail utility energy rate. "Average retail utility energy rate" is
3.20 defined as the average of the retail energy rates, exclusive of special rates based on income,
3.21 age, or energy conservation, according to the applicable rate schedule of the utility for sales
3.22 to that class of customer.

3.23 (e) If the qualifying facility or net metered facility is interconnected with a nongenerating
3.24 utility which has a sole source contract with a municipal power agency or a generation and
3.25 transmission utility, the nongenerating utility may elect to treat its purchase of any net input
3.26 under this subdivision as being made on behalf of its supplier and shall be reimbursed by
3.27 its supplier for any additional costs incurred in making the purchase. Qualifying facilities
3.28 or net metered facilities having less than 1,000-kilowatt capacity if interconnected to a
3.29 public utility, or less than 40-kilowatt capacity if interconnected to a cooperative electric
3.30 association or municipal utility may, at the customer's option, elect to be governed by the
3.31 provisions of subdivision 4.

3.32 (f) A customer with a qualifying facility or net metered facility having a capacity below
3.33 40 kilowatts that is interconnected to a cooperative electric association or a municipal utility
3.34 may elect to be compensated for the customer's net input into the utility system in the form
3.35 of a kilowatt-hour credit on the customer's energy bill carried forward and applied to

- 4.1 subsequent energy bills. Any kilowatt-hour credits carried forward by the customer cancel
- 4.2 at the end of the calendar year ~~with no additional compensation~~. A customer must be
- 4.3 compensated for a canceled credit at the per kilowatt-hour rate determined under paragraph
- 4.4 (c).