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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2556

03/18/2019 Authored by Wagenius
The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to energy; appropriating money for the Department of Commerce and
1.3 Public Utilities Commission; making policy and technical changes; requiring
1.4 reports; proposing coding for new law in Minnesota Statutes, chapter 216C.

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

ARTICLE 1

APPROPRIATIONS

Section 1. ENERGY APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2020" and "2021" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2020, or June 30, 2021, respectively. "The first year" is fiscal year 2020. "The second year" is fiscal year 2021. "The biennium" is fiscal years 2020 and 2021.

APPROPRIATIONS

Available for the Year

Ending June 30

2020 2021

Sec. 2. ENERGY RESOURCES 15,430,000 15,480,000

Appropriations by Fund

Table with 3 columns: Fund Name, 2020, 2021. Rows include General (4,830,000 / 4,880,000), Renewable Development (10,600,000 / 10,600,000).

- 2.1 (a) \$150,000 each year is to remediate  
2.2 vermiculate insulation from households that  
2.3 are eligible for weatherization assistance under  
2.4 Minnesota's weatherization assistance program  
2.5 state plan under Minnesota Statutes, section  
2.6 216C.264. Remediation must be done in  
2.7 conjunction with federal weatherization  
2.8 assistance program services.
- 2.9 (b) \$832,000 each year is for energy regulation  
2.10 and planning unit staff.
- 2.11 (c) \$100,000 each year is from the renewable  
2.12 development account in the special revenue  
2.13 fund established in Minnesota Statutes, section  
2.14 116C.779, subdivision 1, to administer the  
2.15 Made in Minnesota solar energy production  
2.16 incentive program in Minnesota Statutes,  
2.17 section 216C.417. Any remaining unspent  
2.18 funds cancel back to the renewable  
2.19 development account at the end of the  
2.20 biennium.
- 2.21 (d) \$10,000,000 each year is from the  
2.22 renewable development account in the special  
2.23 revenue fund for a solar on schools program  
2.24 of which \$500,000 per year can be spent on  
2.25 administration. The amount is available until  
2.26 June 30, 2023. This is a onetime appropriation.
- 2.27 \$500,000 each year is from the renewable  
2.28 development account in the special revenue  
2.29 fund established in Minnesota Statutes, section  
2.30 116C.779, subdivision 1, for costs associated  
2.31 with any third-party expert evaluation of a  
2.32 proposal submitted in response to a request  
2.33 for proposal to the renewable development  
2.34 advisory group under Minnesota Statutes,  
2.35 section 116C.779, subdivision 1, paragraph

3.1 (l). No portion of this appropriation may be  
 3.2 expended or retained by the commissioner of  
 3.3 commerce. Any funds appropriated under this  
 3.4 paragraph that are unexpended at the end of a  
 3.5 fiscal year cancel to the renewable  
 3.6 development account.

3.7 Sec. 3. PUBLIC UTILITIES COMMISSION \$ 8,018,000 \$ 7,493,000

3.8 **ARTICLE 2**  
 3.9 **SOLAR ON SCHOOLS**

3.10 Section 1. [216C.375] SOLAR ON SCHOOLS PROGRAM.

3.11 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have  
 3.12 the meanings given them.

3.13 (b) "Developer" means an entity that installs a solar energy system on a building owned  
 3.14 by a school district that has been awarded a grant under this section.

3.15 (c) "Energy storage system" means a commercially available technology capable of:

3.16 (1) absorbing and storing electrical energy; and

3.17 (2) dispatching stored electrical energy at a later time.

3.18 (d) "In proximity of" means within an aggregation of school meters.

3.19 (e) "Investor" means an entity that finances the design, purchase, installation, operation,  
 3.20 and maintenance of a solar energy system installed at a school building in a school district  
 3.21 that received a grant under this section.

3.22 (f) "Photovoltaic device" has the meaning given in section 216C.06, subdivision 16.

3.23 (g) "School district" means an independent or special school district.

3.24 (h) "Solar energy system" means photovoltaic or solar thermal devices installed alone  
 3.25 or in conjunction with an energy storage system.

3.26 Subd. 2. Establishment; purpose. A solar on schools program is established in the  
 3.27 Department of Commerce. The purpose of the program is to provide grants and lease  
 3.28 agreements to stimulate the installation of solar energy systems in school districts throughout  
 3.29 the state by reducing the cost to purchase and install a solar energy system.

3.30 Subd. 3. Expenditures. Expenditures can be made for:

4.1 (1) grant awards made under this section; and

4.2 (2) administrative costs incurred by the department to administer this section up to  
 4.3 \$500,000 per year that the program is in operation.

4.4 Subd. 4. **Eligible system.** A grant may be awarded under this section to an eligible school  
 4.5 district only if the solar energy system that is the subject of the grant:

4.6 (1) is placed on or adjacent to the school district building using the electricity generated;  
 4.7 and

4.8 (2) has a capacity that does not exceed the lesser of:

4.9 (i) for a school building receiving retail electric service from a public utility subject to  
 4.10 section 116C.779, subdivision 1, one megawatt or 120 percent of the estimated electric load  
 4.11 of the school district building at which the solar energy system is proposed to be installed;  
 4.12 or

4.13 (ii) for a school building receiving retail electric service from a public utility not subject  
 4.14 to section 116C.779, subdivision 1, 40 kilowatts or 120 percent of the estimated electric  
 4.15 load of the school district building where the solar energy system is proposed to be installed.

4.16 Subd. 5. **Lease agreement; design.** The commissioner must design a lease agreement  
 4.17 that must be used by an applicant seeking a grant under this section. The lease agreement  
 4.18 must:

4.19 (1) make the commissioner a party to the lease agreement;

4.20 (2) contain a formula to calculate the future fair market value of the solar energy system;

4.21 (3) contain a formula to calculate the future value of payments made by the school district  
 4.22 to the investor under the lease agreement described in clause (6);

4.23 (4) specify an escalator for the allowable rate of increase for the lease payments;

4.24 (5) not exceed a term of 20 years;

4.25 (6) provide the school district an option to purchase the solar array from the investor at  
 4.26 the end of the lease contract term for a price based on a fair market value calculation, as  
 4.27 determined by the commissioner;

4.28 (7) include basic requirements regarding the removal and recycling of the system; and

4.29 (8) specify the investor must operate and maintain the leased system.

4.30 Subd. 6. **Adjustment.** (a) Every five years after entering into the lease agreement, and  
 4.31 90 days prior to the proposed termination of the lease agreement, the school district and the

5.1 investor must reexamine the projected values based on the formulas in the lease agreement  
5.2 described in subdivision 6, clauses (2) to (4).

5.3 (b) The parties must notify the commissioner of any significant adjustments that should  
5.4 be made to the forecasts of future values in subdivision 6, clauses (2) to (4), based on  
5.5 experience under the lease agreement or for other reasons.

5.6 (c) The commissioner must review the adjustments requested by the parties, and must  
5.7 approve the adjustments if the commissioner determines the adjustments are:

5.8 (1) reasonable;

5.9 (2) unforeseeable to the parties at the time the lease agreement was executed or at the  
5.10 previous reexamination of the projected values; and

5.11 (3) in the public interest.

5.12 (d) The commissioner must adjust the grant amount reserved in the reserve account for  
5.13 the solar energy system consistent with adjustments approved under this subdivision.

5.14 Subd. 7. **Program requirements.** (a) The commissioner must develop a master lease  
5.15 program.

5.16 (b) Within the master lease program, the commissioner must develop a standard request  
5.17 for proposals to solicit services.

5.18 (c) The commissioner must develop a quantitative weighting system for the information  
5.19 provided in the application in order to rank applications. In the weighting system, the  
5.20 commissioner must consider (1) under-resourced schools, as determined by 50 percent or  
5.21 more of the student body qualifying for free or reduced-price lunches, and (2) geographic  
5.22 dispersion of school districts applying.

5.23 (d) The commissioner must develop administrative procedures to govern the application  
5.24 and grant award process.

5.25 (e) The program must include a prepaid lease option to buy out the lease prior to the end  
5.26 of the lease.

5.27 (f) The developer must maintain the system through a minimum level of production, as  
5.28 determined by the commissioner and communicated in program documents, through the  
5.29 term of the lease.

5.30 (g) The program must require the developer to operate and maintain the solar energy  
5.31 system through the term of the lease.

6.1 Subd. 8. **Application process.** (a) A developer may apply for a grant under this section  
6.2 on behalf of a school district.

6.3 (b) An application submitted to the commissioner under this subdivision must include,  
6.4 at a minimum, the following information:

6.5 (1) the capacity of the proposed solar energy system and the amount of electricity that  
6.6 is expected to be generated;

6.7 (2) the current energy demand of the school building where the solar energy generating  
6.8 system is proposed to be installed;

6.9 (3) the size of any energy storage system that is proposed to be installed as part of a  
6.10 solar energy system;

6.11 (4) the total cost to purchase and install the proposed solar energy system, including the  
6.12 life-cycle cost;

6.13 (5) a copy of the proposed lease agreement between the school district and an investor;

6.14 (6) a plan detailing how the school intends to make the solar energy system serve as a  
6.15 visible learning tool for students, teachers, and visitors to the school, including how the  
6.16 solar energy system may be integrated into the school's curriculum;

6.17 (7) information that demonstrates the school district's need for financial assistance  
6.18 available under this section;

6.19 (8) information that demonstrates the readiness of the school district to implement the  
6.20 project, including but not limited to the availability of the land to install the solar energy  
6.21 system on, and the level of the school district's engagement with the utility providing electric  
6.22 service to the school building where the solar energy system is to be installed with respect  
6.23 to issues relevant to the implementation of the project, including metering and other issues;

6.24 (9) the developer's willingness and ability to pay employees and contractors prevailing  
6.25 wage; and

6.26 (10) any other information deemed relevant by the commissioner.

6.27 (c) As a condition of a site permit for construction, the commission may require the  
6.28 recipient, including their construction contractors and subcontractors, to pay the prevailing  
6.29 wage rate as defined in section 177.42.

6.30 Subd. 9. **Energy conservation review.** At the commissioner's request, prior to a grant  
6.31 award under this section the school district must provide the commissioner information  
6.32 regarding energy conservation measures implemented at the school building where the solar

7.1 energy system is to be installed. The commissioner may make recommendations to the  
7.2 school district regarding cost-effective conservation measures it may implement and may  
7.3 provide technical assistance and direct the school district to available financial assistance  
7.4 programs.

7.5 Subd. 10. **Commissioner duties.** The commissioner must:

7.6 (1) provide technical assistance to school districts to develop and execute projects; and

7.7 (2) convene an advisory committee composed of representatives of solar energy  
7.8 developers, school districts, and investors to develop procedures and policies that result in  
7.9 the successful operation of the program established under this section.

7.10 Subd. 11. **Grant payments.** The commissioner must use grant money to buy down lease  
7.11 payments for the school district to (1) decrease the school district's lease period, and (2)  
7.12 enable the school district to obtain full ownership rights over the solar energy system.

7.13 **EFFECTIVE DATE.** This section is effective July 1, 2019.