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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 4654

03/28/2022

Authored by Long
The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

1.1

A bill for an act

1.2

relating to energy; establishing a supplemental budget for energy and climate

1.3

change needs; modifying the renewable development account; establishing a water

1.4

utility energy resilience program; establishing various energy and climate

1.5

technology investment funds; requiring reports; appropriating money; amending

1.6

Minnesota Statutes 2020, section 116C.779, subdivision 1; Minnesota Statutes

1.7

2021 Supplement, section 216C.375, subdivision 1; proposing coding for new law

1.8

in Minnesota Statutes, chapters 216B; 216C.

1.9

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

1.10

ARTICLE 1

1.11

SUPPLEMENTAL APPROPRIATIONS

1.12

Section 1. APPROPRIATIONS.

1.13

The sums shown in the columns marked "Appropriations" are appropriated to the agencies

1.14

and for the purposes specified in this article. The appropriations are from the general fund,

1.15

or another named fund, and are available for the fiscal years indicated for each purpose.

1.16

The figures "2022" and "2023" used in this article mean that the appropriations listed under

1.17

them are available for the fiscal year ending June 30, 2022, or June 30, 2023, respectively.

1.18

"The first year" is fiscal year 2022. "The second year" is fiscal year 2023. "The biennium"

1.19

is fiscal years 2022 and 2023. If an appropriation in this act is enacted more than once in

1.20

the 2022 legislative session, the appropriation must be given effect only once. The

1.21

appropriations made under this article supplement, and do not supersede or replace, the

1.22

appropriations made under Laws 2021, First Special Session chapter 4, article 1.

1.23

APPROPRIATIONS

1.24

Available for the Year

1.25

Ending June 30

1.26

2022 2023

2.1 Sec. 2. DEPARTMENT OF COMMERCE2.2 Subdivision 1. Total Appropriation \$ -0- \$ 149,500,0002.3 Appropriations by Fund

| | | | |
|-----|--------------------|-------------|--------------------|
| 2.4 | | <u>2022</u> | <u>2023</u> |
| 2.5 | <u>General</u> | <u>-0-</u> | <u>144,500,000</u> |
| 2.6 | <u>Renewable</u> | <u>-0-</u> | <u>5,000,000</u> |
| 2.7 | <u>Development</u> | | |
| 2.8 | <u>Account</u> | | |

2.9 The amounts that may be spent for each2.10 purpose are specified in subdivision 2.2.11 Subd. 2. Energy Resources

2.12 \$34,500,000 in fiscal year 2023 is for the
 2.13 weatherization assistance program to assist
 2.14 households that are eligible under the
 2.15 Minnesota weatherization assistance program
 2.16 state plan. Money must be used to support
 2.17 activities that supplement the weatherization
 2.18 assistance program state plan under Minnesota
 2.19 Statutes, section 216C.264, in order to
 2.20 permanently lower household energy costs.

2.21 The base for this appropriation is \$14,000,000
 2.22 in fiscal year 2024. The base for this
 2.23 appropriation is \$10,000,000 in fiscal year
 2.24 2025. This is a onetime appropriation and is
 2.25 available until June 30, 2033.

2.26 \$3,000,000 in fiscal year 2023 is to expand
 2.27 the solar for schools program under Minnesota
 2.28 Statutes, section 216C.375. This is a onetime
 2.29 appropriation and is available until June 30,
 2.30 2028.

2.31 Notwithstanding Minnesota Statutes, section
 2.32 116C.779, subdivision 1, paragraph (j),
 2.33 \$5,000,000 in fiscal year 2023 is from the
 2.34 renewable development account for grants
 2.35 under the renewable integration demonstration

3.1 program under Minnesota Statutes, section
3.2 216C.46.

3.3 \$20,000,000 in fiscal year 2023 is for transfer
3.4 to the state competitiveness account in the
3.5 special revenue fund to leverage federal
3.6 formula and competitive funds for
3.7 energy-related infrastructure and clean energy
3.8 investments throughout Minnesota. This is a
3.9 onetime appropriation and is available until
3.10 June 30, 2034.

3.11 \$18,000,000 in fiscal year 2023 is for the
3.12 water utility energy resilience program under
3.13 Minnesota Statutes, section 216B.2429. This
3.14 is a onetime appropriation and is available
3.15 until December 31, 2027.

3.16 \$34,000,000 in fiscal year 2023 is for transfer
3.17 to the Minnesota green innovation finance
3.18 fund under Minnesota Statutes, section
3.19 216C.441, to capitalize the fund and provide
3.20 the necessary administrative start-up costs.
3.21 The Minnesota green innovation finance fund
3.22 is responsible for identifying ongoing funding
3.23 sources for capital and administrative costs.
3.24 This is a onetime appropriation.

3.25 Beginning July 1, 2024, and each year
3.26 thereafter, the commissioner of commerce
3.27 may request up to \$100,000 from the
3.28 Minnesota green innovation finance fund
3.29 established under Minnesota Statutes, section
3.30 216C.441, on an annual basis to perform
3.31 oversight activities under Minnesota Statutes,
3.32 section 216C.441.

3.33 \$35,000,000 in fiscal year 2023 is to establish
3.34 a ten-year decarbonization technology

4.1 investment fund under Minnesota Statutes,
4.2 section 216C.45. This is a onetime
4.3 appropriation and is available until December
4.4 31, 2024.

4.5 ARTICLE 2

4.6 ENERGY AND CLIMATE CHANGE POLICY

4.7 Section 1. Minnesota Statutes 2020, section 116C.779, subdivision 1, is amended to read:

4.8 Subdivision 1. **Renewable development account.** (a) The renewable development
4.9 account is established as a separate account in the special revenue fund in the state treasury.
4.10 Appropriations and transfers to the account shall be credited to the account. Earnings, such
4.11 as interest, dividends, and any other earnings arising from assets of the account, shall be
4.12 credited to the account. Funds remaining in the account at the end of a fiscal year are not
4.13 canceled to the general fund but remain in the account until expended. The account shall
4.14 be administered by the commissioner of management and budget as provided under this
4.15 section.

4.16 (b) On July 1, 2017, the public utility that owns the Prairie Island nuclear generating
4.17 plant must transfer all funds in the renewable development account previously established
4.18 under this subdivision and managed by the public utility to the renewable development
4.19 account established in paragraph (a). Funds awarded to grantees in previous grant cycles
4.20 that have not yet been expended and unencumbered funds required to be paid in calendar
4.21 year 2017 under paragraphs (f) and (g), and sections 116C.7792 and 216C.41, are not subject
4.22 to transfer under this paragraph.

4.23 (c) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing
4.24 each January 15 thereafter, the public utility that owns the Prairie Island nuclear generating
4.25 plant must transfer to the renewable development account \$500,000 each year for each dry
4.26 cask containing spent fuel that is located at the Prairie Island power plant for each year the
4.27 plant is in operation, and \$7,500,000 each year the plant is not in operation if ordered by
4.28 the commission pursuant to paragraph (i). The fund transfer must be made if nuclear waste
4.29 is stored in a dry cask at the independent spent-fuel storage facility at Prairie Island for any
4.30 part of a year.

4.31 (d) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing
4.32 each January 15 thereafter, the public utility that owns the Monticello nuclear generating
4.33 plant must transfer to the renewable development account \$350,000 each year for each dry

cask containing spent fuel that is located at the Monticello nuclear power plant for each year the plant is in operation, and \$5,250,000 each year the plant is not in operation if ordered by the commission pursuant to paragraph (i). The fund transfer must be made if nuclear waste is stored in a dry cask at the independent spent-fuel storage facility at Monticello for any part of a year.

(e) Each year, the public utility shall withhold from the funds transferred to the renewable development account under paragraphs (c) and (d) the amount necessary to pay its obligations under paragraphs (f) and (g), and sections 116C.7792 and 216C.41, for that calendar year.

(f) If the commission approves a new or amended power purchase agreement, the termination of a power purchase agreement, or the purchase and closure of a facility under section 216B.2424, subdivision 9, with an entity that uses poultry litter to generate electricity, the public utility subject to this section shall enter into a contract with the city in which the poultry litter plant is located to provide grants to the city for the purposes of economic development on the following schedule: \$4,000,000 in fiscal year 2018; \$6,500,000 each fiscal year in 2019 and 2020; and \$3,000,000 in fiscal year 2021. The grants shall be paid by the public utility from funds withheld from the transfer to the renewable development account, as provided in paragraphs (b) and (e).

(g) If the commission approves a new or amended power purchase agreement, or the termination of a power purchase agreement under section 216B.2424, subdivision 9, with an entity owned or controlled, directly or indirectly, by two municipal utilities located north of Constitutional Route No. 8, that was previously used to meet the biomass mandate in section 216B.2424, the public utility that owns a nuclear generating plant shall enter into a grant contract with such entity to provide \$6,800,000 per year for five years, commencing 30 days after the commission approves the new or amended power purchase agreement, or the termination of the power purchase agreement, and on each June 1 thereafter through 2021, to assist the transition required by the new, amended, or terminated power purchase agreement. The grant shall be paid by the public utility from funds withheld from the transfer to the renewable development account as provided in paragraphs (b) and (e).

(h) The collective amount paid under the grant contracts awarded under paragraphs (f) and (g) is limited to the amount deposited into the renewable development account, and its predecessor, the renewable development account, established under this section, that was not required to be deposited into the account under Laws 1994, chapter 641, article 1, section 10.

(i) After discontinuation of operation of the Prairie Island nuclear plant or the Monticello nuclear plant and each year spent nuclear fuel is stored in dry cask at the discontinued facility, the commission shall require the public utility to pay \$7,500,000 for the discontinued Prairie Island facility and \$5,250,000 for the discontinued Monticello facility for any year in which the commission finds, by the preponderance of the evidence, that the public utility did not make a good faith effort to remove the spent nuclear fuel stored at the facility to a permanent or interim storage site out of the state. This determination shall be made at least every two years.

(j) Funds in the account may be expended only for any of the following purposes:

(1) to stimulate research and development of renewable electric energy technologies;

(2) to encourage grid modernization, including, but not limited to, projects that implement electricity storage, load control, and smart meter technology; and

(3) to stimulate other innovative energy projects that reduce demand and increase system efficiency and flexibility.

Expenditures from the fund must benefit Minnesota ratepayers receiving electric service from the utility that owns a nuclear-powered electric generating plant in this state or the Prairie Island Indian community or its members.

The utility that owns a nuclear generating plant is eligible to apply for grants under this subdivision.

(k) For the purposes of paragraph (j), the following terms have the meanings given:

(1) "renewable" has the meaning given in section 216B.2422, subdivision 1, paragraph (c), clauses (1), (2), (4), and (5); and

(2) "grid modernization" means:

(i) enhancing the reliability of the electrical grid;

(ii) improving the security of the electrical grid against cyberthreats and physical threats; and

(iii) increasing energy conservation opportunities by facilitating communication between the utility and its customers through the use of two-way meters, control technologies, energy storage and microgrids, technologies to enable demand response, and other innovative technologies.

(l) A renewable development account advisory group that includes, among others, representatives of the public utility and its ratepayers, and includes at least one representative

of the Prairie Island Indian community appointed by that community's tribal council, shall develop recommendations on account expenditures. The advisory group must design a request for proposal and evaluate projects submitted in response to a request for proposals. The advisory group must utilize an independent third-party expert to evaluate proposals submitted in response to a request for proposal, including all proposals made by the public utility. A request for proposal for research and development under paragraph (j), clause (1), may be limited to or include a request to higher education institutions located in Minnesota for multiple projects authorized under paragraph (j), clause (1). The request for multiple projects may include a provision that exempts the projects from the third-party expert review and instead provides for project evaluation and selection by a merit peer review grant system. In the process of determining request for proposal scope and subject and in evaluating responses to request for proposals, the advisory group must strongly consider, where reasonable, potential benefit to Minnesota citizens and businesses and the utility's ratepayers.

(m) The advisory group shall submit funding recommendations to the public utility, which has full and sole authority to determine which expenditures shall be submitted by the advisory group to the legislature. The commission may approve proposed expenditures, may disapprove proposed expenditures that it finds not to be in compliance with this subdivision or otherwise not in the public interest, and may, if agreed to by the public utility, modify proposed expenditures. The commission shall, by order, submit its funding recommendations to the legislature as provided under paragraph (n).

(n) The commission shall present its recommended appropriations from the account to the senate and house of representatives committees with jurisdiction over energy policy and finance annually by February 15. Expenditures from the account must be appropriated by law. In enacting appropriations from the account, the legislature:

(1) may approve or disapprove, but may not modify, the amount of an appropriation for a project recommended by the commission; and

(2) may not appropriate money for a project the commission has not recommended funding.

(o) A request for proposal for renewable energy generation projects must, when feasible and reasonable, give preference to projects that are most cost-effective for a particular energy source.

(p) The advisory group must annually, by February 15, report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy policy on projects funded by the account for the prior year and all previous years. The report must,

to the extent possible and reasonable, itemize the actual and projected financial benefit to the public utility's ratepayers of each project.

(q) By February 1, 2018, and each February 1 thereafter, the commissioner of management and budget shall submit a written report regarding the availability of funds in and obligations of the account to the chairs and ranking minority members of the senate and house committees with jurisdiction over energy policy and finance, the public utility, and the advisory group.

(r) A project receiving funds from the account must produce a written final report that includes sufficient detail for technical readers and a clearly written summary for nontechnical readers. The report must include an evaluation of the project's financial, environmental, and other benefits to the state and the public utility's ratepayers.

(s) Final reports, any mid-project status reports, and renewable development account financial reports must be posted online on a public website designated by the commissioner of commerce.

(t) All final reports must acknowledge that the project was made possible in whole or part by the Minnesota renewable development account, noting that the account is financed by the public utility's ratepayers.

(u) Of the amount in the renewable development account, priority must be given to making the payments required under section 216C.417.

(v) Of the money not otherwise appropriated or transferred under this subdivision in the previous year, up to \$10,000,000 is appropriated to the commissioner of commerce for the grant program under section 216C.46.

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

Sec. 2. [216B.2429] WATER UTILITY ENERGY RESILIENCE PROGRAM.

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

(b) "Combined heat and power" means cogeneration, as defined in section 216B.164, subdivision 2a, paragraph (d).

(c) "Developer" means an entity that conducts a feasibility study or installs an eligible technology on, in, or adjacent to a water utility that has been awarded a grant under this section.

(d) "Drinking water" means potable water, as defined in section 115.01, subdivision 14.

(e) "Eligible energy technology" means renewable energy, combined heat and power, energy efficiency, energy storage, or an enabling energy technology, as defined in paragraph (f).

(f) "Enabling energy technology" means technologies that enable and track data for renewable energy, combined heat and power, energy efficiency, and energy storage technologies to function.

(g) "Energy efficiency" has the meaning given in section 216B.2402, subdivision 7.

(h) "Energy resilience" means the ability of an eligible energy technology to (1) provide energy resources during an electrical outage, or (2) reduce the overall demand through energy efficiency measures.

(i) "Energy storage" means an energy storage system, as defined in section 216B.2422, subdivision 1, paragraph (f).

(j) "Jurisdiction" means a Minnesota local government, municipality, state agency, school, Tribal government, Metropolitan Council, western Lake Superior sanitary district, or other regional district.

(k) "Renewable energy" means an eligible energy technology, as defined in section 216B.1691, subdivision 1.

(l) "Wastewater" means sewage, as defined in section 115.01, subdivision 17.

(m) "Water utility" means a water treatment facility, as defined in section 115.01, subdivision 21, or a similar system used to treat waste or potable water run by a Minnesota jurisdiction.

Subd. 2. Establishment; purpose. A water utility energy resilience program is established in the department. The purpose of the program is to stimulate the installation of eligible energy technologies on, in, or adjacent to water utilities by providing grants in order to reduce the cost of (1) feasibility studies of eligible energy technologies; and (2) eligible energy technology projects that demonstrate energy resilience for water utilities at public jurisdiction treatment plants.

Subd. 3. Establishment of account. A water utility energy resilience program account is established in the special revenue fund in the state treasury.

Subd. 4. Expenditures. Money in the account must be used only to pay for:

(1) energy feasibility studies;

(2) the installation of eligible energy technologies; or

10.1 (3) the reasonable costs incurred by the department to administer this section.

10.2 Subd. 5. **Eligible system.** A grant may be awarded to a water utility only if the eligible
10.3 energy technology that is the subject of the grant is:

10.4 (1) installed in, on, or adjacent to the water utility that consumes the electricity or thermal
10.5 energy generated, stored, or utilized more efficiently by the eligible energy technologies;
10.6 and

10.7 (2) located on property within the service territory of the utility currently providing
10.8 electric service to the water utility.

10.9 Subd. 6. **Application process.** (a) The commissioner must develop administrative
10.10 procedures governing the application and grant award process. The commissioner must
10.11 begin accepting applications no later than January 1, 2023, and must award grants based
10.12 on completed applications from eligible water utilities that were submitted on a form
10.13 prescribed by the commissioner.

10.14 (b) The commissioner must issue a request for proposals to utilities, water utilities, and
10.15 developers who wish to apply for a grant under this section on behalf of a water utility for
10.16 demonstration projects. The commissioner must issue a request for proposals under this
10.17 paragraph no less than annually until December 31, 2027. An eligible water utility must
10.18 submit an application to the commissioner on a form prescribed by the commissioner. The
10.19 application must include, at a minimum:

10.20 (1) the capacity of the proposed eligible energy technology; the amount of electricity
10.21 and thermal energy, as applicable, that is expected to be generated and stored; and the
10.22 duration the electricity or thermal energy may be stored;

10.23 (2) the water utility's current energy demand and consumption where the eligible energy
10.24 technology is to be installed and information regarding any existing eligible energy
10.25 technology and distributed energy resource, including a subscription to a community solar
10.26 garden, that currently provides electricity or thermal energy to the water utility;

10.27 (3) the total cost to purchase and install the eligible energy technology and the eligible
10.28 energy technology's life cycle cost, including removal and disposal at the end of the eligible
10.29 energy technology's life, as determined by the department;

10.30 (4) a copy of the proposed contract agreement between the water utility and the utility
10.31 or developer, including provisions addressing responsibility for maintenance of the eligible
10.32 energy technology;

11.1 (5) the water utility's willingness to share with the commissioner information regarding
11.2 the impacts on the resilience of the water utility that result from installing an eligible energy
11.3 technology, as prescribed by the commissioner;

11.4 (6) information that demonstrates the water utility's level of need for assistance available
11.5 under this section;

11.6 (7) information that demonstrates the water utility's readiness to implement the project,
11.7 including but not limited to the age of the water utility, the availability of the site on which
11.8 the eligible energy system is to be installed, and the level of engagement with the utility
11.9 providing electric service to the building on which the eligible energy system is to be
11.10 installed;

11.11 (8) any issues relevant to the implementation of the project, including metering and other
11.12 issues;

11.13 (9) how the developer or public utility plans to reduce the water utility's initial capital
11.14 expense to purchase and install the eligible energy technology by providing financial
11.15 assistance to the water utility; and

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

11.17 (c) The commissioner must develop administrative procedures governing the application
11.18 and grant award process.

11.19 Subd. 7. **Energy demonstration results.** At the commissioner's request, a water utility
11.20 awarded a demonstration grant under this section must provide the commissioner data and
11.21 information regarding the eligible energy measures implemented at the water utility, including
11.22 energy-related data prior to and after installation of the eligible energy measures, in order
11.23 to use the demonstration project as a learning tool for other water utilities.

11.24 Subd. 8. **Technical assistance.** The commissioner may provide technical assistance to
11.25 water utilities to develop and execute feasibility studies and install demonstration projects
11.26 under this section.

11.27 Subd. 9. **Grant payments.** The commissioner must award a grant from the account
11.28 established under subdivision 3 to a water utility for the necessary costs associated with
11.29 purchasing, installing, and operating eligible energy technologies. The amount of a
11.30 demonstration grant award must be based on an energy feasibility study and the
11.31 commissioner's assessment of the need for assistance.

11.32 Subd. 10. **Reporting.** Beginning February 15, 2024, and each year thereafter until all
11.33 money is expended, the commissioner must report to the chairs and ranking minority

12.1 members of the legislative committees with jurisdiction over energy regarding: (1) grants
12.2 and amounts awarded to water utilities under this section during the previous year; and (2)
12.3 any remaining balances available under this section.

12.4 Sec. 3. Minnesota Statutes 2021 Supplement, section 216C.375, subdivision 1, is amended
12.5 to read:

12.6 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 216C.376,
12.7 the following terms have the meanings given them.

12.8 (b) "Developer" means an entity that installs a solar energy system on a school building
12.9 that has been awarded a grant under this section.

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

12.11 (d) "School" means: (1) a school that operates as part of an independent or special school
12.12 district; (2) a Tribal contract school; or ~~(2)~~ (3) a state college or university that is under the
12.13 jurisdiction of the Board of Trustees of the Minnesota State Colleges and Universities.

12.14 (e) "School district" means an independent or special school district.

12.15 (f) "Solar energy system" means photovoltaic or solar thermal devices.

12.16 (g) "Solar thermal" has the meaning given to "qualifying solar thermal project" in section
12.17 216B.2411, subdivision 2, paragraph (d).

12.18 (h) "State colleges and universities" has the meaning given in section 136F.01, subdivision
12.19 4.

12.20 Sec. 4. **[216C.391] MINNESOTA STATE COMPETITIVENESS FUND.**

12.21 Subdivision 1. **Establishment; purpose.** (a) A state competitiveness fund account is
12.22 created in the special revenue fund of the state treasury. The money in the account must be
12.23 used to: (1) meet match requirements for federal funds provided to the state by the United
12.24 States Department of Energy or another federal entity; (2) increase competitiveness to
12.25 capture federally designated, energy-related formula or competitive funds; (3) assist eligible
12.26 entities to access competitive federal dollars; or (4) pay the reasonable costs incurred by
12.27 the department to: (i) pursue and administer energy-related federal funds; and (ii) assist
12.28 eligible grantees in the pursuit and management of energy-related federal funds.

12.29 (b) State matching grants may be awarded to eligible entities, as defined by the federal
12.30 fund source, with priority given in the following order: (1) federal formula funds directed
12.31 to the state that require a match; (2) federal formula or competitive funds in which a state

13.1 match allows disadvantaged communities, utilities, or businesses to be competitive in the
13.2 pursuit of funding; and (3) all other competitive or formula grant opportunities in which
13.3 matching state funds enhance or enable federal dollars to be leveraged.

13.4 (c) By August 1, 2022, the department must establish and convene a Minnesota State
13.5 Competitiveness Fund Advisory Task Force.

13.6 (d) By October 1, 2022, the advisory task force must develop administrative procedures
13.7 governing the determination of state grants so that the grant money is prioritized, to the
13.8 extent practicable, in an equitable manner.

13.9 Subd. 2. **Advisory task force; membership.** (a) The Minnesota State Competitiveness
13.10 Fund Advisory Task Force is established and consists of 12 members as follows:

13.11 (1) the commissioner of commerce or the commissioner's designee, who serves as a
13.12 nonvoting chair of the advisory task force;

13.13 (2) the chair of the house of representatives committee having jurisdiction over energy
13.14 finance and policy or the chair's designee;

13.15 (3) the chair of the senate committee having jurisdiction over energy finance and policy
13.16 or the chair's designee; and

13.17 (4) nine entities determined by the commissioner and chairs that represent the following
13.18 interests:

13.19 (i) two entities representing Minnesota utilities;

13.20 (ii) one entity representing labor;

13.21 (iii) two entities representing energy justice, rural, low-income, or historically
13.22 disadvantaged communities;

13.23 (iv) one entity representing clean energy businesses;

13.24 (v) one entity representing manufacturing;

13.25 (vi) one entity representing higher education; and

13.26 (vii) one person or entity with policy or implementation expertise on workforce
13.27 development for displaced energy workers or persons from low-income or environmental
13.28 justice communities.

13.29 (b) A voting member serving on the Minnesota State Competitiveness Fund Advisory
13.30 Task Force, and the voting member's respective organization, is ineligible from receiving

14.1 state matching funds authorized under this section. A nominal stipend may be provided
14.2 from grant funds to participating members who would otherwise be unable to attend.

14.3 Subd. 3. **Report; audit.** Beginning February 15, 2024, and each year thereafter until
14.4 February 15, 2035, the commissioner must report to the chairs and ranking minority members
14.5 of the legislative committees with jurisdiction over energy finance and policy regarding:
14.6 (1) grants and amounts awarded under this section during the previous year; (2) the remaining
14.7 balance available under this section and any additional funding opportunities that require
14.8 additional funding beyond the remaining balance.

14.9 Sec. 5. **[216C.441] MINNESOTA GREEN INNOVATION FINANCE FUND.**

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

14.12 (b) "Advisory task force" means the Minnesota green innovation finance fund advisory
14.13 task force.

14.14 (c) "Fund" means the Minnesota green innovation finance fund.

14.15 (d) "Clean energy project" has the meaning given to "qualified project" in paragraph (l),
14.16 clauses (1) to (4).

14.17 (e) "Credit enhancement" means a pool of capital set aside to cover potential losses on
14.18 loans made by private lenders, including but not limited to loan loss reserves and loan
14.19 guarantees.

14.20 (f) "Energy storage system" has the meaning given in section 216B.2422, subdivision
14.21 1, paragraph (f).

14.22 (g) "Fuel cell" means a cell that converts the chemical energy of hydrogen directly into
14.23 electricity through electrochemical reactions.

14.24 (h) "Greenhouse gas emissions" has the meaning given to "statewide greenhouse gas
14.25 emissions" in section 216H.01, subdivision 2.

14.26 (i) "Loan loss reserve" means a pool of capital set aside to reimburse a private lender if
14.27 a customer defaults on a loan, up to an agreed-upon percentage of loans originated by the
14.28 private lender.

14.29 (j) "Microgrid system" means an electrical grid that serves a discrete geographical area
14.30 from distributed energy resources and that can operate independently from the central electric
14.31 grid on a temporary basis.

15.1 (k) "Qualified project" means a project, technology, product, service, or measure
15.2 predominantly focused on clean energy, electrification, or energy or climate resilience as
15.3 follows:

15.4 (1) a project, technology, product, service, or measure that:

15.5 (i) results in the reduction of energy use required to achieve the same level of service
15.6 or output obtained before the application of the project, technology, product, service, function,
15.7 or measure or aggregation of the project, technology, product, service, function, and measure;

15.8 (ii) shifts the use of electricity by retail customers in response to changes in the price of
15.9 electricity that vary over time or provides other incentives designed to shift electricity
15.10 demand from times when market prices are high or when system reliability is jeopardized;
15.11 or

15.12 (iii) significantly reduces greenhouse gas emissions relative to greenhouse gas emissions
15.13 produced before the project is implemented, excluding projects that generate power from
15.14 the combustion of fossil fuels, including, without limitation, petroleum and petroleum
15.15 products;

15.16 (2) the development, construction, deployment, alteration, or repair of any:

15.17 (i) project, technology, product, service, or measure that generates electric power from
15.18 renewable energy; or

15.19 (ii) distributed generation system, energy storage system, smart grid technology, microgrid
15.20 system, fuel cell system, or combined heat and power system;

15.21 (3) the installation, construction, or use of end-use electric technology that replaces
15.22 existing fossil-fuel-based technology;

15.23 (4) a project, technology, product, service, or measure that supports the development
15.24 and deployment of electric vehicle charging stations and associated infrastructure;

15.25 (5) projects that reduce net greenhouse gas emissions or improve climate resiliency,
15.26 including but not limited to reforestation, afforestation, forestry management, and
15.27 regenerative agriculture; and

15.28 (6) the construction or enhancement of infrastructure that is planned, designed, and
15.29 operated in a manner that anticipates, prepares for, and adapts to current and projected
15.30 changing climate conditions so that the infrastructure withstands, responds to, and more
15.31 readily recovers from disruptions caused by the current and projected changing climate
15.32 conditions.

16.1 Qualified projects include the development, construction, deployment, alteration, or repair
16.2 of any eligible project, technology, product, service, or measure, as defined in this paragraph,
16.3 that also: reduces water use while providing the same or better level and quality of service
16.4 or output that was obtained before implementing the water-saving approach; or protects,
16.5 restores, or preserves the quality of groundwater and surface waters, including but not
16.6 limited to actions that further the purposes of the Clean Water Legacy Act, as provided in
16.7 section 114D.10, subdivision 1.

16.8 (l) "Regenerative agriculture" means the deployment of farming methods that reduce
16.9 agriculture's contribution to climate change by increasing the soil's ability to absorb
16.10 atmospheric carbon and convert the atmospheric carbon to soil carbon.

16.11 (m) "Renewable energy" has the meaning given in section 216B.2422.

16.12 (n) "Smart grid" means a digital technology that (1) allows for two-way communication
16.13 between a utility and the utility's customers, and (2) enables the utility to control power
16.14 flow and load in real time.

16.15 Subd. 2. **Establishment; purpose.** (a) By September 1, 2022, the department must
16.16 establish and convene a Minnesota Green Innovation Finance Fund Advisory Task Force.

16.17 (b) By February 1, 2023, the Minnesota Green Innovation Finance Fund Advisory Task
16.18 Force convened by the department must establish the Minnesota green innovation finance
16.19 fund as a nonprofit corporation, including the development of the nonprofit board under
16.20 chapter 317A, and must seek designation as a charitable tax-exempt organization under
16.21 section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The advisory task
16.22 force must engage independent legal counsel with relevant experience in nonprofit corporate
16.23 law to help establish the nonprofit corporation. The nonprofit corporation must be governed
16.24 by a board of directors.

16.25 (c) The fund must establish bylaws, subject to the prior approval by the commissioner.

16.26 (d) The initial board of directors must include at least a majority of the members of the
16.27 advisory task force established under subdivision 5.

16.28 (e) When incorporated, the fund must serve as an independent, nonprofit corporation
16.29 for public benefit whose purpose is to (1) promote investments in qualified clean energy,
16.30 efficiency, electrification, and other climate-mitigation-related projects, and (2) accelerate
16.31 the deployment of qualified projects by reducing the up-front and total cost of adoption.
16.32 The fund may achieve the purposes under this paragraph by leveraging public sources and
16.33 additional private sources of capital through the strategic deployment of public funds in the

17.1 form of loans, credit enhancements, and other financing mechanisms, along with strategies
17.2 that stimulate demand.

17.3 (f) The Minnesota green innovation finance fund must:

17.4 (1) identify underserved markets for qualified projects in Minnesota, develop programs
17.5 to overcome market impediments, and provide access to financing to serve the projects and
17.6 underserved markets;

17.7 (2) except in cases of projects within identified disadvantaged communities, as determined
17.8 by the commissioner, that may limit such an investment, strategically prioritize funds to
17.9 leverage private investment in qualified projects, achieving a high ratio of private to public
17.10 funds invested through funding mechanisms that support, enhance, and complement private
17.11 investment;

17.12 (3) coordinate with existing government- and utility-based programs to ensure (i) the
17.13 most effective use of the fund's resources, (ii) that financing terms and conditions offered
17.14 are well-suited to qualified projects, (iii) coordination of communication with respect to all
17.15 financing options under this section and other state and utility programs, and (iv) the fund's
17.16 activities add to and complement the efforts of state and utility partners;

17.17 (4) serve as an informational resource for contractors interested in installing qualified
17.18 projects by forming partnerships with and educating contractors regarding the fund's financing
17.19 programs and coordinating multiple contractors on projects that install multiple qualifying
17.20 technologies;

17.21 (5) develop innovative and inclusive marketing strategies to stimulate project owner
17.22 interest in targeted underserved markets;

17.23 (6) serve as a financial resource to reduce the up-front and total costs to borrowers;

17.24 (7) prioritize projects that maximize greenhouse gas emission reductions or address
17.25 disparities in access to clean energy projects for underserved communities;

17.26 (8) ensure that workers employed by contractors and subcontractors in construction
17.27 work on projects over \$100,000 in total cost, financed all or in part by the fund, are paid
17.28 wages not less than those prevailing on similar construction projects in the locality;

17.29 (9) develop rules, policies, and procedures specifying borrower eligibility and other
17.30 terms and conditions for financial support offered by the fund that must be met before
17.31 financing support is provided for any qualified clean energy project;

18.1 (10) develop and administer policies to collect reasonable fees for fund services and risk
18.2 management activities that are sufficient to support ongoing fund activities;

18.3 (11) subject to review by the department, develop and adopt a work plan to accomplish
18.4 all of the activities required of the fund and update the work plan on an annual basis;

18.5 (12) develop consumer protection standards governing the fund's investments to ensure
18.6 the fund and partners provide financial support in a responsible and transparent manner that
18.7 is in the financial interest of participating project owners and serves the defined underserved
18.8 markets and disadvantaged communities; or

18.9 (13) establish and maintain an online and mobile-access portal that provides access to
18.10 all fund programs and financial products, including rates, terms, and conditions of all
18.11 financing support programs, unless disclosure of the information constitutes a trade secret
18.12 or confidential commercial or financial information.

18.13 Subd. 3. **Additional department responsibilities.** In addition to the responsibilities
18.14 listed in this chapter, the department must:

18.15 (1) review consumer protection standards established by the fund; and

18.16 (2) provide standard state oversight to money appropriated under this section.

18.17 Subd. 4. **Additional authorized activities.** The fund is authorized to:

18.18 (1) engage in any activities of a Minnesota nonprofit corporation operating under chapter
18.19 317A;

18.20 (2) develop and employ financing methods to support qualified projects, including:

18.21 (i) credit enhancement mechanisms that reduce financial risk for private lenders by
18.22 providing assurance that a limited portion of a loan is assumed by the fund via a loan loss
18.23 reserve, loan guarantee, or other mechanism;

18.24 (ii) co-investment, where the fund invests directly in a clean energy project by providing
18.25 senior or subordinated debt, equity, or other mechanisms in conjunction with a private
18.26 financier's investment; and

18.27 (iii) serving as an aggregator of many small and geographically dispersed qualified
18.28 projects, where the fund may provide direct lending, investment, or other financial support
18.29 in order to diversify risk; and

18.30 (3) seek to qualify as a community development financial institution under United States
18.31 Code, title 12, section 4702, in which case the fund must be treated as a qualified community

19.1 development entity for the purposes of sections 45D and 1400(m) of the Internal Revenue
19.2 Code.

19.3 Subd. 5. **Advisory task force; membership.** (a) The Minnesota Green Innovation
19.4 Finance Fund Advisory Task Force is established and consists of ... members as follows:

19.5 (1) the commissioner of commerce or the commissioner's designee, who serves as chair
19.6 of the advisory task force;

19.7 (2) the commissioner of employment and economic development or the commissioner's
19.8 designee;

19.9 (3) the commissioner of the Pollution Control Agency or the commissioner's designee;

19.10 (4) the commissioner of agriculture or the commissioner's designee;

19.11 (5) ... additional members appointed by the governor;

19.12 (6) ... additional members appointed by the speaker of the house;

19.13 (7) ... additional members appointed by the president of the senate; and

19.14 (8) five members that have extensive life or work experience within vulnerable
19.15 communities that the fund aims to serve, appointed by the governor and the commissioners
19.16 identified in clauses (1) to (4).

19.17 (b) The members appointed to the advisory task force under paragraph (a), clauses (6)
19.18 and (7), must have expertise in matters relating to energy conservation, clean energy,
19.19 economic development, banking, law, finance, or other matters relevant to the work of the
19.20 advisory task force.

19.21 (c) When appointing a member to the advisory task force, consideration must be given
19.22 to whether the advisory task force members collectively reflect the geographical and ethnic
19.23 diversity of Minnesota.

19.24 (d) Members of the advisory task force must abide by the conflict of interest provisions
19.25 in section 43A.38.

19.26 (e) In order to ensure participation, the commissioner may provide a nominal grant to
19.27 any advisory task force member that can demonstrate financial need in order to participate.

19.28 Subd. 6. **Report; audit.** Beginning February 1, 2024, the fund must annually submit a
19.29 comprehensive report on the fund's activities for the previous fiscal year to the governor
19.30 and the chairs and ranking minority members of the legislative committees with primary
19.31 jurisdiction over energy policy. The report must contain, at a minimum, information on:

20.1 (1) the amount of fund capital invested, by project type;

20.2 (2) the amount of private capital leveraged as a result of fund investments, by project
20.3 type;

20.4 (3) the number of qualified projects supported, by project type and location within
20.5 Minnesota;

20.6 (4) the estimated number of jobs created and tax revenue generated as a result of the
20.7 fund's activities;

20.8 (5) the number of clean energy projects financed in low- and moderate-income
20.9 households; and

20.10 (6) the fund's financial statements.

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

20.12 Sec. 6. **[216C.45] DECARBONIZATION TECHNOLOGY INVESTMENT FUND.**

20.13 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
20.14 the meanings given.

20.15 (b) "Contracts" means a grant or a loan.

20.16 (c) "Emerging energy technology" means carbon-reducing energy technologies, systems,
20.17 or practices that require capital investment in order to achieve sufficient market share.

20.18 (d) "Qualified business" means a business that is:

20.19 (1) seeking funding for an eligible use; and

20.20 (2) a Minnesota-focused business, as defined by the commissioner.

20.21 (e) "Qualified equity business" means a minority-, women-, or veteran-owned business,
20.22 as the terms are defined under section 116J.8737.

20.23 (f) "Qualified greater Minnesota business" means a qualified small business that is also
20.24 certified by the commissioner as a qualified greater Minnesota business under section
20.25 116J.8737, subdivision 2.

20.26 Subd. 2. **Establishment; purpose.** (a) A decarbonization technology investment fund
20.27 is established within the Department of Commerce to provide loans and grants to qualified
20.28 businesses to: (1) promote the start-up, expansion, and attraction of emerging energy
20.29 technologies and businesses within Minnesota; and (2) stimulate other innovative carbon

21.1 reduction projects that provide a reasonable expectation to reduce carbon emissions in a
21.2 measurable way as a proof of concept prior to large-scale deployment within Minnesota.

21.3 (b) A decarbonization technology innovation investment account is created in the special
21.4 revenue fund in the state treasury. Earnings, including interest, dividends, and any other
21.5 earnings arising from assets of the account, must be credited to the account.

21.6 (c) The commissioner must manage the account but may select and use a third-party
21.7 administrator to administer and manage the account, including projects funded under the
21.8 account. Money in the account is appropriated to the commissioner for contracts under this
21.9 section and must be expended only as provided in this section.

21.10 (d) The commissioner may seek and accept funding from nonstate sources to support
21.11 eligible expenditures under subdivision 4. Any money received under this paragraph must
21.12 be deposited in the state treasury, credited to the decarbonization technology investment
21.13 account in the special revenue fund, and is appropriated to the commissioner for the purposes
21.14 of this section. The commissioner must ensure that the funding source has no influence on
21.15 (1) the process to select projects eligible for funding under this section, or (2) any of the
21.16 activities to administer the fund.

21.17 (e) The account under this subdivision expires ten years after the effective date of this
21.18 section or June 30, 2035, whichever is later. Any money remaining in the account on the
21.19 date the account expires cancels to the general fund.

21.20 (f) The commissioner may retain no more than three percent annually of funds credited
21.21 to the account for the department's administrative expenses, including but not limited to
21.22 duties required under subdivision 9, program management, contract management, software
21.23 applications, program outreach, application and project technical review, and staffing.

21.24 Subd. 3. **Eligible expenditures.** (a) The commissioner may, by order, approve and make
21.25 contracts under the account established in subdivision 2. Money in the account established
21.26 in subdivision 2 must be used only to provide awards to eligible entities. No less than 50
21.27 percent of funds must be allocated to qualified greater Minnesota businesses or qualified
21.28 equity businesses. Any amount that is reserved for qualified investments in greater Minnesota
21.29 businesses or qualified equity businesses under this paragraph that is not allocated by March
21.30 31, 2024, is available for allocation to other qualified businesses.

21.31 (b) The commissioner must develop administrative procedures to implement this section.

21.32 (c) The commissioner must award all loans by June 30, 2025.

21.33 (d) Money in the account must be allocated to projects as follows:

22.1 (1) up to 65 percent of available funds must be allocated to establish a low-interest loan
22.2 fund and loan loss reserve. Loan recipients must repay loan amounts awarded under this
22.3 section by the end of the loan term. Loan repayment amounts must be credited to the account
22.4 established under subdivision 2. The department may use up to ten percent of the money
22.5 or 6.5 percent of total funds, whichever is greater, under this section to establish a loan loss
22.6 reserve in order to leverage additional investments; ensure funding for emerging, innovative
22.7 energy products; and ensure accessibility by small businesses; or

22.8 (2) no less than 35 percent of available money must be allocated to provide grants to
22.9 eligible projects.

22.10 Subd. 4. **Application process.** (a) An application for a grant or loan contract under this
22.11 section must be made to the commissioner on a form developed by the commissioner.

22.12 (b) An application made under this section must be evaluated by the investment committee
22.13 under subdivision 7.

22.14 Subd. 5. **Grant awards; limitations.** (a) The commissioner must award grants under
22.15 this section to eligible applicants through a competitive grant process.

22.16 (b) An eligible entity must be (1) located in Minnesota, or (2) able to demonstrate how
22.17 the grant directly and significantly benefits Minnesotans in a manner that meets criteria
22.18 established by the commissioner.

22.19 (c) The commissioner must consult with the advisory committee under subdivision 6
22.20 and the investment committee under subdivision 7 to issue additional grant award criteria
22.21 under subdivision 3 or under section 216C.02, subdivision 3.

22.22 Subd. 6. **Technical advisory committee; membership.** (a) The commissioner must
22.23 establish a technical advisory committee to assist in the development of eligible uses of the
22.24 money under subdivision 3. The technical advisory committee must have expertise in energy
22.25 research and development, energy conservation, clean energy technology development,
22.26 economic development, or energy project financing.

22.27 (b) When establishing the technical advisory committee, the commissioner must consider
22.28 whether the members collectively reflect the geographic and ethnic diversity of Minnesota.

22.29 (c) Members of the technical advisory committee must comply with the conflicts of
22.30 interest provisions under section 43A.38.

22.31 Subd. 7. **Investment committee; duties; membership.** (a) The commissioner, in
22.32 consultation with the commissioner of employment and economic development, must

23.1 establish an investment committee to recommend eligible applicants for grant awards under
23.2 subdivision 5.

23.3 (b) The investment committee consists of seven members. Members of the investment
23.4 committee must have expertise and experience in investments and finance. The commissioner
23.5 or the commissioner's designee, and the commissioner of employment and economic
23.6 development or the commissioner of employment and economic development's designee,
23.7 serve as members of the investment committee. The commissioner or the commissioner's
23.8 designee serves as chair of the investment committee.

23.9 (c) When establishing the investment committee, the commissioner must consider whether
23.10 the members collectively reflect the geographic and ethnic diversity of Minnesota. In order
23.11 to ensure participation, the commissioner may provide a nominal grant to any investment
23.12 committee member that demonstrates financial need in order to participate.

23.13 (d) Members of the investment committee must comply with the conflicts of interest
23.14 provisions under section 43A.38. Entities represented by members of the investment
23.15 committee are ineligible to receive grants under subdivision 5.

23.16 Subd. 8. **Annual report; audit.** On or before February 15, 2024, and by February 15
23.17 each year thereafter, the commissioner must report on the activities of the fund for the
23.18 preceding calendar year to the chairs and ranking minority members of the committees of
23.19 the senate and house of representatives with jurisdiction over energy finance and policy and
23.20 economic development finance. The report must include but is not limited to information
23.21 specifying:

23.22 (1) the number of applications for funding received;

23.23 (2) the number of applications selected for grants;

23.24 (3) the total amount of grants issued in the previous year and to date, itemized by project
23.25 type and grant type; and

23.26 (4) a complete operating and financial statement covering the fund's operations for that
23.27 year.

23.28 Sec. 7. **[216C.46] GRANTS FOR RENEWABLE INTEGRATION AND**
23.29 **DEMONSTRATION.**

23.30 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
23.31 the meanings given.

23.32 (b) "Grid modernization" means:

24.1 (1) enhancing electric grid service quality and reliability;

24.2 (2) improving the security of the electric grid and critical infrastructure against
24.3 cyberthreats and physical threats; and

24.4 (3) increasing energy conservation opportunities by facilitating communication between
24.5 the utility and the utility's customers through the use of two-way meters, control technologies,
24.6 energy storage and microgrids, technologies that enable demand flexibility, and other
24.7 innovative technologies.

24.8 (c) "Renewable energy" has the meaning given in section 216B.2422, subdivision 1,
24.9 paragraph (c).

24.10 Subd. 2. **Establishment; purpose.** A grants for renewable integration and demonstration
24.11 program is established in the department. The purpose of the program is to provide grants
24.12 for projects to:

24.13 (1) stimulate research, deployment, and grid integration of renewable electric energy
24.14 technologies;

24.15 (2) encourage grid modernization, including but not limited to projects that implement
24.16 electricity storage, generation control, load control, and smart meter technology; and

24.17 (3) stimulate other innovative energy projects that reduce demand and increase system
24.18 efficiency and flexibility to benefit customers of the utility that owns nuclear generating
24.19 units in Minnesota.

24.20 Subd. 3. **Program account.** A grants for renewable integration and demonstration
24.21 program account is established as a separate account in the special revenue fund in the state
24.22 treasury.

24.23 Subd. 4. **Expenditures.** Money in the account may be used only:

24.24 (1) for grant awards made under this section;

24.25 (2) for costs to procure technical evaluation services; and

24.26 (3) to pay reasonable costs incurred by the department to administer this section.

24.27 Subd. 5. **Eligibility.** The commissioner must determine whether a project is eligible for
24.28 a grant under this section. When evaluating a project for approval, the commissioner must
24.29 consider:

24.30 (1) diversity, equity, and inclusion;

24.31 (2) greenhouse gas emissions;

25.1 (3) resiliency value;

25.2 (4) grid security;

25.3 (5) jobs and economic development; and

25.4 (6) other potential benefits to Minnesota citizens and businesses, ratepayers receiving
25.5 electric service from the utility that owns a nuclear-powered electric generating plant in
25.6 Minnesota, the Prairie Island Indian community, or Prairie Island Indian community
25.7 members.

25.8 Subd. 6. **Reporting.** (a) A project that receives money from a grant approved under this
25.9 section must produce a written final report that includes sufficient detail for technical readers
25.10 and a clearly written summary for nontechnical readers. The report must include an evaluation
25.11 of the project's financial, environmental, and other benefits to Minnesota and the public
25.12 utility's ratepayers.

25.13 (b) Final reports, any project status reports, and grants for renewable integration and
25.14 demonstration program balances must be posted on a public website designated by the
25.15 commissioner.

25.16 (c) All final reports must acknowledge that the project was made possible in whole or
25.17 part by the Minnesota renewable development account, noting that the account is financed
25.18 by the public utility's ratepayers.

25.19 (d) By February 15 each year, the commissioner must report to the chairs and ranking
25.20 minority members of the legislative committees with primary jurisdiction over energy
25.21 regarding: (1) grants issued under this section during the previous calendar year; and (2)
25.22 any remaining balances available under this section.

25.23 Subd. 7. **Gifts; grants; donations.** The program may accept gifts and grants on behalf
25.24 of the state that constitute donations to the state. Money received under this subdivision is
25.25 appropriated to the commissioner of commerce to support the program under this section.

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