

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 2393

(SENATE AUTHORS: FRENTZ and Xiong)		
DATE	D-PG	OFFICIAL STATUS
03/10/2025	719	Introduction and first reading Referred to Commerce and Consumer Protection
03/13/2025	777	Withdrawn and re-referred to Energy, Utilities, Environment, and Climate
04/10/2025	1743a	Comm report: To pass as amended and re-refer to Finance

1.1

A bill for an act

1.2

relating to energy; establishing a budget for energy, transmission, petroleum, and

1.3

renewable energy purposes; adding and modifying provisions governing geothermal

1.4

energy, solar energy, and other energy policy; authorizing natural gas utilities to

1.5

sell extraordinary event bonds under certain circumstances; sunsetting the renewable

1.6

development account; establishing an account; appropriating money; amending

1.7

Minnesota Statutes 2024, sections 116C.7792; 116D.04, subdivision 4a; 116J.55,

1.8

subdivision 5; 216B.02, by adding subdivisions; 216B.16, subdivisions 14, 15, by

1.9

adding a subdivision; 216B.164, subdivisions 2a, 3, 4a; 216B.1641, by adding a

1.10

subdivision; 216B.1645, subdivision 1; 216B.1691, subdivisions 1, 2g; 216B.2402,

1.11

subdivision 16; 216B.2421, subdivision 2; 216B.243, subdivision 8; 216B.62,

1.12

subdivision 3, by adding a subdivision; 216C.09; 216C.10; 216C.11; 216C.12;

1.13

216C.377, subdivision 3; 216C.391, subdivisions 1, 3; 216C.417, subdivision 2,

1.14

by adding a subdivision; 216C.47, subdivision 1; 216I.02, by adding a subdivision;

1.15

216I.07, subdivisions 2, 3; proposing coding for new law in Minnesota Statutes,

1.16

chapter 216B; repealing Minnesota Statutes 2024, sections 116C.779, subdivisions

1.17

1, 2; 116C.7791; 216C.41.

1.18

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

1.19

ARTICLE 1

1.20

CLIMATE AND ENERGY FINANCE

1.21

Section 1. APPROPRIATIONS.

1.22

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

1.23

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

1.24

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

1.25

The figures "2026" and "2027" used in this article mean that the appropriations listed under

1.26

them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively.

1.27

"The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium"

1.28

is fiscal years 2026 and 2027. If an appropriation in this article is enacted more than once

in the 2025 regular or a special legislative session, the appropriation must be given effect only once.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2026</u>	<u>2027</u>

Sec. 2. DEPARTMENT OF COMMERCE

Subdivision 1. <u>Total Appropriation</u>	\$	<u>12,644,000</u>	\$	<u>12,644,000</u>
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<u>Appropriations by Fund</u>		
	<u>2026</u>	<u>2027</u>
<u>General</u>	<u>11,047,000</u>	<u>11,047,000</u>
<u>Petroleum Tank</u>	<u>1,597,000</u>	<u>1,597,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <u>Energy Resources</u>	<u>11,047,000</u>	<u>11,047,000</u>
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(a) \$150,000 the first year and \$150,000 the second year are to remediate vermiculite insulation from households that are eligible for weatherization assistance under Minnesota's weatherization assistance program state plan under Minnesota Statutes, section 216C.264. Remediation must be performed in conjunction with federal weatherization assistance program services.

(b) \$189,000 each year is for activities associated with a utility's implementation of a natural gas innovation plan under Minnesota Statutes, section 216B.2427.

(c) \$500,000 each year is for a grant to the clean energy resource teams under Minnesota Statutes, section 216C.385, subdivision 2, to provide additional capacity to perform the duties specified under Minnesota Statutes, section 216C.385, subdivision 3. This

3.1 appropriation may be used to reimburse the
3.2 reasonable costs incurred by the Department
3.3 of Commerce to administer the grant.

3.4 (d) \$301,000 each year is to implement energy
3.5 benchmarking under Minnesota Statutes,
3.6 section 216C.331.

3.7 (e) \$164,000 each year is for activities
3.8 associated with a public utility's transportation
3.9 electrification plan filing under Minnesota
3.10 Statutes, section 216B.1615.

3.11 (f) \$77,000 each year is for activities
3.12 associated with appeals of consumer
3.13 complaints to the commission under
3.14 Minnesota Statutes, section 216B.172.

3.15 (g) \$961,000 each year is for activities
3.16 required under Minnesota Statutes, section
3.17 216B.1641, for community solar gardens. This
3.18 appropriation must be assessed directly to the
3.19 public utility subject to Minnesota Statutes,
3.20 section 116C.779.

3.21 (h) \$46,000 each year is for work to align
3.22 energy transmission and distribution planning
3.23 activities with opportunities along trunk
3.24 highway rights-of-way.

3.25 (i) \$265,000 each year is to (1) participate in
3.26 a Public Utilities Commission proceeding to
3.27 review electric transmission line owners' plans
3.28 to deploy grid-enhancing technologies, and
3.29 (2) issue an order to implement the plans. The
3.30 base in fiscal year 2028 is \$0.

3.31 The general fund base is \$10,782,000 in fiscal
3.32 year 2028 and \$10,782,000 in fiscal year 2029.

4.1 Subd. 3. **Petroleum Tank Release Compensation**
 4.2 **Board**

1,597,000

1,597,000

4.3 This appropriation is from the petroleum tank
 4.4 fund.

4.5 Sec. 3. **PUBLIC UTILITIES COMMISSION** \$ 13,330,000 \$ 13,417,000

4.6 The general fund base is \$13,183,000 in fiscal
 4.7 year 2028 and later.

4.8 Sec. 4. **TRANSFERS.**

4.9 \$1,199,000 in fiscal year 2026 and \$1,199,000 in fiscal year 2027 are transferred from
 4.10 the general fund to the preweatherization account in the special revenue fund under Minnesota
 4.11 Statutes, section 216C.264, subdivision 1c. For fiscal years 2028 through 2031, the
 4.12 commissioner of management and budget must include a transfer of \$1,199,000 each year
 4.13 from the general fund to the preweatherization account in the special revenue fund when
 4.14 preparing each forecast from the effective date of this section through the February 2027
 4.15 forecast, under Minnesota Statutes, section 16A.103.

4.16 Sec. 5. **APPROPRIATION EXTENSION.**

4.17 The availability of the appropriation for the Tribal Advocacy Council on Energy in Laws
 4.18 2023, chapter 60, article 10, section 2, subdivision 2, paragraph (i), is extended to June 30,
 4.19 2026.

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

4.21 **ARTICLE 2**

4.22 **RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS**

4.23 Section 1. **RENEWABLE DEVELOPMENT FINANCE.**

4.24 The sums shown in the columns marked "Appropriations" are appropriated to the agencies
 4.25 and for the purposes specified in this article. Notwithstanding Minnesota Statutes, section
 4.26 116C.779, subdivision 1, paragraph (j), the appropriations are from the renewable
 4.27 development account in the special revenue fund established in Minnesota Statutes, section
 4.28 116C.779, subdivision 1, and are available for the fiscal years indicated for each purpose.
 4.29 The figures "2026" and "2027" used in this article mean that the appropriations listed under
 4.30 them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively.
 4.31 "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium"
 4.32 is fiscal years 2026 and 2027. If an appropriation in this article is enacted more than once

in the 2025 regular or special legislative session, the appropriation must be given effect only once.

<u>APPROPRIATIONS</u>	
<u>Available for the Year</u>	
<u>Ending June 30</u>	
<u>2026</u>	<u>2027</u>

Sec. 2. DEPARTMENT OF COMMERCE

<u>Subdivision 1. Total Appropriation</u>	<u>\$ 10,500,000</u>	<u>\$ 100,000</u>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. "Made in Minnesota" Administration

\$100,000 each year is to administer the "Made in Minnesota" solar energy production incentive program under Minnesota Statutes, section 216C.417. Any unobligated amount remaining on June 30, 2027, cancels to the renewable development account.

Subd. 3. Microgrid Research and Application

\$1,200,000 the first year is for a grant to the University of St. Thomas Center for Microgrid Research, which must be used to:

(1) increase the center's capacity to provide industry partners opportunities to test near-commercial microgrid products on a real-world scale and to multiply opportunities for innovative research;

(2) procure advanced equipment and controls to enable the extension of the university's microgrid to additional buildings; and

(3) expand (i) hands-on educational opportunities for undergraduate and graduate electrical engineering students to increase

6.1 understanding of microgrid operations, and
6.2 (ii) partnerships with community colleges.

6.3 This is a onetime appropriation and is
6.4 available until June 30, 2028.

6.5 **Subd. 4. Green Hydrogen Project**

6.6 \$2,000,000 the first year is for a grant to the
6.7 city of St. Cloud for the Green Hydrogen
6.8 Project to incorporate a battery and renewable
6.9 energy system. This is a onetime appropriation
6.10 and is available until June 30, 2028.

6.11 **Subd. 5. Anaerobic Digester Energy System**

6.12 \$4,000,000 the first year is for a grant to
6.13 Ramsey/Washington Recycling and Energy,
6.14 in partnership with Dem-Con HZI Bioenergy,
6.15 LLC, to construct an anaerobic digester energy
6.16 system in Louisville Township. For the
6.17 purposes of this subdivision, "anaerobic
6.18 digester energy system" means a facility that
6.19 uses diverted food and organic waste to create
6.20 renewable natural gas and biochar. This is a
6.21 onetime appropriation and is available until
6.22 June 30, 2028.

6.23 **Subd. 6. Como Zoo Geothermal Energy System**

6.24 \$2,200,000 the first year is for a grant to Como
6.25 Zoo in the city of St. Paul to construct a
6.26 geothermal energy system that provides space
6.27 heating and cooling to the large cats building.
6.28 For the purposes of this subdivision,
6.29 "geothermal energy system" means a system
6.30 composed of a heat pump that moves a
6.31 heat-transferring fluid through piping
6.32 embedded in the earth and absorbs the earth's
6.33 constant temperature, a heat exchanger, and
6.34 ductwork to distribute heated and cooled air

7.1 to a building. This is a onetime appropriation
7.2 and is available until June 30, 2028.

7.3 Subd. 7. **Minnesota Energy Alley**

7.4 (a) \$1,000,000 the first year for a grant to
7.5 Clean Energy Economy Minnesota for the
7.6 Minnesota Energy Alley initiative. The
7.7 initiative is designed to promote energy
7.8 innovation through supporting energy
7.9 entrepreneurs and emerging businesses to
7.10 commercialize energy solutions by matching
7.11 promising innovators with established and
7.12 trustworthy Minnesota-based public and
7.13 private partners to demonstrate emerging
7.14 technologies in real-world applications. The
7.15 grant may be used to provide seed funding for
7.16 businesses, develop a training and
7.17 development program, support recruitment of
7.18 entrepreneurs to Minnesota, and secure
7.19 funding from federal programs and corporate
7.20 partners to establish a self-sustaining,
7.21 long-term revenue model. This is a onetime
7.22 appropriation and is available until June 30,
7.23 2027.

7.24 (b) By January 15, 2027, the commissioner of
7.25 commerce must submit a written report to the
7.26 chairs and ranking minority members of the
7.27 house of representatives and senate
7.28 committees with jurisdiction over energy
7.29 finance and policy on the activities and
7.30 accomplishments of the Minnesota Energy
7.31 Alley initiative during the previous fiscal year
7.32 and the disposition of this appropriation,
7.33 including a separate statement of the amount
7.34 of administrative costs.

8.1 Subd. 8. **Grant Administration**

8.2 Notwithstanding Minnesota Statutes, section
 8.3 16B.98, subdivision 14, the commissioner may
 8.4 use up to \$100,000 of the amount in this
 8.5 section for the administrative costs of the
 8.6 grants in this section.

8.7 Sec. 3. **DEPARTMENT OF**
 8.8 **ADMINISTRATION**

\$ 92,000 \$ 92,000

8.9 \$92,000 each year is for software and
 8.10 administrative costs associated with the state
 8.11 building energy conservation improvement
 8.12 revolving loan program under Minnesota
 8.13 Statutes, section 16B.87.

8.14 Sec. 4. **UNIVERSITY OF MINNESOTA**

\$ 5,000,000 \$ -0-

8.15 \$5,000,000 the first year is for research,
 8.16 development, outreach, and demonstration of
 8.17 energy systems that use hydrogen and
 8.18 ammonia production from renewable energy
 8.19 resources and other sources of clean energy
 8.20 as a means of storing and generating
 8.21 electricity. This is a onetime appropriation and
 8.22 is available until June 30, 2028.

8.23 Sec. 5. **POLLUTION CONTROL AGENCY**

\$ 3,000,000 \$ -0-

8.24 \$3,000,000 the first year is for a grant to the
 8.25 owner of a biomass energy generation plant
 8.26 in Shakopee that uses waste heat from the
 8.27 generation of electricity in the malting process
 8.28 to purchase equipment to facilitate the disposal
 8.29 of wood that is infested by emerald ash borer.
 8.30 This is a onetime appropriation and is
 8.31 available until June 30, 2028. Notwithstanding
 8.32 Minnesota Statutes, section 16B.98,
 8.33 subdivision 14, the commissioner of the
 8.34 Pollution Control Agency may use up to

9.1 \$25,000 of the amount in this section for the
9.2 administrative costs of this grant.

9.3 Sec. 6. **TRANSFER.**

9.4 \$2,000,000 in fiscal year 2026 is transferred from the renewable development account
9.5 in the special revenue fund to the geothermal planning grant account under Minnesota
9.6 Statutes, section 216C.47, subdivision 3.

9.7 Sec. 7. **APPROPRIATION EXTENSION.**

9.8 Notwithstanding Minnesota Statutes, section 16A.28, and Laws 2023, chapter 60, article
9.9 11, section 2, subdivision 3, paragraph (c), the availability of the fiscal year 2024 and fiscal
9.10 year 2025 appropriations for grants to the University of St. Thomas Center for Microgrid
9.11 Research in Laws 2023, chapter 60, article 11, section 2, subdivision 3, are extended to June
9.12 30, 2028.

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

9.14 **ARTICLE 3**

9.15 **ENERGY POLICY**

9.16 Section 1. Minnesota Statutes 2024, section 116D.04, subdivision 4a, is amended to read:

9.17 Subd. 4a. **Alternative review.** (a) The board shall by rule identify alternative forms of
9.18 environmental review which will address the same issues and utilize similar procedures as
9.19 an environmental impact statement in a more timely or more efficient manner to be utilized
9.20 in lieu of an environmental impact statement.

9.21 (b) Upon adoption by the responsible governmental unit of the environmental document
9.22 and plan for mitigation under an alternative urban areawide review process, and
9.23 notwithstanding any additional environmental review that may otherwise be required for a
9.24 phased action or connected action, or project component that was not evaluated in the
9.25 alternative urban areawide review process, environmental review is complete and the
9.26 prerequisites under subdivision 2b are satisfied with regards to the anticipated residential,
9.27 commercial, warehousing, and light industrial development projects that are consistent with
9.28 development assumptions within the established boundaries of the geographic area to which
9.29 the alternative urban areawide review applies.

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

10.1 Sec. 2. Minnesota Statutes 2024, section 216B.02, is amended by adding a subdivision to
10.2 read:

10.3 Subd. 11. **Emergency backup generator.** "Emergency backup generator" means a
10.4 stationary compressed ignition or spark ignition engine described under Code of Federal
10.5 Regulations, title 40, parts 60.4211(f) and 60.4243(d), respectively, that is installed with
10.6 equipment that prevents the flow of electricity to the electric grid.

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

10.8 Sec. 3. Minnesota Statutes 2024, section 216B.02, is amended by adding a subdivision to
10.9 read:

10.10 Subd. 12. **Data center.** "Data center" means a freestanding structure that primarily
10.11 contains electronic equipment used to process, store, and transmit digital information.

10.12 Sec. 4. Minnesota Statutes 2024, section 216B.16, is amended by adding a subdivision to
10.13 read:

10.14 Subd. 1b. **Definitions.** For the purposes of this section, "low-income" means a household:

10.15 (1) who is approved as qualified for energy assistance from the low-income home energy
10.16 assistance program;

10.17 (2) whose household income is 50 percent or less of the state median income; or

10.18 (3) who meets another qualification established by the commission.

10.19 Sec. 5. Minnesota Statutes 2024, section 216B.16, subdivision 14, is amended to read:

10.20 **Subd. 14. Low-income electric rate discount.** A public utility shall fund an affordability
10.21 program for low-income customers at a base annual funding level of \$8,000,000. The annual
10.22 funding level shall increase in the calendar years subsequent to each commission approval
10.23 of a rate increase for the public utility's residential customers by the same percentage as the
10.24 approved residential rate increase. Costs for the program shall be included in the utility's
10.25 base rate. ~~For the purposes of this subdivision, "low-income" describes a customer who is~~
10.26 ~~receiving assistance from the federal low-income home energy assistance program.~~ The
10.27 affordability program must be designed to target participating customers with the lowest
10.28 incomes and highest energy costs in order to lower the percentage of income they devote
10.29 to energy bills, increase their payments, lower utility service disconnections, and decrease
10.30 costs associated with collection activities on their accounts. For low-income customers who
10.31 are 62 years of age or older or disabled, the program must include a \$15 discount in each

11.1 billing period. For the purposes of this subdivision, "public utility" includes only those
11.2 public utilities with more than 200,000 residential electric service customers. The commission
11.3 may issue orders necessary to implement, administer, and recover the costs of the program
11.4 on a timely basis.

11.5 Sec. 6. Minnesota Statutes 2024, section 216B.16, subdivision 15, is amended to read:

11.6 Subd. 15. **Low-income affordability programs.** (a) The commission must consider
11.7 ability to pay as a factor in setting utility rates and may establish affordability programs for
11.8 low-income residential ratepayers in order to ensure affordable, reliable, and continuous
11.9 service to low-income utility customers. A public utility serving low-income residential
11.10 ratepayers who use natural gas for heating must file an affordability program with the
11.11 commission. ~~For purposes of this subdivision, "low-income residential ratepayers" means~~
11.12 ~~ratepayers who receive energy assistance from the low-income home energy assistance~~
11.13 ~~program (LIHEAP).~~

11.14 (b) Any affordability program the commission orders a utility to implement must:

11.15 (1) lower the percentage of income that participating low-income households devote to
11.16 energy bills;

11.17 (2) increase participating customer payments over time by increasing the frequency of
11.18 payments;

11.19 (3) decrease or eliminate participating customer arrears;

11.20 (4) lower the utility costs associated with customer account collection activities; and

11.21 (5) coordinate the program with other available low-income bill payment assistance and
11.22 conservation resources.

11.23 (c) In ordering affordability programs, the commission may require public utilities to
11.24 file program evaluations that measure the effect of the affordability program on:

11.25 (1) the percentage of income that participating households devote to energy bills;

11.26 (2) service disconnections; and

11.27 (3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

11.28 (d) The commission must issue orders necessary to implement, administer, and evaluate
11.29 affordability programs, and to allow a utility to recover program costs, including
11.30 administrative costs, on a timely basis. The commission may not allow a utility to recover
11.31 administrative costs, excluding start-up costs, in excess of five percent of total program

12.1 costs, or program evaluation costs in excess of two percent of total program costs. The
12.2 commission must permit deferred accounting, with carrying costs, for recovery of program
12.3 costs incurred during the period between general rate cases.

12.4 (e) Public utilities may use information collected or created for the purpose of
12.5 administering energy assistance to administer affordability programs.

12.6 Sec. 7. Minnesota Statutes 2024, section 216B.164, subdivision 2a, is amended to read:

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

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

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

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

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

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

12.21 (g) "Designated meter" means a meter that is physically attached to the customer's facility
12.22 that the customer-generator designates as the first meter to which net metered credits are
12.23 to be applied as the primary meter for billing purposes when the customer is serviced by
12.24 more than one meter.

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

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

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

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

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

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

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

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

Sec. 8. Minnesota Statutes 2024, section 216B.164, subdivision 3, is amended to read:

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

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

(c) In setting rates, the commission shall consider the fixed distribution costs to the utility not otherwise accounted for in the basic monthly charge and shall ensure that the

costs charged to the qualifying facility are not discriminatory in relation to the costs charged to other customers of the utility. The commission shall set the rates for net input into the utility system based on avoided costs as defined in the Code of Federal Regulations, title 18, section 292.101, paragraph (b)(6), the factors listed in Code of Federal Regulations, title 18, section 292.304, and all other relevant factors.

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

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

(f) A customer with a qualifying facility or net metered facility having a capacity below 40 kilowatts that is interconnected to a cooperative electric association or a municipal utility may elect to be compensated for the customer's net input into the utility system in the form of a kilowatt-hour credit on the customer's energy bill carried forward and applied to subsequent energy bills. Any kilowatt-hour credits carried forward by the customer cancel at the end of the calendar year ~~with no additional compensation.~~ A customer must be compensated for a canceled credit at the per kilowatt-hour rate determined under paragraph (c).

(g) This section applies only to qualifying facilities that have submitted interconnection applications after December 31, 2026. Qualifying facilities with interconnection applications submitted on or before that date are subject to Minnesota Statutes 2024, section 216B.164.

EFFECTIVE DATE. This section is effective July 1, 2025.

15.1 Sec. 9. Minnesota Statutes 2024, section 216B.164, subdivision 4a, is amended to read:

15.2 Subd. 4a. **Aggregation of meters.** (a) For the purpose of measuring electricity under
15.3 subdivisions 3 and 3a, a public utility must aggregate for billing purposes a customer's
15.4 designated meter with one or more aggregated meters if a customer requests that it do so.
15.5 To qualify for aggregation under this subdivision, a meter must be owned by the customer
15.6 requesting the aggregation, must be located on contiguous property owned by the customer
15.7 requesting the aggregation, and the total of all aggregated meters must be subject to the size
15.8 limitation in this section. A cooperative electric association or a municipal utility must
15.9 aggregate for billing purposes one or more aggregated meters if a customer requests that it
15.10 do so.

15.11 (b) A ~~public~~ utility must comply with a request by a customer-generator to aggregate
15.12 additional meters within 90 days. The specific meters must be identified at the time of the
15.13 request. In the event that more than one meter is identified, the customer must designate
15.14 the rank order for the aggregated meters to which the net metered credits are to be applied.
15.15 At least 60 days prior to the beginning of the next annual billing period, a customer may
15.16 amend the rank order of the aggregated meters, subject to this subdivision.

15.17 (c) The aggregation of meters applies only to charges that use kilowatt-hours as the
15.18 billing determinant. All other charges applicable to each meter account shall be billed to
15.19 the customer.

15.20 (d) A ~~public~~ utility will first apply the kilowatt-hour credit to the charges for the
15.21 designated meter and then to the charges for the aggregated meters in the rank order specified
15.22 by the customer. If the ~~net-metered~~ facility supplies more electricity to the public utility
15.23 than the energy usage recorded by the customer-generator's designated and aggregated
15.24 meters during a monthly billing period, the public utility shall apply credits to the customer's
15.25 next monthly bill for the excess kilowatt-hours.

15.26 (e) With the commission's prior approval, a ~~public~~ utility may charge the
15.27 customer-generator requesting to aggregate meters a reasonable fee to cover the
15.28 administrative costs incurred in implementing the costs of this subdivision, pursuant to a
15.29 tariff approved by the commission for a ~~public~~ utility.

15.30 Sec. 10. Minnesota Statutes 2024, section 216B.1641, is amended by adding a subdivision
15.31 to read:

15.32 Subd. 15. **Sunset.** This section expires July 31, 2028.

16.1 Sec. 11. Minnesota Statutes 2024, section 216B.1691, subdivision 1, is amended to read:

16.2 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
16.3 the ~~meaning~~ meanings given ~~them~~.

16.4 (b) "Carbon-free" means a technology that generates electricity without emitting carbon
16.5 dioxide. Carbon-free includes a technology that, as of the effective date of this act and
16.6 thereafter, is used by a utility to generate electricity for retail sale in Minnesota by combusting
16.7 wood chips derived from:

16.8 (1) limbs, branches, and other by-products of timber harvesting operations conducted
16.9 to obtain wood for nonenergy purposes; or

16.10 (2) discarded wood products.

16.11 (c) Unless otherwise specified in law, "eligible energy technology" means an energy
16.12 technology that generates electricity from the following renewable energy sources:

16.13 (1) solar;

16.14 (2) wind;

16.15 (3) hydroelectric ~~with a capacity of: (i) less than 100 megawatts; or (ii) 100 megawatts~~
16.16 ~~or more, provided that the facility is in operation as of February 8, 2023;~~

16.17 (4) hydrogen generated from the resources listed in this paragraph; or

16.18 (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester
16.19 system; the predominantly organic components of wastewater effluent, sludge, or related
16.20 by-products from publicly owned treatment works, but not including incineration of
16.21 wastewater sludge to produce electricity; and, except as provided in subdivision 1a, an
16.22 energy recovery facility used to capture the heat value of mixed municipal solid waste or
16.23 refuse-derived fuel from mixed municipal solid waste as a primary fuel.

16.24 (d) "Electric utility" means: (1) a public utility providing electric service; (2) a generation
16.25 and transmission cooperative electric association; (3) a municipal power agency; (4) a power
16.26 district; or (5) a cooperative electric association or municipal utility providing electric service
16.27 that is not a member of an entity in clauses (2) to (4).

16.28 (e) "Environmental justice area" means an area in Minnesota that, based on the most
16.29 recent data published by the United States Census Bureau, meets one or more of the following
16.30 criteria:

16.31 (1) 40 percent or more of the area's total population is nonwhite;

17.1 (2) 35 percent or more of households in the area have an income that is at or below 200
17.2 percent of the federal poverty level;

17.3 (3) 40 percent or more of the area's residents over the age of five have limited English
17.4 proficiency; or

17.5 (4) the area is located within Indian country, as defined in United State Code, title 18,
17.6 section 1151.

17.7 (f) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year by
17.8 an electric utility to retail customers of the electric utility or to a distribution utility for
17.9 distribution to the retail customers of the distribution utility.

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

17.11 Sec. 12. Minnesota Statutes 2024, section 216B.1691, subdivision 2g, is amended to read:

17.12 Subd. 2g. **Carbon-free standard.** (a) In addition to the requirements under subdivisions
17.13 2a and 2f, each electric utility must generate or procure sufficient electricity generated from
17.14 a carbon-free energy technology to provide the electric utility's retail customers in Minnesota,
17.15 or the retail customers of a distribution utility to which the electric utility provides wholesale
17.16 electric service, so that the electric utility generates or procures an amount of electricity
17.17 from carbon-free energy technologies that is equivalent to at least the following standard
17.18 percentages of the electric utility's total retail electric sales to retail customers in Minnesota
17.19 by the end of the year indicated:

17.20	(1)	2030	80 percent for public utilities; 60 percent for
17.21			other electric utilities
17.22	(2)	2035	90 percent for all electric utilities
17.23	(3)	2040	100 percent for all electric utilities.

17.24 (b) For purposes of this section, electricity generated from a carbon-free technology
17.25 includes electricity generated by a peaking facility that uses only biodiesel fuel, as defined
17.26 in section 239.77, subdivision 1, paragraph (b), for the first 400 hours each year in which
17.27 the peaking facility uses only biodiesel fuel.

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

17.29 Sec. 13. Minnesota Statutes 2024, section 216B.2402, subdivision 16, is amended to read:

17.30 Subd. 16. **Low-income household.** "Low-income household" means a household whose
17.31 household income:

(1) is 80 percent or less of the area median household income for the geographic area in which the low-income household is located, as calculated by ~~the United States Department of Housing and Urban Development~~ a body of the state or federal government; or

(2) meets the income eligibility standards, as determined by the commissioner, required for a household to receive financial assistance from a federal, state, municipal, or utility program administered or approved by the department.

Sec. 14. Minnesota Statutes 2024, section 216B.2421, subdivision 2, is amended to read:

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

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

(2) any high-voltage transmission line with a capacity of 300 kilovolts or more and greater than one mile in length in Minnesota;

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

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

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

(6) any facility designed for or capable of storing on a single site more than ~~400,000~~ 1,000,000 gallons of liquefied natural gas or synthetic gas;

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

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

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

Sec. 15. Minnesota Statutes 2024, section 216B.243, subdivision 8, is amended to read:

Subd. 8. **Exemptions.** (a) This section does not apply to:

(1) cogeneration or small power production facilities as defined in the Federal Power Act, United States Code, title 16, section 796, paragraph (17), subparagraph (A), and

paragraph (18), subparagraph (A), and having a combined capacity at a single site of less than 80,000 kilowatts; plants or facilities for the production of ethanol or fuel alcohol; or any case where the commission has determined after being advised by the attorney general that its application has been preempted by federal law;

(2) a high-voltage transmission line proposed primarily to distribute electricity to serve the demand of a single customer at a single location, unless the applicant opts to request that the commission determine need under this section or section 216B.2425;

(3) the upgrade to a higher voltage of an existing transmission line that serves the demand of a single customer that primarily uses existing rights-of-way, unless the applicant opts to request that the commission determine need under this section or section 216B.2425;

(4) a high-voltage transmission line of one mile or less required to connect a new or upgraded substation to an existing, new, or upgraded high-voltage transmission line;

(5) conversion of the fuel source of an existing electric generating plant to using natural gas;

(6) the modification of an existing electric generating plant to increase efficiency, as long as the capacity of the plant is not increased more than ten percent or more than 100 megawatts, whichever is greater;

(7) a large wind energy conversion system, as defined in section 216I.02, subdivision 12, or a solar energy generating system, as defined in section 216I.02, subdivision 18, for which a site permit application is submitted by an independent power producer under chapter 216I;

(8) a large wind energy conversion system, as defined in section 216I.02, subdivision 12, or a solar energy generating system, as defined in section 216I.02, subdivision 18, engaging in a repowering project that:

(i) will not result in the system exceeding the nameplate capacity under its most recent interconnection agreement; or

(ii) will result in the system exceeding the nameplate capacity under its most recent interconnection agreement, provided that the Midcontinent Independent System Operator has provided a signed generator interconnection agreement that reflects the expected net power increase;

(9) energy storage systems, as defined in section 216I.02, subdivision 6;

20.1 (10) transmission lines that directly interconnect large wind energy conversion systems,
 20.2 solar energy generating systems, or energy storage systems to the transmission system; ~~or~~

20.3 (11) relocation of an existing high voltage transmission line to new right-of-way, provided
 20.4 that any new structures that are installed are not designed for and capable of operation at
 20.5 higher voltage; or

20.6 (12) a combination of emergency backup generators at a single site with a combined
 20.7 capacity of 50,000 kilowatts or more that provides power to a data center and is eligible for
 20.8 permitting as a single stationary source under Minnesota Rules, part 7007.0200, 7007.0250,
 20.9 7007.1100, or 7007.1110 to 7007.1141.

20.10 (b) For the purpose of this subdivision, "repowering project" means:

20.11 (1) modifying a large wind energy conversion system or a solar energy generating system
 20.12 that is a large energy facility to increase its efficiency without increasing its nameplate
 20.13 capacity;

20.14 (2) replacing turbines in a large wind energy conversion system without increasing the
 20.15 nameplate capacity of the system; or

20.16 (3) increasing the nameplate capacity of a large wind energy conversion system.

20.17 **EFFECTIVE DATE; APPLICATION.** This section is effective the day following
 20.18 final enactment and applies to applications under Minnesota Statutes, section 216B.243,
 20.19 that are pending before or submitted to the Public Utilities Commission on or after that date.

20.20 Sec. 16. Minnesota Statutes 2024, section 216C.09, is amended to read:

20.21 **216C.09 COMMISSIONER DUTIES.**

20.22 (a) The commissioner shall:

20.23 (1) manage the department as the central repository within the state government for the
 20.24 collection of data on energy;

20.25 (2) prepare and adopt an emergency allocation plan specifying actions to be taken in the
 20.26 event of an impending serious shortage of energy, or a threat to public health, safety, or
 20.27 welfare;

20.28 (3) undertake a continuing assessment of trends in the consumption of all forms of energy
 20.29 and analyze the social, economic, and environmental consequences of these trends;

20.30 (4) carry out energy conservation and efficiency measures as specified by the legislature
 20.31 and recommend to the governor and the legislature additional energy policies and energy

21.1 conservation ~~measures~~ and efficiency programming as required to meet the objectives of
21.2 this chapter;

21.3 (5) collect and analyze data relating to present and future demands and resources for all
21.4 sources of energy;

21.5 (6) evaluate policies governing the establishment of rates and prices for energy as related
21.6 to energy conservation and energy efficiency, and other goals and policies of this chapter,
21.7 and make recommendations for changes in energy pricing policies and rate schedules;

21.8 (7) study the impact and relationship of the state energy policies to international, national,
21.9 and regional energy policies;

21.10 (8) design and implement a state program for ~~the energy conservation of energy and~~
21.11 efficiency; ~~this the program shall~~ must include but is not be limited to; general commercial,
21.12 industrial, ~~and~~ residential, and transportation areas; ~~such the program shall~~ must also provide
21.13 for the evaluation of energy systems as they relate to lighting, heating, refrigeration, air
21.14 conditioning, building design and operation, and appliance manufacturing and operation;

21.15 (9) inform and educate the public about the sources and uses of energy and the ways in
21.16 which ~~persons~~ Minnesotans can transition to a clean energy future, conserve energy, and
21.17 save money;

21.18 (10) dispense funds made available for the purpose of research studies and projects ~~of~~
21.19 ~~professional and civic orientation~~, which are related to either energy conservation, resource
21.20 recovery, or the development of alternative energy technologies which conserve
21.21 nonrenewable energy resources while creating minimum environmental impact;

21.22 (11) charge other governmental departments and agencies involved in energy-related
21.23 activities with specific information gathering goals and require that those goals be met;

21.24 (12) design a comprehensive program for the development of ~~indigenous~~ energy
21.25 resources. The program shall include; but not be limited to; providing technical,
21.26 informational, educational, and financial services and materials to persons, businesses,
21.27 municipalities, and organizations involved in the development of primary and emerging
21.28 energy sources, including but not limited to solar, wind, hydropower, peat, fiber fuels,
21.29 biomass, and other alternative energy resources. The program shall be evaluated by the
21.30 alternative energy technical activity; and

21.31 (13) dispense loans, grants, or other financial ~~aid~~ resources from money received from
21.32 litigation or a settlement of alleged violations of federal petroleum pricing regulations made
21.33 available to the department for that purpose.

22.1 (b) Further, the commissioner may participate fully in hearings before the Public Utilities
22.2 Commission on matters pertaining to rate design, cost allocation, efficient resource utilization,
22.3 utility conservation investments, small power production, cogeneration, and other rate issues.
22.4 The commissioner shall support the policies stated in section 216C.05 and shall prepare
22.5 and defend testimony proposed to encourage energy conservation improvements as defined
22.6 in section 216B.241.

22.7 Sec. 17. Minnesota Statutes 2024, section 216C.10, is amended to read:

22.8 **216C.10 COMMISSIONER POWERS.**

22.9 (a) The commissioner may:

22.10 (1) adopt rules under chapter 14 as necessary to carry out the purposes of this chapter;

22.11 (2) make all contracts under this chapter and do all things necessary to cooperate with
22.12 the United States government, and to qualify for, accept, and disburse any grant intended
22.13 to administer this chapter;

22.14 (3) provide on-site technical assistance to units of local government in order to enhance
22.15 local capabilities ~~for dealing with energy problems~~ to provide energy-related financial
22.16 resources, planning, outreach, and engagement;

22.17 (4) administer for the state, energy programs under federal law, regulations, or guidelines,
22.18 and coordinate the programs and activities with other state agencies, units of local
22.19 government, and educational institutions;

22.20 (5) develop a state energy investment plan with yearly energy conservation and alternative
22.21 energy development goals, investment targets, and marketing strategies;

22.22 (6) perform market analysis studies relating to conservation, alternative and renewable
22.23 energy resources, and energy recovery;

22.24 (7) assist with the preparation of proposals for innovative conservation, renewable,
22.25 alternative, or energy recovery projects;

22.26 (8) manage and disburse funds made available for the purpose of research studies or
22.27 demonstration projects related to energy conservation or other activities deemed appropriate
22.28 by the commissioner;

22.29 (9) intervene in certificate of need proceedings before the Public Utilities Commission;

22.30 (10) collect fees from recipients of loans, grants, or other financial aid from money
22.31 received from litigation or settlement of alleged violations of federal petroleum-pricing

23.1 regulations, which fees must be used to pay the department's costs in administering those
23.2 financial aids; and

23.3 (11) collect fees from proposers and operators of conservation and other energy-related
23.4 programs that are reviewed, evaluated, or approved by the department, other than proposers
23.5 that are political subdivisions or community or nonprofit organizations, to cover the
23.6 department's cost in making the reviewal, evaluation, or approval and in developing additional
23.7 programs for others to operate.

23.8 (b) Notwithstanding any other law, the commissioner is designated the state agent to
23.9 apply for, receive, and accept federal or other funds made available to the state for the
23.10 purposes of this chapter.

23.11 Sec. 18. Minnesota Statutes 2024, section 216C.11, is amended to read:

23.12 **216C.11 ENERGY CONSERVATION INFORMATION CENTER.**

23.13 (a) The commissioner shall must establish an Energy Information Center in the
23.14 department's offices in St. Paul department. The information center shall must maintain a
23.15 toll-free telephone information service and disseminate printed materials on energy
23.16 conservation topics, including but not limited to, availability of loans and other public and
23.17 private financing methods for energy conservation physical improvements, the techniques
23.18 and materials used to conserve energy in buildings, including retrofitting or upgrading
23.19 insulation and installing weatherstripping, the projected prices and availability of different
23.20 sources of energy, and alternative sources of energy physical, virtual, and mobile information
23.21 service that collects, analyzes, and disseminates energy resources, data, technical assistance
23.22 and expertise, financial assistance, connections, and information on a variety of energy
23.23 topics relevant to Minnesota consumers, businesses, Tribal and local governments, and
23.24 community organizations. The information center must be accessible and responsive to
23.25 public inquiries and must conduct proactive outreach.

23.26 ~~The Energy Information Center shall serve as the official Minnesota Alcohol Fuels~~
23.27 ~~Information Center and shall disseminate information, printed, by the toll-free telephone~~
23.28 ~~information service, or otherwise on the applicability and technology of alcohol fuels.~~

23.29 ~~The information center shall include information on the potential hazards of energy~~
23.30 ~~conservation techniques and improvements in the printed materials disseminated. The~~
23.31 ~~commissioner shall not be liable for damages arising from the installation or operation of~~
23.32 ~~equipment or materials recommended by the information center.~~

24.1 (b) The information center ~~shall~~ must use the information collected under section
24.2 216C.02, subdivision 1, to maintain a central source of information on energy conservation,
24.3 energy efficiency, and other energy-related programs, including ~~both~~ programs required by
24.4 law or rule and programs developed and carried on voluntarily.

24.5 Sec. 19. Minnesota Statutes 2024, section 216C.12, is amended to read:

24.6 **216C.12 ENERGY CONSERVATION PUBLICITY LITERACY.**

24.7 (a) The commissioner, in consultation with other affected agencies or departments ~~shall~~,
24.8 must develop informational materials, ~~pamphlets and radio and television messages and~~
24.9 messaging on energy conservation and housing energy efficiency programs available in
24.10 Minnesota, renewable energy resources, and energy supply and demand. The printed materials
24.11 shall include information on available tax credits for residential energy conservation
24.12 measures, residential retrofitting loan and grant programs, and data on the economics of
24.13 energy conservation and renewable resource measures. Copies of printed materials shall be
24.14 distributed to members of the appropriate standing committees of the legislature. The
24.15 commissioner must use modern and current outreach strategies and media to distribute the
24.16 informational materials and messaging to the widest possible audience.

24.17 (b) The informational materials must promote energy literacy for individuals and
24.18 communities to help individuals and communities make informed decisions on topics ranging
24.19 from smart energy use at home and consumer choices to national and international energy
24.20 policy. The informational materials must include but are not limited to information on energy
24.21 sources, energy generation, energy use, energy conservation strategies, the energy workforce
24.22 sector, and state and federal energy-related programs administered by the department.

24.23 Sec. 20. Minnesota Statutes 2024, section 216C.391, subdivision 1, is amended to read:

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

24.26 (b) "Competitive funds" means federal funds awarded to selected applicants based on
24.27 the grantor's evaluation of the strength of an application measured against all other
24.28 applications.

24.29 (c) "Disadvantaged community" has the meaning given by the federal agency disbursing
24.30 federal funds.

25.1 (d) "Eligible entity" means an entity located in Minnesota that is eligible to receive
25.2 federal funds, tax credits, loans, or an entity that has at least one Minnesota-based partner,
25.3 as determined by the grantor of the federal funds, tax credits, or loans.

25.4 (e) "Federal funds" means federal formula or competitive funds available for award to
25.5 applicants for energy projects under the Infrastructure Investment and Jobs Act, Public Law
25.6 117-58, or the Inflation Reduction Act of 2022, Public Law 117-169.

25.7 (f) "Formula funds" means federal funds awarded to all eligible applicants on a
25.8 noncompetitive basis.

25.9 (g) "Loans" means federal loans from loan funds authorized or funded in the Inflation
25.10 Reduction Act of 2022, Public Law 117-169.

25.11 (h) "Match" means the amount of ~~state~~ nonfederal money a successful grantee in
25.12 Minnesota is required to contribute to a project as a condition of receiving federal funds.

25.13 (i) "Political subdivision" has the meaning given in section 331A.01, subdivision 3.

25.14 (j) "Project" means the activities proposed to be undertaken by an eligible entity awarded
25.15 federal funds and are located in Minnesota or will directly benefit Minnesotans.

25.16 (k) "Tax credits" means federal tax credits authorized in the Inflation Reduction Act of
25.17 2022, Public Law 117-169.

25.18 (l) "Tribal government" has the meaning given in section 116J.64, subdivision 4.

25.19 Sec. 21. Minnesota Statutes 2024, section 216C.391, subdivision 3, is amended to read:

25.20 Subd. 3. **Grant awards; eligible entities; priorities.** (a) Grants may be awarded under
25.21 this section to eligible entities in accordance with the following order of priorities:

25.22 (1) federal formula funds directed to the state that require a match;

25.23 (2) federal funds directed to a political subdivision or a Tribal government that require
25.24 a match;

25.25 (3) federal funds directed to an institution of higher education, a consumer-owned utility,
25.26 a business, or a nonprofit organization that require a match;

25.27 (4) federal funds directed to investor-owned utilities that require a match;

25.28 (5) federal funds directed to an eligible entity not included in clauses (1) to (4) that
25.29 require a match; and

(6) all other grant opportunities directed to eligible entities that do not require a match but for which the commissioner determines that a grant made under this section is likely to enhance the likelihood of an applicant receiving federal funds, or to increase the potential amount of federal funds received.

(b) By November 15, 2023, the commissioner must develop and publicly post, and report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy finance, the federal energy grant funds that are eligible for state matching funds under this section.

(c) Notwithstanding section 16B.98, subdivision 5, paragraph (b), a grant made under this section may exceed five years.

Sec. 22. Minnesota Statutes 2024, section 216C.47, subdivision 1, is amended to read:

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

(b) "Eligible applicant" means a county, city, town, Tribal government, or the Metropolitan Council.

(c) "Geothermal energy system" means a system that heats and cools one or more buildings by using the constant temperature of the earth as both a heat source and heat sink, and a heat exchanger consisting of an underground closed loop system of piping containing a liquid to absorb and relinquish heat within the earth. Geothermal energy system includes:

(1) a bored geothermal heat exchanger, as defined in section 103I.005;

(2) a groundwater thermal exchange device, as defined in section 103I.005; and

(3) a submerged closed loop heat exchanger, as defined in section 103I.005.

(d) "Tribal government" means the elected government of a federally recognized Indian Tribe located in Minnesota.

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

Sec. 23. Minnesota Statutes 2024, section 216I.02, is amended by adding a subdivision to read:

Subd. 5a. **Emergency backup generator.** "Emergency backup generator" has the meaning given in section 216B.02, subdivision 11.

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

27.1 Sec. 24. Minnesota Statutes 2024, section 216I.07, subdivision 2, is amended to read:

27.2 Subd. 2. **Applicable projects.** The requirements and procedures under this section apply
27.3 to projects for which the applicant's proposal is:

27.4 (1) large electric power generating plants with a capacity of less than 80 megawatts;

27.5 (2) a combination of emergency backup generators designed to serve one person and
27.6 located on property owned or controlled by the person;

27.7 ~~(2)~~ (3) large electric power generating plants that are fueled by natural gas;

27.8 ~~(3)~~ (4) high-voltage transmission lines with a capacity between 100 and 300 kilovolts;

27.9 ~~(4)~~ (5) high-voltage transmission lines with a capacity in excess of 300 kilovolts and
27.10 less than 30 miles in length in Minnesota;

27.11 ~~(5)~~ (6) high-voltage transmission lines with a capacity in excess of 300 kilovolts, if at
27.12 least 80 percent of the distance of the line in Minnesota, as proposed by the applicant, is
27.13 located along existing high-voltage transmission line right-of-way;

27.14 ~~(6)~~ (7) solar energy systems;

27.15 ~~(7)~~ (8) energy storage systems; and

27.16 ~~(8)~~ (9) large wind energy conversion systems.

27.17 **EFFECTIVE DATE; APPLICATION.** This section is effective July 1, 2025, and
27.18 applies to applications under Minnesota Statutes, section 216I.07, that are pending before
27.19 or submitted to the Public Utilities Commission on or after that date.

27.20 Sec. 25. Minnesota Statutes 2024, section 216I.07, subdivision 3, is amended to read:

27.21 Subd. 3. **Environmental review.** (a) For the projects identified in subdivision 2 and
27.22 following the procedures under this section, the applicant must prepare and submit an
27.23 environmental assessment with the application. A draft of the environmental assessment
27.24 must also be provided to commission staff as part of the preapplication review under section
27.25 216I.05, subdivision 6. The environmental assessment must (1) contain information regarding
27.26 the proposed project's human and environmental impacts, and (2) address mitigating measures
27.27 for identified impacts. The environmental assessment for projects identified in subdivision
27.28 2, clause (2), must also include a discussion of reasonable alternatives to the proposed
27.29 project considering: (i) the appropriateness of the size and type of the proposed generation
27.30 method compared to reasonable alternatives; (ii) the cost to the proposer of energy to be
27.31 supplied by the project compared to the cost of energy that would be supplied by reasonable

alternatives; (iii) the effects of the proposed project on the natural and socioeconomic environments compared to the effects of reasonable alternatives; and (iv) the expected reliability of the proposed facility compared to the expected reliability of reasonable alternatives. The environmental assessment is the only state environmental review document that must be prepared for the proposed project.

(b) If after the public meeting the commission identifies other sites or routes or potential impacts for review, the commission must prepare an addendum to the environmental assessment that evaluates (1) the human and environmental impacts of the alternative site or route, and (2) any additional mitigating measures related to the identified impacts consistent with the scoping decision made pursuant to section 216I.06, subdivision 10, clause (2). The public may provide comments on the environmental assessment and any addendum to the environmental assessment at the public hearing and comment period under subdivision 4. When making the commission's final decision, the commission must consider the environmental assessment, the environmental assessment addendum, if any, and the entirety of the record related to human and environmental impacts.

ARTICLE 4 SECURITIZATION

Section 1. [216B.491] DEFINITIONS.

Subdivision 1. **Scope.** For the purposes of sections 216B.491 to 216B.499, the terms defined in this section have the meanings given.

Subd. 2. **Ancillary agreement.** "Ancillary agreement" means a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, liquidity or credit support arrangement, or other financial arrangement entered into in connection with extraordinary event bonds that is designed to promote the credit quality and marketability of extraordinary event bonds or to mitigate the risk of an increase in interest rates.

Subd. 3. **Assignee.** "Assignee" means a person to which an interest in extraordinary event property is sold, assigned, transferred, or conveyed, other than as security, and any successor to or subsequent assignee of the person.

Subd. 4. **Bondholder.** "Bondholder" means a holder or owner of extraordinary event bonds.

29.1 Subd. 5. **Customer.** "Customer" means a person who purchases natural gas or natural
29.2 gas transportation services from a utility in Minnesota. Customer does not include a person
29.3 who:

29.4 (1) purchases natural gas transportation services from a utility in Minnesota that serves
29.5 fewer than 350,000 natural gas customers in Minnesota; and

29.6 (2) does not purchase natural gas from a utility in Minnesota.

29.7 Subd. 6. **Extraordinary event.** (a) "Extraordinary event" means an event arising from
29.8 unforeseen circumstances of sufficient magnitude, as determined by the commission:

29.9 (1) to impose significant costs on customers; and

29.10 (2) for which the issuance of extraordinary event bonds in response to the event meets
29.11 the conditions of section 216B.492, subdivision 2.

29.12 (b) Extraordinary event includes but is not limited to a storm event or other natural
29.13 disaster, an act of God, war, terrorism, sabotage, vandalism, a cybersecurity attack, or a
29.14 temporary significant increase in the wholesale price of natural gas.

29.15 Subd. 7. **Extraordinary event activity.** "Extraordinary event activity" means an activity
29.16 undertaken by or on behalf of a utility to restore or maintain the utility's ability to provide
29.17 natural gas service following one or more extraordinary events, including but not limited
29.18 to activities related to mobilizing, staging, constructing, reconstructing, replacing, or repairing
29.19 natural gas transmission, distribution, storage, or general facilities.

29.20 Subd. 8. **Extraordinary event bonds.** "Extraordinary event bonds" means debt securities,
29.21 including but not limited to senior secured bonds, debentures, notes, certificates of
29.22 participation, certificates of beneficial interest, certificates of ownership, or other evidences
29.23 of indebtedness or ownership, that: (1) have a scheduled maturity of no longer than 30 years
29.24 and a final legal maturity date that is not later than 32 years from the issue date; (2) are rated
29.25 AA, Aa2, or higher by a major independent credit rating agency at the time of issuance;
29.26 and (3) are issued by a utility or an assignee under a financing order.

29.27 Subd. 9. **Extraordinary event charge.** "Extraordinary event charge" means a
29.28 nonbypassable charge that:

29.29 (1) a utility that is the subject of a financing order or the utility's successor or assignee
29.30 imposes on all of the utility's customers;

29.31 (2) is separate from the utility's base rates; and

(3) provides a source of revenue used only to repay, finance, or refinance extraordinary event costs.

Subd. 10. Extraordinary event costs. "Extraordinary event costs":

(1) means all incremental costs of extraordinary event activities that are approved by the commission in a financing order issued under section 216B.492 as being:

(i) necessary to enable the utility to restore or maintain natural gas service to customers after the utility experiences an extraordinary event; and

(ii) prudent and reasonable;

(2) includes costs to repurchase equity or retire any indebtedness relating to extraordinary event activities;

(3) are net of applicable insurance proceeds, tax benefits, and any other amounts intended to reimburse the utility for extraordinary event activities, including government grants or aid of any kind;

(4) do not include any monetary penalty, fine, or forfeiture assessed against a utility by a government agency or court under a federal or state environmental statute, rule, or regulation; and

(5) must be adjusted to reflect:

(i) the difference, as determined by the commission, between extraordinary event costs that the utility expects to incur and actual, reasonable, and prudent costs incurred; or

(ii) a more fair or reasonable allocation of extraordinary event costs to customers over time, as expressed in a commission order, provided that after the issuance of extraordinary event bonds relating to the extraordinary event costs, the adjustment must not (A) reduce or impair the extraordinary event property relating to the extraordinary event bonds, or (B) reduce, impair, postpone, or terminate extraordinary event charges relating to the extraordinary event bonds until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs for the extraordinary event bonds, and all amounts that must be paid to an assignee or financing party under an ancillary agreement relating to the extraordinary event bonds are paid in full.

Subd. 11. Extraordinary event property. "Extraordinary event property" means:

(1) all rights and interests that a utility or the utility's successor or assignee possess under a financing order to impose, bill, collect, receive, and obtain periodic adjustments to

31.1 extraordinary event charges authorized under a financing order issued by the commission;
31.2 and

31.3 (2) all revenue, collections, claims, rights to payments, payments, money, or proceeds
31.4 arising from the rights and interests specified in clause (1), regardless of whether any are
31.5 commingled with other revenue, collections, rights to payment, payments, money, or
31.6 proceeds.

31.7 Subd. 12. **Extraordinary event revenue.** "Extraordinary event revenue" means revenue,
31.8 receipts, collections, payments, money, claims, or other proceeds arising from extraordinary
31.9 event property.

31.10 Subd. 13. **Financing costs.** "Financing costs" means:

31.11 (1) principal, interest, and redemption premiums, if any, that are payable on extraordinary
31.12 event bonds;

31.13 (2) payments required under an ancillary agreement and amounts required to fund or
31.14 replenish a reserve account or other accounts established under the terms of any indenture,
31.15 ancillary agreement, or other financing document pertaining to extraordinary event bonds;

31.16 (3) other demonstrable costs related to issuing, supporting, repaying, refunding, and
31.17 servicing extraordinary event bonds, including but not limited to servicing fees, accounting
31.18 and auditing fees, trustee fees, legal fees, consulting fees, financial adviser fees,
31.19 administrative fees, placement and underwriting fees, capitalized interest, rating agency
31.20 fees, stock exchange listing and compliance fees, security registration fees, filing fees,
31.21 information technology programming costs, and any other demonstrable costs necessary to
31.22 otherwise ensure and guarantee the timely payment of extraordinary event bonds, other
31.23 amounts payable in connection with extraordinary event bonds, or other extraordinary event
31.24 charges payable in connection with extraordinary event bonds;

31.25 (4) taxes and license fees imposed on the revenue generated from collecting an
31.26 extraordinary event charge;

31.27 (5) state and local taxes, including franchise, sales and use, and other taxes or similar
31.28 charges, including but not limited to regulatory assessment fees, whether paid, payable, or
31.29 accrued; and

31.30 (6) costs incurred by the commission to (i) hire and compensate additional temporary
31.31 staff needed to perform the commission's responsibilities under this section, and (ii) engage
31.32 specialized counsel and expert consultants experienced in securitized utility ratepayer-backed

32.1 bond financings similar to extraordinary event bonds financings, as provided under section
32.2 216B.494.

32.3 Subd. 14. **Financing order.** "Financing order" means an order issued by the commission
32.4 under section 216B.492 that authorizes an applicant to:

32.5 (1) issue extraordinary event bonds in one or more series;

32.6 (2) impose, charge, and collect extraordinary event charges; and

32.7 (3) create extraordinary event property.

32.8 Subd. 15. **Financing party.** "Financing party" means a holder of extraordinary event
32.9 bonds and a trustee, a collateral agent, a party under an ancillary agreement, or any other
32.10 person acting for the benefit of extraordinary event bondholders.

32.11 Subd. 16. **Natural gas facility.** "Natural gas facility" means natural gas pipelines,
32.12 including distribution lines, underground storage areas, liquefied natural gas facilities,
32.13 propane storage tanks, and other facilities the commission determines are used and useful
32.14 to provide natural gas service to retail and transportation customers in Minnesota.

32.15 Subd. 17. **Nonbypassable.** "Nonbypassable" means an extraordinary event charge that
32.16 a retail customer located within a utility service area cannot avoid and must pay.

32.17 Subd. 18. **Pretax costs.** "Pretax costs" means costs incurred by a utility and approved
32.18 by the commission, including but not limited to:

32.19 (1) unrecovered capitalized costs of replaced natural gas facilities damaged or destroyed
32.20 by an extraordinary event;

32.21 (2) costs to decommission and restore the site of a natural gas facility damaged or
32.22 destroyed by an extraordinary event;

32.23 (3) other applicable capital and operating costs, accrued carrying charges, deferred
32.24 expenses, reductions for applicable insurance, and salvage proceeds; and

32.25 (4) costs to retire any existing indebtedness, fees, costs, and expenses to modify existing
32.26 debt agreements, or for waivers or consents related to existing debt agreements.

32.27 Subd. 19. **Storm event.** "Storm event" means a tornado, derecho, ice or snow storm,
32.28 wildfire, flood, earthquake, or other significant weather or natural disaster that causes
32.29 substantial damage to a utility's infrastructure.

32.30 Subd. 20. **Successor.** "Successor" means a legal entity that succeeds by operation of law
32.31 to the rights and obligations of another legal entity as a result of bankruptcy, reorganization,

33.1 restructuring, other insolvency proceeding, merger, acquisition, consolidation, or sale or
33.2 transfer of assets.

33.3 Subd. 21. **Utility.** "Utility" means a public utility, as defined in section 216B.02,
33.4 subdivision 4, that provides natural gas service to Minnesota customers. Utility includes
33.5 the utility's successors or assignees.

33.6 **Sec. 2. [216B.492] FINANCING ORDER.**

33.7 Subdivision 1. **Application.** (a) A utility may file an application with the commission
33.8 requesting a financing order to enable the utility to recover extraordinary event costs by
33.9 issuing extraordinary event bonds under this section.

33.10 (b) The application must include the following information, as applicable:

33.11 (1) a description of each natural gas facility to be repaired or replaced;

33.12 (2) the undepreciated value remaining in each natural gas facility under clause (1) that
33.13 the utility proposes to repair or replace using financing obtained by issuing extraordinary
33.14 event bonds under sections 216B.491 to 216B.499, and the method used to calculate the
33.15 undepreciated value remaining;

33.16 (3) the estimated costs imposed on customers resulting from an extraordinary event that
33.17 involves no physical damage to natural gas facilities;

33.18 (4) the estimated savings or estimated mitigation of rate impacts to utility customers if
33.19 the financing order is issued as requested in the application, calculated by comparing the
33.20 costs to customers that are expected to result from implementing the financing order and
33.21 the estimated costs associated with implementing traditional utility financing mechanisms
33.22 with respect to the same undepreciated balance, expressed in net present value terms;

33.23 (5) a description of (i) the nonbypassable extraordinary event charge utility customers
33.24 must pay in order to fully recover financing costs, and (ii) the method and assumptions used
33.25 to calculate the nonbypassable extraordinary event charge;

33.26 (6) a proposed methodology to allocate the revenue requirement for the extraordinary
33.27 event charge among the utility's customer classes;

33.28 (7) a description of a proposed adjustment mechanism that is implemented when necessary
33.29 to correct any overcollection or undercollection of extraordinary event charges, in order to
33.30 complete payment of scheduled principal and interest on extraordinary event bonds and
33.31 other financing costs in a timely fashion;

(8) a memorandum with supporting exhibits, developed by a securities firm that is experienced in the marketing of securitized utility ratepayer-backed bonds, indicating the proposed issuance satisfies: (i) the current published AA, Aa2, or higher rating; or (ii) equivalent rating criteria of at least one nationally recognized securities rating organization for issuances similar to the proposed extraordinary event bonds;

(9) an estimate of: (i) the timing of the extraordinary event bonds issuance; and (ii) the term of the extraordinary event bonds or series of bonds, provided that the scheduled final maturity for each bond issuance does not exceed 30 years;

(10) identification of plans to sell, assign, transfer, or convey, other than as a security, interest in extraordinary event property, including identification of an assignee and demonstration that the assignee is a financing entity that is wholly owned, directly or indirectly, by the utility;

(11) identification of ancillary agreements that may be necessary or appropriate;

(12) one or more alternative financing scenarios in addition to the preferred scenario contained in the application;

(13) the extent of damage to the utility's natural gas facility caused by an extraordinary event and the estimated costs to repair or replace the damaged natural gas facility;

(14) a schedule of the proposed repairs to and replacement of the damaged natural gas facility;

(15) a description of the steps taken to provide customers interim natural gas service while the damaged natural gas facility is being repaired or replaced; and

(16) a description of the impacts on the utility's current workforce resulting from implementing a repair or replacement plan following an extraordinary event.

Subd. 2. **Findings.** After providing notice and holding a public hearing on an application filed under subdivision 1, the commission may issue a financing order if the commission finds that:

(1) the extraordinary event costs described in the application are reasonable;

(2) the proposed issuance of extraordinary event bonds and the imposition and collection of extraordinary event charges:

(i) are just and reasonable;

(ii) are consistent with the public interest;

35.1 (iii) constitute a prudent and reasonable mechanism to finance the extraordinary event
35.2 costs; and

35.3 (iv) provide tangible and quantifiable benefits to customers, either by providing lower
35.4 overall costs or mitigating rate impacts relative to traditional methods of financing, that
35.5 exceed the benefits achieved absent the issuance of extraordinary event bonds; and

35.6 (3) the proposed structuring, marketing, and pricing of the extraordinary event bonds:

35.7 (i) lower overall costs to customers or mitigate rate impacts to customers relative to
35.8 traditional methods of financing; and

35.9 (ii) achieve customer savings or mitigate rate impacts to customers, as determined by
35.10 the commission in a financing order, consistent with market conditions at the time of sale
35.11 and the terms of the financing order.

35.12 Subd. 3. **Contents.** (a) A financing order issued under this section must:

35.13 (1) determine the maximum amount of extraordinary event costs that may be financed
35.14 from proceeds of extraordinary event bonds issued pursuant to the financing order;

35.15 (2) describe the proposed customer billing mechanism for extraordinary event charges
35.16 and include a finding that the mechanism is just and reasonable;

35.17 (3) describe the financing costs that may be recovered through extraordinary event
35.18 charges and the period over which the costs may be recovered, which must end no earlier
35.19 than the date of final legal maturity of the extraordinary event bonds;

35.20 (4) describe the extraordinary event property that is created and that may be used to pay,
35.21 and secure the payment of, principal and interest on the extraordinary event bonds and other
35.22 financing costs authorized in the financing order;

35.23 (5) authorize the utility to finance extraordinary event costs by issuing one or more series
35.24 of extraordinary event bonds. A utility is not required to secure a separate financing order
35.25 for each extraordinary event bonds issuance or for each scheduled phase to replace natural
35.26 gas facilities approved in the financing order;

35.27 (6) include a formula-based mechanism that must be used to make expeditious periodic
35.28 adjustments to the extraordinary event charges authorized by the financing order that are
35.29 necessary to (i) correct for any overcollection or undercollection, or (ii) otherwise provide
35.30 for the timely payment of extraordinary event bonds, other financing costs, and other required
35.31 amounts and charges payable in connection with extraordinary event bonds;

(7) specify the degree of flexibility afforded to the utility to establish the terms and conditions of the extraordinary event bonds, including but not limited to repayment schedules, expected interest rates, and other financing costs;

(8) specify that the extraordinary event bonds must be issued, subject to market conditions and the financing order's terms, as soon as feasible following the financing order's issuance;

(9) require the utility, at the same time extraordinary event charges are initially collected and independent of the schedule to close and decommission any natural gas facility replaced as the result of an extraordinary event, if any, to remove the natural gas facility from the utility's rate base and commensurately reduce the utility's base rates;

(10) specify a future ratemaking process to reconcile any difference between the projected pretax costs included in the amount financed by extraordinary event bonds and the final actual pretax costs incurred by the utility to retire or replace the natural gas facility, if any;

(11) specify information regarding extraordinary event bonds issuance and repayments, financing costs, energy transaction charges, extraordinary event property, and related matters that the natural gas utility is required to provide to the commission on a schedule determined by the commission;

(12) allow or require the creation of a utility's extraordinary event property to be conditioned on, and occur simultaneously with, the sale or other transfer of the extraordinary event property to an assignee and the pledge of the extraordinary event property to secure the extraordinary event bonds;

(13) ensure that the structuring, marketing, and pricing of extraordinary event bonds result in reasonable extraordinary event charges and customer savings or rate impact mitigation, consistent with market conditions and the financing order's terms; and

(14) specify that a utility that finances the replacement of one or more natural gas facilities after the natural gas facilities that are subject to the finance order are removed from the utility's rate base is prohibited from:

(i) operating the natural gas facilities; or

(ii) selling the natural gas facilities to another entity to operate as natural gas facilities.

(b) A financing order issued under this section may:

(1) include conditions different from those requested in the application that the commission determines are necessary to:

(i) promote the public interest; and

(ii) maximize the financial benefits or minimize the financial risks of the transaction to customers and to directly impacted Minnesota workers and communities; and

(2) select one or more underwriters for the extraordinary event bonds.

Subd. 4. Duration; irrevocability; subsequent order. (a) A financing order remains effective until the extraordinary event bonds issued under the financing order and all financing costs related to the extraordinary event bonds have been paid in full.

(b) A financing order remains effective and unabated notwithstanding the bankruptcy, reorganization, or insolvency of the utility to which the financing order applies or any affiliate, successor, or assignee of the utility to which the financing order applies.

(c) Subject to judicial review under section 216B.52, a financing order is irrevocable and is not reviewable by a future commission. The commission must not: (1) reduce, impair, postpone, or terminate extraordinary event charges approved in a financing order; (2) reduce or impair the extraordinary event property approved in a financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; or (3) change the customers required to pay extraordinary event charges.

(d) Notwithstanding paragraph (c), the commission may, on the commission's own motion or at the request of a utility or any other person, commence a proceeding and issue a subsequent financing order that provides for refinancing, retiring, or refunding extraordinary event bonds issued under the original financing order if:

(1) the commission makes all of the findings specified in subdivision 2 with respect to the subsequent financing order; and

(2) the modification contained in the subsequent financing order does not in any way impair the covenants and terms of the extraordinary event bonds being refinanced, retired, or refunded.

Subd. 5. Effect on commission jurisdiction. (a) Except as provided in paragraph (b), the commission, in exercising the powers and carrying out the duties under this section, is prohibited from:

(1) considering extraordinary event bonds issued under this section to be debt of the utility other than for income tax purposes, unless considering the extraordinary event bonds to be debt is necessary to achieve consistency with prevailing utility debt rating methodologies;

(2) considering the extraordinary event charges paid under the financing order to be revenue of the utility;

(3) considering the extraordinary event costs or financing costs specified in the financing order to be the regulated costs or assets of the utility; or

(4) determining that any prudent action taken by a utility that is consistent with the financing order is unjust or unreasonable.

(b) Nothing in this subdivision:

(1) affects the authority of the commission to apply or modify a billing mechanism designed to recover extraordinary event charges;

(2) prevents or precludes the commission from (i) investigating a utility's compliance with the financing order's terms and conditions, and (ii) requiring compliance with the financing order; or

(3) prevents or precludes the commission from imposing regulatory sanctions against a utility for failure to comply with (i) the financing order's terms and conditions, or (ii) the requirements of this section.

(c) The commission is prohibited from refusing to allow a utility to recover any costs associated with the replacement of natural gas facilities solely because the utility has elected to finance the natural gas facility replacement through a financing mechanism other than extraordinary event bonds.

Sec. 3. **[216B.493] POSTORDER COMMISSION DUTIES.**

Subdivision 1. **Financing costs review.** Within 120 days after the date extraordinary event bonds are issued, a utility subject to a financing order must file with the commission the actual initial and ongoing financing costs, the final structure and pricing of the extraordinary event bonds, and the actual extraordinary event charge. The commission must review the prudence of the natural gas utility's actions to determine whether the actual financing costs were the lowest that could reasonably be achieved given the financing order's terms and market conditions prevailing at the time of the extraordinary event bond's issuance.

Subd. 2. **Enforcement.** If the commission determines that a utility's actions under this section are not prudent or are inconsistent with the financing order, the commission may apply remedies deemed appropriate for utility actions, provided that any remedy applied must not directly or indirectly: (1) reduce or impair the extraordinary event property approved in the financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; (2) reduce, impair, postpone, or terminate extraordinary event charges approved in the financing order until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs, and all

39.1 amounts to be paid to an assignee or financing party under an ancillary agreement are paid
39.2 in full; or (3) change the customers required to pay extraordinary event charges.

39.3 **Sec. 4. [216B.494] USE OF OUTSIDE EXPERTS.**

39.4 (a) To carry out the duties under this section, the commission may:

39.5 (1) contract with outside consultants and counsel experienced in securitized utility
39.6 customer-backed bond financing similar to extraordinary event bonds; and

39.7 (2) hire and compensate additional temporary staff as needed.

39.8 Expenses incurred by the commission under this paragraph must be treated as financing
39.9 costs paid by the extraordinary event revenue. The costs incurred under clause (1) are not
39.10 an obligation of the state and are assigned solely to the transaction.

39.11 (b) A utility presented with a written request from the commission to reimburse the
39.12 commission's expenses incurred under paragraph (a), accompanied by a detailed account
39.13 of the subject expenses, must provide the issuer of the extraordinary event bonds and the
39.14 indenture trustee for the extraordinary event bonds with such documentation. The indenture
39.15 trustee must remit full payment of the expenses to the commission on the next interest
39.16 payment date of the extraordinary event bonds after the payment of interest and scheduled
39.17 principal of the extraordinary event bonds in accordance with the payment waterfall included
39.18 in the indenture governing the extraordinary event bonds.

39.19 (c) If a utility's application for a financing order is denied or withdrawn for any reason
39.20 and extraordinary event bonds are not issued, the commission's costs to retain expert
39.21 consultants under this section must be paid by the applicant utility and are deemed a prudent
39.22 deferred expense eligible for recovery in the utility's future rates.

39.23 **Sec. 5. [216B.495] EXTRAORDINARY EVENT CHARGE; BILLING TREATMENT.**

39.24 (a) A utility that obtains a financing order and issues extraordinary event bonds must:

39.25 (1) include on each customer's monthly natural gas bill:

39.26 (i) a statement that a portion of the charges represents extraordinary event charges
39.27 approved in a financing order;

39.28 (ii) the amount and rate of the extraordinary event charge as a separate line item titled
39.29 "extraordinary event charge"; and

(iii) if extraordinary event property has been transferred to an assignee, a statement that the assignee is the owner of the rights to extraordinary event charges and that the utility or other entity, if applicable, is acting as a collection agent or servicer for the assignee; and

(2) file annually with the commission:

(i) a calculation that identifies the impact financing the retirement or replacement of natural gas facilities has on customer rates, itemized by customer class; and

(ii) evidence demonstrating that extraordinary event revenues are applied solely to pay (A) principal and interest on extraordinary event bonds, and (B) other financing costs.

(b) Extraordinary event charges are nonbypassable and must be paid by all existing and future customers receiving service from the utility or the utility's successors or assignees under commission-approved rate schedules or special contracts.

(c) A utility's failure to comply with this section does not invalidate, impair, or affect any financing order, extraordinary event property, extraordinary event charge, or extraordinary event bonds, but does subject the utility to penalties under applicable commission rules provided that any penalty applied must not directly or indirectly: (1) reduce or impair the extraordinary event property approved in the financing order or impair the collection or recovery of extraordinary event charges and extraordinary event revenue; (2) reduce, impair, postpone, or terminate extraordinary event charges approved in the financing order until all principal, interest, and redemption premium, if any, payable on the extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid in full; or (3) change the customers required to pay extraordinary event charges.

Sec. 6. [216B.496] EXTRAORDINARY EVENT PROPERTY.

Subdivision 1. **General.** (a) Extraordinary event property is an existing present property right or interest in a property right, even though the imposition and collection of extraordinary event charges depend on the utility collecting extraordinary event charges and on future natural gas consumption. The property right or interest exists regardless of whether the revenues or proceeds arising from the extraordinary event property have been billed, have accrued, or have been collected.

(b) Extraordinary event property exists until all extraordinary event bonds issued under a financing order are paid in full and all financing costs and other extraordinary event bonds costs have been recovered in full.

(c) All or any portion of extraordinary event property described in a financing order issued to a utility may be transferred, sold, conveyed, or assigned to a successor or assignee that is wholly owned, directly or indirectly, by the utility and created for the limited purpose of acquiring, owning, or administering extraordinary event property or issuing extraordinary event bonds authorized by the financing order. All or any portion of extraordinary event property may be pledged to secure extraordinary event bonds issued under a financing order, amounts payable to financing parties and to counterparties under any ancillary agreements, and other financing costs. Each transfer, sale, conveyance, assignment, or pledge by a utility or an affiliate of extraordinary event property is a transaction in the ordinary course of business.

(d) If a utility defaults on any required payment of charges arising from extraordinary event property described in a financing order, a court, upon petition by an interested party and without limiting any other remedies available to the petitioner, must order the sequestration and payment of the revenues arising from the extraordinary event property to the financing parties.

(e) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in extraordinary event property specified in a financing order issued to a utility, and in the revenue and collections arising from the property, is not subject to setoff, counterclaim, surcharge, or defense by the utility or any other person, or in connection with the reorganization, bankruptcy, or other insolvency of the utility or any other entity.

(f) A successor to a utility, whether resulting from a reorganization, bankruptcy, or other insolvency proceeding, merger or acquisition, sale, other business combination, transfer by operation of law, utility restructuring, or otherwise: (1) must perform and satisfy all obligations of, and has the same duties and rights under, a financing order as the utility to which the financing order applies; and (2) must perform the duties and exercise the rights in the same manner and to the same extent as the utility, including (i) collecting extraordinary event bonds revenues, collections, payments, or proceeds, and (ii) paying a person entitled to receive extraordinary event bonds revenues, collections, payments, or proceeds.

Subd. 2. Security interests in extraordinary event property. (a) The creation, perfection, and enforcement of any security interest in extraordinary event property to secure the repayment of the principal and interest on extraordinary event bonds, amounts payable under any ancillary agreement, and other financing costs are governed by this section only.

(b) A security interest in extraordinary event property is created, valid, and binding when:

42.1 (1) the financing order that describes the extraordinary event property is issued;

42.2 (2) a security agreement is executed and delivered; and

42.3 (3) value is received for the extraordinary event bonds.

42.4 (c) Once a security interest in extraordinary event property is created, the security interest
42.5 attaches without any physical delivery of collateral or any other act. The lien of the security
42.6 interest is valid, binding, and perfected against all parties having claims of any kind in tort,
42.7 in contract, or otherwise against the person granting the security interest, regardless of
42.8 whether the parties have notice of the lien, upon the filing of a financing statement with the
42.9 secretary of state.

42.10 (d) The description or indication of extraordinary event property in a transfer or security
42.11 agreement and a financing statement is sufficient only if the description or indication refers
42.12 to this section and the financing order creating the extraordinary event property.

42.13 (e) A security interest in extraordinary event property is a continuously perfected security
42.14 interest and has priority over any other lien, created by operation of law or otherwise, that
42.15 may subsequently attach to the extraordinary event property unless the person that holds
42.16 the security interest has agreed otherwise in writing.

42.17 (f) The priority of a security interest in extraordinary event property is not affected by
42.18 the commingling of extraordinary event property or extraordinary event revenue with other
42.19 money. An assignee, bondholder, or financing party has a perfected security interest in the
42.20 amount of all extraordinary event property or extraordinary event revenue that is pledged
42.21 to pay extraordinary event bonds even if the extraordinary event property or extraordinary
42.22 event revenue is deposited in a cash or deposit account owned by the utility in which the
42.23 extraordinary event revenue is commingled with other money. Any other security interest
42.24 that applies to the other money does not apply to the extraordinary event revenue.

42.25 (g) A subsequent commission order amending a financing order under section 216B.492,
42.26 subdivision 4, or the application of an adjustment mechanism authorized by a financing
42.27 order under section 216B.492, subdivision 3, does not affect the validity, perfection, or
42.28 priority of a security interest in or transfer of extraordinary event property.

42.29 Subd. 3. **Sales of extraordinary event property.** (a) A sale, assignment, or transfer of
42.30 extraordinary event property is an absolute transfer and true sale of, and not a pledge of or
42.31 secured transaction relating to, the seller's right, title, and interest in, to, and under the
42.32 extraordinary event property if the documents governing the transaction expressly state that

43.1 the transaction is a sale or other absolute transfer. A transfer of an interest in extraordinary
43.2 event property may be created when:

43.3 (1) the financing order creating and describing the extraordinary event property is
43.4 effective;

43.5 (2) the documents evidencing the transfer of the extraordinary event property are executed
43.6 and delivered to the assignee; and

43.7 (3) value is received.

43.8 (b) The characterization of a sale, assignment, or transfer as an absolute transfer and
43.9 true sale, and the corresponding characterization of the property interest of the assignee, is
43.10 not affected or impaired by:

43.11 (1) commingling extraordinary event revenue with other money;

43.12 (2) the seller retaining:

43.13 (i) a partial or residual interest, including an equity interest, in the extraordinary event
43.14 property, whether (A) direct or indirect, or (B) subordinate or otherwise; or

43.15 (ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed
43.16 on the collection of extraordinary event revenue;

43.17 (3) any recourse that the extraordinary event property purchaser may have against the
43.18 seller;

43.19 (4) any indemnification rights, obligations, or repurchase rights made or provided by
43.20 the extraordinary event property seller;

43.21 (5) the extraordinary event property seller's obligation to collect extraordinary event
43.22 revenues on behalf of an assignee;

43.23 (6) the treatment of the sale, assignment, or transfer for tax, financial reporting, or other
43.24 purposes;

43.25 (7) any subsequent financing order amending a financing order under section 216B.492,
43.26 subdivision 4, paragraph (d); or

43.27 (8) any application of an adjustment mechanism under section 216B.492, subdivision
43.28 3, paragraph (a), clause (6).

Sec. 7. **[216B.497] EXTRAORDINARY EVENT BONDS.**

(a) A bank, trust company, savings and loan association, insurance company, executor, administrator, guardian, trustee, or other fiduciary may legally invest any money within the individual's or entity's control in extraordinary event bonds.

(b) Extraordinary event bonds issued under a financing order are not debt of or a pledge of the faith and credit or taxing power of the state, any agency of the state, or any political subdivision. An extraordinary event bonds holder does not possess the ability to compel taxes to be levied by the state or a political subdivision in order to pay the principal or interest on extraordinary event bonds. The issuance of extraordinary event bonds does not directly, indirectly, or contingently obligate the state or a political subdivision to levy any tax or make any appropriation to pay principal or interest on the extraordinary event bonds.

(c) The state pledges to and agrees with an extraordinary event bonds holder, assignee, and financing party that the state and state agencies, including the commission, are prohibited from:

(1) taking or permitting an action that reduces or impairs the extraordinary event property approved in the financing order or impairs the collection or recovery of extraordinary event charges or extraordinary event revenue;

(2) reducing, impairing, postponing, or terminating extraordinary event charges approved in the financing order that are imposed, collected, and remitted for the benefit of an extraordinary event bonds holder, assignee, and financing party until all principal, interest, and redemption premium, if any, payable on extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid in full; or

(3) changing the customers required to pay the extraordinary event charges.

(d) The commission may include a pledge in the financing order similar to the pledge included in paragraph (c).

(e) A person who issues extraordinary event bonds may include the pledge specified in paragraphs (c) and (d) in the extraordinary event bonds, ancillary agreements, and documentation related to the issuance and marketing of the extraordinary event bonds.

45.1 Sec. 8. [216B.498] ASSIGNEE OF FINANCING PARTY NOT SUBJECT TO
45.2 COMMISSION REGULATION.

45.3 An assignee or financing party that is not already regulated by the commission does not
45.4 become subject to commission regulation solely as a result of engaging in any transaction
45.5 authorized by or described in sections 216B.491 to 216B.499.

45.6 Sec. 9. [216B.499] EFFECT ON OTHER LAWS.

45.7 (a) If a provision of sections 216B.491 to 216B.499 conflicts with other law regarding
45.8 the attachment, assignment, perfection, effect of perfection, or priority of a security interest
45.9 in or transfer of extraordinary event property, sections 216B.491 to 216B.499 govern.

45.10 (b) Nothing in this section precludes a utility for which the commission has initially
45.11 issued a financing order from applying to the commission for:

45.12 (1) a subsequent financing order amending the financing order under section 216B.492,
45.13 subdivision 4, paragraph (d); or

45.14 (2) approval to issue extraordinary event bonds to refund all or a portion of an outstanding
45.15 series of extraordinary event bonds.

45.16 Sec. 10. Minnesota Statutes 2024, section 216B.62, subdivision 3, is amended to read:

45.17 Subd. 3. **Assessing all public utilities.** The department and commission shall quarterly,
45.18 at least 30 days before the start of each quarter, estimate the total of their expenditures in
45.19 the performance of their duties relating to public utilities under sections 216B.01 to 216B.67,
45.20 other than amounts chargeable to public utilities under subdivision 2, 6, 7, ~~or 8,~~ or 9. The
45.21 remainder shall be assessed by the commission and department to the several public utilities
45.22 in proportion to their respective gross operating revenues from retail sales of gas or electric
45.23 service within the state during the last calendar year. The assessment shall be paid into the
45.24 state treasury within 30 days after the bill has been transmitted via mail, personal delivery,
45.25 or electronic service to the several public utilities, which shall constitute notice of the
45.26 assessment and demand of payment thereof. The total amount which may be assessed to
45.27 the public utilities, under authority of this subdivision, shall not exceed one-sixth of one
45.28 percent of the total gross operating revenues of the public utilities during the calendar year
45.29 from retail sales of gas or electric service within the state. The assessment for the third
45.30 quarter of each fiscal year shall be adjusted to compensate for the amount by which actual
45.31 expenditures by the commission and department for the preceding fiscal year were more or
45.32 less than the estimated expenditures previously assessed.

Sec. 11. Minnesota Statutes 2024, section 216B.62, is amended by adding a subdivision to read:

Subd. 9. **Administrative costs for extraordinary event bonds.** The commission and the department may assess gas utilities for the actual commission and department costs of administering extraordinary event bonds under sections 216B.491 to 216B.499. The money received from the assessment shall be deposited into an account in the special revenue fund and all funds deposited are appropriated to the commission or the department for the purposes of this subdivision. The commission and department may initially assess for estimated costs under sections 216B.491 to 216B.499, then must adjust subsequent assessments for actual costs incurred under sections 216B.491 to 216B.499. An assessment made under this subdivision is not subject to the cap on assessments provided in subdivision 3 or any other law.

ARTICLE 5

RENEWABLE DEVELOPMENT ACCOUNT SUNSET

Section 1. Minnesota Statutes 2024, section 116C.7792, is amended to read:

116C.7792 SOLAR ENERGY PRODUCTION INCENTIVE PROGRAM.

Subdivision 1. **Program operations.** (a) The utility subject to section ~~116C.779~~ 216B.1641 shall operate a program to provide solar energy production incentives for solar energy systems of no more than a total aggregate nameplate capacity of 40 kilowatts alternating current per premise. The owner of a solar energy system installed before June 1, 2018, is eligible to receive a production incentive under this section for any additional solar energy systems constructed at the same customer location, provided that the aggregate capacity of all systems at the customer location does not exceed 40 kilowatts.

(b) Through 2025, the program is funded by money ~~withheld from transfer to the renewable development account under section 116C.779, subdivision 1, paragraphs (b) and (c).~~ Program funds must be placed that the utility deposits in a separate account for the purpose of the solar energy production incentive program operated by the utility and not for any other program or purpose.

(c) Funds allocated to the solar energy production incentive program in 2019 and 2020 remain available to the solar energy production incentive program.

(d) The following amounts are allocated to the solar energy production incentive program:

(1) \$10,000,000 in 2021;

47.1 (2) \$10,000,000 in 2022;

47.2 (3) \$5,000,000 in 2023;

47.3 (4) \$11,250,000 in 2024; and

47.4 (5) \$6,250,000 in 2025; and.

47.5 ~~(6) \$5,000,000 each year, beginning in 2026 through 2035.~~

47.6 (e) Notwithstanding the Department of Commerce's November 14, 2018, decision in
47.7 Docket No. E002/M-13-1015 regarding operation of the utility's solar energy production
47.8 incentive program, half of the amounts allocated each year under paragraph (d), clauses (3),
47.9 (4), and (5), must be reserved for solar energy systems whose installation meets the eligibility
47.10 standards for the low-income program established in the November 14, 2018, decision or
47.11 successor decisions of the department. All other program operations of the solar energy
47.12 production incentive program are governed by the provisions of the November 14, 2018,
47.13 decision or successor decisions of the department.

47.14 (f) ~~Funds~~ Money allocated to the solar energy production incentive program that ~~have~~
47.15 has not been committed to a specific project at the end of a program year ~~remain~~ remains
47.16 available to the solar energy production incentive program, except that the utility's money
47.17 that has not been obligated to a specific project by December 31, 2025, must be refunded
47.18 to the utility's electric service customers in a manner and according to a schedule determined
47.19 by the Public Utilities Commission.

47.20 ~~(g) Any unspent amount remaining on January 1, 2028, must be transferred to the~~
47.21 ~~renewable development account.~~

47.22 ~~(h)~~ (g) A solar energy system receiving a production incentive under this section must
47.23 be sized to less than 120 percent of the customer's on-site annual energy consumption when
47.24 combined with other distributed generation resources and subscriptions provided under
47.25 section 216B.1641 associated with the premise. The production incentive must be paid for
47.26 ten years commencing with the commissioning of the system.

47.27 ~~(i)~~ (h) The utility must file a plan to operate the program with the commissioner of
47.28 commerce. The utility may not operate the program until it is approved by the commissioner.
47.29 A change to the program to include projects up to a nameplate capacity of 40 kilowatts or
47.30 less does not require the utility to file a plan with the commissioner. Any plan approved by
47.31 the commissioner of commerce must not provide an increased incentive scale over prior
47.32 years unless the commissioner demonstrates that changes in the market for solar energy
47.33 facilities require an increase.

(i) The utility must operate the program through December 31, 2025. Beginning on January 1, 2026, the commissioner of commerce must operate the program under this section in conformance with the orders issued by the Public Utilities Commission in Docket No. E002/M-13-1015, as applicable.

(j) A payment must not be made under this section to an owner of a solar energy system who did not receive a payment under this section before January 1, 2027.

Subd. 2. **Establishment of account.** (a) The solar energy production incentive account is established in the special revenue fund in the state treasury. Money received from the general fund must be transferred to the commissioner of commerce and credited to the account. The commissioner of commerce must manage the account.

(b) Money in the account may be expended only from January 1, 2026, to December 31, 2036. Any money remaining in the account on December 31, 2036, cancels to the general fund.

(c) The utility subject to this section must advise the commissioner of commerce, on a schedule determined by the commissioner of commerce, regarding:

(1) the total amount required to be withdrawn from the account to pay for solar energy production incentives; and

(2) the amount of payments to be made separately to each program participant due a payment under this section.

(d) Beginning in fiscal year 2027, an amount sufficient is annually appropriated from the general fund to the commissioner to make the payments under paragraph (c) for projects that first received payments under this section no later than December 31, 2026.

Subd. 3. **Expiration.** This section expires April 1, 2037.

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

Sec. 2. Minnesota Statutes 2024, section 116J.55, subdivision 5, is amended to read:

Subd. 5. **Grant awards; limitations.** ~~(a)~~ A grant awarded to an eligible community under this section must not exceed \$1,000,000 in any calendar year. The commissioner may accept grant applications on an ongoing or rolling basis.

~~(b) Grants funded with revenues from the renewable development account established in section 116C.779 must be awarded to an eligible community located within the retail electric service territory of the public utility that is subject to section 116C.779 or to an~~

49.1 ~~eligible community in which an electric generating plant owned by that public utility is~~
 49.2 ~~located.~~

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

49.4 Sec. 3. Minnesota Statutes 2024, section 216B.1645, subdivision 1, is amended to read:

49.5 Subdivision 1. **Commission authority.** Upon the petition of a public utility, the Public
 49.6 Utilities Commission shall approve or disapprove power purchase contracts, investments,
 49.7 or expenditures entered into or made by the utility to satisfy the wind and biomass mandates
 49.8 contained in sections 216B.169, 216B.2423, and 216B.2424, and to satisfy the renewable
 49.9 energy objectives and standards set forth in section 216B.1691, including reasonable
 49.10 investments and expenditures made to:

49.11 (1) transmit the electricity generated from sources developed under those sections that
 49.12 is ultimately used to provide service to the utility's retail customers, including studies
 49.13 necessary to identify new transmission facilities needed to transmit electricity to Minnesota
 49.14 retail customers from generating facilities constructed to satisfy the renewable energy
 49.15 objectives and standards, provided that the costs of the studies have not been recovered
 49.16 previously under existing tariffs and the utility has filed an application for a certificate of
 49.17 need or for certification as a priority project under section 216B.2425 for the new
 49.18 transmission facilities identified in the studies; or

49.19 (2) provide storage facilities for renewable energy generation facilities that contribute
 49.20 to the reliability, efficiency, or cost-effectiveness of the renewable facilities; ~~or.~~

49.21 ~~(3) develop renewable energy sources from the account required in section 116C.779.~~

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

49.23 Sec. 4. Minnesota Statutes 2024, section 216C.377, subdivision 3, is amended to read:

49.24 Subd. 3. **Establishment of account.** A solar on public buildings grant program account
 49.25 is established in the special revenue fund. Money received from the general fund ~~and the~~
 49.26 ~~renewable development account established in section 116C.779, subdivision 1,~~ must be
 49.27 transferred to the commissioner of commerce and credited to the account. Earnings, including
 49.28 interest, dividends, and any other earnings arising from the assets of the account, must be
 49.29 credited to the account. Earnings remaining in the account at the end of a fiscal year do not
 49.30 cancel to the general fund or renewable development account but remain in the account
 49.31 until expended. The commissioner must manage the account.

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

Sec. 5. Minnesota Statutes 2024, section 216C.417, is amended by adding a subdivision to read:

Subd. 1a. **Account established; account management; appropriation.** A "Made in Minnesota" solar energy production incentive account is established as a separate account in the special revenue fund in the state treasury. Earnings, including interest, dividends, and any other earnings arising from account assets, must be credited to the account. Money remaining in the account at the end of a fiscal year cancels to the general fund. The commissioner of commerce must manage the account.

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

Sec. 6. Minnesota Statutes 2024, section 216C.417, subdivision 2, is amended to read:

~~Subd. 2. **Appropriation.** (a) Unspent money remaining in the account established under Minnesota Statutes 2016, section 216C.412, on July 1, 2017, must be transferred to the renewable development account in the special revenue fund established under section 116C.779, subdivision 1.~~

~~(b) (a)~~ There is annually appropriated from the ~~renewable development account in the special revenue fund established in section 116C.779~~ general fund to the commissioner of commerce money sufficient to make the incentive payments required under Minnesota Statutes 2016, section 216C.415. Any ~~funds~~ money appropriated under this paragraph that ~~are~~ is unexpended at the end of a fiscal year ~~cancel~~ cancels to the ~~renewable development account~~ general fund.

~~(e) (b)~~ Notwithstanding Minnesota Statutes 2016, section 216C.412, subdivision 1, none of this appropriation may be used for administrative costs.

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

Sec. 7. **DISPOSITION OF REMAINING FUNDS.**

Any money remaining in the renewable development account established under Minnesota Statutes, section 116C.779, as of the effective date of this act must be remitted to the utility subject to Minnesota Statutes, section 216B.1641, subdivision 1, to refund the utility's electric service customers in a manner and according to a schedule determined by the Public Utilities Commission.

51.1 Sec. 8. **REVISOR INSTRUCTION.**

51.2 In each section of Minnesota Statutes referred to in column A, the revisor of statutes
51.3 must delete the reference in column B and insert the reference in column C. The references
51.4 in column C may be changed by the revisor of statutes to the section in Minnesota Statutes
51.5 in which the bill sections are compiled.

51.6	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
51.7	<u>16B.87</u>	<u>116C.779</u>	<u>216B.1641, subdivision 1</u>
51.8	<u>116C.776</u>	<u>116C.779</u>	<u>116C.778</u>
51.9			<u>216B.1691, paragraph (a),</u>
51.10	<u>216B.1641</u>	<u>116C.779</u>	<u>clause (1)</u>
51.11	<u>216C.375</u>	<u>116C.779</u>	<u>216B.1641, subdivision 1</u>
51.12	<u>216C.378</u>	<u>116C.779</u>	<u>216B.1641, subdivision 1</u>
51.13	<u>216C.379</u>	<u>116C.779</u>	<u>216B.1641, subdivision 1</u>

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

51.15 Sec. 9. **REPEALER.**

51.16 Minnesota Statutes 2024, sections 116C.779, subdivisions 1 and 2; 116C.7791; and
51.17 216C.41, are repealed.

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

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ARTICLE 1 CLIMATE AND ENERGY FINANCE..... Page.Ln 1.19

ARTICLE 2 RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS.... Page.Ln 4.21

ARTICLE 3 ENERGY POLICY..... Page.Ln 9.14

ARTICLE 4 SECURITIZATION..... Page.Ln 28.16

ARTICLE 5 RENEWABLE DEVELOPMENT ACCOUNT SUNSET..... Page.Ln 46.13

116C.779 FUNDING FOR RENEWABLE DEVELOPMENT.

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

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

(c) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing each January 15 thereafter, the public utility that owns the Prairie Island nuclear generating plant must transfer to the renewable development account \$500,000 each year for each dry cask containing spent fuel that is located at the Prairie Island power plant for each year the plant is in operation, and \$7,500,000 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 Prairie Island for any part of a year. The total amount transferred annually under this paragraph must be reduced by \$3,750,000.

(d) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing each January 15 thereafter, the public utility that owns the Monticello nuclear generating 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

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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:

(1) potential benefit to Minnesota citizens and businesses and the utility's ratepayers; and

(2) the proposer's commitment to increasing the diversity of the proposer's workforce and vendors.

(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

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(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) 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. A project receiving funds from the account must submit a report that meets the requirements of section 216C.51, subdivisions 3 and 4, each year the project funded by the account is in progress.

(r) 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.

(s) 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.

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

(u) Construction projects receiving funds from this account are subject to the requirement to pay the prevailing wage rate, as defined in section 177.42 and the requirements and enforcement provisions in sections 177.27, 177.30, 177.32, 177.41 to 177.435, and 177.45.

Subd. 2. Renewable energy production incentive. (a) Until January 1, 2021, \$10,900,000 annually must be allocated from available funds in the account to fund renewable energy production incentives. \$9,400,000 of this annual amount is for incentives for electricity generated by wind energy conversion systems that are eligible for the incentives under section 216C.41 or Laws 2005, chapter 40.

(b) The balance of this amount, up to \$1,500,000 annually, may be used for production incentives for on-farm biogas recovery facilities and hydroelectric facilities that are eligible for the incentive under section 216C.41 or for production incentives for other renewables, to be provided in the same manner as under section 216C.41.

(c) Any portion of the \$10,900,000 not expended in any calendar year for the incentive is available for other spending purposes under subdivision 1. This subdivision does not create an obligation to contribute funds to the account.

(d) The Department of Commerce shall determine eligibility of projects under section 216C.41 for the purposes of this subdivision. At least quarterly, the Department of Commerce shall notify the public utility of the name and address of each eligible project owner and the amount due to each project under section 216C.41. The public utility shall make payments within 15 working days after receipt of notification of payments due.

116C.7791 REBATES FOR SOLAR PHOTOVOLTAIC MODULES.

Subdivision 1. Definitions. For the purpose of this section, the following terms have the meanings given.

(a) "Installation" means an array of solar photovoltaic modules attached to a building that will use the electricity generated by the solar photovoltaic modules or placed on a facility or property proximate to that building.

(b) "Manufactured" means:

(1) the material production of solar photovoltaic modules, including the tabbing, stringing, and lamination processes; or

(2) the production of interconnections of low-voltage photoactive elements that produce the final useful photovoltaic output by a manufacturer operating in this state on May 18, 2010.

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(c) "Qualified owner" means an owner of a qualified property, but does not include an entity engaged in the business of generating or selling electricity at retail, or an unregulated subsidiary of such an entity.

(d) "Qualified property" means a residence, multifamily residence, business, or publicly owned building located in the assigned service area of the utility subject to section 116C.779.

(e) "Solar photovoltaic module" means the smallest, nondivisible, self-contained physical structure housing interconnected photovoltaic cells and providing a single direct current of electrical output.

Subd. 2. **Establishment.** The utility subject to section 116C.779 shall establish a program to provide rebates to an owner of a qualified property for installing solar photovoltaic modules manufactured in Minnesota after December 31, 2009. Any solar photovoltaic modules installed under this program and any expenses incurred by the utility operating the program shall be treated the same as solar installations and related expenses under section 216B.241.

Subd. 3. **Rebate eligibility.** (a) To be eligible for a rebate under this section, a solar photovoltaic module:

- (1) must be manufactured in Minnesota;
- (2) must be installed on a qualified property as part of a system whose generating capacity does not exceed 40 kilowatts;
- (3) must be certified by Underwriters Laboratory, must have received the ETL listed mark from Intertek, or must have an equivalent certification from an independent testing agency;
- (4) may or may not be connected to a utility grid;
- (5) must be installed, or reviewed and approved, by a person certified as a solar photovoltaic installer by the North American Board of Certified Energy Practitioners; and
- (6) may not be used to sell, transmit, or distribute the electrical energy at retail, nor to provide end-use electricity to an offsite facility of the electrical energy generator. On-site generation is allowed to the extent provided for in section 216B.1611.

(b) To be eligible for a rebate under this section, an applicant must have applied for and been awarded a rebate or other form of financial assistance available exclusively to owners of properties on which solar photovoltaic modules are installed that is offered by:

- (1) the utility serving the property on which the solar photovoltaic modules are to be installed; or
- (2) this state, under an authority other than this section.

(c) An applicant who is otherwise ineligible for a rebate under paragraph (b) is eligible if the applicant's failure to secure a rebate or other form of financial assistance is due solely to a lack of available funds on the part of a utility or this state.

Subd. 4. **Rebate amount and payment.** (a) The amount of a rebate under this section is the difference between the sum of all rebates described in subdivision 3, paragraph (b), awarded to the applicant and \$5 per watt of installed generating capacity.

(b) Notwithstanding paragraph (a), the amount of all rebates or other forms of financial assistance awarded to an applicant by a utility and the state, including any rebate paid under this section, net of applicable federal income taxes applied at the highest applicable income tax rates, must not exceed 60 percent of the total installed cost of the solar photovoltaic modules.

(c) Rebates must be awarded to eligible applicants beginning July 1, 2010.

(d) The rebate must be paid out proportionately in five consecutive annual installments.

Subd. 5. **Rebate program funding.** (a) The following amounts must be allocated from the renewable development account established in section 116C.779 to a separate account for the purpose of providing the rebates for solar photovoltaic modules specified in this section:

- (1) \$2,000,000 in fiscal year 2011;
- (2) \$4,000,000 in fiscal year 2012;
- (3) \$5,000,000 in fiscal year 2013;

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(4) \$5,000,000 in fiscal year 2014; and

(5) \$5,000,000 in fiscal year 2015.

(b) If, by the end of fiscal year 2015, insufficient qualified owners have applied for and met the requirements for rebates under this section to exhaust the funds available, any remaining balance shall be returned to the account established under section 116C.779.

216C.41 RENEWABLE ENERGY PRODUCTION INCENTIVE.

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Qualified hydroelectric facility" means a hydroelectric generating facility in this state that:

(1) is located at the site of a dam, if the dam was in existence as of March 31, 1994; and

(2) begins generating electricity after July 1, 1994, or generates electricity after substantial refurbishing of a facility that begins after July 1, 2001.

(c) "Qualified wind energy conversion facility" means a wind energy conversion system in this state that:

(1) produces two megawatts or less of electricity as measured by nameplate rating and begins generating electricity after December 31, 1996, and before July 1, 1999;

(2) begins generating electricity after June 30, 1999, produces two megawatts or less of electricity as measured by nameplate rating, and is:

(i) owned by a resident of Minnesota or an entity that is organized under the laws of this state, is not prohibited from owning agricultural land under section 500.24, and owns the land where the facility is sited;

(ii) owned by a Minnesota small business as defined in section 645.445;

(iii) owned by a Minnesota nonprofit organization;

(iv) owned by a tribal council if the facility is located within the boundaries of the reservation;

(v) owned by a Minnesota municipal utility or a Minnesota cooperative electric association; or

(vi) owned by a Minnesota political subdivision or local government, including, but not limited to, a county, statutory or home rule charter city, town, school district, or any other local or regional governmental organization such as a board, commission, or association; or

(3) begins generating electricity after June 30, 1999, produces seven megawatts or less of electricity as measured by nameplate rating, and:

(i) is owned by a cooperative organized under chapter 308A other than a Minnesota cooperative electric association; and

(ii) all shares and membership in the cooperative are held by an entity that is not prohibited from owning agricultural land under section 500.24.

(d) "Qualified on-farm biogas recovery facility" means an anaerobic digester system that:

(1) is located at the site of an agricultural operation; and

(2) is owned by an entity that is not prohibited from owning agricultural land under section 500.24 and that owns or rents the land where the facility is located.

(e) "Anaerobic digester system" means a system of components that processes animal waste based on the absence of oxygen and produces gas used to generate electricity.

Subd. 2. **Incentive payment; appropriation.** (a) Incentive payments must be made according to this section to (1) a qualified on-farm biogas recovery facility, (2) the owner or operator of a qualified hydropower facility or qualified wind energy conversion facility for electric energy generated and sold by the facility, (3) a publicly owned hydropower facility for electric energy that is generated by the facility and used by the owner of the facility outside the facility, or (4) the owner of a publicly owned dam that is in need of substantial repair, for electric energy that is generated by a hydropower facility at the dam and the annual incentive payments will be used to fund the structural repairs and replacement of structural components of the dam, or to retire debt incurred to fund those repairs.

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(b) Payment may only be made upon receipt by the commissioner of commerce of an incentive payment application that establishes that the applicant is eligible to receive an incentive payment and that satisfies other requirements the commissioner deems necessary. The application must be in a form and submitted at a time the commissioner establishes.

(c) There is annually appropriated from the renewable development account under section 116C.779 to the commissioner of commerce sums sufficient to make the payments required under this section, in addition to the amounts funded by the renewable development account as specified in subdivision 5a.

Subd. 3. **Eligibility window.** Payments may be made under this section only for:

(a) electricity generated from:

(1) a qualified hydroelectric facility that is operational and generating electricity before December 31, 2011;

(2) a qualified wind energy conversion facility that is operational and generating electricity before January 1, 2008; or

(3) a qualified on-farm biogas recovery facility from July 1, 2001, through December 31, 2017; and

(b) gas generated from a qualified on-farm biogas recovery facility from July 1, 2007, through December 31, 2017.

Subd. 4. **Payment period.** (a) A facility may receive payments under this section for a ten-year period. No payment under this section may be made for electricity generated:

(1) by a qualified hydroelectric facility after December 31, 2021;

(2) by a qualified wind energy conversion facility after December 31, 2018; or

(3) by a qualified on-farm biogas recovery facility after December 31, 2017.

(b) The payment period begins and runs consecutively from the date the facility begins generating electricity or, in the case of refurbishment of a hydropower facility, after substantial repairs to the hydropower facility dam funded by the incentive payments are initiated.

Subd. 5. **Amount of payment; wind facilities limit.** (a) An incentive payment is based on the number of kilowatt-hours of electricity generated. The amount of the payment is:

(1) for a facility described under subdivision 2, paragraph (a), clause (4), 1.0 cent per kilowatt-hour; and

(2) for all other facilities, 1.5 cents per kilowatt-hour.

For electricity generated by qualified wind energy conversion facilities, the incentive payment under this section is limited to no more than 200 megawatts of nameplate capacity.

(b) For wind energy conversion systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this section must be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system must be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same calendar year as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

Subd. 5a. **Renewable development account.** The Department of Commerce shall authorize payment of the renewable energy production incentive to wind energy conversion systems that are

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eligible under this section or Laws 2005, chapter 40, to on-farm biogas recovery facilities, and to hydroelectric facilities. Payment of the incentive shall be made from the renewable energy development account as provided under section 116C.779, subdivision 2.

Subd. 6. **Ownership; financing; cure.** (a) For the purposes of subdivision 1, paragraph (c), clause (2), a wind energy conversion facility qualifies if it is owned at least 51 percent by one or more of any combination of the entities listed in that clause.

(b) A subsequent owner of a qualified facility may continue to receive the incentive payment for the duration of the original payment period if the subsequent owner qualifies for the incentive under subdivision 1.

(c) Nothing in this section may be construed to deny incentive payment to an otherwise qualified facility that has obtained debt or equity financing for construction or operation as long as the ownership requirements of subdivision 1 and this subdivision are met. If, during the incentive payment period for a qualified facility, the owner of the facility is in default of a lending agreement and the lender takes possession of and operates the facility and makes reasonable efforts to transfer ownership of the facility to an entity other than the lender, the lender may continue to receive the incentive payment for electricity generated and sold by the facility for a period not to exceed 18 months. A lender who takes possession of a facility shall notify the commissioner immediately on taking possession and, at least quarterly, document efforts to transfer ownership of the facility.

(d) If, during the incentive payment period, a qualified facility loses the right to receive the incentive because of changes in ownership, the facility may regain the right to receive the incentive upon cure of the ownership structure that resulted in the loss of eligibility and may reapply for the incentive, but in no case may the payment period be extended beyond the original ten-year limit.

(e) A subsequent or requalifying owner under paragraph (b) or (d) retains the facility's original priority order for incentive payments as long as the ownership structure requalifies within two years from the date the facility became unqualified or two years from the date a lender takes possession.

Subd. 7. **Eligibility process.** (a) A qualifying project is eligible for the incentive on the date the commissioner receives:

- (1) an application for payment of the incentive;
- (2) one of the following:
 - (i) a copy of a signed power purchase agreement;
 - (ii) a copy of a binding agreement other than a power purchase agreement to sell electricity generated by the project to a third person; or
 - (iii) if the project developer or owner will sell electricity to its own members or customers, a copy of the purchase order for equipment to construct the project with a delivery date and a copy of a signed receipt for a nonrefundable deposit; and
- (3) any other information the commissioner deems necessary to determine whether the proposed project qualifies for the incentive under this section.

(b) The commissioner shall determine whether a project qualifies for the incentive and respond in writing to the applicant approving or denying the application within 15 working days of receipt of the information required in paragraph (a). A project that is not operational within 18 months of receipt of a letter of approval is no longer approved for the incentive. The commissioner shall notify an applicant of potential loss of approval not less than 60 days prior to the end of the 18-month period. Eligibility for a project that loses approval may be reestablished as of the date the commissioner receives a new completed application.