

**SENATE
STATE OF MINNESOTA
FIFTH SPECIAL SESSION**

S.F. No. 32

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DATE
10/15/2020

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Introduction and first reading
Referred to Rules and Administration

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; authorizing a power purchase agreement for certain electric
1.3 cogeneration activities; amending Minnesota Statutes 2018, section 216B.2424,
1.4 by adding subdivisions.

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

1.6 Section 1. Minnesota Statutes 2018, section 216B.2424, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 5b. Definitions. (a) For the purposes of subdivision 5c, the following terms have
1.9 the meanings given.

1.10 (b) "Ash" means all species of the genus *Fraxinus*.

1.11 (c) "Cogeneration facility" means the St. Paul district heating and cooling system
1.12 cogeneration facility that provides thermal energy to St. Paul and sells electricity to a public
1.13 utility through a power purchase agreement approved by the Public Utilities Commission.

1.14 (d) "Department" means the Department of Agriculture.

1.15 (e) "Emerald ash borer" means the insect known as emerald ash borer, *Agrilus planipennis*
1.16 Fairmaire, in any stage of development.

1.17 (f) "Renewable energy technology" has the meaning given to "eligible energy technology"
1.18 in section 216B.1691, subdivision 1.

1.19 (g) "St. Paul district heating and cooling system" means a system of boilers, distribution
1.20 pipes, and other equipment that provides energy for heating and cooling in St. Paul, and
1.21 includes the cogeneration facility.

2.1 (h) "Waste wood from ash trees" means ash logs and lumber, ash tree waste, and ash
2.2 chips and mulch.

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

2.4 Sec. 2. Minnesota Statutes 2018, section 216B.2424, is amended by adding a subdivision
2.5 to read:

2.6 Subd. 5c. **New power purchase agreement.** (a) No later than December 31, 2021, a
2.7 public utility subject to subdivision 5 and the cogeneration facility may jointly file a proposal
2.8 with the commission to enter into a new power agreement that governs the public utility's
2.9 purchase of electricity generated by the cogeneration facility. The new power purchase
2.10 agreement is effective through December 31, 2023, with an option to extend to a date no
2.11 later than (1) the completion date of an electrification project approved by the commission
2.12 under this subdivision, or (2) another date agreed to by the parties and approved by the
2.13 commission, whichever is later.

2.14 (b) The commission is prohibited from approving a new power purchase agreement filed
2.15 under this subdivision that does not meet all of the following conditions:

2.16 (1) the cogeneration facility agrees to continue to utilize waste wood as its primary fuel
2.17 source;

2.18 (2) the cogeneration facility agrees that any waste wood from ash trees removed from
2.19 Minnesota counties that have been designated as quarantined areas in Section IV of the
2.20 Minnesota State Formal Quarantine for Emerald Ash Borer, issued by the commissioner of
2.21 agriculture under section 18G.06, effective November 14, 2019, as amended, for utilization
2.22 as biomass fuel by the cogeneration facility must be accompanied by evidence:

2.23 (i) demonstrating that the transport of biomass fuel from processed waste wood from
2.24 ash trees to the cogeneration facility complies with the department's regulatory requirements
2.25 under the Minnesota State Formal Quarantine for Emerald Ash Borer, which may consist
2.26 of:

2.27 (A) a certificate authorized or prepared by the commissioner of agriculture or an employee
2.28 of the Animal and Plant Health Inspection Service of the United States Department of
2.29 Agriculture verifying compliance; or

2.30 (B) shipping documents demonstrating compliance; or

2.31 (ii) certifying that the waste wood from ash trees has been chipped to one inch or less
2.32 in two dimensions within the county from which the ash trees were originally removed;

3.1 (3) the price per megawatt hour of electricity paid by the public utility is comparable,
3.2 as determined by the commission, with the average cost paid by the utility for electricity
3.3 generated by refuse-derived fuel, as defined in section 115A.03, subdivision 25d, that is
3.4 purchased by the public utility for sale in Minnesota and does not increase the total costs
3.5 charged to the utility's ratepayers, considering all charges;

3.6 (4) the proposal includes a proposal to the commission for an electrification project that
3.7 results in the St. Paul district heating and cooling system being powered by electricity
3.8 generated from renewable energy technologies. The proposal must evaluate electrification
3.9 of 30, 60, and 100 percent of the energy used by the St. Paul district heating and cooling
3.10 system to be accomplished by December 31, 2027. The proposal may also evaluate alternative
3.11 dates for implementation. For each level of electrification analyzed, the proposal must
3.12 contain:

3.13 (i) a description of the alternative electrification technologies evaluated and proposed
3.14 to be implemented by the electrification project;

3.15 (ii) an estimate of the cost of the electrification project to the public utility, the impact
3.16 on the monthly energy bills of the public utility's Minnesota customers, and the impact on
3.17 the monthly energy bills of the customers of the St. Paul district heating and cooling system;

3.18 (iii) an estimate of the reduction in greenhouse gas emissions resulting from the
3.19 electrification project, including greenhouse gas emissions associated with the transportation
3.20 of waste wood;

3.21 (iv) estimated impacts on the operations of the St. Paul district heating and cooling
3.22 system; and

3.23 (v) a timeline for the electrification project; and

3.24 (5) the power purchase agreement provides a net benefit to the utility customers or the
3.25 state.

3.26 (c) The commission may approve or modify a power purchase agreement and an
3.27 electrification project proposed under this subdivision upon finding that the power purchase
3.28 agreement and electrification project meet the requirements of paragraphs (a) and (b),
3.29 respectively, and are in the public interest, or it may reject the power purchase agreement
3.30 and electrification project. The commission is prohibited from approving the modification
3.31 of a power purchase agreement or an electrification project individually, but must approve
3.32 or reject both together. When determining whether an electrification project is in the public
3.33 interest, the commission must consider the effects of the electrification project on air

4.1 emissions from the St. Paul district heating and cooling system and how those emissions
4.2 impact the environment and residents of affected neighborhoods.

4.3 (d) If the commission approves the proposal submitted under paragraph (b), clause (4),
4.4 the commission may allow the public utility to recover prudently incurred costs net of
4.5 revenues resulting from the electrification project through an automatic cost recovery
4.6 mechanism that allows for cost recovery outside of a general rate case. The cost recovery
4.7 mechanism approved by the commission must:

4.8 (1) allow a reasonable return on the capital invested in the electrification project by the
4.9 public utility, as determined by the commission; and

4.10 (2) recover costs only from the public utility's Minnesota electric service customers.

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