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**Senate**  

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**State of Minnesota**

**S.F. No. 969 - State Use of Renewable Fuels**

**Author:** Senator Jim Vickerman

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MG*

**Date:** March 10, 2005

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The bill urges state agencies to use agricultural renewable fuels such as ethanol, biodiesel, and hydrogen made from agricultural products, and to purchase vehicles designed to use such fuels. The bill establishes a goal of reducing the use of gasoline by state-owned on-road vehicles by 25 percent by 2010, and 50 percent by 2015, and a goal of reducing the use of petroleum-based diesel fueled vehicles by ten percent in 2010 and 25 percent by 2015. To meet the goals herein established, the bill would require state agencies, whenever feasible, to ensure at least 75 percent of new on-road vehicle purchases use "cleaner fuels" and exceed 30 mpg city and 35 mpg highway mileage. To further ensure that these goals be met, state agencies would be required to increase use of renewable fuels and increase their use of the Internet and other electronic information technologies to enhance access and delivery of services.

The bill also requires the Commissioner of Administration, or the Commissioner's designee, to chair a Smartfleet committee comprised of representatives of the Pollution Control Agency, the Departments of Commerce and Agriculture, and other state departments wishing to participate, to assist state departments in complying, and monitor compliance, with the goals established in the bill. The committee is also permitted to make recommendations concerning the goals in established in the bill.

The bill excludes petroleum-based diesel vehicles purchased prior to model year 2007, which have been retrofitted for use of ultra-low sulfur diesel fuel and to add emissions control technologies, from consideration in meeting the goals established in the bill.

MG:cs

Senator Vickerman introduced--

S.F. No. 969: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to renewable fuel use by state departments;  
3 clarifying the state's policy of minimizing energy use  
4 and requiring renewable fuels wherever appropriate;  
5 proposing coding for new law in Minnesota Statutes,  
6 chapter 16C.

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

8 Section 1. [16C.137] [MINIMIZING ENERGY USE; RENEWABLE  
9 FUELS.]

10 Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature  
11 finds that increased use of agricultural renewable fuels such as  
12 ethanol, biodiesel, and hydrogen made from agricultural products  
13 will reduce Minnesota's dependence on imported oil and help  
14 protect our environment while providing enormous benefit to  
15 Minnesota's rural communities and agricultural economy.  
16 Furthermore, Minnesota has a unique economic advantage in the  
17 ability to produce clean, renewable, domestic fuels and  
18 Minnesota leads the nation in the production and use of ethanol  
19 and biodiesel. State agencies need to be urged, once again, to  
20 use cleaner fuels like ethanol, biodiesel, and hydrogen in state  
21 vehicles, and to purchase vehicles capable of being powered by  
22 these cleaner fuels as required by section 16C.135.

23 Subd. 2. [GOALS AND ACTIONS.] (a) Using 2005 as a  
24 baseline, the state of Minnesota shall reduce the use of  
25 gasoline by on-road vehicles owned by state departments by 25  
26 percent by 2010 and by 50 percent by 2015, and the use of

1 petroleum-based diesel fuel in diesel-fueled vehicles by ten  
2 percent by 2010 and 25 percent by 2015.

3 (b) To meet the goals established in paragraph (a), each  
4 state department will, whenever legally, technically, and  
5 economically feasible, subject to the specific needs of the  
6 department and responsible management of agency finances:

7 (1) ensure that at least 75 percent of purchases of new  
8 on-road vehicles, excluding emergency and law enforcement  
9 vehicles:

10 (i) use "cleaner fuels" as that term is defined in section  
11 16C.135, subdivision 1, clauses (1), (3), and (4); or

12 (ii) have fuel efficiency ratings that exceed 30 miles per  
13 gallon for city usage or 35 miles per gallon for highway usage,  
14 including but not limited to hybrid electric cars and  
15 hydrogen-powered vehicles;

16 (2) increase its use of renewable transportation fuels,  
17 including ethanol, biodiesel, and hydrogen from agricultural  
18 products; and

19 (3) increase its use of Web-based Internet applications and  
20 other electronic information technologies to enhance the access  
21 to and delivery of government information and services to the  
22 public, and reduce the reliance on the department's fleet for  
23 the delivery of such information and services.

24 Subd. 3. [SMARTFLEET COMMITTEE.] (a) The commissioner of  
25 administration, or the commissioner's designee, shall chair a  
26 SmartFleet Committee consisting of representatives designated by  
27 the commissioners of the Pollution Control Agency, the  
28 Departments of Agriculture and Commerce, and other state  
29 departments that wish to participate. To ensure effective and  
30 efficient state participation, the SmartFleet Committee must  
31 assist state departments in implementing the requirements of  
32 this section, including providing information, guidance, sample  
33 policies and procedures, and technical and planning assistance.

34 (b) The SmartFleet Committee must evaluate the goals and  
35 directives established in this section by December 2006 and  
36 periodically thereafter. The committee may make recommendations

1 to the governor and appropriate committees of the legislature  
2 for new or adjusted goals and directives, in light of the  
3 progress the state has made implementing this section, and of  
4 the availability of new or improved technologies.

5 (c) For the systematic and efficient monitoring of progress  
6 in implementing this section by the SmartFleet Committee, the  
7 Department of Administration shall implement a fleet reporting  
8 and information management system. Each department will use  
9 this management system to demonstrate its progress in complying  
10 with this section.

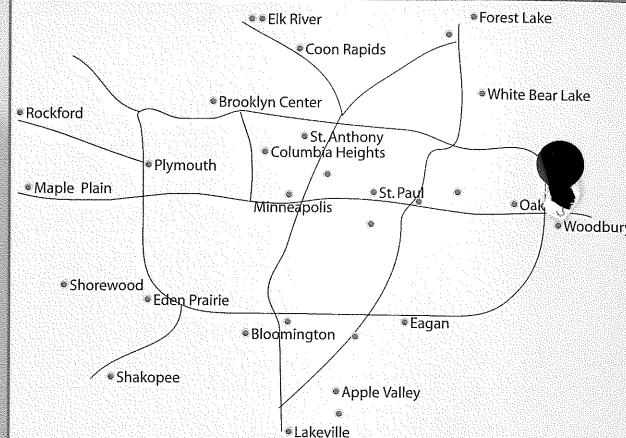
11 Subd. 4. [EXCLUSION.] Petroleum-based diesel fuel used in  
12 a vehicle which a department has retrofit to use ultra low  
13 sulfur diesel fuel and to add additional emissions control  
14 technologies is excluded when evaluating progress toward the  
15 reduction goals established in subdivision 2. This exclusion  
16 applies only to vehicles purchased before the model year in  
17 which the federal Environmental Protection Agency's new clean  
18 diesel emission reduction rules take effect.

19 Sec. 2. [EFFECTIVE DATE.]

20 Section 1 is effective the day following final enactment.

## Twin Cities Metro Area

o indicates E85 station (not to scale)

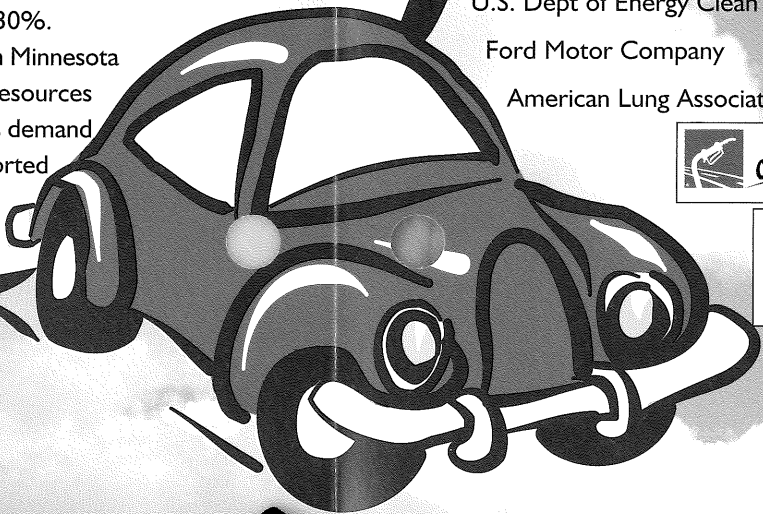


A 20-mile per gallon flexible fuel vehicle using E85 emits 77% (8,900 pounds) less CO2 and 8% less benzene than a 20-mile per gallon automobile using regular gasoline over 12,000 miles.

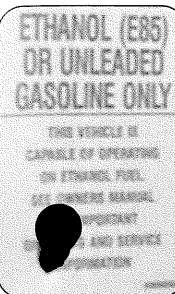
Minnesota Office of Environmental Assistance  
2001 Pollution Prevention Report

### Did you know...

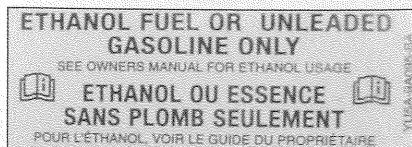
- E85 is a motor fuel blend of up to 85% ethanol and just 15% petroleum.
- E85 use reduces ozone-forming pollution by 20% and greenhouse gas emissions by 30%.
- E85 is produced in Minnesota from renewable resources and its use reduces demand for petroleum imported from politically unstable regions.



## Can You Use E85?



E85 is designed for flexible fuel vehicles (FFVs). FFVs can be identified by a decal under the fuel door.



For Minnesota E85 Information  
**CleanAirChoice.org**  
**800-LUNG-USA** (in Minnesota) **or 651-227-8014**

For E85 Stations Across the USA  
**E85Fuel.com** or **877-485-8595**

## Minnesota E85 Team—2004

- Minnesota Corn Growers Association
- Minnesota Coalition for Ethanol
- Minnesota Department of Commerce
- Minnesota Office of Environmental Assistance
- Minnesota Department of Agriculture
- National Ethanol Vehicle Coalition
- U.S. Dept of Energy Clean Cities
- Ford Motor Company
- American Lung Association of Minnesota



## Flexible Fuel Vehicles (FFVs)

Ford

- Selected 2002-05 4.0L Explorers
- Selected 2004-05 4.0L Explorer Sport Tracs
- Selected 2000-05 3.0L Taurus sedans and wagons
- Selected 1999-03 3.0L Ranger pickups
- Selected 1995-99 3.0L Taurus sedans

DaimlerChrysler

- Selected 2005 3.3L Caravan, Voyager and Town and Country minivans
- Selected 2004-05 4.7L Dodge Ram 1500 trucks
- Selected 2003-05 2.7L Chrysler Sebring sedans
- Selected 2003-05 2.7L Dodge Stratus sedans
- Selected 2003-05 3.3L Dodge Caravan cargo vans
- All 1998-03 3.3L Caravan minivans
- All 1998-03 3.3L Voyager minivans
- All 1998-03 3.3L Town and Country minivans
- Selected 2005 3.3L Caravan and Grand Caravan SE minivans

General Motors

- All 2005 5.3L Avalanches
- All 2002-05 5.3L V8 Suburbans, Tahoes, Yukons, Yukon XLs
- Selected 2002-05 5.3L V8 Sierras and Silverados
- All 2000-02 2.2L S-10s (after 12/99)
- All 2000-02 2.2L Sonomas (after 12/99)

ISUZU

- All 2000-02 2.2L Hombres (after 12/99)

Mazda

- Selected 1999-02 Mazda 3.0L B3000s

Mercedes

- Selected 2003-04 3.2L C320 series
- Selected 2005 2.6L C240 series

Mercury

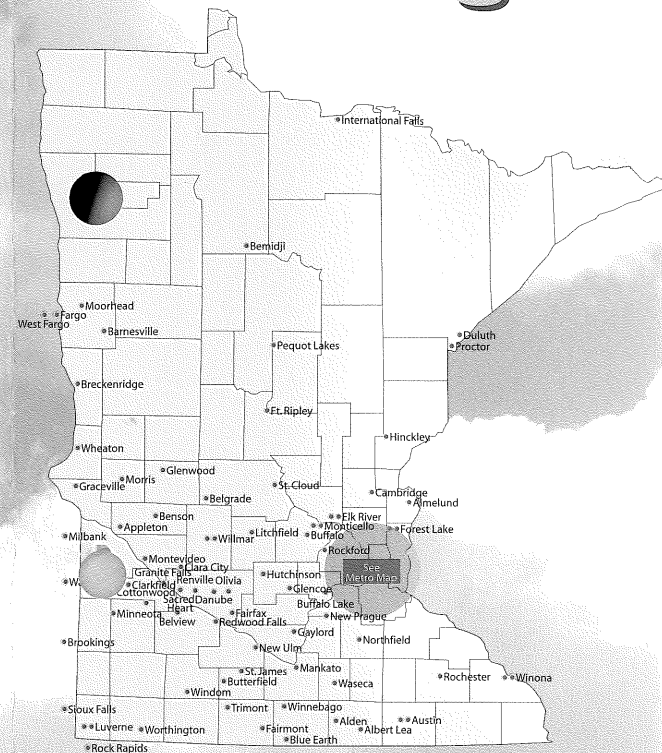
- Selected 2001, 2003-05 3.0L Sables
- Selected 2002-05 4.0L Mountaineers

Nissan

- Selected 2005 5.6L Titan trucks

Listing is based on best information as of 1/1/05. More than 100,000 FFVs have been registered in Minnesota. E85 use is approved by all FFV manufacturers. All FFVs carry the same warranty as gasoline-only models. Please ask your dealer or consult your vehicle owner's manual before using any new fuel.

# Minnesota E85 Station and Vehicle Listing



800-LUNG-USA  
CleanAirChoice.org



**Albert Lea**  
Freeborn County Coop Cenex  
302 E Clark St  
507-373-3991  
*24-hour Cardtrol only*

**Alden**  
Freeborn County Coop Cenex  
125 Northstar Rd  
507-874-3752

**Almelund**  
Rod's Country Corner  
37455 Park Tr  
651-583-2295

**Apple Valley**  
Apple Valley Marathon  
County Rd 42 & Galaxie Ave  
952-891-2945

**Appleton**  
Cenex C-Store  
140 N Munsterman  
320-289-2032

**Austin**  
Freeborn County Coop Cenex  
Hwy 56 & 90  
507-433-9010

Severson's Conoco  
4<sup>th</sup> St NW exit off of 190  
507-433-3008

**Barnesville**  
Cenex General Store  
Hwy 34 & Hwy 9  
218-354-2139

**Belgrade**  
Belgrade Coop Cenex  
218 Wells St  
320-254-8231

**Belview**  
Belview Cenex  
110 N Main St  
507-938-3069

**Bemidji**  
Jack'Stop  
2202 Division St NW  
218-444-7500

**Benson**  
Glacial Plains Coop Cenex  
Hwy 12 & 11<sup>th</sup> St  
320-842-5311

**Bloomington**  
Holiday Stationstore #73  
(remodeled store open January 15)  
8401 Lyndale Ave S  
952-881-6083

Holiday Stationstore #245  
5401 W Old Shakopee Rd  
952-881-1285

**Blue Earth**  
Ampride Express  
Hwy 169 & 14<sup>th</sup> St  
800-869-5657  
*24-hour Cardtrol only*

**Breckenridge**  
Breck BP  
206 S 5<sup>th</sup> St  
218-643-5513

**Brooklyn Cenex**  
Holiday #292  
420-66<sup>th</sup> Ave N  
763-566-4311

**Buffalo**  
Holiday #238  
7 NE 8<sup>th</sup> St  
763-682-5507

**Buffalo Lake**  
Farmers Coop Elevator Cenex  
514 W Yellowstone Tr  
320-833-5321

*24-hour Cardtrol only*  
**Butterfield**  
NuWay Coop Cenex  
County Rd 5 & Prairie Ave  
507-956-5510

**Cambridge**  
Westrom's Corner  
Hwy 65 & Main St  
763-552-1550

**Clara City**  
Farmers Coop Oil Cenex  
Hwys 7 & 23  
320-847-2318

**Clarkfield**  
Consumers Coop Oil Company  
1218 10<sup>th</sup> Ave  
320-699-4426

**Columbia Heights**  
Jeff, Bobby, & Steve's Mobil  
37<sup>th</sup> & Central Ave NE  
763-788-1113

**Coon Rapids**  
Holiday Stationstore #250  
202-101<sup>st</sup> Ave NW  
763-785-9405

**Cottonwood**  
Cottonwood Coop Oil Co.  
147 Barstad Rd  
507-423-6282

**Danube**  
212 1-Stop Cenex  
101 E Hwy 212  
320-826-2660

**Duluth**  
Holiday Stationstore #85  
9314 W Skyline Pkwy  
218-628-8000

**Gaylord**  
Lake Superior ICO  
2516 London Rd  
218-724-7732

**Eagan**  
Holiday Stationstore #247  
3615 Knob Rd  
651-683-9336

**Kwik Trip #662**  
3145 Dodd Rd/Hwy 149 & 55  
651-405-8543

**Eden Prairie**  
Eagle Mobil  
494 & County Hwy 39  
952-918-1144

**Elk River**  
Holiday Stationstore #313  
1882 Airport Ave  
763-200-9946

**Beaudry Express**  
Hwy 10 & Proctor Ave  
763-241-1550

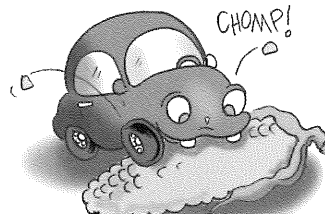
**Fairfax**  
Fairfax Mobil Mart  
Hwy 4 & 19  
507-426-8396

**Fairmont**  
Pope's 66  
1317 N State St  
507-235-6216

**Fisher - Coming Soon!**  
Fisher C-Store  
305 N Fourth St  
218-891-4071

**Forest Lake**  
Holiday #311  
31 SW 19<sup>th</sup> St  
651-982-6812

**Holiday Stationstore**  
6571 Lake Blvd  
651-573-573



**Fort Ripley**  
Fort Ripley Store (Sinclair)  
617 Front St  
320-632-6030

**Gaylord**  
Ag Land Coop  
120 E High Ave  
507-237-2281

**Glencoe**  
AMPI Ag Services  
330 10<sup>th</sup> St E  
320-864-5561

**Glenwood**  
Cenex C-Store  
330 County Rd 21 S  
320-634-3826

**Graceville**  
Country Corner Cenex  
922 Hwy 75  
320-748-7187

**Granite Falls**  
Tri-County Cenex  
1297 Granite St  
320-564-2525

**Hinckley**  
Tobie's Station  
135 & Hwy 48  
320-384-7968

**Hutchinson**  
Freedom Valu Center  
11-4<sup>th</sup> Ave NE  
320-587-8883

**International Falls**  
Holiday Stop & Shop  
1100-3<sup>rd</sup> Ave  
218-283-3631

**Lakeville**  
Holiday Mega Stop  
Exit 81 at County Rd 70 & 135  
952-469-1998

**Holiday Stationstore**  
7287 161<sup>st</sup> St W  
952-997-2266

**Litchfield**  
Consumers Coop Cenex  
1025 E Frontage Rd  
320-693-2821

**Luverne**  
Phillips 66 Pump-N-Pak  
1000 S Kniss (near 190)  
507-283-3942

**Farmers Union Coop**  
5 blocks N of 190 on Hwy 75  
507-283-9116

**Mankato**  
Kwik Trip #334  
Hwy 14 & 169  
507-625-4190

**Maple Plain**  
Holiday Stationstore #256  
1300 County Rd 29  
763-479-6875

**Marshall**  
Cenex • Ampride West  
401 Country Club Dr  
507-532-3110

**Minneapolis**  
Bobby & Steve's Mobil  
1221 Washington Ave S  
612-333-8900

**Holiday Stationstore**  
1301 Industrial Blvd NE  
(35W & Industrial Blvd)  
612-331-2331

**Minneota**  
Cenex C-Store  
301 E 1<sup>st</sup> St  
507-872-5065

**Montevideo**  
Cenex  
124 W Nichols Ave  
320-269-8861

**Monticello**  
O'Ryan's Conoco  
Hwy 75 & 39 (East 194 exit)  
763-295-2555

**Super Express Shell**  
Hwy 25 & School Blvd  
763-271-0040

**Moorhead**  
Cenex Petro Serve  
1321 Center Ave  
218-233-2497

**Morris**  
Jerry's U-Save Conoco  
211 Hwy 9 S  
320-589-4333

**New Prague**  
New Prague Market Place  
100 10<sup>th</sup> Ave SE  
952-758-7435

**New Ulm**  
United Farmers Coop Cenex  
700 N Minnesota  
*24-hour Cardtrol only*

**Northfield**  
Holiday Stationstore #60  
100 Water St  
507-663-1151

**Oakdale**  
Freedom Valu Center  
194 Century Ave Exit to 10<sup>th</sup> St  
651-731-4148

**Olivia**  
Honzy's Cenex  
1208 W Lincoln  
320-523-1241

**Pequot Lakes**  
A-Pine Shell  
33117 Old Hwy 371  
218-568-8323

**Plymouth**  
Holiday Stationstore #317  
2725 Campus Dr  
763-551-2501

**Redwood Falls**  
Cenex C-Store  
1400 E Bridge St  
507-644-3383

**Renville**  
Farmers Coop Oil Cenex  
118 NE Dupont  
320-329-8351

**Rochester**  
Kwik Trip  
4120 Hwy 52 N  
507-529-1726

**Rockford**  
Rockford Express  
7850 Hwy 55  
763-477-4919

**Sacred Heart**  
Farmers Coop Oil Cenex  
537 E Maple  
320-765-2752

**Shakopee**  
Holiday Stationstore #83  
444 E 1<sup>st</sup> Ave  
952-445-4450

**Shorewood**  
Holiday Stationstore #12  
19955 State Hwy 7  
612-470-8655

**St. Anthony**  
Freedom Valu Center  
3810 Silver Lake Rd  
612-782-9940

**St. Cloud**  
Cenex  
1030 33<sup>rd</sup> St S (194 Exit 171)  
320-240-7990

**First Fuel Bank III**  
1701 Division St  
320-252-2265  
*24-hour Cardtrol only*

**St. James**  
Cenex  
620 2<sup>nd</sup> St S  
507-370-3411

**St. Paul**  
Holiday Stationstore #4  
1444 E Minnehaha  
651-771-8157

**Holiday Stationstore #43**  
600 Snelling Ave N  
651-644-3994

**Kath's Conoco**  
525 Lafayette Rd & Univ. Ave  
651-385-8356

**SuperAmerica**  
925 Grand Ave  
651-291-2835

**Trimont**  
NuWay Coop Cenex  
10 Broadway S (Hwy 4)  
507-639-4491

**Wabasso**  
Meadowland C-Store Cenex  
Highway 68 E  
507-342-5145

**Waseca**  
Sportsman Stop  
1818 State St N  
507-835-4647

**Wheaton**  
Tri-County Coop  
2001 5<sup>th</sup> St S  
320-563-8207

**White Bear Lake**  
Freedom Valu Center  
4852 Hwy 61  
651-380-312

**Willmar**  
Cenex Ampride  
2550 E Hwy 12  
320-214-7813

**Walt's 66 Carwash**  
1200 S 1<sup>st</sup> St  
320-235-5740

**Windom**  
Country Pride Services  
215 1<sup>st</sup> Ave  
507-831-4583

**Winnebago**  
Corn Plus  
711-6<sup>th</sup> Ave SE  
507-893-4747  
*24-hour Cardtrol only*

**Winona**  
ProLube Express  
1656 Service Dr  
507-452-7844

**Severson's Food Plus Conoco**  
50 Riverview Dr  
507-452-7622

**Woodbury**  
Season's Market Holiday  
757 Radio Dr  
651-731-0527

**Worthington**  
Nobles County Coop Cenex  
1710 Humiston Ave  
507-376-4480

**Government Only**  
**Hennepin County**  
• 1600 Prairie Drive-Medina  
• 8751 Jefferson Hwy-Osseo

**St. Cloud State University**  
Campus Fleet Services

**State Motor Pool**  
Travel Management  
MN Dept of Administration  
296 Chester St-St. Paul

**University of Minnesota**  
Fleet Services Dept  
• Minneapolis Campus  
901-29<sup>th</sup> Ave SE

• St. Paul Campus  
1866 Dudley Ave



**Senate Counsel, Research,  
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G-17 STATE CAPITOL  
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# Senate

State of Minnesota

## **S.F. No. 940 - Biomass Electric Energy**

**Author:** Senator David J. Tomassoni

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) MG

**Date:** March 10, 2005

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Section 1 of the bill expands the list of fuel sources that meet one of the statutory requirements of farm-grown closed-loop biomass within the biomass power mandate to include brush, trees, and other biomass harvested from utility, rail, and road rights-of-way; brush harvested from lands managed by the Minnesota Department of Natural Resources in accordance with best practices for managing brushland; and slash, timber, and trees harvested in compliance with the Minnesota Forest Resources Council guidelines. This section also requires the Minnesota Forest Resources Council to periodically review its Timber Harvesting and Forest Management Guidelines.

Section 2 of the bill deems that a biomass project owned or controlled by the municipal utilities of Virginia and Hibbing meets the interim fuel exemption if the statutorily defined primary fuel comprises no less than 25 percent of the fuel used over the 20-year life of the project.

Section 3 of the bill changes the terms of ownership, price for energy, and cost recovery under which the Public Utilities Commission must approve a biomass energy project owned or controlled by the municipal utilities of Virginia and Hibbing.

Sections 4 and 5 make conforming changes.

MG:cs

**Senators Tomassoni, Pogemiller, Marty, Saxhaug and Bakk introduced--**  
**S.F. No. 940: Referred to the Committee on Jobs, Energy and Community Development.**

1                                   A bill for an act  
2           relating to energy; expanding definition of farm-grown  
3           closed-loop biomass; amending conditions for Public  
4           Utilities Commission approval of a pending request for  
5           a biomass project; amending Minnesota Statutes 2004,  
6           section 216B.2424, subdivisions 1, 2, 5a, 6, 8.

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

8           Section 1. Minnesota Statutes 2004, section 216B.2424,  
9           subdivision 1, is amended to read:

10           Subdivision 1. [FARM-GROWN CLOSED-LOOP BIOMASS.] (a) For  
11           the purposes of this section, "farm-grown closed-loop biomass"  
12           means biomass, as defined in section 216C.051, subdivision 7,  
13           that:

14           (1) is intentionally cultivated, harvested, and prepared  
15           for use, in whole or in part, as a fuel for the generation of  
16           electricity;

17           (2) when combusted, releases an amount of carbon dioxide  
18           that is less than or approximately equal to the carbon dioxide  
19           absorbed by the biomass fuel during its growing cycle; and

20           (3) is fired in a new or substantially retrofitted electric  
21           generating facility that is:

22           (i) located within 400 miles of the site of the biomass  
23           production; and

24           (ii) designed to use biomass to meet at least 75 percent of  
25           its fuel requirements.

26           (b) The legislature finds that the negative environmental



1 impacts within 400 miles of the facility resulting from  
2 transporting and combusting the biomass are offset in that  
3 region by the environmental benefits to air, soil, and water of  
4 the biomass production.

5 (c) Among the biomass fuel sources that meet the  
6 requirements of paragraph (a), clause (2) are poplar, aspen,  
7 willow, switch grass, sorghum, alfalfa, and cultivated prairie  
8 grass; brush, trees, and other biomass harvested from within  
9 designated utility, railroad, and road rights-of-way; upland and  
10 lowland brush harvested from lands managed in accord with  
11 Minnesota Department of Natural Resources "Best Management  
12 Practices for Managing Brushlands"; slash and timber harvest  
13 residuals harvested in compliance with the Minnesota Forest  
14 Resources Council "Site Level Timber Harvesting and Forest  
15 Management Guidelines"; and trees and brush harvested for fire  
16 prevention, disease, or insect control or timber stand  
17 improvement purposes in compliance with the Minnesota Forest  
18 Resources Council "Site Level Timber Harvesting and Forest  
19 Management Guidelines." The Minnesota Forest Resources Council  
20 must periodically review its "Site Level Timber Harvesting and  
21 Forest Management Guidelines" to ensure that it incorporates the  
22 most recent available scientific information regarding biomass  
23 removal from forest lands, including, but not limited to,  
24 information pertaining to wildlife, soil nutrients, and forest  
25 productivity.

26 Sec. 2. Minnesota Statutes 2004, section 216B.2424,  
27 subdivision 2, is amended to read:

28 Subd. 2. [INTERIM EXEMPTION.] (a) A biomass project  
29 proposing to use, as its primary fuel over the life of the  
30 project, short-rotation woody crops, may use as an interim fuel  
31 agricultural waste and other biomass which is not farm-grown  
32 closed-loop biomass for up to six years after the project's  
33 electric generating facility becomes operational; provided, the  
34 project developer demonstrates the project will use the  
35 designated short-rotation woody crops as its primary fuel after  
36 the interim period and provided the location of the interim fuel

1 production meets the requirements of subdivision 1, paragraph  
2 (a), clause (3).

3 (b) A biomass project proposing to use, as its primary fuel  
4 over the life of the project, short-rotation woody crops, may  
5 use as an interim fuel agricultural waste and other biomass  
6 which is not farm-grown closed-loop biomass for up to three  
7 years after the project's electric generating facility becomes  
8 operational; provided, the project developer demonstrates the  
9 project will use the designated short-rotation woody crops as  
10 its primary fuel after the interim period.

11 (c) A biomass project that uses an interim fuel under the  
12 terms of paragraph (b) may, in addition, use an interim fuel  
13 under the terms of paragraph (a) for six years less the number  
14 of years that an interim fuel was used under paragraph (b).

15 (d) A project developer proposing to use an exempt interim  
16 fuel under paragraphs (a) and (b) must demonstrate to the public  
17 utility that the project will have an adequate supply of  
18 short-rotation woody crops which meet the requirements of  
19 subdivision 1 to fuel the project after the interim period.

20 (e) If a biomass project using an interim fuel under this  
21 subdivision is or becomes owned or controlled, directly or  
22 indirectly, by two municipal utilities as described in  
23 subdivision 5a, paragraph (b), the project is deemed to comply  
24 with the requirement under this subdivision to use short  
25 rotation woody crops as its primary fuel if short rotation woody  
26 crops comprise no less than 25 percent of the fuel used over the  
27 life of the project. For purposes of this subdivision, "life of  
28 the project" means 20 years from the date the project becomes  
29 operational or the term of the applicable power purchase  
30 agreement between the project owner and the public utility,  
31 whichever is longer.

32 Sec. 3. Minnesota Statutes 2004, section 216B.2424,  
33 subdivision 5a, is amended to read:

34 Subd. 5a. [REDUCTION OF BIOMASS MANDATE.] (a)  
35 Notwithstanding subdivision 5, the biomass electric energy  
36 mandate shall must be reduced from 125 megawatts to 110

1 megawatts.

2 (b) The Public Utilities Commission shall approve a request  
3 pending before the ~~Public-Utilities~~ commission as of May 15,  
4 2003, for an-amendment amendments to and assignment of a  
5 ~~contract-for-power-from~~ power purchase agreement with the owner  
6 of a facility that uses short-rotation, woody crops as its  
7 primary fuel previously approved to satisfy a portion of the  
8 biomass mandate if the developer owner of the project agrees to  
9 reduce the size of its project from 50 megawatts to 35  
10 megawatts, while maintaining a an average price for energy at-or  
11 below-the-current-contract-price- in nominal dollars measured  
12 over the term of the power purchase agreement at or below \$104  
13 per megawatt-hour, exclusive of any price adjustments that may  
14 take effect subsequent to commission approval of the power  
15 purchase agreement, as amended. The commission shall also  
16 approve, as necessary, any subsequent assignment or sale of the  
17 power purchase agreement or ownership of the project to an  
18 entity owned or controlled, directly or indirectly, by two  
19 municipal utilities located north of Constitutional Route No. 8,  
20 as described in section 161.114, which currently own electric  
21 and steam generation facilities using coal as a fuel and which  
22 propose to retrofit their existing municipal electrical  
23 generating facilities to utilize biomass fuels in order to  
24 perform the power purchase agreement.

25 (c) If the power purchase agreement described in paragraph  
26 (b) is assigned to an entity that is, or becomes, owned or  
27 controlled, directly or indirectly, by two municipal entities as  
28 described in paragraph (b), and the power purchase agreement  
29 meets the price requirements of paragraph (b), the commission  
30 shall approve any amendments to the power purchase agreement  
31 necessary to reflect the changes in project location and  
32 ownership and any other amendments made necessary by those  
33 changes. The commission shall also specifically find that:

34 (1) the power purchase agreement complies with and fully  
35 satisfies the provisions of this section to the full extent of  
36 its 35-megawatt capacity;

1       (2) all costs incurred by the public utility and all  
2 amounts to be paid by the public utility to the project owner  
3 under the terms of the power purchase agreement are fully  
4 recoverable pursuant to section 216B.1645;

5       (3) subject to prudence review by the commission, the  
6 public utility may recover from its Minnesota retail customers  
7 the Minnesota jurisdictional portion of the amounts that may be  
8 incurred and paid by the public utility during the full term of  
9 the power purchase agreement; and

10       (4) if the purchase power agreement meets the requirements  
11 of this subdivision, it is reasonable and in the public interest.

12       (d) The commission shall specifically approve recovery by  
13 the public utility of any and all Minnesota jurisdictional costs  
14 incurred by the public utility to improve, construct, install,  
15 or upgrade transmission, distribution, or other electrical  
16 facilities owned by the public utility or other persons in order  
17 to permit interconnection of the retrofitted biomass-fueled  
18 generating facilities or to obtain transmission service for the  
19 energy provided by the facilities to the public utility pursuant  
20 to section 216B.1645, and shall disapprove any provision in the  
21 power purchase agreement that requires the developer or owner of  
22 the project to pay the jurisdictional costs or that permit the  
23 public utility to terminate the power purchase agreement as a  
24 result of the existence of those costs or the public utility's  
25 obligation to pay any or all of those costs.

26       Sec. 4. Minnesota Statutes 2004, section 216B.2424,  
27 subdivision 6, is amended to read:

28       Subd. 6. [REMAINING MEGAWATT COMPLIANCE PROCESS.] (a) If  
29 there remain megawatts of biomass power generating capacity to  
30 fulfill the mandate in subdivision 5 after the commission has  
31 taken final action on all contracts filed by September 1, 2000,  
32 by a public utility, as amended and assigned, this subdivision  
33 governs final compliance with the biomass energy mandate in  
34 subdivision 5 subject to the requirements of subdivisions 7 and  
35 8.

36       (b) To the extent not inconsistent with this subdivision,

1 the provisions of subdivisions 2, 3, 4, and 5 apply to proposals  
2 subject to this subdivision.

3 (c) A public utility must submit proposals to the  
4 commission to complete the biomass mandate. The commission  
5 shall require a public utility subject to this section to issue  
6 a request for competitive proposals for projects for electric  
7 generation utilizing biomass as defined in paragraph (f) of this  
8 subdivision to provide the remaining megawatts of the mandate.  
9 The commission shall set an expedited schedule for submission of  
10 proposals to the utility, selection by the utility of proposals  
11 or projects, negotiation of contracts, and review by the  
12 commission of the contracts or projects submitted by the utility  
13 to the commission.

14 (d) Notwithstanding the provisions of subdivisions 1 to 5  
15 but subject to the provisions of subdivisions 7 and 8, a new or  
16 existing facility proposed under this subdivision that is fueled  
17 either by biomass or by co-firing biomass with nonbiomass may  
18 satisfy the mandate in this section. Such a facility need not  
19 use biomass that complies with the definition in subdivision 1  
20 if it uses biomass as defined in paragraph (f) of this  
21 subdivision. Generating capacity produced by co-firing of  
22 biomass that is operational as of April 25, 2000, does not meet  
23 the requirements of the mandate, except that additional  
24 co-firing capacity added at an existing facility after April 25,  
25 2000, may be used to satisfy this mandate. Only the number of  
26 megawatts of capacity at a facility which co-fires biomass that  
27 are directly attributable to the biomass and that become  
28 operational after April 25, 2000, count toward meeting the  
29 biomass mandate in this section.

30 (e) Nothing in this subdivision precludes a facility  
31 proposed and approved under this subdivision from using fuel  
32 sources that are not biomass in compliance with subdivision 3.

33 (f) Notwithstanding the provisions of subdivision 1, for  
34 proposals subject to this subdivision, "biomass" includes  
35 farm-grown closed-loop biomass; agricultural wastes, including  
36 animal, poultry, and plant wastes; and waste wood, including



1 chipped wood, bark, brush, residue wood, and sawdust.

2 (g) Nothing in this subdivision affects in any way  
3 contracts entered into as of April 25, 2000, to satisfy the  
4 mandate in subdivision 5.

5 (h) Nothing in this subdivision requires a public utility  
6 to retrofit its own power plants for the purpose of co-firing  
7 biomass fuel, nor is a utility prohibited from retrofitting its  
8 own power plants for the purpose of co-firing biomass fuel to  
9 meet the requirements of this subdivision.

10 Sec. 5. Minnesota Statutes 2004, section 216B.2424,  
11 subdivision 8, is amended to read:

12 Subd. 8. [AGRICULTURAL BIOMASS REQUIREMENT.] Of the 125  
13 megawatts mandated in subdivision 5, or 110 megawatts mandated  
14 in subdivision 5a, at least 75 megawatts of the generating  
15 capacity must be generated by facilities that use agricultural  
16 biomass as the principal fuel source. For purposes of this  
17 subdivision, agricultural biomass includes only farm-grown  
18 closed-loop biomass and agricultural waste, including animal,  
19 poultry, and plant wastes. For purposes of this subdivision,  
20 "principal fuel source" means a fuel source that satisfies at  
21 least 75 percent of the fuel requirements of an electric power  
22 generating facility. Nothing in this subdivision is intended to  
23 expand the fuel source requirements of subdivision 5.

1 Senator ..... moves to amend S.F. No. 940 as follows:

2 Page 2, line 7, strike "and"

3 Page 2, line 8, delete everything after "grass" and insert "  
4 and sustainably managed biomass."

5 Page 2, delete lines 9 to 25, and insert:

6 "(d) For the purpose of this section, "sustainably managed  
7 woody biomass" means:

8 (1) brush, trees, and other biomass harvested from within  
9 designated utility, railroad, and road rights-of-way;

10 (2) upland and lowland brush harvested from lands  
11 incorporated into brushland habitat management activities of the  
12 Minnesota Department of Natural Resources;

13 (3) upland and lowland brush harvested from lands managed  
14 in accordance with Minnesota Department of Natural Resources  
15 "Best Management Practices for Managing Brushlands;" and

16 (4) logging slash or waste wood that is created by harvest,  
17 precommercial timber stand improvement to meet silvicultural  
18 objectives, or by fire, disease, or insect control treatments,  
19 and that is managed in compliance with the Minnesota Forest  
20 Resources Council's "Sustaining Minnesota Forest Resources:  
21 voluntary site-level forest management guidelines for  
22 landowners, loggers and resources managers" as modified by the  
23 requirement of this subdivision.

24 Sec. 2. Minnesota Statutes 2004, section 216B.2424, is  
25 amended by adding a subdivision to read:

26 Subd. 1a. [MUNICIPAL WASTE-TO-ENERGY PROJECT.] (a) This  
27 subdivision applies only to a biomass project owned or  
28 controlled, directly or indirectly, by two municipal utilities  
29 as described in subdivision 5a, paragraph (b).

30 (b) Woody biomass from state-owned land must be harvested  
31 in compliance with an adopted management plan and a program of  
32 ecologically based third-party certification.

33 (c) The project must prepare a fuel plan on an annual basis  
34 after commercial operation of the project as described in the  
35 power contract between the project and the public utility, and  
36 must also prepare annually certificates reflecting the types of

1 fuel used in the preceding year by the project, as described in  
2 the power contract. The fuel plans and certificates shall also  
3 be filed with the Minnesota Department of Natural Resources and  
4 the Minnesota Department of Commerce within 30 days after being  
5 provided to the public utility, as provided by the power  
6 contract. Any person who believes the fuel plans, as amended,  
7 and certificates show that the project does not or will not  
8 comply with the fuel requirements of this subdivision may file a  
9 petition with the commission seeking such a determination.

10 (d) The wood procurement process must utilize third-party  
11 audit certification systems to verify that applicable best  
12 management practices were utilized in the procurement of the  
13 sustainably managed biomass. If there is a failure to so verify  
14 in any two consecutive years during the original contract term,  
15 the short rotation woody crop requirements of subdivision 2 must  
16 be increased to 50 percent for the remaining contract term  
17 period; however, if in two consecutive subsequent years after  
18 the increase has been implemented, it is verified that the  
19 conditions in this subdivision have been met, then for the  
20 remaining original contract term the closed-loop biomass mandate  
21 reverts to 25 percent. If there is a subsequent failure to  
22 verify in a year after the first failure and implementation of  
23 the 50 percent requirement, then the closed-loop percentage  
24 shall remain at 50 percent for each remaining year of the  
25 contract term.

26 (e) In the closed-loop plantation, no transgenic plants may  
27 be used.

28 (f) No wood may be harvested off of any lands identified by  
29 the final or preliminary Minnesota County Biological Survey as  
30 having statewide significance as native plant communities, large  
31 populations or concentrations of rare species, or critical  
32 animal habitat.

33 (g) A wood procurement plan must be prepared every five  
34 years and public meetings must be held and written comments  
35 taken on the plan and documentation must be provided on why or  
36 why not the public inputs were used.

1 (h) Guidelines or best management practices for sustainably  
2 managed woody biomass must be adopted by:

3 (1) the Minnesota Department of Natural Resources for  
4 managing and maintaining brushland and open land habitat on  
5 public and private lands, including, but not limited to,  
6 provisions of sections 84.941, 84.942, and 97A.125; and

7 (2) the Minnesota Forest Resources Council for logging  
8 slash, using the most recent available scientific information  
9 regarding the removal of woody biomass from forest lands, to  
10 sustain the management of forest resources as defined by section  
11 89.001, subdivisions 8 and 9, with particular attention to soil  
12 productivity, biological diversity as defined by section  
13 89A.001, subdivision 3, and wildlife habitat.

14 These guidelines must be completed by July 1, 2007, and the  
15 process of developing them must incorporate public notification  
16 and comment."

17 Page 7, after line 23, insert:

18 "Sec. 7. [RENEWABLE DEVELOPMENT ACCOUNT; DISTRIBUTION.]

19 Of the \$10,000,000 distributed to the University of  
20 Minnesota from the renewable development account by Laws 2003,  
21 First Special Session chapter 11, article 2, section 18, the  
22 university must redistribute:

23 (1) on or before July 1, 2005, \$200,000 to the Minnesota  
24 Forest Resources Council and \$100,000 to the Minnesota  
25 Department of Natural Resources for the purposes of developing  
26 guidelines under Minnesota Statutes, section 216B.2424,  
27 subdivision 1a, paragraph (h); and

28 (2) \$100,000 during 2005 for a grant to a qualified  
29 applicant for a master logger certification program in Minnesota  
30 and to assist loggers to meet certification requirements."

31 Renumber the sections in sequence and correct the internal  
32 references

33 Amend the title accordingly

# Laurentian Energy Authority

## Overview

Laurentian Energy Authority's goal is to better utilize the public utilities in two small cities in rural Minnesota to meet the demand for renewable biomass electric energy needed by the state's largest utility, while benefiting the local economy by engaging independent loggers to harvest renewable biomass from the region's federal, state, county, tribal, and private lands.

Currently, the cities of Hibbing and Virginia own and operate coal-fired boilers that produce steam and electricity for their communities. Hibbing has about 1,200 commercial and residential steam customers, while Virginia has nearly 2,300. Both steam systems are under physical and financial stress, forcing each community to consider eliminating the steam systems with the consequent loss of jobs (70) and costs to convert residential and commercial customers to a new heat sources.

Meanwhile, studies by the University of Minnesota's Natural Resources Research Institute show that 500,000 green tons of biomass are annually available within a 75 mile radius of these plants as forest residue from existing logging operations. Utilization of forest-derived biomass would certainly improve the profitability of independent loggers, increase revenue for the different levels of government and private landholders, and have a dramatic and immediate positive effect on the local economy.

A majority of the fuel, however, needs to be "closed loop" biomass. Closed loop refers to dedicated hybrid poplar (for the most part) grown using farming methods as a dedicated fuel source. Currently, the Authority has 640 acres of closed loop plantations in Aitkin County and is planning for another 2,500 acres in 2005.

Thus, the plan is to repower both Hibbing and Virginia with new biomass boilers and connect them to the existing steam and electricity plants. In addition, modifications would be done at both Hibbing and Virginia to handle the new fuel resource and also to create a wood yard to insure inventory and quality control for the new biomass fuel. \$80-90 million would be invested by the two municipal utilities. The Authority has completed a Power Purchase Agreement with Xcel Energy to supply 35 megawatts of biomass-produced power for 20 years, half of which must be from closed loop fuel sources.

## Details

Investments will be made by the Authority to be used in the planting, harvesting, processing, and transportation of both closed and open forest derived biomass fuel to power the new facilities at Hibbing and Virginia, Minnesota. 15 megawatts of biomass electrical energy will be produced from Virginia, and 20 megawatts from Hibbing, in addition to producing enough steam to meet the needs of a total of 3,500 commercial and residential customers.

The project objectives will include the following:

1. Locating, site preparation, planting, and harvesting of 44,000 acres of closed loop biomass energy plantations over a nine year period.



2. Conversion from coal to environmentally friendly biomass of two city owned public utilities with a total capacity of 35 megawatts of electrical power and a corresponding steam load.
3. Creation of a new forest based industry that would plant and harvest closed loop biomass, as well as converting presently wasted forest residue to a renewable biomass fuel from existing logging operations, while increasing the economic benefits to private and government landholders and the region.
4. Preservation of 70 jobs in the existing city utilities, while creating 65-100 jobs on the fuel side.

The project is unique because it converts two underutilized utilities, renovates them to modern environmental standards, reduces the reliance on coal to produce steam and electricity, and has a dramatic economic impact on the local economy. In addition, the project is supported by the state's largest utility, Xcel Energy, through a 20-year power purchase agreement.

The project will demonstrate the effectiveness of closed loop plantations and build upon the research involving willows, poplar, and other species for their applicability to meet the closed loop biomass goals. Most important will be the identification of appropriate plantation sites, the proper harvesting and transportation equipment, and the quality and inventory control at the wood yard and at the two plants. Additionally, different harvesting techniques and equipment will be utilized to provide open loop biomass from existing logging operations, which are done on a wide range of species, soil conditions, and seasons.

Fuel harvesting will be completed utilizing the Best Management Practices recommended by the Minnesota DNR and the Forest Resources Council.

### **Work Plan**

Most of the project objectives and deliverables are derived from existing research and demonstration projects. Converting these to the real world of delivering enough closed and open loop biomass fuel to power 35 megawatts of electricity and enough steam to serve 3,500 customers over 20 years is a large task that will require the right equipment, the correct plan, and adequate resources.

Capital will be used to invest in the equipment to plant and harvest both open and closed loop biomass. It will also be used to insure biomass fuel quality and inventory control and effective transportation to and from the wood yard. Total wood yard, harvesting equipment, and transportation equipment cost is estimated at between \$7 to \$10.5 million.

The University of Minnesota has identified open loop biomass fuel resources in various studies. Closed loop plantations will come on line over a nine year planting schedule, to meet the 50% closed loop fuel requirement averaged over the 20 year power purchase agreement. The repowered plants will be converted and begin new operations on December 31, 2006.

## Energy Efficiency/Displacement, Rural Economic Development, Environmental Benefits

Currently, both Hibbing and Virginia utilize coal as the fuel source to produce electricity and steam for their communities. With this investment, new biomass boilers will replace older coal boilers to produce electricity and steam to meet community needs, while also increasing electrical production using underutilized turbines to meet Xcel Energy's biomass electrical energy demand. Thus, coal is replaced by a renewable energy source, equipment is either refurbished or replaced, and the plants operate at a higher level of production to meet the needs of a new customer—Xcel Energy.

By replacing coal with biomass fuel, it is estimated that steam prices to the local customers will stabilize from 2007 with a small 2% annual price escalator. The alternative would be to invest up to \$50 million in new pollution controls on the existing coal boilers or to shut down the systems and create economic hardships for 3,500 steam customers (including schools, hospitals, and government buildings).

Biomass electrical production costs meet Xcel Energy's Power Purchase Agreement, and is competitive with other biomass projects existing or proposed in Minnesota.

Most importantly, this investment will insure the survival of the public utilities in Hibbing and Virginia, thus retaining 70 good paying and skilled jobs in the communities. The investment will also create 65-100 new jobs in the biomass plantations and harvesting, transportation, and quality/inventory control of the fuel resource. Local logging operations will have another customer for a product that is currently left behind as waste. In addition, local governments, tribal governments, state, federal, and private landholders will receive additional revenues from their lands through lease payments for plantation sites or through new stumpage fees for the biomass fuel.

It is estimated that over \$11 million dollars will be spent annually on biomass fuel alone in the local economy, within 75 miles of the plants. The overall project impact in retained and new jobs, biomass fuel, plantations, and customer benefits is estimated to be nearly \$50 million annually. The region of Northeast Minnesota has been hard hit economically, like many rural areas of our country. This region has been dependent on iron ore mining and logging for over 100 years. Both industries are in decline and are under increasing pressure from imports. Thus, economic benefits from underutilized resources in the local region will have a large impact. 65-100 new jobs in Virginia and Hibbing are a big deal.

The beauty of the project is that existing plants with good workforces are combined with existing independent logging operations to meet a renewable energy need using new technologies and a long-term, sustainable plan to harvest biomass fuel from both open and closed systems. Because both utilities are up and running and logging is an established industry in the region, the conditions are met to quickly convert and get the project up and running. The potential for near-term implementation is high. And the Power Purchase Agreement with Xcel Energy has a strict timeline and delivery structure.

## Technical, Management, and Facility

**City of Hibbing:** Experienced work force and management team currently operating a power plant with multiple boilers and turbines producing steam and electricity for one of the nation's largest district heating facilities.

**City of Virginia:** Experienced work force and management team currently operating a power plant with multiple boilers and turbines producing steam and electricity for one of the nation's largest district heating facility.

**Forest Management Systems Cooperative:** A new logging cooperative of nine independent logging companies with many years of experience collectively producing 500,000 tons of forest products.

**University of Minnesota, Natural Resources Research Institute:** Provided analysis of the available biomass fuel resource and extensive technical and economic work on its harvesting and production.

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**Senate**

**State of Minnesota**

**S.F. No. 820 - Municipal Utility Joint Ventures**

**Author:** Senator David J. Tomassoni

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MG*

**Date:** March 10, 2005

---

The bill permits the municipal utilities of Virginia and Hibbing to enter into one or more joint ventures to fulfill a statutory mandate of 35 megawatts of biomass electric energy derived primarily from short rotation woody crops. The bill exempts such joint ventures entered into with private investors from various provisions in statute governing corporations created by municipalities, including, but not limited to, the Minnesota Open Meeting Law, the Minnesota Government Data Practices Act, the Uniform Municipal Contracting Law, as well as the statutes governing compensation of employees based upon the Governor's salary, truth-in-taxation hearings, issuance of public debt, prohibiting acceptance of gifts, municipal tort liability, the use of tax revenue for public purpose, annual audit requirements, and the powers of the State Auditor.

MG:cs

Senators Tomassoni, Bakk, Saxhaug, Anderson and Sams introduced--  
S.F. No. 820: Referred to the Committee on Jobs, Energy and Community Development.

1 A bill for an act

2 relating to energy; authorizing joint ventures among  
3 certain municipal utilities and private parties;  
4 amending Minnesota Statutes 2004, section 452.25, by  
5 adding a subdivision.

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

7 Section 1. Minnesota Statutes 2004, section 452.25, is  
8 amended by adding a subdivision to read:

9 Subd. 7. [ADDITIONAL AUTHORITY FOR BIOMASS ENERGY  
10 RESOURCES.] In addition to the authority and powers granted to  
11 municipal utilities in this section, the municipal utilities of  
12 Virginia and Hibbing may also enter into one or more joint  
13 ventures, with or without private investors, in order to plan,  
14 finance, build or modify, and operate electric generation and  
15 related facilities capable of producing and using biomass  
16 resources in fulfillment of the biomass electric energy mandate  
17 contained in section 216B.2424, subdivision 5a, paragraph (b).

18 A joint venture entered into under this subdivision that  
19 includes private investors is exempt from section 465.719,  
20 subdivisions 9 through 14.

21 [EFFECTIVE DATE.] This section is effective the day  
22 following enactment.



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and Fiscal Analysis**

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# Senate

State of Minnesota

## **S.F. No. 1190 - Municipal Utility Biomass Energy Facility Construction Materials Sales and Use**

**Author:** Senator David J. Tomassoni

**Prepared by:** Matthew S. Grosser, Senate Research (651/296-1890) *MG*

**Date:** March 10, 2005

---

The bill provides a sales and use tax exemption for materials and equipment used or incorporated into a biomass electric energy generation facility owned by a municipal utility or joint venture of municipal utilities pursuant to the biomass energy mandate.

MG:cs

**Senators Tomassoni, Bakk, Saxhaug and Pogemiller introduced--  
S.F. No. 1190: Referred to the Committee on Taxes.**

1 A bill for an act

2 relating to taxation; sales and use; exempting  
3 construction materials used to construct certain  
4 utility facilities; amending Minnesota Statutes 2004,  
5 sections 297A.71, by adding a subdivision; 297A.75,  
6 subdivisions 1, 2, 3.

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

8 Section 1. Minnesota Statutes 2004, section 297A.71, is  
9 amended by adding a subdivision to read:

10 Subd. 33. [MUNICIPAL UTILITIES.] Materials and supplies  
11 used or consumed in, and equipment incorporated into, the  
12 construction, improvement, or expansion of electric generation  
13 and related facilities used pursuant to a joint power purchase  
14 agreement to meet the biomass energy mandate in section  
15 216B.2424 are exempt if the owner or owners of the facilities  
16 are a municipal electric utility or utilities or a joint venture  
17 of municipal electric utilities. The tax must be imposed and  
18 collected as if the rate under section 297A.62, subdivision 1,  
19 applied and then refunded under section 297A.75.

20 [EFFECTIVE DATE.] This section is effective for sales and  
21 purchases made after January 1, 2005.

22 Sec. 2. Minnesota Statutes 2004, section 297A.75,  
23 subdivision 1, is amended to read:

24 Subdivision 1. [TAX COLLECTED.] The tax on the gross  
25 receipts from the sale of the following exempt items must be  
26 imposed and collected as if the sale were taxable and the rate

1 under section 297A.62, subdivision 1, applied. The exempt items  
2 include:

3 (1) capital equipment exempt under section 297A.68,  
4 subdivision 5;

5 (2) building materials for an agricultural processing  
6 facility exempt under section 297A.71, subdivision 13;

7 (3) building materials for mineral production facilities  
8 exempt under section 297A.71, subdivision 14;

9 (4) building materials for correctional facilities under  
10 section 297A.71, subdivision 3;

11 (5) building materials used in a residence for disabled  
12 veterans exempt under section 297A.71, subdivision 11;

13 (6) chair lifts, ramps, elevators, and associated building  
14 materials exempt under section 297A.71, subdivision 12;

15 (7) building materials for the Long Lake Conservation  
16 Center exempt under section 297A.71, subdivision 17;

17 (8) materials, supplies, fixtures, furnishings, and  
18 equipment for a county law enforcement and family service center  
19 under section 297A.71, subdivision 26; and

20 (9) materials and supplies for qualified low-income housing  
21 under section 297A.71, subdivision 23; and

22 (10) materials, supplies, and equipment for municipal  
23 electric utility facilities under section 297A.71, subdivision  
24 33.

25 [EFFECTIVE DATE.] This section is effective for sales and  
26 purchases made after January 1, 2005.

27 Sec. 3. Minnesota Statutes 2004, section 297A.75,  
28 subdivision 2, is amended to read:

29 Subd. 2. [REFUND; ELIGIBLE PERSONS.] Upon application on  
30 forms prescribed by the commissioner, a refund equal to the tax  
31 paid on the gross receipts of the exempt items must be paid to  
32 the applicant. Only the following persons may apply for the  
33 refund:

34 (1) for subdivision 1, clauses (1) to (3), the applicant  
35 must be the purchaser;

36 (2) for subdivision 1, clauses (4), (7), and (8), the

1 applicant must be the governmental subdivision;

2 (3) for subdivision 1, clause (5), the applicant must be  
3 the recipient of the benefits provided in United States Code,  
4 title 38, chapter 21;

5 (4) for subdivision 1, clause (6), the applicant must be  
6 the owner of the homestead property; and

7 (5) for subdivision 1, clause (9), the owner of the  
8 qualified low-income housing project; and

9 (6) for subdivision 1, clause (10), the applicant must be a  
10 municipal electric utility or a joint venture of municipal  
11 electric utilities.

12 [EFFECTIVE DATE.] This section is effective for sales and  
13 purchases made after January 1, 2005.

14 Sec. 4. Minnesota Statutes 2004, section 297A.75,  
15 subdivision 3, is amended to read:

16 Subd. 3. [APPLICATION.] (a) The application must include  
17 sufficient information to permit the commissioner to verify the  
18 tax paid. If the tax was paid by a contractor, subcontractor,  
19 or builder, under subdivision 1, clause (4), (5), (6), (7), (8),  
20 or (9), or (10), the contractor, subcontractor, or builder must  
21 furnish to the refund applicant a statement including the cost  
22 of the exempt items and the taxes paid on the items unless  
23 otherwise specifically provided by this subdivision. The  
24 provisions of sections 289A.40 and 289A.50 apply to refunds  
25 under this section.

26 (b) An applicant may not file more than two applications  
27 per calendar year for refunds for taxes paid on capital  
28 equipment exempt under section 297A.68, subdivision 5.

29 [EFFECTIVE DATE.] This section is effective for sales and  
30 purchases made after January 1, 2005.