

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 2747

(SENATE AUTHORS: MITCHELL)

DATE	D-PG	OFFICIAL STATUS
03/08/2023	1438	Introduction and first reading Referred to Energy, Utilities, Environment, and Climate See HF2310

1.1 A bill for an act

1.2 relating to energy; appropriating money for distribution system upgrades to

1.3 interconnect certain distributed energy projects; amending Minnesota Statutes

1.4 2022, section 116C.779, subdivision 1; proposing coding for new law in Minnesota

1.5 Statutes, chapter 116C.

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

1.7 Section 1. Minnesota Statutes 2022, section 116C.779, subdivision 1, is amended to read:

1.8 Subdivision 1. **Renewable development account.** (a) The renewable development

1.9 account is established as a separate account in the special revenue fund in the state treasury.

1.10 Appropriations and transfers to the account shall be credited to the account. Earnings, such

1.11 as interest, dividends, and any other earnings arising from assets of the account, shall be

1.12 credited to the account. Funds remaining in the account at the end of a fiscal year are not

1.13 canceled to the general fund but remain in the account until expended. The account shall

1.14 be administered by the commissioner of management and budget as provided under this

1.15 section.

1.16 (b) On July 1, 2017, the public utility that owns the Prairie Island nuclear generating

1.17 plant must transfer all funds in the renewable development account previously established

1.18 under this subdivision and managed by the public utility to the renewable development

1.19 account established in paragraph (a). Funds awarded to grantees in previous grant cycles

1.20 that have not yet been expended and unencumbered funds required to be paid in calendar

1.21 year 2017 under paragraphs (f) and (g), and sections 116C.7792 and 216C.41, are not subject

1.22 to transfer under this paragraph.

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

2.9 (d) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing
2.10 each January 15 thereafter, the public utility that owns the Monticello nuclear generating
2.11 plant must transfer to the renewable development account \$350,000 each year for each dry
2.12 cask containing spent fuel that is located at the Monticello nuclear power plant for each
2.13 year the plant is in operation, and \$5,250,000 each year the plant is not in operation if ordered
2.14 by the commission pursuant to paragraph (i). The fund transfer must be made if nuclear
2.15 waste is stored in a dry cask at the independent spent-fuel storage facility at Monticello for
2.16 any part of a year.

2.17 (e) Each year, the public utility shall withhold from the funds transferred to the renewable
2.18 development account under paragraphs (c) and (d) the amount necessary to pay its obligations
2.19 under paragraphs (f) and (g), and sections 116C.7792, 116C.7793, 116C.7794, and 216C.41,
2.20 for that calendar year.

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

2.30 (g) If the commission approves a new or amended power purchase agreement, or the
2.31 termination of a power purchase agreement under section 216B.2424, subdivision 9, with
2.32 an entity owned or controlled, directly or indirectly, by two municipal utilities located north
2.33 of Constitutional Route No. 8, that was previously used to meet the biomass mandate in
2.34 section 216B.2424, the public utility that owns a nuclear generating plant shall enter into a
2.35 grant contract with such entity to provide \$6,800,000 per year for five years, commencing

3.1 30 days after the commission approves the new or amended power purchase agreement, or
3.2 the termination of the power purchase agreement, and on each June 1 thereafter through
3.3 2021, to assist the transition required by the new, amended, or terminated power purchase
3.4 agreement. The grant shall be paid by the public utility from funds withheld from the transfer
3.5 to the renewable development account as provided in paragraphs (b) and (e).

3.6 (h) The collective amount paid under the grant contracts awarded under paragraphs (f)
3.7 and (g) is limited to the amount deposited into the renewable development account, and its
3.8 predecessor, the renewable development account, established under this section, that was
3.9 not required to be deposited into the account under Laws 1994, chapter 641, article 1, section
3.10 10.

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

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

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

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

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

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

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

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

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

4.1 (2) "grid modernization" means:

4.2 (i) enhancing the reliability of the electrical grid;

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

4.4 and

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

4.9 (l) A renewable development account advisory group that includes, among others,
4.10 representatives of the public utility and its ratepayers, and includes at least one representative
4.11 of the Prairie Island Indian community appointed by that community's tribal council, shall
4.12 develop recommendations on account expenditures. The advisory group must design a
4.13 request for proposal and evaluate projects submitted in response to a request for proposals.
4.14 The advisory group must utilize an independent third-party expert to evaluate proposals
4.15 submitted in response to a request for proposal, including all proposals made by the public
4.16 utility. A request for proposal for research and development under paragraph (j), clause (1),
4.17 may be limited to or include a request to higher education institutions located in Minnesota
4.18 for multiple projects authorized under paragraph (j), clause (1). The request for multiple
4.19 projects may include a provision that exempts the projects from the third-party expert review
4.20 and instead provides for project evaluation and selection by a merit peer review grant system.
4.21 In the process of determining request for proposal scope and subject and in evaluating
4.22 responses to request for proposals, the advisory group must strongly consider, where
4.23 reasonable, potential benefit to Minnesota citizens and businesses and the utility's ratepayers.

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

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

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

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

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

5.8 (p) The advisory group must annually, by February 15, report to the chairs and ranking
5.9 minority members of the legislative committees with jurisdiction over energy policy on
5.10 projects funded by the account for the prior year and all previous years. The report must,
5.11 to the extent possible and reasonable, itemize the actual and projected financial benefit to
5.12 the public utility's ratepayers of each project.

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

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

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

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

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

6.1 Sec. 2. [116C.7793] DISTRIBUTED ENERGY RESOURCES SYSTEM UPGRADE
6.2 PROGRAM.

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

6.5 (b) "Capacity constrained location" means a location on an electric utility's distribution
6.6 system that the utility has reasonably determined requires significant distribution or network
6.7 upgrades before additional distributed energy resources can interconnect.

6.8 (c) "Distributed energy resources" means distributed generation, as defined in section
6.9 216B.164, and energy storage systems, as defined in section 216B.2422.

6.10 (d) "Distribution upgrades" means the additions, modifications, and upgrades made to
6.11 an electric utility's distribution system to facilitate interconnection of distributed energy
6.12 resources and render the distribution service necessary to connect the interconnection
6.13 customer's distributed energy resource to the distribution system.

6.14 (e) "Interconnection" means the process governed by section 216B.1611.

6.15 (f) "Network upgrades" means additions, modifications, and upgrades to the transmission
6.16 system required at or beyond the point at which the distributed generation interconnects
6.17 with an electric utility's distribution system to accommodate the interconnection of the
6.18 distributed generation with the electric utility's distribution system. Network upgrades do
6.19 not include distribution upgrades.

6.20 Subd. 2. Establishment; purpose. The utility subject to section 116C.779 must operate
6.21 a program to complete infrastructure upgrades necessary to enable electricity customers to
6.22 interconnect distributed generation. The program must be designed to achieve the following
6.23 goals to the maximum extent feasible:

6.24 (1) enable simplified track applications to be reviewed and approved within 43 business
6.25 days;

6.26 (2) enable electricity customers to interconnect distributed generation behind the customer
6.27 meter for on-site electricity use;

6.28 (3) minimize the number of capacity constrained locations on the distribution system
6.29 with regard to distributed generation interconnection; and

6.30 (4) minimize the cost of distribution and network upgrades required by using control
6.31 technologies, energy storage, and other innovative technologies.

7.1 Subd. 3. **Required plan.** (a) By September 1, 2023, the utility subject to section 116C.779
7.2 must file a plan for the distributed generation system upgrade program with the commissioner
7.3 of commerce. The plan must contain but is not limited to:

7.4 (1) a description of how the utility proposes to use program money withheld from the
7.5 renewable development account to upgrade the utility's distribution system to enable
7.6 customers to interconnect distributed generation;

7.7 (2) the criteria the utility proposes to use to prioritize which locations receive funding
7.8 under the program;

7.9 (3) the number and capacity of distributed generation projects the utility anticipates to
7.10 interconnect as a result of the program;

7.11 (4) a plan to report the program's outcomes; and

7.12 (5) any additional information required by the commissioner.

7.13 (b) The utility subject to section 116C.779 is prohibited from implementing the program
7.14 until the commissioner of commerce approves the utility's plan submitted under this
7.15 subdivision. The commissioner must approve a plan under this subdivision that the
7.16 commissioner determines is in the public interest no later than December 31, 2023. Any
7.17 proposed modifications to the plan approved under this subdivision must be approved by
7.18 the commissioner.

7.19 Subd. 4. **Eligible costs.** The utility subject to section 116C.779 may pay for the reasonable
7.20 costs, as determined by the commissioner of commerce, of distribution upgrades and network
7.21 upgrades made under this section.

7.22 Subd. 5. **Capacity reserved.** Electric capacity added by upgrades made under this section
7.23 is reserved for eligible projects. The commissioner of commerce may alter the amount of
7.24 the capacity reservation under this subdivision if doing so is in the public interest. Eligible
7.25 projects include distributed generation that is interconnected behind the customer meter and
7.26 sized to supply no more than 120 percent of annual electricity consumption at the premise.

7.27 Subd. 6. **Program funding.** (a) Notwithstanding section 116C.779, subdivision 1,
7.28 paragraph (j), the program is funded by money withheld from transfer to the renewable
7.29 development account under section 116C.779, subdivision 1, paragraphs (b) and (e). Program
7.30 money must be placed in a separate account established exclusively for the distributed
7.31 generation system upgrade program operated by the utility and not for any other program
7.32 or purpose.

8.1 (b) The following amounts are allocated to the distributed generation system upgrade
8.2 program:

8.3 (1) \$..... in 2023; and

8.4 (2) \$..... in 2024.

8.5 (c) Money allocated to the distributed generation system upgrade program that is not
8.6 committed at the end of a program year does not cancel and remains available to the
8.7 distributed generation system upgrade program.

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

8.9 Sec. 3. **[116C.7794] SMALL INTERCONNECTION COST-SHARING PROGRAM.**

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

8.12 (b) "Distributed energy resources" means distributed generation, as defined in section
8.13 216B.164, and energy storage systems, as defined in section 216B.2422.

8.14 (c) "Interconnection" means the process governed by section 216B.1611.

8.15 (d) "Interconnection review and study" means the procedures used to (1) evaluate the
8.16 technical impacts an interconnection application has on the utility's distribution system or
8.17 connected transmission system, and (2) determine distribution or network upgrades necessary
8.18 to facilitate interconnection.

8.19 (e) "Small interconnection cost-sharing program" means the program ordered by the
8.20 Public Utilities Commission on January 24, 2017, in docket No. E999/CI-16-521 to cover
8.21 the costs of certain distribution upgrades to interconnect distributed generation or up to a
8.22 certain size for customers of the utility subject to section 116C.779.

8.23 Subd. 2. **Program funding.** (a) Notwithstanding section 116C.779, subdivision 1,
8.24 paragraph (j), the program is funded by money withheld from transfer to the renewable
8.25 development account under section 116C.779, subdivision 1, paragraphs (b) and (e). Program
8.26 money must be placed in a separate account established exclusively for the small
8.27 interconnection cost-sharing program operated by the utility and not for any other program
8.28 or purpose.

8.29 (b) \$250,000 in 2023 is allocated to the small interconnection cost sharing program.

8.30 (c) Money allocated to the program that is not committed at the end of a program year
8.31 does not cancel and remains available to the small interconnection cost-sharing program.

9.1 Subd. 3. Eligible use. Money appropriated under this section may be used to pay the
9.2 reasonable costs of distribution upgrades, as defined in section 116C.7793, subdivision 1;
9.3 network upgrades, as defined in section 116C.7793, subdivision 1; or an interconnection
9.4 review and study that:

9.5 (1) are necessary to interconnect a proposed distributed generation project that meets
9.6 the criteria established by the Public Utilities Commission for eligibility in the small
9.7 interconnection cost-sharing program; and

9.8 (2) are not otherwise covered by customer contributions to the small interconnection
9.9 cost-sharing program.

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