

## SF3535 - 0 - Commercial PACE Program Modifications

Chief Author: **Lindsey Port**  
 Committee: **Energy, Utilities, Environment and Climate**  
 Date Completed: **2/28/2024 3:43:08 PM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.  
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2023	FY2024	FY2025	FY2026	FY2027
Total		-	-	-	-	-

## LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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### State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>						
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-

### Bill Description

HF3946 proposes to modify and expand eligibility for the commercial property assessed clean energy (C-PACE) program. The modifications include amending and adding sections to both 216C.435 and 216C.436.

Proposed changes focus on removing the term cost-effectiveness and related requirement, add consideration of greenhouse gas emissions, and add resiliency and water improvements as eligible project types as follows:

Section 1 amends Section 216C.435, Subd. 3a to remove "Cost-effective" from the header of "Cost-effective energy improvements." The definition of these improvements is amended in 3a (1) to add reduction in greenhouse gas emissions to the definition and removing the 20- year payment requirement. Subd 3a (4) removes the 20-year repayment requirement for solar voltaic or solar thermal, instead requiring the estimate amount of renewable energy production.

Section 2 amends to definition of a PACE loan contractor in 216C.435, Subd. 3b to refer to entities that install eligible, rather than cost effective, improvements.

Section 3 adds a Subd. 3e definition for eligible improvement. This definition includes energy improvements, resiliency improvement or water improvements made to qualifying real property.

Section 4 amends Section 216C.435, Subd. 4 to focus on the effective useful life of an energy improvement, reduction of energy consumption, and related greenhouse gas emissions resulting from the proposed improvement rather than the length of time a measure takes to be repaid based on savings.

Section 5 amends Section 216C.435, Subd. 8 by expanding the definition of qualifying studies to include water and resiliency improvement studies.

Section 6 amends Section 216C.435, Subd. 10 to focus on the effective useful life of a renewable energy system, production of the system, and related greenhouse gas emissions resulting from the system rather than the length of time a measure takes to be repaid based on savings.

Section 7 adds Section 216C.435 Subd. 11a to expand eligible projects to include Resiliency improvement and define it; Section 8 adds 11b to define the accompanying feasibility study requirements.

Section 9 adds Section 216C.435 Subd. 14 to expand eligible projects to include Water improvement and define it; Section 10 adds Subd. 15 to define the accompanying feasibility study requirements.

Section 11 amends Section 216C.436, Subd. 1 to expand the purpose of C-PACE to add water and resiliency improvements and remove the cost effectiveness requirement.

Section 12 amends Subd. 1b(e) and expands the definition of resiliency to add the ability to mitigate greenhouse gas embodied emissions and an increase in building resilience through flood mitigation, stormwater management, wildfire and

wind resistance, energy storage use, or microgrid use.

Section 13 amends Section 216C.436, Subd. 2, program requirements, to include resiliency improvement study and water improvement study to the list of required assessment, adjust the requirement to inspect or verify all eligible improvements, and remove the reference to cost-effectiveness in energy improvements to focus instead on eligible improvements.

Section 14 amended Section 216C.436, Subd. 3 to allow for energy generated in a project to be included in a community solar garden, but not otherwise sold at retail or for an off-site facility.

Section 15 amends Section 216C.436, Subd. 4 to extend the eligible financing term from 20 years to 30 years.

### **Assumptions**

Most of the revisions or additions in the proposed language are to existing statute and are policy changes in nature. The Department assumes it has existing capacity and appropriations authority within its current functions to interpret and analyze these changes. Therefore, it is assumed that no additional resources will be required and there is no fiscal impact from the proposed bill.

### **Expenditure and/or Revenue Formula**

N/A

### **Long-Term Fiscal Considerations**

### **Local Fiscal Impact**

### **References/Sources**

#### **Agency Contact:**

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