

Senator Frentz from the Committee on Energy, Utilities, Environment, and Climate,
to which was referred

S.F. No. 4942: A bill for an act relating to state government; repealing the renewable
development account report; amending Minnesota Statutes 2023 Supplement, section
116C.779, subdivision 1.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

ARTICLE 1
CLIMATE AND ENERGY FINANCE

Section 1. APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies
and for the purposes specified in this article. The appropriations are from the general fund,
or another named fund, and are available for the fiscal years indicated for each purpose.
The figures "2024" and "2025" used in this article mean that the appropriations listed under
them are available for the fiscal year ending June 30, 2024, or June 30, 2025, respectively.
"The first year" is fiscal year 2024. "The second year" is fiscal year 2025. "The biennium"
is fiscal years 2024 and 2025.

APPROPRIATIONS	
Available for the Year	
Ending June 30	
2024	2025

Sec. 2. DEPARTMENT OF COMMERCE

Subdivision 1. Total Appropriation	\$	0	\$	1,000,000
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The amounts that may be spent for each
purpose are specified in the following
subdivisions.

Subd. 2. Advanced Nuclear Technologies Study

\$300,000 the second year is for the advanced
nuclear technologies study under article 3,
section 35. This is a onetime appropriation.

Subd. 3. Thermal Energy Network Site
Suitability Study

\$500,000 the second year is for the thermal
energy network site suitability study under

2.1 article 3, section 37. This is a onetime
2.2 appropriation.

2.3 Subd. 4. **Grant Development Assistance**
2.4 \$200,000 the second year is transferred to the
2.5 state competitiveness fund account under
2.6 Minnesota Statutes, section 216C.391, for
2.7 grant development assistance under Minnesota
2.8 Statutes, section 216C.391, subdivision 4. This
2.9 is a onetime transfer.

2.10	Sec. 3. <u>PUBLIC UTILITIES COMMISSION</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>39,000</u>
2.11	<u>\$39,000 the second year is for the thermal</u>				
2.12	<u>energy network deployment work group under</u>				
2.13	<u>article 3, section 36. The base budget for this</u>				
2.14	<u>appropriation is \$39,000 in fiscal year 2026</u>				
2.15	<u>and \$0 in fiscal year 2027.</u>				

2.16 **ARTICLE 2**

2.17 **RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS**

2.18 Section 1. **APPROPRIATIONS.**

2.19 The sums shown in the columns marked "Appropriations" are appropriated to the agencies
2.20 and for the purposes specified in this article. Notwithstanding Minnesota Statutes, section
2.21 116C.779, subdivision 1, paragraph (j), the appropriations are from the renewable
2.22 development account in the special revenue fund established in Minnesota Statutes, section
2.23 116C.779, subdivision 1, and are available for the fiscal years indicated for each purpose.
2.24 The figures "2024" and "2025" used in this article mean that the appropriations listed under
2.25 them are available for the fiscal year ending June 30, 2024, or June 30, 2025, respectively.
2.26 "The first year" is fiscal year 2024. "The second year" is fiscal year 2025. "The biennium"
2.27 is fiscal years 2024 and 2025.

2.28	<u>APPROPRIATIONS</u>			
2.29	<u>Available for the Year</u>			
2.30	<u>Ending June 30</u>			
2.31		<u>2024</u>		<u>2025</u>

2.32 Sec. 2. **DEPARTMENT OF COMMERCE**

2.33	<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>0</u>	<u>\$</u>	<u>13,650,000</u>
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3.1 The amounts that may be spent for each
3.2 purpose are specified in the following
3.3 subdivisions.

3.4 **Subd. 2. Geothermal Energy System; Sabathani**
3.5 **Community Center**

3.6 (a) \$6,000,000 the second year is for a grant
3.7 to the Sabathani Community Center in
3.8 Minneapolis to construct a geothermal energy
3.9 system that provides space heating and cooling
3.10 to the center. This is a onetime appropriation
3.11 and is available until June 30, 2027.

3.12 (b) For the purposes of this subdivision,
3.13 "geothermal energy system" means a system
3.14 composed of: a heat pump that moves a
3.15 heat-transferring fluid through piping
3.16 embedded in the earth and absorbs the earth's
3.17 constant temperature; a heat exchanger; and
3.18 ductwork to distribute heated and cooled air
3.19 to a building.

3.20 **Subd. 3. Energy Efficiency Projects; Dakota**
3.21 **County**

3.22 (a) \$500,000 the second year is for a grant to
3.23 Dakota County for energy efficiency projects
3.24 that are located in the service area of the public
3.25 utility subject to Minnesota Statutes, section
3.26 116C.779. This appropriation is available until
3.27 June 30, 2027. The base budget for this
3.28 appropriation is \$500,000 in fiscal year 2026
3.29 and \$0 in fiscal year 2027.

3.30 (b) For purposes of this subdivision, "energy
3.31 efficiency project" includes but is not limited
3.32 to: (1) LED lighting, as defined under
3.33 Minnesota Statutes, section 216B.241,
3.34 subdivision 5; (2) solar arrays; or (3) heating,

4.1 ventilating, or air conditioning system

4.2 improvements.

4.3 **Subd. 4. Anaerobic Digester Energy System**

4.4 (a) \$5,000,000 the second year is for a grant
4.5 to Recycling and Energy, in partnership with
4.6 Dem-Con HZI Bioenergy, LLC, to construct
4.7 an anaerobic energy system in Louisville
4.8 Township. This appropriation is available until
4.9 June 30, 2027. The base budget for this
4.10 appropriation is \$5,000,000 in fiscal year 2026
4.11 and \$0 in fiscal year 2027.

4.12 (b) For the purposes of this subdivision,
4.13 "anaerobic energy system" means a facility
4.14 that uses diverted food and organic waste to
4.15 create renewable natural gas and biochar.

4.16 **Subd. 5. Wildlife Rehabilitation Center of**
4.17 **Minnesota**

4.18 \$400,000 the second year is for a grant to the
4.19 Wildlife Rehabilitation Center of Minnesota
4.20 to install solar panels. This is a onetime
4.21 appropriation and is available until June 30,
4.22 2027.

4.23 **Subd. 6. Ultraefficient Vehicle Development**
4.24 **Grants**

4.25 \$250,000 the second year is transferred to the
4.26 ultraefficient vehicle development grant
4.27 account under section 4, subdivision 4, to
4.28 provide grants for developers and producers
4.29 of ultraefficient vehicles. This is a onetime
4.30 transfer.

4.31 **Subd. 7. Geothermal Heat Exchange System**
4.32 **Rebate Program**

4.33 \$1,500,000 the second year is transferred to
4.34 the geothermal heat exchange system rebate

5.1 account established under Minnesota Statutes,
5.2 section 216C.47, to provide rebates for
5.3 geothermal heat exchange systems for eligible
5.4 applicants. This is a onetime transfer.

5.5 **Subd. 8. Administrative Costs**

5.6 (a) Notwithstanding Minnesota Statutes,
5.7 section 16B.98, subdivision 14, the
5.8 commissioner may use up to two percent of
5.9 the appropriations in subdivisions 2 to 5 for
5.10 administrative costs.

5.11 (b) Notwithstanding Minnesota Statutes,
5.12 section 16B.98, subdivision 14, the
5.13 commissioner may use up to five percent of
5.14 the appropriations in subdivisions 6 and 7 for
5.15 administrative costs.

5.16 **Sec. 3. [216C.47] GEOTHERMAL HEAT EXCHANGE SYSTEM REBATE**
5.17 **PROGRAM.**

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

5.20 (b) "Eligible applicant" means a person, business, nonprofit, government entity, federally
5.21 recognized Tribe in Minnesota, or religious institution who provides evidence to the
5.22 commissioner's satisfaction demonstrating that the person has received or has applied for
5.23 a geothermal heat exchange system rebate available from the federal Department of Treasury
5.24 under the Inflation Reduction Act of 2022, Public Law 117-189, for a commercial or
5.25 multifamily building located in Minnesota.

5.26 (c) "Geothermal heat exchange system" means a heating or cooling exchange mechanism
5.27 composed of a mechanism to collect or reject heat from or to the underground.

5.28 (d) "Commissioner" means the commissioner of the Department of Commerce.

5.29 Subd. 2. Establishment. A geothermal heat exchange system rebate program is
5.30 established in the department to provide financial assistance to eligible applicants that install
5.31 geothermal heat exchange technology in the applicant's building.

6.1 Subd. 3. **Application.** (a) An application for a rebate under this section must be made
6.2 to the commissioner on a form developed by the commissioner. The application must be
6.3 accompanied by documentation, as required by the commissioner, demonstrating:

6.4 (1) that the applicant is an eligible applicant;

6.5 (2) that the applicant owns the Minnesota building in which the geothermal exchange
6.6 system is to be installed;

6.7 (3) that an energy audit of the building in which the geothermal exchange system is to
6.8 be installed has been conducted within the 18 months preceding the application date by a
6.9 person with a building analyst technician certification issued by the Building Performance
6.10 Institute, Inc., or an equivalent certification as determined by the commissioner;

6.11 (4) that the applicant has installed a geothermal heat exchange system of the capacity
6.12 recommended by the auditor or contractor, and has had the heat pump installed by a
6.13 contractor with sufficient training and experience in installing heat pumps, as determined
6.14 by the commissioner; and

6.15 (5) the total cost to install the geothermal heat exchange system in the applicant's building
6.16 and the associated geothermal loop installed and located outside of the building.

6.17 (b) The commissioner must develop administrative procedures governing the application
6.18 and rebate award processes.

6.19 (c) The commissioner may modify program requirements under this section when
6.20 necessary to align with comparable federal programs administered by the department under
6.21 the federal Inflation Reduction Act of 2022, Public Law 117-189.

6.22 Subd. 4. **Rebate amount.** A rebate awarded under this section must not exceed the lower
6.23 of:

6.24 (1) ten percent of geothermal heat exchange system costs, not to exceed \$100,000 for a
6.25 single project; or

6.26 (2) the total cost to purchase and install the heat exchange system in an eligible applicant's
6.27 building net of any financial support received for the system from other federal, state, or
6.28 utility programs.

6.29 Subd. 5. **Prioritization.** In evaluating applications under this program, the commissioner
6.30 must give priority to applications that:

6.31 (1) are located in environmental justice communities, as defined by section 115A.03,
6.32 subdivision 10b;

(2) have submitted a workforce plan demonstrating the intention to use registered apprenticeships; or

(3) are multifamily housing or commercial buildings that:

(i) are owned by a non-profit or government entity; and

(ii) meet the definition of low-income rental property under section 273.128.

Subd. 6. **Account established.** (a) The geothermal heat exchange system rebate account is established as a separate account in the special revenue fund in the state treasury. The commissioner must credit appropriations and transfers to the account. Earnings, including interest, dividends, and any other earnings arising from assets of the account, must be credited to the account. Money remaining in the account at the end of a fiscal year does not cancel to the general fund, but remains in the account until expended. The commissioner must manage the account.

(b) Money in the account is appropriated to the commissioner for the purposes of this section and to reimburse the reasonable costs incurred by the department to administer this section. Any money remaining in the account on January 1, 2033, cancels to the renewable development account.

Sec. 4. **ULTRAEFFICIENT VEHICLE DEVELOPMENT GRANTS.**

Subdivision 1. **Program establishment.** (a) A grant program is established in the Department of Commerce to provide financial assistance to developers and producers of ultraefficient vehicles that use proprietary technology.

(b) For purposes of this section, "ultraefficient vehicle" means a fully closed compartment vehicle designed to carry at least one adult passenger that achieves:

(1) at least 75 miles per gallon while operating on gasoline;

(2) at least 75 miles per gallon equivalent while operating as a hybrid electric-gasoline;

or

(3) at least 75 miles per gallon equivalent while operating as a fully electric vehicle.

Subd. 2. **Application process.** Applicants seeking a grant under this section must submit an application to the commissioner of commerce on a form developed by the commissioner. The commissioner is responsible for receiving and reviewing grant applications and awarding grants under this subdivision. The commissioner must develop administrative procedures to govern the application, evaluation, and grant-award process.

8.1 Subd. 3. **Grant awards.** The maximum grant award for each eligible applicant awarded
8.2 a grant under this section is \$250,000. In awarding grants under this section, the department
8.3 must:

8.4 (1) give priority to ultraefficient vehicle projects that are deemed to be near production
8.5 ready; and

8.6 (2) give priority to ultraefficient vehicle projects that maximize the use of electricity to
8.7 charge and run the vehicle.

8.8 Subd. 4. **Account established.** An ultraefficient vehicle development grant account is
8.9 established in the special revenue fund in the state treasury. The commissioner of commerce
8.10 must credit to the account appropriations made for ultraefficient vehicle development grants.
8.11 Earnings, including interest, arising from assets in the account, must be credited to the
8.12 account. Money in the account is available until June 30, 2028. Any amount in the account
8.13 after June 30, 2028, cancels to the renewable development account. The commissioner of
8.14 commerce must manage the account.

8.15 Subd. 5. **Appropriation; expenditures.** Money in the account established in subdivision
8.16 4 is appropriated to the commissioner of commerce and must be used only:

8.17 (1) to make grant awards under this section; and

8.18 (2) to pay the reasonable costs incurred by the department to administer this section.

8.19 Subd. 6. **Report.** On January 15, 2026, and on January 15, 2029, the commissioner of
8.20 commerce must submit a report to the chairs and ranking minority members of the legislative
8.21 committees with jurisdiction over energy policy and finance on the grant awards under this
8.22 section.

8.23 **ARTICLE 3**

8.24 **ENERGY, UTILITIES, ENVIRONMENT, AND CLIMATE POLICY**

8.25 **Section 1.** Minnesota Statutes 2023 Supplement, section 116C.779, subdivision 1, is
8.26 amended to read:

8.27 **Subdivision 1. Renewable development account.** (a) The renewable development
8.28 account is established as a separate account in the special revenue fund in the state treasury.
8.29 Appropriations and transfers to the account shall be credited to the account. Earnings, such
8.30 as interest, dividends, and any other earnings arising from assets of the account, shall be
8.31 credited to the account. Funds remaining in the account at the end of a fiscal year are not
8.32 canceled to the general fund but remain in the account until expended. The account shall

9.1 be administered by the commissioner of management and budget as provided under this
9.2 section.

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

9.10 (c) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing
9.11 each January 15 thereafter, the public utility that owns the Prairie Island nuclear generating
9.12 plant must transfer to the renewable development account \$500,000 each year for each dry
9.13 cask containing spent fuel that is located at the Prairie Island power plant for each year the
9.14 plant is in operation, and \$7,500,000 each year the plant is not in operation if ordered by
9.15 the commission pursuant to paragraph (i). The fund transfer must be made if nuclear waste
9.16 is stored in a dry cask at the independent spent-fuel storage facility at Prairie Island for any
9.17 part of a year. The total amount transferred annually under this paragraph must be reduced
9.18 by \$3,750,000.

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

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

9.30 (f) If the commission approves a new or amended power purchase agreement, the
9.31 termination of a power purchase agreement, or the purchase and closure of a facility under
9.32 section 216B.2424, subdivision 9, with an entity that uses poultry litter to generate electricity,
9.33 the public utility subject to this section shall enter into a contract with the city in which the
9.34 poultry litter plant is located to provide grants to the city for the purposes of economic

development on the following schedule: \$4,000,000 in fiscal year 2018; \$6,500,000 each fiscal year in 2019 and 2020; and \$3,000,000 in fiscal year 2021. The grants shall be paid by the public utility from funds withheld from the transfer to the renewable development account, as provided in paragraphs (b) and (e).

(g) If the commission approves a new or amended power purchase agreement, or the termination of a power purchase agreement under section 216B.2424, subdivision 9, with an entity owned or controlled, directly or indirectly, by two municipal utilities located north of Constitutional Route No. 8, that was previously used to meet the biomass mandate in section 216B.2424, the public utility that owns a nuclear generating plant shall enter into a grant contract with such entity to provide \$6,800,000 per year for five years, commencing 30 days after the commission approves the new or amended power purchase agreement, or the termination of the power purchase agreement, and on each June 1 thereafter through 2021, to assist the transition required by the new, amended, or terminated power purchase agreement. The grant shall be paid by the public utility from funds withheld from the transfer to the renewable development account as provided in paragraphs (b) and (e).

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

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

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

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

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

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

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

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

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

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

11.9 (2) "grid modernization" means:

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

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

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

11.17 (l) A renewable development account advisory group that includes, among others,
11.18 representatives of the public utility and its ratepayers, and includes at least one representative
11.19 of the Prairie Island Indian community appointed by that community's tribal council, shall
11.20 develop recommendations on account expenditures. The advisory group must design a
11.21 request for proposal and evaluate projects submitted in response to a request for proposals.
11.22 The advisory group must utilize an independent third-party expert to evaluate proposals
11.23 submitted in response to a request for proposal, including all proposals made by the public
11.24 utility. A request for proposal for research and development under paragraph (j), clause (1),
11.25 may be limited to or include a request to higher education institutions located in Minnesota
11.26 for multiple projects authorized under paragraph (j), clause (1). The request for multiple
11.27 projects may include a provision that exempts the projects from the third-party expert review
11.28 and instead provides for project evaluation and selection by a merit peer review grant system.
11.29 In the process of determining request for proposal scope and subject and in evaluating
11.30 responses to request for proposals, the advisory group must strongly consider, where
11.31 reasonable:

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

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

12.3 (m) The advisory group shall submit funding recommendations to the public utility,
12.4 which has full and sole authority to determine which expenditures shall be submitted by
12.5 the advisory group to the legislature. The commission may approve proposed expenditures,
12.6 may disapprove proposed expenditures that it finds not to be in compliance with this
12.7 subdivision or otherwise not in the public interest, and may, if agreed to by the public utility,
12.8 modify proposed expenditures. The commission shall, by order, submit its funding
12.9 recommendations to the legislature as provided under paragraph (n).

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

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

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

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

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

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

12.31 ~~(+)~~ (q) A project receiving funds from the account must produce a written final report
12.32 that includes sufficient detail for technical readers and a clearly written summary for
12.33 nontechnical readers. The report must include an evaluation of the project's financial,

13.1 environmental, and other benefits to the state and the public utility's ratepayers. A project
13.2 receiving funds from the account must submit a report that meets the requirements of section
13.3 216C.51, subdivisions 3 and 4, each year the project funded by the account is in progress.

13.4 ~~(s)~~ (r) Final reports, any mid-project status reports, and renewable development account
13.5 financial reports must be posted online on a public website designated by the commissioner
13.6 of commerce.

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

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

13.12 ~~(v)~~ (u) Construction projects receiving funds from this account are subject to the
13.13 requirement to pay the prevailing wage rate, as defined in section 177.42 and the requirements
13.14 and enforcement provisions in sections 177.27, 177.30, 177.32, 177.41 to 177.435, and
13.15 177.45.

13.16 Sec. 2. Minnesota Statutes 2022, section 216B.098, is amended by adding a subdivision
13.17 to read:

13.18 Subd. 7. **Social Security number and individual taxpayer identification number.** If
13.19 a utility requires a new customer to provide a Social Security number on an application for
13.20 utility service, the utility must accept an individual taxpayer identification number in lieu
13.21 of a Social Security number. The utility application must indicate that the utility accepts an
13.22 individual taxpayer identification number.

13.23 Sec. 3. Minnesota Statutes 2022, section 216B.16, subdivision 6c, is amended to read:

13.24 Subd. 6c. **Incentive plan for energy conservation and efficient fuel-switching**
13.25 **improvement.** (a) The commission may order public utilities to develop and submit for
13.26 commission approval incentive plans that describe the method of recovery and accounting
13.27 for utility conservation and efficient fuel-switching expenditures and savings. For public
13.28 utilities that provide electric service, the commission must develop and implement incentive
13.29 plans designed to promote energy conservation separately from the plans designed to promote
13.30 efficient fuel-switching. In developing the incentive plans the commission shall ensure the
13.31 effective involvement of interested parties.

13.32 (b) In approving incentive plans, the commission shall consider:

14.1 (1) whether the plan is likely to increase utility investment in cost-effective energy
14.2 conservation or efficient fuel switching;

14.3 (2) whether the plan is compatible with the interest of utility ratepayers and other
14.4 interested parties;

14.5 (3) whether the plan links the incentive to the utility's performance in achieving
14.6 cost-effective conservation or efficient fuel switching; ~~and~~

14.7 (4) whether the plan is in conflict with other provisions of this chapter;

14.8 (5) whether the plan conflicts with other provisions of this chapter; and

14.9 (6) the likely financial impacts of the conservation and efficient fuel-switching programs
14.10 on the utility.

14.11 (c) The commission may set rates to encourage the vigorous and effective implementation
14.12 of utility conservation and efficient fuel-switching programs. The commission may:

14.13 (1) increase or decrease any otherwise allowed rate of return on net investment based
14.14 upon the utility's skill, efforts, and success in ~~conserving~~ improving the efficient use of
14.15 energy through energy conservation or efficient fuel switching;

14.16 (2) share between ratepayers and utilities the net savings resulting from energy
14.17 conservation and efficient fuel-switching programs to the extent justified by the utility's
14.18 skill, efforts, and success in ~~conserving~~ improving the efficient use of energy; and

14.19 (3) adopt any mechanism that satisfies the criteria of this subdivision, such that
14.20 implementation of cost-effective conservation or efficient fuel switching is a preferred
14.21 resource choice for the public utility considering the impact of conservation or efficient fuel
14.22 switching on earnings of the public utility.

14.23 (d) Any incentives offered to electric utilities under this subdivision for efficient-fuel
14.24 switching projects expire December 31, 2032.

14.25 Sec. 4. Minnesota Statutes 2022, section 216B.16, subdivision 8, is amended to read:

14.26 Subd. 8. **Advertising expense.** (a) The commission shall disapprove the portion of any
14.27 rate which makes an allowance directly or indirectly for expenses incurred by a public utility
14.28 to provide a public advertisement which:

14.29 (1) is designed to influence or has the effect of influencing public attitudes toward
14.30 legislation or proposed legislation, or toward a rule, proposed rule, authorization or proposed

15.1 authorization of the Public Utilities Commission or other agency of government responsible
15.2 for regulating a public utility;

15.3 (2) is designed to justify or otherwise support or defend a rate, proposed rate, practice
15.4 or proposed practice of a public utility;

15.5 (3) is designed primarily to promote consumption of the services of the utility;

15.6 (4) is designed primarily to promote good will for the public utility or improve the
15.7 utility's public image; or

15.8 (5) is designed to promote the use of nuclear power or to promote a nuclear waste storage
15.9 facility.

15.10 (b) The commission may approve a rate which makes an allowance for expenses incurred
15.11 by a public utility to disseminate information which:

15.12 (1) is designed to encourage ~~conservation~~ efficient use of energy supplies;

15.13 (2) is designed to promote safety; or

15.14 (3) is designed to inform and educate customers as to financial services made available
15.15 to them by the public utility.

15.16 (c) The commission shall not withhold approval of a rate because it makes an allowance
15.17 for expenses incurred by the utility to disseminate information about corporate affairs to its
15.18 owners.

15.19 Sec. 5. Minnesota Statutes 2022, section 216B.2402, is amended by adding a subdivision
15.20 to read:

15.21 Subd. 3a. **Data mining facility.** "Data mining facility" means all buildings, structures,
15.22 equipment, and installations at a single site where electricity is used primarily by computers
15.23 to process transactions involving digital currency not issued by a central authority.

15.24 Sec. 6. Minnesota Statutes 2022, section 216B.2402, subdivision 10, is amended to read:

15.25 Subd. 10. **Gross annual retail energy sales.** "Gross annual retail energy sales" means
15.26 a utility's annual electric sales to all Minnesota retail customers, or natural gas throughput
15.27 to all retail customers, including natural gas transportation customers, on a utility's
15.28 distribution system in Minnesota. Gross annual retail energy sales does not include:

15.29 (1) gas sales to:

15.30 (i) a large energy facility;

(ii) a large customer facility whose natural gas utility has been exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (a), with respect to natural gas sales made to the large customer facility; and

(iii) a commercial gas customer facility whose natural gas utility has been exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (b), with respect to natural gas sales made to the commercial gas customer facility;

(2) electric sales to:

(i) a large customer facility whose electric utility has been exempted by the commissioner under section 216B.241, subdivision 1a, paragraph (a), with respect to electric sales made to the large customer facility; ~~or~~ and

(ii) a data mining facility, if the facility:

(A) has provided a signed letter to the utility verifying the facility meets the definition of a data mining facility; and

(B) imposes a peak electrical demand on a consumer-owned utility's system equal to or greater than 40 percent of the peak electrical demand of the system, measured in the same manner as the utility that serves the customer facility measures electric demand for billing purposes; or

(3) the amount of electric sales prior to December 31, 2032, that are associated with a utility's program, rate, or tariff for electric vehicle charging based on a methodology and assumptions developed by the department in consultation with interested stakeholders no later than December 31, 2021. After December 31, 2032, incremental sales to electric vehicles must be included in calculating a public utility's gross annual retail sales.

Sec. 7. Minnesota Statutes 2022, section 216B.2403, subdivision 2, is amended to read:

Subd. 2. **Consumer-owned utility; energy-savings goal.** (a) Each individual consumer-owned electric utility subject to this section has an annual energy-savings goal equivalent to 1.5 percent of gross annual retail energy sales and each individual consumer-owned natural gas utility subject to this section has an annual energy-savings goal equivalent to one percent of gross annual retail energy sales, to be met with a minimum of energy savings from energy conservation improvements equivalent to at least ~~0.95~~ 0.90 percent of the consumer-owned utility's gross annual retail energy sales. The balance of energy savings toward the annual energy-savings goal may be achieved only by the following consumer-owned utility activities:

- 17.1 (1) energy savings from additional energy conservation improvements;
- 17.2 (2) electric utility infrastructure projects, as defined in section 216B.1636, subdivision
- 17.3 1, that result in increased efficiency greater than would have occurred through normal
- 17.4 maintenance activity;
- 17.5 (3) net energy savings from efficient fuel-switching improvements that meet the criteria
- 17.6 under subdivision 8, which may contribute up to ~~0.55~~ 0.60 percent of the goal; or
- 17.7 (4) subject to department approval, demand-side natural gas or electric energy displaced
- 17.8 by use of waste heat recovered and used as thermal energy, including the recovered thermal
- 17.9 energy from a cogeneration or combined heat and power facility.
- 17.10 (b) The energy-savings goals specified in this section must be calculated based on
- 17.11 weather-normalized sales averaged over the most recent three years. A consumer-owned
- 17.12 utility may elect to carry forward energy savings in excess of 1.5 percent for a year to the
- 17.13 next three years, except that energy savings from electric utility infrastructure projects may
- 17.14 be carried forward for five years. A particular energy savings can only be used to meet one
- 17.15 year's goal.
- 17.16 (c) A consumer-owned utility subject to this section is not required to make energy
- 17.17 conservation improvements that are not cost-effective, even if the improvement is necessary
- 17.18 to attain the energy-savings goal. A consumer-owned utility subject to this section must
- 17.19 make reasonable efforts to implement energy conservation improvements that exceed the
- 17.20 minimum level established under this subdivision if cost-effective opportunities and funding
- 17.21 are available, considering other potential investments the consumer-owned utility intends
- 17.22 to make to benefit customers during the term of the plan filed under subdivision 3.
- 17.23 (d) Notwithstanding any provision to the contrary, until July 1, 2026, spending by a
- 17.24 consumer-owned utility subject to this section on efficient fuel-switching improvements
- 17.25 implemented to meet the annual energy savings goal under this section must not exceed
- 17.26 ~~0.55~~ 0.6 percent per year, averaged over a three-year period, of the consumer-owned utility's
- 17.27 gross annual retail energy sales.

17.28 Sec. 8. Minnesota Statutes 2022, section 216B.2403, subdivision 3, is amended to read:

- 17.29 Subd. 3. **Consumer-owned utility; energy conservation and optimization plans.** (a)
- 17.30 By June 1, 2022, and at least every three years thereafter, each consumer-owned utility must
- 17.31 file with the commissioner an energy conservation and optimization plan that describes the
- 17.32 programs for energy conservation, efficient fuel-switching, load management, and other

18.1 measures the consumer-owned utility intends to offer to achieve the utility's energy savings
18.2 goal.

18.3 (b) A plan's term may extend up to three years. A multiyear plan must identify the total
18.4 energy savings and energy savings resulting from energy conservation improvements that
18.5 are projected to be achieved in each year of the plan. A multiyear plan that does not, in each
18.6 year of the plan, meet both the minimum energy savings goal from energy conservation
18.7 improvements and the total energy savings goal of 1.5 percent, or lower goals adjusted by
18.8 the commissioner under paragraph (k), must:

18.9 (1) state why each goal is projected to be unmet; and

18.10 (2) demonstrate how the consumer-owned utility proposes to meet both goals on an
18.11 average basis over the duration of the plan.

18.12 (c) A plan filed under this subdivision must provide:

18.13 (1) for existing programs, an analysis of the cost-effectiveness of the consumer-owned
18.14 utility's programs offered under the plan, using a list of baseline energy- and capacity-savings
18.15 assumptions developed in consultation with the department; and

18.16 (2) for new programs, a preliminary analysis upon which the program will proceed, in
18.17 parallel with further development of assumptions and standards.

18.18 (d) The commissioner must evaluate a plan filed under this subdivision based on the
18.19 plan's likelihood to achieve the energy-savings goals established in subdivision 2. The
18.20 commissioner may make recommendations to a consumer-owned utility regarding ways to
18.21 increase the effectiveness of the consumer-owned utility's energy conservation activities
18.22 and programs under this subdivision. The commissioner may recommend that a
18.23 consumer-owned utility implement a cost-effective energy conservation or efficient
18.24 fuel-switching program, ~~including an energy conservation program~~ suggested by an outside
18.25 source such as a political subdivision, nonprofit corporation, or community organization.

18.26 (e) Beginning June 1, 2023, and every June 1 thereafter, each consumer-owned utility
18.27 must file: (1) an annual update identifying the status of the plan filed under this subdivision,
18.28 including: (i) total expenditures and investments made to date under the plan; and (ii) any
18.29 intended changes to the plan; and (2) a summary of the annual energy-savings achievements
18.30 under a plan. An annual filing made in the last year of a plan must contain a new plan that
18.31 complies with this section.

18.32 (f) When evaluating the cost-effectiveness of a consumer-owned utility's energy
18.33 conservation programs, the consumer-owned utility and the commissioner must consider

19.1 the costs and benefits to ratepayers, the utility, participants, and society. The commissioner
19.2 must also consider the rate at which the consumer-owned utility is increasing energy savings
19.3 and expenditures on energy conservation, and lifetime energy savings and cumulative energy
19.4 savings.

19.5 (g) A consumer-owned utility may annually spend and invest up to ten percent of the
19.6 total amount spent and invested on energy conservation, efficient fuel-switching, or load
19.7 management improvements on research and development projects that meet the applicable
19.8 definition of energy conservation, efficient fuel-switching, or load management improvement.

19.9 (h) A generation and transmission cooperative electric association or municipal power
19.10 agency that provides energy services to consumer-owned utilities may file a plan under this
19.11 subdivision on behalf of the consumer-owned utilities to which the association or agency
19.12 provides energy services and may make investments, offer conservation programs, and
19.13 otherwise fulfill the energy-savings goals and reporting requirements of this subdivision
19.14 for those consumer-owned utilities on an aggregate basis.

19.15 (i) A consumer-owned utility is prohibited from spending for or investing in energy
19.16 conservation improvements that directly benefit a large energy facility or a large electric
19.17 customer facility the commissioner has exempted under section 216B.241, subdivision 1a.

19.18 (j) The energy conservation and optimization plan of a consumer-owned utility may
19.19 include activities to improve energy efficiency in the public schools served by the utility.
19.20 These activities may include programs to:

19.21 (1) increase the efficiency of the school's lighting and heating and cooling systems;

19.22 (2) recommission buildings;

19.23 (3) train building operators; and

19.24 (4) provide opportunities to educate students, teachers, and staff regarding energy
19.25 efficiency measures implemented at the school.

19.26 (k) A consumer-owned utility may request that the commissioner adjust the
19.27 consumer-owned utility's minimum goal for energy savings from energy conservation
19.28 improvements under subdivision 2, paragraph (a), for the duration of the plan filed under
19.29 this subdivision. The request must be made by January 1 of the year when the
19.30 consumer-owned utility must file a plan under this subdivision. The request must be based
19.31 on:

19.32 (1) historical energy conservation improvement program achievements;

20.1 (2) customer class makeup;

20.2 (3) projected load growth;

20.3 (4) an energy conservation potential study that estimates the amount of cost-effective
20.4 energy conservation potential that exists in the consumer-owned utility's service territory;

20.5 (5) the cost-effectiveness and quality of the energy conservation programs offered by
20.6 the consumer-owned utility; and

20.7 (6) other factors the commissioner and consumer-owned utility determine warrant an
20.8 adjustment.

20.9 The commissioner must adjust the energy savings goal to a level the commissioner determines
20.10 is supported by the record, but must not approve a minimum energy savings goal from
20.11 energy conservation improvements that is less than an average of 0.95 percent per year over
20.12 the consecutive years of the plan's duration, including the year the minimum energy savings
20.13 goal is adjusted.

20.14 (l) A consumer-owned utility filing a conservation and optimization plan that includes
20.15 an efficient fuel-switching program to achieve the utility's energy savings goal must, as part
20.16 of the filing, demonstrate by a comparison of greenhouse gas emissions between the fuels
20.17 that the requirements of subdivision 8 are met, using a full fuel-cycle energy analysis.

20.18 Sec. 9. Minnesota Statutes 2022, section 216B.2403, subdivision 5, is amended to read:

20.19 Subd. 5. **Energy conservation programs for low-income households.** (a) A
20.20 consumer-owned utility subject to this section must provide energy conservation programs
20.21 to low-income households. The commissioner must evaluate a consumer-owned utility's
20.22 plans under this section by considering the consumer-owned utility's historic spending on
20.23 energy conservation programs directed to low-income households, the rate of customer
20.24 participation in and the energy savings resulting from those programs, and the number of
20.25 low-income persons residing in the consumer-owned utility's service territory. A municipal
20.26 utility that furnishes natural gas service must spend at least 0.2 percent of the municipal
20.27 utility's most recent three-year average gross operating revenue from residential customers
20.28 in Minnesota on energy conservation programs for low-income households. A
20.29 consumer-owned utility that furnishes electric service must spend at least 0.2 percent of the
20.30 consumer-owned utility's gross operating revenue from residential customers in Minnesota
20.31 on energy conservation programs for low-income households. The requirement under this
20.32 paragraph applies to each generation and transmission cooperative association's aggregate

21.1 gross operating revenue from the sale of electricity to residential customers in Minnesota
21.2 by all of the association's member distribution cooperatives.

21.3 (b) To meet all or part of the spending requirements of paragraph (a), a consumer-owned
21.4 utility may contribute money to the energy and conservation account established in section
21.5 216B.241, subdivision 2a. An energy conservation optimization plan must state the amount
21.6 of contributions the consumer-owned utility plans to make to the energy and conservation
21.7 account. Contributions to the account must be used for energy conservation programs serving
21.8 low-income households, including renters, located in the service area of the consumer-owned
21.9 utility making the contribution. Contributions must be remitted to the commissioner by
21.10 February 1 each year.

21.11 (c) The commissioner must establish energy conservation programs for low-income
21.12 households funded through contributions to the energy and conservation account under
21.13 paragraph (b). When establishing energy conservation programs for low-income households,
21.14 the commissioner must consult political subdivisions, utilities, and nonprofit and community
21.15 organizations, including organizations providing energy and weatherization assistance to
21.16 low-income households. The commissioner must record and report expenditures and energy
21.17 savings achieved as a result of energy conservation programs for low-income households
21.18 funded through the energy and conservation account in the report required under section
21.19 216B.241, subdivision 1c, paragraph (f). The commissioner may contract with a political
21.20 subdivision, nonprofit or community organization, public utility, municipality, or
21.21 consumer-owned utility to implement low-income programs funded through the energy and
21.22 conservation account.

21.23 (d) A consumer-owned utility may petition the commissioner to modify the required
21.24 spending under this subdivision if the consumer-owned utility and the commissioner were
21.25 unable to expend the amount required for three consecutive years.

21.26 (e) The commissioner must develop and establish guidelines for determining the eligibility
21.27 of multifamily buildings to participate in energy conservation programs provided to
21.28 low-income households. Notwithstanding the definition of low-income household in section
21.29 216B.2402, a consumer-owned utility or association may apply the most recent guidelines
21.30 published by the department for purposes of determining the eligibility of multifamily
21.31 buildings to participate in low-income programs. The commissioner must convene a
21.32 stakeholder group to review and update these guidelines by August 1, 2021, and at least
21.33 once every five years thereafter. The stakeholder group must include but is not limited to
21.34 representatives of public utilities; municipal electric or gas utilities; electric cooperative
21.35 associations; multifamily housing owners and developers; and low-income advocates.

(f) Up to 15 percent of a consumer-owned utility's spending on low-income energy conservation programs may be spent on preweatherization measures. A consumer-owned utility is prohibited from claiming energy savings from preweatherization measures toward the consumer-owned utility's energy savings goal.

(g) The commissioner must, by order, establish a list of preweatherization measures eligible for inclusion in low-income energy conservation programs no later than March 15, 2022.

(h) A Healthy AIR (Asbestos Insulation Removal) account is established as a separate account in the special revenue fund in the state treasury. A consumer-owned utility may elect to contribute money to the Healthy AIR account to provide preweatherization measures for households eligible for weatherization assistance from the state weatherization assistance program in section 216C.264. Remediation activities must be executed in conjunction with federal weatherization assistance program services. Money contributed to the account by a consumer-owned utility counts toward: (1) the minimum low-income spending requirement under paragraph (a); and (2) the cap on preweatherization measures under paragraph (f). Money in the account is annually appropriated to the commissioner of commerce to pay for Healthy AIR-related activities.

(i) This paragraph applies to a consumer-owned utility that supplies electricity to a low-income household whose primary heating fuel is supplied by an entity other than a public utility. Any spending on space and water heating energy conservation improvements and efficient fuel-switching by the consumer-owned utility on behalf of the low-income household may be applied to the consumer owned utility's spending requirement under paragraph (a). To the maximum extent possible, a consumer-owned utility providing services under this paragraph must offer the services in conjunction with weatherization services provided under section 216C.264.

Sec. 10. Minnesota Statutes 2022, section 216B.2403, subdivision 8, is amended to read:

Subd. 8. Criteria for efficient fuel-switching improvements. (a) A fuel-switching improvement is deemed efficient if, applying the technical criteria established under section 216B.241, subdivision 1d, paragraph (e), the improvement, relative to the fuel being displaced:

(1) results in a net reduction in the amount of source energy consumed for a particular use, measured on a fuel-neutral basis, using (i) the consumer-owned utility's or the utility's electricity supplier's annual system average efficiency, or (ii) if the utility elects, a seasonal,

23.1 monthly, or more granular level of analysis for the electric utility system over the measure's
 23.2 life;

23.3 (2) results in a net reduction of statewide greenhouse gas emissions, as defined in section
 23.4 216H.01, subdivision 2, over the lifetime of the improvement. For an efficient fuel-switching
 23.5 improvement installed by an electric consumer-owned utility, the reduction in emissions
 23.6 must be measured ~~based on the hourly emissions profile of the consumer-owned utility or~~
 23.7 ~~the utility's electricity supplier, as reported in the most recent resource plan approved by~~
 23.8 ~~the commission under section 216B.2422. If the hourly emissions profile is not available,~~
 23.9 ~~the commissioner must develop a method consumer-owned utilities must use to estimate~~
 23.10 ~~that value~~ using (i) the consumer-owned utility's or the utility's electricity supplier's annual
 23.11 average emissions factor, or (ii) if the utility elects, the seasonal, monthly, or more granular
 23.12 level of analysis for the electric utility system over the measure's life; and

23.13 (3) is cost-effective, considering the costs and benefits from the perspective of the
 23.14 consumer-owned utility, participants, and society; ~~and.~~

23.15 ~~(4) is installed and operated in a manner that improves the consumer-owned utility's~~
 23.16 ~~system load factor.~~

23.17 (b) For purposes of this subdivision, "source energy" means the total amount of primary
 23.18 energy required to deliver energy services, adjusted for losses in generation, transmission,
 23.19 and distribution, and expressed on a fuel-neutral basis.

23.20 Sec. 11. Minnesota Statutes 2022, section 216B.241, subdivision 2, is amended to read:

23.21 Subd. 2. **Public utility; energy conservation and optimization plans.** (a) The
 23.22 commissioner may require a public utility to make investments and expenditures in energy
 23.23 conservation improvements, explicitly setting forth the interest rates, prices, and terms under
 23.24 which the improvements must be offered to the customers.

23.25 (b) A public utility shall file an energy conservation and optimization plan by June 1,
 23.26 on a schedule determined by order of the commissioner, but at least every three years. As
 23.27 provided in subdivisions 11 to 13, plans may include programs for efficient fuel-switching
 23.28 improvements and load management. An individual utility program may combine elements
 23.29 of energy conservation, load management, or efficient fuel-switching. The plan must estimate
 23.30 the lifetime energy savings and cumulative lifetime energy savings projected to be achieved
 23.31 under the plan. A plan filed by a public utility by June 1 must be approved or approved as
 23.32 modified by the commissioner by December 1 of that same year.

(c) The commissioner shall evaluate the plan on the basis of cost-effectiveness and the reliability of technologies employed. The commissioner's order must provide to the extent practicable for a free choice, by consumers participating in an energy conservation program, of the device, method, material, or project constituting the energy conservation improvement and for a free choice of the seller, installer, or contractor of the energy conservation improvement, provided that the device, method, material, or project seller, installer, or contractor is duly licensed, certified, approved, or qualified, including under the residential conservation services program, where applicable.

(d) The commissioner may require a utility subject to subdivision 1c to make an energy conservation improvement investment or expenditure whenever the commissioner finds that the improvement will result in energy savings at a total cost to the utility less than the cost to the utility to produce or purchase an equivalent amount of new supply of energy.

(e) Each public utility subject to this subdivision may spend and invest annually up to ten percent of the total amount ~~spent and invested~~ that the public utility spends and invests on energy conservation, efficient fuel-switching, or load management improvements under this section ~~by the public utility~~ on research and development projects that meet the applicable definition of energy conservation, efficient fuel-switching, or load management improvement.

(f) The commissioner shall consider and may require a public utility to undertake an energy conservation ~~program~~ or efficient fuel-switching program, subject to the requirements of subdivisions 11 and 12, that is suggested by an outside source, including a political subdivision, a nonprofit corporation, or community organization. In approving a proposal under this paragraph, the commissioner must consider the qualifications and experience of the entity proposing the program and any other criteria the commissioner deems relevant.

(g) A public utility, a political subdivision, or a nonprofit or community organization that has suggested an energy conservation program, the attorney general acting on behalf of consumers and small business interests, or a public utility customer that has suggested an energy conservation program and is not represented by the attorney general under section 8.33 may petition the commission to modify or revoke a department decision under this section, and the commission may do so if it determines that the energy conservation program is not cost-effective, does not adequately address the residential conservation improvement needs of low-income persons, has a long-range negative effect on one or more classes of customers, or is otherwise not in the public interest. The commission shall reject a petition that, on its face, fails to make a reasonable argument that an energy conservation program is not in the public interest.

(h) The commissioner may order a public utility to include, with the filing of the public utility's annual status report, the results of an independent audit of the public utility's conservation improvement programs and expenditures performed by the department or an auditor with experience in the provision of energy conservation and energy efficiency services approved by the commissioner and chosen by the public utility. The audit must specify the energy savings or increased efficiency in the use of energy within the service territory of the public utility that is the result of the public utility's spending and investments. The audit must evaluate the cost-effectiveness of the public utility's conservation programs.

(i) The energy conservation and optimization plan of each public utility subject to this section must include activities to improve energy efficiency in public schools served by the utility. As applicable to each public utility, at a minimum the activities must include programs to increase the efficiency of the school's lighting and heating and cooling systems, and to provide for building recommissioning, building operator training, and opportunities to educate students, teachers, and staff regarding energy efficiency measures implemented at the school.

(j) The commissioner may require investments or spending greater than the amounts proposed in a plan filed under this subdivision or section 216C.17 for a public utility whose most recent advanced forecast required under section 216B.2422 projects a peak demand deficit of 100 megawatts or more within five years under midrange forecast assumptions.

(k) A public utility filing a conservation and optimization plan that includes an efficient fuel-switching program ~~to achieve the utility's energy savings goal~~ must, as part of the filing, ~~demonstrate by a comparison of greenhouse gas emissions between the fuels that the~~ requirements of subdivisions 11 or 12 are met, as applicable, using a full fuel-cycle energy analysis.

Sec. 12. Minnesota Statutes 2022, section 216B.241, subdivision 11, is amended to read:

Subd. 11. **Programs for efficient fuel-switching improvements; electric utilities.** (a) A public utility providing electric service at retail may include in the plan required under subdivision 2 a proposed goal for efficient fuel-switching improvements that the utility expects to achieve under the plan and the programs to implement efficient fuel-switching improvements or combinations of energy conservation improvements, fuel-switching improvements, and load management. For each program, the public utility must provide a proposed budget, an analysis of the program's cost-effectiveness, and estimated net energy and demand savings.

(b) The department may approve proposed programs for efficient fuel-switching improvements if the department determines the improvements meet the requirements of paragraph (d). ~~For fuel-switching improvements that require the deployment of electric technologies, the department must also consider whether the fuel-switching improvement can be operated in a manner that facilitates the integration of variable renewable energy into the electric system. The net benefits from an efficient fuel-switching improvement that is integrated with an energy efficiency program approved under this section may be counted toward the net benefits of the energy efficiency program, if the department determines the primary purpose and effect of the program is energy efficiency.~~

(c) A public utility may file a rate schedule with the commission that provides for annual cost recovery of reasonable and prudent costs to implement and promote efficient fuel-switching programs. The utility, department, or other entity may propose, and the commission may not approve, modify, or reject, a proposal for a financial incentive to encourage efficient fuel-switching programs operated by a public utility providing electric service approved under this subdivision. When making a decision on the financial incentive proposal, the commission must apply the considerations established in section 216B.16, subdivision 6c, paragraphs (b) and (c).

(d) A fuel-switching improvement is deemed efficient if, applying the technical criteria established under section 216B.241, subdivision 1d, paragraph (e), the improvement meets the following criteria, relative to the fuel that is being displaced:

(1) results in a net reduction in the amount of source energy consumed for a particular use, measured on a fuel-neutral basis, using (i) the utility's annual system average efficiency, or (ii) if the utility elects, a seasonal, monthly, or more granular level of analysis for the electric utility system over the measure's life;

(2) results in a net reduction of statewide greenhouse gas emissions as defined in section 216H.01, subdivision 2, over the lifetime of the improvement. For an efficient fuel-switching improvement installed by an electric utility, the reduction in emissions must be measured based on the hourly emission profile of the electric utility, using the hourly emissions profile in the most recent resource plan approved by the commission under section 216B.2422 using (i) the utility's annual average emissions factor, or (ii) if the utility elects, a seasonal, monthly, or more granular level of analysis for the electric utility system over the measure's life; and

(3) is cost-effective, considering the costs and benefits from the perspective of the utility, participants, and society; ~~and.~~

27.1 ~~(4) is installed and operated in a manner that improves the utility's system load factor.~~

27.2 (e) For purposes of this subdivision, "source energy" means the total amount of primary
27.3 energy required to deliver energy services, adjusted for losses in generation, transmission,
27.4 and distribution, and expressed on a fuel-neutral basis.

27.5 Sec. 13. Minnesota Statutes 2022, section 216B.241, subdivision 12, is amended to read:

27.6 Subd. 12. **Programs for efficient fuel-switching improvements; natural gas**
27.7 **utilities.** (a) As part of a public utility's plan filed under subdivision 2, a public utility that
27.8 provides natural gas service to Minnesota retail customers may propose one or more programs
27.9 to install electric technologies that reduce the consumption of natural gas by the utility's
27.10 retail customers as an energy conservation improvement. The commissioner may approve
27.11 a proposed program if the commissioner, applying the technical criteria developed under
27.12 section 216B.241, subdivision 1d, paragraph (e), determines that:

27.13 (1) the electric technology to be installed meets the criteria established under section
27.14 216B.241, subdivision 11, paragraph (d), clauses (1) and (2); and

27.15 (2) the program is cost-effective, considering the costs and benefits to ratepayers, the
27.16 utility, participants, and society.

27.17 (b) If a program is approved by the commission under this subdivision, the public utility
27.18 may count the program's energy savings toward its energy savings goal under section
27.19 216B.241, subdivision 1c. Notwithstanding section 216B.2402, subdivision 4, efficient
27.20 fuel-switching achieved through programs approved under this subdivision is energy
27.21 conservation.

27.22 (c) A public utility may file rate schedules with the commission that provide annual
27.23 cost-recovery for programs approved by the department under this subdivision, including
27.24 reasonable and prudent costs to implement and promote the programs.

27.25 (d) The commission may approve, modify, or reject a proposal made by the department
27.26 or a utility for an incentive plan to encourage efficient fuel-switching programs approved
27.27 under this subdivision, applying the considerations established under section 216B.16,
27.28 subdivision 6c, paragraphs (b) and (c). The commission may approve a financial incentive
27.29 mechanism that is calculated based on the combined energy savings and net benefits that
27.30 the commission has determined have been achieved by a program approved under this
27.31 subdivision, provided the commission determines that the financial incentive mechanism
27.32 is in the ratepayers' interest.

~~(e) A public utility is not eligible for a financial incentive for an efficient fuel-switching program under this subdivision in any year in which the utility achieves energy savings below one percent of gross annual retail energy sales, excluding savings achieved through fuel-switching programs.~~

Sec. 14. Minnesota Statutes 2023 Supplement, section 216C.08, is amended to read:

216C.08 JURISDICTION.

(a) The commissioner has sole authority and responsibility ~~for the administration of sections 216C.05 to 216C.30 and 216C.375 to administer this chapter.~~ Other laws notwithstanding, the authority granted to the commissioner shall supersede under this section supersedes the authority given any other agency whenever overlapping, duplication, or additional administrative or legal procedures might occur in ~~the administration of sections 216C.05 to 216C.30 and 216C.375 administering this chapter.~~ The commissioner shall consult with other state departments or agencies in matters related to energy and shall contract with ~~them~~ the other state departments or agencies to provide appropriate services to effectuate the purposes of ~~sections 216C.05 to 216C.30 and 216C.375~~ this chapter. Any other department, agency, or official of this state or political subdivision thereof which would in any way affect the administration or enforcement of ~~sections 216C.05 to 216C.30 and 216C.375~~ this chapter shall cooperate and coordinate all activities with the commissioner to assure orderly and efficient administration and enforcement of ~~sections 216C.05 to 216C.30 and 216C.375~~ this chapter.

(b) The commissioner shall designate a liaison officer whose duty shall be to insure the maximum possible consistency in procedures and to eliminate duplication between the commissioner and the other agencies that may be involved in energy.

Sec. 15. Minnesota Statutes 2023 Supplement, section 216C.09, is amended to read:

216C.09 COMMISSIONER DUTIES.

(a) The commissioner shall:

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

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

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

29.3 (4) carry out energy ~~conservation~~ measures as specified by the legislature and recommend
29.4 to the governor and the legislature additional energy policies and conservation measures as
29.5 required to meet the objectives of ~~sections 216C.05 to 216C.30 and 216C.375~~ this chapter;

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

29.8 (6) evaluate policies governing the establishment of rates and prices for energy as related
29.9 to energy conservation, and other goals and policies of ~~sections 216C.05 to 216C.30 and~~
29.10 ~~216C.375~~ this chapter, and make recommendations for changes in energy pricing policies
29.11 and rate schedules;

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

29.14 (8) design and implement a state program for the conservation of energy; this program
29.15 shall include but not be limited to, general commercial, industrial, and residential, and
29.16 transportation areas; such program shall also provide for the evaluation of energy systems
29.17 as they relate to lighting, heating, refrigeration, air conditioning, building design and
29.18 operation, and appliance manufacturing and operation;

29.19 (9) inform and educate the public about the sources and uses of energy and the ways in
29.20 which persons can conserve energy;

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

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

29.27 (12) design a comprehensive program for the development of indigenous energy
29.28 resources. The program shall include, but not be limited to, providing technical,
29.29 informational, educational, and financial services and materials to persons, businesses,
29.30 municipalities, and organizations involved in the development of solar, wind, hydropower,
29.31 peat, fiber fuels, biomass, and other alternative energy resources. The program shall be
29.32 evaluated by the alternative energy technical activity; and

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

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

Sec. 16. Minnesota Statutes 2022, section 216C.10, is amended to read:

216C.10 COMMISSIONER POWERS.

(a) The commissioner may:

(1) adopt rules under chapter 14 as necessary to carry out the purposes of ~~sections 216C.05 to 216C.30~~ this chapter;

(2) make all contracts under ~~sections 216C.05 to 216C.30~~ this chapter and do all things necessary to cooperate with the United States government, and to qualify for, accept, and disburse any grant intended ~~for the administration of sections 216C.05 to 216C.30~~ to administer this chapter;

(3) provide on-site technical assistance to units of local government in order to enhance local capabilities for dealing with energy problems;

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

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

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

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

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

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

31.2 (10) collect fees from recipients of loans, grants, or other financial aid from money
31.3 received from litigation or settlement of alleged violations of federal petroleum-pricing
31.4 regulations, which fees must be used to pay the department's costs in administering those
31.5 financial aids; and

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

31.11 (b) Notwithstanding any other law, the commissioner is designated the state agent to
31.12 apply for, receive, and accept federal or other funds made available to the state for the
31.13 purposes of ~~sections 216C.05 to 216C.30~~ this chapter.

31.14 Sec. 17. Minnesota Statutes 2022, section 216C.435, subdivision 3a, is amended to read:

31.15 Subd. 3a. ~~Cost-effective Energy improvements.~~ "Cost-effective Energy improvements"
31.16 means:

31.17 (1) any new construction, renovation, or retrofitting of qualifying commercial real
31.18 property to improve energy efficiency that: (i) is permanently affixed to the property; and
31.19 (ii) results in a net reduction in energy consumption without altering the principal source
31.20 of energy, and has been identified or greenhouse gas emissions, as documented in an energy
31.21 audit as repaying the purchase and installation costs in 20 years or less, based on the amount
31.22 of future energy saved and estimated future energy prices or emissions avoided;

31.23 (2) any renovation or retrofitting of qualifying residential real property that is permanently
31.24 affixed to the property and is eligible to receive an incentive through a program offered by
31.25 the electric or natural gas utility that provides service under section 216B.241 to the property
31.26 or is otherwise determined to be ~~a cost-effective~~ an eligible energy improvement by the
31.27 commissioner under section 216B.241, subdivision 1d, paragraph (a);

31.28 (3) permanent installation of new or upgraded electrical circuits and related equipment
31.29 to enable electrical vehicle charging; or

31.30 (4) a solar voltaic or solar thermal energy system attached to, installed within, or
31.31 proximate to a building that generates electrical or thermal energy from a renewable energy
31.32 source that has been ~~identified~~ documented in an energy audit or renewable energy system
31.33 feasibility study ~~as repaying their purchase and installation costs in 20 years or less, based~~

32.1 ~~on the amount of future energy saved and estimated future energy prices, along with the~~
 32.2 estimated amount of related renewable energy production.

32.3 Sec. 18. Minnesota Statutes 2022, section 216C.435, subdivision 3b, is amended to read:

32.4 Subd. 3b. **Commercial PACE loan contractor.** "Commercial PACE loan contractor"
 32.5 means a person or entity that installs ~~cost-effective energy~~ eligible improvements financed
 32.6 under a commercial PACE loan program.

32.7 Sec. 19. Minnesota Statutes 2022, section 216C.435, is amended by adding a subdivision
 32.8 to read:

32.9 Subd. 3e. **Eligible improvement.** "Eligible improvement" means one or more energy
 32.10 improvements, resiliency improvements, or water improvements made to qualifying real
 32.11 property.

32.12 Sec. 20. Minnesota Statutes 2022, section 216C.435, subdivision 4, is amended to read:

32.13 Subd. 4. **Energy audit.** "Energy audit" means a formal evaluation of the energy
 32.14 consumption of a building by a certified energy auditor, whose certification is approved by
 32.15 the commissioner, for the purpose of identifying appropriate energy improvements that
 32.16 could be made to the building and including an estimate of the ~~length of time a specific~~
 32.17 ~~energy improvement will take to repay its purchase and installation costs, based on the~~
 32.18 ~~amount of energy saved and estimated future energy prices~~ effective useful life, the reduction
 32.19 of energy consumption, and the related avoided greenhouse gas emissions resulting from
 32.20 the proposed eligible improvements.

32.21 Sec. 21. Minnesota Statutes 2023 Supplement, section 216C.435, subdivision 8, is amended
 32.22 to read:

32.23 Subd. 8. **Qualifying commercial real property.** "Qualifying commercial real property"
 32.24 means a multifamily residential dwelling, a commercial or industrial building, or farmland,
 32.25 as defined in section 216C.436, subdivision 1b, that the implementing entity has determined,
 32.26 after review of an energy audit, renewable energy system feasibility study, water
 32.27 improvement study, resiliency improvement study, or agronomic assessment, as defined in
 32.28 section 216C.436, subdivision 1b, can benefit from ~~the installation of cost-effective energy~~
 32.29 installing eligible improvements or land and water improvements, as defined in section
 32.30 216C.436, subdivision 1b. Qualifying commercial real property includes new construction.

33.1 Sec. 22. Minnesota Statutes 2022, section 216C.435, subdivision 10, is amended to read:

33.2 Subd. 10. **Renewable energy system feasibility study.** "Renewable energy system
33.3 feasibility study" means a written study, conducted by a contractor trained to perform that
33.4 analysis, for the purpose of determining the feasibility of installing a renewable energy
33.5 system in a building, including an estimate of the ~~length of time a specific~~ effective useful
33.6 life, the production of renewable energy, and any related avoided greenhouse gas emissions
33.7 of the proposed renewable energy system ~~will take to repay its purchase and installation~~
33.8 ~~costs, based on the amount of energy saved and estimated future energy prices. For a~~
33.9 ~~geothermal energy improvement, the feasibility study must calculate net savings in terms~~
33.10 ~~of nongeothermal energy and costs.~~

33.11 Sec. 23. Minnesota Statutes 2022, section 216C.435, is amended by adding a subdivision
33.12 to read:

33.13 Subd. 11a. **Resiliency improvement.** "Resiliency improvement" means one or more
33.14 installations or modifications to eligible commercial real property that are designed to
33.15 improve a property's resiliency by improving the eligible real property's:

33.16 (1) structural integrity for seismic events;

33.17 (2) indoor air quality;

33.18 (3) durability to resist wind, fire, and flooding;

33.19 (4) ability to withstand an electric power outage;

33.20 (5) stormwater control measures, including structural and nonstructural measures to
33.21 mitigate stormwater runoff;

33.22 (6) ability to mitigate the impacts of extreme temperatures; or

33.23 (7) ability to mitigate greenhouse gas embodied emissions from the eligible real property.

33.24 Sec. 24. Minnesota Statutes 2022, section 216C.435, is amended by adding a subdivision
33.25 to read:

33.26 Subd. 11b. **Resiliency improvement feasibility study.** "Resiliency improvement
33.27 feasibility study" means a written study that is conducted by a contractor trained to perform
33.28 the analysis to: (1) determine the feasibility of installing a resiliency improvement; (2)
33.29 document the improved resiliency capabilities of the property; and (3) estimate the effective
33.30 useful life of the proposed resiliency improvements.

34.1 Sec. 25. Minnesota Statutes 2022, section 216C.435, is amended by adding a subdivision
34.2 to read:

34.3 Subd. 14. **Water improvement.** "Water improvement" means one or more installations
34.4 or modifications to qualifying commercial real property that are designed to improve water
34.5 efficiency or water quality by:

34.6 (1) reducing water consumption;

34.7 (2) improving the quality, potability, or safety of water for the qualifying property; or

34.8 (3) conserving or remediating water, in whole or in part, on qualifying real property.

34.9 Sec. 26. Minnesota Statutes 2022, section 216C.435, is amended by adding a subdivision
34.10 to read:

34.11 Subd. 15. **Water improvement feasibility study.** "Water improvement feasibility study"
34.12 means a written study that is conducted by a contractor trained to perform the analysis to:

34.13 (1) determine the appropriate water improvements that could be made to the building; and

34.14 (2) estimate the effective useful life, the reduction of water consumption, and any

34.15 improvement in water quality resulting from the proposed water improvements.

34.16 Sec. 27. Minnesota Statutes 2022, section 216C.436, subdivision 1, is amended to read:

34.17 Subdivision 1. **Program purpose and authority.** An implementing entity may establish
34.18 a commercial PACE loan program to finance ~~cost-effective~~ energy, water, and resiliency
34.19 improvements to enable owners of qualifying commercial real property to pay for the
34.20 ~~cost-effective energy~~ eligible improvements to the qualifying real property with the net
34.21 proceeds and interest earnings of revenue bonds authorized in this section. An implementing
34.22 entity may limit the number of qualifying commercial real properties for which a property
34.23 owner may receive program financing.

34.24 Sec. 28. Minnesota Statutes 2023 Supplement, section 216C.436, subdivision 1b, is
34.25 amended to read:

34.26 Subd. 1b. **Definitions.** (a) For the purposes of this section, the following terms have the
34.27 meanings given.

34.28 (b) "Agronomic assessment" means a study by an independent third party that assesses
34.29 the environmental impacts of proposed land and water improvements on farmland.

34.30 (c) "Farmland" means land classified as 2a, 2b, or 2c for property tax purposes under
34.31 section 273.13, subdivision 23.

35.1 (d) "Land and water improvement" means:

35.2 (1) an improvement to farmland that:

35.3 (i) is permanent;

35.4 (ii) results in improved agricultural profitability or resiliency;

35.5 (iii) reduces the environmental impact of agricultural production; and

35.6 (iv) if the improvement affects drainage, complies with the most recent versions of the
35.7 applicable following conservation practice standards issued by the United States Department
35.8 of Agriculture's Natural Resources Conservation Service: Drainage Water Management
35.9 (Code 554), Saturated Buffer (Code 604), Denitrifying Bioreactor (Code 605), and
35.10 Constructed Wetland (Code 656); or

35.11 (2) water conservation and quality measures, which include permanently affixed
35.12 equipment, appliances, or improvements that reduce a property's water consumption or that
35.13 enable water to be managed more efficiently.

35.14 (e) "Resiliency" means:

35.15 (1) the ability of farmland to maintain and enhance profitability, soil health, and water
35.16 quality;

35.17 (2) the ability to mitigate greenhouse gas embodied emissions from an eligible real
35.18 property; or

35.19 (3) an increase in building resilience through flood mitigation, stormwater management,
35.20 wildfire and wind resistance, energy storage use, or microgrid use.

35.21 Sec. 29. Minnesota Statutes 2023 Supplement, section 216C.436, subdivision 2, is amended
35.22 to read:

35.23 Subd. 2. **Program requirements.** A commercial PACE loan program must:

35.24 (1) impose requirements and conditions on financing arrangements to ensure timely
35.25 repayment;

35.26 (2) require an energy audit, renewable energy system feasibility study, resiliency
35.27 improvement study, water improvement study, or agronomic or soil health assessment to
35.28 be conducted on the qualifying commercial real property and reviewed by the implementing
35.29 entity prior to approval of the financing;

(3) require the inspection or verification of all ~~installations and a performance verification~~ of at least ten percent of the cost-effective energy eligible improvements or land and water improvements financed by the program;

(4) not prohibit the financing of all ~~cost-effective energy eligible~~ improvements or land and water improvements not otherwise prohibited by this section;

(5) require that all ~~cost-effective energy eligible~~ improvements or land and water improvements be made to a qualifying commercial real property prior to, or in conjunction with, an applicant's repayment of financing for ~~cost-effective energy eligible~~ improvements or land and water improvements for ~~that~~ the qualifying commercial real property;

(6) have ~~cost-effective energy eligible~~ improvements or land and water improvements financed by the program performed by a licensed contractor as required by chapter 326B or other law or ordinance;

(7) require disclosures in the loan document to borrowers by the implementing entity of: (i) the risks involved in borrowing, including the risk of foreclosure if a tax delinquency results from a default; and (ii) all the terms and conditions of the commercial PACE loan and the installation of ~~cost-effective energy eligible~~ improvements or land and water improvements, including the interest rate being charged on the loan;

(8) provide financing only to those who demonstrate an ability to repay;

(9) not provide financing for a qualifying commercial real property in which the owner is not current on mortgage or real property tax payments;

(10) require a petition to the implementing entity by all owners of the qualifying commercial real property requesting collections of repayments as a special assessment under section 429.101;

(11) provide that payments and assessments are not accelerated due to a default and that a tax delinquency exists only for assessments not paid when due;

(12) require that liability for special assessments related to the financing runs with the qualifying commercial real property; and

(13) prior to financing any improvements to or imposing any assessment upon qualifying commercial real property, require notice to and written consent from the mortgage lender of any mortgage encumbering or otherwise secured by the qualifying commercial real property.

37.1 Sec. 30. Minnesota Statutes 2022, section 216C.436, subdivision 4, is amended to read:

37.2 Subd. 4. **Financing terms.** Financing provided under this section must have:

37.3 (1) a cost-weighted average maturity not exceeding the useful life of the energy eligible
37.4 improvements installed, as determined by the implementing entity, but in no event may a
37.5 term exceed 20 30 years;

37.6 (2) a principal amount not to exceed the lesser of:

37.7 (i) the greater of 20 30 percent of the assessed value of the real property on which the
37.8 improvements are to be installed or 20 30 percent of the real property's appraised value,
37.9 accepted or approved by the mortgage lender; or

37.10 (ii) the actual cost of installing the energy eligible improvements, including the costs of
37.11 necessary equipment, materials, and labor; ~~the costs of each related energy audit or,~~
37.12 renewable energy system feasibility study, water improvement study, or resiliency
37.13 improvement study; and the cost of verification of installation; and

37.14 (3) an interest rate sufficient to pay the financing costs of the program, including the
37.15 issuance of bonds and any financing delinquencies.

37.16 Sec. 31. Minnesota Statutes 2022, section 216C.436, subdivision 7, is amended to read:

37.17 Subd. 7. **Repayment.** An implementing entity that finances an energy eligible
37.18 improvement under this section must:

37.19 (1) secure payment with a lien against the qualifying commercial real property; and

37.20 (2) collect repayments as a special assessment as provided for in section 429.101 or by
37.21 charter, provided that special assessments may be made payable in up to 20 30 equal annual
37.22 installments.

37.23 If the implementing entity is an authority, the local government that authorized the
37.24 authority to act as implementing entity shall impose and collect special assessments necessary
37.25 to pay debt service on bonds issued by the implementing entity under subdivision 8, and
37.26 shall transfer all collections of the assessments upon receipt to the authority.

37.27 Sec. 32. Minnesota Statutes 2022, section 216C.436, subdivision 8, is amended to read:

37.28 Subd. 8. **Bond issuance; repayment.** (a) An implementing entity may issue revenue
37.29 bonds as provided in chapter 475 for the purposes of this section and section 216C.437,
37.30 provided the revenue bond must not be payable more than 20 30 years from the date of
37.31 issuance.

(b) The bonds must be payable as to both principal and interest solely from the revenues from the assessments established in subdivision 7 and section 216C.437, subdivision 28.

(c) No holder of bonds issued under this subdivision may compel any exercise of the taxing power of the implementing entity that issued the bonds to pay principal or interest on the bonds, and if the implementing entity is an authority, no holder of the bonds may compel any exercise of the taxing power of the local government. Bonds issued under this subdivision are not a debt or obligation of the issuer or any local government that issued them, nor is the payment of the bonds enforceable out of any money other than the revenue pledged to the payment of the bonds.

Sec. 33. Minnesota Statutes 2022, section 216C.436, subdivision 10, is amended to read:

Subd. 10. **Improvements; real property or fixture.** ~~A cost-effective energy~~ An eligible improvement financed under a PACE loan program, including all equipment purchased in whole or in part with loan proceeds under a loan program, is deemed real property or a fixture attached to the real property.

Sec. 34. **ADVANCED NUCLEAR TECHNOLOGIES STUDY.**

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

(1) "advanced nuclear reactor" means a small modular reactor or a molten sodium reactor;

(2) "molten sodium reactor" means a nuclear fission reactor that uses a fluid fuel in the form of very hot fluoride or chloride salt; and

(3) "small modular reactor" means a nuclear fission reactor that (i) has a capacity of 300 megawatts or less, and (ii) can be factory assembled and transported as a unit.

Subd. 2. Study required. (a) The commissioner of commerce must conduct a study evaluating the potential costs, benefits, and impacts of advanced nuclear reactors operating in Minnesota.

(b) At a minimum, the study must analyze the impacts the operation of advanced nuclear reactors have on:

(1) air emissions from electric generating facilities in Minnesota;

(2) retail electricity prices;

(3) reliability of Minnesota's electric grid;

39.1 (4) the state's air resources, water resources, land resources, and public health, including
39.2 the impact of any waste material generated by the reactors;

39.3 (5) new employment opportunities for Minnesota workers;

39.4 (6) local economic development;

39.5 (7) Minnesota's eligible energy technology standard under Minnesota Statutes, section
39.6 216B.1691, subdivision 2a; and

39.7 (8) Minnesota's carbon-free standard under Minnesota Statutes, section 216B.1691,
39.8 subdivision 2g.

39.9 (c) The study must also identify Minnesota statutes and administrative rules that would
39.10 require modifications in order to enable the construction and operation of advanced nuclear
39.11 reactors.

39.12 (d) The study must evaluate the technologies and methods most likely to minimize the
39.13 environmental impacts of nuclear waste and the costs of managing nuclear waste.

39.14 Subd. 3. **Report.** The commissioner of commerce must submit the results of the study
39.15 under subdivision 2 to the chairs and ranking minority members of the legislative committees
39.16 having jurisdiction over energy finance and policy no later than January 31, 2025.

39.17 Sec. 35. **THERMAL ENERGY NETWORK DEPLOYMENT WORK GROUP.**

39.18 Subdivision 1. **Direction.** The Public Utilities Commission must establish and appoint
39.19 a thermal energy network deployment work group to examine the potential regulatory
39.20 opportunities for regulated natural gas utilities to deploy thermal energy networks and
39.21 potential barriers to development. The work group must examine the public benefits, costs,
39.22 and impacts of deployment of thermal energy networks, as well as examine rate design
39.23 options.

39.24 Subd. 2. **Membership.** (a) The work group consists of at least the following:

39.25 (1) representatives of the Department of Commerce;

39.26 (2) representatives of the Department of Health;

39.27 (3) representatives of the Pollution Control Agency;

39.28 (4) representatives of the Department of Natural Resources;

39.29 (5) representatives of the Office of the Attorney General;

39.30 (6) representatives from utilities;

(7) representatives from clean energy advocacy organizations;

(8) representatives from labor organizations;

(9) geothermal technology providers;

(10) representatives from consumer protection organizations;

(11) representatives from cities; and

(12) representatives from low-income communities.

(b) The executive director may invite others to participate in one or more meetings of the work group.

Subd. 3. **Duties.** The work group must prepare a report containing findings and recommendations regarding how to deploy thermal energy networks within a regulated context in a manner that protects the public interest and considers reliability, affordability, environmental impacts, and socioeconomic impacts.

Subd. 4. **Report to legislature.** The work group must submit a report detailing the work group's findings and recommendations to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over energy policy and finance by December 31, 2025. The work group terminates the day after the report under this subdivision is submitted.

Subd. 5. **Notice and comment period.** The executive secretary of the Public Utilities Commission must file the completed report in Public Utilities Commission Docket No. G-999/CI-21-565 and provide notice to all docket participants and other interested persons that comments on the findings and recommendations may be filed in the docket.

Subd. 6. **Definition.** For the purposes of this section, "thermal energy network" means a project that provides heating and cooling to multiple buildings connected via underground piping containing fluids that, in concert with heat pumps, exchange thermal energy from the earth and underground or surface waters.

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

Sec. 36. **THERMAL ENERGY NETWORK SITE SUITABILITY STUDY.**

(a) The Department of Commerce must conduct or contract for a study to determine the suitability of sites to deploy thermal energy networks statewide.

(b) The study must:

41.1 (1) identify areas more and less suitable for deployment of thermal energy networks
 41.2 statewide; and

41.3 (2) identify potential barriers to thermal energy networks and potential ways to address
 41.4 the barriers.

41.5 (c) In determining site suitability, the study must consider:

41.6 (1) geologic or hydrologic access to thermal storage;

41.7 (2) existing built environment, including but not limited to age, density, building uses,
 41.8 existing heating and cooling systems, and existing electrical services;

41.9 (3) the condition of existing natural gas infrastructure;

41.10 (4) road and street conditions, including planned replacement or maintenance;

41.11 (5) local land use regulation;

41.12 (6) area permitting requirements; and

41.13 (7) whether the area is an environmental justice area, as defined in Minnesota Statutes,
 41.14 section 116.065, subdivision 1, paragraph (e).

41.15 (c) No later than January 15, 2026, the Department of Commerce must submit a written
 41.16 report documenting the study's findings to the chairs and ranking minority members of the
 41.17 senate and house of representatives committees with jurisdiction over energy policy and
 41.18 finance."

41.19 Delete the title and insert:

41.20 "A bill for an act

41.21 relating to state government; appropriating money for energy, utilities, environment,
 41.22 and climate; requiring utilities to accept an individual taxpayer identification
 41.23 number when new customers apply for utility service; allowing public utilities
 41.24 providing electric service to propose goals for efficient fuel-switching improvement
 41.25 achievements to the commissioner of commerce; modifying the commercial
 41.26 property assessed clean energy program; making technical changes to various
 41.27 provisions governing or administered by the Department of Commerce; amending
 41.28 Minnesota Statutes 2022, sections 216B.098, by adding a subdivision; 216B.16,
 41.29 subdivisions 6c, 8; 216B.2402, subdivision 10, by adding a subdivision; 216B.2403,
 41.30 subdivisions 2, 3, 5, 8; 216B.241, subdivisions 2, 11, 12; 216C.10; 216C.435,
 41.31 subdivisions 3a, 3b, 4, 10, by adding subdivisions; 216C.436, subdivisions 1, 4,
 41.32 7, 8, 10; Minnesota Statutes 2023 Supplement, sections 116C.779, subdivision 1;
 41.33 216C.08; 216C.09; 216C.435, subdivision 8; 216C.436, subdivisions 1b, 2;
 41.34 proposing coding for new law in Minnesota Statutes, chapter 216C."

41.35 And when so amended the bill do pass and be re-referred to the Committee on Finance.

41.36 Amendments adopted. Report adopted.

42.1

42.2

Nich A. Funtz

(Committee Chair)

42.3

42.4

April 17, 2024

(Date of Committee recommendation)