SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 4504

(SENATE AUTHORS: FRENTZ)

DATE	D-PG	OFFICIAL STATUS
03/17/2026	6746	Introduction and first reading
		Referred to Energy, Utilities, Environment, and Climate
04/15/2026	8047a	Comm report: To pass as amended and re-refer to Finance

A bill for an act

relating to energy; establishing and modifying provisions related to petroleum, thermal energy network service, solar, and other energy policy; establishing the supplemental energy assistance grant program; establishing a supplemental budget for energy and renewable energy purposes; requiring reports; amending Minnesota Statutes 2024, sections 115C.08, subdivision 4; 115C.09, by adding a subdivision; 216C.02, subdivision 1; 216C.05, subdivision 1; 216C.377, subdivisions 10, 13; 216C.391, subdivisions 6, 7; 216C.441, subdivisions 3, 4, by adding a subdivision; 216C.46, subdivision 3; Minnesota Statutes 2025 Supplement, section 216B.16, subdivision 15; proposing coding for new law in Minnesota Statutes, chapters 216B; 216C.

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

ARTICLE 1
ENERGY FINANCE AND POLICY

Section 1. Minnesota Statutes 2024, section 115C.08, subdivision 4, is amended to read:

Subd. 4. **Expenditures.** (a) Money in the fund may only be spent:

(1) to administer the petroleum tank release cleanup program established in this chapter;

(2) for agency administrative costs under sections 116.46 to 116.50, sections 115C.03 to 115C.06, and costs of corrective action taken by the agency under section 115C.03, including investigations;

(3) for costs of recovering expenses of corrective actions under section 115C.04;

(4) for training, certification, and rulemaking under sections 116.46 to 116.50;

(5) for agency administrative costs of enforcing rules governing the construction, installation, operation, and closure of aboveground and underground petroleum storage tanks;

(6) for reimbursement of the environmental response, compensation, and compliance account under subdivision 5 and section 115B.26, subdivision 4;

(7) for administrative and staff costs as set by the board to administer the petroleum tank release program established in this chapter;

(8) for corrective action performance audits under section 115C.093;

(9) for contamination cleanup grants, as provided in paragraph (c);

(10) to assess and remove abandoned underground storage tanks under section 115C.094 and, if a release is discovered, to pay for the specific consultant and contractor services costs necessary to complete the tank removal project, including, but not limited to, excavation soil sampling, groundwater sampling, soil disposal, and completion of an excavation report; ~~and~~

(11) to acquire interests in real or personal property, including easements, environmental covenants under chapter 114E, and leases, that the agency determines are necessary for corrective actions or to ensure the protectiveness of corrective actions. A donation of an interest in real property to the agency is not effective until the agency executes a certificate of acceptance. The state is not liable under this chapter solely as a result of acquiring an interest in real property under this clause. Agency approval of an environmental covenant under chapter 114E is sufficient evidence of acceptance of an interest in real property when the agency is expressly identified as a holder in the covenant. Acquisition of real property under this clause, except environmental covenants under chapter 114E, is subject to approval by the board~~.~~; and

(12) to partially reimburse the cost of replacing pressurized single-walled steel piping related equipment in underground petroleum storage tank systems under section 115C.09, subdivision 3l.

(b) Except as provided in paragraph (c), money in the fund is appropriated to the board to make reimbursements or payments under this section.

(c) In fiscal years 2010 and 2011, $3,700,000 is annually appropriated from the fund to the commissioner of employment and economic development for contamination cleanup grants under section 116J.554. Beginning in fiscal year 2012 and each year thereafter, $6,200,000 is annually appropriated from the fund to the commissioner of employment and

economic development for contamination cleanup grants under section 116J.554. Of this amount, the commissioner may spend up to $225,000 annually for administration of the contamination cleanup grant program. The appropriation does not cancel and is available until expended. The appropriation shall not be withdrawn from the fund nor the fund balance reduced until the funds are requested by the commissioner of employment and economic development. The commissioner shall schedule requests for withdrawals from the fund to minimize the necessity to impose the fee authorized by subdivision 2. Unless otherwise provided, the appropriation in this paragraph may be used for:

(1) project costs at a qualifying site if a portion of the cleanup costs are attributable to petroleum contamination or new and used tar and tar-like substances, including but not limited to bitumen and asphalt, but excluding bituminous or asphalt pavement, that consist primarily of hydrocarbons and are found in natural deposits in the earth or are distillates, fractions, or residues from the processing of petroleum crude or petroleum products as defined in section 296A.01; and

(2) the costs of performing contamination investigation if there is a reasonable basis to suspect the contamination is attributable to petroleum or new and used tar and tar-like substances, including but not limited to bitumen and asphalt, but excluding bituminous or asphalt pavement, that consist primarily of hydrocarbons and are found in natural deposits in the earth or are distillates, fractions, or residues from the processing of petroleum crude or petroleum products as defined in section 296A.01.

Sec. 2. Minnesota Statutes 2024, section 115C.09, is amended by adding a subdivision to read:

Subd. 3l. **Reimbursement; single-walled steel piping.** (a) For the purposes of this subdivision, the following terms have the meanings given:

(1) "eligible equipment" means all equipment between the underground petroleum storage tank and the dispenser, including piping, probes, monitors, pumps, containment, and electrical equipment to support the equipment. Eligible equipment does not include underground petroleum storage tanks, dispensers, canopies, site improvements, or signage replacement;

(2) "eligible location" means an underground petroleum storage tank system that is located in Minnesota, has pressurized single-walled steel piping, and was installed before the effective date of this subdivision; and

(3) "qualified person" means someone who is registered as a contractor under sections 115C.11 to 115C.12 and, as part of the person's trade or business, installs or repairs pressurized underground petroleum storage tank systems.

(b) Notwithstanding any other provision of this chapter or any rules adopted under this chapter, for replacement projects beginning after January 1, 2027, the board must reimburse an owner 50 percent of the cost of replacing existing eligible equipment at eligible locations with eligible equipment that meets all current applicable federal and Minnesota regulations and standards, provided that:

(1) the owner considered at least two bids and selected the bid with the lowest total cost; and

(2) the board determines that the costs incurred were reasonable.

(c) The board must not reimburse costs that the board determines were unreasonable.

(d) Reimbursement under paragraph (b) must not exceed $100,000 per eligible location.

(e) The maximum annual expenditure from the fund established under section 115C.08 for purposes of this subdivision must not exceed $4,000,000.

(f) An owner that owns or operates multiple eligible locations must not receive reimbursement for more than two eligible locations per calendar year.

(g) An owner may be reimbursed for the costs of:

(1) all eligible equipment;

(2) labor completed by a qualified person and associated with eligible equipment installation;

(3) labor completed by a qualified person and associated with dirt and concrete work directly associated with installing eligible equipment; and

(4) permits, freight, and shipping directly related to eligible equipment.

(h) Nothing in this subdivision prohibits an owner from receiving reimbursement from other sources for costs that are not reimbursed under this subdivision.

(i) This subdivision expires June 30, 2037.

Sec. 3. Minnesota Statutes 2025 Supplement, section 216B.16, subdivision 15, is amended to read:

Subd. 15. **Low-income affordability programs.** (a) The commission must consider ability to pay as a factor in setting utility rates and may establish affordability programs for low-income residential ratepayers in order to ensure affordable, reliable, and continuous service to low-income utility customers. A public utility serving low-income residential ratepayers who use natural gas or service from a thermal energy network, as defined in section 216B.2427, subdivision 1, for heating must file an affordability program with the commission.

(b) Any affordability program the commission orders a utility to implement must:

(1) lower the percentage of income that participating low-income households devote to energy bills;

(2) increase participating customer payments over time by increasing the frequency of payments;

(3) decrease or eliminate participating customer arrears;

(4) lower the utility costs associated with customer account collection activities; and

(5) coordinate the program with other available low-income bill payment assistance and conservation resources.

(c) In ordering affordability programs, the commission may require public utilities to file program evaluations that measure the effect of the affordability program on:

(1) the percentage of income that participating households devote to energy bills;

(2) service disconnections; and

(3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

(d) The commission must issue orders necessary to implement, administer, and evaluate affordability programs, and to allow a utility to recover program costs, including administrative costs, on a timely basis. The commission may not allow a utility to recover administrative costs, excluding start-up costs, in excess of five percent of total program costs, or program evaluation costs in excess of two percent of total program costs. The commission must permit deferred accounting, with carrying costs, for recovery of program costs incurred during the period between general rate cases.

(e) Public utilities may use information collected or created for the purpose of administering energy assistance to administer affordability programs.

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

Sec. 4. **[216B.2413] PLUG-IN SOLAR PHOTOVOLTAIC DEVICE.**

Subdivision 1. **Definitions.** (a) "Electric utility" means a public utility, cooperative electric association, or municipal utility that provides electric service at retail to customers in Minnesota.

(b) "Energy storage system" has the meaning given in section 216B.2422, subdivision 1.

(c) "Photovoltaic device" has the meaning given in section 216C.06, subdivision 16.

(d) "Plug-in solar photovoltaic device" means a portable photovoltaic device that:

(1) is intended primarily to offset a portion of a customer's electricity consumption;

(2) has a maximum power output of 1,200 watts;

(3) is capable of being connected with an on-site energy storage system; and

(4) is listed or certified to UL 3700 as compliant with the requirements for interactive plug-in photovoltaic equipment and systems.

(e) "UL 3700" means a standard that is compliant with the National Electric Code and was developed by Underwriters Laboratories, a testing laboratory that is recognized under the federal Occupational Safety and Health Agency's Nationally Recognized Testing Laboratory program to certify photovoltaic equipment and systems.

Subd. 2. **Exemptions.** (a) A plug-in solar photovoltaic device is exempt from:

(1) a requirement to enter into an interconnection agreement with an electric utility;

(2) the net metering provisions under section 216B.164; and

(3) an electric utility's establishment of any fee, condition, required approval, or reporting requirement, except as specified in subdivision 3, on its installation or operation.

(b) An electric utility is not liable for damage or injury caused by a plug-in solar photovoltaic device.

Subd. 3. **Registration.** An electric utility may require a customer to register a plug-in solar photovoltaic device installed by the customer and provide the following information:

(1) the customer's name and contact information;

(2) the customer's service address and utility account number;

(3) the brand and model of the plug-in solar photovoltaic device; and

(4) the size of the plug-in solar photovoltaic device in kilowatts.

Subd. 4. **Installation.** A customer must install a plug-in solar photovoltaic device according to the manufacturer's installation instructions.

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

Sec. 5. **[216B.2429] THERMAL ENERGY NETWORKS.**

Subdivision 1. **Definitions.** For the purposes of this section, "thermal energy network" or "TEN" has the meaning given in section 216B.2427, subdivision 1.

Subd. 2. **Thermal energy network service.** A public utility may offer service by a thermal energy network.

Subd. 3. **Cost recovery.** A public utility must, subject to commission review and approval, recover reasonable and prudently incurred costs of implementing an approved TEN in a general rate case or, before December 31, 2036, in a thermal energy network service rider.

Subd. 4. **TEN consumer protection.** A utility's provision of service by a TEN is subject to the same laws, protections, and commission authority to which a utility's provision of natural gas service is subject under this chapter.

Subd. 5. **TEN siting; priorities.** In assessing locations at which to site a TEN, a utility must give preference to an area:

(1) whose residents have expressed a desire to have a TEN installed;

(2) whose characteristics resemble those of an area in which a successful TEN was completed under a natural gas innovation plan filed under section 216B.2427; or

(3) that includes or is within an environmental justice area, as defined in section 116.065, subdivision 1, paragraph (e).

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

Sec. 6. Minnesota Statutes 2024, section 216C.02, subdivision 1, is amended to read:

Subdivision 1. **Powers.** (a) The commissioner may:

(1) apply for, receive, and spend money received from federal, municipal, county, regional, and other government agencies and private sources;

(2) apply for, accept, and disburse grants and other aids from public and private sources;

(3) contract for professional services if work or services required or authorized to be carried out by the commissioner cannot be satisfactorily performed by employees of the department or by another state agency;

(4) enter into interstate or intrastate partnerships or compacts to carry out research and planning jointly with other states or the federal government, private entities, or nongovernmental organizations when appropriate;

(5) upon reasonable request, distribute informational material at no cost to the public; and

(6) enter into contracts for the performance of the commissioner's duties with federal, state, regional, metropolitan, local, and other agencies or units of government and educational institutions, including the University of Minnesota, without regard to the competitive bidding requirements of chapters 16A and 16C.

(b) The commissioner shall collect information on conservation and other energy-related programs carried on by other agencies, by public utilities, by cooperative electric associations, by municipal power agencies, by other fuel suppliers, by political subdivisions, and by private organizations. Other agencies, cooperative electric associations, municipal power agencies, and political subdivisions shall cooperate with the commissioner by providing information requested by the commissioner. The commissioner may by rule require the submission of information by other program operators. The commissioner shall make the information available to other agencies and to the public and, as necessary, shall recommend to the legislature changes in the laws governing conservation and other energy-related programs to ensure that:

(1) expenditures on the programs are adequate to meet identified needs;

(2) the needs of low-income energy users are being adequately addressed;

(3) duplication of effort is avoided or eliminated;

(4) a program that is ineffective is improved or eliminated; and

(5) voluntary efforts are encouraged through incentives for their operators.

(c) By January 15 of each year, the commissioner shall report to the legislature on the projected amount of federal money likely to be available to the state during the next fiscal year, including grant money and money received by the state as a result of litigation or settlements of alleged violations of federal petroleum-pricing regulations. The report must

also estimate the amount of money projected as needed during the next fiscal year to finance a level of conservation and other energy-related programs adequate to meet projected needs, particularly the needs of low-income persons and households, and must recommend the amount of state appropriations needed to cover the difference between the projected availability of federal money and the projected needs.

Sec. 7. Minnesota Statutes 2024, section 216C.05, subdivision 1, is amended to read:

Subdivision 1. **Energy planning.** The legislature finds and declares that continued growth in demand for energy will cause severe social and economic dislocations, and that the state has a vital interest in providing for: increased efficiency in energy consumption, the development and use of renewable energy resources wherever possible, a secure and resilient energy system infrastructure, and the creation of an effective energy forecasting, planning, and education program.

The legislature further finds and declares that the protection of life, safety, and financial security for citizens during an energy crisis is of paramount importance.

Therefore, the legislature finds that it is in the public interest to review, analyze, and encourage those energy programs that will minimize the need for annual increases in fossil fuel consumption ~~by 1990~~ and the need for additional ~~electrical generating plants~~ electric generation, distribution, and storage, and provide for an optimum combination of energy sources and energy conservation consistent with environmental protection and the protection of citizens.

The legislature further finds that maintaining an energy security plan that addresses (1) all sources of regulated and unregulated energy, (2) a statewide risk assessment, (3) an all-hazards threat assessment, (4) analysis of cross-sector critical infrastructure interdependencies, (5) risk mitigation strategies, and (6) multistate and regional coordination is in the public interest. The responsibilities pursuant to the energy security plan must be executed under a planning, preparedness, and response framework, and in consultation with state agencies, local units of government, energy providers, community-based organizations, and others as appropriate.

The legislature intends to monitor, through energy policy planning and implementation, the transition from historic growth in energy demand to a period when demand for traditional fuels becomes stable and the supply of renewable energy resources is readily available and adequately utilized.

The legislature further finds that for economic growth, environmental improvement, and protection of citizens, it is in the public interest to encourage ~~those~~ energy programs and planning processes that ~~will~~ provide an optimum combination of energy resources, including energy savings.

Therefore, the legislature, through its committees, must monitor and evaluate progress toward greater reliance on cost-effective energy efficiency and renewable energy and lesser dependence on fossil fuels in order to reduce the economic burden of fuel imports, diversify utility-owned and consumer-owned energy resources, reduce utility costs for businesses and residents, improve the competitiveness and profitability of Minnesota businesses, increase energy security, create more energy-related jobs that contribute to the Minnesota economy, and reduce pollution and emissions that cause climate change.

Sec. 8. Minnesota Statutes 2024, section 216C.377, subdivision 10, is amended to read:

Subd. 10. **Application deadline.** An application must not be submitted under this section after June 30, ~~2026~~ 2028.

EFFECTIVE DATE. This section is effective June 1, 2026.

Sec. 9. Minnesota Statutes 2024, section 216C.377, subdivision 13, is amended to read:

Subd. 13. **Reporting.** Beginning January 15, 2025, and each year thereafter until January 15, ~~2027~~ 2029, the commissioner must report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy finance and policy regarding grants and amounts awarded to local units of government under this section during the previous year and any remaining balances available in the account established under this section.

Sec. 10. Minnesota Statutes 2024, section 216C.391, subdivision 6, is amended to read:

Subd. 6. **Grant awards; administration.** (a) An eligible entity seeking a grant award under subdivision 3 or an entity seeking a grant award under subdivision 4 must submit an application to the commissioner on a form prescribed by the commissioner. The commissioner is responsible for receiving and reviewing grant applications and awarding grants under this section, and shall develop administrative procedures governing the application, evaluation, and award process. The commissioner may not make a grant award under this section unless the commissioner has determined, and has notified the applicant in writing, that the application is complete. In awarding grants under this section, the commissioner shall endeavor to make awards to applicants from all regions of the state.

(b) The department must provide technical assistance to applicants. Applicants may also receive grant development assistance at no cost from entities awarded grants for that purpose under subdivision 4.

(c) Within ten business days of determining a grant award amount to an applicant, the commissioner must:

(1) reserve that amount for that specific grant in the state competitiveness fund account; and

(2) notify the Legislative Advisory Commission in writing of the reserved amount, the name of the applicant, the purpose of the project, and the unreserved balance of funds remaining in the account.

(d) Reserved funds are committed to the grant and use specified in the notice provided under paragraph (c) and are unavailable for reservation or appropriation for other applications unless and until the commissioner receives written notice from the applicant that the application for federal funds has been withdrawn or from the federal grantor that the application for which funds from the account were reserved has been denied federal funds.

(e) Reserved funds may only be expended upon presentation of written notice from the federal grantor to the commissioner stating that the applicant will receive federal funds for the project described in the application. If the amount of federal funds awarded to an applicant differs from the amount requested in the application, the commissioner may adjust the award made under this section accordingly. Notwithstanding sections 16B.98, subdivisions 5 and 7, and 16C.05, a reimbursement may cover cost-sharing expenses incurred after the start of the federal award agreement but before the date the contract with the state of Minnesota is effective, to ensure the applicant's compliance with federal award schedule requirements.

(f) Reserved funds must be made for projects that demonstrate they will help meet the state's clean energy and energy-related climate goals through renewable energy development, energy conservation, efficiency, or energy-related greenhouse gas reduction benefits.

(g) The commissioner must notify the chairs and ranking minority members of the legislative committees with jurisdiction over energy finance when the unreserved balance of the competitiveness fund account reaches the following amounts: 50 percent, unreserved; 25 percent, unreserved; 15 percent, unreserved; and five percent. The notification must be within ten days after each level of unreserved balance is reached.

Sec. 11. Minnesota Statutes 2024, section 216C.391, subdivision 7, is amended to read:

Subd. 7. **Report; audit.** ~~Beginning February 15, 2024, and each~~ By February 15 ~~thereafter~~ each year until February 15, 2035, the commissioner must submit a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy finance on the activities taken and expenditures made under this section. The report must, at a minimum, include the following information for the most recent calendar year:

(1) the number of applications for grants filed with the commissioner and the total amount of grant funds requested;

(2) each grant awarded;

(3) the number of additional personnel hired for the purposes of this section;

(4) expenditures on activities conducted under this section, reported separately for these areas:

(i) the provision of technical assistance;

(ii) grants made under subdivision 4 to entities to assist applicants with grant development;

(iii) application review and evaluation, including applicants that were denied federal or state grant awards and the reason for the denial;

(iv) information technology activities; and

(v) other expenditures;

(5) the unreserved balance remaining in the state competitiveness fund account;

(6) a copy of a financial audit of the department's expenditures under this section for the previous fiscal year, conducted by an independent auditor;

(7) recommendations for legislation to enhance the ability of eligible entities to successfully compete for federal funds;

(8) additional available funding opportunities to obtain energy-related funding from federal agencies; and

(9) federal grant program changes that would affect the federal funds available to the state and eligible applicants, including changes that would affect the required match for receiving federal funds.

Sec. 12. **[216C.392] SUPPLEMENTAL ENERGY ASSISTANCE GRANT PROGRAM.**

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

(b) "LIHEAP" has the meaning given in section 142G.02, subdivision 59.

(c) "Crisis grant" means a grant to a low-income household to prevent shut-off of residential energy services, reinstate residential energy services, or enable delivery of residential fuels.

(d) "Primary energy grant" means a grant to help a low-income household maintain and continue affordable energy service.

Subd. 2. **Establishment.** A supplemental energy assistance grant program is established in the department to award grants to eligible applicants. The purpose of the program is to assist low-income households experiencing energy burden to pay the costs of heating, cooling, and other home energy costs throughout the year.

Subd. 3. **Applications; procedures.** (a) The commissioner must develop policies and procedures governing the grant application and award process, and must leverage existing LIHEAP application processes and infrastructure to the maximum degree practicable.

(b) An eligible applicant must file an application with the commissioner on a form developed by the commissioner. The form must be available to eligible applicants in both a paper and electronic format.

Subd. 4. **Eligibility.** (a) A Minnesota resident whose household income is below the income eligibility threshold identified in the Minnesota LIHEAP Detailed Model Plan submitted to the United States Department of Health and Human Services for the applicable program year is eligible to receive a grant award under this section. If the LIHEAP Detailed Model Plan is not available, the commissioner may develop a similar income eligibility threshold.

(b) An organization with experience conducting outreach for programs designed for low-income households is eligible for grants awarded under subdivision 6, clause (4).

Subd. 5. **Grant awards.** (a) When awarding grants under this section, the commissioner may give priority to expanding the number of households receiving energy assistance over increasing grant amounts to households that already received assistance under LIHEAP during the same year.

(b) To the extent practicable, available LIHEAP funds must be awarded to all eligible applicants for primary energy and crisis grants before energy and crisis grants are awarded under this section.

Subd. 6. **Types of grants.** The commissioner may award grants under this section for:

(1) crisis grants to households that received a LIHEAP primary energy grant from federal funds but did not receive the maximum crisis grant amount while federal funds allocated for crisis grants were available;

(2) primary energy and crisis grants to eligible households that did not receive LIHEAP primary energy and crisis grants from federal funds;

(3) emergency heating system repair or replacement; and

(4) outreach activities.

Subd. 7. **Reporting.** (a) Beginning January 31, 2028, and annually thereafter until January 31, 2030, the commissioner must submit a report to the chairs and ranking minority members of the senate and house of representatives committees with primary jurisdiction over energy policy and finance that documents state supplemental energy assistance grant awards made under this section during the previous program year from October 1 to September 30.

(b) To the extent practicable, the following information on grants awarded under this section must be reported by statewide total, by county, and by census tract within cities with populations over 30,000:

(1) the number of households awarded a grant;

(2) the number of households served that did not receive a LIHEAP primary energy grant;

(3) the average primary energy grant award;

(4) the average crisis grant award; and

(5) average annual costs of heating and electricity for households served.

(c) The following information on grants awarded under this section may be reported as statewide totals:

(1) the average household income of grant recipients;

(2) a distribution of grant awards by grant recipients' household income, expressed as a percentage of the federal poverty level established by the United States Department of Health and Human Services;

(3) the number of households that include a person over 60 years old;

(4) the number of households that include a disabled person;

(5) the number of households that include a child under six years old; and

(6) the number of households served by race or ethnicity.

(d) A report under this section must comply with chapter 13, including provisions establishing data on individuals as not public in order to ensure the individual privacy of applicants.

Sec. 13. Minnesota Statutes 2024, section 216C.441, subdivision 3, is amended to read:

Subd. 3. **General powers.** (a) For the purpose of exercising the specific powers granted in this section, the authority has the general powers granted in this subdivision.

(b) The authority may:

(1) hire an executive director and staff to conduct the authority's operations;

(2) sue and be sued;

(3) have a seal and alter the seal;

(4) acquire, hold, lease, manage, and dispose of real or personal property for the authority's corporate purposes;

(5) enter into agreements, including cooperative financing agreements, contracts, or other transactions, with a Tribal government, any federal or state agency, county, local unit of government, regional development commission, person, domestic or foreign partnership, corporation, association, or organization;

(6) acquire by purchase real property, or an interest therein, in the authority's own name where acquisition is necessary or appropriate;

(7) provide general technical and consultative services related to the authority's purpose;

(8) promote research and development in matters related to the authority's purpose;

(9) conduct market analysis to determine where the market is underserved;

(10) analyze greenhouse gas emissions reduction project financing needs in the state and recommend measures to alleviate any shortage of financing capacity;

(11) contract with any governmental or private agency or organization, legal counsel, financial advisor, investment banker, or others to assist in the exercise of the authority's powers;

(12) borrow money or other property for any purpose pertaining to the authority's activities;

~~(12)~~ (13) enter into agreements with qualified lenders or others insuring or guaranteeing to the state the payment of qualified loans or other financing instruments; ~~and~~

(14) sell at a public or private sale a note, mortgage, or other interest or obligation that evidences or secures a loan; and

~~(13)~~ (15) accept on behalf of the state any gift, grant, or interest in money or personal property tendered to the state for any purpose pertaining to the authority's activities. Money received under this clause must be deposited in the account under subdivision 11.

Sec. 14. Minnesota Statutes 2024, section 216C.441, subdivision 4, is amended to read:

Subd. 4. **Authority duties.** (a) The authority must:

(1) serve as a financial resource to reduce the upfront and total costs of implementing qualified projects;

(2) ensure that all financed projects reduce greenhouse gas emissions;

(3) ensure that financing terms and conditions offered are well-suited to qualified projects;

(4) strategically prioritize the use of the authority's funds to leverage private investment in qualified projects, with the aim of achieving a high ratio of private to public money invested through funding mechanisms that support, enhance, and complement private lending and investment;

(5) coordinate with existing federal, state, local, utility, and other programs to ensure that the authority's resources are being used most effectively to add to and complement those programs;

(6) stimulate demand for qualified projects by:

(i) contracting with the department to provide, including through subcontracts with community navigators, information to project participants about federal, state, local, utility, and other authority financial assistance for qualifying projects, and technical information on energy conservation and renewable energy measures;

(ii) forming partnerships with contractors and informing contractors about the authority's financing programs;

(iii) developing innovative marketing strategies to stimulate project owner interest, especially in underserved communities; and

(iv) incentivizing financing entities to increase activity in underserved markets;

(7) finance projects in all regions of the state;

(8) develop participant eligibility standards and other terms and conditions for financial support provided by the authority;

(9) develop and administer:

(i) policies to collect reasonable fees for authority services; and

(ii) risk management activities to support ongoing authority activities;

(10) develop consumer protection standards governing the authority's investments to ensure that financial support is provided responsibly and transparently and is in the financial interest of participating project owners;

(11) develop methods to accurately measure the impact of the authority's activities, particularly on low-income communities and on greenhouse gas emissions reductions;

(12) hire an executive director and sufficient staff with the appropriate skills and qualifications to carry out the authority's programs, making an affirmative effort to recruit and hire a director and staff who are from, or share the interests of, the communities the authority must serve;

(13) apply for, either as a direct or subgrantee applicant, and accept Greenhouse Gas Reduction Fund grants authorized by the federal Clean Air Act, United States Code, title 42, section 7434, paragraph (a), clauses (1), (2), and (3). Until the Climate Innovation Finance Authority is established, the commissioner shall apply for and receive funding through Public Law 117-169 in order to leverage state investment, on behalf of the authority. To the extent practicable, applications for these funds by or on behalf of the authority should be made in coordination with other Minnesota applicants;

(14) acting under its powers as a state energy financing institution under United States Code, title 42, section 16511, collaborate with the United States Department of Energy Loan Programs Office to ensure that authorities made available under the Inflation Reduction Act of 2022, Public Law 117-169, maximally benefit Minnesotans. Until the Climate Innovation Finance Authority is established, the commissioner may engage with the United States Department of Energy Loan Programs Office on behalf of the authority; and

(15) ensure that authority contracts with all third-party administrators, contractors, and subcontractors contain required covenants, representations, and warranties specifying that contracted third parties are agents of the authority and that all acts of contracted third parties

are considered acts of the authority, provided that the act is within the contracted scope of work.

(b) The authority may:

(1) employ credit enhancement mechanisms that reduce financial risk for financing entities by providing assurance that a limited portion of a loan or other financial instrument is assumed by the authority via a loan loss reserve, loan guarantee, or other mechanism;

(2) co-invest in a qualified project by providing senior or subordinated debt, equity, or other mechanisms in conjunction with other investment, co-lending, or financing;

(3) aggregate small and geographically dispersed qualified projects in order to diversify risk; ~~or~~

(4) secure additional private investment through securitization or similar resale of the authority's interest in a completed qualified project;

~~(4)~~ (5) expend up to 25 percent of funds appropriated to the authority for start-up purposes, which may be used for financing programs and project investments authorized under this section, prior to adoption of the strategic plan required under subdivision 7 and the investment strategy under subdivision 8; and

~~(5)~~ (6) require a specific project to agree to implement a project labor agreement as a condition of receiving financing from the authority.

Sec. 15. Minnesota Statutes 2024, section 216C.441, is amended by adding a subdivision to read:

Subd. 4a. **Liability; limitation.** (a) The state is not liable on notes, loans, or other interests or obligations evidencing or securing a loan entered into by the authority under this section. A note, loan, or other interest or obligation securing a loan under this section is not a debt of the state.

(b) A note, loan, or other agreement or contract evidencing security for a loan entered into under this section must contain a statement that clearly indicates the liability limitation under paragraph (a).

Sec. 16. Minnesota Statutes 2024, section 216C.46, subdivision 3, is amended to read:

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

(1) the applicant is an eligible applicant;

(2) the applicant owns the Minnesota residence in which the heat pump is to be installed or has the signed approval from the owner of the Minnesota residence in which the heat pump is to be installed;

(3) the applicant ~~has had an energy audit conducted of the residence in which the heat pump is to be installed within the last 18 months by a person with a Building Analyst Technician certification issued by the Building Performance Institute, Inc., or an equivalent certification, as determined by the commissioner~~, heat pump, and installation meet the federal Department of Energy's documentation and eligibility requirements to receive a heat pump rebate under the federal Inflation Reduction Act of 2022, Public Law 117-169;

(4) ~~either:~~ the applicant has accepted the potential impacts of replacing a natural gas primary heating system with a heat pump in the applicant's home;

~~(i) the applicant has installed in the applicant's residence, by a contractor with an Air Leakage Control Installer certification issued by the Building Performance Institute, Inc., or an equivalent certification, as determined by the commissioner, the amount of insulation and the air sealing measures recommended by the auditor; or~~

~~(ii) the auditor has otherwise determined that the amount of insulation and air sealing measures in the residence are sufficient to enable effective heat pump performance;~~

(5) the applicant has purchased a heat pump of the capacity recommended by the auditor or contractor, and has had the heat pump installed by a contractor ~~with sufficient training and experience in installing heat pumps, as determined by the commissioner~~ approved to install heat pumps under comparable federal programs administered by the department under the federal Inflation Reduction Act of 2022, Public Law 117-169; and

(6) the total cost to purchase and install the heat pump in the applicant's residence.

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

(c) The commissioner may modify program requirements under this section when necessary to align with comparable federal programs administered by the department under the federal Inflation Reduction Act of 2022, Public Law ~~117-189~~ 117-169.

Sec. 17. **APPROPRIATION; PUBLIC UTILITIES COMMISSION.**

$40,000 in fiscal year 2027 is appropriated from the general fund to the Public Utilities Commission for thermal energy network services provided under Minnesota Statutes, section 216B.2429.

Sec. 18. **APPROPRIATION; DEPARTMENT OF COMMERCE.**

(a) $15,000,000 in fiscal year 2027 is appropriated from the general fund to the commissioner of commerce for the supplemental energy assistance grant program under Minnesota Statutes, section 216C.392. This is a onetime appropriation and is available until December 31, 2029.

(b) Of the amount appropriated in paragraph (a):

(1) up to 12.5 percent may be used for staffing and other costs associated with administering the supplemental energy assistance grant program under Minnesota Statutes, section 216C.392, including program planning and preparation, reviewing applications and verifying information, and entering data into a central electronic system maintained by the Department of Commerce. Of this funding, up to 2.5 percent may be used by the Department of Commerce. The remaining amount allocated under this clause may be used to reimburse reasonable administrative costs incurred under Minnesota Statutes, section 216C.392, by service providers contracted by the Department of Commerce to deliver LIHEAP services; and

(2) up to five percent may be used to reimburse the reasonable costs incurred under Minnesota Statutes, section 216C.392, by organizations the department has contracted with to provide outreach and assistance to households to complete grant applications under Minnesota Statutes, section 216C.392. Priority for grants awarded under this clause must be given to organizations that have the ability to conduct outreach to underserved communities and populations, including current service providers and other organizations.

ARTICLE 2

RENEWABLE DEVELOPMENT FINANCE

Section 1. **RENEWABLE DEVELOPMENT FINANCE.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j), the appropriations are from the renewable development account in the special revenue fund established in Minnesota Statutes, section 116C.779, subdivision 1, and are available for the fiscal years indicated for each purpose.

The figures "2026" and "2027" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively. "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium" is fiscal years 2026 and 2027. The appropriations in this article are onetime.

	APPROPRIATIONS Available for the Year Ending June 30	
	2026	**2027**

Sec. 2. **DEPARTMENT OF COMMERCE**

Subdivision 1. **Total Appropriation** **$** **-0-** **$** **22,335,000**

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Microgrid Research and Application**

$800,000 the second year is for a grant to the University of St. Thomas Center for Microgrid Research, which must be used to:

(1) increase the center's capacity to provide industry partners with opportunities to test near-commercial microgrid products on a real-world scale and to multiply opportunities for innovative research;

(2) procure advanced equipment and controls to enable the extension of the university's microgrid to additional buildings; and

(3) expand (i) hands-on educational opportunities for undergraduate and graduate electrical engineering students to increase understanding of microgrid operations, and (ii) partnerships with community colleges.

This appropriation is available until June 30, 2029.

Subd. 3. **Green Hydrogen Project**

$3,500,000 the second year is for a grant to the city of St. Cloud for the Green Hydrogen Project to incorporate a battery and renewable energy system. This appropriation is available until June 30, 2029.

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

$5,000,000 the second year is for a grant to Ramsey/Washington Recycling and Energy, in partnership with Dem-Con HZI Bioenergy, LLC, to construct an anaerobic digester energy system in Louisville Township. For the purposes of this subdivision, "anaerobic digester energy system" means a facility that uses diverted food and organic waste to create renewable natural gas and biochar. This appropriation is available until June 30, 2029.

Subd. 5. **Como Zoo Geothermal Energy System**

$2,250,000 the second year is for a grant to Como Zoo in the city of St. Paul to construct a geothermal energy system that provides space heating and cooling to the large cats building. For the purposes of this subdivision, "geothermal energy system" means a system composed of a heat pump that moves a heat-transferring fluid through piping embedded in the earth and absorbs the earth's constant temperature, a heat exchanger, and ductwork to distribute heated and cooled air to a building. This appropriation is available until June 30, 2029.

Subd. 6. **Minnesota Energy Alley**

(a) $2,000,000 the first year is for a grant to Clean Energy Economy Minnesota for the

Minnesota Energy Alley initiative. The initiative is designed to promote energy innovation through supporting energy entrepreneurs and emerging businesses to commercialize energy solutions by matching promising innovators with established and trustworthy Minnesota-based public and private partners to demonstrate emerging technologies in real-world applications. The grant may be used to provide seed funding for businesses, develop a training and development program, support recruitment of entrepreneurs to Minnesota, and secure funding from federal programs and corporate partners to establish a self-sustaining, long-term revenue model. This appropriation is available until June 30, 2028.

(b) By January 15, 2028, the commissioner of commerce must submit a written report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over energy finance and policy on the activities and accomplishments of the Minnesota Energy Alley initiative during the previous fiscal year and the disposition of this appropriation, including a separate statement of the amount of administrative costs.

Subd. 7. **Ammonia, Hydrogen, and Renewable Energy Certificate Tracking**

(a) $2,000,000 the second year is for a grant to CleanCounts for technology that enables tradable ammonia, hydrogen, and renewable energy certificates.

(b) Beginning January 1, 2027, and through January 1, 2031, an entity that receives a grant under this subdivision must submit a report to the legislative auditor that details how the grant money received has been spent.

(c) Beginning January 1, 2031, and through January 1, 2036, an entity that receives a grant under this subdivision must report to the commissioners of commerce and agriculture regarding the number of ammonia certificates issued in Minnesota as a result of the grant money received.

(d) This appropriation is available until June 30, 2029.

Subd. 8. **Great Plains Institute**

$500,000 the second year is for a grant to the Great Plains Institute for work related to identifying existing and future areas of the state that are suitable for additional distributed ammonia production and that have nearby wind or other curtailed power. This appropriation is available until June 30, 2029.

Subd. 9. **Macalester College Geothermal Energy System**

(a) $2,570,000 the second year is for a grant to Macalester College in St. Paul to construct an aquifer-based geothermal energy system that provides space heating and cooling to a new campus residence hall and welcome center, with the capacity for future expansion to serve as a district heating and cooling plant for all campus buildings north of Grand Avenue. This appropriation is available until June 30, 2029.

(b) For purposes of this section, "aquifer-based geothermal energy system" means a system composed of wells that access underground aquifers, heat pumps that transfer thermal energy between buildings and the aquifer, heat exchangers, and associated distribution infrastructure.

Subd. 10. **Biomass Energy Facility**

(a) $715,000 the second year is for a grant to Liberty Paper, Inc. to study and plan for an anaerobic digester or a biomass thermal generation facility in the city of Becker. This is a onetime appropriation and is available until June 30, 2029.

(b) For purposes of this section, the following terms have the meanings given: (1) "anaerobic digester" means a facility that uses diverted food and organic waste to generate renewable natural gas and biochar; (2) "biochar" means a solid substance, made from burning organic material, that sequesters carbon and is capable of being used as a soil application; and (3) "biomass thermal generation facility" means a facility that generates energy for commercial heat or industrial process heat from the combustion of organic material.

Subd. 11. **Geothermal Energy System; The Heights Community Energy**

(a) $3,000,000 in the second year is for a grant to The Heights Community Energy to construct a geothermal energy system.

(b) For purposes of this section, "geothermal energy system" means a system composed of one or more heat pumps connected to piping embedded in the earth that exchanges thermal

energy with the earth and associated distribution and building mechanical infrastructure to provide heating and cooling to one or more buildings.

Subd. 12. **Grant Administration**

Notwithstanding Minnesota Statutes, section 16B.98, subdivision 14, the commissioner may use up to $250,000 of the amount in this section for the administrative costs of the grants in this section.

Sec. 3. **UNIVERSITY OF MINNESOTA** **$ -0- $ 2,900,000**

(a) $1,500,000 the second year is for research, development, outreach, and demonstration of energy systems that use hydrogen and ammonia production from renewable energy resources and other sources of clean energy as a means of storing and generating electricity. This appropriation is available until June 30, 2029.

(b) $650,000 the second year is for the Natural Resources Research Institute to evaluate the state's geological hydrogen potential. The evaluation must include: (1) the availability of the mined hydrogen resource; (2) the feasibility of extracting the hydrogen from underground deposits; (3) the potential groundwater management challenges; and (4) cost-effective strategies for storing and transporting mined hydrogen. The Natural Resources Research Institute must submit the evaluation and an interim report to the chairs and ranking minority members of the legislative committees with jurisdiction over

energy policy and finance by May 15, 2028, and a final report by May 15, 2029.

(c) $750,000 the second year is for the Natural Resources Research Institute to evaluate new feedstock resources for a globally competitive, next generation iron ore industry. The study must include but is not limited to quantification and characterization of resources related to iron ore, energy, water, hydrogen, biomass, carbon materials, process technologies, transportation, and manufacturing infrastructure that support cross-coupling of iron production with industries such as liquid fuels and ammonia. The Natural Resources Research Institute must submit the results of the study and an interim report to the chairs and ranking minority members of the legislative committees with jurisdiction over energy policy and finance by May 15, 2028, and a final report by May 15, 2029.

Sec. 4. **POLLUTION CONTROL AGENCY** **$** **-0-** **$** **3,000,000**

$3,000,000 the second year is for a grant to the owner of a biomass energy generation plant in Shakopee that uses waste heat from the generation of electricity in the malting process to purchase equipment to facilitate the disposal of wood that is infested by emerald ash borer. This appropriation is available until June 30, 2029. Notwithstanding Minnesota Statutes, section 16B.98, subdivision 14, the commissioner of the Pollution Control Agency may use up to $25,000 of the amount in this section for the administrative costs of this grant.

Sec. 5. **DEPARTMENT OF AGRICULTURE** **$ -0- $ 4,000,000**

$4,000,000 the second year is for a grant to TalusAg for the production and operation of at least two green fertilizer production systems located in Minnesota. This appropriation is available until June 30, 2029. Notwithstanding Minnesota Statutes, section 16B.98, subdivision 14, the commissioner of agriculture may use up to $25,000 of the amount in this section for the administrative costs of this grant.

Sec. 6. **PUBLIC UTILITIES COMMISSION** **$ -0- $ 300,000**

(a) $300,000 the second year is to contract with a third party to conduct a study to inform policymakers regarding the potential impact of new nuclear generation on the public interest of Minnesota, including affordability, reliability, environmental protection, public health, and equitable outcomes.

(b) The commission must issue a competitive request for proposals and contract with an independent, qualified entity or consortium with demonstrated expertise in relevant subject matter, and with no material financial interest in the expansion of nuclear generation. The commission must ensure balanced representation of perspectives in the study. The selected entity must disclose any potential conflicts of interest to the commission. If the commission determines that issuing a competitive request for proposals would unreasonably delay completion of the study within the required timeline, the commission may contract on a sole-source basis, provided that the selected entity meets the qualifications

and independence requirements under this paragraph.

(c) The study must be completed no later than January 30, 2027, and must include, at a minimum, discussion of:

(1) changes in federal regulations governing the licensing of nuclear-powered facilities that may speed the review and approval process;

(2) technological advances made with respect to conventional nuclear-powered facilities that affect safety and cost;

(3) full lifecycle costs, including capital costs, financing costs, construction risk, cost overruns, decommissioning costs, waste management, and long-term liability exposure compared to alternative resource options. The analysis must include historical evidence from comparable projects in the United States and internationally;

(4) ratepayer impacts where new nuclear generation has been developed, including effects on electricity rates, cost and schedule overruns, and the allocation of financial risk between ratepayers and developers;

(5) public finance protections such as public subsidies, tax expenditures, and financial incentives required, and the opportunity cost of those public investments;

(6) the prospects for small modular reactors and factory-built portable modules with a capacity up to 300 megawatts, including:

(i) the types of technologies available;

(ii) current licensing status; and

(iii) estimated costs;

(7) siting issues, including:

(i) the degree to which the requirement for proximity to water resources sufficient for cooling purposes restricts possible locations of nuclear facilities, and what locations meeting that requirement are available in this state;

(ii) the potential for colocating nuclear facilities with businesses that demand very large amounts of electricity;

(iii) the environmental impacts of nuclear facilities, including impacts on the health of nearby residents;

(iv) the prospects for acceptance of nuclear facilities by host communities, and best practices for engaging communities on this issue; and

(v) how interconnection and transmission issues affect potential plant locations;

(8) nuclear waste issues, including:

(i) the amount and toxicity of radioactive waste produced by both conventional nuclear technologies and small modular reactors;

(ii) the costs of on-site storage;

(iii) the prospects for developing permanent storage of radioactive waste at either a federally-owned or privately-owned repository to which Minnesota's waste could be transported; and

(iv) the feasibility and cost of reprocessing nuclear waste;

(9) the economic impacts of various nuclear technologies on a host community, including:

(i) increased employment levels during construction and operations;

(ii) increased local economic activity resulting from purchases made by the nuclear-powered facility and the facility's employees; and

(iii) potential tax revenue to local communities, local schools, and the state;

(10) impacts of new nuclear-powered electric generating plants on public safety officials and emergency responders in host communities and adjacent areas with respect to emergency planning efforts;

(11) system integration, including impacts on grid flexibility, compatibility with high levels of renewable energy, ramping capability, and implications for achieving Minnesota's greenhouse gas reduction goals;

(12) how new nuclear generation could accelerate or delay achievement of, and assist or hinder ongoing compliance with, Minnesota's statutory greenhouse gas reduction and carbon-free electricity goals, including comparison of deployment timelines;

(13) expected timelines from permitting through operation, including historical averages and delays for similar projects;

(14) current Minnesota statutes and administrative rules that would require modification in order to enable the

construction and operation of advanced nuclear reactors;

(15) the feasibility of replacing retiring generation assets in host communities with advanced nuclear reactors; and

(16) the workforce required and available, and the training capacity necessary to construct and operate new nuclear reactors.

(d) The study must be conducted transparently, with all data, assumptions, and models publicly available.

(e) No later than February 1, 2027, the commission must submit the study to the chairs and ranking minority members of the senate and house of representatives committees responsible for energy policy and finance.

Sec. 7. **TRANSFERS.**

(a) $2,000,000 in fiscal year 2027 is transferred from the renewable development account in the special revenue fund to the geothermal planning grant account under Minnesota Statutes, section 216C.47, subdivision 3. This is a onetime transfer.

(b) $4,465,000 in fiscal year 2027 is transferred from the renewable development account in the special revenue fund to the preweatherization account under Minnesota Statutes, section 216C.264, subdivision 1c. This is a onetime transfer.

Sec. 8. **RENEWABLE DEVELOPMENT ACCOUNT; ONETIME REDUCTION.**

(a) The amount transferred to the renewable development account under Minnesota Statutes, section 116C.779, subdivision 1, paragraph (c), on January 15, 2027, is reduced by $2,000,000.

(b) The amount transferred to the renewable development account under Minnesota Statutes, section 116C.779, subdivision 1, paragraph (d), on January 15, 2027, is reduced by $2,000,000.

(c) The public utility subject to Minnesota Statutes, section 116C.779, must reduce the public utility's cost recovery under Minnesota Statutes, section 216B.1645, subdivision 2, to reflect the reduced transfers in paragraphs (a) and (b) in calendar year 2027.

APPENDIX
Article locations for S4504-1

ARTICLE 1 ENERGY FINANCE AND POLICY..... Page.Ln 1.13
ARTICLE 2 RENEWABLE DEVELOPMENT FINANCE..... Page.Ln 20.26