SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2793

(SENATE AUTHORS: TOMASSONI, Marty and Rosen)

DATE	D-PG	OFFICIAL STATUS
03/19/2014	6382	Introduction and first reading Referred to Environment and Energy
03/28/2014	7158	Authors added Marty; Rosen
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A bill for an act

relating to energy; modifying an existing microenergy loan program to include certain community energy projects; amending Minnesota Statutes 2012, sections 216C.145; 216C.146, subdivisions 1, 2, 3.

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

Section 1. Minnesota Statutes 2012, section 216C.145, is amended to read:

216C.145 MICROENERGY AND COMMUNITY ENERGY EFFICIENCY LOAN PROGRAM.

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "~~Small-scale~~ Renewable energy and community energy efficiency" projects include solar thermal water heating, solar electric or photovoltaic equipment, small wind energy conversion systems of less than 250 kW, anaerobic digester gas systems, microhydro systems up to 100 kW, ~~and~~ heating and cooling applications using solar thermal or geothermal energy, and industrial, commercial, or public energy efficiency projects.

(c) "Unit of local government" means any home rule charter or statutory city, county, commission, district, authority, or other political subdivision or instrumentality of this state, including a sanitary district, park district, the Metropolitan Council, a port authority, an economic development authority, or a housing and redevelopment authority.

Subd. 2. **Program established.** The commissioner of commerce shall develop, implement, and administer a microenergy and community energy efficiency loan program under this section.

Subd. 3. **Loan purposes.** (a) The commissioner may issue low-interest, long-term loans to units of local government to (1) finance community-owned or publicly owned

~~small scale~~ small-scale renewable energy systems or ~~to~~ cost-effective energy efficiency improvements to public buildings, (2) provide loans or other aids to small businesses to install small-scale renewable energy systems, or (3) provide loans or other aids to industrial or commercial businesses for cost-effective energy efficiency projects or to install small-scale renewable energy systems.

(b) The commissioner may participate in loans made by the Housing Finance Agency to residential property owners, private developers, nonprofit organizations, or units of local government under sections 462A.05, subdivisions 14 and 18; and 462A.33 for the construction, purchase, or rehabilitation of residential housing to facilitate the installation of small-scale renewable energy systems in residential housing and cost-effective energy conservation improvements identified in an energy efficiency audit. The commissioner shall assist the Housing Finance Agency in assessing the technical qualifications of loan applicants.

Subd. 4. **Technical standards.** The commissioner shall determine technical standards for small-scale renewable energy systems and community energy efficiency projects to qualify for loans under this section.

Subd. 5. **Loan proposals.** (a) At least once a year, the commissioner shall publish in the State Register a request for proposals from units of local government for a loan under this section. Within 45 days after the deadline for receipt of proposals, the commissioner shall select proposals based on the following criteria:

(1) the reliability and cost-effectiveness of the renewable or energy efficiency technology to be installed under the proposal;

(2) the extent to which the proposal effectively integrates with the conservation and energy efficiency programs or goals of the energy utilities serving the proposer;

(3) the total life cycle energy use and greenhouse gas emissions reductions per dollar of installed cost;

(4) the diversity of the renewable energy or energy efficiency technology installed under the proposal;

(5) the geographic distribution of projects throughout the state;

(6) the percentage of total project cost requested;

(7) the proposed security for payback of the loan; and

(8) other criteria the commissioner may determine to be necessary and appropriate.

Subd. 6. **Loan terms.** A loan under this section must be issued at the lowest interest rate required to recover principal and interest plus the costs of issuing the loan, and must be for a minimum of 15 years, unless the commissioner determines that a shorter loan period of no less than ~~ten~~ five years is necessary and feasible.

Subd. 7. **Account.** A microenergy and community energy efficiency loan account is established in the state treasury. Money in the account consists of the proceeds of revenue bonds issued under section 216C.146, interest and other earnings on money in the account, money received in repayment of loans from the account, legislative appropriations, and money from any other source credited to the account.

Subd. 8. **Appropriation.** Money in the account is appropriated to the commissioner of commerce to make microenergy and community energy efficiency loans under this section and to the commissioner of management and budget to pay debt service and other costs under section 216C.146. Payment of debt service costs and funding reserves take priority over use of money in the account for any other purpose.

Sec. 2. Minnesota Statutes 2012, section 216C.146, subdivision 1, is amended to read:

Subdivision 1. **Bonding authority; definition.** (a) The commissioner of management and budget, if requested by the commissioner of commerce, shall sell and issue state revenue bonds for the following purposes:

(1) to make microenergy and community energy efficiency loans under section 216C.145;

(2) to pay the costs of issuance, debt service, and bond insurance or other credit enhancements, and to fund reserves; and

(3) to refund bonds issued under this section.

(b) The aggregate principal amount of bonds for the purposes of paragraph (a), clause (1), that may be outstanding at any time may not exceed $100,000,000 of which up to $20,000,000 shall be reserved for microenergy projects; the principal amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and (3), is not limited.

(c) For the purpose of this section, "commissioner" means the commissioner of management and budget.

Sec. 3. Minnesota Statutes 2012, section 216C.146, subdivision 2, is amended to read:

Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms and conditions the commissioner determines to be in the best interests of the state. The bonds may be sold at public or private sale. The commissioner may enter into any agreements or pledges the commissioner determines necessary or useful to sell the bonds that are not inconsistent with section 216C.145. Sections 16A.672 to 16A.675 apply to the bonds. The proceeds of the bonds issued under this section must be credited to the microenergy and community energy efficiency loan account created under section 216C.145.

Sec. 4. Minnesota Statutes 2012, section 216C.146, subdivision 3, is amended to read:

Subd. 3. **Revenue sources.** The debt service on the bonds is payable only from the following sources:

(1) revenue credited to the microenergy <u>and community energy efficiency</u> loan account from the sources identified in section 216C.145 or from any other source; and

(2) other revenues pledged to the payment of the bonds.