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State of Minnesota  
**HOUSE OF REPRESENTATIVES**  
NINETIETH SESSION

**H. F. No. 3003**

02/22/2018 Authored by Bahr, C.; Albright and McDonald  
The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act  
1.2 relating to energy; establishing a carbon-free energy standard; modifying a  
1.3 definition; making conforming changes; amending Minnesota Statutes 2016,  
1.4 sections 116J.437, subdivision 1; 216B.1691, subdivisions 1, 3, 4, 5, 9; Minnesota  
1.5 Statutes 2017 Supplement, section 216B.2422, subdivision 4.

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

1.7 Section 1. Minnesota Statutes 2016, section 116J.437, subdivision 1, is amended to read:

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

1.10 (b) "Green economy" means products, processes, methods, technologies, or services  
1.11 intended to do one or more of the following:

1.12 (1) increase the use of energy from renewable sources, including through achieving the  
1.13 ~~renewable~~ carbon-free energy standard established in section 216B.1691;

1.14 (2) achieve the statewide energy-savings goal established in section 216B.2401, including  
1.15 energy savings achieved by the conservation investment program under section 216B.241;

1.16 (3) achieve the greenhouse gas emission reduction goals of section 216H.02, subdivision  
1.17 1, including through reduction of greenhouse gas emissions, as defined in section 216H.01,  
1.18 subdivision 2, or mitigation of the greenhouse gas emissions through, but not limited to,  
1.19 carbon capture, storage, or sequestration;

1.20 (4) monitor, protect, restore, and preserve the quality of surface waters, including actions  
1.21 to further the purposes of the Clean Water Legacy Act as provided in section 114D.10,  
1.22 subdivision 1;

2.1 (5) expand the use of biofuels, including by expanding the feasibility or reducing the  
 2.2 cost of producing biofuels or the types of equipment, machinery, and vehicles that can use  
 2.3 biofuels, including activities to achieve the petroleum replacement goal in section 239.7911;  
 2.4 or

2.5 (6) increase the use of green chemistry, as defined in section 116.9401.

2.6 For the purpose of clause (3), "green economy" includes strategies that reduce carbon  
 2.7 emissions, such as utilizing existing buildings and other infrastructure, and utilizing mass  
 2.8 transit or otherwise reducing commuting for employees.

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

2.10 Sec. 2. Minnesota Statutes 2016, section 216B.1691, subdivision 1, is amended to read:

2.11 Subdivision 1. **Definitions.** (a) Unless otherwise specified in law, "eligible energy  
 2.12 technology" means an energy technology that generates electricity from the following  
 2.13 ~~renewable~~ carbon-free energy sources:

2.14 (1) solar;

2.15 (2) wind;

2.16 (3) hydroelectric ~~with a capacity of less than 100 megawatts;~~

2.17 (4) hydrogen, provided that after January 1, 2010, the hydrogen must be generated from  
 2.18 the resources listed in this paragraph; ~~or~~

2.19 (5) biomass, which includes, without limitation, landfill gas; an anaerobic digester  
 2.20 system; the predominantly organic components of wastewater effluent, sludge, or related  
 2.21 by-products from publicly owned treatment works, but not including incineration of  
 2.22 wastewater sludge to produce electricity; and an energy recovery facility used to capture  
 2.23 the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal  
 2.24 solid waste as a primary fuel; or

2.25 (6) nuclear fuel.

2.26 (b) "Electric utility" means a public utility providing electric service, a generation and  
 2.27 transmission cooperative electric association, a municipal power agency, or a power district.

2.28 (c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year by  
 2.29 an electric utility to retail customers of the electric utility or to a distribution utility for  
 2.30 distribution to the retail customers of the distribution utility. "Total retail electric sales"  
 2.31 does not include the sale of hydroelectricity supplied by a federal power marketing

3.1 administration or other federal agency, regardless of whether the sales are directly to a  
3.2 distribution utility or are made to a generation and transmission utility and pooled for further  
3.3 allocation to a distribution utility.

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

3.5 Sec. 3. Minnesota Statutes 2016, section 216B.1691, subdivision 3, is amended to read:

3.6 Subd. 3. **Utility plans filed with commission.** (a) Each electric utility shall report on  
3.7 its plans, activities, and progress with regard to the objectives and standards of this section  
3.8 in its filings under section 216B.2422 or in a separate report submitted to the commission  
3.9 every two years, whichever is more frequent, demonstrating to the commission the utility's  
3.10 effort to comply with this section. In its resource plan or a separate report, each electric  
3.11 utility shall provide a description of:

3.12 (1) the status of the utility's ~~renewable~~ carbon-free energy mix relative to the objective  
3.13 and standards;

3.14 (2) efforts taken to meet the objective and standards;

3.15 (3) any obstacles encountered or anticipated in meeting the objective or standards; and

3.16 (4) potential solutions to the obstacles.

3.17 (b) The commissioner shall compile the information provided to the commission under  
3.18 paragraph (a), and report to the chairs of the house of representatives and senate committees  
3.19 with jurisdiction over energy and environment policy issues as to the progress of utilities  
3.20 in the state, including the progress of each individual electric utility, in increasing the amount  
3.21 of renewable energy provided to retail customers, with any recommendations for regulatory  
3.22 or legislative action, by January 15 of each odd-numbered year.

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

3.24 Sec. 4. Minnesota Statutes 2016, section 216B.1691, subdivision 4, is amended to read:

3.25 Subd. 4. **Renewable energy credits.** (a) To facilitate compliance with this section, the  
3.26 commission, by rule or order, shall establish by January 1, 2008, a program for tradable  
3.27 renewable energy credits for electricity generated by eligible energy technology. The credits  
3.28 must represent energy produced by an eligible energy technology, as defined in subdivision  
3.29 1, paragraph (a), clauses (1) to (5). Each kilowatt-hour of renewable energy credits must  
3.30 be treated the same as a kilowatt-hour of eligible energy technology generated or procured  
3.31 by an electric utility if it is produced by an eligible energy technology. The program must

4.1 permit a credit to be used only once. The program must treat all eligible energy technology  
 4.2 equally and shall not give more or less credit to energy based on the state where the energy  
 4.3 was generated or the technology with which the energy was generated. The commission  
 4.4 must determine the period in which the credits may be used for purposes of the program.

4.5 (b) In lieu of generating or procuring energy directly to satisfy the eligible energy  
 4.6 technology objective or standard of this section, an electric utility may utilize renewable  
 4.7 energy credits allowed under the program to satisfy the objective or standard.

4.8 (c) The commission shall facilitate the trading of renewable energy credits between  
 4.9 states.

4.10 (d) The commission shall require all electric utilities to participate in a  
 4.11 commission-approved credit-tracking system or systems. Once a credit-tracking system is  
 4.12 in operation, the commission shall issue an order establishing protocols for trading credits.

4.13 (e) An electric utility subject to subdivision 2a, paragraph (b), may not sell renewable  
 4.14 energy credits to an electric utility subject to subdivision 2a, paragraph (a), until 2021.

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

4.16 Sec. 5. Minnesota Statutes 2016, section 216B.1691, subdivision 5, is amended to read:

4.17 Subd. 5. **Technology based on fuel combustion.** (a) Electricity produced by fuel  
 4.18 combustion through fuel blending or co-firing under paragraph (b) may only count toward  
 4.19 a utility's objectives or standards if the generation facility:

4.20 (1) was constructed in compliance with new source performance standards promulgated  
 4.21 under the federal Clean Air Act, United States Code, title 42, section 7401 et seq., for a  
 4.22 generation facility of that type; or

4.23 (2) employs the maximum achievable or best available control technology available for  
 4.24 a generation facility of that type.

4.25 (b) An eligible energy technology may blend or co-fire a fuel listed in subdivision 1,  
 4.26 paragraph (a), clause (5), with other fuels in the generation facility, but only the percentage  
 4.27 of electricity that is attributable to a fuel listed in that clause can be counted toward an  
 4.28 electric utility's ~~renewable~~ carbon-free energy objectives.

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

5.1 Sec. 6. Minnesota Statutes 2016, section 216B.1691, subdivision 9, is amended to read:

5.2 Subd. 9. **Local benefits.** The commission shall take all reasonable actions within its  
5.3 statutory authority to ensure this section is implemented to maximize benefits to Minnesota  
5.4 citizens, balancing factors such as local ownership of or participation in energy production,  
5.5 development and ownership of eligible energy technology facilities by independent power  
5.6 producers, Minnesota utility ownership of eligible energy technology facilities, the costs  
5.7 of energy generation to satisfy the ~~renewable~~ carbon-free standard, and the reliability of  
5.8 electric service to Minnesotans.

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

5.10 Sec. 7. Minnesota Statutes 2017 Supplement, section 216B.2422, subdivision 4, is amended  
5.11 to read:

5.12 Subd. 4. **Preference for renewable energy facility.** The commission shall not approve  
5.13 a new or refurbished nonrenewable energy facility in an integrated resource plan or a  
5.14 certificate of need, pursuant to section 216B.243, nor shall the commission allow rate  
5.15 recovery pursuant to section 216B.16 for such a nonrenewable energy facility, unless the  
5.16 utility has demonstrated that a renewable energy facility is not in the public interest. When  
5.17 making the public interest determination, the commission must consider:

5.18 (1) whether the resource plan helps the utility achieve the greenhouse gas reduction  
5.19 goals under section 216H.02, the ~~renewable~~ carbon-free energy standard under section  
5.20 216B.1691, or the solar energy standard under section 216B.1691, subdivision 2f;

5.21 (2) impacts on local and regional grid reliability;

5.22 (3) utility and ratepayer impacts resulting from the intermittent nature of renewable  
5.23 energy facilities, including but not limited to the costs of purchasing wholesale electricity  
5.24 in the market and the costs of providing ancillary services; and

5.25 (4) utility and ratepayer impacts resulting from reduced exposure to fuel price volatility,  
5.26 changes in transmission costs, portfolio diversification, and environmental compliance  
5.27 costs.

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