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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 688

01/23/2023

Authored by Quam

The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

1.1 A bill for an act
1.2 relating to energy; establishing a revolving loan fund to facilitate the dredging of
1.3 lakes to improve water flow for hydroelectric projects; requiring a report;
1.4 appropriating money; proposing coding for new law in Minnesota Statutes, chapter
1.5 216C.

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

1.7 Section 1. [216C.391] DEFINITIONS.

1.8 (a) For the purposes of section 216C.392, the following terms have the meanings given
1.9 them.

1.10 (b) "Small hydroelectric project" means a project that:

1.11 (1) as of the effective date of this section, generates electricity from the force of falling
1.12 water from a lake located in Minnesota; and

1.13 (2) has a capacity of less than 100 megawatts.

1.14 (c) "Dredge" means to remove or excavate sedimentary material, including silt, gravel,
1.15 and rocks, from a lake bed.

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

1.17 Sec. 2. [216C.392] HYDROELECTRIC REVITALIZATION REVOLVING LOAN
1.18 PROGRAM.

1.19 Subdivision 1. Loan program established. A hydroelectric revitalization revolving
1.20 loan program account is established in the special revenue fund. Money in the account is
1.21 appropriated to the commissioner of commerce to (1) make loans to owners of small

2.1 hydroelectric projects under this section, and (2) pay reasonable and actual costs incurred
2.2 to administer the loan program. The commissioner of management and budget must credit
2.3 to the account all interest and investment income earned on money in the account and all
2.4 loan principal repayments. Money in the account at the end of a fiscal year does not cancel
2.5 to the general fund but remains in the account.

2.6 Subd. 2. **Purpose.** The hydroelectric revitalization revolving loan program is created to
2.7 provide financial assistance to owners of small hydroelectric projects. Money from loans
2.8 made under this section may be used to dredge lakes where small hydroelectric projects
2.9 operate in order to increase water flow, increase the amount of electricity generated, and
2.10 extend the project's life.

2.11 Subd. 3. **Applications.** (a) An owner of a small hydroelectric project applying for a loan
2.12 under this section must submit an application to the commissioner of commerce, in the
2.13 manner and on forms prescribed by the commissioner.

2.14 (b) As part of the application, an applicant must submit to the commissioner:

2.15 (1) the name and address of the small hydroelectric project owner and contact information
2.16 for the person responsible for loan administration and project implementation;

2.17 (2) a description of the proposed project activities that a loan would be used to pay for;

2.18 (3) a map depicting where dredging will occur and an estimate of the volume of material
2.19 dredged;

2.20 (4) an estimate of the project's total cost;

2.21 (5) the source and amount of any additional money the applicant intends to use for the
2.22 project;

2.23 (6) a history of the amount of electricity generated by the project in past years;

2.24 (7) an estimate of the increase in electric generation resulting from the project's
2.25 completion;

2.26 (8) a description of how and where the dredged material is disposed; and

2.27 (9) any additional information requested by the commissioner.

2.28 Subd. 4. **Program administration.** The Department of Commerce must administer the
2.29 hydroelectric revitalization revolving loan project. The commissioner of commerce must
2.30 make loans on a first-come, first-served basis.

2.31 Subd. 5. **Loan conditions.** A loan made under this section must:

3.1 (1) carry an interest rate of zero; and

3.2 (2) have a repayment term no longer than 20 years.

3.3 Subd. 6. **Loan repayment.** (a) An applicant receiving a loan under this section must
3.4 agree to repay the full amount of the loan as provided under paragraph (b).

3.5 (b) A loan received under this section must be repaid at the rate of 1.5 cents for each
3.6 kilowatt-hour of electricity produced by the small hydroelectric project after the project
3.7 activities funded by the loan are completed. Payments must be made to the commissioner
3.8 of commerce on a quarterly basis, as specified in the loan agreement, until the full loan
3.9 amount is repaid. The commissioner of commerce must deposit loan repayments in the
3.10 account created under subdivision 1.

3.11 Subd. 7. **Report.** By February 1 of each odd-numbered year, the commissioner of
3.12 commerce must report to the chairs and ranking minority members of the legislative
3.13 committees with primary jurisdiction over energy policy and finance. The report must
3.14 identify (1) the small hydroelectric projects that received loans under the program, (2) the
3.15 amount of the loans, (3) the total project costs, (4) the amount of loans repaid, (5) an estimate
3.16 of the increase in electricity generation realized as a result of the projects, if possible, and
3.17 (6) any other information the commissioner of commerce determines is useful to the
3.18 legislature.

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

3.20 Sec. 3. **HYDROELECTRIC REVITALIZATION REVOLVING LOAN PROGRAM;**
3.21 **TRANSFER; APPROPRIATION.**

3.22 (a) Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j),
3.23 beginning July 1, 2024, and continuing through July 1, 2026, the public utility that contributes
3.24 to the account established under Minnesota Statutes, section 116C.779, must annually
3.25 transfer \$5,000,000 from the account to the commissioner of commerce for the hydroelectric
3.26 revitalization revolving loan program under Minnesota Statutes, section 216C.392. The
3.27 commissioner of commerce must deposit the transferred funds in the account established
3.28 under Minnesota Statutes, section 216C.392, subdivision 1.

3.29 (b) An amount necessary to pay the full costs of the hydroelectric revitalization revolving
3.30 loan program created under Minnesota Statutes, section 216C.392, is annually appropriated
3.31 to the commissioner of commerce.

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