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State of Minnesota
HOUSE OF REPRESENTATIVES
First Division Engrossment

NINETY-FIRST SESSION

H. F. No. 1133

02/14/2019 Authored by Acomb, Christensen, Persell, Becker-Finn, Claffin and others
 The bill was read for the first time and referred to the Committee on Ways and Means

Division Action

02/19/2019 *Referred by Chair to the Energy and Climate Finance and Policy Division*
 Division action, to adopt as amended and return to the Committee on Ways and Means
 02/21/2019 *Referred by Chair to the Education Finance Division*
 03/21/2019 *Division action, return to the Committee on Ways and Means*
 03/25/2019 *Referred by Chair to the Energy and Climate Finance and Policy Division*

1.1 A bill for an act
 1.2 relating to solar energy; establishing a grant program to enable school districts to
 1.3 finance the installation of solar energy systems on school buildings; creating an
 1.4 account and a reserve account; appropriating money; proposing coding for new
 1.5 law in Minnesota Statutes, chapter 216C.

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

1.7 Section 1. **[216C.375] SOLAR ON SCHOOLS PROGRAM.**

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

1.10 (b) "Developer" means an entity that installs a solar energy system on a building owned
 1.11 by a school district that has been awarded a grant under this section.

1.12 (c) "Energy storage system" means a commercially available technology capable of:

1.13 (1) absorbing and storing electrical energy; and

1.14 (2) dispatching stored electrical energy at a later time.

1.15 (d) "Investor" means an entity that finances the design, purchase, installation, operation,
 1.16 and maintenance of a solar energy system installed at a school building in a school district
 1.17 that received a grant under this section.

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

1.19 (f) "School district" means an independent or special school district.

1.20 (g) "Solar energy system" means photovoltaic devices installed alone or in conjunction
 1.21 with an energy storage system.

2.1 Subd. 2. **Establishment; purpose.** A solar on schools program is established in the
2.2 Department of Commerce. The purpose of the program is to provide grants to stimulate the
2.3 installation of solar energy systems in school districts throughout the state by reducing the
2.4 cost of solar energy system purchases and installations.

2.5 Subd. 3. **Establishment of reserve accounts.** (a) A solar on schools program reserve
2.6 account number 1 is established in the renewable development fund. Money received from
2.7 the renewable development fund must be transferred to the commissioner of commerce and
2.8 credited to this account. Money in the account is held in the account and does not lapse.

2.9 (b) A solar on schools program reserve account number 2 is established in the renewable
2.10 development fund. Money received from the general fund must be transferred to the
2.11 commissioner of commerce and credited to this account. Money in the account is held in
2.12 the account and does not lapse.

2.13 (c) When a grant is awarded under this section, the commissioner shall reserve the grant
2.14 amount in the applicable account.

2.15 (d) The money in the reserve accounts established in this subdivision enables a school
2.16 district to fulfill its legal commitment made in a power purchase agreement under subdivision
2.17 6 to acquire the financial interest of an investor in a solar energy system installed on a school
2.18 district building, which acquisition makes the investor's investment in the solar energy
2.19 system financially viable.

2.20 Subd. 4. **Expenditures.** (a) Money in the account and reserve account may be used only:

2.21 (1) for grant awards made under this section; and

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

2.23 (b) Grant awards made with funds in reserve account number 1 are to be used only for
2.24 grants for solar energy systems installed on school buildings receiving retail electric service
2.25 from a public utility that is subject to section 116C.779, subdivision 1.

2.26 (c) Grant awards made with funds in reserve account number 2 are to be used only for
2.27 grants for solar energy systems installed on school buildings receiving retail electric service
2.28 from a utility that is not subject to section 116C.779, subdivision 1.

2.29 Subd. 5. **Eligible system.** A grant may be awarded under this section to an eligible school
2.30 district only if the solar energy system that is the subject of the grant:

2.31 (1) is placed on, adjacent to, or in proximity to the school district building using the
2.32 electricity generated; and

3.1 (2) has a capacity that does not exceed one megawatt or 120 percent of the estimated
3.2 electric load of the school district building at which the solar energy system is proposed to
3.3 be installed, whichever is less.

3.4 Subd. 6. **Power purchase agreement; design.** The commissioner shall design a power
3.5 purchase agreement that must be used by an applicant seeking a grant under this section
3.6 and an investor. The power purchase agreement must:

3.7 (1) make the commissioner a party to the power purchase agreement;

3.8 (2) contain a formula to calculate the future fair market value of the solar energy system;

3.9 (3) contain a formula to calculate the future value of payments to be made by the school
3.10 district to the investor under the power purchase agreement in the absence of an acquisition
3.11 described in clause (6);

3.12 (4) specify an escalator for the allowable rate of increase for costs over the term of the
3.13 power purchase agreement of the utility providing retail electricity service to the school at
3.14 which the solar energy system is located;

3.15 (5) not exceed a term of 20 years; and

3.16 (6) specify the estimated date when the school district will acquire the remaining financial
3.17 interest of the investor in the solar energy system in a lump sum payment and terminate the
3.18 power purchase agreement.

3.19 Subd. 7. **Ancillary agreement.** At the same time they enter into the power purchase
3.20 agreement, the school district and the investor may, at the school district's sole discretion,
3.21 enter into a separate agreement requiring the investor to continue to be responsible for
3.22 operating and maintaining the solar energy system through the term of the original power
3.23 purchase agreement.

3.24 Subd. 8. **Adjustment.** (a) Every five years after entering into the power purchase
3.25 agreement, and 90 days prior to the proposed termination of the power purchase agreement,
3.26 the school district and the investor shall reexamine the projected values based on the formulas
3.27 in the power purchase agreement described in subdivision 6, clauses (2) to (4).

3.28 (b) The parties must notify the commissioner of any significant adjustments that should
3.29 be made to the forecasts of future values in those clauses based on experience under the
3.30 power purchase agreement or for other reasons.

3.31 (c) The commissioner shall review the adjustments requested by the parties, and shall
3.32 approve the adjustments if the commissioner determines the adjustments to be:

4.1 (1) reasonable;

4.2 (2) unforeseeable to the parties at the time the power purchase agreement was entered
4.3 into or at the previous reexamination of the projected values; and

4.4 (3) in the public interest.

4.5 (d) The commissioner shall adjust the grant amount reserved in the applicable reserve
4.6 account for the solar energy system in accord with adjustments approved under this
4.7 subdivision.

4.8 Subd. 9. **Application process.** (a) The commissioner shall issue a request for proposals
4.9 to developers who may wish to apply for a grant under this section on behalf of a school
4.10 district.

4.11 (b) A developer must submit an application to the commissioner on behalf of a school
4.12 district on a form prescribed by the commissioner. The form must include, at a minimum,
4.13 the following information:

4.14 (1) the capacity of the proposed solar energy system and the amount of electricity that
4.15 is expected to be generated;

4.16 (2) the current energy demand of the school building on which the solar energy generating
4.17 system is to be installed;

4.18 (3) the size of any energy storage system that is proposed to be installed as part of a
4.19 solar energy system;

4.20 (4) the total cost of purchasing and installing the solar energy system and its life-cycle
4.21 cost;

4.22 (5) a copy of the proposed power purchase agreement between the school district and
4.23 an investor;

4.24 (6) a plan for how the school will make the solar energy system serve as a visible learning
4.25 tool for students, teachers, and visitors to the school, including how the solar energy system
4.26 may be integrated into the school's curriculum;

4.27 (7) information that demonstrates the need of the school district for financial assistance
4.28 available under this section;

4.29 (8) information that demonstrates the readiness of the school district to implement the
4.30 project, including but not limited to the availability of the land on which the solar energy
4.31 system is to be installed, and the level of the school district's engagement with the utility
4.32 providing electric service to the school building on which the solar energy system is to be

5.1 installed on issues relevant to the implementation of the project, including metering and
5.2 other issues; and

5.3 (9) any other information deemed relevant by the commissioner.

5.4 (c) The commissioner shall develop a quantitative weighting system for the information
5.5 provided in the application in order to rank applications. The weighting system must be
5.6 provided to all applicants before an applicant submits an application.

5.7 (d) The commissioner shall develop administrative procedures governing the application
5.8 and grant award process.

5.9 Subd. 10. **Energy conservation review.** At the commissioner's request, the school
5.10 district shall provide the commissioner information regarding energy conservation measures
5.11 implemented at the school building at which the solar energy system is to be installed. The
5.12 commissioner may make recommendations to the school district regarding cost-effective
5.13 conservation measures it can implement and may provide technical assistance and direct
5.14 the school district to available financial assistance programs.

5.15 Subd. 11. **Duties of the commissioner.** The commissioner shall:

5.16 (1) provide technical assistance to school districts to develop and execute projects; and

5.17 (2) convene an advisory committee composed of representatives of solar energy
5.18 developers, school districts, and investors to develop procedures and policies that result in
5.19 the successful operation of the program established under this section.

5.20 Subd. 12. **Grant payments.** The commissioner shall use grant money from the reserve
5.21 accounts established under subdivision 3 to make:

5.22 (1) annual payments to the investor to acquire a portion of the investor's financial interest
5.23 in the solar energy system, as specified in the power purchase agreement; and

5.24 (2) a lump sum payment to the investor to acquire the investor's remaining financial
5.25 interest in the solar energy system, as specified in the power purchase agreement.

5.26 Subd. 13. **Application deadline.** No application may be made under this section after
5.27 December 31, 2023.

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

5.29 Sec. 2. **APPROPRIATION.**

5.30 (a) Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j),
5.31 \$16,000,000 in fiscal year 2020 is appropriated from the renewable development fund under

6.1 Minnesota Statutes, section 116C.779, subdivision 1, to the commissioner of commerce for
6.2 the purpose of conducting the program established in Minnesota Statutes, section 216C.375.
6.3 The commissioner of commerce shall deposit the appropriation in the account established
6.4 in Minnesota Statutes, section 216C.375, subdivision 3, paragraph (a).

6.5 (b) \$16,000,000 in fiscal year 2020 is appropriated from the general fund to the
6.6 commissioner of commerce for the purpose of conducting the program established in
6.7 Minnesota Statutes, section 216C.375. The commissioner of commerce shall deposit the
6.8 appropriation in the account established in Minnesota Statutes, section 216C.375, subdivision
6.9 3, paragraph (b).

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