

**SENATE  
STATE OF MINNESOTA  
NINETY-FOURTH SESSION**

**S.F. No. 4281**

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OFFICIAL STATUS  
Introduction and first reading  
Referred to Energy, Utilities, Environment, and Climate

1.1 A bill for an act  
1.2 relating to energy; establishing requirements for thermal energy network plans;  
1.3 amending Minnesota Statutes 2024, section 216B.02, subdivisions 4, 6; proposing  
1.4 coding for new law in Minnesota Statutes, chapter 216B.

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

1.6 Section 1. Minnesota Statutes 2024, section 216B.02, subdivision 4, is amended to read:

1.7 Subd. 4. **Public utility.** "Public utility" means persons, corporations, or other legal  
1.8 entities, their lessees, trustees, and receivers, now or hereafter operating, maintaining, or  
1.9 controlling in this state equipment or facilities for furnishing at retail natural, manufactured,  
1.10 or mixed gas ~~or~~, electric service, or service provided by a thermal energy network to or for  
1.11 the public or engaged in the production and retail sale thereof but does not include: (1) a  
1.12 municipality or a cooperative electric association, organized under the provisions of chapter  
1.13 308A, producing or furnishing natural, manufactured, or mixed gas ~~or~~, electric service, or  
1.14 thermal energy network; (2) a retail seller of compressed natural gas used as a vehicular  
1.15 fuel which purchases the gas from a public utility; ~~or~~ (3) a retail seller of electricity used to  
1.16 recharge a battery that powers an electric vehicle, as defined in section 169.011, subdivision  
1.17 26a, and that is not otherwise a public utility under this chapter; or (4) a retail seller of  
1.18 thermal energy network service that is in service before January 1, 2026. Except as otherwise  
1.19 provided, the provisions of this chapter shall not be applicable to any sale of natural,  
1.20 manufactured, or mixed gas or electricity by a public utility to another public utility for  
1.21 resale. In addition, the provisions of this chapter shall not apply to a public utility whose  
1.22 total natural gas business consists of supplying natural, manufactured, or mixed gas to not  
1.23 more than 650 customers within a city pursuant to a franchise granted by the city, provided  
1.24 a resolution of the city council requesting exemption from regulation is filed with the

2.1 commission. The city council may rescind the resolution requesting exemption at any time,  
 2.2 and, upon the filing of the rescinding resolution with the commission, the provisions of this  
 2.3 chapter shall apply to the public utility. No person shall be deemed to be a public utility if  
 2.4 it furnishes its services only to tenants or cooperative or condominium owners in buildings  
 2.5 owned, leased, or operated by such person. No person shall be deemed to be a public utility  
 2.6 if it furnishes service to occupants of a manufactured home or trailer park owned, leased,  
 2.7 or operated by such person. No person shall be deemed to be a public utility if it produces  
 2.8 or furnishes service to less than 25 persons.

2.9 Sec. 2. Minnesota Statutes 2024, section 216B.02, subdivision 6, is amended to read:

2.10 Subd. 6. **Service.** "Service" means natural, manufactured, or mixed gas ~~and~~, electricity,  
 2.11 or service provided by a thermal energy network. Service includes the installation, removal,  
 2.12 or repair of equipment or facilities for delivering or measuring such gas and, electricity, or  
 2.13 service provided by a thermal energy network.

2.14 Sec. 3. **[216B.2429] THERMAL ENERGY NETWORKS.**

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

2.17 (b) "Building costs" means costs incurred by utility customers or building owners to:  
 2.18 (1) connect to a TEN being installed, as required by a TEN service plan; or (2) to prepare  
 2.19 a building for connection in the future.

2.20 (c) "Project costs" means all costs incurred by the utility to complete a project proposed  
 2.21 in a TEN service plan. Project costs do not include costs for customer-owned equipment  
 2.22 and building costs necessary to connect to a TEN.

2.23 (d) "Public utility" or "utility" has the meaning given in section 216B.02, subdivision  
 2.24 4.

2.25 (e) "Thermal energy network," "TEN," or "project" has the meaning given in section  
 2.26 216B.2427, subdivision 1, paragraph (s).

2.27 (f) "Thermal energy network service plan" or "TEN service plan" means a plan proposing  
 2.28 the construction of a TEN to serve existing or new utility customers that a public utility  
 2.29 submits to the commission.

2.30 Subd. 2. **Thermal energy network service plan requirements.** A TEN service plan  
 2.31 must include:

- 3.1 (1) a description of the project, including details on the proposed service area and  
3.2 customers served;
- 3.3 (2) estimated project costs;
- 3.4 (3) estimated building costs;
- 3.5 (4) the project's construction schedule;
- 3.6 (5) a summary of the utility's consideration of priority zones under subdivision 6;
- 3.7 (6) a description of the utility's efforts to offset project costs through federal, state, or  
3.8 local incentives;
- 3.9 (7) a description of benefits expected to materialize as a result of the project;
- 3.10 (8) a description of the efforts the utility commits to take to promote strong economic  
3.11 development and good jobs for local residents in the expanding thermal energy network  
3.12 sector by requiring application of progressive state labor and employment policies that  
3.13 ensure public utility investments and related state subsidies create unparalleled skill training  
3.14 and employment opportunities for residents in and around proposed service areas by using  
3.15 local prevailing wage standards and successful bona fide apprenticeship programs or project  
3.16 labor agreements that incorporate prevailing wage and training standards;
- 3.17 (9) if the TEN service plan proposes to serve customers currently being served by gas,  
3.18 a customer transition plan that:
- 3.19 (i) clearly identifies (A) the area and affected customers, and (B) an anticipated timeline  
3.20 to discontinue gas service and start thermal energy service;
- 3.21 (ii) offers technical assistance to affected customers who request assistance with the  
3.22 transition to thermal energy service;
- 3.23 (iii) includes a transition schedule for affected customers;
- 3.24 (iv) describes anticipated incentives provided by the utility to customers to offset building  
3.25 costs incurred to connect to the TEN;
- 3.26 (v) includes a communication plan to inform customers of, at a minimum: (A) the  
3.27 proposed project details, schedules and timelines, benefits, programs, and incentives available  
3.28 to help cover the customer's costs incurred to retrofit the customer's buildings to enable  
3.29 connection with the TEN; and (B) the projected heating and cooling costs based on  
3.30 individualized customer energy use. Public education meetings for affected customers must  
3.31 be held at a location and time that is determined to be convenient for the public; and

4.1 (vi) describes the utility's efforts to protect low-income customers from inequitable  
4.2 retrofitting or operational costs as a result of the project;

4.3 (10) a plan for (i) existing gas infrastructure that becomes stranded as a result of the  
4.4 project, and (ii) projected avoided operational and maintenance costs for stranded gas  
4.5 infrastructure; and

4.6 (11) other details determined by the commission.

4.7 Subd. 3. **Service provided by a thermal energy network.** (a) A public utility may  
4.8 comply with section 216B.04 if the public utility furnishes safe, adequate, efficient, and  
4.9 reasonable thermal energy service by a TEN. A public utility must submit and have an  
4.10 approved TEN service plan in order to provide service by the proposed TEN. The commission  
4.11 may approve, modify, or reject a TEN service plan. The commission must provide for notice  
4.12 and comment on the TEN service plan before making the commission's determination.

4.13 (b) An approved TEN service plan must:

4.14 (1) provide a customer waiver process that allows a customer to apply for an exemption  
4.15 from transitioning off existing gas service if transition to TEN service is unduly financially  
4.16 burdensome for the customer or technologically infeasible;

4.17 (2) ensure customers are well-informed regarding the public utility's intent to discontinue  
4.18 and replace gas service with service provided by the approved TEN project;

4.19 (3) serve the state emissions reduction under section 216H.02, subdivision 1;

4.20 (4) evaluate the cost effectiveness of the proposed TEN project. When evaluating project  
4.21 cost effectiveness, the commission may and is encouraged to consider TENs in a manner  
4.22 comparable to gas or electric resources. The commission must consider the lifetime project  
4.23 costs, including benefits from future emissions reductions; and

4.24 (5) identify the appropriate course of action and timeline to decommission existing gas  
4.25 infrastructure as a result of an approved TEN service plan.

4.26 (c) The commission must determine appropriate guidelines for public utilities that propose  
4.27 a TEN service plan service area that includes customers of another public utility.

4.28 Subd. 4. **Consumer protections.** TEN service provided by a public utility is subject to  
4.29 the same laws, protections, and commission authority that apply to gas service, including  
4.30 but not limited to those provisions as outlined in sections 216B.03; 216B.096; 216B.097;  
4.31 216B.0975; and 216B.16, subdivisions 6, 14, and 15.

5.1 Subd. 5. Cost recovery. Subject to the commission's approval, a public utility is eligible  
5.2 to recover reasonable and prudent costs incurred to implement an approved TEN service  
5.3 plan under general rate cases. A public utility is not eligible to recover costs for gas  
5.4 infrastructure in areas approved to be serviced by a TEN, unless the costs are necessary to  
5.5 ensure the safety of decommissioned gas infrastructure.

5.6 Subd. 6. Thermal energy network priority zones. When assessing the location and  
5.7 siting of a TEN project, a public utility must prioritize geographic areas where one or more  
5.8 of the following conditions exist:

5.9 (1) new gas infrastructure is a less prudent resource compared to a TEN;

5.10 (2) there is no existing piped gas infrastructure;

5.11 (3) existing gas infrastructure is nearing the infrastructure's end of useful life;

5.12 (4) existing gas infrastructure is prone to leaks or otherwise in need of repair or  
5.13 replacement;

5.14 (5) communities within the area have expressed desire to have a TEN project installed;

5.15 (6) the area has characteristics that are similar to the characteristics that existed for a  
5.16 successful utility TEN pilot project completed through an innovation plan approved under  
5.17 section 216B.2427;

5.18 (7) includes or is within an area defined under section 116.065, subdivision 1, paragraph  
5.19 (e); or

5.20 (8) the area meets other characteristics outlined for prioritization in the thermal energy  
5.21 network site suitability study completed by the commissioner under Laws 2024, chapter  
5.22 127, article 42, section 51.