

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

S.F. No. 4835

(SENATE AUTHORS: MATHEWS)

DATE	D-PG	OFFICIAL STATUS
03/25/2026	6986	Introduction and first reading Referred to Energy, Utilities, Environment, and Climate

1.1 A bill for an act

1.2 relating to energy; terminating annual payments by the Monticello nuclear

1.3 generating plant; modifying the distributed solar energy standard; extending the

1.4 sales tax exemption on residential natural gas and electricity year round; exempting

1.5 electric and natural gas facilities from payment of the state commercial-industrial

1.6 property tax; amending Minnesota Statutes 2024, sections 116C.779, subdivision

1.7 1; 275.025, subdivisions 1, 2; 297A.67, subdivision 15; Minnesota Statutes 2025

1.8 Supplement, section 216B.1691, subdivision 2h.

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

1.10 Section 1. Minnesota Statutes 2024, section 116C.779, subdivision 1, is amended to read:

1.11 Subdivision 1. **Renewable development account.** (a) The renewable development

1.12 account is established as a separate account in the special revenue fund in the state treasury.

1.13 Appropriations and transfers to the account shall be credited to the account. Earnings, such

1.14 as interest, dividends, and any other earnings arising from assets of the account, shall be

1.15 credited to the account. Funds remaining in the account at the end of a fiscal year are not

1.16 canceled to the general fund but remain in the account until expended. The account shall

1.17 be administered by the commissioner of management and budget as provided under this

1.18 section.

1.19 (b) On July 1, 2017, the public utility that owns the Prairie Island nuclear generating

1.20 plant must transfer all funds in the renewable development account previously established

1.21 under this subdivision and managed by the public utility to the renewable development

1.22 account established in paragraph (a). Funds awarded to grantees in previous grant cycles

1.23 that have not yet been expended and unencumbered funds required to be paid in calendar

1.24 year 2017 under paragraphs (e) and (f) ~~and (g)~~, and sections 116C.7792 and 216C.41, are

1.25 not subject to transfer under this paragraph.

2.1 (c) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing
2.2 each January 15 thereafter, the public utility that owns the Prairie Island nuclear generating
2.3 plant must transfer to the renewable development account \$500,000 each year for each dry
2.4 cask containing spent fuel that is located at the Prairie Island power plant for each year the
2.5 plant is in operation, and \$7,500,000 each year the plant is not in operation if ordered by
2.6 the commission pursuant to paragraph ~~(i)~~ (h). The fund transfer must be made if nuclear
2.7 waste is stored in a dry cask at the independent spent-fuel storage facility at Prairie Island
2.8 for any part of a year. The total amount transferred annually under this paragraph must be
2.9 reduced by \$3,750,000.

2.10 ~~(d) Except as provided in subdivision 1a, beginning January 15, 2018, and continuing~~
2.11 ~~each January 15 thereafter, the public utility that owns the Monticello nuclear generating~~
2.12 ~~plant must transfer to the renewable development account \$350,000 each year for each dry~~
2.13 ~~cask containing spent fuel that is located at the Monticello nuclear power plant for each~~
2.14 ~~year the plant is in operation, and \$5,250,000 each year the plant is not in operation if ordered~~
2.15 ~~by the commission pursuant to paragraph (i). The fund transfer must be made if nuclear~~
2.16 ~~waste is stored in a dry cask at the independent spent-fuel storage facility at Monticello for~~
2.17 ~~any part of a year.~~

2.18 ~~(e)~~ (d) Each year, the public utility shall withhold from the funds transferred to the
2.19 renewable development account under ~~paragraphs~~ paragraph (c) and (d) the amount necessary
2.20 to pay its obligations under paragraphs ~~(f)~~ (e) and ~~(g)~~ (f), and sections 116C.7792 and
2.21 216C.41, for that calendar year.

2.22 ~~(f)~~ (e) If the commission approves a new or amended power purchase agreement, the
2.23 termination of a power purchase agreement, or the purchase and closure of a facility under
2.24 section 216B.2424, subdivision 9, with an entity that uses poultry litter to generate electricity,
2.25 the public utility subject to this section shall enter into a contract with the city in which the
2.26 poultry litter plant is located to provide grants to the city for the purposes of economic
2.27 development on the following schedule: \$4,000,000 in fiscal year 2018; \$6,500,000 each
2.28 fiscal year in 2019 and 2020; and \$3,000,000 in fiscal year 2021. The grants shall be paid
2.29 by the public utility from funds withheld from the transfer to the renewable development
2.30 account, as provided in paragraphs (b) and ~~(e)~~ (d).

2.31 ~~(g)~~ (f) If the commission approves a new or amended power purchase agreement, or the
2.32 termination of a power purchase agreement under section 216B.2424, subdivision 9, with
2.33 an entity owned or controlled, directly or indirectly, by two municipal utilities located north
2.34 of Constitutional Route No. 8, that was previously used to meet the biomass mandate in
2.35 section 216B.2424, the public utility that owns a nuclear generating plant shall enter into a

3.1 grant contract with such entity to provide \$6,800,000 per year for five years, commencing
 3.2 30 days after the commission approves the new or amended power purchase agreement, or
 3.3 the termination of the power purchase agreement, and on each June 1 thereafter through
 3.4 2021, to assist the transition required by the new, amended, or terminated power purchase
 3.5 agreement. The grant shall be paid by the public utility from funds withheld from the transfer
 3.6 to the renewable development account as provided in paragraphs (b) and ~~(e)~~ (d).

3.7 ~~(h)~~ (g) The collective amount paid under the grant contracts awarded under paragraphs
 3.8 ~~(f)~~ (e) and ~~(g)~~ (f) is limited to the amount deposited into the renewable development account,
 3.9 and its predecessor, the renewable development account, established under this section, that
 3.10 was not required to be deposited into the account under Laws 1994, chapter 641, article 1,
 3.11 section 10.

3.12 ~~(i)~~ (h) After discontinuation of operation of the Prairie Island nuclear plant ~~or the~~
 3.13 ~~Monticello nuclear plant~~ and each year spent nuclear fuel is stored in dry cask at the
 3.14 discontinued facility, the commission shall require the public utility to pay \$7,500,000 ~~for~~
 3.15 ~~the discontinued Prairie Island facility and \$5,250,000 for the discontinued Monticello~~
 3.16 ~~facility~~ for any year in which the commission finds, by the preponderance of the evidence,
 3.17 that the public utility did not make a good faith effort to remove the spent nuclear fuel stored
 3.18 at the facility to a permanent or interim storage site out of the state. This determination shall
 3.19 be made at least every two years.

3.20 ~~(j)~~ (i) Funds in the account may be expended only for any of the following purposes:

3.21 (1) to stimulate research and development of renewable electric energy technologies;

3.22 (2) to encourage grid modernization, including, but not limited to, projects that implement
 3.23 electricity storage, load control, and smart meter technology; and

3.24 (3) to stimulate other innovative energy projects that reduce demand and increase system
 3.25 efficiency and flexibility.

3.26 Expenditures from the fund must benefit Minnesota ratepayers receiving electric service
 3.27 from the utility that owns a nuclear-powered electric generating plant in this state or the
 3.28 Prairie Island Indian community or its members.

3.29 The utility that owns a nuclear generating plant is eligible to apply for grants under this
 3.30 subdivision.

3.31 ~~(k)~~ (j) For the purposes of paragraph ~~(j)~~ (i), the following terms have the meanings given:

3.32 (1) "renewable" has the meaning given in section 216B.2422, subdivision 1, paragraph
 3.33 (c), clauses (1), (2), (4), and (5); and

4.1 (2) "grid modernization" means:

4.2 (i) enhancing the reliability of the electrical grid;

4.3 (ii) improving the security of the electrical grid against cyberthreats and physical threats;

4.4 and

4.5 (iii) increasing energy conservation opportunities by facilitating communication between
4.6 the utility and its customers through the use of two-way meters, control technologies, energy
4.7 storage and microgrids, technologies to enable demand response, and other innovative
4.8 technologies.

4.9 ~~(j)~~ (k) A renewable development account advisory group that includes, among others,
4.10 representatives of the public utility and its ratepayers, and includes at least one representative
4.11 of the Prairie Island Indian community appointed by that community's tribal council, shall
4.12 develop recommendations on account expenditures. The advisory group must design a
4.13 request for proposal and evaluate projects submitted in response to a request for proposals.
4.14 The advisory group must utilize an independent third-party expert to evaluate proposals
4.15 submitted in response to a request for proposal, including all proposals made by the public
4.16 utility. A request for proposal for research and development under paragraph ~~(j)~~ (i), clause
4.17 (1), may be limited to or include a request to higher education institutions located in
4.18 Minnesota for multiple projects authorized under paragraph ~~(j)~~ (i), clause (1). The request
4.19 for multiple projects may include a provision that exempts the projects from the third-party
4.20 expert review and instead provides for project evaluation and selection by a merit peer
4.21 review grant system. In the process of determining request for proposal scope and subject
4.22 and in evaluating responses to request for proposals, the advisory group must strongly
4.23 consider, where reasonable:

4.24 (1) potential benefit to Minnesota citizens and businesses and the utility's ratepayers;

4.25 and

4.26 (2) the proposer's commitment to increasing the diversity of the proposer's workforce
4.27 and vendors.

4.28 ~~(m)~~ (l) The advisory group shall submit funding recommendations to the public utility,
4.29 which has full and sole authority to determine which expenditures shall be submitted by
4.30 the advisory group to the legislature. The commission may approve proposed expenditures,
4.31 may disapprove proposed expenditures that it finds not to be in compliance with this
4.32 subdivision or otherwise not in the public interest, and may, if agreed to by the public utility,
4.33 modify proposed expenditures. The commission shall, by order, submit its funding
4.34 recommendations to the legislature as provided under paragraph ~~(n)~~ (m).

5.1 ~~(n)~~ (m) The commission shall present its recommended appropriations from the account
5.2 to the senate and house of representatives committees with jurisdiction over energy policy
5.3 and finance annually by February 15. Expenditures from the account must be appropriated
5.4 by law. In enacting appropriations from the account, the legislature:

5.5 (1) may approve or disapprove, but may not modify, the amount of an appropriation for
5.6 a project recommended by the commission; and

5.7 (2) may not appropriate money for a project the commission has not recommended
5.8 funding.

5.9 ~~(o)~~ (n) A request for proposal for renewable energy generation projects must, when
5.10 feasible and reasonable, give preference to projects that are most cost-effective for a particular
5.11 energy source.

5.12 ~~(p)~~ (o) The advisory group must annually, by February 15, report to the chairs and
5.13 ranking minority members of the legislative committees with jurisdiction over energy policy
5.14 on projects funded by the account for the prior year and all previous years. The report must,
5.15 to the extent possible and reasonable, itemize the actual and projected financial benefit to
5.16 the public utility's ratepayers of each project.

5.17 ~~(q)~~ (p) A project receiving funds from the account must produce a written final report
5.18 that includes sufficient detail for technical readers and a clearly written summary for
5.19 nontechnical readers. The report must include an evaluation of the project's financial,
5.20 environmental, and other benefits to the state and the public utility's ratepayers. A project
5.21 receiving funds from the account must submit a report that meets the requirements of section
5.22 216C.51, subdivisions 3 and 4, each year the project funded by the account is in progress.

5.23 ~~(r)~~ (q) Final reports, any mid-project status reports, and renewable development account
5.24 financial reports must be posted online on a public website designated by the commissioner
5.25 of commerce.

5.26 ~~(s)~~ (r) All final reports must acknowledge that the project was made possible in whole
5.27 or part by the Minnesota renewable development account, noting that the account is financed
5.28 by the public utility's ratepayers.

5.29 ~~(t)~~ (s) Of the amount in the renewable development account, priority must be given to
5.30 making the payments required under section 216C.417.

5.31 ~~(u)~~ (t) Construction projects receiving funds from this account are subject to the
5.32 requirement to pay the prevailing wage rate, as defined in section 177.42 and the requirements

6.1 and enforcement provisions in sections 177.27, 177.30, 177.32, 177.41 to 177.435, and
6.2 177.45.

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

6.4 Sec. 2. Minnesota Statutes 2025 Supplement, section 216B.1691, subdivision 2h, is
6.5 amended to read:

6.6 Subd. 2h. **Distributed solar energy standard.** (a) For the purposes of this subdivision,
6.7 the following terms have the meanings given:

6.8 (1) "capacity" has the meaning given in section 216B.164, subdivision 2a;

6.9 (2) "industrial customer" means a retail electricity customer:

6.10 (i) whose numerical classification under the North American Industry Classification
6.11 System begins with the numbers 31, 32, or 33;

6.12 (ii) that is a pipeline, as defined in section 216G.01, subdivision 3;

6.13 (iii) that is an iron mining extraction and processing facility, including a scam mining
6.14 facility, as defined in Minnesota Rules, part 6130.0100, subpart 16; or

6.15 (iv) that is a qualified large-scale data center; and

6.16 (3) "solar energy generating system" has the meaning given in Minnesota Statutes
6.17 Supplement 2023, section 216E.01, subdivision 9a.

6.18 (b) Except as provided in paragraph (g), in addition to the other requirements of this
6.19 section, by the end of 2030, the following proportions of a public utility's total retail electric
6.20 sales in Minnesota must be generated from solar energy generating systems:

6.21 (1) for a public utility with at least 200,000 retail electric customers in Minnesota, at
6.22 least three percent;

6.23 (2) for a public utility with at least 100,000 but fewer than 200,000 retail electric
6.24 customers in Minnesota, at least three percent; and

6.25 (3) for a public utility with fewer than 100,000 retail electric customers in Minnesota,
6.26 at least one percent.

6.27 For a public utility subject to clause (2) or (3), sales to industrial customers in Minnesota
6.28 must be subtracted from the utility's total retail electric sales for the purpose of calculating
6.29 total retail electric sales in Minnesota.

7.1 (c) To be counted toward a public utility's standard established in paragraph (a), a solar
7.2 energy generating system must:

7.3 (1) have a capacity of ten megawatts or less;

7.4 (2) be connected to the public utility's distribution system;

7.5 (3) be located in the Minnesota service territory of the public utility; and

7.6 (4) be constructed or procured after August 1, 2023.

7.7 (d) A solar energy generating system with a capacity of 100 kilowatts or more does not
7.8 count toward compliance with the standard established in paragraph (a) unless the public
7.9 utility verifies that construction trades workers who constructed the solar energy generating
7.10 system were all paid no less than the prevailing wage rate, as defined in section 177.42, and
7.11 whose employer participated in an apprenticeship program that is registered under chapter
7.12 178 or Code of Federal Regulations, title 29, part 29.

7.13 (e) A public utility shall select projects to satisfy the standard established under this
7.14 subdivision through a competitive bidding process that is approved by the commission and
7.15 is initiated by a request for proposals issued by the public utility every 18 months.

7.16 (f) The commission may modify or delay the implementation of the standard established
7.17 under this subdivision in accordance with the provisions of subdivision 2b.

7.18 (g) A public utility with at least 200,000 retail electric customers in Minnesota is exempt
7.19 from the standard established under this subdivision if:

7.20 (1) the bid selected under paragraph (e) is more than 50 percent higher than the weighted
7.21 average levelized cost of solar energy projects on the public utility's system serving
7.22 Minnesota that have undergone a competitive bidding process, as determined by the
7.23 commission; and

7.24 (2) the public utility demonstrates to the commission that more than three percent of the
7.25 public utility's Minnesota retail electricity sales are generated by solar energy generating
7.26 systems with a nameplate capacity no greater than ten megawatts that have not undergone
7.27 a competitive bidding process.

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

7.29 Sec. 3. Minnesota Statutes 2024, section 275.025, subdivision 1, is amended to read:

7.30 Subdivision 1. **Levy amount.** The state general levy is levied against
7.31 commercial-industrial property and seasonal residential recreational property, as defined

8.1 in this section. The state general levy for commercial-industrial property is ~~\$716,990,000~~
 8.2 \$626,990,000 for taxes payable in ~~2023~~ 2027 and thereafter. The state general levy for
 8.3 seasonal-recreational property is \$41,690,000 for taxes payable in 2020 and thereafter. The
 8.4 tax under this section is not treated as a local tax rate under section 469.177 and is not the
 8.5 levy of a governmental unit under chapters 276A and 473F.

8.6 The commissioner shall increase or decrease the preliminary or final rate for a year as
 8.7 necessary to account for errors and tax base changes that affected a preliminary or final rate
 8.8 for either of the two preceding years. Adjustments are allowed to the extent that the necessary
 8.9 information is available to the commissioner at the time the rates for a year must be certified,
 8.10 and for the following reasons:

8.11 (1) an erroneous report of taxable value by a local official;

8.12 (2) an erroneous calculation by the commissioner; and

8.13 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
 8.14 residential recreational property reported to the commissioner under section 270C.85,
 8.15 subdivision 2, clause (4), for the same year.

8.16 The commissioner may, but need not, make adjustments if the total difference in the tax
 8.17 levied for the year would be less than \$100,000.

8.18 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
 8.19 in 2027.

8.20 Sec. 4. Minnesota Statutes 2024, section 275.025, subdivision 2, is amended to read:

8.21 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,
 8.22 "commercial-industrial tax capacity" means the tax capacity of all taxable property classified
 8.23 as class 3 or class 5(1) under section 273.13, excluding:

8.24 (1) the tax capacity attributable to the first \$150,000 of market value of each parcel of
 8.25 commercial-industrial property as defined under section 273.13, subdivision 24, clauses
 8.26 (1), (2), and (4);

8.27 (2) electric generation attached machinery under class 3; ~~and~~

8.28 (3) all utility real and personal property for gas and electricity utilities; and

8.29 ~~(3)~~ (4) property described in section 473.625.

8.30 County commercial-industrial tax capacity amounts are not adjusted for the captured
 8.31 net tax capacity of a tax increment financing district under section 469.177, subdivision 2,

9.1 the net tax capacity of transmission lines deducted from a local government's total net tax
9.2 capacity under section 273.425, or fiscal disparities contribution and distribution net tax
9.3 capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures
9.4 for determining eligibility for tier 1 under section 273.13, subdivision 24, clauses (1) and
9.5 (2), shall apply in determining the portion of a property eligible to be considered within the
9.6 first \$150,000 of market value.

9.7 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
9.8 in 2027.

9.9 Sec. 5. Minnesota Statutes 2024, section 297A.67, subdivision 15, is amended to read:

9.10 Subd. 15. **Residential heating fuels.** Residential heating fuels are exempt as follows:

9.11 (1) all fuel oil, coal, wood, steam, hot water, propane gas, and L.P. gas sold to residential
9.12 customers for residential use;

9.13 (2) ~~for the billing months of November, December, January, February, March, and April,~~
9.14 natural gas sold for residential use to customers who are metered and billed as residential
9.15 users and who use natural gas for their primary source of residential heat; and

9.16 (3) ~~for the billing months of November, December, January, February, March, and April,~~
9.17 electricity sold for residential use to customers who are metered and billed as residential
9.18 users and who use electricity for their primary source of residential heat.

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