A bill for an act

relating to energy; the environment; creating renewable energy source conversion grant program for municipal utilities and cooperative electric associations; authorizing issuance and sale of bonds; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 216C.

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

Section 1. **[216C.435] RENEWABLE ENERGY SOURCE CONVERSION GRANTS.**

Subdivision 1. **Creation.** The commissioner of commerce shall develop, implement, administer, and oversee the renewable energy source conversion grant program under this section. The commissioner shall specifically develop procedures, qualifications, and technical standards for municipal utilities and cooperative electric associations to qualify for a grant under this program.

Subd. 2. **Grant purposes.** The commissioner may issue grants to finance the conversion of coal-fired facilities of community-owned or publicly owned municipal utilities or cooperative electric associations to facilities generating electricity from renewable energy sources listed in section 216B.2422, subdivision 1, paragraph (c), for the purposes of reducing greenhouse gas emissions, enhancing the environment and natural resources of Minnesota, and promoting green energy development and jobs.

Subd. 3. **Grant proposals and selection criteria.** (a) The commissioner shall receive requests for proposals from statutory and home rule charter cities for grants under this section. The commissioner shall select proposals based on the following criteria:

(1) the reliability and availability of the renewable energy source proposed to replace coal;

(2) the reliability and cost-effectiveness of the renewable energy technology to be installed under the proposal;

(3) the extent to which the proposal effectively integrates with the environmental, conservation, and energy-efficiency programs and goals of this state;

(4) the life cycle energy use and greenhouse gas emissions reductions per dollar of installed cost;

(5) the geographic distribution of projects throughout the state;

(6) the total cost of the project and the percentage of that cost requested as a grant; and

(7) other criteria the commissioner may determine to be necessary or appropriate.

Subd. 4. **Account; appropriation.** (a) A renewable energy source conversion grant program account is established in the state treasury. Money in the account consists of the proceeds of bonds issued under section 216C.436, interest and other earnings on money in the account, legislative appropriations from the outdoor heritage fund or other state funds, and money from any other source credited to the account.

(b) Money in the account is appropriated to the commissioner of commerce to make grants under this section and to the commissioner of management and budget to pay debt service and other costs under section 216C.436. Payment of debt service costs and funding reserves take priority over use of money in the account for any other purpose.

Sec. 2. **[216C.436] RENEWABLE ENERGY SOURCE CONVERSION BONDS.**

Subdivision 1. **Bonding authority; definition.** (a) The commissioner of management and budget, if requested by the commissioner of commerce, shall sell and issue state bonds for the following purposes:

(1) to make grants under section 216C.435;

(2) to pay the costs of issuance, debt service, and bond insurance or other credit enhancements, and to fund reserves; and

(3) to refund bonds issued under this section.

(b) The aggregate principal amount of bonds for the purposes of paragraph (a), clause (1), that may be outstanding at any time may not exceed $..,...,...; the principal amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and (3), is not limited.

(c) For the purpose of this section, "commissioner" means the commissioner of management and budget.

Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms and conditions the commissioner determines to be in the best interests of the state. The

bonds may be sold at public or private sale. The commissioner may enter into any agreements or pledges the commissioner determines necessary or useful to sell the bonds that are not inconsistent with section 216C.435. Sections 16A.672 to 16A.675 apply to the bonds. The proceeds of the bonds issued under this section must be credited to the renewable energy source conversion grant program account created under section 216C.435.

Subd. 3. **Revenue sources.** The debt service on the bonds is payable only from the following sources:

(1) revenue credited to the renewable energy source conversion grant program account from the sources identified in section 216C.435 or from any other source; and

(2) other revenues pledged to the payment of the bonds.

Subd. 4. **Refunding bonds.** The commissioner may issue bonds to refund outstanding bonds issued under subdivision 1, including the payment of any redemption premiums on the bonds and any interest accrued or to accrue to the first redemption date after delivery of the refunding bonds. The proceeds of the refunding bonds may, at the discretion of the commissioner, be applied to the purchases or payment at maturity of the bonds to be refunded, or the redemption of the outstanding bonds on the first redemption date after delivery of the refunding bonds and may, until so used, be placed in escrow to be applied to the purchase, retirement, or redemption. Refunding bonds issued under this subdivision must be issued and secured in the manner provided by the commissioner.

Subd. 5. **Not a general or moral obligation.** Bonds issued under this section are not public debt, and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds may not be paid, directly in whole or in part from a tax of statewide application on any class of property, income, transaction, or privilege. Payment of the bonds is limited to the revenues explicitly authorized to be pledged under this section. The state neither makes nor has a moral obligation to pay the bonds if the pledged revenues and other legal security for them is insufficient.

Subd. 6. **Trustee.** The commissioner may contract with and appoint a trustee for bondholders. The trustee has the powers and authority vested in it by the commissioner under the bond and trust indentures.

Subd. 7. **Pledges.** A pledge made by the commissioner is valid and binding from the time the pledge is made. The money or property pledged and later received by the commissioner is immediately subject to the lien of the pledge without any physical delivery of the property or money or further act, and the lien of the pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise

against the commissioner, whether or not those parties have notice of the lien or pledge. Neither the order nor any other instrument by which a pledge is created need be recorded.

Subd. 8. **Bonds; purchase and cancellation.** The commissioner, subject to agreements with bondholders that may then exist, may, out of any money available for the purpose, purchase bonds of the commissioner at a price not exceeding (1) if the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (2) if the bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption plus accrued interest to that date.

Subd. 9. **State pledge against impairment of contracts.** The state pledges and agrees with the holders of any bonds that the state will not limit or alter the rights vested in the commissioner to fulfill the terms of any agreements made with the bondholders, or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The commissioner may include this pledge and agreement of the state in any agreement with the holders of bonds issued under this section.

Sec. 3. **APPROPRIATION.**

$..,...,... is transferred to the renewable energy source conversion grant program account from the outdoor heritage fund and is appropriated to the commissioner of commerce for disbursal as grants for the purposes of Minnesota Statutes, sections 216C.435 and 216C.436.