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## State of Minnesota

## HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **2603**

03/03/2014 Authored by Hortman

The bill was read for the first time and referred to the Committee on Commerce and Consumer Protection Finance and Policy

03/06/2014 By motion, recalled and re-referred to the Committee on Energy Policy

03/26/2014 Adoption of Report: Amended and re-referred to the Committee on Commerce and Consumer Protection Finance and Policy

03/28/2014 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act  
1.2 relating to energy; modifying the community energy efficiency and renewable  
1.3 energy loan program; modifying permissible administrative expenses for  
1.4 disbursement of supplemental low-income home energy assistance; appropriating  
1.5 money for the weatherization assistance program; amending Minnesota Statutes  
1.6 2012, sections 216C.145; 216C.146; Laws 2014, chapter 145, section 1.

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

1.8 Section 1. Minnesota Statutes 2012, section 216C.145, is amended to read:

1.9 **216C.145 MICROENERGY COMMUNITY ENERGY EFFICIENCY AND**  
1.10 **RENEWABLE ENERGY LOAN PROGRAM.**

1.11 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this  
1.12 section.

1.13 (b) "~~Small-scale~~ Community energy efficiency and renewable energy" projects  
1.14 include solar thermal water heating, solar electric or photovoltaic equipment, small  
1.15 wind energy conversion systems of less than 250 kW, anaerobic digester gas systems,  
1.16 microhydro systems up to 100 kW, ~~and~~ heating and cooling applications using ~~geothermal~~  
1.17 ~~energy~~ solar thermal or ground source technology, and industrial, commercial, or public  
1.18 energy efficiency projects.

1.19 (c) "Unit of local government" means any home rule charter or statutory city, county,  
1.20 commission, district, authority, or other political subdivision or instrumentality of this  
1.21 state, including a sanitary district, park district, the Metropolitan Council, a port authority,  
1.22 an economic development authority, or a housing and redevelopment authority.

1.23 Subd. 2. **Program established.** The commissioner of commerce shall develop,  
1.24 implement, and administer a ~~microenergy~~ community energy efficiency and renewable  
1.25 energy loan program under this section.

2.1 Subd. 3. **Loan purposes.** (a) The commissioner may issue low-interest, long-term  
2.2 loans to units of local government to:

2.3 (1) finance community-owned or publicly owned ~~small-scale~~ renewable energy  
2.4 systems or to ~~cost-effective energy efficiency improvements to public buildings;~~

2.5 (2) provide loans or other aids to small businesses to install ~~small-scale~~ renewable  
2.6 energy systems; or

2.7 (3) provide loans or other aids to industrial or commercial businesses for  
2.8 cost-effective energy efficiency projects or to install renewable energy systems.

2.9 (b) The commissioner may participate in loans made by the Housing Finance  
2.10 Agency to residential property owners, private developers, nonprofit organizations,  
2.11 or units of local government under sections 462A.05, subdivisions 14 and 18; and  
2.12 462A.33 for the construction, purchase, or rehabilitation of residential housing to facilitate  
2.13 the installation of ~~small-scale~~ renewable energy systems in residential housing and  
2.14 cost-effective energy conservation improvements identified in an energy efficiency audit.  
2.15 The commissioner shall assist the Housing Finance Agency in assessing the technical  
2.16 qualifications of loan applicants.

2.17 Subd. 4. **Technical standards.** The commissioner shall determine technical  
2.18 standards for ~~small-scale renewable energy systems~~ community energy efficiency and  
2.19 renewable energy projects to qualify for loans under this section.

2.20 Subd. 5. **Loan proposals.** (a) At least once a year, the commissioner shall publish in  
2.21 the State Register a request for proposals from units of local government for a loan under  
2.22 this section. Within 45 days after the deadline for receipt of proposals, the commissioner  
2.23 shall select proposals based on the following criteria:

2.24 (1) the reliability and cost-effectiveness of the renewable or energy efficiency  
2.25 technology to be installed under the proposal;

2.26 (2) the extent to which the proposal effectively integrates with the conservation and  
2.27 energy efficiency programs or goals of the energy utilities serving the proposer;

2.28 (3) the total life cycle energy use and greenhouse gas emissions reductions per  
2.29 dollar of installed cost;

2.30 (4) the diversity of the renewable energy or energy efficiency technology installed  
2.31 under the proposal;

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

2.33 (6) the percentage of total project cost requested;

2.34 (7) the proposed security for payback of the loan; and

2.35 (8) other criteria the commissioner may determine to be necessary and appropriate.

3.1 Subd. 6. **Loan terms.** A loan under this section must be issued at the lowest interest  
 3.2 rate required to recover principal and interest plus the costs of issuing the loan, and must  
 3.3 be for a minimum of 15 years, unless the commissioner determines that a shorter loan  
 3.4 period of no less than ~~ten~~ five years is necessary and feasible.

3.5 Subd. 7. **Account.** A microenergy community energy efficiency renewable energy  
 3.6 loan account is established in the state treasury. Money in the account consists of the  
 3.7 proceeds of revenue bonds issued under section 216C.146, interest and other earnings on  
 3.8 money in the account, money received in repayment of loans from the account, legislative  
 3.9 appropriations, and money from any other source credited to the account.

3.10 Subd. 8. **Appropriation.** Money in the account is appropriated to the commissioner  
 3.11 of commerce to make microenergy community energy efficiency renewable energy loans  
 3.12 under this section and to the commissioner of management and budget to pay debt service  
 3.13 and other costs under section 216C.146. Payment of debt service costs and funding  
 3.14 reserves take priority over use of money in the account for any other purpose.

3.15 Sec. 2. Minnesota Statutes 2012, section 216C.146, is amended to read:

3.16 **216C.146 MICROENERGY COMMUNITY ENERGY EFFICIENCY AND**  
 3.17 **RENEWABLE ENERGY LOAN REVENUE BONDS.**

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

3.21 (1) to make microenergy community energy efficiency and renewable energy loans  
 3.22 under section 216C.145;

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

3.25 (3) to refund bonds issued under this section.

3.26 (b) The aggregate principal amount of bonds for the purposes of paragraph (a),  
 3.27 clause (1), that may be outstanding at any time may not exceed \$100,000,000, of which  
 3.28 up to \$20,000,000 shall be reserved for business and public entity projects; the principal  
 3.29 amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and  
 3.30 (3), is not limited.

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

3.33 Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms  
 3.34 and conditions the commissioner determines to be in the best interests of the state. The  
 3.35 bonds may be sold at public or private sale. The commissioner may enter into any

4.1 agreements or pledges the commissioner determines necessary or useful to sell the bonds  
4.2 that are not inconsistent with section 216C.145. Sections 16A.672 to 16A.675 apply to  
4.3 the bonds. The proceeds of the bonds issued under this section must be credited to the  
4.4 microenergy community energy efficiency and renewable energy loan account created  
4.5 under section 216C.145.

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

4.8 (1) revenue credited to the microenergy community energy efficiency and renewable  
4.9 energy loan account from the sources identified in section 216C.145 or from any other  
4.10 source; and

4.11 (2) other revenues pledged to the payment of the bonds, including reserves  
4.12 established by a local government unit.

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

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

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

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

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

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

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

5.18 Sec. 3. Laws 2014, chapter 145, section 1, is amended to read:

5.19 Section 1. **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM;**  
5.20 **SUPPLEMENTAL APPROPRIATION.**

5.21 (a) \$20,000,000 is appropriated in fiscal year 2014 from the general fund to the  
5.22 commissioner of commerce for the purpose of providing additional heating assistance  
5.23 through the low-income home energy assistance program under United States Code, title  
5.24 42, sections 8621 to 8630, and Minnesota Statutes, section 216C.02, subdivision 1. No  
5.25 more than five eight percent of this appropriation may be used for expenses to administer  
5.26 the program. ~~Any unspent balance available on June 30, 2014, cancels to the general fund.~~

5.27 (b) The funding provided in this section shall supplement, and not replace, any  
5.28 federal or other funding existing or otherwise available for heating assistance in Minnesota.

5.29 (c) The commissioner shall disburse the funds provided in this section in a manner  
5.30 consistent with the requirements of the federal low-income home energy assistance  
5.31 program under United States Code, title 42, sections 8621 to 8630.

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

5.33 Sec. 4. **APPROPRIATION.**

6.1 Any unspent balance available on June 30, 2014, from the appropriation made to the  
6.2 commissioner of commerce in Laws 2014, chapter 145, section 1, may be used by the  
6.3 commissioner of commerce for the purposes of the weatherization assistance program.

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