

1.1 CONFERENCE COMMITTEE REPORT ON S.F. No. 3096

1.2 A bill for an act

1.3 relating to energy; creating programs for government energy conservation
1.4 investments; removing rulemaking requirement for certain loan and grant
1.5 programs; establishing microenergy loan program; authorizing issuance of
1.6 state revenue bonds; modifying provision allowing guaranteed energy savings
1.7 contracts; requiring a report; appropriating money; amending Minnesota Statutes
1.8 2006, section 216C.09; Minnesota Statutes 2007 Supplement, section 471.345,
1.9 subdivision 13; proposing coding for new law in Minnesota Statutes, chapters
1.10 16B; 216C; repealing Laws 2007, chapter 57, article 2, section 30.

1.11 May 12, 2008

1.12 The Honorable James P. Metzen
1.13 President of the Senate

1.14 The Honorable Margaret Anderson Kelliher
1.15 Speaker of the House of Representatives

1.16 We, the undersigned conferees for S.F. No. 3096 report that we have agreed upon
1.17 the items in dispute and recommend as follows:

1.18 That the House recede from its amendments and that S.F. No. 3096 be further
1.19 amended as follows:

1.20 Delete everything after the enacting clause and insert:

1.21 "Section 1. **16B.321** **DEFINITIONS.**

1.22 Subdivision 1. **Scope.** For the purpose of this section and section 16B.322, the terms
1.23 defined in this section have the meanings given them.

1.24 Subd. 2. **Energy improvement project.** "Energy improvement project" means:

1.25 (1) a project to improve energy efficiency in a building or facility, including the
1.26 design, acquisition, installation, construction, and commissioning of equipment or
1.27 improvements to a building or facility owned or operated by a state agency, and training
1.28 of building or facility staff necessary to properly operate and maintain the equipment or
1.29 improvements; or

2.1 (2) a project to design, acquire, install, construct, and commission equipment or
2.2 products to utilize solar, wind, geothermal, biomass, or other alternative energy sources in
2.3 heating, cooling, or providing electricity for a building or facility owned or operated by a
2.4 state agency and training of building or facility staff necessary to properly operate and
2.5 maintain the equipment or improvements.

2.6 Subd. 3. **Energy project study.** "Energy project study" means a technical and
2.7 financial study of one or more energy improvement projects, including:

2.8 (1) an analysis of historical energy consumption and cost data;

2.9 (2) a description of existing equipment, structural elements, operating characteristics,
2.10 and other conditions affecting energy use;

2.11 (3) a description of the proposed energy improvement projects;

2.12 (4) a detailed budget for the proposed project; and

2.13 (5) calculations sufficient to demonstrate the expected energy and operational cost
2.14 savings and reduction in fossil-fuel use.

2.15 Subd. 4. **Financing agreement.** "Financing agreement" means a tax-exempt
2.16 lease-purchase agreement entered into by the commissioner of administration and a
2.17 financial institution under a standard project financing agreement offered under section
2.18 16B.322, subdivision 4.

2.19 Subd. 5. **State agency.** "State agency" means any office, board, commission,
2.20 authority, department, or other agency of the executive branch of state government.

2.21 **Sec. 2. [16B.322] ENERGY IMPROVEMENT FINANCING PROGRAM FOR**
2.22 **STATE GOVERNMENT.**

2.23 Subdivision 1. **Commissioner's authority and duties; state agency authority.**

2.24 The commissioner shall administer the energy improvement financing program created
2.25 by this section. A state agency may enter into contracts for the purposes of this section
2.26 with the commissioner and participating financial institutions. All technical services and
2.27 construction contracts shall be executed through the appropriate procurement procedure in
2.28 chapters 16B, 16C, and other applicable law.

2.29 Subd. 2. **Program eligibility; voluntary program participation; targeted**
2.30 **technical services.** A state agency may elect to participate in the program. The
2.31 commissioner may prioritize and target technical services offered under subdivision 3 to
2.32 state agencies with state buildings or facilities that the commissioner determines offer the
2.33 greatest potential to improve energy efficiency or reduce use of fossil-fuel energy.

3.1 Subd. 3. Targeted technical services. The commissioner may require full or partial
3.2 reimbursement of costs for technical services provided to a state agency, subject to terms
3.3 and conditions specified and agreed to by contract prior to the delivery of technical
3.4 services.

3.5 Subd. 4. Financing agreement. The commissioner shall solicit proposals from
3.6 private financial institutions and may enter into a financing agreement with one or more
3.7 financial institutions. The term of the financing agreement shall not exceed 15 years
3.8 from the date of final completion of the energy improvement project. The financing
3.9 agreement is assignable to the state agency operating or managing the state building or
3.10 facility improved by the energy improvement project. The proceeds from the financing
3.11 agreement are appropriated to the commissioner and may be used for the purposes of
3.12 this section and are available until spent.

3.13 Subd. 5. Qualifying energy improvement projects. The commissioner may
3.14 approve an energy improvement project and enter into a financing agreement if the
3.15 commissioner determines that:

3.16 (1) the project and financing agreement have been approved by the governing body
3.17 or head of the state agency that operates or manages the state building or facility to be
3.18 improved;

3.19 (2) the project is technically and economically feasible;

3.20 (3) the state agency that operates or manages the state building or facility has made
3.21 adequate provision for the operation and maintenance of the project;

3.22 (4) if an energy efficiency improvement, the project is calculated to result in a
3.23 positive cash flow in each year the financing agreement is in effect;

3.24 (5) the project proposer has fully explored the use of conservation investment plan
3.25 opportunities under section 216B.241 with the utilities providing gas and electric service
3.26 to the energy improvement project;

3.27 (6) if a renewable energy improvement, the project is calculated to reduce use of
3.28 fossil-fuel energy; and

3.29 (7) if a geothermal energy improvement, the project is calculated to produce savings
3.30 in terms of nongeothermal energy and costs.

3.31 For the purpose of clause (6), "renewable energy" is energy produced by an eligible
3.32 energy technology as defined in section 216B.1691, subdivision 1, paragraph (a), clause
3.33 (1).

4.1 Subd. 6. Program costs. Program costs incurred by the commissioner or a state
4.2 agency that are not reimbursed or paid directly under a financing agreement may be paid
4.3 with money made available to the commissioner under section 216C.43, subdivision 10.

4.4 Subd. 7. Conservation investment plan savings goals. A utility or association
4.5 may count toward its energy savings goals under section 216B.241, subdivision 1c, the
4.6 energy savings resulting from its investment in an energy improvement project.

4.7 Subd. 8. Report. Beginning January 15, 2009, and each year thereafter, the
4.8 commissioner of administration shall submit to the chairs and ranking minority members
4.9 of the senate and house committees on energy finance a report containing, at a minimum,
4.10 the following information regarding projects implemented under this section:

4.11 (1) the total number of projects;

4.12 (2) the amount of calculated and, if available, actual energy savings for each project;

4.13 (3) the cost of each project; and

4.14 (4) the total amount paid for technical services provided under subdivision 3 for
4.15 each project.

4.16 Sec. 3. [116J.437] COORDINATING ECONOMIC DEVELOPMENT AND
4.17 ENVIRONMENTAL POLICY.

4.18 Subdivision 1. Definitions. For the purpose of this section, "green economy" means
4.19 products, processes, methods, technologies, or services intended to do one or more of
4.20 the following:

4.21 (1) increase the use of energy from renewable sources, including through achieving
4.22 the renewable energy standard established in section 216B.1691;

4.23 (2) achieve the statewide energy savings goal established in section 216B.2401,
4.24 including energy savings achieved by the conservation investment program under section
4.25 216B.241;

4.26 (3) achieve the greenhouse gas emission reduction goals of section 216H.02,
4.27 subdivision 1, including through reduction of greenhouse gas emissions, as defined in
4.28 section 216H.01, subdivision 2, or mitigation of the greenhouse gas emissions through,
4.29 but not limited to, carbon capture, storage, or sequestration;

4.30 (4) monitor, protect, restore, and preserve the quality of surface waters, including
4.31 actions to further the purposes of the Clean Water Legacy Act as provided in section
4.32 114D.10, subdivision 1; or

4.33 (5) expand the use of biofuels, including by expanding the feasibility or reducing the
4.34 cost of producing biofuels or the types of equipment, machinery, and vehicles that can

5.1 use biofuels, including activities to achieve the biofuels 25 by 2025 initiative in sections
5.2 41A.10, subdivision 2, and 41A.11.

5.3 For the purpose of clause (3), "green economy" includes strategies that reduce carbon
5.4 emissions, such as utilizing existing buildings and other infrastructure, and utilizing mass
5.5 transit or otherwise reducing commuting for employees.

5.6 Subd. 2. **Coordinating economic development and environmental policy.** The
5.7 commissioner and the Jobs Skills Partnership Board shall cooperate to promote job
5.8 training that complements green economy business development.

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

5.10 Sec. 4. Minnesota Statutes 2007 Supplement, section 116J.575, subdivision 1a, is
5.11 amended to read:

5.12 Subd. 1a. **Priorities.** (a) If applications for grants exceed the available
5.13 appropriations, grants shall be made for sites that, in the commissioner's judgment, provide
5.14 the highest return in public benefits for the public costs incurred. "Public benefits" include
5.15 job creation, bioscience development, environmental benefits to the state and region,
5.16 efficient use of public transportation, efficient use of existing infrastructure, provision of
5.17 affordable housing, multiuse development that constitutes community rebuilding rather
5.18 than single-use development, crime reduction, blight reduction, community stabilization,
5.19 and property tax base maintenance or improvement. In making this judgment, the
5.20 commissioner shall give priority to redevelopment projects with one or more of the
5.21 following characteristics:

5.22 (1) the need for redevelopment in conjunction with contamination remediation needs;

5.23 (2) the redevelopment project meets current tax increment financing requirements
5.24 for a redevelopment district and tax increments will contribute to the project;

5.25 (3) the redevelopment potential within the municipality;

5.26 (4) proximity to public transit if located in the metropolitan area;

5.27 (5) redevelopment costs related to expansion of a bioscience business in Minnesota;

5.28 **and**

5.29 (6) multijurisdictional projects that take into account the need for affordable housing,
5.30 transportation, and environmental impact; or

5.31 (7) the project advances or promotes the green economy as defined in section
5.32 116J.437.

5.33 (b) The factors in paragraph (a) are not listed in a rank order of priority; rather, the
5.34 commissioner may weigh each factor, depending upon the facts and circumstances, as
5.35 the commissioner considers appropriate. The commissioner may consider other factors

6.1 that affect the net return of public benefits for completion of the redevelopment plan. The
6.2 commissioner, notwithstanding the listing of priorities and the goal of maximizing the
6.3 return of public benefits, shall make grants that distribute available money to sites both
6.4 within and outside of the metropolitan area. Unless sufficient applications are not received
6.5 for qualifying sites outside of the metropolitan area, at least 50 percent of the money
6.6 provided as grants must be made for sites located outside of the metropolitan area.

6.7 Sec. 5. Minnesota Statutes 2006, section 116J.8731, subdivision 4, is amended to read:

6.8 Subd. 4. **Eligible projects.** Assistance must be evaluated on the existence of the
6.9 following conditions:

6.10 (1) creation of new jobs, retention of existing jobs, or improvements in the quality of
6.11 existing jobs as measured by the wages, skills, or education associated with those jobs;

6.12 (2) increase in the tax base;

6.13 (3) the project can demonstrate that investment of public dollars induces private
6.14 funds;

6.15 (4) the project can demonstrate an excessive public infrastructure or improvement
6.16 cost beyond the means of the affected community and private participants in the project;

6.17 (5) the project provides higher wage levels to the community or will add value to
6.18 current workforce skills;

6.19 (6) whether assistance is necessary to retain existing business; ~~and~~

6.20 (7) whether assistance is necessary to attract out-of-state business; and

6.21 (8) the project promotes or advances the green economy as defined in section
6.22 116J.437.

6.23 A grant or loan cannot be made based solely on a finding that the conditions in
6.24 clause (6) or (7) exist. A finding must be made that a condition in clause (1), (2), (3),
6.25 (4), or (5) also exists.

6.26 Applications recommended for funding shall be submitted to the commissioner.

6.27 Sec. 6. Minnesota Statutes 2006, section 216C.09, is amended to read:

6.28 **216C.09 COMMISSIONER DUTIES.**

6.29 (a) The commissioner shall:

6.30 (1) manage the department as the central repository within the state government for
6.31 the collection of data on energy;

6.32 (2) prepare and adopt an emergency allocation plan specifying actions to be taken
6.33 in the event of an impending serious shortage of energy, or a threat to public health,
6.34 safety, or welfare;

7.1 (3) undertake a continuing assessment of trends in the consumption of all forms of
7.2 energy and analyze the social, economic, and environmental consequences of these trends;

7.3 (4) carry out energy conservation measures as specified by the legislature and
7.4 recommend to the governor and the legislature additional energy policies and conservation
7.5 measures as required to meet the objectives of sections 216C.05 to 216C.30;

7.6 (5) collect and analyze data relating to present and future demands and resources
7.7 for all sources of energy;

7.8 (6) evaluate policies governing the establishment of rates and prices for energy
7.9 as related to energy conservation, and other goals and policies of sections 216C.05 to
7.10 216C.30, and make recommendations for changes in energy pricing policies and rate
7.11 schedules;

7.12 (7) study the impact and relationship of the state energy policies to international,
7.13 national, and regional energy policies;

7.14 (8) design and implement a state program for the conservation of energy; this
7.15 program shall include but not be limited to, general commercial, industrial, and residential,
7.16 and transportation areas; such program shall also provide for the evaluation of energy
7.17 systems as they relate to lighting, heating, refrigeration, air conditioning, building design
7.18 and operation, and appliance manufacturing and operation;

7.19 (9) inform and educate the public about the sources and uses of energy and the
7.20 ways in which persons can conserve energy;

7.21 (10) dispense funds made available for the purpose of research studies and projects
7.22 of professional and civic orientation, which are related to either energy conservation,
7.23 resource recovery, or the development of alternative energy technologies which conserve
7.24 nonrenewable energy resources while creating minimum environmental impact;

7.25 (11) charge other governmental departments and agencies involved in energy-related
7.26 activities with specific information gathering goals and require that those goals be met;

7.27 (12) design a comprehensive program for the development of indigenous energy
7.28 resources. The program shall include, but not be limited to, providing technical,
7.29 informational, educational, and financial services and materials to persons, businesses,
7.30 municipalities, and organizations involved in the development of solar, wind, hydropower,
7.31 peat, fiber fuels, biomass, and other alternative energy resources. The program shall be
7.32 evaluated by the alternative energy technical activity; and

7.33 (13) dispense loans, grants, or other financial aid from money received from
7.34 litigation or settlement of alleged violations of federal petroleum-pricing regulations
7.35 made available to the department for that purpose. ~~The commissioner shall adopt rules~~
7.36 ~~under chapter 14 for this purpose.~~

8.1 (b) Further, the commissioner may participate fully in hearings before the
8.2 Public Utilities Commission on matters pertaining to rate design, cost allocation,
8.3 efficient resource utilization, utility conservation investments, small power production,
8.4 cogeneration, and other rate issues. The commissioner shall support the policies stated in
8.5 section 216C.05 and shall prepare and defend testimony proposed to encourage energy
8.6 conservation improvements as defined in section 216B.241.

8.7 Sec. 7. **[216C.145] MICROENERGY LOAN PROGRAM.**

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

8.10 (b) "Small-scale renewable energy" projects include solar thermal water heating,
8.11 solar electric or photovoltaic equipment, small wind energy conversion systems of less
8.12 than 250 kW, anaerobic digester gas systems, microhydro systems up to 100 kW, and
8.13 heating and cooling applications using geothermal energy.

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

8.18 **Subd. 2. Program established.** The commissioner of commerce shall develop,
8.19 implement, and administer a microenergy loan program under this section.

8.20 **Subd. 3. Loan purposes.** (a) The commissioner may issue low-interest, long-term
8.21 loans to units of local government to finance community-owned or publicly owned small
8.22 scale renewable energy systems or to provide loans or other aids to small businesses to
8.23 install small-scale renewable energy systems.

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

8.32 **Subd. 4. Technical standards.** The commissioner shall determine technical
8.33 standards for small-scale renewable energy systems to qualify for loans under this section.

8.34 **Subd. 5. Loan proposals.** (a) At least once a year, the commissioner shall publish in
8.35 the State Register a request for proposals from units of local government for a loan under

9.1 this section. Within 45 days after the deadline for receipt of proposals, the commissioner
9.2 shall select proposals based on the following criteria:

9.3 (1) the reliability and cost-effectiveness of the renewable technology to be installed
9.4 under the proposal;

9.5 (2) the extent to which the proposal effectively integrates with the conservation and
9.6 energy efficiency programs of the energy utilities serving the proposer;

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

9.9 (4) the diversity of the renewable energy technology installed under the proposal;

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

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

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

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

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

9.18 Subd. 7. **Account.** A microenergy loan account is established in the state treasury.
9.19 Money in the account consists of the proceeds of revenue bonds issued under section
9.20 216C.146, interest and other earnings on money in the account, money received in
9.21 repayment of loans from the account, legislative appropriations, and money from any
9.22 other source credited to the account.

9.23 Subd. 8. **Appropriation.** Money in the account is appropriated to the commissioner
9.24 of commerce to make microenergy loans under this section and to the commissioner of
9.25 finance to pay debt service and other costs under section 216C.146. Payment of debt
9.26 service costs and funding reserves take priority over use of money in the account for
9.27 any other purpose.

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

9.29 Sec. 8. **[216C.146] MICROENERGY LOAN REVENUE BONDS.**

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

9.33 (1) to make microenergy loans under section 216C.145;

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

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

10.2 (b) The aggregate principal amount of bonds for the purposes of paragraph (a),
10.3 clause (1), that may be outstanding at any time may not exceed \$20,000,000; the principal
10.4 amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and
10.5 (3), is not limited.

10.6 (c) For the purpose of this section, "commissioner" means the commissioner of
10.7 finance.

10.8 Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms
10.9 and conditions the commissioner determines to be in the best interests of the state. The
10.10 bonds may be sold at public or private sale. The commissioner may enter into any
10.11 agreements or pledges the commissioner determines necessary or useful to sell the bonds
10.12 that are not inconsistent with section 216C.145. Sections 16A.672 to 16A.675 apply to
10.13 the bonds. The proceeds of the bonds issued under this section must be credited to the
10.14 microenergy loan account created under section 216C.145.

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

10.17 (1) revenue credited to the microenergy loan account from the sources identified in
10.18 section 216C.145 or from any other source; and

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

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

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

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

11.4 Subd. 7. **Pledges.** A pledge made by the commissioner is valid and binding from
11.5 the time the pledge is made. The money or property pledged and later received by the
11.6 commissioner is immediately subject to the lien of the pledge without any physical
11.7 delivery of the property or money or further act, and the lien of the pledge is valid and
11.8 binding as against all parties having claims of any kind in tort, contract, or otherwise
11.9 against the commissioner, whether or not those parties have notice of the lien or pledge.
11.10 Neither the order nor any other instrument by which a pledge is created need be recorded.

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

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

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

11.27 Sec. 9. **[216C.42] DEFINITIONS.**

11.28 Subdivision 1. **Scope.** For the purpose of this section and section 216C.43, the terms
11.29 defined in this section have the meanings given them.

11.30 Subd. 2. **Energy improvement project.** "Energy improvement project" means
11.31 a project to improve energy efficiency in a building or facility, including the design,
11.32 acquisition, installation, construction, and commissioning of equipment or improvements
11.33 to a building or facility, and training of building or facility staff necessary to properly
11.34 operate and maintain the equipment or improvements.

12.1 Subd. 3. **Energy project study.** "Energy project study" means a technical and
12.2 financial study of one or more energy improvement projects, including:

12.3 (1) an analysis of historical energy consumption and cost data;

12.4 (2) a description of existing equipment, structural elements, operating characteristics,
12.5 and other conditions affecting energy use;

12.6 (3) a description of the proposed energy improvement projects;

12.7 (4) a detailed budget for the proposed project;

12.8 (5) calculations sufficient to demonstrate the expected energy savings; and

12.9 (6) if a geothermal energy improvement, whether the project is calculated to produce
12.10 savings in terms of nongeothermal energy and costs.

12.11 Subd. 4. **Financing agreement.** "Financing agreement" means a tax-exempt
12.12 lease-purchase agreement entered into by a local government and a financial institution
12.13 under a standard project financing agreement offered under section 216C.43, subdivision 6.

12.14 Subd. 5. **Local government.** "Local government" means a Minnesota county,
12.15 statutory or home rule charter city, town, school district, park district, or any combination
12.16 of those units operating under an agreement to exercise powers jointly.

12.17 Subd. 6. **Program.** "Program" means the energy improvement financing program
12.18 for local governments authorized by section 216C.43.

12.19 Subd. 7. **Supplemental cash flow agreement.** "Supplemental cash flow agreement"
12.20 means an agreement by the commissioner to lend funds to a local government up to an
12.21 amount necessary to ensure that the cumulative payments made by the local government
12.22 under a financing agreement minus the amount loaned by the commissioner do not exceed
12.23 the actual energy and operating cost savings attributable to the energy improvement
12.24 project for the term of the supplemental cash flow agreement.

12.25 Sec. 10. **[216C.43] ENERGY IMPROVEMENT FINANCING PROGRAM FOR**
12.26 **LOCAL GOVERNMENT.**

12.27 Subdivision 1. **Commissioner's authority and duties; local government**
12.28 **authority.** The commissioner shall administer this section. A local government may
12.29 enter into contracts for the purposes of this section with the commissioner, the primary
12.30 contractor, other contracted technical service providers, and participating financial
12.31 institutions.

12.32 Subd. 2. **Program eligibility; voluntary program participation; targeted**
12.33 **technical services.** A local government may elect to participate in the program. The
12.34 commissioner may prioritize and target technical services offered under subdivision 4

13.1 to local governments that the commissioner determines offer the greatest potential for
13.2 cost-effective energy improvement projects.

13.3 **Subd. 3. Primary contractor for technical, financial, and program management**
13.4 **services.** The commissioner may enter into a contract for the delivery of technical
13.5 services, financial management, marketing, and administrative services necessary for
13.6 implementation of the program.

13.7 **Subd. 4. Targeted technical services.** The commissioner shall offer technical
13.8 services to targeted local governments to conduct energy project studies. The
13.9 commissioner may contract with one or more qualified technical service providers to
13.10 conduct energy project studies for targeted local governments. The commissioner may
13.11 require full or partial reimbursement of costs for technical services provided to a local
13.12 government, subject to terms and conditions specified and agreed to by contract before
13.13 the delivery of technical services. A local government may independently procure
13.14 technical services to conduct an energy project study, but the energy project study must be
13.15 reviewed and approved by the commissioner to qualify an energy improvement project
13.16 for a financing agreement under subdivision 6 or a supplemental cash flow agreement
13.17 under subdivision 7.

13.18 **Subd. 5. Participation of technical service providers statewide.** Program
13.19 activities must be implemented to encourage statewide participation of engineers,
13.20 architects, energy auditors, contractors, and other technical service providers. The
13.21 commissioner may provide training on energy project study requirements and procedures
13.22 to technical service providers.

13.23 **Subd. 6. Standard project financing agreement.** The commissioner shall solicit
13.24 proposals from private financial institutions and may enter into a standard project
13.25 financing agreement with one or more financial institutions. A standard project financing
13.26 agreement must specify terms and conditions uniformly available to all participating
13.27 public entities for financing to implement energy improvement projects under this section.
13.28 A local government may choose to finance an energy improvement project by means other
13.29 than a standard project financing agreement, but a supplemental cash flow agreement
13.30 under subdivision 7 must not be offered unless the commissioner determines that the other
13.31 financing means creates no greater potential obligation under a supplemental cash flow
13.32 agreement than would be created through a standard project financing agreement.

13.33 **Subd. 7. Supplemental cash flow agreement.** (a) The commissioner may offer
13.34 a supplemental cash flow agreement to a participating local government for qualifying
13.35 energy improvement projects. The term of a supplemental cash flow agreement may not

14.1 exceed 15 years. Terms and conditions of a supplemental cash flow agreement must be
14.2 agreed to by contract prior to a local government entering into a financing agreement.

14.3 (b) A supplemental cash flow agreement must include, but is not limited to:

14.4 (1) specification of methods and procedures to measure and verify energy cost
14.5 savings;

14.6 (2) obligations of the local government to operate and maintain the energy
14.7 improvements;

14.8 (3) procedures to modify the supplemental cash flow agreement if the local
14.9 government modifies operating characteristics of its building or facility in a manner that
14.10 adversely affects energy cost savings;

14.11 (4) interest charged on the loan, which may not exceed the interest on the related
14.12 financial agreement; and

14.13 (5) procedures for resolution of disputes.

14.14 (c) The commissioner must limit aggregate exposure to liability for payments under
14.15 existing supplemental cash flow agreements to an amount no more than the appropriation
14.16 available to make those payments.

14.17 Subd. 8. **Qualifying energy improvement projects.** A local government may
14.18 submit to the commissioner, on a form prescribed by the commissioner, an application for
14.19 a financing agreement authorization and supplemental cash flow agreement for energy
14.20 improvement projects. The commissioner shall approve an energy improvement project
14.21 for a supplemental cash flow agreement and authorize eligibility for a financing agreement
14.22 if the commissioner determines that:

14.23 (1) the application has been approved by the governing body or agency head of the
14.24 local government;

14.25 (2) the project is technically and economically feasible;

14.26 (3) the local government has made adequate provision for the operation and
14.27 maintenance of the project;

14.28 (4) the project proposer has fully explored the use of conservation investment plan
14.29 opportunities under section 216B.241 with the utilities providing gas and electric service
14.30 to the project;

14.31 (5) the project is calculated to result in a positive cash flow in each year the financing
14.32 agreement is in effect; and

14.33 (6) adequate money will be available to the commissioner to fulfill the supplemental
14.34 cash flow agreement.

14.35 Energy improvement projects under this section are not subject to section 123B.71.

15.1 Subd. 9. **Program costs.** Program costs incurred by the commissioner or a public
15.2 entity that are not direct costs to implement energy improvement projects may be paid
15.3 with program money appropriated under subdivision 10.

15.4 Subd. 10. **Funding; appropriation; receipts.** Petroleum violation escrow funds
15.5 appropriated to the commissioner by Laws 1988, chapter 686, article 1, section 38, for
15.6 state energy loan programs for schools, hospitals, and public buildings, and reappropriated
15.7 by Laws 2007, chapter 57, article 2, section 30, are appropriated to the commissioner
15.8 for the purposes of this section and are available until spent. The commissioner may
15.9 transfer up to \$1,000,000 of this appropriation to the commissioner of administration for
15.10 the purposes of section 16B.322.

15.11 Subd. 11. **CIP energy savings goals.** A utility or association may count toward its
15.12 energy savings goals under section 216B.241, subdivision 1c, the energy savings resulting
15.13 from its investment in an energy improvement project.

15.14 Subd. 12. **Report.** Beginning January 15, 2009, and each year thereafter, the
15.15 commissioner shall submit to the chairs and ranking minority members of the senate and
15.16 house committees on energy finance a report containing, at a minimum, the following
15.17 information regarding projects implemented under this section:

- 15.18 (1) the total number of projects;
15.19 (2) the amount of calculated and, if available, actual energy savings for each project;
15.20 (3) the cost of each project; and
15.21 (4) the total amount paid for technical services provided under subdivision 4 for
15.22 each project.

15.23 Sec. 11. Minnesota Statutes 2007 Supplement, section 471.345, subdivision 13,
15.24 is amended to read:

15.25 Subd. 13. **Energy efficiency projects.** The following definitions apply to this
15.26 subdivision.

15.27 (a) "Energy conservation measure" means a training program or facility alteration
15.28 designed to reduce energy consumption or operating costs and includes:

- 15.29 (1) insulation of the building structure and systems within the building;
15.30 (2) storm windows and doors, caulking or weatherstripping, multiglazed windows
15.31 and doors, heat absorbing or heat reflective glazed and coated window and door
15.32 systems, additional glazing, reductions in glass area, and other window and door system
15.33 modifications that reduce energy consumption;
15.34 (3) automatic energy control systems;
15.35 (4) heating, ventilating, or air conditioning system modifications or replacements;

16.1 (5) replacement or modifications of lighting fixtures to increase the energy efficiency
16.2 of the lighting system without increasing the overall illumination of a facility, unless an
16.3 increase in illumination is necessary to conform to the applicable state or local building
16.4 code for the lighting system after the proposed modifications are made;

16.5 (6) energy recovery systems;

16.6 (7) cogeneration systems that produce steam or forms of energy such as heat, as well
16.7 as electricity, for use primarily within a building or complex of buildings;

16.8 (8) energy conservation measures that provide long-term operating cost reductions.

16.9 (b) "Guaranteed energy savings contract" means a contract for the evaluation
16.10 and recommendations of energy conservation measures, and for one or more energy
16.11 conservation measures. The contract must provide that all payments, except obligations
16.12 on termination of the contract before its expiration, are to be made over time, but not to
16.13 exceed ~~15~~ 20 years from the date of final installation, and the savings are guaranteed to
16.14 the extent necessary to make payments for the systems.

16.15 (c) "Qualified provider" means a person or business experienced in the design,
16.16 implementation, and installation of energy conservation measures. A qualified provider
16.17 to whom the contract is awarded shall give a sufficient bond to the municipality for its
16.18 faithful performance.

16.19 Notwithstanding any law to the contrary, a municipality may enter into a guaranteed
16.20 energy savings contract with a qualified provider to significantly reduce energy or
16.21 operating costs.

16.22 Before entering into a contract under this subdivision, the municipality shall provide
16.23 published notice of the meeting in which it proposes to award the contract, the names of
16.24 the parties to the proposed contract, and the contract's purpose.

16.25 Before installation of equipment, modification, or remodeling, the qualified provider
16.26 shall first issue a report, summarizing estimates of all costs of installations, modifications,
16.27 or remodeling, including costs of design, engineering, installation, maintenance, repairs,
16.28 or debt service, and estimates of the amounts by which energy or operating costs will be
16.29 reduced.

16.30 A guaranteed energy savings contract that includes a written guarantee that savings
16.31 will meet or exceed the cost of energy conservation measures is not subject to competitive
16.32 bidding requirements of section 471.345 or other law or city charter. The contract is
16.33 not subject to section 123B.52.

16.34 A municipality may enter into a guaranteed energy savings contract with a qualified
16.35 provider if, after review of the report, it finds that the amount it would spend on the energy
16.36 conservation measures recommended in the report is not likely to exceed the amount to be

17.1 saved in energy and operation costs over ~~15~~ 20 years from the date of final installation if
17.2 the recommendations in the report were followed, and the qualified provider provides a
17.3 written guarantee that the energy or operating cost savings will meet or exceed the costs
17.4 of the system. The guaranteed energy savings contract may provide for payments over a
17.5 period of time, not to exceed ~~15~~ 20 years.

17.6 A municipality may enter into an installment payment contract for the purchase and
17.7 installation of energy conservation measures. The contract must provide for payments of
17.8 not less than ~~1/15~~ 1/20 of the price to be paid within two years from the date of the first
17.9 operation, and the remaining costs to be paid monthly, not to exceed a ~~15-year~~ 20-year
17.10 term from the date of ~~the first operation~~ final acceptance.

17.11 A municipality entering into a guaranteed energy savings contract shall provide a
17.12 copy of the contract and the report from the qualified provider to the commissioner of
17.13 commerce within 30 days of the effective date of the contract.

17.14 Guaranteed energy savings contracts may extend beyond the fiscal year in which
17.15 they become effective. The municipality shall include in its annual appropriations measure
17.16 for each later fiscal year any amounts payable under guaranteed energy savings contracts
17.17 during the year. Failure of a municipality to make such an appropriation does not affect
17.18 the validity of the guaranteed energy savings contract or the municipality's obligations
17.19 under the contracts.

17.20 Sec. 12. **REPORT TO COMMISSIONER OF EDUCATION.**

17.21 The commissioner of commerce must report to the commissioner of education by
17.22 January 15, 2009, and January 15, 2010, the school districts that have applied for financing
17.23 under Minnesota Statutes, section 216C.43. The report must indicate the type of project
17.24 for which each district requested approval, the amount of the loan requested, and whether
17.25 the project was approved. If the district's project was not approved, the commissioner
17.26 must report the reason for the lack of approval. This section expires January 16, 2010.

17.27 Sec. 13. **REPORT; GREEN STAR AWARD EXPANSION.**

17.28 The Pollution Control Agency and the Office of Energy Security in the Department
17.29 of Commerce shall, in collaboration with the clean energy resource teams (CERT's),
17.30 submit a report by February 2, 2009, to the chairs and ranking minority members of the
17.31 senate and house of representatives committees with primary jurisdiction over energy
17.32 policy that makes recommendations regarding how to expand eligibility to receive the
17.33 Green Star award, described in Minnesota Statutes, section 114C.25, to include cities and
17.34 communities that take action to help meet the state's greenhouse gas emissions reduction
17.35 goals established in Minnesota Statutes, section 216H.02, subdivision 1. The report must
17.36 address, at a minimum, the following issues:

- 18.1 (1) the criteria for actions cities and communities must take in order to receive a
18.2 Green Star award;
18.3 (2) what entity or entities would issue the award;
18.4 (3) the length of time during which the award may be displayed;
18.5 (4) existing state financial and technical assistance available to communities and
18.6 cities to assist them to reduce greenhouse gas emissions;
18.7 (5) sources of additional funding needed to implement the program; and
18.8 (6) any other issues that need to be resolved in order to implement the program.

18.9 **Sec. 14. GREEN ECONOMY REPORT.**

18.10 (a) Each state agency, other than the Iron Range Resources and Rehabilitation
18.11 Board or the Office of the Commissioner of Iron Range Resources and Rehabilitation,
18.12 that administers a loan or grant program must assess those programs to determine
18.13 their potential to advance or promote the growth of the green economy, as defined in
18.14 Minnesota Statutes, section 116J.437. An agency must report on its determination to the
18.15 commissioner of commerce by September 15, 2008.

18.16 (b) If a program is determined to have significant potential, the agency must develop
18.17 a plan to integrate program elements appropriate to that program to advance or promote
18.18 the growth of the green economy in this state. An agency must report on its plan to the
18.19 commissioner of commerce by November 15, 2008.

18.20 (c) The commissioner of commerce, in consultation with the commissioner of
18.21 employment and economic development, must develop guidelines to be followed by state
18.22 agencies in complying with this section.

18.23 (d) By January 15, 2009, the commissioner of commerce, in consultation with the
18.24 commissioner of employment and economic development, must submit a report containing
18.25 the plans developed under paragraph (b), and any recommended implementing legislation,
18.26 to the chairs and ranking minority members of the senate and house committees with
18.27 primary jurisdiction over energy, environmental and economic development policy, and
18.28 finance.

18.29 (e) The commissioner of commerce may contract for services to fulfill the
18.30 commissioner's duties under this section.

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

18.32 **Sec. 15. GREEN JOBS TASK FORCE.**

18.33 Subdivision 1. **Task force.** (a) A Green Jobs Task Force is created to advise and
18.34 assist the governor and legislature regarding activities to advance the state's economy, and

19.1 to develop a statewide action plan as provided under subdivision 2. The task force shall
19.2 be appointed no later than June 30, 2008, and consist of:

19.3 (1) three members of the house of representatives, including one member of the
19.4 minority party appointed by the speaker;

19.5 (2) three members of the senate appointed by the Subcommittee on Committees of
19.6 the Committee on Rules and Administration, including one member of the minority;

19.7 (3) seven representatives from state agencies and institutions appointed by the
19.8 governor, including one member from the Office of Energy Security, one member from
19.9 the Department of Employment and Economic Development, one member from the Job
19.10 Skills Partnership Board, one member from the University of Minnesota, one member
19.11 from Minnesota State Colleges and Universities, one member from the Pollution Control
19.12 Agency, and one member from the Department of Natural Resources;

19.13 (4) three public members appointed by the governor, including one member
19.14 representing the manufacturing industry, one member representing a statewide
19.15 organization dedicated to commerce, and one member representing the Agricultural
19.16 Utilization Research Institute;

19.17 (5) four public members appointed by the speaker of the house of representatives,
19.18 including one member representing labor, one member representing a statewide
19.19 environmental organization, one member representing financial institutions or venture
19.20 capital, and one member from a local economic development authority from greater
19.21 Minnesota; and

19.22 (6) four public members appointed by the senate Subcommittee on Committees
19.23 of the Committee on Rules and Administration, including one member from a local
19.24 economic development authority from the metropolitan area, one member from a
19.25 statewide organization dedicated to furthering the green economy, one member from a
19.26 firm currently engaged in green manufacturing, and one local workforce development
19.27 representative from an area that has experienced significant manufacturing job loss.

19.28 (b) The commissioner of commerce, in cooperation with the commissioner of
19.29 employment and economic development, shall provide staff support to the task force. The
19.30 task force may accept outside resources to help support its efforts.

19.31 (c) Each of the legislative appointing authorities must name a cochair of the task
19.32 force from the legislative members appointed by that authority.

19.33 (d) Public members of the task force must be compensated as provided in Minnesota
19.34 Statutes, section 15.059, subdivision 3.

19.35 Subd. 2. **Duties.** (a) By January 15, 2009, the task force shall develop and present to
19.36 the legislature under Minnesota Statutes, section 3.195, and to the governor a statewide

20.1 action plan to optimize the growth of the green economy. For the purpose of this section,
20.2 "green economy" has the meaning given it by Minnesota Statutes, section 116J.437.

20.3 (b) The plan must include necessary draft legislation and budget requests and may
20.4 include administrative actions of governmental entities, collaborative actions, and actions
20.5 of individuals and individual organizations. The plan must be developed following the
20.6 analysis described in this paragraph and must be based on the analysis. The analysis
20.7 must include:

20.8 (1) a market analysis of the business opportunities and needs created by the laws
20.9 enumerated in paragraph (a), including local, state, national, and international markets;

20.10 (2) an analysis of the labor force needs related to the market analysis opportunities
20.11 identified in clause (1), including educational, training, and retraining needs; and

20.12 (3) an inventory of the current labor and business assets available to respond to the
20.13 opportunities identified in clause (1) and the labor needs identified in clause (2).

20.14 The task force shall contract for the analysis required by this paragraph.

20.15 Subd. 3. **Expiration.** The task force expires June 30, 2009.

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

20.17 Sec. 16. **REPEALER.**

20.18 Laws 2007, chapter 57, article 2, section 30, is repealed.

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

20.20 Delete the title and insert:

20.21 "A bill for an act

20.22 relating to energy; creating programs for government energy conservation
20.23 investments; removing rulemaking requirement for certain loan and grant
20.24 programs; establishing microenergy loan program; authorizing issuance of
20.25 state revenue bonds; modifying provision allowing guaranteed energy savings
20.26 contracts; modifying or adding provisions relating to green economy activities;
20.27 creating Green Jobs Task Force; requiring reports; appropriating money;
20.28 amending Minnesota Statutes 2006, sections 116J.8731, subdivision 4; 216C.09;
20.29 Minnesota Statutes 2007 Supplement, sections 116J.575, subdivision 1a;
20.30 471.345, subdivision 13; proposing coding for new law in Minnesota Statutes,
20.31 chapters 16B; 116J; 216C; repealing Laws 2007, chapter 57, article 2, section 30."

21.1 We request the adoption of this report and repassage of the bill.

21.2 Senate Conferees: (Signed)

21.3
21.4 D. Scott Dibble

.....
Julie A. Rosen

21.5
21.6 Ellen R. Anderson

21.7 House Conferees: (Signed)

21.8
21.9 Jeremy Kalin

.....
Andy Welti

21.10
21.11 Doug Magnus