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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 421

02/07/2013 Authored by Quam and Draskowski  
The bill was read for the first time and referred to the Committee on Energy Policy

1.1 A bill for an act  
1.2 relating to energy; hydroelectric energy; establishing a revolving loan fund to  
1.3 facilitate the dredging of lakes to improve water flow for hydroelectric projects;  
1.4 requiring a report; appropriating money; amending Minnesota Statutes 2012,  
1.5 section 116C.779, subdivision 1; proposing coding for new law in Minnesota  
1.6 Statutes, chapter 216C.

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

1.8 Section 1. Minnesota Statutes 2012, section 116C.779, subdivision 1, is amended to  
1.9 read:

1.10 Subdivision 1. **Renewable development account.** (a) The public utility that owns  
1.11 the Prairie Island nuclear generating plant must transfer to a renewable development  
1.12 account \$500,000 each year for each dry cask containing spent fuel that is located at the  
1.13 Prairie Island power plant for each year the plant is in operation, and \$7,500,000 each  
1.14 year the plant is not in operation if ordered by the commission pursuant to paragraph (c).  
1.15 The fund transfer must be made if nuclear waste is stored in a dry cask at the independent  
1.16 spent-fuel storage facility at Prairie Island for any part of a year.

1.17 (b) The public utility that owns the Monticello nuclear generating plant must transfer  
1.18 to the renewable development account \$350,000 each year for each dry cask containing  
1.19 spent fuel that is located at the Monticello nuclear power plant for each year the plant is  
1.20 in operation, and \$5,250,000 each year the plant is not in operation if ordered by the  
1.21 commission pursuant to paragraph (c). The fund transfer must be made if nuclear waste  
1.22 is stored in a dry cask at the independent spent-fuel storage facility at Monticello for  
1.23 any part of a year.

1.24 (c) After discontinuation of operation of the Prairie Island nuclear plant or the  
1.25 Monticello nuclear plant and each year spent nuclear fuel is stored in dry cask at the

2.1 discontinued facility, the commission shall require the public utility to pay \$7,500,000 for  
2.2 the discontinued Prairie Island facility and \$5,250,000 for the discontinued Monticello  
2.3 facility for any year in which the commission finds, by the preponderance of the evidence,  
2.4 that the public utility did not make a good faith effort to remove the spent nuclear  
2.5 fuel stored at the facility to a permanent or interim storage site out of the state. This  
2.6 determination shall be made at least every two years.

2.7 (d) Funds in the account may be expended only for any of the following purposes:

2.8 (1) to increase the market penetration within the state of renewable electric energy  
2.9 resources at reasonable costs;

2.10 (2) to promote the start-up, expansion, and attraction of renewable electric energy  
2.11 projects and companies within the state;

2.12 (3) to stimulate research and development within the state into renewable electric  
2.13 energy technologies; and

2.14 (4) to develop near-commercial and demonstration scale renewable electric projects  
2.15 or near-commercial and demonstration scale electric infrastructure delivery projects if  
2.16 those delivery projects enhance the delivery of renewable electric energy.

2.17 The utility that owns a nuclear generating plant is eligible to apply for renewable  
2.18 development account grants.

2.19 (e) Expenditures authorized by this subdivision from the account may be made only  
2.20 after approval by order of the Public Utilities Commission upon a petition by the public  
2.21 utility. The commission may approve proposed expenditures, may disapprove proposed  
2.22 expenditures that it finds to be not in compliance with this subdivision or otherwise  
2.23 not in the public interest, and may, if agreed to by the public utility, modify proposed  
2.24 expenditures. The commission may approve reasonable and necessary expenditures  
2.25 for administering the account in an amount not to exceed five percent of expenditures.  
2.26 Commission approval is not required for expenditures required under subdivisions 2  
2.27 and 3, section 116C.7791, or other law.

2.28 (f) The account shall be managed by the public utility but the public utility must  
2.29 consult about account expenditures with an advisory group that includes, among others,  
2.30 representatives of its ratepayers. The commission may require that other interests be  
2.31 represented on the advisory group. The advisory group must be consulted with respect to  
2.32 the general scope of expenditures in designing a request for proposal and in evaluating  
2.33 projects submitted in response to a request for proposals. In addition to consulting with the  
2.34 advisory group, the public utility must utilize an independent third-party expert to evaluate  
2.35 proposals submitted in response to a request for proposal, including all proposals made by  
2.36 the public utility. A request for proposal for research and development under paragraph (d),

3.1 clause (3), may be limited to or include a request to higher education institutions located in  
 3.2 Minnesota for multiple projects authorized under paragraph (d), clause (3). The request for  
 3.3 multiple projects may include a provision that exempts the projects from the third-party  
 3.4 expert review and instead provides for project evaluation and selection by a merit peer  
 3.5 review grant system. The utility should attempt to reach agreement with the advisory  
 3.6 group after consulting with it but the utility has full and sole authority to determine which  
 3.7 expenditures shall be submitted to the commission for commission approval. In the  
 3.8 process of determining request for proposal scope and subject and in evaluating responses  
 3.9 to request for proposals, the public utility must strongly consider, where reasonable,  
 3.10 potential benefit to Minnesota citizens and businesses and the utility's ratepayers.

3.11 ~~(g) Funds in the account may not be directly appropriated by the legislature by a law~~  
 3.12 ~~enacted after January 1, 2012, and unless appropriated by a law enacted prior to that date~~  
 3.13 ~~may be expended only pursuant to an order of the commission according to this subdivision.~~

3.14 ~~(h)~~ A request for proposal for renewable energy generation projects must, when  
 3.15 feasible and reasonable, give preference to projects that are most cost-effective for a  
 3.16 particular energy source.

3.17 ~~(i)~~ (h) The public utility must annually, by February 15, report to the chairs and  
 3.18 ranking minority members of the legislative committees with jurisdiction over energy  
 3.19 policy on projects funded by the account for the prior year and all previous years. The  
 3.20 report must, to the extent possible and reasonable, itemize the actual and projected  
 3.21 financial benefit to the public utility's ratepayers of each project.

3.22 ~~(j)~~ (i) A project receiving funds from the account must produce a written final report  
 3.23 that includes sufficient detail for technical readers and a clearly written summary for  
 3.24 nontechnical readers. The report must include an evaluation of the project's financial,  
 3.25 environmental, and other benefits to the state and the public utility's ratepayers.

3.26 ~~(k)~~ (j) Final reports, any mid-project status reports, and renewable development  
 3.27 account financial reports must be posted online on a public Web site designated by the  
 3.28 commission.

3.29 ~~(l)~~ (k) All final reports must acknowledge that the project was made possible in  
 3.30 whole or part by the Minnesota renewable development fund, noting that the fund is  
 3.31 financed by the public utility's ratepayers.

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

3.33 Sec. 2. **[216C.391] DEFINITIONS.**

3.34 (a) For the purposes of section 216C.392, the following terms have the meanings  
 3.35 given them.

- 4.1 (b) "Small hydroelectric project" means a project that:  
 4.2 (1) is generating electricity from the force of falling water from a lake located in  
 4.3 Minnesota as of the effective date of this act; and  
 4.4 (2) has a capacity of less than 100 megawatts.  
 4.5 (c) "Dredge" means to remove or excavate sedimentary material, including silt,  
 4.6 gravel, and rocks, from a lakebed.

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

4.8 Sec. 3. **[216C.392] HYDROELECTRIC REVITALIZATION REVOLVING**  
 4.9 **LOAN PROGRAM.**

4.10 Subdivision 1. **Loan program established.** A hydroelectric revitalization revolving  
 4.11 loan program account is established in the special revenue fund. Money in the account  
 4.12 is appropriated to the commissioner of commerce to make loans to owners of small  
 4.13 hydroelectric projects as provided in this section and to pay reasonable and actual costs  
 4.14 of administering the loan program. The commissioner of management and budget must  
 4.15 credit to the account all interest and investment income earned on money in the account  
 4.16 and all repayments of principal. Money in the account at the end of a fiscal year does not  
 4.17 cancel to the general fund but remains in the account.

4.18 Subd. 2. **Purpose.** The hydroelectric revitalization revolving loan program is  
 4.19 created to provide financial assistance to owners of small hydroelectric projects to dredge  
 4.20 the bed of the lake in which those projects operate so as to increase the flow of water and  
 4.21 the amount of electricity generated and to extend the life of the project.

4.22 Subd. 3. **Applications.** An owner of a small hydroelectric project applying for a  
 4.23 loan must submit an application to the commissioner of commerce in the manner and  
 4.24 on forms prescribed by the commissioner. An applicant must submit the following  
 4.25 information to the commissioner:

- 4.26 (1) the name and address of the owner of the small hydroelectric project and contact  
 4.27 information for the person responsible for loan administration and project implementation;  
 4.28 (2) a description of the activities proposed to be carried out with the loan funds;  
 4.29 (3) a map depicting where dredging will occur and an estimate of the volume  
 4.30 of material that will be dredged;  
 4.31 (4) an estimate of the total cost of the project;  
 4.32 (5) the source and amount of any additional funds that will be used for the project;  
 4.33 (6) a history of the amount of electricity generated by the project in past years;  
 4.34 (7) an estimate of the increase in electric generation that will result from completion  
 4.35 of the project activities;

- 5.1 (8) a description of how and where the dredged material will be disposed of; and  
 5.2 (9) any additional information requested by the commissioner.

5.3 Subd. 4. **Program administration.** The Department of Commerce shall administer  
 5.4 the hydroelectric revitalization revolving loan project. The commissioner of commerce  
 5.5 shall make loans on a first-come, first-served basis.

5.6 Subd. 5. **Loan conditions.** A loan made under this section must:

- 5.7 (1) carry an interest rate of zero; and  
 5.8 (2) have a repayment term no longer than 20 years.

5.9 Subd. 6. **Loan repayment.** (a) An applicant receiving a loan under this section must  
 5.10 agree to repay the full amount of the loan as provided under this subdivision.

5.11 (b) A loan received under this section shall be repaid at the rate of 1.5 cents for  
 5.12 each kilowatt-hour of electricity produced by the small hydroelectric project following  
 5.13 completion of the project activities funded by the loan until the full amount of the loan is  
 5.14 repaid. Payments shall be made quarterly to the commissioner of commerce, who shall  
 5.15 deposit them upon receipt in the account created under subdivision 1.

5.16 Subd. 7. **Report.** The commissioner of commerce shall report by February 1 of  
 5.17 each odd-numbered year to the chairs and ranking minority members of the legislative  
 5.18 committees with primary jurisdiction over energy policy and finance. The report must  
 5.19 identify the small hydroelectric projects that received loans under the program, the amount  
 5.20 of the loans, the total project costs, the amount of loans repaid, an estimate of the increase  
 5.21 in electricity generation realized as a result of the projects, if possible, and any other  
 5.22 information the commissioner of commerce determines would be useful to the legislature.

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

5.24 Sec. 4. **HYDROELECTRIC REVITALIZATION REVOLVING LOAN**  
 5.25 **PROGRAM; TRANSFER; APPROPRIATION.**

5.26 (a) Beginning July 1, 2013, and continuing through July 1, 2016, the public utility  
 5.27 that contributes to the account established in Minnesota Statutes, section 116C.779, shall  
 5.28 transfer \$5,000,000 from the account to the commissioner of commerce for the purposes  
 5.29 described in section 216C.392. Upon receipt, the commissioner of commerce shall deposit  
 5.30 the transferred funds in the account established in Minnesota Statutes, section 216C.392,  
 5.31 subdivision 1.

5.32 (b) An amount necessary to pay the full costs of the loan program created in  
 5.33 Minnesota Statutes, section 216C.392, is annually appropriated to the commissioner  
 5.34 of commerce.

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