

1 Department of Energy and Economic Development

2

3 Adopted Rules Governing Design and Construction Loans; District
4 Heating; Authority

5

6 Rules as Adopted

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DISTRICT HEATING LOAN RULES

8 ~~4200.4500~~ 8300.4500 DEFINITIONS.

9 Subpart 1. **Applicability.** The definitions in Minnesota
10 Statutes, section 116J.36 and part 8300.0100 and the definitions
11 in this part apply to parts ~~4200.4500~~ 8300.4500 to ~~4200.5000~~
12 8300.5100.

13 Subp. 2. **Construction loan.** "Construction loan" means a
14 loan to fund all construction costs as defined in Minnesota
15 Statutes, section 116J.36, subdivision 2.

16 Subp. 3. **Design loan.** "Design loan" means a loan made to
17 fund those activities required to be completed during the final
18 design phase of a district heating system in order to finance
19 and construct the system. These activities include conducting
20 economic feasibility analyses, obtaining heat source commitments
21 and customer contracts, structure financing, and related
22 district heating project tasks.

23 Subp. 4. **District heating project.** "District heating
24 project" means a district heating design or construction project
25 for a new or existing system.

26 Subp. 5. **Existing system.** "Existing system" means a
27 district heating system that has a minimum of one customer and
28 which has been operational for more than one year.

29 Subp. 6. **Financial consultant.** "Financial consultant"
30 means a reputable person or firm experienced in working with
31 complex revenue-supported financial plans and qualified to
32 assess the financial condition and operation of the district
33 heating project.

34 Subp. 7. **Gross revenues.** "Gross revenues" means all
35 revenues, fees, user charges, rents, franchise fees, special
36 assessments, and other income and receipts derived from the

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1 ownership or operation of the district heating project, the
 2 proceeds of any insurance that insures against the loss of gross
 3 revenues, any investment income from money or securities derived
 4 from the state loan under Minnesota Statutes, section 116J.36,
 5 and any other income and receipts attributable to the ownership
 6 or operation of the project from whatever source derived,
 7 calculated on an annual basis.

8 Subp. 8. New system. "New system" means a district
 9 heating system that has a minimum of one customer and has been
 10 operational for less than one year.

11 Subp. 9. Operating expenses. "Operating expenses" means
 12 the expenses directly and properly attributable to the operation
 13 of the project on an annual basis including: expenses for
 14 operation, maintenance, repairs, ordinary replacement, ordinary
 15 acquisition of equipment, fuel and heat, labor and fringe
 16 benefits, lease rental payments, insurance premiums,
 17 administration, legal services, engineering services, payments
 18 of all indebtedness, and any other current expenses or
 19 obligations required to be paid by the municipality or owner of
 20 the district heating project, all to the extent properly and
 21 directly attributable to the operation of the district heating
 22 project. Operating expenses do not include any costs or
 23 expenses for new construction or any allowance for depreciation.

24 ~~4200.4600~~ 8300.4600 PURPOSE.

25 Parts ~~4200.4500~~ 8300.4500 to ~~4200.5000~~ 8300.5100 are
 26 adopted for the purpose of allowing prompt and proper
 27 applications for design and construction loans after
 28 comprehensive preliminary engineering, economic, and, when
 29 applying for a construction loan, design studies have been
 30 completed. Applications to the authority must be submitted to
 31 the commissioner on behalf of the authority. The commissioner
 32 shall review applications to determine the eligibility of the
 33 municipality, eligibility of the district heating project, and
 34 application completeness. If the commissioner determines that
 35 an application is incomplete, the procedures in parts ~~4200.2750~~
 36 8300.2750 and ~~4200.4300~~ 8300.4300 apply.

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1 ~~4200-4700~~ 8300.4700 CONTENTS OF APPLICATION FOR NEW SYSTEM.

2 A completed application for a loan for a new system shall
3 contain:

4 A. The name, address, and telephone number of the
5 responsible official of the municipality.

6 B. Complete engineering design of the district
7 heating project, including:

8 (1) an analysis of the proposed piping layout
9 which must address optimum service to the total designated area;
10 reliability of service; system temperatures and pressure
11 requirements; thermal and hydraulic operability for normal and
12 emergency conditions; optimum piping configuration to provide
13 service; and flexibility for future expansion;

14 (2) an analysis of the proposed piping design
15 which must address reliability of service; ease of construction;
16 ease of maintenance; installation methods; specifications and
17 standards; and

18 (3) an analysis of the heat source design which
19 must define the proposed roles of the following heat sources in
20 the development and future operation of the system: base load
21 heating plant; peaking plants; large boiler plants in existing
22 buildings; mobile boilers; accumulators; and future heat sources
23 such as solid waste, solar, and industrial waste heat.

24 C. A market study of customers who represent 90
25 percent of the proposed thermal load of the district heating
26 system. This study must show detailed information on present
27 fuel consumption or heating demand and the present heating
28 system in each building.

29 D. A preliminary expansion plan showing how the
30 system could be expanded to serve other parts of the community.

31 E. A complete economic analysis ~~which-must-include,~~
32 including:

33 (1) a preliminary financing and development plan
34 for the district heating system prepared by a financial
35 consultant, ~~and-also;~~

36 (2) cash flow, income, and balance sheets for the

1 time period of the loan:--~~This analysis must also contain;~~

2 (3) a cost estimate and expenditure schedule for
3 all transmission and distribution piping, heat source
4 conversion, purchase or rental, operating and maintenance costs
5 excluding fuel costs, and building heating conversion costs; and

6 (4) a statement showing the source of all of the
7 funds to be used by the applicant for the design or construction
8 of the system, and the amount of funds from each of those
9 sources.

10 F. For construction loans, a certification by the
11 municipality that a bid package for the construction of the
12 project has been completed and is available to the department if
13 requested.

14 G. A copy of the standard contract entered into with
15 customers of the project and a list of customers already under
16 contract, listing the thermal load of each customer presently
17 under contract and comparing the total of the thermal load
18 already contracted with the total load of the district heating
19 project.

20 H. Where applicable, a copy of any contract for the
21 furnishing of heat and fuel for the district heating project.

22 I. A resolution in support of the project from the
23 governing body of the municipality which must include the
24 pledges the municipality proposes to make to guarantee repayment
25 of the loan and evidence of the municipality's capability to
26 sponsor the district heating project.

27 J. Identification of all licenses, permits, zoning
28 regulations, and other requirements of federal, state, or local
29 governments with which the project would be expected to comply
30 and the present status of compliance with each.

31 K. A list of key personnel and their qualifications
32 as they relate to the district heating project.

33 L. An estimate of the type and amount of fuel to be
34 saved per year from the full operation of the district heating
35 system compared to the type and amount of fuel used by the
36 existing system.

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1 M. A copy of a completed environmental impact
 2 statement, or a negative declaration of the need for an
 3 environmental impact statement from a completed environmental
 4 assessment worksheet, or in those cases where no environmental
 5 assessment worksheet is required, a statement as to the
 6 environmental effects of the project.

7 ~~4200.4800~~ 8300.4800 CONTENTS OF APPLICATION FOR EXISTING
 8 SYSTEM.

9 A completed application for a loan to an existing system
 10 shall contain:

11 A. The name, address, and telephone number of the
 12 responsible official of the municipality.

13 B. Background information on the existing system
 14 including ownership; type and size of heat source; heat source
 15 capacity; back-up boilers; customer base including information
 16 on process loads.

17 C. A complete engineering design of the expansion
 18 project including:

19 (1) an analysis of the proposed piping layout;
 20 system temperatures and pressure requirements; and flexibility
 21 for future expansion; and

22 (2) an analysis of the heat source including the
 23 capacity available and information concerning the back-up heat
 24 source.

25 D. A discussion of proposed customer load including
 26 information on present fuel consumption or heating demand and
 27 the present heating system in each building for new customers.

28 E. A complete discussion of how the loan is to be
 29 secured, the current outstanding debt of the applicant, and the
 30 cash flow for the term of the loan. This discussion must also
 31 contain a cost estimate and expenditure schedule for all
 32 transmission and distribution piping, heat source conversion,
 33 purchase or rental, operating and maintenance costs excluding
 34 fuel costs, and building heating conversion costs.

35 F. For construction loans, a certification by the
 36 municipality that a bid package for the construction of the

1 project has been completed and is available to the department if
2 requested.

3 G. A copy of the standard contract entered into with
4 the customers of the project and a list of customers already
5 under contract and the total load it represents.

6 H. A copy of any contract for the furnishing of heat.

7 I. A copy of any contract for the furnishing of fuel
8 for the district heating project if this is a waste-to-energy
9 project.

10 J. A resolution in support of the project from the
11 governing body of the municipality which must include the
12 pledges the municipality proposes to make to guarantee repayment
13 of the construction loan and evidence of the municipality's
14 capability to sponsor the district heating project.

15 K. Identification of all licenses, permits, zoning
16 regulations, and other requirements of federal, state, or local
17 governments with which the district heating project would be
18 expected to comply and the present status of compliance with
19 each.

20 ~~4200.4900~~ 8300.4900 APPLICATION PROCEDURE.

21 Subpart 1. **Submitting.** The applicant shall submit a
22 complete application to the commissioner by the first business
23 day of a month in order for the authority to consider it in that
24 month. If an application is received after the first business
25 day of the month and can be reviewed by the commissioner for
26 eligibility and financial feasibility prior to the authority
27 agenda deadline, the commissioner shall submit the application
28 to the authority for consideration and the authority may
29 consider the application at the meeting in that month.

30 Subp. 2. **Acceptance of applications.** Applications will be
31 accepted beginning on the date parts ~~4200.4500~~ 8300.4500 to
32 ~~4200.5000~~ 8300.5100 become effective.

33 Subp. 3. **Number of copies.** Ten copies of an application
34 shall be submitted to the commissioner.

35 ~~4200.5000~~ 8300.5000 AUTHORITY EVALUATION PROCEDURE.

1 Applications approved for processing by the commissioner
 2 and those applications rejected by the commissioner but appealed
 3 to the authority under parts ~~4200.2750~~ 8300.2750, subpart 7
 4 and ~~4200.4300~~ 8300.4300, subpart 7 must be presented to the
 5 authority for approval or disapproval under the criteria
 6 contained in this part. The authority shall review each
 7 application presented to it as it is received according to the
 8 eligibility and priority criteria of Minnesota Statutes, section
 9 116J.36; the sophistication and reasonableness of the technical
 10 approach as detailed in the application; the experience and
 11 qualifications of the applicant as they relate to the district
 12 heating project; the district heating project organization and
 13 personnel assignment; and the estimated cost of the district
 14 heating project. If the authority approves the application the
 15 commissioner shall forward the application to the commissioner
 16 of finance who may make loans to the municipality. If the
 17 authority disapproves the application, the commissioner shall
 18 notify the applicant in writing.

19 8300.5100 REPORTS AND MONITORING.

20 Subpart 1. Quarterly project status report. The
 21 municipality shall submit to the authority, on forms provided by
 22 the authority, a quarterly project status report. This report
 23 is due within 30 days of the end of each calendar quarter until
 24 the design or construction of the district heating project is
 25 completed. Projects begun part way through a quarter must
 26 submit a quarterly report for the portion of the quarter during
 27 which the project was active. The project status report must
 28 indicate the progress of the implementation of the district
 29 heating project funded, problems encountered, the effect of the
 30 problems on the project, and the corrective action taken. If,
 31 at any time, the municipality fails to substantially comply with
 32 the start and end dates given in the loan application as
 33 approved, and if the municipality cannot reasonably justify to
 34 the authority its lack of progress, the entire loan amount may
 35 become due and payable at the discretion of the authority.

36 Subp. 2. Quarterly financial report. The municipality

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1 shall submit to the authority, on forms provided by the
2 authority, a quarterly financial status report that indicates
3 expenditures of loan funds through the last date of each
4 quarter. This report is due within 30 days of the end of each
5 calendar quarter until the design or construction of the
6 district heating project is completed and all expenses
7 applicable to the loan are paid. Projects begun part way
8 through a quarter must submit a quarterly report for the portion
9 of the quarter during which the project was active.

10 Subp. 3. Final report. Within 60 days of the completion
11 of the project, the municipality shall submit to the authority,
12 on forms provided by the authority, a final financial status
13 report that gives expenditures of the district heating project.
14 The final financial report shall give actual expenditures for
15 the costs incurred.

16 Subp. 4. Failure to comply with provisions of part. If
17 the municipality fails to comply with any of the provisions of
18 this part, the municipality may, with the advice and consent of
19 the authority, be declared ineligible for further contracts with
20 the state under the district heating loan program.

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