**Senate Counsel, Research, and Fiscal Analysis**

Tom Bottern, Director

Minnesota Senate Building
95 University Ave. W. Suite 3300
St. Paul, MN 55155-1800
(651) 296-4791
www.senate.mn/scrfa

**Senate**

**State of Minnesota**

# S.F. No. 2075 – Energy Omnibus

**Author:** Senator David H. Senjem

**Prepared by:** Carlon Doyle Fontaine, Senate Counsel (651/296-4395)

**Date:** April 5, 2021

---

## ARTICLE 1 – RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS

**Section 1. Renewable development finance.** Specifies definitions of fiscal years.

**Section 2. Department of Employment and Economic Development.** Appropriates $2,500,000 the first year from the Renewable Development Account for a clean energy career training pilot project.

**Section 3. Department of Commerce.** Provides appropriations to the Department of Commerce for the following amounts and purposes:

- $5,000,000 the first year for a State Building Energy Conservation Revolving Loan Fund
- $100,000 each year for Made in Minnesota Administration costs
- $150,000 each year for Third Party Evaluation costs
- $8,000,000 the first year for Solar for Schools
- $3,750,000 each year for the Wood Pellet Production Incentive

**Section 4. University of Minnesota.** Appropriates $10,000,000 the first year for an ammonia production pilot research and demonstration project.

**Section 5. Cancellation; Fiscal Year 2021.** Cancels an appropriation in fiscal year 2021 for third-party expert evaluation costs.

## ARTICLE 2 – ENERGY POLICY

**Section 1. State Building Energy Conservation Improvement Revolving Loan Account.** Establishes the state building energy conservation improvement revolving loan account in the state treasury. Provides definitions. Specifies that the commissioner of administration manages the account. Appropriates money in the account to the commissioner to make loans to state agencies to implement energy conservation and energy efficiency improvements in state buildings. Sections 1 and 2 are from S.F. 543 (Frentz).

**Section 2. Award and Repayment of State Energy Improvement Conservation Loans.** Specifies that the State Building Energy Conservation Improvement Loan Committee, chaired by the commissioner of administration and including membership of the commissioners of commerce and management and budget, develops loan criteria, reviews loan applications, and awards loans. Provides information that must be included with an application for a loan. Requires payments of loan principal and interest to begin no later than one year after a project is completed.

**Section 3. Renewable development account.** Specifies the selection process for the renewable development account advisory group members and other activities of the advisory group. Clarifies that the advisory group funding recommendations shall be submitted to the Public Utilities Commission, not to the legislature as written in current law.

**Section 4. Solar energy production incentive program.** In addition to allocations of $10,000,000 in 2021 and 2022, allocates $5,000,000 in 2023 and 2024 to the solar energy production incentive program (known as Solar Rewards). Provides that any unspent amount remaining on January 1, 2025, must be transferred to the renewable development account. This section is from S.F. 2074 (Senjem).

**Section 5. Solar energy standard.** Modifies a public utility reporting requirement to require a final report on achieving the solar energy standard by July 1, 2021. This section is from S.F. 2075 (Senjem).

**Section 6. Minnesota efficient technology accelerator.** Allows a nonprofit organization with experience implementing energy efficiency programs and conducting efficient technology research in Minnesota to file a proposal with the commissioner of commerce for a program to accelerate deployment and reduce the cost of emerging and innovative efficient technologies and approaches. This section is from S.F. 1667 (Rarick).

**Section 7**. **Plan to minimize impacts to workers due to facility retirement.** Requires a utility that has scheduled the retirement of an electric generating facility in Minnesota to include in the utility's resource plan filing a narrative identifying and describing the utility's plan and efforts made to date to work with the utility's workers represented by an exclusive representative. This section is from S.F. 1612 (Mathews).

**Section 8**. **Definitions.** Provides definitions for terms used in Section 9 related to the new power purchase agreement. This section is from S.F. 1047 (Senjem).

**Section 9. New power purchase agreement.** Allows Xcel Energy to propose a new power purchase agreement with St. Paul District Energy, which must be filed with the Minnesota Public Utilities Commission (PUC) before August 1, 2021, and not be extended beyond December 31, 2024, unless an electrification project is approved. Establishes conditions that govern the new power purchase agreement between Xcel and District Energy, including that:

- any wood from ash trees removed from counties quarantined by the Minnesota Department of Agriculture for emerald ash borer infestation meet the department's requirements designed to limit the spread of the infestation;
- the price of electricity under a new agreement must demonstrate significant savings compared to the existing power purchase agreement, not exceeding $98 per megawatt hour;

- a new agreement cannot be approved without the commission also approving a proposal to electrify the St. Paul District heating and cooling system, a project which must be completed by the end of 2027; and
- the power purchase agreement must provide a net benefit to the utility customers or to the state.

Provides additional considerations for the PUC when approving an electrification project. Requires periodic reporting regarding an electrification project. Allows Xcel to recover prudently incurred costs net of revenues resulting from an approved electrification project. Specifies that nothing in this section requires any utility to enter into a new power purchase agreement with District Energy after December 31, 2024. This section is from S.F. 1047 (Senjem).

**Section 10. Natural Gas Utility Innovation Plans. Subdivision 1**. **Definitions.** Provides definitions for terms including “innovative resource,” “biogas,” “carbon capture and utilization,” “carbon-free resource,” “district energy,” “energy efficiency,” “lifecycle greenhouse gas emissions,” “natural gas utility,” “power-to-ammonia,” “power-to-hydrogen,” “renewable natural gas,” “renewable gaseous fuel,” “strategic electronification,” and “total increment cost.”

**Subdivision 2**. **Innovation plans.** Allows a natural gas utility to file an innovation plan with the Public Utilities Commission (PUC). Requires an innovation plan to include the recommended innovative resources the utility plans to implement to advance the state's renewable energy and greenhouse gas reduction goals. Lists other elements that must be included in a natural gas utility's recommended innovation plan.

**Subdivision 3**. **Limitations on utility customer costs.** Provides the limitations on what a natural gas utility may recover for annual total incremental costs under an innovation plan.

**Subdivision 4**. **Innovative resources procured outside of an innovation plan.** Allows a natural gas utility to propose and the PUC to approve, without filing an innovation plan, cost recovery for innovative resources acquired to satisfy a commission-approved green tariff program and certain utility expenditures for innovative resources.

**Subdivision 5**. **Thermal energy leadership challenge.** Requires the first innovation plan filed by a natural gas utility with more than 800,000 customers to include a pilot thermal energy leadership challenge for small- and medium-sized businesses.

**Subdivision 6. Innovative resources for very high-heat industrial processes.** Requires the first innovation plan filed by a natural gas utility with more than 800,000 customers to include a pilot program that will provide innovative resources for hard-to-electrify industrial processes.

**Subdivision 7. Electric cold climate air-source heat pumps.** Requires the first innovation plan filed by a natural gas utility with more than 800,000 customers to include a pilot program that facilitates deep energy retrofits and the installation of residential cold-climate electric air-source heat pumps. This section is from S.F. 421 (Weber).

**Section 11**. **Wood Pellet Production Incentive.** Establishes a program to provide financial incentives for the production of wood pellets at an eligible production facility located in Minnesota. This section is from S.F. 1163 (Utke).

**Section 12. Additional storage of spent nuclear fuel.** Abolishes the prohibition that the Public Utilities Commission may not issue a certificate of need for the construction of a new nuclear powered electric generating plant. This section is from S.F. 225 (Kiffmeyer).

**Section 13. Solar for Schools Program.** Establishes a solar for schools program within the Department of Commerce for the purpose of providing grants to stimulate the installation of solar energy systems on or adjacent to school buildings by reducing the cost and to enable schools to use the solar energy system as a teaching tool that can be integrated into the school's curriculum. This section is from S.F. 2144 (Miller).

**Section 14**. **Public Utilities Commission Lifecycle Carbon Accounting Framework and Cost Benefit Test for Innovative Resources.** Requires the PUC by June 1, 2022, to issue by order (1) a general framework for carbon accounting for innovative resources according to their lifecycle greenhouse gas intensities; and (2) a cost-benefit analytic framework to compare the cost effectiveness of innovative resources and innovation plans. Allows the PUC to update the frameworks as necessary. This section is from S.F. 421 (Weber).

**Section 15**. **Repealer.** Repeals the expiration of a law originally passed in 2005, and then extended in 2013, to allow a gas utility to recover gas utility infrastructure costs. The original law was set to expire in 2015, and is currently set to expire in 2023, without this repeal. This section is from S.F. 1018 (Senjem).

## ARTICLE 3 – TELECOMMUNICATIONS

**Section 1**. **Market regulation and consumer protection.** Allows a local exchange carrier that has obtained approval to be regulated under the competitive market regulation statute for at least 90 percent of the local exchange carrier's access lines to elect to have all of the carrier's lines regulated under the statute. A carrier authorized to operate under the competitive market regulation statute is regulated as a telecommunications carrier and as a competitive local exchange carrier. This section is from S.F. 758 (Rarick).

**Section 2. Obligation to serve.** Requires a local exchange carrier that elects competitive market regulation to offer service throughout the local exchange carrier's service territory to the extent it is required by federal law. This section is from S.F. 758 (Rarick).