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HOUSE FILE No. 1392

SECOND COMMITTEE ENGROSSMENT

February 26, 2007

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The bill was read for the first time and referred to the Committee on Finance

Referred by Chair to Energy Finance and Policy Division.

February 18, 2008

Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to energy; authorizing sale and issuance of state bonds; authorizing
1.3 program to provide grants to municipalities for designing and constructing
1.4 energy-efficient buildings and landscaping; authorizing grants for energy-related
1.5 projects; modifying provisions for sustainable building guidelines; appropriating
1.6 money; amending Minnesota Statutes 2006, section 16B.325.

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

1.8 Section 1. **CAPITAL IMPROVEMENT APPROPRIATIONS.**

1.9 The sums shown in the column under "Appropriations" are appropriated from the
1.10 bond proceeds fund, or another named fund, to the state agencies or officials indicated,
1.11 to be spent for public purposes. Appropriations of bond proceeds must be spent as
1.12 authorized by the Minnesota Constitution, article XI, section 5, paragraph (a), to acquire
1.13 and better public land and buildings and other public improvements of a capital nature, or
1.14 as authorized by the Minnesota Constitution, article XI, section 5, paragraphs (b) to (j), or
1.15 article XIV. Unless otherwise specified, the appropriations in this act are available until
1.16 the project is completed or abandoned subject to Minnesota Statutes, section 16A.642.

1.17 Sec. 2. **PRIORITIES.**

1.18 Subdivision 1. **General.** The Energy Finance and Policy Division of the House
1.19 Finance Committee prioritizes the appropriations in this act as provided in this section.

1.20 Subd. 2. **High priorities.** The Green Bonds: Grants to Municipalities program in
1.21 section 3.

1.22 Subd. 3. **Medium.** The Waste to Energy Demonstration Project in section 4,
1.23 subdivision 2.

1.24 Subd. 4. **Low.** The Steam Line Extension project in section 4, subdivision 3.

1.25 Subd. 5. **Do not fund.**

2.1 Sec. 3. **COMMERCE**

2.2 **Subdivision 1. Total Appropriation** **\$ 10,000,000**

2.3 To the commissioner of commerce for the
 2.4 purposes specified in this section.

2.5 **Subd. 2. Green Bonds: Grants to**
 2.6 **Municipalities**

2.7 (a) For grants to municipalities that meet
 2.8 or exceed the sustainability guidelines
 2.9 of Minnesota Statutes, section 16B.325.
 2.10 "Municipality" means a county, statutory or
 2.11 home rule charter city, town, school district,
 2.12 or any combination of those units operating
 2.13 under an agreement to undertake projects
 2.14 jointly. The grants are:

2.15 (1) to pay a portion of the incremental cost
 2.16 of predesign and design work that will
 2.17 identify the design elements and costs for
 2.18 construction or renovation of the proposed
 2.19 building and adjacent landscaping using
 2.20 standard construction methods, and the
 2.21 design elements and costs for construction or
 2.22 renovation using energy-efficient elements;

2.23 (2) to pay a portion of the incremental cost
 2.24 of construction or renovation and adjacent
 2.25 landscaping work related to implementation
 2.26 of the energy-efficient design, as identified
 2.27 in the design; and

2.28 (3) not to be used to pay any costs of a
 2.29 project that a local gas or electric utility can
 2.30 fund as part of its conservation improvement
 2.31 spending requirement under Minnesota
 2.32 Statutes, section 216B.241.

2.33 (b) The commissioner shall prescribe
 2.34 the application form. For all grants,

3.1 the application must include at least the
3.2 following information:

3.3 (1) the resolution adopted by the municipality
3.4 in support of the project and specifically in
3.5 support of implementing an energy-efficient
3.6 design in the construction of the new
3.7 municipal building;

3.8 (2) a detailed estimate, along with necessary
3.9 supporting evidence, of the total costs for
3.10 the phase of the project for which a grant is
3.11 sought;

3.12 (3) evidence that the municipality has funds
3.13 committed to pay for the balance of this
3.14 phase of the project;

3.15 (4) a letter from the utility providing electric
3.16 and gas service to the project stating that (i)
3.17 it cannot fund the project, or any portion of
3.18 it, as part of its conservation improvement
3.19 spending requirement under Minnesota
3.20 Statutes, section 216B.241, or (ii) the utility
3.21 is not required to invest in conservation
3.22 improvements under Minnesota Statutes,
3.23 section 216B.241; and

3.24 (5) any additional information or material the
3.25 commissioner requires.

3.26 (c) For a predesign or design grant, the
3.27 application must include at least the
3.28 following information:

3.29 (1) a general description of the project,
3.30 including the ultimate use of the building,
3.31 an estimate of the size, possible locations
3.32 for the building, ownership, and timeline for
3.33 implementation;

4.1 (2) the method for soliciting proposals from
 4.2 design professionals and the qualifications
 4.3 required by the municipality in selecting the
 4.4 design professional for the project; and

4.5 (3) an estimate of the incremental cost of
 4.6 the predesign or design work proposed that
 4.7 will be due to providing the energy-efficient
 4.8 alternative.

4.9 (d) For a construction grant, the application
 4.10 must include at least the predesign and
 4.11 design work that provides sufficient detail for
 4.12 the commissioner to identify the difference
 4.13 in construction costs and estimated operating
 4.14 costs, including energy consumption,
 4.15 between construction of the project with
 4.16 standard elements and construction using
 4.17 the proposed energy-efficient elements.

4.18 Grants may only be provided for additional
 4.19 construction or renovation costs that would
 4.20 not be recovered from energy savings within
 4.21 five years.

4.22 (e) The commissioner shall require each
 4.23 grant recipient to document and report
 4.24 details of the project funded to allow the
 4.25 commissioner to analyze costs, energy
 4.26 savings, and building operational savings.

4.27 **Sec. 4. EMPLOYMENT AND ECONOMIC**
 4.28 **DEVELOPMENT**

4.29 **Subdivision 1. Total Appropriation** **\$ 8,500,000**

4.30 To the commissioner of employment and
 4.31 economic development for the purposes
 4.32 specified in this section.

4.33 **Subd. 2. Waste to Energy Demonstration**
 4.34 **Project** **2,500,000**

5.1 For a grant to be used to design, construct,
 5.2 furnish, and equip a waste to energy
 5.3 demonstration facility that:
 5.4 (1) uses plasma arc technology to generate
 5.5 energy;
 5.6 (2) uses a variety of Minnesota feedstocks,
 5.7 including corn stover, corn cobs, wood chips,
 5.8 and scrap materials, as fuel; and
 5.9 (3) is to be manufactured by a company
 5.10 incorporated in Minnesota and is to
 5.11 be installed by Hutchinson Utilities
 5.12 Commission on a site in Hutchinson to
 5.13 be selected by the commission. This
 5.14 appropriation is not available until the
 5.15 commissioner of finance determines that at
 5.16 least \$1,500,000 has been committed to the
 5.17 project from other sources.

5.18 Subd. 3. **Steam Line Extension** 6,000,000

5.19 For a grant to Olmsted County to design
 5.20 and construct approximately 1.25 miles of
 5.21 a new steam pipeline from the Olmsted
 5.22 Waste-to-Energy Facility to the Rochester
 5.23 Community and Technical College Campus,
 5.24 supplying steam heat and cooling from a
 5.25 renewable energy source. This appropriation
 5.26 is not available until the commissioner has
 5.27 determined that at least an equal amount has
 5.28 been committed from Olmsted County.

5.29 **Sec. 5. BOND SALE AUTHORIZATION.**

5.30 To provide the money appropriated in this act from the bond proceeds fund, the
 5.31 commissioner of finance shall sell and issue bonds of the state in an amount up to
 5.32 \$18,500,000 in the manner, upon the terms, and with the effect prescribed by Minnesota
 5.33 Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI,
 5.34 sections 4 to 7.

6.1 Sec. 6. Minnesota Statutes 2006, section 16B.325, is amended to read:

6.2 **16B.325 SUSTAINABLE BUILDING GUIDELINES.**

6.3 Subdivision 1. **Development of sustainable building guidelines.** The Department
6.4 of Administration and the Department of Commerce, with the assistance of other agencies,
6.5 shall develop sustainable building design guidelines for all new state buildings by January
6.6 15, 2003, and for all major renovations of state buildings by February 1, 2009. The
6.7 primary objectives of these guidelines are to ensure that all new state buildings, and
6.8 major renovations of state buildings, initially exceed ~~existing the state~~ energy code, as
6.9 established in Minnesota Rules, chapter 7676, by at least 30 percent.

6.10 Subd. 2. **Lowest possible cost; energy conservation.** The guidelines must focus
6.11 on achieving the lowest possible lifetime cost for new buildings and major renovations,
6.12 and allow for changes in the guidelines that encourage continual energy conservation
6.13 improvements in new buildings: and major renovations. The guidelines must define
6.14 "major renovations" for purposes of this section. The definition may not allow "major
6.15 renovations" to encompass less than 10,000 square feet or to encompass less than the
6.16 complete replacement of the mechanical, ventilation, or cooling system of the building or
6.17 a section of the building. The design guidelines must establish sustainability guidelines
6.18 that include air quality and lighting standards and that create and maintain a healthy
6.19 environment and facilitate productivity improvements; specify ways to reduce material
6.20 costs; and must consider the long-term operating costs of the building, including the use of
6.21 renewable energy sources and distributed electric energy generation that uses a renewable
6.22 source or natural gas or a fuel that is as clean or cleaner than natural gas.

6.23 Subd. 3. **Development of guidelines; applicability.** In developing the guidelines,
6.24 the departments shall use an open process, including providing the opportunity for public
6.25 comment. The guidelines established under this section are mandatory for all new
6.26 buildings receiving funding from the bond proceeds fund after January 1, 2004, and for all
6.27 major renovations receiving funding from the bond proceeds fund after February 1, 2009.

6.28 Sec. 7. **EFFECTIVE DATE.**

6.29 Except as otherwise provided, this act is effective the day following final enactment.