

This Document can be made available  
in alternative formats upon request

State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 3334**

February 21, 2008

Authored by Magnus, Hilty, Westrom, Sailer, Hackbarth and others  
The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to energy; enacting local renewable energy initiative to finance  
1.3 small-scale renewable energy projects; authorizing sale and issuance of revenue  
1.4 bonds; appropriating money; proposing coding for new law in Minnesota  
1.5 Statutes, chapter 216C.

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

1.7 Section 1. **[216C.145] LOCAL RENEWABLE ENERGY INITIATIVE;**  
1.8 **ACCOUNT; MICROENERGY LOAN PROGRAM.**

1.9 Subdivision 1. **Program.** (a) The Office of Energy Security shall implement and  
1.10 administer the microenergy loan program as part of the local renewable energy initiative.  
1.11 From money appropriated for this program, the office shall issue low-interest, long-term  
1.12 loans to units of local government. The loan funds must be used to finance small-scale  
1.13 community renewable energy projects or to provide money to individuals or small  
1.14 businesses for assistance with costs of small-scale renewable energy installations.

1.15 (b) For the purposes of this program, "small-scale renewable energy" projects  
1.16 include solar thermal water heating, solar electric or photovoltaic equipment, small wind  
1.17 energy conversion systems of less than 250 kW, geothermal heat pumps, anaerobic  
1.18 digester gas systems, and microhydro systems up to 100 kW.

1.19 (c) For the purposes of this section, "units of local government" means a county, a  
1.20 statutory or home rule charter city, a town, a sanitary district, or the Metropolitan Council.

1.21 Subd. 2. **Account; appropriation.** A special local renewable energy initiative  
1.22 account is established in the state treasury. Money in the account consists of the proceeds  
1.23 of revenue bonds issued for the purposes of the microenergy loan program, interest earned  
1.24 on money in the account, the repayment of loans of money from the account, legislative

2.1 appropriations, and any other source. Money in the account is annually appropriated to the  
 2.2 director of the Office of Energy Security for purposes of the program.

2.3 Subd. 3. **Microenergy loans.** (a) At least once a year, the director of the Office of  
 2.4 Energy Security shall publish in the State Register a request for proposals from units of  
 2.5 local governments for a loan under this section. Within 45 days of the deadline for receipt  
 2.6 of proposals, the director shall select proposals based on the following criteria:

2.7 (1) dispersed geographic distribution throughout the state;

2.8 (2) diversity of the renewable energy technology installed under the proposal;

2.9 (3) integration of the proposal with the conservation and energy efficiency programs  
 2.10 of the electric and natural gas utilities serving that local governmental unit;

2.11 (4) analysis of the quality and cost-effectiveness of the local renewable resources to  
 2.12 be developed and of the technology installed under the proposal; and

2.13 (5) the proposed security for payback of the loan.

2.14 (b) A loan under this program must be issued at the lowest interest required to recover  
 2.15 the costs of issuing the loan, and must be for a minimum of 15 years, unless the director  
 2.16 determines that a shorter loan period of no less than ten years is necessary and feasible.

2.17 Sec. 2. **[216C.146] LOCAL RENEWABLE ENERGY INITIATIVE REVENUE**  
 2.18 **BONDS.**

2.19 Subdivision 1. **Bonding authority.** (a) The commissioner of finance, if requested by  
 2.20 the director of the Office of Energy Security, shall sell and issue state revenue bonds for  
 2.21 the following purposes:

2.22 (1) to pay the costs of the local renewable energy initiative established in section  
 2.23 216C.145;

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

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

2.27 (b) The amount of bonds that may be issued for the purposes of paragraph (a), clause  
 2.28 (1), will be set from time to time by law; the amount of bonds that may be issued for the  
 2.29 purposes of paragraph (a), clauses (2) and (3), is not limited.

2.30 Subd. 2. **Procedure.** (a) The commissioner may sell and issue the bonds on the  
 2.31 terms and conditions the commissioner determines to be in the best interests of the  
 2.32 state. The bonds may be sold at public or private sale. The commissioner may enter any  
 2.33 agreements or pledges the commissioner determines necessary or useful to sell the bonds  
 2.34 that are not inconsistent with section 216C.145. Sections 16A.672 to 16A.675 apply to the

3.1 bonds. The proceeds of the bonds issued under this section must be credited to a special  
3.2 local renewable energy initiative revenue bond proceeds account in the state treasury.

3.3 (b) Before the proceeds are received in the local renewable energy initiative revenue  
3.4 bond proceeds account, the commissioner of finance may transfer to the account from the  
3.5 special local renewable energy initiative account amounts not exceeding the expected  
3.6 proceeds from the next bond sale. The commissioner of finance shall return these amounts  
3.7 to the special local renewable energy initiative account by transferring proceeds when  
3.8 received. The amounts of these transfers are appropriated from the special local renewable  
3.9 energy initiative account and from the local renewable energy initiative revenue bond  
3.10 proceeds account.

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

3.13 (1) revenue credited to the special local renewable energy initiative account from the  
3.14 sources identified in section 216C.145 or from any other source; and

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

3.16 Subd. 4. **Refunding bonds.** The commissioner may issue bonds to refund  
3.17 outstanding bonds issued under subdivision 1, including the payment of any redemption  
3.18 premiums on the bonds and any interest accrued or to accrue to the first redemption date  
3.19 after delivery of the refunding bonds. The proceeds of the refunding bonds may, in the  
3.20 discretion of the commissioner, be applied to the purchases or payment at maturity of the  
3.21 bonds to be refunded, or the redemption of the outstanding bonds on the first redemption  
3.22 date after delivery of the refunding bonds and may, until so used, be placed in escrow to  
3.23 be applied to the purchase, retirement, or redemption. Refunding bonds issued under this  
3.24 subdivision must be issued and secured in the manner provided by the commissioner.

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

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

3.35 Subd. 7. **Pledges.** Any pledge made by the commissioner is valid and binding  
3.36 from the time the pledge is made. The money or property pledged and later received by

4.1 the commissioner is immediately subject to the lien of the pledge without any physical  
4.2 delivery of the property or money or further act, and the lien of any pledge is valid and  
4.3 binding as against all parties having claims of any kind in tort, contract, or otherwise  
4.4 against the commissioner, whether or not those parties have notice of the lien or pledge.  
4.5 Neither the order nor any other instrument by which a pledge is created need be recorded.

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

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

4.21 **Sec. 3. [216C.147] STANDING APPROPRIATION; COSTS COVERED.**

4.22 The amount necessary to pay debt service costs and reserves for bonds issued by  
4.23 the commissioner of finance under section 216C.146 is appropriated from the special  
4.24 local renewable energy initiative account established under section 216C.145 to the  
4.25 commissioner of finance. The commissioner of finance shall transmit the necessary  
4.26 amounts to the Office of Energy Security as requested by the director of the office.

4.27 This appropriation must be used to pay annual debt service costs and reserves for  
4.28 bonds issued pursuant to section 216C.146 prior to the expenditure of any other money to  
4.29 pay other costs or to support other appropriations.

4.30 **Sec. 4. APPROPRIATION.**

4.31 Up to \$20,000,000 is appropriated from the special local renewable energy initiative  
4.32 account in the state treasury to the director of the Office of Energy Security for the  
4.33 purposes of this act. This appropriation does not lapse.

5.1       Sec. 5. **BOND SALE.**

5.2             To provide the money appropriated in section 4 from the special local renewable  
5.3 energy initiative account, the commissioner of finance shall sell and issue revenue bonds  
5.4 of the state in an amount up to \$20,000,000 in the manner, upon the terms, and with the  
5.5 effect prescribed by Minnesota Statutes, sections 216C.145 to 216C.147. The proceeds of  
5.6 the bonds, except accrued interest and any premium received on the sales of the bonds,  
5.7 must be credited to the special local renewable energy initiative revenue bond proceeds  
5.8 account in the state treasury.

5.9       Sec. 6. **EFFECTIVE DATE.**

5.10           Sections 1 to 5 are effective the day following final enactment.