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HOUSE FILE No. 680

FIFTH COMMITTEE ENGROSSMENT

February 9, 2009

Authored by Kalin, Champion, McNamara, Sailer, Slawik and others
The bill was read for the first time and referred to the Committee on Finance

March 16, 2009

By motion, recalled and re-referred to the Committee on Commerce and Labor

March 18, 2009

Committee Recommendation and Adoption of Report:
To Pass as Amended and re-referred to the Committee on Finance

Referred by Chair to Energy Finance and Policy Division.
March 25, 2009
Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to energy; providing direction for use of federal stimulus funds for
1.3 energy programs.

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

ARTICLE 1

DEFINITIONS; GOALS; LEGISLATIVE REVIEW

Section 1. **FEDERAL STIMULUS FUNDING; GOAL OF ENERGY PROGRAMS.**

1.9 **Subdivision 1. Definitions.** For the purposes of articles 1 to 5, the following terms
1.10 have the meaning given them.

1.11 (a) "Act" means the American Recovery and Reinvestment Act of 2009.

1.12 (b) "Commissioner" means the commissioner of commerce.

1.13 (c) "Stimulus funding" or "funding" means funding provided to the state under
1.14 the act for:

1.15 (1) energy efficiency and conservation block grants authorized under subtitle E of
1.16 title V of the federal Energy Independence and Security Act of 2007, United States Code,
1.17 title 42, section 17151 et seq.;

1.18 (2) the Weatherization Assistance Program authorized under part A of title IV of the
1.19 federal Energy Conservation and Production Act, United States Code, title 42, section
1.20 6861, et seq.; and

1.21 (3) the State Energy Program authorized under part D of title III of the federal
1.22 Energy Policy and Conservation Act, United States Code, title 42, section 6321, et seq.

1.23 **Subd. 2. Stimulus funding allocation and use goals.** To the extent allowed by
1.24 federal law and regulation and consistent with the purposes and principles of the act,

2.1 stimulus funding must be allocated and expended under articles 2 to 4 for activities that
2.2 best achieve the following goals:
2.3 (1) job retention and creation;
2.4 (2) improved energy efficiency and increased renewable energy production capacity;
2.5 (3) coordination with and leveraging of other resources to increase the total benefits
2.6 derived from stimulus funding;
2.7 (4) timely implementation of funded activities;
2.8 (5) long-term sustainability of benefits derived from stimulus funds;
2.9 (6) geographic distribution across the state; and
2.10 (7) compliance with the disadvantaged business enterprise outreach requirements in
2.11 Minnesota Statutes, section 16C.16, subdivision 4.

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

2.13 Sec. 2. **LEGISLATIVE REVIEW.**

2.14 The Office of Energy Security shall, prior to expending any stimulus funds, submit
2.15 to the chairs and ranking minority members of the senate and house of representatives
2.16 committees with primary jurisdiction over energy policy and finance the criteria it
2.17 proposes to use to rank the programs in articles 1 to 5 in order to allocate stimulus funding
2.18 among the programs. Comments on the proposed criteria must be submitted to the Office
2.19 of Energy Security within ten working days of receipt of the criteria. The Office of Energy
2.20 Security shall consider the comments before establishing the final allocation criteria, and
2.21 shall submit a report on the amount of stimulus funds allocated to each of the programs
2.22 under articles 1 to 5 the chairs and ranking minority members of the senate and house of
2.23 representatives committees with primary jurisdiction over energy policy and finance
2.24 within ten working days of establishing the stimulus funding allocations.

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

2.26 **ARTICLE 2**
2.27 **ENERGY EFFICIENCY**

2.28 Section 1. **WEATHERIZATION.**

2.29 Subdivision 1. **Allocation of funds.** All stimulus funds for weatherization must be
2.30 allocated by the director of the Office of Energy Security, consistent with federal allocation
2.31 requirements and state allocation formulas in the state weatherization plan. Existing
2.32 providers of weatherization services must be fully utilized, consistent with effective
2.33 program delivery, before additional providers of weatherization services are added.

3.1 Subd. 2. **Rental units.** Programs that include rental units must be developed,
3.2 including developing procedures to increase low-income rental unit participation in
3.3 programs. Priority must be given to serving the largest number of new weatherization
3.4 clients consistent with federal eligibility requirements.

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

3.6 **Sec. 2. LOCAL GOVERNMENT AND SCHOOL DISTRICT BUILDING**
3.7 **RENOVATIONS.**

3.8 The Office of Energy Security must coordinate the use of stimulus funds with the
3.9 local public building enhanced energy-efficiency program under Minnesota Statutes,
3.10 section 216C.43. The Office of Energy Security shall prioritize lighting upgrades, energy
3.11 recommissioning, and other cost-effective energy projects that are ready for immediate
3.12 implementation. Stimulus funds may be used for, but are not limited to, grants for a portion
3.13 of costs incurred by local governments to implement energy efficiency improvements
3.14 under the local public building enhanced energy-efficiency program. The Office of Energy
3.15 Security may require a local government, as a condition of receiving a grant, to commit to
3.16 implement future activities, including, but not limited to, staff training, that are designed
3.17 to create additional energy or operating savings to the local government. The Office of
3.18 Energy Security shall coordinate with the Department of Education to prioritize school
3.19 district projects for funding under this section, consistent with the principles of statewide
3.20 geographic distribution of projects, optimized energy savings, and an improved learning
3.21 environment for schoolchildren.

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

3.23 **Sec. 3. STATE GOVERNMENT BUILDINGS.**

3.24 The Department of Administration shall develop a plan and procedures to select,
3.25 fund, and implement projects using stimulus funds. The plan and procedures shall
3.26 prioritize lighting upgrades, energy recommissioning, and other cost-effective energy
3.27 projects that are ready for immediate implementation. Funds may be used for, but are not
3.28 limited to, grants for a portion of costs incurred by state agencies in implementing energy
3.29 efficiency improvements. The Department of Administration may require a state agency,
3.30 as a condition of receiving stimulus funds, to commit to implement future activities,
3.31 including, but not limited to, staff training, that are designed to create additional energy
3.32 or operating savings to the state agency.

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

4.1 Sec. 4. **RESIDENTIAL ENERGY EFFICIENCY PROGRAMS.**

4.2 The Office of Energy Security shall coordinate with the Minnesota Housing Finance
4.3 Agency to use stimulus funds in conjunction with the Minnesota Housing Finance
4.4 Agency's existing financing programs to improve energy efficiency in dwellings.

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

4.6 Sec. 5. **TRAINING AND WORKFORCE DEVELOPMENT.**

4.7 (a) The Department of Employment and Economic Development, in consultation
4.8 with the Office of Energy Security and the Office of Higher Education, shall develop a
4.9 plan and procedures to:

4.10 (1) allocate stimulus funds to training programs to train energy professionals needed
4.11 to implement the energy programs described in sections 2 to 4, including but not limited to
4.12 energy auditors, energy managers, and building operators;

4.13 (2) coordinate, oversee, and monitor the training and certification of energy
4.14 professionals; and

4.15 (3) allocate stimulus funding for the purposes of clauses (1) and (2) and to training
4.16 providers.

4.17 (b) Training strategies must be designed to meet the wide range of facilities
4.18 managers and building sizes and types, and must protect the occupational health and safety
4.19 of workers employed on these energy projects. Technical skills training must include
4.20 insulation, air sealing, and mechanical work.

4.21 (c) The plan must include procedures to:

4.22 (1) train individuals already employed in implementing energy programs;

4.23 (2) recruit individuals to be trained to perform work in energy projects using
4.24 stimulus funding who are unemployed, especially targeting communities experiencing
4.25 disproportionately high rates of unemployment, including, but not limited to, low-income,
4.26 rural, or tribal communities and individuals in construction trades and crafts; and

4.27 (3) ensure that the full capacity of current training providers is utilized, including,
4.28 but not limited to, opportunities industrialization centers, skilled trades labor unions, tribal
4.29 colleges or nonprofits working in tribal communities, community action partnerships,
4.30 utility companies, higher education institutions, and nonprofit organizations with
4.31 demonstrated expertise in energy efficiency.

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

4.33 Sec. 6. **ACCOUNTABILITY AND TRANSPARENCY REPORTING.**

5.1 The director of the Office of Energy Security, after compiling information supplied
5.2 by the Departments of Administration, Education, and Employment and Economic
5.3 Development, and the Office of Higher Education, shall report on the progress of the
5.4 programs funded under articles 1 to 5 to the house of representatives and senate committees
5.5 with jurisdiction over energy finance and workforce development policy by September 1,
5.6 2009, January 15, 2010, April 1, 2010, and September 1, 2010. The report must include a
5.7 complete accounting of all stimulus funds spent on the programs funded under articles 1 to
5.8 5, to the extent allowable by state and federal law, including, but not limited to:

5.9 (1) the specific projects funded, including the location, building owner, and project
5.10 manager;

5.11 (2) the number of jobs retained or created by each project;

5.12 (3) the total calculated and actual energy savings for each project;

5.13 (4) the remaining balances in each stimulus fund;

5.14 (5) the nonstimulus funding leveraged by stimulus funds for each project;

5.15 (6) the training courses provided, including the location and provider of courses
5.16 offered, the funding source for each training course, and the total number of trainees; and

5.17 (7) compliance with prevailing wage, veterans, and disadvantaged business
5.18 enterprise requirements.

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

5.20 **ARTICLE 3**
5.21 **RENEWABLE ENERGY**

5.22 Section 1. **RENEWABLE ENERGY GRANT PROGRAM.**

5.23 (a) The commissioner of commerce shall establish a program to award grants to
5.24 energy projects that meet the following conditions:

5.25 (1) the project qualifies as a community-based energy development (C-BED) project,
5.26 as defined in Minnesota Statutes, section 216B.1612, subdivision 2, paragraph (g);

5.27 (2) for wind projects, the project is located in an area where the measured wind
5.28 resource is Class 4 or above;

5.29 (3) the project begins commercial operation after July 1, 2009;

5.30 (4) the project does not receive renewable energy payment incentives under
5.31 Minnesota Statutes, section 216C.41; and

5.32 (5) the project meets any other conditions established under the American Recovery
5.33 and Reinvestment Act of 2009, Public Law 111-5, for use of these funds.

6.1 (b) The department shall develop an application form, application review procedures,
6.2 criteria that projects must meet in order to be considered for a grant award, procedures
6.3 and guidelines for project monitoring and evaluation, and other administrative procedures
6.4 necessary to fully implement a grant program.

6.5 (c) The maximum grant to a project is \$500,000.

6.6 (d) No more than two projects in a single county may receive a grant under this
6.7 section.

6.8 (e) No C-BED qualifying owner may financially participate in more than one project
6.9 that receives a grant under this section.

6.10 (f) Grant awards must be geographically dispersed throughout the state.

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

6.12 **Sec. 2. RENEWABLE ELECTRIC GENERATION FACILITY REBATES.**

6.13 (a) The commissioner shall establish a program to award rebates to qualifying
6.14 facilities that generate electricity from a renewable source and that:

6.15 (1) begin operation after July 1, 2009;

6.16 (2) meet all other conditions established under the act; and

6.17 (3) provide electricity to:

6.18 (i) a homeowner's primary residence; or

6.19 (ii) a business, with 20 or fewer full-time employees.

6.20 (b) The commissioner shall develop an application form, application review
6.21 procedures, criteria that projects must meet in order to be considered for a rebate,
6.22 procedures and guidelines for project monitoring and evaluation, and other administrative
6.23 procedures necessary to fully implement a rebate program.

6.24 (c) The owner of a qualifying facility may apply to the commissioner for a rebate of
6.25 the lesser of \$2,500 or 35 percent of the cost of the electric generation facility, including
6.26 installation costs.

6.27 (d) The commissioner shall award rebates only from funds appropriated for that
6.28 purpose and to the extent of those appropriations. Grants must be made to applicants in
6.29 the order of the time of receipt of a complete application.

6.30 (e) For purposes of this section:

6.31 (1) "Qualifying facility" means an electric generation facility with a capacity of less
6.32 than 40 kilowatts that generates electricity from a renewable energy source.

6.33 (2) "Renewable energy source" means:

6.34 (i) solar;

6.35 (ii) wind;

- 7.1 (iii) hydroelectric;
- 7.2 (iv) hydrogen, provided that after January 1, 2010, the hydrogen must be generated
- 7.3 from the resources listed in this clause; or
- 7.4 (v) biomass, which includes, without limitation, landfill gas; an anaerobic digester
- 7.5 system; and the predominantly organic components of wastewater effluent, sludge, or
- 7.6 related by-products from publicly owned treatment works, but not including incineration
- 7.7 of wastewater sludge to produce electricity.

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

7.9 **Sec. 3. SOLAR ENERGY PROJECTS IN PUBLIC BUILDINGS AND**

7.10 **SCHOOLS.**

7.11 (a) The commissioner shall establish a program to award grants to:

7.12 (1) local units of government to pay the costs of installing solar energy projects to

7.13 generate energy used in public buildings; or

7.14 (2) to school districts to pay the costs of installing solar energy projects to generate

7.15 energy used in K-12 schools.

7.16 (b) To be eligible to receive a grant, a project must:

7.17 (1) begin operation after July 1, 2009; and

7.18 (2) meet all other conditions established under the act.

7.19 (c) The commissioner shall develop an application form, application review

7.20 procedures, criteria that a project must meet in order to be considered for a grant award,

7.21 procedures and guidelines for project monitoring and evaluation, and other administrative

7.22 procedures necessary to fully implement a grant program.

7.23 (d) In awarding grants, the commissioner must determine, at a minimum, the

7.24 following:

7.25 (1) that the physical condition of the building is sufficient to support the efficient

7.26 operation of the solar energy project;

7.27 (2) that there is no significant possibility that the building may close within ten

7.28 years, which determination, for a school, must be based on enrollment projections; and

7.29 (3) that the projected cumulative energy savings exceed the grant amount within 15

7.30 years for a qualifying solar thermal project, and within 20 years for a photovoltaic device.

7.31 (e) In awarding grants, the commissioner must also consider:

7.32 (1) the reliability and cost-effectiveness of the solar technology to be installed;

7.33 (2) the extent to which the proposal effectively coordinates with the conservation

7.34 and energy efficiency programs offered by the energy utilities serving the building in

8.1 which the project is located, and with the public building enhanced energy efficiency
 8.2 program under section 216C.43, if applicable;

8.3 (3) life cycle energy use reductions and greenhouse gas emissions reductions
 8.4 projected per dollar of installed cost of the project; and

8.5 (4) the geographic distribution of grant recipients throughout the state.

8.6 (f) For the purposes of this section:

8.7 (1) "public building" means any publicly owned building, sports arena, or other
 8.8 facility of a county, city, or other local unit of government; and

8.9 (2) "solar energy" means:

8.10 (i) a photovoltaic device, as defined in Minnesota Statutes, section 216C.06,
 8.11 subdivision 16; or

8.12 (ii) a qualifying thermal project, as defined in Minnesota Statutes, section
 8.13 216B.2411, subdivision 2, that includes modifications made to a distribution system to
 8.14 distribute heating or cooling throughout a building.

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

8.16 **ARTICLE 4**

8.17 **MISCELLANEOUS PROGRAMS**

8.18 Section 1. **ENERGY PROGRAMS IN COMMERCIAL AND INDUSTRIAL**
 8.19 **BUILDINGS.**

8.20 (a) The commissioner shall establish a program to award grants to commercial
 8.21 and industrial facilities for the purpose of installing energy-efficiency improvements or
 8.22 devices that use renewable energy sources to generate electricity or to heat or cool a
 8.23 building. To be eligible to receive a grant, a project must:

8.24 (1) begin commercial operation after July 1, 2009; and

8.25 (2) meet all other conditions established under the act.

8.26 (b) The commissioner shall develop an application form, application review
 8.27 procedures, criteria that a project must meet in order to be considered for a grant award,
 8.28 procedures and guidelines for project monitoring and evaluation, and other administrative
 8.29 procedures necessary to fully implement a grant program.

8.30 (c) For the purposes of this section, "renewable energy source" means:

8.31 (i) solar;

8.32 (ii) wind;

8.33 (iii) hydroelectric;

9.1 (iv) hydrogen, provided that after January 1, 2010, the hydrogen must be generated
9.2 from the resources listed in this clause; or

9.3 (v) biomass, which includes, without limitation, landfill gas; an anaerobic digester
9.4 system; and the predominantly organic components of wastewater effluent, sludge, or
9.5 related by-products from publicly owned treatment works, but not including incineration
9.6 of wastewater sludge to produce electricity.

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

9.8 **Sec. 2. ENERGY EDUCATION, TRAINING, AND DATA SYSTEMS.**

9.9 The Office of Energy Security shall establish programs to work with teachers and
9.10 other energy experts to include energy issues in K-12 curricula; develop training and
9.11 certification programs for technicians to install and service wind and solar energy systems;
9.12 and upgrade data systems to enable accurate tracking of energy savings resulting from the
9.13 conservation improvement program and other state energy programs.

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

9.15 **Sec. 3. ENERGY EFFICIENCY GRANTS TO LOCAL GOVERNMENTS.**

9.16 The Office of Energy Security shall establish a grant program to award grants to
9.17 local units of government to enhance energy efficiency and reduce energy use. Energy
9.18 efficiency and conservation block grant funds may be used for grants for planning,
9.19 consultant services, energy audits, implementing energy-efficient building codes and
9.20 inspection services, energy efficiency renovations, street lighting, and the installation of
9.21 renewable energy devices deployed on public buildings.

9.22 **ARTICLE 5**

9.23 **APPROPRIATIONS**

9.24 **Section 1. WEATHERIZATION ASSISTANCE PROGRAM APPROPRIATION.**

9.25 Of the funds available to the state of Minnesota from the federal stimulus funding for
9.26 the weatherization assistance program under the American Recovery and Reinvestment
9.27 Act of 2009, Public Law 111-5, \$131,937,411 is appropriated to the commissioner of
9.28 commerce. The funds must be administered consistent with the requirements in article 2,
9.29 section 1.

9.30 **Sec. 2. ENERGY EFFICIENCY AND CONSERVATION BLOCK PROGRAM**
9.31 **APPROPRIATION.**

10.1 (b) The funds available to the state of Minnesota from the federal stimulus funding
10.2 for the Energy Efficiency and Conservation Block Grant Program under the American
10.3 Recovery and Reinvestment Act of 2009, Public Law 111-5, estimated to be \$13,900,000,
10.4 are appropriated to the commissioner of commerce. The appropriation must be distributed
10.5 as follows:

10.6 (1) 61.5 percent, estimated to be \$8,550,000, is for energy efficiency grants to local
10.7 government in article 4, section 3; and

10.8 (2) 38.5 percent, estimated to be \$5,350,000, is for local government and school
10.9 district buildings consistent with the requirements in article 2, section 2.

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

10.11 **Sec. 3. STATE ENERGY PROGRAM APPROPRIATION.**

10.12 Of the funds available to the state of Minnesota from the federal stimulus funding
10.13 for the State Energy Program under the American Recovery and Reinvestment Act of
10.14 2009, Public Law 111-5, \$54,172,000 is appropriated to the commissioner of commerce.
10.15 Of this amount:

10.16 (1) \$14,650,000 is for local government and school district buildings consistent
10.17 with the requirements in article 2, section 2;

10.18 (2) \$4,000,000 is for state government buildings consistent with the requirements in
10.19 article 2, section 3;

10.20 (3) \$12,000,000 is for the residential energy financing program in article 2, section 5;

10.21 (4) \$12,000,000 is for renewable energy programs, including, but not limited to, the
10.22 programs specified in article 3;

10.23 (6) \$5,000,000 is for grants to commercial and industrial facilities for energy
10.24 efficiency and renewable energy projects in article 4, section 1;

10.25 (7) \$5,022,000 is for energy education, training, and information and data systems in
10.26 article 4, section 2; and

10.27 (8) \$1,500,000 is for a grant to the Board of Trustees of the Minnesota State Colleges
10.28 and Universities for the International Renewable Energy Technology Institute (IRETI) to
10.29 be located at Minnesota State University, Mankato, as a public and private partnership to
10.30 support applied research in renewable energy and energy efficiency to aid in the transfer of
10.31 technology from Sweden to Minnesota and to support technology commercialization from
10.32 companies located in Minnesota and throughout the world.

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