

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 3669

DATE: April 4, 2008

Version: First committee engrossment, as amended by author's H3669A1 amendment

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Subject: Financing energy conservation and renewable energy use in buildings

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Overview

House File 3669 provides for the use of tax-exempt lease purchase agreements for projects promoting energy conservation and the use of renewable fuels for heating and electricity in state and local government buildings.

Section

1 [16B.321] **Definitions.**

Subd. 2. Energy improvement project. “Energy improvement project” means a project to improve a state building’s energy efficiency or to utilize renewable energy sources (including solar, wind, geothermal, and biomass) including the design, acquisition, installation, construction and commissioning of equipment, and the training of building staff to operate and maintain it.

Subd. 4. Financing agreement. “Financing agreement” means a tax-exempt lease purchase agreement entered into by the commissioner of administration and a financial institution under a standard agreement under section 2, subd. 4.

2 [16B.322] **Energy improvement financing program for state government.**

Subd. 1. Commissioner’s authority and duties; state agency authority. Authorizes a state agency to enter into contracts with the commissioner and a financial institution for the purposes of this section.

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Subd. 2. Program eligibility; voluntary program participation; targeted technical services. Authorizes the commissioner to target technical services offered under subdivision 3 to buildings that offer the greatest potential for improving energy efficiency or reducing fossil fuel use.

Subd. 3. Target technical services. Authorizes the commissioner to require full or partial reimbursement of the cost of technical services provided to applicants. Authorizes the commissioner of commerce to transfer up to \$1 million from petroleum violation escrow funds to the commissioner of administration for the purposes of this section.

Subd. 4. Financing agreement. Requires the commissioner to solicit proposals from and enter into financing agreements with financial institutions, the term of which is not to exceed 15 years from the project's completion date. The proceeds from the agreements are appropriated to the commissioner for the purposes of this section.

Subd. 5. Qualifying energy improvement projects. Specifies the determinations the commissioner must make in order to approve a project, including that the project:

- is technically and economically feasible;
- has a substantial likelihood to result in an annual positive cash flow, if the project is an energy efficiency improvement; and
- has a substantial likelihood to reduce fossil fuel use, if the project is a renewable energy project.

Subd. 6. Program costs. Allows program costs that are not reimbursed or paid directly under a financing agreement to be paid with petroleum violation escrow funds or money for school energy loans appropriated to the commissioner under section 216C.43, subd. 10.

3 [216B.241] **Subd. 9.** Allows utilities to count energy savings under this section and section 6 towards its conservation improvement program (CIP) energy savings goal.

4 **216C.09. Commissioner duties.** Strikes current language requiring the commissioner to adopt rules to dispense money received from litigation or federal petroleum-pricing violations.

5 [216C.42] **Definitions.**

Subd. 5. Local government. "Local government" means a Minnesota county, statutory or home rule charter city, town, school district, or any combination of those units.

Subd. 7. Supplemental cash flow agreement. "Supplemental cash flow agreement" means an agreement by the commissioner to lend funds to a local government up to an amount necessary to ensure that the cumulative payments made

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by the local government under a financing agreement minus the amount loaned by the commissioner do not exceed the actual energy and operating cost savings attributable to the energy improvement project.

6 [216C.43] Energy improvement financing program for local government.

Subd. 1. Commissioner's authority and duties; public entity authority.

Provides that the commissioner of commerce administer this section. Allows a public entity to enter into contracts under this section with the commissioner, contractors and financial institutions.

Subd. 2. Program eligibility; voluntary program participation; targeted technical services. Allows the commissioner to prioritize the technical services offered under subdivision 5 to public entities showing the greatest potential to save energy cost-effectively.

Subd. 3. Primary contractor for technical, financial and program management. Authorizes the commissioner to enter into a contract for the delivery of technical, financial, and other services.

Subd. 4. Targeted technical services. Requires the commissioner to offer technical services for the conduct of energy project studies to program participants. Participants may be asked to partially or fully reimburse the commissioner for the cost of technical services. Any project obtaining technical services from an independent provider must be reviewed and approved by the commissioner in order to qualify for financing (subd. 6) or a supplemental cash flow agreement (subd. 7).

Subd. 5. Participation of technical service providers statewide. Requires program implementation to encourage participation by engineers, architects, and other technical service providers. The commissioner may provide training to technical service providers regarding energy project study requirements.

Subd. 6. Standard project financing agreement. Requires the commissioner to solicit proposals from and enter into standard project financing agreements with private financial institutions. Projects may be financed by other means.

Subd. 7. Supplemental cash flow agreement. Requires the commissioner to offer a supplemental cash flow agreement to a participating local government. The term of such an agreement may not exceed 15 years. Terms and conditions of a guarantee must be agreed to by contract prior to the signing of a financing agreement.

Subd. 8. Qualifying energy improvement projects. Specifies criteria to be used by the commissioner in approving projects.

Subd. 9. Program costs. Allows indirect costs incurred by the commissioner or a public entity to be paid with program funds under subdivision 10.

Subd. 10. Funding; appropriation; receipt. Appropriates petroleum violation escrow funds and school and hospital energy loan program funds to the commissioner for the purposes of this section. Up to \$1 million may be transferred to the commissioner of administration for the purposes of section 16B.322.

7 **Repealer.** Repeals statute appropriating petroleum violation escrow funds to the commissioner of commerce for use as energy loans to schools and hospitals.