

Subject Solar energy
Authors Acomb
Analyst Bob Eleff
Date March 19, 2019

Overview

House File 1133, the first division engrossment, creates a grant program to defray the costs of deploying solar energy systems on school buildings. The grant funds a lease purchase project under which an investor pays for the initial deployment of the solar energy system and the school district makes annual payments under a purchase payment agreement. When the investor has exhausted the financial benefits of the project (tax credits, depreciation, etc.) the school district purchases the investor's remaining financial interest in the system and terminates the agreement.

Summary

Section	Description
1	<p>[216C.375] Solar on schools program.</p> <p>Subd. 1. Definitions. "Investor" means an entity that pays for the initial purchase and installation of the solar energy system. "Solar energy system" means photovoltaic devices and an optional energy storage system.</p> <p>Subd. 2. Establishment; purpose. Establishes the solar on schools program in the Commerce Department to reduce the cost of solar energy installations at schools.</p> <p>Subd. 3. Establishment of reserve accounts. Establishes two reserve accounts to match the two funding sources in Section 2: one for funds from the Renewable Development Fund, and one for appropriations from the general fund.</p> <p>Subd. 4. Expenditures. Limits expenditures to grants and the department's costs to administer the program. Restricts account number 1 to funding projects in the Xcel electric service area, and account number 2 to projects outside that area.</p> <p>Subd. 5. Eligible system. Limits the size of the solar energy system, which must be installed on or near the school building that will use the electricity, to the smaller of one megawatt or 120 percent of the building's average electric load.</p> <p>Subd. 6. Power purchase agreement; design. Requires the commerce commissioner to design a power purchase agreement to be used by the school district and the investor and lists provisions that must be in it, including formulas to determine the future fair market value of the system and future payments to</p>

Section	Description
	<p>be made by the school district. Also requires an estimated date when the school district will purchase the investor's remaining financial interest in the system and terminate the agreement. Makes the state a party to the agreement.</p> <p>Subd. 7. Ancillary agreement. Allows the school district to choose to enter into an ancillary agreement making the investor responsible for operation and maintenance costs of the system through the original term of the power purchase agreement.</p> <p>Subd. 8. Adjustment. Requires the parties to reexamine the power purchase agreement every five years and 90 days before the school district buys out the investor's remaining financial interest in the solar energy system, and to notify the commissioner of commerce of any significant adjustments that should be made in the agreement.</p> <p>Subd. 9. Application process. Lists information required in a grant application and directs the commerce commissioner to develop a weighting system to allow applications to be ranked quantitatively.</p> <p>Subd. 10. Energy conservation review. Allows the commerce commissioner to request information from the school district on past energy conservation measures implemented at the school building hosting the solar energy system, and to recommend additional cost-effective conservation investments.</p> <p>Subd. 11. Duties of the commissioner. Authorizes the commerce commissioner to provide technical assistance to school districts with respect to projects and to convene an advisory committee of solar developers, school districts, and investors to recommend improvements in the grant program.</p> <p>Subd. 12. Grant payments. Directs the commerce commissioner to make annual payments from grant funds to an investor on behalf of a school district, and to make a lump sum payment to acquire the investor's remaining financial interest, as specified in the power purchase agreement.</p> <p>Subd. 13. Application deadline. Prohibits applications after December 31, 2023.</p>

2 **Appropriation.**
Appropriates \$16 million in fiscal year 2020 from the renewable development fund and \$16 million from the general fund for the grant program.



Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155