

January 23, 2024

Senator Kari Dziedzic
Majority Leader
95 University Avenue W.
Minnesota Senate Bldg., Room 3313
St. Paul, MN 55155

Representative Melissa Hortman
Speaker of the Minnesota House of Representatives
463 State Office Building
St. Paul, MN 55155

Senator John Marty, Chair
Finance Committee
95 University Avenue W.
Minnesota Senate Bldg., Room 3235
St. Paul, MN 55155

Representative Liz Olson, Chair
Ways and Means Committee
479 State Office Building
St. Paul, MN 55155

Senator Nick Frentz, Chair
Energy, Utilities, Environment, and Climate Committee
95 University Avenue W.
Minnesota Senate Bldg., Room 3109
St. Paul, MN 55155

Representative Patty Acomb, Chair
Climate and Energy Finance and Policy
Committee
593 State Office Building
St. Paul, MN 55155

Commissioner Erin Cambell
Minnesota Management and Budget
Legislative Advisory Commission
400 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

RE: State Competitiveness Fund Match Program: Funds allocated under the Quick Response Application Round

Dear Majority Leader Dziedzic, Speaker Hortman, Chair Marty, Chair Olson, Chair Frentz, Chair Acomb and Commissioner Campbell:

This letter addresses the notification requirement set forth by the Legislature in the Laws of 2023, Chapter 24, Section 2, Subd. 6(c)(2) as outlined in the language below:

[216C.391] MINNESOTA STATE COMPETITIVENESS FUND.

(c) Within ten business days of determining a grant award amount to an applicant, the commissioner must:

(1) reserve that amount for that specific grant in the state competitiveness fund account; and

(2) notify the Legislative Advisory Commission in writing of the reserved amount, the name of the applicant, the purpose of the project, and the unreserved balance of funds remaining in the account.

As stated by Minnesota Statute 3.197: This report cost approximately \$429.00 to prepare, including staff time.

This information is also posted on the department's website. If you have any questions, please do not hesitate to contact me or Michelle Gransee, Deputy Commissioner of Energy Resources at (651) 539-1801 or michelle.gransee@state.mn.us.

Sincerely,



Grace Arnold
Commissioner



**State Competitiveness Fund Match Program:
Funds allocated under the Quick Response
Application Round**

01/23/2024

State Competitiveness Fund Match Program: Funds allocated under the Quick Response Application Round

In accordance with requirements set forth in Minnesota Statutes 216C.391 State Competitiveness fund, this notification is provided to the Legislative Advisory Commission.

Program Background:

Minnesota Statutes 216C.391 established the Minnesota State Competitiveness Fund with the purpose of increasing the competitiveness of eligible Minnesota entities in the pursuit of federal funds under the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA). The funding was appropriated to provide state match, grant development assistance, grants to reduce project costs that receive federal loans or tax credits within disadvantaged communities, and to provide technical assistance to eligible entities.

Within the \$190M appropriation, the 2023 state legislature appropriated \$100 million beginning July 1, 2023 for the funding of a State Competitiveness Match Program to assist the state and other eligible Minnesota entities seeking federal grant awards for energy projects under the IRA and IIJA.

As part of the reservation process, Minnesota Statutes 216C.391 Subd. 6 requires:

- (c) Within ten business days of determining a grant award amount to an applicant, the commissioner must:
 - (1) reserve that amount for that specific grant in the state competitiveness fund account; and
 - (2) notify the Legislative Advisory Commission in writing of the reserved amount, the name of the applicant, the purpose of the project, and the unreserved balance of funds remaining in the account.

Commerce opened the funding application period on October 26, 2023, utilizing a two-concurrent round application process to reserve up to \$95 million in Match Program grants for non-state eligible entities. \$5 million of the appropriation was held for Priority 1 projects to meet Commerce's required 15% match for the 40101d Grid Resilience Formula grants. The remaining funds were split to allow funding allocation to each application round and subdivided into the five (5) remaining Prioritization Categories as set forth in Minnesota Statutes 216C.391.

The **Quick Response Application Round** was allocated \$70 million in funding and closed on November 27, 2023. Entities who had already submitted federal funding applications or received federal awards by November 27, 2023 were eligible to apply under this round. Any funds not reserved under this round were rolled into the Standard Response Application Round and allocated within the same Priority categories.

The **Standard Response Application Round** was initially allocated \$25 million, with a close date of January 15, 2024. The Standard Response Round was for those eligible Minnesota entities who had not submitted their federal funding proposal as of November 27, 2023. Table 1: Allocation Amounts, details the process of reservation established for the two (2) rounds:

Table 1: Original Allocation Amounts

Priority Category	Entity Prioritization Order (according to Statute: Chapter 24, Sec. 2, Subd. 3)	Quick Response Round	Standard Response Round	Percent of Funds Allocated	Total Initial Allocations - SCF1 Match Program
Initial Funding Allocated		\$ 75,000,000	\$ 25,000,000	100%	\$ 100,000,000
1	federal formula funds directed to the state that require a match;	\$ 5,000,000	\$ -	5%	\$ 5,000,000
2	a political subdivision or a Tribal government, for eligible funding opportunities that require a match;	\$ 22,000,000	\$ 7,500,000	29.5%	\$ 29,500,000
3	an institution of higher education, a consumer-owned utility, a business, or a non-profit organization, for eligible funding opportunities that require a match;	\$ 19,000,000	\$ 6,000,000	25%	\$ 25,000,000
4	investor-owned utilities, for funding opportunities that require a match;	\$ 14,000,000	\$ 5,000,000	19%	\$ 19,000,000
5	an eligible entity not included in clauses (1) to (4); for funding opportunities that require a match;	\$ 10,000,000	\$ 3,500,000	14%	\$ 13,500,000
6	eligible entities for funding opportunities not requiring a match, but for which cost-share would enhance likelihood of grant receipt or to increase the potential amount of federal funds received.	\$ 5,000,000	\$ 3,000,000	8.0%	\$ 8,000,000

Quick Response Round allocation reservations

In accordance with Minnesota Statutes 216C.375, the following allocation reservations, as provided in Table 2: Quick Response Round Reservations have been reserved as of 01/08/2024.

Table 2: Quick Response Round Reservations

SCF Match Program Fund Reservation	Awardee	Project Purpose
1 \$ 10,000,000	ALLETE Inc.	Purpose: Increase transmission capacity for additional renewable energy. Design new HVDC terminals and converter terminals leveraging an existing 465-mile, high-voltage direct-current (HVDC) transmission line. The increased design capacity of the two HVDC terminals would allow for the expansion of renewable energy transmission capability by up to as much as 1500 MW, a more than 66% increase; allow for the transfer of more renewable energy from other sources; and align potential future capacity expansion of both the transmission line and HVDC terminals more cost effectively.
2 \$ 4,523,985	City of Windom, on behalf of the Cities of Windom and Blue Earth	Purpose: Grid resiliency and clean energy integration. Add energy efficient transformers with smart gauges, smart switches on power lines, undergrounding, Load Control and Advance Metering Control. City of Blue Earth is adding 4MW solar generation.
3 \$ 1,875,000	Native Sun	Purpose: Green EV infrastructure. EV charging stations powered by wind/solar, battery backup where appropriate and microgrid storage. All project locations on Tribal land.
4 \$ 999,999	One Earth Renewables LLC on behalf of Elbow Lake Cooperative	Purpose: Support MN agriculture cooperative participation in Heartland Hydrogen Hub. (sub/sub/sub-awardee). Builds MN supply pipeline of green urea.
5 \$ 500,000	Heliene USA Inc	Purpose: Support for MN-made innovative agri-voltaic solar panels. Field-test and document the agri-photovoltaic (APV) performance of Heliene’s one-of-a-kind quantum dot (QD)-enhanced solar modules. Partners involved Connexus Energy and NREL, University of Minnesota, includes apprenticeship at Heliene for tribal members and collaboration with Fond Du Lac Tribal and Community College, CURE, Big River Farms.
6 \$ 300,000	Center for Energy and Environment	Purpose: Increase building energy efficiency via commercial building codes. Improve compliance and accelerate adoption to help the state achieve it’s target of net zero commercial energy codes by 2036. Midwest Advanced Energy Codes Partnership includes Department of Labor and Industry, Department of Commerce, University of MN Sustainable Building Research Center, 2050 Partners, and NORESOCO.
7 \$ 240,000	Region Five Development Commission, on behalf of Cass Lake-Bena School District	Purpose: Increase energy efficiency of buildings on Tribal Lands. Energy efficiency upgrades to three public schools located on Leech Lake Band of Ojibwe reservation land.
8 \$ 50,000	The Cooperative Light and Power Association of Lake County	Purpose: Grid resilience and reliability. Rebuild distribution line in rural MN, as part of Wildfire Assessment and Resilience Networks (WARN) nationally focused project. Funding awarded to Holy Cross Energy.
9 \$ 29,095	Lower Sioux Indian Community	Purpose: Grid reliance and reliability. Resilience upgrades to be undertaken with 40101c Grid Resilience Competitive Program funds
\$ 18,518,079		

See Table 4 (page 5) for a mapping of the geographic dispersion of the selected awardees.

The total funds reserved in the Quick Response Round = \$18,518,079, for nine Minnesota entities/projects. With the \$5 million reserved for FY22-FY23 40101d Grid Resilience Formula grant, the total reservation after the Quick Response Round = \$23,518,079, with a balance of Funds available for Standard Response Round = \$76,481,921.

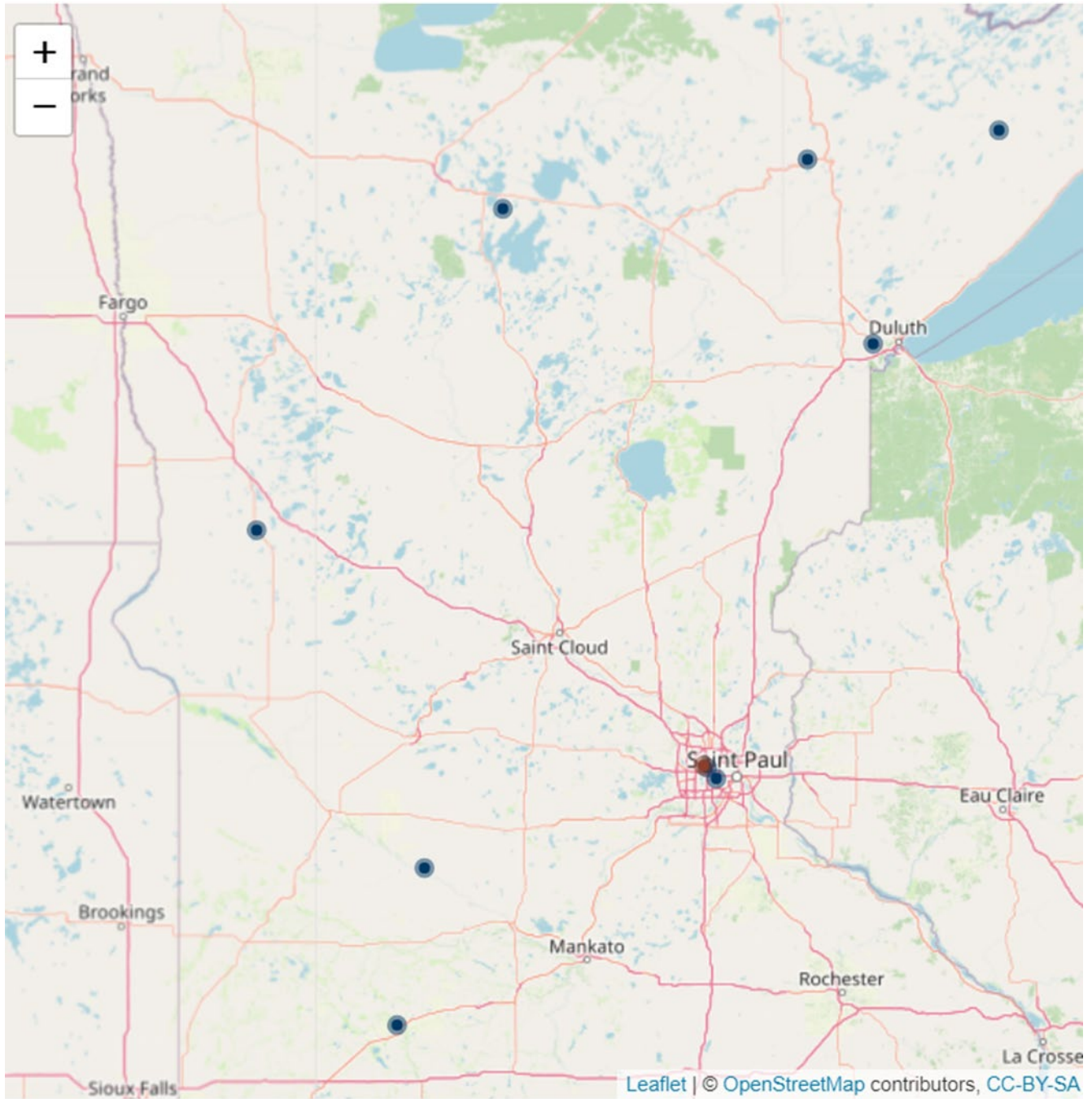
At the end of the Quick Response Application Round, funds not reserved were carried forward into the Standard Response Application Round, as shown in Table 3 below. Any funds remaining unreserved within a given priority category within the Standard Response Application Round will be re-distributed for potential use in other priority categories with unfulfilled requests.

Table 3: Revised Standard Response Allocation Amounts

Priority Category	Entity Prioritization Order (according to Statute: Chapter 24, Sec. 2, Subd. 3)	Funds Reserved Under Quick Response Round	REVISED Funds Available for Standard Response Round*
Funding		\$ 18,518,079	\$ 76,481,921
1	federal formula funds directed to the state that require a match;		\$ -
2	a political subdivision or a Tribal government, for eligible funding opportunities that require a match;	\$ 4,793,080	\$ 24,706,920
3	an institution of higher education, a consumer-owned utility, a business, or a non-profit organization, for eligible funding opportunities that require a match;	\$ 3,424,999	\$ 21,575,001
4	investor-owned utilities, for funding opportunities that require a match;	\$ 10,000,000	\$ 9,000,000
5	an eligible entity not included in clauses (1) to (4); for funding opportunities that require a match;	none	\$ 13,500,000
6	eligible entities for funding opportunities not requiring a match, but for which cost-share would enhance likelihood of grant receipt or to increase the potential amount of federal funds received.	\$ 300,000	\$ 7,700,000

*\$72,880,906 will be designated for awards of < \$1 million

Table 4: Geographic dispersion of Quick Response Round selectees*.



*Twin Cities area includes three dots: One red dot for an ineligible applicant, two blue dots for two (2) selected entities