



MINNESOTA
**Department of
Public Service**



Energy Division
(612) 296-5120

900 American Center
150 East Kellogg Boulevard
St. Paul, Minnesota 55101

December 17, 1990

Ms. Maryanne Hruby, Executive Director
Legislative Commission to Review
Administrative Rules
Room 55, State Office Building
100 Constitution Avenue
St. Paul, Minnesota 55155

Dear Ms. Hruby:

I have enclosed a statement of need and reasonableness, as required by Minnesota Statutes 1990, section 14.23. The Notice of Intent will be published in today's State Register.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeremy de Fiebre".

Jeremy de Fiebre
Municipal Energy Finance

Enclosure

12/17/90

Statement of Need and Reasonableness

Institutional Energy Loan Program

I. The Commissioner of the Minnesota Department of Public Service presents herein facts and justifications establishing the need for and reasonableness of the proposed amendment to rules governing the Institutional Energy Loan Program. Minnesota Statutes, section 216C.09 empowers the commissioner to adopt rules necessary to implement this program. Funds were allocated for this program in Laws of Minn. 1988, Chapter 686, Sec. 38 from monies received by the state under United States vs Exxon Corp., 561 F. Supp 816 (D.D.C. 1983). The present rule was adopted at 13 S.R. 2762.

II. Impact on small business

The proposed rule amendment affects a voluntary program of financial assistance to Minnesota public and private schools and hospitals and units of local government to implement energy conservation improvements. As such, it has no direct effect on small business. Rules covering programs such as this are exempted from Minnesota Statutes, section 14.115 (1990) by subd. 7 (2) which exempts rules which do not directly affect small businesses.

III. Need and reasonableness of each rule amendment

The commissioner proposes to amend part 7606.0040 to raise the loan participation limit from \$200,000 to \$500,000. This change is necessary to promote program use by large municipalities. When first adopted, the \$200,000 limit was set to avoid using all of the participation funds for a few large projects. Having participated in over 70 loans to date, with more than five million dollars still available, this concern is now moot. However, the limit has been an unintended barrier to program participation by large cities, counties and school districts. Under Minnesota Rules, part 7380.0720, these large municipalities are eligible for up to \$1,000,000 in Energy Investment Loans (all but two loans participated in have been from this program). With participation capped at \$200,000, the interest rate reduction on a \$1,000,000 loan has been insufficient to attract these large borrowers. A greater interest rate reduction will provide adequate incentive to these municipalities. A \$500,000 limit is reasonable because it gives these borrowers the same relative benefit (a 50% reduction in interest costs) as smaller borrowers.

For the reasons stated above, the commissioner believes that the proposed rule amendment is reasonable and necessary to effect the purpose and intent of the statutory authorization.