



MN Engagement on the Impacts of H.R. 1

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Efforts and Resources to Bring Federal Funds to Minnesota



State Competitiveness Fund

State funding appropriations totaling \$190 million:

- SCF1: \$110million for grants for projects to support matching fund requirement; support for capacity building and project technical assistance
- SCF2: \$75 million to leverage tax credits

Direct Pay Outreach and Awareness-Raising Efforts - Overview

- Funding Opportunities
 - State Competitiveness Fund
 - MnCIFA Bridge Loans
- Awareness Raising
 - Website Presence
 - Email Outreach
 - In-person Engagement at State-Focused Conferences
- Technical Assistance - Deloitte Contract with State of MN



Commerce Booth at the MN State Fair Offered Information on Tax Credits and Eligible Technologies/Resources

And then began the H.R. 1 Pivot



PUC Docket: DOCKET NO. E-999/CI-23-151

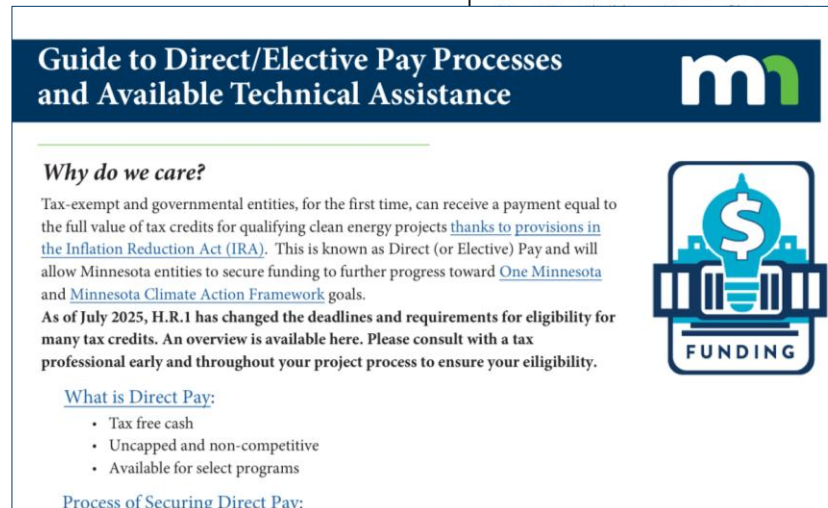
The Minnesota PUC issued an order on August 7, 2025, directing each utility to file a plan by October 15, 2025, that shows:

1. If and how the utility intends to accelerate the construction and in-service dates of projects to maximize federal tax incentives for the benefit of its customers
2. Any steps the commission or other state bodies can take to mitigate negative impacts of federal policy changes

Direct Pay Resource Webpage

MN Commerce webpage with guides, links for technical assistance, and more.

- Post H.R. 1:
 - Expanded to include info on revised tax credit requirements: domestic content and FEOC, etc.
 - Provide expanded technical assistance resources



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State Competitiveness Fund

- SCF2: \$75 million to leverage tax credits in disadvantaged communities
 - \$60 million transferred to MnCIFA (Mn GreenBank) for Bridge Loans
 - \$14.5 million to Mn Solar on Public Buildings Program
 - Request to transfer in additional \$35 million

MnCIFA Bridge Loans for Direct Pay



- MnCIFA transfer from SCF for **\$60 million for bridge loans to projects eligible for tax credits**, including Direct Pay.
 - Recipients pay back following receipt of Direct Pay reimbursement
- Considering projects that:
 - Are Shovel-ready – begun construction or accruing at least 5% of total project cost on equipment or project-specific activities

Solar on Public Buildings

Grants for solar energy system installation up to 40 kW on public buildings – Direct Pay filing required for non-Xcel territory

- Eligible Entities: Local Units of Government (Cities, Towns, Counties, Tribal Nations, Other Public Orgs.)
- Available funding: Tiered system based on financial capacity - \$14.5 mil available for next round
 - 30%-70% of the system cost, max. award \$112,000
- Post H.R. 1: added SCF2 funds to expand program statewide in effort to incentivize Direct Pay-eligible projects
 - Expected Impact for new round July 2025: 73 applications (to-date) with anticipated installation of 2.37 MW-AC



Photo: SPB project with Nine Mile Creek Watershed District



Scan for program website →

Request for Information: Impacts of H.R. 1 on MN Clean Energy Industry



Overview of Request for Information on Tax Credit Changes

Joint survey with MN Commerce and MnCIFA

Purpose:

- Understand the challenges facing the renewable energy industry and consumers with the changes in the tax credits
- Develop outreach and financing solutions based on responses
- Outreach to those not directly reached by PUC: coops, munis, non-profits, municipalities, developers

• High-level Summary:

- Larger developers will be able to continue executing projects at a higher cost to the end customer
- Smaller developers and non-profits serving underserved communities will/are struggling
- Supply chain is still rationalizing with potential intense competition for FEOC compliant equipment

Challenges Facing the MN Renewable Energy Community

Area	Feedback
Financing and ITC	• Losing 50% book of business + layoffs • Relying on Solar for All Money • Been able to find financing at higher rates • Tax credit changes on top of grant cancellations have stopped projects from moving forward
FEOC	• Expect cost increases and significant equipment price variance • Scarcity of qualifying components will create procurement bottlenecks • Pipeline are being scrubbed and shrinking, with necessary contingency plans • Lack of trust in newer manufacturers of domestic panel manufacturers • Costs will rise for projects as developers compete for a smaller pool of eligible panels, inverters, and storage systems
Industry Outlook	• Short term assistance might prevent solar from figuring out how to be profitable without the tax credits • For efficiency projects, will need to diversify technologies and integrate storage, geothermal, other

Requests for Commerce, Legislature, Other Agencies, External Parties

FEOC Compliance Support/Technical Assistance

Expand Deloitte tax consulting services

State-led resource hub/partnerships with NGOs for reporting and compliance

State assistance to manufacturers to meet procurement, reporting, and compliance requirements

Independent verification services or “trusted supplier list” – will give lenders and investors confidence

Dedicate capacity-building resources, so culturally specific organizations can participate

Regulatory and Policy

Streamline permitting

Utility limits to solar development needs to be addressed

Expand incentive layering with housing and clean energy programs

Develop capacity with local governments and nonprofits – state or philanthropic funding is needed for local staffing to stay on track with project deadlines

Requests for MnCIFA

Requests	Opportunities and Challenges for MnCIFA
Expand access to low-interest and flexible financing for developers access tax credits and cover higher costs of FEOC compliant materials	• Will not be able to make up full cost of FEOC or tax credit with interest rate • Limited funds to support every project • Need to prioritize disadvantaged communities
Support purchases of equipment to meet safe harbor/ avoid FEOC •Bridge loans for developers to purchase compliant equipment •Procure equipment directly •Bulk purchasing options by NGOs, such as CDFI's	• Need to determine if MnCIFA can buy and hold equipment • Developer and other companies have approached about safe harbor facility • Welcome NGO and CDFI safe harbor facilities

Questions?

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Direct Pay Tax Consultation with Deloitte

- **No cost for MN-based tax-exempt entities** – contracted by State of MN to provide support on Direct Pay-eligible projects with Deloitte tax experts
- 1-on-1 technical assistance for MN entities filing for Direct Pay tax credits: 33 individual consultations since H.R. 1 passage
- Assistance includes: consultation on project eligibility, advice on filing procedures, general Q&A on Direct Pay
- Series of webinars for interested municipalities to promote opportunity and inform target audience of intricacies of Direct Pay eligibility and filing, **as well as changes to program due to H.R. 1 and FEOC**
 - 88 registrants since H.R.1 passage

Respondents on: Finance and ITC challenges

- **Municipality** “much less able to accomplish additional successful renewable energy projects,” such as 40kW solar project that is “now uncertain.”
- **Rural cooperative** “needs to make or place orders now, to assure that we are able to access the ITC credits for the PPA we plan to sign.”
- **Small installer:** “We’ve already lost half of our book of business for next year and will be reducing in size and laying people off.”
 - Current microgrid project has had very slow reimbursement from DOE – further payment delays could slow pace of project
- **Mid-size installer:** For LMI community solar garden projects that were part of Solar for All cancelled funds, “we have been able to find other financing, although at higher market-based interest rates.”
- **Mid-size installer:** “...federal tax law changes will directly influence the cost, availability and competitiveness of our projects.” It creates “collective uncertainty.”
- **Nonprofit:** “Any shifts- in federal tax law affecting credit eligibility, construction timelines, or domestic content requirements could directly influence our ability to secure affordable housing, reduce operating costs, and model sustainable.”

Respondents on: FEOC challenges

Range of responses from solar developers:

- For LMI community solar garden projects that were at risk due to Solar for All cancelled funds, *“we have been able to find other financing, although at higher market-based interest rates.”*
- *“...the challenges we anticipate are not rooted in the technology itself, but rather in the ownership of upstream manufacturers and how FEOC rules impact the supply chain. We expect cost increases and significant equipment price variance ... with scarcity of qualifying components likely to create procurement bottlenecks.”*
- Developer is *“scrubbing its pipeline to ensure compliance with HR1 and subsequent guidance by aligning each project with a specific ITC tax strategy, as well as a back-up plan tax strategy.”*
- *“I refuse to purchase domestic content solar modules because they are sub-standard and/or well overpriced and ruin the economics of solar.”* Developer referenced Ten K Solar, a Minnesota solar manufacturer that went bankrupt in 2017 ([Star Tribune story](#)), as an example of not being able to trust domestic manufacturers.
- *“All of our projects (>100) are impacted by the changes to federal law.”*

Respondents on: Longer-term planning

- FEOC will force developers and installers “to compete for a smaller pool of eligible panels, inverters, and storage systems.”
 - Higher demand/limited supply will increase costs for solar.
- Assistance needed due to H.R. 1 will be short-term; “We’ll very much become a healthier industry once we get to the other side of this and short-term assistance will only extend that period and make it more difficult on the other side.”
- As ESCO, Honeywell “recently has focused on integrating renewable energy sources such as solar and wind, alongside developing microgrid systems that support energy independence,” in addition to energy efficiency components. This includes cities of St. Paul and Minnetonka, Ramsey County, Minnesota Twins, etc.
 - More projects have mix of technologies in microgrid systems: efficiency, energy storage, plus solar/wind

Tax expertise and technical assistance

FEOC compliance needs:

- Expand Deloitte tax consulting services.
- State-led resource hub/partnerships with NGOs for reporting and compliance
- State assistance to manufacturers to meet reporting and compliance requirements
- Independent verification services or “trusted supplier list” – will give lenders and investors confidence
- Streamline compliance and guidance; standardize documentation

Technical assistance:

- Assist small nonprofits, developers, homeowners to navigate procurement and compliance documentation
- NGO partners, such as clean energy co-ops and CDFIs, can provide training
- Dedicate capacity-building resources, so culturally specific organizations can participate

Regulatory and policy issues

- **Flexibility in program rules:**
 - Co-location and siting limits should be interpreted to maximize completion of viable projects
 - Streamline permitting
- **Enhance utility accountability:**
 - Past record with Xcel and others to limit solar development needs to be addressed
 - Utilities have circumvented PUC approval of new initiatives
- **State and local governments:**
 - Expand incentive layering with housing and clean energy programs
 - Develop capacity with local governments and nonprofits – state or philanthropic funding is needed for local staffing to stay on track with project deadlines

MN Commerce Programs Still Eligible to Pair with Tax Credits and H.R.1 updates



Solar for Schools



← Scan for program website

Grants for solar energy systems installation on MN schools & integrates renewable energy into curricula

- Eligible entities: Public K-12 Schools (Independent, Co-op, & Special School Districts, & Tribal Contract schools) and MN State Colleges/Universities
- Available funding: grants up to 40-70% of the cost to purchase and install a solar energy system
 - District maximum of \$500,000 (outside Xcel) or \$675,000 (inside Xcel)
- Post H.R. 1: 5 districts requested Deloitte consultation. Lots of interest in additional info on tax credits and concerns about availability

Electric School Bus Equipment Grants



← Scan for program website

Funds the purchase of up to 3 electric school buses and associated charging infrastructure

- Eligible entities: School Districts and Tribal Contract Schools, as well as bus contractors or utilities
- Available funding: 80-90% cost of bus, 65-95% of other costs
- Post H.R. 1: 1 school district receiving assistance to apply for tax credit before Sept. 30 expiration

MN Energy Storage Incentive Program



Photo: battery storage in Mapleton supported by this program

← Scan for program website



Incentive to stimulate the installation of Energy Storage Systems of 50 kWh or less

- Eligible entities: Any electric service within MN (muni, co-op, investor-owned utility (IOU), etc.) outside of Xcel territory
 - Required to have a permanent interconnection to local electric utility grid & paired with a solar interconnection
- Available funding: Approx. \$2mil available
 - Max. \$7,000 (Based on rated energy capacity (kWh) * \$250)
 - Approx. \$1.6mil remaining as of September 9, 2025
- Post H.R. 1: 25.7% increase in applications since July