

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 4262

(SENATE AUTHORS: SENJEM)

DATE	D-PG	OFFICIAL STATUS
03/24/2022	5609	Introduction and first reading Referred to Energy and Utilities Finance and Policy

1.1 A bill for an act

1.2 relating to energy; creating a process regulated by the Public Utilities Commission

1.3 allowing natural gas utilities to sell bonds as a way to reduce economic impacts

1.4 on customers when extraordinary events damage utility infrastructure or impose

1.5 significant costs; establishing an account; appropriating money; proposing coding

1.6 for new law in Minnesota Statutes, chapter 216B.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. **216B.491** **DEFINITIONS.**

1.9 Subdivision 1. **Scope.** For the purposes of sections 216B.491 to 216B.499, the terms

1.10 defined in this subdivision have the meanings given.

1.11 Subd. 2. **Ancillary agreement.** "Ancillary agreement" means any bond, insurance policy,

1.12 letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, liquidity

1.13 or credit support arrangement, or other financial arrangement entered into in connection

1.14 with extraordinary event bonds that is designed to promote the credit quality and

1.15 marketability of extraordinary event bonds or to mitigate the risk of an increase in interest

1.16 rates.

1.17 Subd. 3. **Assignee.** "Assignee" means any person to which an interest in extraordinary

1.18 event property is sold, assigned, transferred, or conveyed, other than as security, and any

1.19 successor to or subsequent assignee of the person.

1.20 Subd. 4. **Bondholder.** "Bondholder" means any holder or owner of extraordinary event

1.21 bonds.

1.22 Subd. 5. **Customer.** "Customer" means a person who takes natural gas service from a

1.23 natural gas utility for consumption of natural gas in Minnesota.

2.1 Subd. 6. **Extraordinary event.** (a) "Extraordinary event" means an event arising from
2.2 unforeseen circumstances and of sufficient magnitude as determined by the commission:

2.3 (1) to permanently prevent or impair a utility from providing natural gas service to a
2.4 significant proportion of customers or to otherwise impose significant costs on customers;
2.5 and

2.6 (2) for which the issuance of extraordinary event bonds in response to the event meets
2.7 the conditions of section 216B.492, subdivision 2, as determined by the commission.

2.8 (b) Extraordinary event includes but is not limited to a storm event or other natural
2.9 disaster, an act of God, war, terrorism, sabotage or vandalism, a cybersecurity attack, or a
2.10 temporary significant increase in the wholesale price of natural gas.

2.11 Subd. 7. **Extraordinary event activity.** "Extraordinary event activity" means an activity
2.12 undertaken by or on behalf of a utility to restore the utility's ability to provide natural gas
2.13 service following damage to or destruction of the utility's infrastructure by one or more
2.14 extraordinary events, including activities related to mobilization, staging, construction,
2.15 reconstruction, replacement, or repair of natural gas transmission, distribution, storage, or
2.16 general facilities.

2.17 Subd. 8. **Extraordinary event bonds.** "Extraordinary event bonds" means low-cost
2.18 corporate securities, including but not limited to senior secured bonds, debentures, notes,
2.19 certificates of participation, certificates of beneficial interest, certificates of ownership, or
2.20 other evidences of indebtedness or ownership that have a scheduled maturity of no longer
2.21 than 30 years and a final legal maturity date that is not later than 32 years from the issue
2.22 date, that are rated AA or Aa2 or better by a major independent credit rating agency at the
2.23 time of issuance, and that are issued by a utility or an assignee under a financing order.

2.24 Subd. 9. **Extraordinary event charge.** "Extraordinary event charge" means a
2.25 nonbypassable charge that:

2.26 (1) is imposed on all customer bills by a utility that is the subject of a financing order
2.27 or the utility's successors or assignees;

2.28 (2) is separate from the utility's base rates; and

2.29 (3) provides a source of revenue solely to repay, finance, or refinance extraordinary
2.30 event costs.

2.31 Subd. 10. **Extraordinary event costs.** "Extraordinary event costs":

3.1 (1) means all incremental costs of extraordinary event activities that are approved by
3.2 the commission in a financing order issued under section 216B.492 as being:

3.3 (i) necessary to enable the utility to restore natural gas service to customers whose service
3.4 was affected by an extraordinary event; and

3.5 (ii) prudent and reasonable;

3.6 (2) includes costs to repurchase equity or retire any indebtedness relating to extraordinary
3.7 event activities;

3.8 (3) shall be net of applicable insurance proceeds, tax benefits, and any other amounts
3.9 intended to reimburse the utility for extraordinary event activities, including government
3.10 grants or aid of any kind;

3.11 (4) do not include any monetary penalty, fine, or forfeiture assessed against a utility by
3.12 a government agency or court under a federal or state environmental statute, rule, or
3.13 regulation; and

3.14 (5) must be adjusted to reflect:

3.15 (i) the difference, as determined by the commission, between extraordinary event costs
3.16 that the utility expects to incur and actual, reasonable, and prudent costs incurred; or

3.17 (ii) a more fair or reasonable allocation of extraordinary event costs to customers over
3.18 time, as expressed in a commission order.

3.19 Subd. 11. **Extraordinary event property.** "Extraordinary event property" means:

3.20 (1) all rights and interests of a utility or the utility's successor or assignee under a
3.21 financing order for the right to impose, bill, collect, receive, and obtain periodic adjustments
3.22 to extraordinary event charges authorized under a financing order issued by the commission;
3.23 and

3.24 (2) all revenue, collections, claims, rights to payments, payments, money, or proceeds
3.25 arising from the rights and interests specified in clause (1), regardless of whether any are
3.26 commingled with other revenue, collections, rights to payment, payments, money, or
3.27 proceeds.

3.28 Subd. 12. **Extraordinary event revenue.** "Extraordinary event revenue" means revenue,
3.29 receipts, collections, payments, money, claims, or other proceeds arising from extraordinary
3.30 event property.

3.31 Subd. 13. **Financing costs.** "Financing costs" means:

4.1 (1) principal, interest, and redemption premiums that are payable on extraordinary event
4.2 bonds;

4.3 (2) payments required under an ancillary agreement and amounts required to fund or
4.4 replenish a reserve account or other accounts established under the terms of any indenture,
4.5 ancillary agreement, or other financing document pertaining to the bonds;

4.6 (3) other demonstrable costs related to issuing, supporting, repaying, refunding, and
4.7 servicing the bonds, including but not limited to servicing fees, accounting and auditing
4.8 fees, trustee fees, legal fees, consulting fees, financial advisor fees, administrative fees,
4.9 placement and underwriting fees, capitalized interest, rating agency fees, stock exchange
4.10 listing and compliance fees, security registration fees, filing fees, information technology
4.11 programming costs, and any other demonstrable costs necessary to otherwise ensure and
4.12 guarantee the timely payment of the bonds or other amounts or charges payable in connection
4.13 with the bonds;

4.14 (4) taxes and license fees imposed on the revenue generated from collecting an
4.15 extraordinary event charge;

4.16 (5) state and local taxes, including franchise, sales and use, and other taxes or similar
4.17 charges, including but not limited to regulatory assessment fees, whether paid, payable, or
4.18 accrued; and

4.19 (6) costs incurred by the commission to hire and compensate additional temporary staff
4.20 needed to perform the commission's responsibilities under this section and, in accordance
4.21 with section 216B.494, to engage specialized counsel and expert consultants experienced
4.22 in securitized utility ratepayer-backed bond financing similar to extraordinary event bonds.

4.23 Subd. 14. **Financing order.** "Financing order" means an order issued by the commission
4.24 under section 216B.492 that authorizes an applicant to:

4.25 (1) issue extraordinary event bonds in one or more series;

4.26 (2) impose, charge, and collect extraordinary event charges; and

4.27 (3) create extraordinary event property.

4.28 Subd. 15. **Financing party.** "Financing party" means a holder of extraordinary event
4.29 bonds and a trustee, a collateral agent, a party under an ancillary agreement, or any other
4.30 person acting for the benefit of extraordinary event bondholders.

4.31 Subd. 16. **Natural gas facility.** "Natural gas facility" means natural gas pipelines,
4.32 including distribution lines, underground storage areas, liquefied natural gas facilities,

5.1 propane storage tanks, and other facilities the commission determines are used and useful
5.2 to provide natural gas service to retail and transportation customers in Minnesota.

5.3 Subd. 17. **Nonbypassable.** "Nonbypassable" means that the payment of an extraordinary
5.4 event charge required to repay bonds and related costs may not be avoided by any retail
5.5 customer located within a utility service area.

5.6 Subd. 18. **Pretax costs.** "Pretax costs" means costs incurred by a utility and approved
5.7 by the commission, including but not limited to:

5.8 (1) unrecovered capitalized costs of replaced natural gas facilities damaged or destroyed
5.9 by a storm event;

5.10 (2) costs to decommission and restore the site of a natural gas facility damaged or
5.11 destroyed by an extraordinary event;

5.12 (3) other applicable capital and operating costs, accrued carrying charges, deferred
5.13 expenses, reductions for applicable insurance, and salvage proceeds; and

5.14 (4) costs to retire any existing indebtedness, fees, costs, and expenses to modify existing
5.15 debt agreements, or for waivers or consents related to existing debt agreements.

5.16 Subd. 19. **Storm event.** "Storm event" means a tornado, derecho, ice or snow storm,
5.17 flood, earthquake, or other significant weather or natural disaster that causes substantial
5.18 damage to a utility's infrastructure.

5.19 Subd. 20. **Successor.** "Successor" means a legal entity that succeeds by operation of law
5.20 to the rights and obligations of another legal entity as a result of bankruptcy, reorganization,
5.21 restructuring, other insolvency proceeding, merger, acquisition, consolidation, or sale or
5.22 transfer of assets.

5.23 Subd. 21. **Utility.** "Utility" means a public utility, as defined in section 216B.02,
5.24 subdivision 4, that provides natural gas service to Minnesota customers. Utility includes
5.25 the utility's successors or assignees.

5.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.27 Sec. 2. **[216B.492] FINANCING ORDER.**

5.28 Subdivision 1. **Application.** (a) A utility may file an application with the commission
5.29 for the issuance of a financing order to enable the utility to recover extraordinary event costs
5.30 through the issuance of extraordinary event bonds under this section.

5.31 (b) The application must include the following information, as applicable:

- 6.1 (1) a description of each natural gas facility to be repaired or replaced;
- 6.2 (2) the undepreciated value remaining in the natural gas facility whose repair or
6.3 replacement is proposed to be financed through the issuance of bonds under sections
6.4 216B.491 to 216B.499, and the method used to calculate the amount;
- 6.5 (3) the estimated amount of costs imposed on customers resulting from an extraordinary
6.6 event that involves no physical damage to natural gas facilities;
- 6.7 (4) the estimated savings or estimated mitigation of rate impacts to utility customers if
6.8 the financing order is issued as requested in the application, calculated by comparing the
6.9 costs to customers that are expected to result from implementing the financing order and
6.10 the estimated costs associated with implementing traditional utility financing mechanisms
6.11 with respect to the same undepreciated balance, expressed in net present value terms;
- 6.12 (5) a description of the nonbypassable extraordinary event charge utility customers
6.13 would be required to pay in order to fully recover financing costs and the method and
6.14 assumptions used to calculate the amount;
- 6.15 (6) a proposed methodology to allocate the revenue requirement for the extraordinary
6.16 event charge among the utility's customer classes;
- 6.17 (7) a description of a proposed adjustment mechanism to be implemented when necessary
6.18 to correct any overcollection or undercollection of extraordinary event charges, in order to
6.19 complete payment of scheduled principal and interest on extraordinary event bonds and
6.20 other financing costs in a timely fashion;
- 6.21 (8) a memorandum with supporting exhibits, from a securities firm that is experienced
6.22 in the marketing of bonds and that is approved by the commissioner of management and
6.23 budget, indicating the proposed issuance satisfies the current published AA or Aa2 or higher
6.24 rating or equivalent rating criteria of at least one nationally recognized securities rating
6.25 organization for issuances similar to the proposed extraordinary event bonds;
- 6.26 (9) an estimate of the timing of the issuance and the term of the extraordinary event
6.27 bonds, or series of bonds, provided that the scheduled final maturity for each bond issuance
6.28 does not exceed 30 years;
- 6.29 (10) identification of plans to sell, assign, transfer, or convey, other than as a security,
6.30 interest in extraordinary event property, including identification of an assignee, and
6.31 demonstration that the assignee is a financing entity wholly owned, directly or indirectly,
6.32 by the utility;
- 6.33 (11) identification of ancillary agreements that may be necessary or appropriate;

7.1 (12) one or more alternative financing scenarios in addition to the preferred scenario
7.2 contained in the application;

7.3 (13) the extent of damage to the utility's infrastructure caused by an extraordinary event
7.4 and the estimated costs to repair or replace the damaged infrastructure;

7.5 (14) a schedule of proposed repairs to and replacement of damaged infrastructure;

7.6 (15) a description of steps taken to provide customers interim natural gas service while
7.7 the damaged infrastructure is being repaired or replaced; and

7.8 (16) a description of impacts on the utility's current workforce resulting from
7.9 implementing an infrastructure repair or replacement plan following an extraordinary event.

7.10 Subd. 2. **Findings.** After providing notice and holding a public hearing on an application
7.11 filed under subdivision 1, the commission may issue a financing order if the commission
7.12 finds that:

7.13 (1) the extraordinary event costs described in the application are reasonable;

7.14 (2) the proposed issuance of extraordinary event bonds and the imposition and collection
7.15 of extraordinary event charges:

7.16 (i) are just and reasonable;

7.17 (ii) are consistent with the public interest;

7.18 (iii) constitute a prudent and reasonable mechanism to finance the extraordinary event
7.19 costs; and

7.20 (iv) provide tangible and quantifiable benefits to customers that exceed the benefits that
7.21 would have been achieved absent the issuance of extraordinary event bonds; and

7.22 (3) the proposed structuring, marketing, and pricing of the extraordinary event bonds:

7.23 (i) significantly lower overall costs to customers or significantly mitigate rate impacts
7.24 to customers relative to traditional methods of financing; and

7.25 (ii) achieve significant customer savings or significant mitigation of rate impacts to
7.26 customers, as determined by the commission in a financing order, consistent with market
7.27 conditions at the time of sale and the terms of the financing order.

7.28 Subd. 3. **Contents.** (a) A financing order issued under this section must:

7.29 (1) determine the maximum amount of extraordinary event costs that may be financed
7.30 from proceeds of extraordinary event bonds issued pursuant to the financing order;

8.1 (2) describe the proposed customer billing mechanism for extraordinary event charges
8.2 and include a finding that the mechanism is just and reasonable;

8.3 (3) describe the financing costs that may be recovered through extraordinary event
8.4 charges and the period over which the costs may be recovered, which must end no earlier
8.5 than the date of final legal maturity of the extraordinary event bonds;

8.6 (4) describe the extraordinary event property that is created and that may be used to pay,
8.7 and secure the payment of, the extraordinary event bonds and financing costs authorized in
8.8 the financing order;

8.9 (5) authorize the utility to finance extraordinary event costs through the issuance of one
8.10 or more series of extraordinary event bonds. A utility is not required to secure a separate
8.11 financing order for each issuance of extraordinary event bonds or for each scheduled phase
8.12 of the replacement of natural gas facilities approved in the financing order;

8.13 (6) include a formula-based mechanism that must be used to make expeditious periodic
8.14 adjustments to the extraordinary event charge authorized by the financing order that are
8.15 necessary to correct for any overcollection or undercollection, or to otherwise guarantee
8.16 the timely payment of extraordinary event bonds, financing costs, and other required amounts
8.17 and charges payable in connection with extraordinary event bonds;

8.18 (7) specify the degree of flexibility afforded to the utility in establishing the terms and
8.19 conditions of the extraordinary event bonds, including but not limited to repayment schedules,
8.20 expected interest rates, and other financing costs;

8.21 (8) specify that the extraordinary event bonds must be issued as soon as feasible following
8.22 issuance of the financing order;

8.23 (9) require the utility, at the same time as extraordinary event charges are initially
8.24 collected and independent of the schedule to close and decommission the natural gas facility
8.25 replaced as the result of an extraordinary event, to remove the natural gas facility from the
8.26 utility's rate base and commensurately reduce the utility's base rates;

8.27 (10) specify a future ratemaking process to reconcile any difference between the projected
8.28 pretax costs included in the amount financed by extraordinary event bonds and the final
8.29 actual pretax costs incurred by the utility to retire or replace the natural gas facility;

8.30 (11) specify information regarding bond issuance and repayments, financing costs,
8.31 energy transaction charges, extraordinary event property, and related matters that the natural
8.32 gas utility is required to provide to the commission on a schedule determined by the
8.33 commission;

9.1 (12) allow and may require the creation of a utility's extraordinary event property to be
9.2 conditioned on, and occur simultaneously with, the sale or other transfer of the extraordinary
9.3 event property to an assignee and the pledge of the extraordinary event property to secure
9.4 the extraordinary event bonds;

9.5 (13) ensure that the structuring, marketing, and pricing of extraordinary event bonds
9.6 result in reasonable securitization bond charges and significant customer savings or rate
9.7 impact mitigation, consistent with market conditions and the terms of the financing order;
9.8 and

9.9 (14) specify that a utility financing the replacement of one or more natural gas facilities
9.10 after the natural gas facilities subject to the finance order are removed from the utility's rate
9.11 base is prohibited from:

9.12 (i) operating the natural gas facilities; or

9.13 (ii) selling the natural gas facilities to another entity to be operated as natural gas facilities.

9.14 (b) A financing order issued under this section may:

9.15 (1) include conditions different from those requested in the application that the
9.16 commission determines are necessary to:

9.17 (i) promote the public interest; and

9.18 (ii) maximize the financial benefits or minimize the financial risks of the transaction to
9.19 customers and to directly impacted Minnesota workers and communities; and

9.20 (2) specify the selection of one or more underwriters of the extraordinary event bonds.

9.21 Subd. 4. **Duration; irrevocability; subsequent order.** (a) A financing order remains
9.22 in effect until the extraordinary event bonds issued under the financing order and all financing
9.23 costs related to the bonds have been paid in full.

9.24 (b) A financing order remains in effect and unabated notwithstanding the bankruptcy,
9.25 reorganization, or insolvency of the utility to which the financing order applies or any
9.26 affiliate, successor, or assignee of the utility to which the financing order applies.

9.27 (c) Subject to judicial review under section 216B.52, a financing order is irrevocable
9.28 and is not reviewable by a future commission. The commission may not reduce, impair,
9.29 postpone, or terminate extraordinary event charges approved in a financing order, or impair
9.30 extraordinary event property or the collection or recovery of extraordinary event revenue.

9.31 (d) Notwithstanding paragraph (c), the commission may, on the commission's own
9.32 motion or at the request of a utility or any other person, commence a proceeding and issue

10.1 a subsequent financing order that provides for refinancing, retiring, or refunding extraordinary
10.2 event bonds issued under the original financing order if:

10.3 (1) the commission makes all of the findings specified in subdivision 2 with respect to
10.4 the subsequent financing order; and

10.5 (2) the modification contained in the subsequent financing order does not in any way
10.6 impair the covenants and terms of the extraordinary event bonds being refinanced, retired,
10.7 or refunded.

10.8 Subd. 5. Effect on commission jurisdiction. (a) Except as provided in paragraph (b),
10.9 the commission, in exercising the powers and carrying out the duties under this section, is
10.10 prohibited from:

10.11 (1) considering extraordinary event bonds issued under this section to be debt of the
10.12 utility other than for income tax purposes, unless it is necessary to consider the extraordinary
10.13 event bonds to be debt in order to achieve consistency with prevailing utility debt rating
10.14 methodologies;

10.15 (2) considering the extraordinary event charges paid under the financing order to be
10.16 revenue of the utility;

10.17 (3) considering the extraordinary event or financing costs specified in the financing
10.18 order to be the regulated costs or assets of the utility; or

10.19 (4) determining any prudent action taken by a utility that is consistent with the financing
10.20 order to be unjust or unreasonable.

10.21 (b) Nothing in this subdivision:

10.22 (1) affects the authority of the commission to apply or modify any billing mechanism
10.23 designed to recover extraordinary event charges;

10.24 (2) prevents or precludes the commission from investigating a utility's compliance with
10.25 the terms and conditions of a financing order and requiring compliance with the financing
10.26 order; or

10.27 (3) prevents or precludes the commission from imposing regulatory sanctions against a
10.28 utility for failure to comply with the terms and conditions of a financing order or the
10.29 requirements of this section.

10.30 (c) The commission is prohibited from refusing to allow a utility to recover any costs
10.31 associated with the replacement of natural gas facilities solely because the utility has elected

11.1 to finance the natural gas facility replacement through a financing mechanism other than
11.2 extraordinary event bonds.

11.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.4 **Sec. 3. [216B.493] POSTORDER COMMISSION DUTIES.**

11.5 Subdivision 1. **Financing cost review.** Within 120 days after the date extraordinary
11.6 event bonds are issued, a utility subject to a financing order must file with the commission
11.7 the actual initial and ongoing financing costs, the final structure and pricing of the
11.8 extraordinary event bonds, and the actual extraordinary event charge. The commission must
11.9 review the prudence of the natural gas utility's actions to determine whether the actual
11.10 financing costs were the lowest that could reasonably be achieved given the terms of the
11.11 financing order and market conditions prevailing at the time of the bond's issuance.

11.12 Subd. 2. **Enforcement.** If the commission determines that a utility's actions under this
11.13 section are not prudent or are inconsistent with the financing order, the commission may
11.14 apply any remedies available, provided that any remedy applied may not directly or indirectly
11.15 impair the security for the extraordinary event bonds.

11.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.17 **Sec. 4. [216B.494] USE OF OUTSIDE EXPERTS.**

11.18 (a) In carrying out the duties under this section, the commission may:

11.19 (1) contract with outside consultants and counsel experienced in securitized utility
11.20 customer-backed bond financing similar to extraordinary event bonds; and

11.21 (2) hire and compensate additional temporary staff as needed.

11.22 Expenses incurred by the commission under this paragraph must be treated as financing
11.23 costs and included in the extraordinary event charge. The costs incurred under clause (1)
11.24 are not an obligation of the state and are assigned solely to the transaction.

11.25 (b) If a utility's application for a financing order is denied or withdrawn for any reason
11.26 and extraordinary event bonds are not issued, the commission's costs to retain expert
11.27 consultants under this section must be paid by the applicant utility and are deemed to be
11.28 prudent deferred expenses eligible for recovery in the utility's future rates.

11.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.1 **Sec. 5. [216B.495] EXTRAORDINARY EVENT CHARGE; BILLING TREATMENT.**

12.2 (a) A utility that obtains a financing order and causes extraordinary event bonds to be
 12.3 issued must:

12.4 (1) include on each customer's monthly natural gas bill:

12.5 (i) a statement that a portion of the charges represents extraordinary event charges
 12.6 approved in a financing order;

12.7 (ii) the amount and rate of the extraordinary event charge as a separate line item titled
 12.8 "extraordinary event charge"; and

12.9 (iii) if extraordinary event property has been transferred to an assignee, a statement that
 12.10 the assignee is the owner of the rights to extraordinary event charges and that the utility or
 12.11 other entity, if applicable, is acting as a collection agent or servicer for the assignee; and

12.12 (2) file annually with the commission:

12.13 (i) a calculation of the impact of financing the retirement or replacement of natural gas
 12.14 facilities on customer rates, itemized by customer class; and

12.15 (ii) evidence demonstrating that extraordinary event revenues are applied solely to the
 12.16 repayment of extraordinary event bonds and other financing costs.

12.17 (b) Extraordinary event charges are nonbypassable and must be paid by all existing and
 12.18 future customers receiving service from the utility or the utility's successors or assignees
 12.19 under commission-approved rate schedules or special contracts.

12.20 (c) A utility's failure to comply with this section does not invalidate, impair, or affect
 12.21 any financing order, extraordinary event property, extraordinary event charge, or
 12.22 extraordinary event bonds, but does subject the utility to penalties under applicable
 12.23 commission rules.

12.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

12.25 **Sec. 6. [216B.496] EXTRAORDINARY EVENT PROPERTY.**

12.26 Subdivision 1. **General.** (a) Extraordinary event property is an existing present property
 12.27 right or interest in a property right, even though the imposition and collection of extraordinary
 12.28 event charges depend on the utility collecting extraordinary event charges and on future
 12.29 natural gas consumption. The property right or interest exists regardless of whether the
 12.30 revenues or proceeds arising from the extraordinary event property have been billed, have
 12.31 accrued, or have been collected.

13.1 (b) Extraordinary event property exists until all extraordinary event bonds issued under
13.2 a financing order are paid in full and all financing costs and other costs of the extraordinary
13.3 event bonds have been recovered in full.

13.4 (c) All or any portion of extraordinary event property described in a financing order
13.5 issued to a utility may be transferred, sold, conveyed, or assigned to a successor or assignee
13.6 that is wholly owned, directly or indirectly, by the utility and is created for the limited
13.7 purpose of acquiring, owning, or administering extraordinary event property or issuing
13.8 extraordinary event bonds authorized by the financing order. All or any portion of
13.9 extraordinary event property may be pledged to secure extraordinary event bonds issued
13.10 under a financing order, amounts payable to financing parties and to counterparties under
13.11 any ancillary agreements, and other financing costs. Each transfer, sale, conveyance,
13.12 assignment, or pledge by a utility or an affiliate of extraordinary event property is a
13.13 transaction in the ordinary course of business.

13.14 (d) If a utility defaults on any required payment of charges arising from extraordinary
13.15 event property described in a financing order, a court, upon petition by an interested party
13.16 and without limiting any other remedies available to the petitioner, must order the
13.17 sequestration and payment of the revenues arising from the extraordinary event property to
13.18 the financing parties.

13.19 (e) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in extraordinary
13.20 event property specified in a financing order issued to a utility, and in the revenue and
13.21 collections arising from the property, is not subject to setoff, counterclaim, surcharge, or
13.22 defense by the utility or any other person, or in connection with the reorganization,
13.23 bankruptcy, or other insolvency of the utility or any other entity.

13.24 (f) A successor to a utility, whether resulting from a reorganization, bankruptcy, or other
13.25 insolvency proceeding; merger or acquisition; sale; other business combination; transfer by
13.26 operation of law; utility restructuring; or otherwise, must perform and satisfy all obligations
13.27 of, and has the same duties and rights under, a financing order as the utility to which the
13.28 financing order applies. A successor to a utility must perform the duties and exercise the
13.29 rights in the same manner and to the same extent as the utility, including collecting and
13.30 paying to any person entitled to receive revenues, collections, payments, or proceeds of
13.31 extraordinary event property.

13.32 Subd. 2. Security interests in extraordinary event property. (a) The creation,
13.33 perfection, and enforcement of any security interest in extraordinary event property to secure

14.1 the repayment of the principal and interest on extraordinary event bonds, amounts payable
14.2 under any ancillary agreement, and other financing costs are governed solely by this section.

14.3 (b) A security interest in extraordinary event property is created, valid, and binding
14.4 when:

14.5 (1) the financing order that describes the extraordinary event property is issued;

14.6 (2) a security agreement is executed and delivered; and

14.7 (3) value is received for the extraordinary event bonds.

14.8 (c) Once a security interest in extraordinary event property is created, the security interest
14.9 attaches without any physical delivery of collateral or any other act. The lien of the security
14.10 interest is valid, binding, and perfected against all parties having claims of any kind in tort,
14.11 contract, or otherwise against the person granting the security interest, regardless of whether
14.12 the parties have notice of the lien, upon the filing of a financing statement with the secretary
14.13 of state.

14.14 (d) The description or indication of extraordinary event property in a transfer or security
14.15 agreement and a financing statement is sufficient only if the description or indication refers
14.16 to this section and the financing order creating the extraordinary event property.

14.17 (e) A security interest in extraordinary event property is a continuously perfected security
14.18 interest and has priority over any other lien, created by operation of law or otherwise, which
14.19 may subsequently attach to the extraordinary event property unless the holder of the security
14.20 interest has agreed otherwise in writing.

14.21 (f) The priority of a security interest in extraordinary event property is not affected by
14.22 the commingling of extraordinary event property or extraordinary event revenue with other
14.23 money. An assignee, bondholder, or financing party has a perfected security interest in the
14.24 amount of all extraordinary event property or extraordinary event revenue that is pledged
14.25 to pay extraordinary event bonds, even if the extraordinary event property or extraordinary
14.26 event revenue is deposited in a cash or deposit account of the utility in which the
14.27 extraordinary event revenue is commingled with other money. Any other security interest
14.28 that applies to the other money does not apply to the extraordinary event revenue.

14.29 (g) Neither a subsequent commission order amending a financing order under section
14.30 216B.492, subdivision 4, nor application of an adjustment mechanism authorized by a
14.31 financing order under section 216B.492, subdivision 3, affects the validity, perfection, or
14.32 priority of a security interest in or transfer of extraordinary event property.

15.1 (h) A valid and enforceable security interest in extraordinary event property is perfected
15.2 only when the security interest has attached and when a financing order has been filed with
15.3 the secretary of state in accordance with procedures established by the secretary of state.
15.4 The financing order must name the pledgor of the extraordinary event property as debtor
15.5 and identify the property.

15.6 Subd. 3. Sales of extraordinary event property. (a) A sale, assignment, or transfer of
15.7 extraordinary event property is an absolute transfer and true sale of, and not a pledge of or
15.8 secured transaction relating to, the seller's right, title, and interest in, to, and under the
15.9 extraordinary event property if the documents governing the transaction expressly state that
15.10 the transaction is a sale or other absolute transfer. A transfer of an interest in extraordinary
15.11 event property may be created when:

15.12 (1) the financing order creating and describing the extraordinary event property is
15.13 effective;

15.14 (2) the documents evidencing the transfer of the extraordinary event property are executed
15.15 and delivered to the assignee; and

15.16 (3) value is received.

15.17 (b) A transfer of an interest in extraordinary event property must be filed with the
15.18 secretary of state against all third persons and perfected under sections 336.3-301 to
15.19 336.3-312, including any judicial lien or other lien creditors or any claims of the seller or
15.20 creditors of the seller, other than creditors holding a prior security interest, ownership
15.21 interest, or assignment in the extraordinary event property previously perfected under this
15.22 subdivision or subdivision 2.

15.23 (c) The characterization of a sale, assignment, or transfer as an absolute transfer and
15.24 true sale, and the corresponding characterization of the property interest of the assignee, is
15.25 not affected or impaired by:

15.26 (1) commingling of extraordinary event revenue with other money;

15.27 (2) the retention by the seller of:

15.28 (i) a partial or residual interest, including an equity interest, in the extraordinary event
15.29 property, whether direct or indirect, or whether subordinate or otherwise; or

15.30 (ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed
15.31 on the collection of extraordinary event revenue;

15.32 (3) any recourse that the purchaser may have against the seller;

16.1 (4) any indemnification rights, obligations, or repurchase rights made or provided by
 16.2 the seller;

16.3 (5) an obligation of the seller to collect extraordinary event revenues on behalf of an
 16.4 assignee;

16.5 (6) the treatment of the sale, assignment, or transfer for tax, financial reporting, or other
 16.6 purposes;

16.7 (7) any subsequent financing order amending a financing order under section 216B.492,
 16.8 subdivision 4, paragraph (d); or

16.9 (8) any application of an adjustment mechanism under section 216B.492, subdivision
 16.10 3, paragraph (a), clause (6).

16.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.12 Sec. 7. **[216B.497] EXTRAORDINARY EVENT BONDS.**

16.13 (a) Banks, trust companies, savings and loan associations, insurance companies, executors,
 16.14 administrators, guardians, trustees, and other fiduciaries may legally invest any money
 16.15 within the individual's or entity's control in extraordinary event bonds.

16.16 (b) Extraordinary event bonds issued under a financing order are not debt of or a pledge
 16.17 of the faith and credit or taxing power of the state, any agency of the state, or any political
 16.18 subdivision. Holders of extraordinary event bonds may not have taxes levied by the state
 16.19 or a political subdivision in order to pay the principal or interest on extraordinary event
 16.20 bonds. The issuance of extraordinary event bonds does not directly, indirectly, or contingently
 16.21 obligate the state or a political subdivision to levy any tax or make any appropriation to pay
 16.22 principal or interest on the extraordinary event bonds.

16.23 (c) The state pledges to and agrees with holders of extraordinary event bonds, any
 16.24 assignee, and any financing parties that the state will not:

16.25 (1) take or permit any action that impairs the value of extraordinary event property; or

16.26 (2) reduce, alter, or impair extraordinary event charges that are imposed, collected, and
 16.27 remitted for the benefit of holders of extraordinary event bonds, any assignee, and any
 16.28 financing parties until any principal, interest, and redemption premium payable on
 16.29 extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or
 16.30 financing party under an ancillary agreement are paid in full.

17.1 (d) A person who issues extraordinary event bonds may include the pledge specified in
 17.2 paragraph (c) in the extraordinary event bonds, ancillary agreements, and documentation
 17.3 related to the issuance and marketing of the extraordinary event bonds.

17.4 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.5 **Sec. 8. [216B.498] ASSIGNEE OF FINANCING PARTY NOT SUBJECT TO**
 17.6 **COMMISSION REGULATION.**

17.7 An assignee or financing party that is not already regulated by the commission does not
 17.8 become subject to commission regulation solely as a result of engaging in any transaction
 17.9 authorized by or described in sections 216B.491 to 216B.499.

17.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.11 **Sec. 9. [216B.499] EFFECT ON OTHER LAWS.**

17.12 (a) If any provision of sections 216B.491 to 216B.499 conflicts with any other law
 17.13 regarding the attachment, assignment, perfection, effect of perfection, or priority of any
 17.14 security interest in or transfer of extraordinary event property, sections 216B.491 to 216B.499
 17.15 govern.

17.16 (b) Nothing in this section precludes a utility for which the commission has initially
 17.17 issued a financing order from applying to the commission for:

17.18 (1) a subsequent financing order amending the financing order under section 216B.492,
 17.19 subdivision 4, paragraph (d); or

17.20 (2) approval to issue extraordinary event bonds to refund all or a portion of an outstanding
 17.21 series of extraordinary event bonds.

17.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.23 **Sec. 10. APPROPRIATION.**

17.24 \$..... in fiscal year 2023 is appropriated from the general fund to the Public Utilities
 17.25 Commission to contract with experts outside the commission under Minnesota Statutes,
 17.26 section 216B.494, to assist the commission carry out the commission's duties under
 17.27 Minnesota Statutes, sections 216B.491 to 216B.499.

17.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.