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Senate

State of Minnesota

S.F. No. 2166 – Natural Gas Utilities Authorization to Sell Extraordinary Event Bonds Under Certain Circumstances

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Section 1 [Definitions] defines various terms used in the bill, including:

> **Extraordinary Event**. An event arising from unforeseen circumstances of sufficient magnitude to impose significant costs on customers and that meets certain other criteria. The term includes a storm event, natural disaster, war, terrorism, sabotage, or vandalism, cybersecurity attack, other act of God, or a temporary significant increase in the wholesale price of natural gas.
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> **Extraordinary Event Bonds**. Debt securities that have a scheduled maturity of not more than 30 years, are rated AA or Aa2 or better by a major credit rating agency, and are issued by a utility under a financing order issued by the Public Utilities Commission (PUC).
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> **Extraordinary Event Costs**. All incremental costs that are approved by the PUC as necessary to restore or maintain the utility's natural gas service following one or more extraordinary events. The term includes certain enumerated costs and excludes others.
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> **Extraordinary Event Property**. All revenue, collections, claims, rights to payments, payments, or proceeds arising from the rights of a utility to impose, bill, collect, and receive extraordinary event charges authorized under a financing order issued by the PUC.

Section 2 [Financing Order] authorizes the PUC to issue a financing order that authorizes a utility that provides natural gas service to Minnesota customers to recover extraordinary event costs through the issuance of extraordinary event bonds. A utility's application for a financing order must include certain enumerated information.

The PUC is required to hold a public hearing before issuing a financing order and may only issue a financing order if it makes certain findings, including that the costs described are reasonable, that the recovery of those costs through issuance of extraordinary event bonds is consistent with the public interest, and that the issuance of bonds will provide tangible benefits to customers by lowering overall costs to customers relative to traditional methods of financing. This section also states what content a financing order must include.

Section 3 [Post-Issuance Review of Financing Terms] requires a utility to submit financing costs to the PUC for review within 120 days of the issuance of extraordinary event bonds. The PUC is required to review whether the financing costs were the lowest that could reasonably have been achieved given the terms of the financing order and prevailing market conditions. The PUC is allowed to remedy any issues, subject to certain limitations.

Section 4 [Use of Outside Experts] authorizes the PUC to contract with outside consultants and to hire additional temporary staff as needed. These expenses of the PUC are to be treated as financing costs to be paid by the extraordinary event revenue.

Section 5 [Extraordinary Event Charge; Billing Treatment] requires a utility that obtains a financing order to include certain information about the extraordinary event charge on each customer's monthly bill and to annually report certain related information to the PUC. Provides that all current and future customers receiving service from the utility must pay the extraordinary event charges.

Section 6 [Extraordinary Event Property] sets forth the property rights and terms for sales of extraordinary event property. Provides that a perfected security interest exists in extraordinary event property once a financing order has been issued, a security agreement is executed and delivered, and value is received for the extraordinary event bonds.

Section 7 [Extraordinary Event Bonds] authorizes banks, trust companies, and other entities to invest in extraordinary event bonds. Provides that extraordinary event bonds are not a debt of the state or a pledge of the full faith and credit of the state.

Section 8 [Assignee Not Subject to PUC Regulation] clarifies that a party that is not already subject to regulation by the PUC does not become regulated by the PUC solely as a result of investing in extraordinary event bonds or by related activities.

Section 9 [Effect on Other Laws] provides that the statutes enacted by this act control wherever they conflict with other statutes on questions relating to the attachment, assignment, perfection, or priority of any security interest in or transfer of extraordinary event property. This section also clarifies that financing orders may be amended for refinancing or refunding purposes.

[Effective Date]. This act is effective the day following final enactment.