

SENATE  
STATE OF MINNESOTA  
NINETY-FOURTH SESSION

S.F. No. 999

(SENATE AUTHORS: XIONG and Gruenhagen)		
DATE	D-PG	OFFICIAL STATUS
02/06/2025	293	Introduction and first reading
		Referred to Energy, Utilities, Environment, and Climate
02/20/2025	464	Author added Gruenhagen
		See First Special Session, SF2

1.1

A bill for an act

1.2

relating to energy; authorizing natural gas utilities to sell extraordinary event bonds

1.3

under certain circumstances; establishing an account; appropriating money;

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proposing coding for new law in Minnesota Statutes, chapter 216B.

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

1.6

Section 1. [216B.491] DEFINITIONS.

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

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defined in this section have the meanings given.

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

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

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

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

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

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rates.

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

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

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successor to or subsequent assignee of the person.

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

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bonds.

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Subd. 5. **Customer.** "Customer" means a person who purchases natural gas or natural

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gas transportation services from a utility in Minnesota. Customer does not include a person

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who:

(1) purchases natural gas transportation services from a utility in Minnesota that serves fewer than 350,000 natural gas customers in Minnesota; and

(2) does not purchase natural gas from a utility in Minnesota.

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

(1) to impose significant costs on customers; and

(2) for which the issuance of extraordinary event bonds in response to the event meets the conditions of section 216B.492, subdivision 2.

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

**Subd. 7. Extraordinary event activity.** "Extraordinary event activity" means an activity undertaken by or on behalf of a utility to restore or maintain the utility's ability to provide natural gas service following one or more extraordinary events, including but not limited to activities related to mobilizing, staging, constructing, reconstructing, replacing, or repairing natural gas transmission, distribution, storage, or general facilities.

**Subd. 8. Extraordinary event bonds.** "Extraordinary event bonds" means debt securities, including but not limited to senior secured bonds, debentures, notes, certificates of participation, certificates of beneficial interest, certificates of ownership, or other evidences of indebtedness or ownership, that: (1) have a scheduled maturity of no longer than 30 years and a final legal maturity date that is not later than 32 years from the issue date; (2) are rated AA, Aa2, or higher by a major independent credit rating agency at the time of issuance; and (3) are issued by a utility or an assignee under a financing order.

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

(1) a utility that is the subject of a financing order or the utility's successors or assignees imposes on all of the utility's customers;

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

(3) provides a source of revenue used only to repay, finance, or refinance extraordinary event costs.

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

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

(i) necessary to enable the utility to restore or maintain natural gas service to customers after the utility experiences an extraordinary event; and

(ii) prudent and reasonable;

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

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

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

(5) must be adjusted to reflect:

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

(ii) a more fair or reasonable allocation of extraordinary event costs to customers over time, as expressed in a commission order, provided that after the issuance of extraordinary event bonds relating to the extraordinary event costs, the adjustment must not (A) impair the value of the extraordinary event property relating to the extraordinary event bonds, or (B) reduce, alter, or impair extraordinary event charges relating to the extraordinary event bonds until all principal and interest payable on the extraordinary event bonds, all financing costs for the extraordinary event bonds, and all amounts that must be paid to an assignee or financing party under an ancillary agreement relating to the extraordinary event bonds are paid in full.

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

(1) all rights and interests that a utility or the utility's successor or assignee possess under a financing order to impose, bill, collect, receive, and obtain periodic adjustments to extraordinary event charges authorized under a financing order issued by the commission; and

(2) all revenue, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in clause (1), regardless of whether any are

4.1 commingled with other revenue, collections, rights to payment, payments, money, or  
4.2 proceeds.

4.3 Subd. 12. **Extraordinary event revenue.** "Extraordinary event revenue" means revenue,  
4.4 receipts, collections, payments, money, claims, or other proceeds arising from extraordinary  
4.5 event property.

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

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

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

4.12 (3) other demonstrable costs related to issuing, supporting, repaying, refunding, and  
4.13 servicing extraordinary event bonds, including but not limited to servicing fees, accounting  
4.14 and auditing fees, trustee fees, legal fees, consulting fees, financial adviser fees,  
4.15 administrative fees, placement and underwriting fees, capitalized interest, rating agency  
4.16 fees, stock exchange listing and compliance fees, security registration fees, filing fees,  
4.17 information technology programming costs, and any other demonstrable costs necessary to  
4.18 otherwise ensure and guarantee the timely payment of extraordinary event bonds, other  
4.19 amounts payable in connection with extraordinary event bonds, or other charges payable  
4.20 in connection with extraordinary event bonds;

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

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

4.26 (6) costs incurred by the commission to (i) hire and compensate additional temporary  
4.27 staff needed to perform the commission's responsibilities under this section, and (ii) engage  
4.28 specialized counsel and expert consultants experienced in securitized utility ratepayer-backed  
4.29 bond financings similar to extraordinary event bond financings, as provided under section  
4.30 216B.494.

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

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

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

5.2 (3) create extraordinary event property.

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

5.6 Subd. 16. **Natural gas facility.** "Natural gas facility" means natural gas pipelines,  
5.7 including distribution lines, underground storage areas, liquefied natural gas facilities,  
5.8 propane storage tanks, and other facilities the commission determines are used and useful  
5.9 to provide natural gas service to retail and transportation customers in Minnesota.

5.10 Subd. 17. **Nonbypassable.** "Nonbypassable" means an extraordinary event charge that  
5.11 a retail customer located within a utility service area cannot avoid and must pay.

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

5.14 (1) unrecovered capitalized costs of replaced natural gas facilities damaged or destroyed  
5.15 by an extraordinary event;

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

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

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

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

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

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

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

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

6.2           Subdivision 1. **Application.** (a) A utility may file an application with the commission  
6.3 requesting a financing order to enable the utility to recover extraordinary event costs by  
6.4 issuing extraordinary event bonds under this section.

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

6.6           (1) a description of each natural gas facility to be repaired or replaced;

6.7           (2) the undepreciated value remaining in each natural gas facility under clause (1) that  
6.8 the utility proposes to repair or replace using financing obtained by issuing extraordinary  
6.9 event bonds under sections 216B.491 to 216B.499, and the method used to calculate the  
6.10 undepreciated value remaining;

6.11           (3) the estimated costs imposed on customers resulting from an extraordinary event that  
6.12 involves no physical damage to natural gas facilities;

6.13           (4) the estimated savings or estimated mitigation of rate impacts to utility customers if  
6.14 the financing order is issued as requested in the application, calculated by comparing the  
6.15 costs to customers that are expected to result from implementing the financing order and  
6.16 the estimated costs associated with implementing traditional utility financing mechanisms  
6.17 with respect to the same undepreciated balance, expressed in net present value terms;

6.18           (5) a description of (i) the nonbypassable extraordinary event charge utility customers  
6.19 must pay in order to fully recover financing costs, and (ii) the method and assumptions used  
6.20 to calculate the nonbypassable extraordinary event charge;

6.21           (6) a proposed methodology to allocate the revenue requirement for the extraordinary  
6.22 event charge among the utility's customer classes;

6.23           (7) a description of a proposed adjustment mechanism that is implemented when necessary  
6.24 to correct any overcollection or undercollection of extraordinary event charges, in order to  
6.25 complete payment of scheduled principal and interest on extraordinary event bonds and  
6.26 other financing costs in a timely fashion;

6.27           (8) a memorandum with supporting exhibits, from a securities firm that is experienced  
6.28 in the marketing of securitized utility ratepayer-backed bonds and that is approved by the  
6.29 commissioner of management and budget, indicating the proposed issuance satisfies (i) the  
6.30 current published AA, Aa2, or higher rating; or (ii) equivalent rating criteria of at least one  
6.31 nationally recognized securities rating organization for issuances similar to the proposed  
6.32 extraordinary event bonds;

(9) an estimate of: (i) the timing of the extraordinary event bonds issuance; and (ii) the term of the extraordinary event bonds or series of bonds, provided that the scheduled final maturity for each bond issuance does not exceed 30 years;

(10) identification of plans to sell, assign, transfer, or convey, other than as a security, interest in extraordinary event property, including identification of an assignee and demonstration that the assignee is a financing entity that is wholly owned, directly or indirectly, by the utility;

(11) identification of ancillary agreements that may be necessary or appropriate;

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

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

(14) a schedule of the proposed repairs to and replacement of the damaged natural gas facility;

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

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

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

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

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

(i) are just and reasonable;

(ii) are consistent with the public interest;

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

(iv) provide tangible and quantifiable benefits to customers, either by providing lower overall costs or mitigating rate impacts relative to traditional methods of financing, that exceed the benefits achieved absent the issuance of extraordinary event bonds; and

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

8.2 (i) lower overall costs to customers or mitigate rate impacts to customers relative to  
8.3 traditional methods of financing; and

8.4 (ii) achieve customer savings or mitigate rate impacts to customers, as determined by  
8.5 the commission in a financing order, consistent with market conditions at the time of sale  
8.6 and the terms of the financing order.

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

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

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

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

8.15 (4) describe the extraordinary event property that is created and that may be used to pay,  
8.16 and secure the payment of, principal and interest on the extraordinary event bonds and other  
8.17 financing costs authorized in the financing order;

8.18 (5) authorize the utility to finance extraordinary event costs by issuing one or more series  
8.19 of extraordinary event bonds. A utility is not required to secure a separate financing order  
8.20 for each extraordinary event bonds issuance or for each scheduled phase to replace natural  
8.21 gas facilities approved in the financing order;

8.22 (6) include a formula-based mechanism that must be used to make expeditious periodic  
8.23 adjustments to the extraordinary event charges authorized by the financing order that are  
8.24 necessary to (i) correct for any overcollection or undercollection, or (ii) otherwise provide  
8.25 for the timely payment of extraordinary event bonds, other financing costs, and other required  
8.26 amounts and charges payable in connection with extraordinary event bonds;

8.27 (7) specify the degree of flexibility afforded to the utility to establish the terms and  
8.28 conditions of the extraordinary event bonds, including but not limited to repayment schedules,  
8.29 expected interest rates, and other financing costs;

8.30 (8) specify that the extraordinary event bonds must be issued, subject to market conditions  
8.31 and the financing order's terms, as soon as feasible following the financing order's issuance;

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

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

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

9.12 (12) allow or require the creation of a utility's extraordinary event property to be  
9.13 conditioned on, and occur simultaneously with, the sale or other transfer of the extraordinary  
9.14 event property to an assignee and the pledge of the extraordinary event property to secure  
9.15 the extraordinary event bonds;

9.16 (13) ensure that the structuring, marketing, and pricing of extraordinary event bonds  
9.17 result in reasonable securitization bond charges and customer savings or rate impact  
9.18 mitigation, consistent with market conditions and the financing order's terms; and

9.19 (14) specify that a utility that finances the replacement of one or more natural gas facilities  
9.20 after the natural gas facilities that are subject to the finance order are removed from the  
9.21 utility's rate base is prohibited from:

9.22 (i) operating the natural gas facilities; or

9.23 (ii) selling the natural gas facilities to another entity to operate as natural gas facilities.

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

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

9.27 (i) promote the public interest; and

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

9.30 (2) select one or more underwriters for the extraordinary event bonds.

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

10.4 (b) A financing order remains effective and unabated notwithstanding the bankruptcy,  
10.5 reorganization, or insolvency of the utility to which the financing order applies or any  
10.6 affiliate, successor, or assignee of the utility to which the financing order applies.

10.7 (c) Subject to judicial review under section 216B.52, a financing order is irrevocable  
10.8 and is not reviewable by a future commission. The commission must not: (1) reduce, impair,  
10.9 postpone, or terminate extraordinary event charges approved in a financing order; or (2)  
10.10 impair extraordinary event property or the collection or recovery of extraordinary event  
10.11 charges and extraordinary event revenue.

10.12 (d) Notwithstanding paragraph (c), the commission may, on the commission's own  
10.13 motion or at the request of a utility or any other person, commence a proceeding and issue  
10.14 a subsequent financing order that provides for refinancing, retiring, or refunding extraordinary  
10.15 event bonds issued under the original financing order if:

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

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

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

10.24 (1) considering extraordinary event bonds issued under this section to be debt of the  
10.25 utility other than for income tax purposes, unless considering the extraordinary event bonds  
10.26 to be debt is necessary to achieve consistency with prevailing utility debt rating  
10.27 methodologies;

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

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

10.32 (4) determining that any prudent action taken by a utility that is consistent with the  
10.33 financing order is unjust or unreasonable.

11.1 (b) Nothing in this subdivision:

11.2 (1) affects the authority of the commission to apply or modify a billing mechanism  
11.3 designed to recover extraordinary event charges;

11.4 (2) prevents or precludes the commission from (i) investigating a utility's compliance  
11.5 with the financing order's terms and conditions, and (ii) requiring compliance with the  
11.6 financing order; or

11.7 (3) prevents or precludes the commission from imposing regulatory sanctions against a  
11.8 utility for failure to comply with the financing order's terms and conditions or the  
11.9 requirements of this section.

11.10 (c) The commission is prohibited from refusing to allow a utility to recover any costs  
11.11 associated with the replacement of natural gas facilities solely because the utility has elected  
11.12 to finance the natural gas facility replacement through a financing mechanism other than  
11.13 extraordinary event bonds.

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

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

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

11.23 Subd. 2. **Enforcement.** If the commission determines that a utility's actions under this  
11.24 section are not prudent or are inconsistent with the financing order, the commission may  
11.25 apply remedies deemed appropriate for utility actions, provided that any remedy applied  
11.26 must not directly or indirectly (1) impair the value of the extraordinary event property, or  
11.27 (2) reduce, alter, or impair extraordinary event charges, until all principal and interest payable  
11.28 on the extraordinary event bonds, all financing costs, and all amounts to be paid to an  
11.29 assignee or financing party under an ancillary agreement are paid in full.

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

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

12.2      (a) To carry out the duties under this section, the commission may:

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

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

12.6      Expenses incurred by the commission under this paragraph must be treated as financing  
12.7 costs paid by the extraordinary event revenue. The costs incurred under clause (1) are not  
12.8 an obligation of the state and are assigned solely to the transaction.

12.9      (b) A utility presented with a written request from the commission to reimburse the  
12.10 commission's expenses incurred under paragraph (a), accompanied by a detailed account  
12.11 of the subject expenses, must remit full payment of the expenses to the commission within  
12.12 30 days of receiving the request.

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

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

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

12.19      (a) A utility that obtains a financing order and issues extraordinary event bonds must:

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

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

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

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

12.28      (2) file annually with the commission:

12.29      (i) a calculation that identifies the impact financing the retirement or replacement of  
12.30 natural gas facilities has on customer rates, itemized by customer class; and

(ii) evidence demonstrating that extraordinary event revenues are applied solely to pay (A) principal and interest on extraordinary event bonds, and (B) other financing costs.

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

(c) A utility's failure to comply with this section does not invalidate, impair, or affect any financing order, extraordinary event property, extraordinary event charge, or extraordinary event bonds, but does subject the utility to penalties under applicable commission rules provided that any penalty applied must not directly or indirectly (1) impair the value of the extraordinary event property, or (2) reduce, alter, or impair extraordinary event charges, until all principal and interest payable on the extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or financing party under an ancillary agreement are paid in full.

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

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

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

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

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

14.1 or an affiliate of extraordinary event property is a transaction in the ordinary course of  
14.2 business.

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

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

14.13 (f) A successor to a utility, whether resulting from a reorganization, bankruptcy, or other  
14.14 insolvency proceeding, merger or acquisition, sale, other business combination, transfer by  
14.15 operation of law, utility restructuring, or otherwise: (1) must perform and satisfy all  
14.16 obligations of, and has the same duties and rights under, a financing order as the utility to  
14.17 which the financing order applies; and (2) must perform the duties and exercise the rights  
14.18 in the same manner and to the same extent as the utility, including (i) collecting extraordinary  
14.19 event bonds revenues, collections, payments, or proceeds, and (ii) paying a person entitled  
14.20 to receive extraordinary event bonds revenues, collections, payments, or proceeds.

14.21 Subd. 2. **Security interests in extraordinary event property.** (a) The creation,  
14.22 perfection, and enforcement of any security interest in extraordinary event property to secure  
14.23 the repayment of the principal and interest on extraordinary event bonds, amounts payable  
14.24 under any ancillary agreement, and other financing costs are governed by this section only.

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

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

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

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

14.30 (c) Once a security interest in extraordinary event property is created, the security interest  
14.31 attaches without any physical delivery of collateral or any other act. The lien of the security  
14.32 interest is valid, binding, and perfected against all parties having claims of any kind in tort,  
14.33 in contract, or otherwise against the person granting the security interest, regardless of

15.1 whether the parties have notice of the lien, upon the filing of a financing statement with the  
15.2 secretary of state.

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

15.6 (e) A security interest in extraordinary event property is a continuously perfected security  
15.7 interest and has priority over any other lien, created by operation of law or otherwise, that  
15.8 may subsequently attach to the extraordinary event property unless the person that holds  
15.9 the security interest has agreed otherwise in writing.

15.10 (f) The priority of a security interest in extraordinary event property is not affected by  
15.11 the commingling of extraordinary event property or extraordinary event revenue with other  
15.12 money. An assignee, bondholder, or financing party has a perfected security interest in the  
15.13 amount of all extraordinary event property or extraordinary event revenue that is pledged  
15.14 to pay extraordinary event bonds even if the extraordinary event property or extraordinary  
15.15 event revenue is deposited in a cash or deposit account owned by the utility in which the  
15.16 extraordinary event revenue is commingled with other money. Any other security interest  
15.17 that applies to the other money does not apply to the extraordinary event revenue.

15.18 (g) A subsequent commission order amending a financing order under section 216B.492,  
15.19 subdivision 4, or the application of an adjustment mechanism authorized by a financing  
15.20 order under section 216B.492, subdivision 3, does not affect the validity, perfection, or  
15.21 priority of a security interest in or transfer of extraordinary event property.

15.22 Subd. 3. **Sales of extraordinary event property.** (a) A sale, assignment, or transfer of  
15.23 extraordinary event property is an absolute transfer and true sale of, and not a pledge of or  
15.24 secured transaction relating to, the seller's right, title, and interest in, to, and under the  
15.25 extraordinary event property if the documents governing the transaction expressly state that  
15.26 the transaction is a sale or other absolute transfer. A transfer of an interest in extraordinary  
15.27 event property may be created when:

15.28 (1) the financing order creating and describing the extraordinary event property is  
15.29 effective;

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

15.32 (3) value is received.

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

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

(2) the seller retaining:

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

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

(3) any recourse that the extraordinary event property purchaser may have against the seller;

(4) any indemnification rights, obligations, or repurchase rights made or provided by the extraordinary event property seller;

(5) the extraordinary event property seller's obligation to collect extraordinary event revenues on behalf of an assignee;

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

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

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

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

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

(a) A bank, trust company, savings and loan association, insurance company, executor, administrator, guardian, trustee, or other fiduciary may legally invest any money within the individual's or entity's control in extraordinary event bonds.

(b) Extraordinary event bonds issued under a financing order are not debt of or a pledge of the faith and credit or taxing power of the state, any agency of the state, or any political subdivision. An extraordinary event bonds holder does not possess the ability to compel taxes to be levied by the state or a political subdivision in order to pay the principal or interest on extraordinary event bonds. The issuance of extraordinary event bonds does not

17.1 directly, indirectly, or contingently obligate the state or a political subdivision to levy any  
17.2 tax or make any appropriation to pay principal or interest on the extraordinary event bonds.

17.3 (c) The state pledges to and agrees with an extraordinary event bonds holder, assignee,  
17.4 and financing party that the state and state agencies, including the commission, are prohibited  
17.5 from:

17.6 (1) taking or permitting an action that impairs the value of extraordinary event property;  
17.7 or

17.8 (2) reducing, altering, or impairing extraordinary event charges that are imposed,  
17.9 collected, and remitted for the benefit of an extraordinary event bonds holder, assignee, and  
17.10 financing party until any principal, interest, and redemption premium payable on  
17.11 extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or  
17.12 financing party under an ancillary agreement are paid in full.

17.13 (d) The commission may include a pledge in the financing order similar to the pledge  
17.14 included in paragraph (c).

17.15 (e) A person who issues extraordinary event bonds may include the pledge specified in  
17.16 paragraphs (c) and (d) in the extraordinary event bonds, ancillary agreements, and  
17.17 documentation related to the issuance and marketing of the extraordinary event bonds.

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

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

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

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

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

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

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

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

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

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