

1.1 A bill for an act

1.2 relating to energy; appropriating and transferring money for energy and renewable

1.3 development account programs and activities; modifying, modernizing, and making

1.4 technical changes to various provisions governing energy policy; authorizing

1.5 natural gas utilities to sell extraordinary event bonds under certain circumstances;

1.6 amending Minnesota Statutes 2024, sections 116C.7792; 216B.16, subdivisions

1.7 7b, 14, 15, by adding a subdivision; 216B.2402, subdivision 16; 216B.2421,

1.8 subdivision 2; 216B.62, subdivision 3, by adding a subdivision; 216C.09; 216C.10;

1.9 216C.11; 216C.12; 216C.391, subdivisions 1, 2, 3; 216C.47, subdivision 1; Laws

1.10 2023, chapter 60, article 10, section 2, subdivision 2, as amended; article 11,

1.11 sections 2, subdivision 3; 3; Laws 2024, chapter 126, article 6, section 53; proposing

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

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

1.14 **ARTICLE 1**

1.15 **CLIMATE AND ENERGY FINANCE**

1.16 Section 1. **APPROPRIATIONS.**

1.17 The sums shown in the columns marked "Appropriations" are appropriated to the agencies

1.18 and for the purposes specified in this article. The appropriations are from the general fund,

1.19 or another named fund, and are available for the fiscal years indicated for each purpose.

1.20 The figures "2026" and "2027" used in this article mean that the appropriations listed under

1.21 them are available for the fiscal year ending June 30, 2026, or June 30, 2027, respectively.

1.22 "The first year" is fiscal year 2026. "The second year" is fiscal year 2027. "The biennium"

1.23 is fiscal years 2026 and 2027. If an appropriation in this article is enacted more than once

1.24 in the 2025 regular or a special legislative session, the appropriation must be given effect

1.25 only once.

1.26 **APPROPRIATIONS**

1.27 **Available for the Year**

2.1			<u>Ending June 30</u>	
2.2			<u>2026</u>	<u>2027</u>
2.3	Sec. 2. <u>DEPARTMENT OF COMMERCE</u>			
2.4	<u>Subdivision 1. Total Appropriation</u>	\$	<u>12,644,000</u>	\$ <u>12,644,000</u>
2.5	<u>Appropriations by Fund</u>			
2.6			<u>2026</u>	<u>2027</u>
2.7	<u>General</u>		<u>11,047,000</u>	<u>11,047,000</u>
2.8	<u>Petroleum Tank</u>		<u>1,597,000</u>	<u>1,597,000</u>
2.9	<u>The amounts that may be spent for each</u>			
2.10	<u>purpose are specified in the following</u>			
2.11	<u>subdivisions.</u>			
2.12	<u>Subd. 2. Energy Resources</u>		<u>11,047,000</u>	<u>11,047,000</u>
2.13	<u>(a) \$150,000 the first year and \$150,000 the</u>			
2.14	<u>second year are to remediate vermiculite</u>			
2.15	<u>insulation from households that are eligible</u>			
2.16	<u>for weatherization assistance under</u>			
2.17	<u>Minnesota's weatherization assistance program</u>			
2.18	<u>state plan under Minnesota Statutes, section</u>			
2.19	<u>216C.264. Remediation must be performed in</u>			
2.20	<u>conjunction with federal weatherization</u>			
2.21	<u>assistance program services.</u>			
2.22	<u>(b) \$189,000 each year is for activities</u>			
2.23	<u>associated with a utility's implementation of</u>			
2.24	<u>a natural gas innovation plan under Minnesota</u>			
2.25	<u>Statutes, section 216B.2427.</u>			
2.26	<u>(c) \$500,000 each year is for a grant to the</u>			
2.27	<u>clean energy resource teams under Minnesota</u>			
2.28	<u>Statutes, section 216C.385, subdivision 2, to</u>			
2.29	<u>provide additional capacity to perform the</u>			
2.30	<u>duties specified under Minnesota Statutes,</u>			
2.31	<u>section 216C.385, subdivision 3. This</u>			
2.32	<u>appropriation may be used to reimburse</u>			
2.33	<u>reasonable costs incurred by the Department</u>			
2.34	<u>of Commerce to administer the grant.</u>			

3.1 (d) \$301,000 each year is to implement energy
 3.2 benchmarking under Minnesota Statutes,
 3.3 section 216C.331.

3.4 (e) \$164,000 each year is for activities
 3.5 associated with a public utility's transportation
 3.6 electrification plan filing under Minnesota
 3.7 Statutes, section 216B.1615.

3.8 (f) \$77,000 each year is for activities
 3.9 associated with appeals of consumer
 3.10 complaints to the commission under
 3.11 Minnesota Statutes, section 216B.172.

3.12 (g) \$961,000 each year is for activities
 3.13 required under Minnesota Statutes, section
 3.14 216B.1641, for community solar gardens. This
 3.15 appropriation must be assessed directly to the
 3.16 public utility subject to Minnesota Statutes,
 3.17 section 116C.779.

3.18 (h) \$46,000 each year is for work to align
 3.19 energy transmission and distribution planning
 3.20 activities with opportunities along trunk
 3.21 highway rights-of-way.

3.22 (i) \$265,000 each year is to (1) participate in
 3.23 a Public Utilities Commission proceeding to
 3.24 review electric transmission line owners' plans
 3.25 to deploy grid-enhancing technologies, and
 3.26 (2) issue an order to implement the plans. The
 3.27 base in fiscal year 2028 is \$0.

3.28 The general fund base is \$10,782,000 in fiscal
 3.29 year 2028 and \$10,782,000 in fiscal year 2029.

3.30 **Subd. 3. Petroleum Tank Release Compensation**
 3.31 **Board**

1,597,000

1,597,000

3.32 This appropriation is from the petroleum tank
 3.33 fund.

3.34 **Sec. 3. PUBLIC UTILITIES COMMISSION** **\$**

13,330,000 **\$**

13,417,000

4.1 The general fund base is \$13,183,000 in fiscal
 4.2 year 2028 and later.

4.3 Sec. 4. Laws 2023, chapter 60, article 10, section 2, subdivision 2, as amended by Laws
 4.4 2024, chapter 126, article 6, section 47, is amended to read:

4.5	Subd. 2. Energy Resources	96,083,000	27,617,000
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4.6 (a) \$5,861,000 the first year and \$6,038,000
 4.7 the second year are to the division of energy
 4.8 resources for operating expenses.

4.9 (b) \$150,000 the first year and \$150,000 the
 4.10 second year are to remediate vermiculite
 4.11 insulation from households that are eligible
 4.12 for weatherization assistance under
 4.13 Minnesota's weatherization assistance program
 4.14 state plan under Minnesota Statutes, section
 4.15 216C.264. Remediation must be done in
 4.16 conjunction with federal weatherization
 4.17 assistance program services.

4.18 (c) \$1,138,000 in the first year is transferred
 4.19 from the general fund to the solar for schools
 4.20 program account under Minnesota Statutes,
 4.21 section 216C.375, to provide financial
 4.22 assistance to schools that are state colleges
 4.23 and universities to purchase and install solar
 4.24 energy generating systems. This appropriation
 4.25 must be expended on schools located outside
 4.26 the electric service territory of the public
 4.27 utility that is subject to Minnesota Statutes,
 4.28 section 116C.779. Money under this paragraph
 4.29 is available until June 30, 2034. Any money
 4.30 remaining on June 30, 2034, cancels to the
 4.31 general fund.

4.32 (d) \$189,000 each year is for activities
 4.33 associated with a utility's implementation of

5.1 a natural gas innovation plan under Minnesota
5.2 Statutes, section 216B.2427.

5.3 (e) \$15,000,000 in the first year is transferred
5.4 from the general fund to the solar for schools
5.5 program account in the special revenue fund
5.6 for grants under the solar for schools program
5.7 established under Minnesota Statutes, section
5.8 216C.375. The money under this paragraph
5.9 must be expended on schools located outside
5.10 the electric service territory of the public
5.11 utility that is subject to Minnesota Statutes,
5.12 section 116C.779.

5.13 (f) \$500,000 each year is for the strengthen
5.14 Minnesota homes program under Minnesota
5.15 Statutes, section 65A.299, subdivision 4.
5.16 Money under this paragraph is transferred
5.17 from the general fund to strengthen Minnesota
5.18 homes account in the special revenue fund.
5.19 This is a onetime appropriation.

5.20 (g) \$20,000,000 the first year and \$18,737,000
5.21 the second year are for weatherization and
5.22 preweatherization work to serve additional
5.23 households and allow for services that would
5.24 otherwise be denied due to current federal
5.25 limitations related to the federal weatherization
5.26 assistance program. Money under this
5.27 paragraph is transferred from the general fund
5.28 to the preweatherization account in the special
5.29 revenue fund under Minnesota Statutes,
5.30 section 216C.264, subdivision 1c. The base
5.31 in fiscal years 2026 and later is \$3,199,000.

5.32 (h) \$15,000,000 the first year is for a grant to
5.33 an investor-owned electric utility that has at
5.34 least 50,000 retail electric customers, but no
5.35 more than 200,000 retail electric customers,

6.1 to increase the capacity and improve the
6.2 reliability of an existing high-voltage direct
6.3 current transmission line that runs between
6.4 North Dakota and Minnesota. This is a
6.5 onetime appropriation and must be used to
6.6 support the cost-share component of a federal
6.7 grant application to a program enacted in the
6.8 federal Infrastructure Investment and Jobs Act,
6.9 Public Law 117-58, and may otherwise be
6.10 used to reduce the cost of the high-voltage
6.11 direct current transmission project upgrade
6.12 and to reimburse the reasonable costs incurred
6.13 by the department to administer the grant. This
6.14 appropriation is available until June 30, 2034.

6.15 (i) \$300,000 the first year is for technical
6.16 assistance and administrative support for the
6.17 Tribal Advocacy Council on Energy under
6.18 article 12, section 71. As part of the technical
6.19 assistance and administrative support for the
6.20 program, the commissioner must hire a Tribal
6.21 liaison to support the Tribal Advocacy Council
6.22 on Energy and advise the department on the
6.23 development of a culturally responsive clean
6.24 energy grants program based on the priorities
6.25 identified by the Tribal Advocacy Council on
6.26 Energy.

6.27 (j) \$3,000,000 the first year is for a grant to
6.28 Clean Energy Economy Minnesota for the
6.29 Minnesota Energy Alley initiative to secure
6.30 the state's energy and economic development
6.31 future. The appropriation may be used to
6.32 establish and support the initiative, provide
6.33 seed funding for businesses, develop a training
6.34 and development program, support recruitment
6.35 of entrepreneurs to Minnesota, and secure

7.1 funding from federal programs and corporate
7.2 partners to establish a self-sustaining,
7.3 long-term revenue model. This appropriation
7.4 may be used to reimburse the reasonable costs
7.5 incurred by the department to administer the
7.6 grant. This is a onetime appropriation and is
7.7 available until June 30, 2027.

7.8 (k) \$5,000,000 the first year is transferred to
7.9 the electric vehicle rebate program account to
7.10 award rebates to purchase or lease eligible
7.11 electric vehicles under Minnesota Statutes,
7.12 section 216C.401. Rebates must be awarded
7.13 under this paragraph only to eligible recipients
7.14 located outside the retail electric service area
7.15 of the public utility that is subject to
7.16 Minnesota Statutes, section 116C.779. This is
7.17 a onetime appropriation and is available until
7.18 June 30, 2027.

7.19 (l) \$1,000,000 the first year is to award grants
7.20 under Minnesota Statutes, section 216C.402,
7.21 to automobile dealers seeking certification to
7.22 sell electric vehicles and to reimburse the
7.23 reasonable costs incurred by the department
7.24 to administer the grants. Grants must only be
7.25 awarded under this paragraph to eligible
7.26 dealers located outside the retail electric
7.27 service area of the public utility that is subject
7.28 to Minnesota Statutes, section 116C.779. This
7.29 is a onetime appropriation and is available
7.30 until June 30, 2027.

7.31 (m) \$3,000,000 the first year is transferred to
7.32 the residential electric panel upgrade grant
7.33 program account established under Minnesota
7.34 Statutes, section 216C.45, to award electric
7.35 panel upgrade grants and to reimburse the

8.1 reasonable costs incurred by the department
8.2 to administer the program. Grants must be
8.3 awarded under this paragraph only to owners
8.4 of single-family homes or multifamily
8.5 buildings located outside the electric service
8.6 area of the public utility subject to Minnesota
8.7 Statutes, section 116C.779. This is a onetime
8.8 appropriation and is available until June 30,
8.9 2027.

8.10 (n) \$500,000 the first year and \$500,000 the
8.11 second year are for a grant to the clean energy
8.12 resource teams partnerships under Minnesota
8.13 Statutes, section 216C.385, subdivision 2, to
8.14 provide additional capacity to perform the
8.15 duties specified under Minnesota Statutes,
8.16 section 216C.385, subdivision 3. This
8.17 appropriation may be used to reimburse the
8.18 reasonable costs incurred by the department
8.19 to administer the grant.

8.20 (o) \$1,807,000 the first year and \$301,000 the
8.21 second year are to implement energy
8.22 benchmarking under Minnesota Statutes,
8.23 section 216C.331.

8.24 Of the amount appropriated under this
8.25 paragraph, \$750,000 the first year is to award
8.26 grants to qualifying utilities that are not
8.27 investor-owned utilities to support the
8.28 development of technology for implementing
8.29 energy benchmarking under Minnesota
8.30 Statutes, section 216C.331. This is a onetime
8.31 appropriation.

8.32 Of the amount appropriated in the first year
8.33 under this paragraph, \$756,000 the first year
8.34 is for a grant to Building Owners and
8.35 Managers Association Greater Minneapolis

9.1 to establish partnerships with three technical
9.2 colleges and high school career counselors
9.3 with a goal of increasing the number of
9.4 building engineers across Minnesota. This is
9.5 a onetime appropriation and is available until
9.6 June 30, 2028. The grant recipient must
9.7 provide a detailed report describing how the
9.8 grant funds were used to the chairs and
9.9 ranking minority members of the legislative
9.10 committees having jurisdiction over higher
9.11 education by January 15 of each year until
9.12 2028. The report must describe the progress
9.13 made toward the goal of increasing the number
9.14 of building engineers and strategies used.

9.15 (p) \$500,000 the first year is for a feasibility
9.16 study to identify and process Minnesota iron
9.17 resources that could be suitable for upgrading
9.18 to long-term battery storage specifications.
9.19 The results of the feasibility study must be
9.20 submitted to the commissioner of commerce
9.21 and to the chairs and ranking minority
9.22 members of the house of representatives and
9.23 senate committees with jurisdiction over
9.24 energy policy no later than November 1, 2025.
9.25 This appropriation may be used to reimburse
9.26 the reasonable costs incurred to administer the
9.27 study. This is a onetime appropriation.

9.28 (q) \$6,000,000 the first year is for electric
9.29 school bus grants under Minnesota Statutes,
9.30 section 216C.374. Money under this paragraph
9.31 is transferred from the general fund to the
9.32 electric school bus program account. This is
9.33 a onetime appropriation.

9.34 (r) \$5,300,000 the first year is for electric grid
9.35 resiliency grants under article 12, section 72.

10.1 This appropriation may be used to reimburse
10.2 the reasonable costs incurred by the
10.3 department to administer the grants. This is a
10.4 onetime appropriation and is available until
10.5 June 30, 2028.

10.6 (s) \$6,000,000 the first year is transferred to
10.7 the heat pump rebate program account
10.8 established under Minnesota Statutes, section
10.9 216C.46, to implement the heat pump rebate
10.10 program and to reimburse the reasonable costs
10.11 incurred by the department to administer the
10.12 program. Of this amount:

10.13 (1) up to \$1,400,000 the first year is to
10.14 contract with an energy coordinator under
10.15 Minnesota Statutes, section 216C.46,
10.16 subdivision 5; and

10.17 (2) up to \$1,400,000 the first year is to conduct
10.18 contractor training and support under
10.19 Minnesota Statutes, section 216C.46,
10.20 subdivision 6.

10.21 (t) \$1,000,000 the first year is to award air
10.22 ventilation pilot program grants under
10.23 Minnesota Statutes, section 123B.663, for
10.24 assessments, testing, and equipment upgrades
10.25 in schools, and for the department's costs to
10.26 administer the program. Money under this
10.27 paragraph is transferred from the general fund
10.28 to the air ventilation program account. This is
10.29 a onetime appropriation.

10.30 (u) \$500,000 the first year is for a grant to the
10.31 city of Anoka for feasibility studies as
10.32 described in this paragraph and design,
10.33 engineering, and environmental analysis
10.34 related to the repair and reconstruction of the

11.1 Rum River Dam. Findings from the feasibility
11.2 studies must be incorporated into the design
11.3 and engineering funded by this appropriation.
11.4 This appropriation is onetime and is available
11.5 until June 30, 2027. This appropriation
11.6 includes money for the following studies: (1)
11.7 a study to assess the feasibility of adding a
11.8 lock or other means for boats to traverse the
11.9 dam to navigate between the lower Rum River
11.10 and upper Rum River; (2) a study to assess
11.11 the feasibility of constructing the dam in a
11.12 manner that would facilitate recreational river
11.13 surfing at the dam site; and (3) a study to
11.14 assess the feasibility of constructing the dam
11.15 in a manner to generate hydroelectric power.

11.16 (v) \$3,000,000 the first year is for grants to
11.17 install on-site energy storage systems, as
11.18 defined in Minnesota Statutes, section
11.19 216B.2422, subdivision 1, paragraph (f), with
11.20 a capacity of 50 kilowatt hours or less and that
11.21 are located outside the electric service area of
11.22 the electric utility subject to Minnesota
11.23 Statutes, section 116C.779. To receive a grant
11.24 under this paragraph, an owner of the energy
11.25 storage system must be operating a solar
11.26 energy generating system at the same site as
11.27 the energy storage system or have filed an
11.28 application with a utility to interconnect a solar
11.29 energy generating system at the same site as
11.30 the energy storage system. This appropriation
11.31 may be used to reimburse the reasonable costs
11.32 incurred by the department to administer the
11.33 grants. This is a onetime appropriation and is
11.34 available until June 30, 2027.

12.1 (w) \$164,000 the second year is for activities
 12.2 associated with a public utility's filing a
 12.3 transportation electrification plan under
 12.4 Minnesota Statutes, section 216B.1615. The
 12.5 base in fiscal year 2026 and later is \$164,000.

12.6 (x) \$77,000 each year is for activities
 12.7 associated with appeals of consumer
 12.8 complaints to the commission under
 12.9 Minnesota Statutes, section 216B.172.

12.10 (y) \$961,000 each year is for activities
 12.11 required under Minnesota Statutes, section
 12.12 216B.1641 for community solar gardens. This
 12.13 appropriation must be assessed directly to the
 12.14 public utility subject to Minnesota Statutes,
 12.15 section 116C.779.

12.16 (z) \$300,000 the first year is for the
 12.17 community solar garden program study
 12.18 required under article 12, section 73.

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

12.20 Sec. 5. **TRANSFERS.**

12.21 \$1,199,000 in fiscal year 2026 and \$1,199,000 in fiscal year 2027 are transferred from
 12.22 the general fund to the preweatherization account in the special revenue fund under Minnesota
 12.23 Statutes, section 216C.264, subdivision 1c. The commissioner of management and budget
 12.24 must include a transfer of \$1,199,000 each year from the general fund to the
 12.25 preweatherization account in the special revenue fund in each forecast prepared under
 12.26 Minnesota Statutes, section 16A.103, from the effective date of this section through the
 12.27 February 2027 forecast.

12.28 **ARTICLE 2**

12.29 **RENEWABLE DEVELOPMENT ACCOUNT APPROPRIATIONS**

12.30 Section 1. **RENEWABLE DEVELOPMENT FINANCE.**

12.31 The sums shown in the columns marked "Appropriations" are appropriated to the agencies
 12.32 and for the purposes specified in this article. Notwithstanding Minnesota Statutes, section
 12.33 116C.779, subdivision 1, paragraph (j), the appropriations are from the renewable

- 14.1 (2) procure advanced equipment and controls
- 14.2 to enable the extension of the university's
- 14.3 microgrid to additional buildings; and
- 14.4 (3) expand (i) hands-on educational
- 14.5 opportunities for undergraduate and graduate
- 14.6 electrical engineering students to increase
- 14.7 understanding of microgrid operations, and
- 14.8 (ii) partnerships with community colleges.

14.9 **Sec. 3. DEPARTMENT OF**
 14.10 **ADMINISTRATION** **\$ 92,000 \$ 92,000**

- 14.11 \$92,000 each year is for software and
- 14.12 administrative costs associated with the state
- 14.13 building energy conservation improvement
- 14.14 revolving loan program under Minnesota
- 14.15 Statutes, section 16B.87.

14.16 Sec. 4. Laws 2023, chapter 60, article 11, section 2, subdivision 3, is amended to read:

14.17 **Subd. 3. Microgrid Research and Application**

- 14.18 (a) \$3,000,000 the first year and \$400,000 the
- 14.19 second year are for a grant to the University
- 14.20 of St. Thomas Center for Microgrid Research
- 14.21 for the purposes of paragraph (b). The base in
- 14.22 fiscal year 2026 is \$400,000 and \$0 in fiscal
- 14.23 year 2027. Notwithstanding Minnesota
- 14.24 Statutes, section 16A.28, this appropriation is
- 14.25 available until June 30, 2027.

- 14.26 (b) The appropriations in this subdivision must
- 14.27 be used by the University of St. Thomas
- 14.28 Center for Microgrid Research to:

- 14.29 (1) increase the center's capacity to provide
- 14.30 industry partners opportunities to test
- 14.31 near-commercial microgrid products on a
- 14.32 real-world scale and to multiply opportunities
- 14.33 for innovative research;

16.1 nameplate capacity of 40 kilowatts alternating current per premise. The owner of a solar
16.2 energy system installed before June 1, 2018, is eligible to receive a production incentive
16.3 under this section for any additional solar energy systems constructed at the same customer
16.4 location, provided that the aggregate capacity of all systems at the customer location does
16.5 not exceed 40 kilowatts.

16.6 (b) The program is funded by money withheld from transfer to the renewable development
16.7 account under section 116C.779, subdivision 1, paragraphs (b) and (e). Program funds must
16.8 be placed in a separate account for the purpose of the solar energy production incentive
16.9 program operated by the utility and not for any other program or purpose.

16.10 (c) Funds allocated to the solar energy production incentive program in 2019 and 2020
16.11 remain available to the solar energy production incentive program.

16.12 (d) The following amounts are allocated to the solar energy production incentive program:

16.13 (1) \$10,000,000 in 2021;

16.14 (2) \$10,000,000 in 2022;

16.15 (3) \$5,000,000 in 2023;

16.16 (4) \$11,250,000 in 2024;

16.17 (5) \$6,250,000 in 2025; and

16.18 (6) \$5,000,000 each year, beginning in 2026 through 2035.

16.19 (e) Notwithstanding the Department of Commerce's November 14, 2018, decision in
16.20 Docket No. E002/M-13-1015 regarding operation of the utility's solar energy production
16.21 incentive program, half of the amounts allocated each year under paragraph (d), clauses (3),
16.22 (4), ~~and (5), and (6)~~, must be reserved for solar energy systems whose installation meets
16.23 the eligibility standards for the low-income program established in the November 14, 2018,
16.24 decision or successor decisions of the department. All other program operations of the solar
16.25 energy production incentive program are governed by the provisions of the November 14,
16.26 2018, decision or successor decisions of the department.

16.27 (f) Funds allocated to the solar energy production incentive program that have not been
16.28 committed to a specific project at the end of a program year remain available to the solar
16.29 energy production incentive program.

16.30 (g) Any unspent amount remaining on January 1, ~~2028~~ 2038, must be transferred to the
16.31 renewable development account.

17.1 (h) A solar energy system receiving a production incentive under this section must be
 17.2 sized to less than 120 percent of the customer's on-site annual energy consumption when
 17.3 combined with other distributed generation resources and subscriptions provided under
 17.4 section 216B.1641 associated with the premise. The production incentive must be paid for
 17.5 ten years commencing with the commissioning of the system.

17.6 (i) The utility must file a plan to operate the program with the commissioner of commerce.
 17.7 The utility may not operate the program until it is approved by the commissioner. A change
 17.8 to the program to include projects up to a nameplate capacity of 40 kilowatts or less does
 17.9 not require the utility to file a plan with the commissioner. Any plan approved by the
 17.10 commissioner of commerce must not provide an increased incentive scale over prior years
 17.11 unless the commissioner demonstrates that changes in the market for solar energy facilities
 17.12 require an increase.

17.13 Sec. 2. Minnesota Statutes 2024, section 216B.16, is amended by adding a subdivision to
 17.14 read:

17.15 Subd. 1b. **Definitions.** For the purposes of this section, "low-income" means a household:

17.16 (1) that is approved as qualified for energy assistance from the low-income home energy
 17.17 assistance program;

17.18 (2) with a household income that is 50 percent or less of the state median income; or

17.19 (3) that meets another qualification established by the commission.

17.20 Sec. 3. Minnesota Statutes 2024, section 216B.16, subdivision 7b, is amended to read:

17.21 **Subd. 7b. **Transmission cost adjustment.**** (a) Notwithstanding any other provision of
 17.22 this chapter, the commission may approve a tariff mechanism for the automatic annual
 17.23 adjustment of charges for the Minnesota jurisdictional costs net of associated revenues of:

17.24 (1) new transmission facilities that have been separately filed and reviewed and approved
 17.25 by the commission under section 216B.243 or new transmission or distribution facilities
 17.26 that are certified as a priority project or deemed to be a priority transmission project under
 17.27 section 216B.2425;

17.28 (2) new transmission facilities approved by the regulatory commission of the state in
 17.29 which the new transmission facilities are to be constructed, to the extent approval is required
 17.30 by the laws of that state, and determined by the Midcontinent Independent System Operator
 17.31 to benefit the utility or integrated transmission system; and

18.1 (3) charges incurred by a utility under a federally approved tariff that accrue from other
18.2 transmission owners' regionally planned transmission projects that have been determined
18.3 by the Midcontinent Independent System Operator to benefit the utility or integrated
18.4 transmission system.

18.5 (b) Upon filing by a public utility or utilities providing transmission service, the
18.6 commission may approve, reject, or modify, after notice and comment, a tariff that:

18.7 (1) allows the utility to recover on a timely basis the costs net of revenues of facilities
18.8 approved under section 216B.243 or certified or deemed to be certified under section
18.9 216B.2425 or exempt from the requirements of section 216B.243;

18.10 (2) allows the utility to recover charges incurred under a federally approved tariff that
18.11 accrue from other transmission owners' regionally planned transmission projects that have
18.12 been determined by the Midcontinent Independent System Operator to benefit the utility or
18.13 integrated transmission system. These charges must be reduced or offset by revenues received
18.14 by the utility and by amounts the utility charges to other regional transmission owners, to
18.15 the extent those revenues and charges have not been otherwise offset;

18.16 (3) allows the utility to recover on a timely basis the costs net of revenues of facilities
18.17 approved by the regulatory commission of the state in which the new transmission facilities
18.18 are to be constructed and determined by the Midcontinent Independent System Operator to
18.19 benefit the utility or integrated transmission system;

18.20 (4) allows the utility to recover costs associated with distribution planning required under
18.21 section 216B.2425;

18.22 (5) allows the utility to recover costs associated with investments in distribution facilities
18.23 to modernize the utility's grid that have been certified by the commission under section
18.24 216B.2425;

18.25 (6) allows the utility to recover on a timely basis the costs of upgrades that are not
18.26 allocated to participating distributed generation facilities under the commission order issued
18.27 in docket No. E002, E015, or E017/CI-24-288;

18.28 ~~(6)~~ (7) allows a return on investment at the level approved in the utility's last general
18.29 rate case, unless a different return is found to be consistent with the public interest;

18.30 ~~(7)~~ (8) provides a current return on construction work in progress, provided that recovery
18.31 from Minnesota retail customers for the allowance for funds used during construction is
18.32 not sought through any other mechanism;

19.1 ~~(8)~~ (9) allows for recovery of other expenses if shown to promote a least-cost project
 19.2 option or is otherwise in the public interest;

19.3 ~~(9)~~ (10) allocates project costs appropriately between wholesale and retail customers;

19.4 ~~(10)~~ (11) provides a mechanism for recovery above cost, if necessary to improve the
 19.5 overall economics of the project or projects or is otherwise in the public interest; and

19.6 ~~(11)~~ (12) terminates recovery once costs have been fully recovered or have otherwise
 19.7 been reflected in the utility's general rates.

19.8 (c) A public utility may file annual rate adjustments to be applied to customer bills paid
 19.9 under the tariff approved in paragraph (b). In its filing, the public utility shall provide:

19.10 (1) a description of and context for the facilities included for recovery;

19.11 (2) a schedule for implementation of applicable projects;

19.12 (3) the utility's costs for these projects;

19.13 (4) a description of the utility's efforts to ensure the lowest costs to ratepayers for the
 19.14 project; and

19.15 (5) calculations to establish that the rate adjustment is consistent with the terms of the
 19.16 tariff established in paragraph (b).

19.17 (d) Upon receiving a filing for a rate adjustment pursuant to the tariff established in
 19.18 paragraph (b), the commission shall approve the annual rate adjustments provided that, after
 19.19 notice and comment, the costs included for recovery through the tariff were or are expected
 19.20 to be prudently incurred and achieve transmission system improvements at the lowest
 19.21 feasible and prudent cost to ratepayers.

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

19.23 Sec. 4. Minnesota Statutes 2024, section 216B.16, subdivision 14, is amended to read:

19.24 Subd. 14. **Low-income electric rate discount.** A public utility shall fund an affordability
 19.25 program for low-income customers at a base annual funding level of \$8,000,000. The annual
 19.26 funding level shall increase in the calendar years subsequent to each commission approval
 19.27 of a rate increase for the public utility's residential customers by the same percentage as the
 19.28 approved residential rate increase. Costs for the program shall be included in the utility's
 19.29 base rate. ~~For the purposes of this subdivision, "low-income" describes a customer who is~~
 19.30 ~~receiving assistance from the federal low-income home energy assistance program.~~ The
 19.31 affordability program must be designed to target participating customers with the lowest

20.1 incomes and highest energy costs in order to lower the percentage of income they devote
20.2 to energy bills, increase their payments, lower utility service disconnections, and decrease
20.3 costs associated with collection activities on their accounts. For low-income customers who
20.4 are 62 years of age or older or disabled, the program must include a \$15 discount in each
20.5 billing period. For the purposes of this subdivision, "public utility" includes only those
20.6 public utilities with more than 200,000 residential electric service customers. The commission
20.7 may issue orders necessary to implement, administer, and recover the costs of the program
20.8 on a timely basis.

20.9 Sec. 5. Minnesota Statutes 2024, section 216B.16, subdivision 15, is amended to read:

20.10 Subd. 15. **Low-income affordability programs.** (a) The commission must consider
20.11 ability to pay as a factor in setting utility rates and may establish affordability programs for
20.12 low-income residential ratepayers in order to ensure affordable, reliable, and continuous
20.13 service to low-income utility customers. A public utility serving low-income residential
20.14 ratepayers who use natural gas for heating must file an affordability program with the
20.15 commission. ~~For purposes of this subdivision, "low-income residential ratepayers" means~~
20.16 ~~ratepayers who receive energy assistance from the low-income home energy assistance~~
20.17 ~~program (LIHEAP).~~

20.18 (b) Any affordability program the commission orders a utility to implement must:

20.19 (1) lower the percentage of income that participating low-income households devote to
20.20 energy bills;

20.21 (2) increase participating customer payments over time by increasing the frequency of
20.22 payments;

20.23 (3) decrease or eliminate participating customer arrears;

20.24 (4) lower the utility costs associated with customer account collection activities; and

20.25 (5) coordinate the program with other available low-income bill payment assistance and
20.26 conservation resources.

20.27 (c) In ordering affordability programs, the commission may require public utilities to
20.28 file program evaluations that measure the effect of the affordability program on:

20.29 (1) the percentage of income that participating households devote to energy bills;

20.30 (2) service disconnections; and

20.31 (3) frequency of customer payments, utility collection costs, arrearages, and bad debt.

21.1 (d) The commission must issue orders necessary to implement, administer, and evaluate
 21.2 affordability programs, and to allow a utility to recover program costs, including
 21.3 administrative costs, on a timely basis. The commission may not allow a utility to recover
 21.4 administrative costs, excluding start-up costs, in excess of five percent of total program
 21.5 costs, or program evaluation costs in excess of two percent of total program costs. The
 21.6 commission must permit deferred accounting, with carrying costs, for recovery of program
 21.7 costs incurred during the period between general rate cases.

21.8 (e) Public utilities may use information collected or created for the purpose of
 21.9 administering energy assistance to administer affordability programs.

21.10 Sec. 6. Minnesota Statutes 2024, section 216B.2402, subdivision 16, is amended to read:

21.11 Subd. 16. **Low-income household.** "Low-income household" means a household whose
 21.12 household income:

21.13 (1) is 80 percent or less of the area median household income for the geographic area
 21.14 in which the low-income household is located, as calculated by ~~the United States Department~~
 21.15 ~~of Housing and Urban Development~~ a body of the state or federal government; or

21.16 (2) meets the income eligibility standards, as determined by the commissioner, required
 21.17 for a household to receive financial assistance from a federal, state, municipal, or utility
 21.18 program administered or approved by the department.

21.19 Sec. 7. Minnesota Statutes 2024, section 216B.2421, subdivision 2, is amended to read:

21.20 Subd. 2. **Large energy facility.** "Large energy facility" means:

21.21 (1) any electric power generating plant or combination of plants at a single site with a
 21.22 combined capacity of 50,000 kilowatts or more and transmission lines directly associated
 21.23 with the plant that are necessary to interconnect the plant to the transmission system;

21.24 (2) any high-voltage transmission line with a capacity of 300 kilovolts or more and
 21.25 greater than one mile in length in Minnesota;

21.26 (3) any high-voltage transmission line with a capacity of 100 kilovolts or more with
 21.27 more than ten miles of its length in Minnesota;

21.28 (4) any pipeline greater than six inches in diameter and having more than 50 miles of
 21.29 its length in Minnesota used for the transportation of coal, crude petroleum or petroleum
 21.30 fuels or oil, or their derivatives;

22.1 (5) any pipeline for transporting natural or synthetic gas at pressures in excess of 200
22.2 pounds per square inch with more than 50 miles of its length in Minnesota;

22.3 (6) any facility designed for or capable of storing on a single site more than ~~100,000~~
22.4 1,000,000 gallons of liquefied natural gas or synthetic gas;

22.5 (7) any underground gas storage facility requiring a permit pursuant to section 103I.681;

22.6 (8) any nuclear fuel processing or nuclear waste storage or disposal facility; and

22.7 (9) any facility intended to convert any material into any other combustible fuel and
22.8 having the capacity to process in excess of 75 tons of the material per hour.

22.9 Sec. 8. Minnesota Statutes 2024, section 216C.09, is amended to read:

22.10 **216C.09 COMMISSIONER DUTIES.**

22.11 (a) The commissioner shall:

22.12 (1) manage the department as the central repository within the state government for the
22.13 collection of data on energy;

22.14 (2) prepare and adopt an emergency allocation plan specifying actions to be taken in the
22.15 event of an impending serious shortage of energy, or a threat to public health, safety, or
22.16 welfare;

22.17 (3) undertake a continuing assessment of trends in the consumption of all forms of energy
22.18 and analyze the social, economic, and environmental consequences of these trends;

22.19 (4) carry out energy conservation and efficiency measures as specified by the legislature
22.20 and recommend to the governor and the legislature additional energy policies and energy
22.21 conservation measures and efficiency programming as required to meet the objectives of
22.22 this chapter;

22.23 (5) collect and analyze data relating to present and future demands and resources for all
22.24 sources of energy;

22.25 (6) evaluate policies governing the establishment of rates and prices for energy as related
22.26 to energy conservation and energy efficiency, and other goals and policies of this chapter,
22.27 and make recommendations for changes in energy pricing policies and rate schedules;

22.28 (7) study the impact and relationship of the state energy policies to international, national,
22.29 and regional energy policies;

22.30 (8) design and implement a state program for ~~the~~ energy conservation of energy and
22.31 efficiency; ~~this the program shall~~ must include but is not be limited to; general commercial,

23.1 industrial, ~~and~~ residential, and transportation areas; ~~such~~ the program shall ~~must~~ also provide
 23.2 for the evaluation of energy systems as they relate to lighting, heating, refrigeration, air
 23.3 conditioning, building design and operation, and appliance manufacturing and operation;

23.4 (9) inform and educate the public about the sources and uses of energy and the ways in
 23.5 which ~~persons~~ Minnesotans can transition to a clean energy future, conserve energy, and
 23.6 save money;

23.7 (10) dispense funds made available for the purpose of research studies and projects ~~of~~
 23.8 ~~professional and civic orientation~~, which are related to either energy conservation, resource
 23.9 recovery, or the development of alternative energy technologies which conserve
 23.10 nonrenewable energy resources while creating minimum environmental impact;

23.11 (11) charge other governmental departments and agencies involved in energy-related
 23.12 activities with specific information gathering goals and require that those goals be met;

23.13 (12) design a comprehensive program for the development of ~~indigenous~~ energy
 23.14 resources. The program shall include, but not be limited to, providing technical,
 23.15 informational, educational, and financial services and materials to persons, businesses,
 23.16 municipalities, and organizations involved in the development of primary and emerging
 23.17 energy sources, including but not limited to solar, wind, hydropower, peat, fiber fuels,
 23.18 biomass, and other alternative energy resources. The program shall be evaluated by the
 23.19 alternative energy technical activity; and

23.20 (13) dispense loans, grants, or other financial ~~aid~~ resources from money received from
 23.21 litigation or a settlement of alleged violations of federal petroleum pricing regulations made
 23.22 available to the department for that purpose.

23.23 (b) Further, the commissioner may participate fully in hearings before the Public Utilities
 23.24 Commission on matters pertaining to rate design, cost allocation, efficient resource utilization,
 23.25 utility conservation investments, small power production, cogeneration, and other rate issues.
 23.26 The commissioner shall support the policies stated in section 216C.05 and shall prepare
 23.27 and defend testimony proposed to encourage energy conservation improvements as defined
 23.28 in section 216B.241.

23.29 Sec. 9. Minnesota Statutes 2024, section 216C.10, is amended to read:

23.30 **216C.10 COMMISSIONER POWERS.**

23.31 (a) The commissioner may:

23.32 (1) adopt rules under chapter 14 as necessary to carry out the purposes of this chapter;

24.1 (2) make all contracts under this chapter and do all things necessary to cooperate with
24.2 the United States government, and to qualify for, accept, and disburse any grant intended
24.3 to administer this chapter;

24.4 (3) provide on-site technical assistance to units of local government in order to enhance
24.5 local capabilities ~~for dealing with energy problems~~ to provide energy-related financial
24.6 resources, planning, outreach, and engagement;

24.7 (4) administer for the state, energy programs under federal law, regulations, or guidelines,
24.8 and coordinate the programs and activities with other state agencies, units of local
24.9 government, and educational institutions;

24.10 (5) develop a state energy investment plan with yearly energy conservation and alternative
24.11 energy development goals, investment targets, and marketing strategies;

24.12 (6) perform market analysis studies relating to conservation, alternative and renewable
24.13 energy resources, and energy recovery;

24.14 (7) assist with the preparation of proposals for innovative conservation, renewable,
24.15 alternative, or energy recovery projects;

24.16 (8) manage and disburse funds made available for the purpose of research studies or
24.17 demonstration projects related to energy conservation or other activities deemed appropriate
24.18 by the commissioner;

24.19 (9) intervene in certificate of need proceedings before the Public Utilities Commission;

24.20 (10) collect fees from recipients of loans, grants, or other financial aid from money
24.21 received from litigation or settlement of alleged violations of federal petroleum-pricing
24.22 regulations, which fees must be used to pay the department's costs in administering those
24.23 financial aids; and

24.24 (11) collect fees from proposers and operators of conservation and other energy-related
24.25 programs that are reviewed, evaluated, or approved by the department, other than proposers
24.26 that are political subdivisions or community or nonprofit organizations, to cover the
24.27 department's cost in making the reviewal, evaluation, or approval and in developing additional
24.28 programs for others to operate.

24.29 (b) Notwithstanding any other law, the commissioner is designated the state agent to
24.30 apply for, receive, and accept federal or other funds made available to the state for the
24.31 purposes of this chapter.

25.1 Sec. 10. Minnesota Statutes 2024, section 216C.11, is amended to read:

25.2 **216C.11 ENERGY CONSERVATION INFORMATION CENTER.**

25.3 (a) The commissioner shall ~~shall~~ must establish an Energy Information Center in the
 25.4 department's offices in St. Paul ~~department~~. The information center ~~shall~~ must maintain a
 25.5 ~~toll-free telephone information service and disseminate printed materials on energy~~
 25.6 ~~conservation topics, including but not limited to, availability of loans and other public and~~
 25.7 ~~private financing methods for energy conservation physical improvements, the techniques~~
 25.8 ~~and materials used to conserve energy in buildings, including retrofitting or upgrading~~
 25.9 ~~insulation and installing weatherstripping, the projected prices and availability of different~~
 25.10 ~~sources of energy, and alternative sources of energy~~ physical, virtual, and mobile information
 25.11 service that collects, analyzes, and disseminates energy resources, data, technical assistance
 25.12 and expertise, financial assistance, connections, and information on a variety of energy
 25.13 topics relevant to Minnesota consumers, businesses, Tribal and local governments, and
 25.14 community organizations. The information center must be accessible and responsive to
 25.15 public inquiries and must conduct proactive outreach.

25.16 ~~The Energy Information Center shall serve as the official Minnesota Alcohol Fuels~~
 25.17 ~~Information Center and shall disseminate information, printed, by the toll-free telephone~~
 25.18 ~~information service, or otherwise on the applicability and technology of alcohol fuels.~~

25.19 ~~The information center shall include information on the potential hazards of energy~~
 25.20 ~~conservation techniques and improvements in the printed materials disseminated. The~~
 25.21 ~~commissioner shall not be liable for damages arising from the installation or operation of~~
 25.22 ~~equipment or materials recommended by the information center.~~

25.23 (b) The information center shall ~~shall~~ must use the information collected under section
 25.24 216C.02, subdivision 1, to maintain a central source of information on energy conservation,
 25.25 energy efficiency, and other energy-related programs, including ~~both~~ programs required by
 25.26 law or rule and programs developed and carried on voluntarily.

25.27 Sec. 11. Minnesota Statutes 2024, section 216C.12, is amended to read:

25.28 **216C.12 ENERGY CONSERVATION PUBLICITY LITERACY.**

25.29 (a) The commissioner, in consultation with other affected agencies or departments shall,
 25.30 must develop informational materials, ~~pamphlets and radio and television messages~~ and
 25.31 messaging on energy conservation and ~~housing~~ energy efficiency programs available in
 25.32 Minnesota, ~~renewable energy resources, and energy supply and demand.~~ The printed materials
 25.33 ~~shall include information on available tax credits for residential energy conservation~~

26.1 ~~measures, residential retrofitting loan and grant programs, and data on the economies of~~
 26.2 ~~energy conservation and renewable resource measures. Copies of printed materials shall be~~
 26.3 ~~distributed to members of the appropriate standing committees of the legislature. The~~
 26.4 ~~commissioner must use modern and current outreach strategies and media to distribute the~~
 26.5 ~~informational materials and messaging to the widest possible audience.~~

26.6 (b) The informational materials must promote energy literacy for individuals and
 26.7 communities to help individuals and communities make informed decisions on topics ranging
 26.8 from smart energy use at home and consumer choices to national and international energy
 26.9 policy. The informational materials must include but are not limited to information on energy
 26.10 sources, energy generation, energy use, energy conservation strategies, the energy workforce
 26.11 sector, and state and federal energy-related programs administered by the department.

26.12 Sec. 12. Minnesota Statutes 2024, section 216C.391, subdivision 1, is amended to read:

26.13 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
 26.14 the meanings given.

26.15 (b) "Competitive funds" means federal funds awarded to selected applicants based on
 26.16 the grantor's evaluation of the strength of an application measured against all other
 26.17 applications.

26.18 (c) "Disadvantaged community": (1) has the meaning given by the federal agency
 26.19 disbursing federal funds; or (2) is a community located in an area that is a low-income area,
 26.20 as defined in section 116M.14, subdivision 4.

26.21 (d) "Eligible entity" means an entity located in Minnesota that is eligible to receive
 26.22 federal funds, tax credits, loans, or an entity that has at least one Minnesota-based partner,
 26.23 as determined by the grantor of the federal funds, tax credits, or loans.

26.24 (e) "Federal funds" means federal formula or competitive funds available for award to
 26.25 applicants for energy projects ~~under the Infrastructure Investment and Jobs Act, Public Law~~
 26.26 ~~117-58, or the Inflation Reduction Act of 2022, Public Law 117-169.~~

26.27 (f) "Formula funds" means federal funds awarded to all eligible applicants on a
 26.28 noncompetitive basis.

26.29 (g) "Loans" means federal loans from loan funds authorized or funded in the Inflation
 26.30 Reduction Act of 2022, Public Law 117-169.

26.31 (h) "Match" means the amount of ~~state~~ nonfederal money a successful grantee in
 26.32 Minnesota is required to contribute to a project as a condition of receiving federal funds.

27.1 (i) "Political subdivision" has the meaning given in section 331A.01, subdivision 3.

27.2 (j) "Project" means the activities proposed to be undertaken by an eligible entity awarded
27.3 federal funds and are located in Minnesota or will directly benefit Minnesotans.

27.4 (k) "Tax credits" means federal tax credits authorized in the Inflation Reduction Act of
27.5 2022, Public Law 117-169.

27.6 (l) "Tribal government" has the meaning given in section 116J.64, subdivision 4.

27.7 Sec. 13. Minnesota Statutes 2024, section 216C.391, subdivision 2, is amended to read:

27.8 Subd. 2. **Establishment of account; eligible expenditures.** (a) A state competitiveness
27.9 fund account is created in the special revenue fund of the state treasury. The commissioner
27.10 must credit to the account appropriations and transfers to the account. Earnings, such as
27.11 interest, dividends, and any other earnings arising from assets of the account, must be
27.12 credited to the account. Money remaining in the account at the end of a fiscal year does not
27.13 cancel to the general fund but remains available until June 30, 2034. The commissioner is
27.14 the fiscal agent and must manage the account.

27.15 (b) Money in the account is appropriated to the commissioner and must be used to:

27.16 (1) pay all or any portion of the state match required as a condition of receiving federal
27.17 funds, or to otherwise reduce the cost for projects that are awarded federal funds, as described
27.18 under subdivision 3, paragraph (a);

27.19 (2) award grants under subdivision 4 to obtain grant development assistance for eligible
27.20 entities;

27.21 (3) award grants that reduce the cost for projects that are awarded federal loans within
27.22 disadvantaged communities;

27.23 (4) award grants for activities that are ~~additive~~ eligible to receive federal tax credits
27.24 ~~received by an eligible entity~~ to further reduce the cost of the technologies and activities
27.25 eligible for such federal tax credits in disadvantaged communities; and

27.26 (5) pay the reasonable costs incurred by the department to assist eligible entities to
27.27 successfully compete for available federal funds and utilize available federal tax credits or
27.28 loans.

27.29 Sec. 14. Minnesota Statutes 2024, section 216C.391, subdivision 3, is amended to read:

27.30 Subd. 3. **Grant awards; eligible entities; priorities.** (a) Grants may be awarded under
27.31 this section to eligible entities in accordance with the following order of priorities:

- 28.1 (1) federal formula funds directed to the state that require a match;
- 28.2 (2) federal funds directed to a political subdivision or a Tribal government that require
28.3 a match;
- 28.4 (3) federal funds directed to an institution of higher education, a consumer-owned utility,
28.5 a business, or a nonprofit organization that require a match;
- 28.6 (4) federal funds directed to investor-owned utilities that require a match;
- 28.7 (5) federal funds directed to an eligible entity not included in clauses (1) to (4) that
28.8 require a match; and
- 28.9 (6) all other grant opportunities directed to eligible entities that do not require a match
28.10 but for which the commissioner determines that a grant made under this section is likely to
28.11 enhance the likelihood of an applicant receiving federal funds, or to increase the potential
28.12 amount of federal funds received.

28.13 (b) By November 15, 2023, the commissioner must develop and publicly post, and report
28.14 to the chairs and ranking minority members of the legislative committees with jurisdiction
28.15 over energy finance, the federal energy grant funds that are eligible for state matching funds
28.16 under this section.

28.17 (c) Notwithstanding section 16B.98, subdivision 5, paragraph (b), a grant made under
28.18 this section may exceed five years.

28.19 Sec. 15. Minnesota Statutes 2024, section 216C.47, subdivision 1, is amended to read:

28.20 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
28.21 the meanings given.

28.22 (b) "Eligible applicant" means a county, city, town, Tribal government, or the
28.23 Metropolitan Council.

28.24 (c) "Geothermal energy system" means a system that heats and cools one or more
28.25 buildings by using the constant temperature of the earth as both a heat source and heat sink,
28.26 and a heat exchanger consisting of an underground closed loop system of piping containing
28.27 a liquid to absorb and relinquish heat within the earth. Geothermal energy system includes:

28.28 (1) a bored geothermal heat exchanger, as defined in section 103I.005;

28.29 (2) a groundwater thermal exchange device, as defined in section 103I.005; and

28.30 (3) a submerged closed loop heat exchanger, as defined in section 103I.005.

29.1 (d) "Tribal government" means the elected government of a federally recognized Indian
 29.2 Tribe located in Minnesota.

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

29.4 Sec. 16. Laws 2024, chapter 126, article 6, section 53, is amended to read:

29.5 **Sec. 53. INTERCONNECTION DOCKET; PUBLIC UTILITIES COMMISSION.**

29.6 (a) No later than September 1, 2024, the commission must initiate a proceeding to
 29.7 establish by order generic standards for the sharing of utility costs necessary to upgrade a
 29.8 utility's distribution system by increasing hosting capacity or applying other necessary
 29.9 distribution system upgrades at a congested or constrained location in order to allow for the
 29.10 interconnection of distributed generation facilities at the congested or constrained location
 29.11 and to advance the achievement of the state's renewable and carbon-free energy goals in
 29.12 Minnesota Statutes, section 216B.1691 and greenhouse gas emissions reduction goals in
 29.13 Minnesota Statutes, section 216H.02. The tariff standards must reflect an interconnection
 29.14 process designed to, at a minimum:

29.15 (1) accelerate the expansion of hosting capacity at multiple points on a utility's distribution
 29.16 system by ensuring that the cost of upgrades is shared fairly among owners of distributed
 29.17 generation projects seeking interconnection on a pro rata basis according to the amount of
 29.18 the expanded capacity utilized by each interconnected distributed generation facility;

29.19 (2) reduce the capital burden on owners of trigger projects seeking interconnection;

29.20 (3) establish a minimum level of upgrade costs an expansion of hosting capacity must
 29.21 reach in order to be eligible to participate in the cost-share process and below which a trigger
 29.22 project must bear the full cost of the upgrade;

29.23 (4) establish a distributed generation facility's pro rata cost-share amount as the utility's
 29.24 total cost of the upgrade divided by the incremental capacity resulting from the upgrade,
 29.25 and multiplying the result by the capacity of the distributed generation facility seeking
 29.26 interconnection;

29.27 (5) establish a minimum proportion of the total upgrade cost that a utility must receive
 29.28 from one or more distributed generation facilities before initiating constructing an upgrade;

29.29 (6) allow trigger projects and any other distributed generation facilities to pay a utility
 29.30 more than the trigger project's or distributed generation facility's pro rata cost-share amount
 29.31 only if needed to meet the minimum threshold established in clause (5) and to receive refunds
 29.32 for amounts paid beyond the trigger project's or distributed generation facility's pro rata

30.1 share of expansion costs from distributed generation projects that subsequently interconnect
30.2 at the applicable location, after which pro rata payments are paid to the utility for distribution
30.3 to ratepayers;

30.4 (7) prohibit owners of distributed generation facilities from using any unsubscribed
30.5 capacity at an interconnection that has undergone an upgrade without the distributed
30.6 generation owners paying the distributed generation owner's pro rata cost of the upgrade;
30.7 and

30.8 (8) establish an annual limit or a formula for determining an annual limit for the total
30.9 cost of upgrades that are not allocated to owners of participating generation facilities and
30.10 may be recovered from ratepayers under section 216B.16, subdivision 7b, paragraph (b),
30.11 clause (6).

30.12 (b) For the purposes of this section, the following terms have the meanings given:

30.13 (1) "distributed generation project" means an energy generating system with a capacity
30.14 no greater than ten megawatts;

30.15 (2) "hosting capacity" means the maximum capacity of a utility distribution system to
30.16 transport electricity at a specific location without compromising the safety or reliability of
30.17 the distribution system;

30.18 (3) "trigger project" means the initial distributed generation project whose application
30.19 for interconnection of a distributed generation project alerts a utility that an upgrade is
30.20 needed in order to accommodate the trigger project and any future interconnections at the
30.21 applicable location;

30.22 (4) "upgrade" means a modification of a utility's distribution system at a specific location
30.23 that is necessary to allow the interconnection of distributed generation projects by increasing
30.24 hosting capacity at the applicable location, including but not limited to installing or modifying
30.25 equipment at a substation or along a distribution line. Upgrade does not mean an expansion
30.26 of hosting capacity dedicated solely to the interconnection of a single distributed generation
30.27 project; and

30.28 (5) "utility" means a public utility, as defined in Minnesota Statutes, section 216B.02,
30.29 subdivision 4, that provides electric service.

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

ARTICLE 4

SECURITIZATION

Section 1. [216B.491] DEFINITIONS.

Subdivision 1. Scope. For the purposes of sections 216B.491 to 216B.499, the terms defined in this section have the meanings given.

Subd. 2. Ancillary agreement. "Ancillary agreement" means a bond, insurance policy, letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, liquidity or credit support arrangement, or other financial arrangement entered into in connection with extraordinary event bonds that is designed to promote the credit quality and marketability of extraordinary event bonds or to mitigate the risk of an increase in interest rates.

Subd. 3. Assignee. "Assignee" means a person to which an interest in extraordinary event property is sold, assigned, transferred, or conveyed, other than as security, and any successor to or subsequent assignee of the person.

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

Subd. 5. Customer. "Customer" means a person who purchases natural gas or natural gas transportation services from a utility in Minnesota. Customer does not include a person 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

32.1 natural gas service following one or more extraordinary events, including but not limited
 32.2 to activities related to mobilizing, staging, constructing, reconstructing, replacing, or repairing
 32.3 natural gas transmission, distribution, storage, or general facilities.

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

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

32.13 (1) a utility that is the subject of a financing order or the utility's successor or assignee
 32.14 imposes on all of the utility's customers;

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

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

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

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

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

32.23 (ii) prudent and reasonable;

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

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

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

32.32 (5) must be adjusted to reflect:

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

33.3 (ii) a more fair or reasonable allocation of extraordinary event costs to customers over
 33.4 time, as expressed in a commission order, provided that after the issuance of extraordinary
 33.5 event bonds relating to the extraordinary event costs, the adjustment must not (A) reduce
 33.6 or impair the extraordinary event property relating to the extraordinary event bonds, or (B)
 33.7 reduce, impair, postpone, or terminate extraordinary event charges relating to the
 33.8 extraordinary event bonds until all principal, interest, and redemption premium, if any,
 33.9 payable on the extraordinary event bonds, all financing costs for the extraordinary event
 33.10 bonds, and all amounts that must be paid to an assignee or financing party under an ancillary
 33.11 agreement relating to the extraordinary event bonds are paid in full.

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

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

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

33.21 **Subd. 12. Extraordinary event revenue.** "Extraordinary event revenue" means revenue,
 33.22 receipts, collections, payments, money, claims, or other proceeds arising from extraordinary
 33.23 event property.

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

33.25 (1) principal, interest, and redemption premiums, if any, that are payable on extraordinary
 33.26 event bonds;

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

33.30 (3) other demonstrable costs related to issuing, supporting, repaying, refunding, and
 33.31 servicing extraordinary event bonds, including but not limited to servicing fees, accounting
 33.32 and auditing fees, trustee fees, legal fees, consulting fees, financial adviser fees,
 33.33 administrative fees, placement and underwriting fees, capitalized interest, rating agency

34.1 fees, stock exchange listing and compliance fees, security registration fees, filing fees,
 34.2 information technology programming costs, and any other demonstrable costs necessary to
 34.3 otherwise ensure and guarantee the timely payment of extraordinary event bonds, other
 34.4 amounts payable in connection with extraordinary event bonds, or other extraordinary event
 34.5 charges payable in connection with extraordinary event bonds;

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

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

34.11 (6) costs incurred by the commission to (i) hire and compensate additional temporary
 34.12 staff needed to perform the commission's responsibilities under this section, and (ii) engage
 34.13 specialized counsel and expert consultants experienced in securitized utility ratepayer-backed
 34.14 bond financings similar to extraordinary event bonds financings, as provided under section
 34.15 216B.494.

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

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

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

34.20 (3) create extraordinary event property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36.15 (8) a memorandum with supporting exhibits, developed by a securities firm that is
36.16 experienced in the marketing of securitized utility ratepayer-backed bonds, indicating the
36.17 proposed issuance satisfies: (i) the current published AA, Aa2, or higher rating; or (ii)
36.18 equivalent rating criteria of at least one nationally recognized securities rating organization
36.19 for issuances similar to the proposed extraordinary event bonds;

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

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

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

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

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

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

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

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

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

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

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

37.11 (i) are just and reasonable;

37.12 (ii) are consistent with the public interest;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38.25 (11) specify information regarding extraordinary event bonds issuance and repayments,
38.26 financing costs, energy transaction charges, extraordinary event property, and related matters
38.27 that the natural gas utility is required to provide to the commission on a schedule determined
38.28 by the commission;

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

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

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

39.7 (i) operating the natural gas facilities; or

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

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

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

39.12 (i) promote the public interest; and

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

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

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

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

39.22 (c) Subject to judicial review under section 216B.52, a financing order is irrevocable
39.23 and is not reviewable by a future commission. The commission must not: (1) reduce, impair,
39.24 postpone, or terminate extraordinary event charges approved in a financing order; (2) reduce
39.25 or impair the extraordinary event property approved in a financing order or impair the
39.26 collection or recovery of extraordinary event charges and extraordinary event revenue; or
39.27 (3) change the customers required to pay extraordinary event charges.

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

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

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

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

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

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

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

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

40.19 (b) Nothing in this subdivision:

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

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

40.25 (3) prevents or precludes the commission from imposing regulatory sanctions against a
40.26 utility for failure to comply with (i) the financing order's terms and conditions, or (ii) the
40.27 requirements of this section.

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

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

41.2 Subdivision 1. **Financing costs review.** Within 120 days after the date extraordinary
41.3 event bonds are issued, a utility subject to a financing order must file with the commission
41.4 the actual initial and ongoing financing costs, the final structure and pricing of the
41.5 extraordinary event bonds, and the actual extraordinary event charge. The commission must
41.6 review the prudence of the natural gas utility's actions to determine whether the actual
41.7 financing costs were the lowest that could reasonably be achieved given the financing order's
41.8 terms and market conditions prevailing at the time the extraordinary event bonds are issued.

41.9 Subd. 2. **Enforcement.** If the commission determines that a utility's actions under this
41.10 section are not prudent or are inconsistent with the financing order, the commission may
41.11 apply remedies deemed appropriate for utility actions, provided that any remedy applied
41.12 must not directly or indirectly: (1) reduce or impair the extraordinary event property approved
41.13 in the financing order or impair the collection or recovery of extraordinary event charges
41.14 and extraordinary event revenue; (2) reduce, impair, postpone, or terminate extraordinary
41.15 event charges approved in the financing order until all principal, interest, and redemption
41.16 premium, if any, payable on the extraordinary event bonds, all financing costs, and all
41.17 amounts to be paid to an assignee or financing party under an ancillary agreement are paid
41.18 in full; or (3) change the customers required to pay extraordinary event charges.

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

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

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

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

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

41.27 (b) A utility presented with a written request from the commission to reimburse the
41.28 commission's expenses incurred under paragraph (a), accompanied by a detailed account
41.29 of the subject expenses, must provide the issuer of the extraordinary event bonds and the
41.30 indenture trustee for the extraordinary event bonds with such documentation. The indenture
41.31 trustee must remit full payment of the expenses to the commission on the next interest
41.32 payment date of the extraordinary event bonds after the payment of interest and scheduled

42.1 principal of the extraordinary event bonds in accordance with the payment waterfall included
42.2 in the indenture governing the extraordinary event bonds.

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

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

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

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

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

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

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

42.17 (2) file annually with the commission:

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

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

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

42.25 (c) A utility's failure to comply with this section does not invalidate, impair, or affect
42.26 any financing order, extraordinary event property, extraordinary event charge, or
42.27 extraordinary event bonds, but does subject the utility to penalties under applicable
42.28 commission rules provided that any penalty applied must not directly or indirectly: (1)
42.29 reduce or impair the extraordinary event property approved in the financing order or impair
42.30 the collection or recovery of extraordinary event charges and extraordinary event revenue;
42.31 (2) reduce, impair, postpone, or terminate extraordinary event charges approved in the
42.32 financing order until all principal, interest, and redemption premium, if any, payable on the

43.1 extraordinary event bonds, all financing costs, and all amounts to be paid to an assignee or
43.2 financing party under an ancillary agreement are paid in full; or (3) change the customers
43.3 required to pay extraordinary event charges.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44.31 (f) The priority of a security interest in extraordinary event property is not affected by
44.32 the commingling of extraordinary event property or extraordinary event revenue with other
44.33 money. An assignee, bondholder, or financing party has a perfected security interest in the

45.1 amount of all extraordinary event property or extraordinary event revenue that is pledged
45.2 to pay extraordinary event bonds even if the extraordinary event property or extraordinary
45.3 event revenue is deposited in a cash or deposit account owned by the utility in which the
45.4 extraordinary event revenue is commingled with other money. Any other security interest
45.5 that applies to the other money does not apply to the extraordinary event revenue.

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

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

45.16 (1) the financing order creating and describing the extraordinary event property is
45.17 effective;

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

45.20 (3) value is received.

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

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

45.25 (2) the seller retaining:

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

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

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

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

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

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

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

46.9 (8) any application of an adjustment mechanism under section 216B.492, subdivision
46.10 3, paragraph (a), clause (6).

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

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

46.15 (b) Extraordinary event bonds issued under a financing order are not debt of or a pledge
46.16 of the faith and credit or taxing power of the state, any agency of the state, or any political
46.17 subdivision. An extraordinary event bonds holder does not possess the ability to compel
46.18 taxes to be levied by the state or a political subdivision in order to pay the principal or
46.19 interest on extraordinary event bonds. The issuance of extraordinary event bonds does not
46.20 directly, indirectly, or contingently obligate the state or a political subdivision to levy any
46.21 tax or make any appropriation to pay principal or interest on the extraordinary event bonds.

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

46.25 (1) taking or permitting an action that reduces or impairs the extraordinary event property
46.26 approved in the financing order or impairs the collection or recovery of extraordinary event
46.27 charges or extraordinary event revenue;

46.28 (2) reducing, impairing, postponing, or terminating extraordinary event charges approved
46.29 in the financing order that are imposed, collected, and remitted for the benefit of an
46.30 extraordinary event bonds holder, assignee, and financing party until all principal, interest,
46.31 and redemption premium, if any, payable on extraordinary event bonds, all financing costs,

47.1 and all amounts to be paid to an assignee or financing party under an ancillary agreement
 47.2 are paid in full; or

47.3 (3) changing the customers required to pay the extraordinary event charges.

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

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

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

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

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

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

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

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

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

47.24 **Sec. 10. Minnesota Statutes 2024, section 216B.62, subdivision 3, is amended to read:**

47.25 **Subd. 3. Assessing all public utilities.** The department and commission shall quarterly,
 47.26 at least 30 days before the start of each quarter, estimate the total of their expenditures in
 47.27 the performance of their duties relating to public utilities under sections 216B.01 to 216B.67,
 47.28 other than amounts chargeable to public utilities under subdivision 2, 6, 7, ~~or~~ 8, or 9. The
 47.29 remainder shall be assessed by the commission and department to the several public utilities
 47.30 in proportion to their respective gross operating revenues from retail sales of gas or electric
 47.31 service within the state during the last calendar year. The assessment shall be paid into the

48.1 state treasury within 30 days after the bill has been transmitted via mail, personal delivery,
48.2 or electronic service to the several public utilities, which shall constitute notice of the
48.3 assessment and demand of payment thereof. The total amount which may be assessed to
48.4 the public utilities, under authority of this subdivision, shall not exceed one-sixth of one
48.5 percent of the total gross operating revenues of the public utilities during the calendar year
48.6 from retail sales of gas or electric service within the state. The assessment for the third
48.7 quarter of each fiscal year shall be adjusted to compensate for the amount by which actual
48.8 expenditures by the commission and department for the preceding fiscal year were more or
48.9 less than the estimated expenditures previously assessed.

48.10 Sec. 11. Minnesota Statutes 2024, section 216B.62, is amended by adding a subdivision
48.11 to read:

48.12 Subd. 9. **Administrative costs for extraordinary event bonds.** The commission and
48.13 the department may assess gas utilities for the actual commission and department costs
48.14 incurred to administer extraordinary event bonds under sections 216B.491 to 216B.499.
48.15 The money received from the assessment must be deposited into an account in the special
48.16 revenue fund. All money deposited in the account is appropriated to the commission or the
48.17 department for the purposes of this subdivision. The commission and department may
48.18 initially assess for estimated costs under sections 216B.491 to 216B.499, then must adjust
48.19 subsequent assessments for actual costs incurred under sections 216B.491 to 216B.499. An
48.20 assessment made under this subdivision is not subject to the cap on assessments provided
48.21 in subdivision 3 or any other law.