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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1189

1.1 A bill for an act

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

1.3 allowing electric utilities to reduce the cost impacts on customers when generating

1.4 plants are retired; establishing an account; providing for transition services to

1.5 workers at retiring electric generating plants; proposing coding for new law in

1.6 Minnesota Statutes, chapter 216B.

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

1.8 Section 1. 216B.491 DEFINITIONS.

1.9 Subdivision 1. Scope. For the purposes of sections 216B.491 to 216B.4991, the terms

1.10 defined in this subdivision have the meanings given them.

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

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

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

1.14 with energy transition bonds that is designed to promote the credit quality and marketability

1.15 of energy transition bonds or to mitigate the risk of an increase in interest rates.

1.16 Subd. 3. Assignee. "Assignee" means any person to which an interest in energy transition

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

1.18 to or subsequent assignee of the person.

1.19 Subd. 4. Bondholder. "Bondholder" means any holder or owner of energy transition

1.20 bonds.

1.21 Subd. 5. Clean energy resource. "Clean energy resource" means:

1.22 (1) renewable energy, as defined in section 216B.2422, subdivision 1;

2.1 (2) an energy storage system; or

2.2 (3) energy efficiency and load management, as defined in section 216B.241, subdivision

2.3 1.

2.4 Subd. 6. **Customer.** "Customer" means a person who takes electric service from an
2.5 electric utility for consumption of electricity in Minnesota.

2.6 Subd. 7. **Electric generating facility.** "Electric generating facility" means a facility that
2.7 generates electricity, is owned in whole or in part by an electric utility, and is used to serve
2.8 customers in Minnesota. Electric generating facility includes any interconnected infrastructure
2.9 or facility used to transmit or deliver electricity to Minnesota customers.

2.10 Subd. 8. **Electric utility.** "Electric utility" means an electric utility providing electricity
2.11 to Minnesota customers, including the electric utility's successors or assignees.

2.12 Subd. 9. **Energy storage system.** "Energy storage system" means a commercially
2.13 available technology that:

2.14 (1) uses mechanical, chemical, or thermal processes to:

2.15 (i) store energy and deliver the stored energy for use at a later time; or

2.16 (ii) store thermal energy for direct use for heating or cooling at a later time in a manner
2.17 that reduces the demand for electricity at the later time;

2.18 (2) if being used for electric grid benefits, is operationally visible and capable of being
2.19 controlled by the distribution or transmission entity managing it to enable and optimize the
2.20 safe and reliable operation of the electric system; and

2.21 (3) achieves any of the following:

2.22 (i) reduces peak electrical demand;

2.23 (ii) defers the need or substitutes for an investment in electric generation, transmission,
2.24 or distribution assets;

2.25 (iii) improves the reliable operation of the electrical transmission or distribution systems;

2.26 or

2.27 (iv) lowers customer costs by storing energy when the cost of generating or purchasing
2.28 energy is low and delivering energy to customers when costs are high.

2.29 Subd. 10. **Energy transition bonds.** "Energy transition bonds" means low-cost corporate
2.30 securities, including but not limited to senior secured bonds, debentures, notes, certificates
2.31 of participation, certificates of beneficial interest, certificates of ownership, or other evidences

3.1 of indebtedness or ownership that have a scheduled maturity of no longer than 30 years and
3.2 a final legal maturity date that is not later than 32 years from the issue date, that are rated
3.3 AA or Aa2 or better by a major independent credit rating agency at the time of issuance,
3.4 and that are issued by an electric utility or an assignee under a financing order.

3.5 Subd. 11. **Energy transition charge.** "Energy transition charge" means a charge that:
3.6 (1) is imposed on all customer bills by an electric utility that is the subject of a financing
3.7 order, or the electric utility's successors or assignees;
3.8 (2) is separate from the utility's base rates; and
3.9 (3) provides a source of revenue solely to repay, finance, or refinance energy transition
3.10 costs.

3.11 Subd. 12. **Energy transition costs.** "Energy transition costs" means:
3.12 (1) as approved by the commission in a financing order issued under section 216B.492,
3.13 the pretax costs that the electric utility has incurred or will incur that are caused by, associated
3.14 with, or remain as a result of retiring or replacing electric generating facilities serving
3.15 Minnesota retail customers; and
3.16 (2) pretax costs that an electric utility has previously incurred related to the closure or
3.17 replacement of electric infrastructure or facilities occurring before the effective date of this
3.18 act.

3.19 Energy transition costs do not include any monetary penalty, fine, or forfeiture assessed
3.20 against an electric utility by a government agency or court under a federal or state
3.21 environmental statute, rule, or regulation.

3.22 Subd. 13. **Energy transition property.** "Energy transition property" means:
3.23 (1) all rights and interests of an electric utility or successor or assignee of an electric
3.24 utility under a financing order for the right to impose, bill, collect, receive, and obtain
3.25 periodic adjustments to energy transition charges authorized under a financing order issued
3.26 by the commission; and
3.27 (2) all revenue, collections, claims, rights to payments, payments, money, or proceeds
3.28 arising from the rights and interests specified in clause (1), regardless of whether any are
3.29 commingled with other revenue, collections, rights to payment, payments, money, or
3.30 proceeds.

4.1 Subd. 14. **Energy transition revenue.** "Energy transition revenue" means revenue,
4.2 receipts, collections, payments, money, claims, or other proceeds arising from energy
4.3 transition property.

4.4 Subd. 15. **Financing costs.** "Financing costs" means:

4.5 (1) principal, interest, and redemption premiums that are payable on energy transition
4.6 bonds;

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

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

4.18 (4) taxes and license fees imposed on the revenue generated from collecting an energy
4.19 transition charge;

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

4.23 (6) costs incurred by the commission to hire and compensate additional temporary staff
4.24 needed to perform its responsibilities under this section and, in accordance with section
4.25 216B.494, to engage specialized counsel and expert consultants experienced in securitized
4.26 electric utility ratepayer-backed bond financing similar to energy transition bonds.

4.27 Subd. 16. **Financing order.** "Financing order" means an order issued by the commission
4.28 under section 216B.492 that authorizes an applicant to (1) issue energy transition bonds in
4.29 one or more series, (2) impose, charge, and collect energy transition charges, and (3) create
4.30 energy transition property.

4.31 Subd. 17. **Financing party.** "Financing party" means a holder of energy transition bonds
4.32 and a trustee, collateral agent, a party under an ancillary agreement, or any other person
4.33 acting for the benefit of energy transition bondholders.

5.1 Subd. 18. **Nonbypassable.** "Nonbypassable" means that the payment of an energy
 5.2 transition charge required to repay bonds and related costs may not be avoided by any retail
 5.3 customer located within an electric utility service area.

5.4 Subd. 19. **Pretax costs.** "Pretax costs" means costs approved by the commission,
 5.5 including but not limited to:

5.6 (1) unrecovered capitalized costs of retired or replaced electric generating facilities;

5.7 (2) costs to decommission and restore the site of an electric generating facility;

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

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

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

5.16 Sec. 2. [216B.492] FINANCING ORDER.

5.17 Subdivision 1. **Application.** (a) An electric utility that has received approval from the
 5.18 commission to retire an electric generating facility owned by the utility prior to the full
 5.19 depreciation of the electric generating facility's value may file an application with the
 5.20 commission for the issuance of a financing order to enable the utility to recover energy
 5.21 transition costs through the issuance of energy transition bonds under this section.

5.22 (b) The application must include all of the following information:

5.23 (1) a description of the electric generating facility to be retired;

5.24 (2) the undepreciated value remaining in the electric generating facility that is proposed
 5.25 to be financed through the issuance of bonds under this act, and the method used to calculate
 5.26 the amount;

5.27 (3) the estimated savings to electric utility customers if the financing order is issued as
 5.28 requested in the application, calculated by comparing the costs to customers that are expected
 5.29 to result from implementing the financing order and the estimated costs associated with
 5.30 implementing traditional electric utility financing mechanisms with respect to the same
 5.31 undepreciated balance, expressed in net present value terms;

- 6.1 (4) an estimated schedule for the electric generating facility's retirement;
- 6.2 (5) a description of the nonbypassable energy transition charge electric utility customers
6.3 would be required to pay in order to fully recover financing costs, and the method and
6.4 assumptions used to calculate the amount;
- 6.5 (6) a proposed methodology for allocating the revenue requirement for the energy
6.6 transition charge among the utility's customer classes;
- 6.7 (7) a description of a proposed adjustment mechanism to be implemented when necessary
6.8 to correct any overcollection or undercollection of energy transition charges, in order to
6.9 complete payment of scheduled principal and interest on energy transition bonds and other
6.10 financing costs in a timely fashion;
- 6.11 (8) a memorandum with supporting exhibits, from a securities firm that is experienced
6.12 in the marketing of bonds and that is approved by the commissioner of management and
6.13 budget, indicating the proposed issuance satisfies the current published AA or Aa2 or higher
6.14 rating or equivalent rating criteria of at least one nationally recognized securities rating
6.15 organization for issuances similar to the proposed energy transition bonds;
- 6.16 (9) an estimate of the timing of the issuance and the term of the energy transition bonds,
6.17 or series of bonds, provided that the scheduled final maturity for each bond issuance does
6.18 not exceed 30 years;
- 6.19 (10) identification of plans to sell, assign, transfer, or convey, other than as a security,
6.20 interest in energy transition property, including identification of an assignee, and
6.21 demonstration that the assignee is a financing entity wholly owned, directly or indirectly,
6.22 by the electric utility;
- 6.23 (11) identification of ancillary agreements that may be necessary or appropriate;
- 6.24 (12) one or more alternative financing scenarios in addition to the preferred scenario
6.25 contained in the application; and
- 6.26 (13) a workforce transition plan that includes estimates of:
- 6.27 (i) the number of workers currently employed at the electric generating facility to be
6.28 retired by the electric utility and, separately reported, by contractors, including workers that
6.29 directly deliver fuel to the electric generating facility;
- 6.30 (ii) the number of workers identified in clause (i) who, as a result of the retirement of
6.31 the electric generating facility:
- 6.32 (A) are offered employment by the electric utility in the same job classification;

7.1 (B) are offered employment by the electric utility in a different job classification;

7.2 (C) are not offered employment by the electric utility;

7.3 (D) are offered early retirement by the electric utility; and

7.4 (E) retire as planned;

7.5 (iii) if the electric utility plans to replace the retiring generating facility with a new

7.6 electric generating facility owned by the electric utility, the number of jobs at the new

7.7 generating facility outsourced to contractors or subcontractors; and

7.8 (14) a plan to replace the retired electric generating facilities with other electric generating

7.9 facilities owned by the utility or power purchase agreements that meet the requirements of

7.10 subdivision 3, clause (15), and a schedule reflecting that the replacement resources are

7.11 operational or available at the time the retiring electric generating facilities cease operation.

7.12 Subd. 2. Findings. After providing notice and holding a public hearing on an application

7.13 filed under subdivision 1, the commission may issue a financing order if the commission

7.14 finds that:

7.15 (1) the energy transition costs described in the application related to the retirement of

7.16 electric generation facilities are reasonable;

7.17 (2) the proposed issuance of energy transition bonds and the imposition and collection

7.18 of energy transition charges:

7.19 (i) are just and reasonable;

7.20 (ii) are consistent with the public interest;

7.21 (iii) constitute a prudent and reasonable mechanism to finance the energy transition costs

7.22 described in the application; and

7.23 (iv) provide tangible and quantifiable benefits to customers that are substantially greater

7.24 than the benefits that would have been achieved absent the issuance of energy transition

7.25 bonds; and

7.26 (3) the proposed structuring, marketing, and pricing of the energy transition bonds:

7.27 (i) significantly lower overall costs to customers or significantly mitigate rate impacts

7.28 to customers relative to traditional methods of financing; and

7.29 (ii) achieve the maximum net present value of customer savings, as determined by the

7.30 commission in a financing order, consistent with market conditions at the time of sale and

7.31 the terms of the financing order.

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

8.2 (1) determine the maximum amount of energy transition costs that may be financed from
8.3 proceeds of energy transition bonds issued pursuant to the financing order;

8.4 (2) describe the proposed customer billing mechanism for energy transition charges and
8.5 include a finding that the mechanism is just and reasonable;

8.6 (3) describe the financing costs that may be recovered through energy transition charges
8.7 and the period over which the costs may be recovered, which must end no earlier than the
8.8 date of final legal maturity of the energy transition bonds;

8.9 (4) describe the energy transition property that is created and that may be used to pay,
8.10 and secure the payment of, the energy transition bonds and financing costs authorized in
8.11 the financing order;

8.12 (5) authorize the electric utility to finance energy transition costs through the issuance
8.13 of one or more series of energy transition bonds. An electric utility is not required to secure
8.14 a separate financing order for each issuance of energy transition bonds or for each scheduled
8.15 phase of the retirement or replacement of electric generating facilities approved in the
8.16 financing order;

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

8.22 (7) specify the degree of flexibility afforded to the electric utility in establishing the
8.23 terms and conditions of the energy transition bonds, including but not limited to repayment
8.24 schedules, expected interest rates, and other financing costs;

8.25 (8) specify that the energy transition bonds must be issued as soon as feasible following
8.26 issuance of the financing order;

8.27 (9) require the electric utility, at the same time as energy transition charges are initially
8.28 collected and independent of the schedule to close and decommission the electric generating
8.29 facility, to remove the electric generating facility to be retired from the utility's rate base
8.30 and commensurately reduce the utility's base rates;

8.31 (10) specify a future ratemaking process to reconcile any difference between the projected
8.32 pretax costs included in the amount financed by energy transition bonds and the final actual
8.33 pretax costs incurred by the electric utility to retire or replace the electric generating facility;

9.1 (11) specify information regarding bond issuance and repayments, financing costs,
9.2 energy transaction charges, energy transition property, and related matters that the electric
9.3 utility is required to provide to the commission on a schedule determined by the commission;

9.4 (12) allow and may require the creation of an electric utility's energy transition property
9.5 to be conditioned on, and occur simultaneously with, the sale or other transfer of the energy
9.6 transition property to an assignee and the pledge of the energy transition property to secure
9.7 the energy transition bonds;

9.8 (13) ensure that the structuring, marketing, and pricing of energy transition bonds result
9.9 in the lowest securitization bond charges and maximize net present value customer savings,
9.10 consistent with market conditions and the terms of the financing order; and

9.11 (14) specify that the electric utility is prohibited from, after the electric generating
9.12 facilities subject to the finance order are removed from the electric utility's base rate:

9.13 (i) operating the electric generating facilities; or

9.14 (ii) selling the electric generating facilities to another entity to be operated as electric
9.15 generating facilities;

9.16 (15) specify that the electric utility must send a payment equal to 20 percent of the
9.17 proceeds from the issuance of energy transition bonds to the commissioner of employment
9.18 and economic development for deposit in the energy worker transition account established
9.19 in section 216B.4991, and that the balance of the proceeds:

9.20 (i) must not be used to acquire, construct, finance, own, operate, or purchase energy
9.21 from an electric generating facility that is not powered by a clean energy resource; and

9.22 (ii) may be used to construct, finance, operate, own, or purchase energy from, an electric
9.23 generating facility that complies with item (i), under conditions determined by the
9.24 commission, including the capacity of generating assets, the estimated date the asset is
9.25 placed into service, and any other factors deemed relevant by the commission, taking into
9.26 account the electric utility's resource plan most recently approved by the commission under
9.27 section 216B.2422.

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

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

9.31 (i) promote the public interest; and

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

10.3 (2) specify the selection of one or more underwriters of the energy transition bonds.

10.4 **Subd. 4. Duration; irrevocability; subsequent order.** (a) A financing order remains
10.5 in effect until the energy transition bonds issued under the financing order and all financing
10.6 costs related to the bonds have been paid in full.

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

10.10 (c) Subject to judicial review as provided for in section 216B.52, a financing order is
10.11 irrevocable and is not reviewable by future commissions. The commission may not reduce,
10.12 impair, postpone, or terminate energy transition charges approved in a financing order, or
10.13 impair energy transition property or the collection or recovery of energy transition revenue.

10.14 (d) Notwithstanding paragraph (c), the commission may, on its own motion or at the
10.15 request of an electric utility or any other person, commence a proceeding and issue a
10.16 subsequent financing order that provides for refinancing, retiring, or refunding energy
10.17 transition bonds issued under the original financing order if:

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

10.20 (2) the modification contained in the subsequent financing order does not in any way
10.21 impair the covenants and terms of the energy transition bonds to be refinanced, retired, or
10.22 refunded.

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

10.26 (1) considering energy transition bonds issued under this section to be debt of the electric
10.27 utility other than for income tax purposes, unless it is necessary to consider the energy
10.28 transition bonds to be debt in order to achieve consistency with prevailing utility debt rating
10.29 methodologies;

10.30 (2) considering the energy transition charges paid under the financing order to be revenue
10.31 of the electric utility;

11.1 (3) considering the energy transition costs or financing costs specified in the financing
 11.2 order to be the regulated costs or assets of the electric utility; or

11.3 (4) determining any prudent action taken by an electric utility that is consistent with the
 11.4 financing order to be unjust or unreasonable.

11.5 (b) Nothing in this subdivision:

11.6 (1) affects the authority of the commission to apply or modify any billing mechanism
 11.7 designed to recover energy transition charges;

11.8 (2) prevents or precludes the commission from investigating an electric utility's
 11.9 compliance with the terms and conditions of a financing order and requiring compliance
 11.10 with the financing order; or

11.11 (3) prevents or precludes the commission from imposing regulatory sanctions against
 11.12 an electric utility for failure to comply with the terms and conditions of a financing order
 11.13 or the requirements of this section.

11.14 (c) The commission is prohibited from refusing to allow the recovery of any costs
 11.15 associated with the retirement or replacement of electric generating facilities by an electric
 11.16 utility solely because the electric utility has elected to finance those activities through a
 11.17 financing mechanism other than energy transition bonds.

11.18 **Sec. 3. [216B.493] POST-ORDER COMMISSION DUTIES.**

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

11.26 Subd. 2. **Enforcement.** If the commission determines that an electric utility's actions
 11.27 under this section are not prudent or are inconsistent with the financing order, the commission
 11.28 may apply any remedies available, provided that any remedy applied may not directly or
 11.29 indirectly impair the security for the energy transition bonds.

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

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

12.1 (1) contract with outside consultants and counsel experienced in securitized electric
 12.2 utility customer-backed bond financing similar to energy transition bonds; and

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

12.4 Expenses incurred by the commission under this paragraph must be treated as financing
 12.5 costs and included in the energy transition charge. The costs incurred under clause (1) are
 12.6 not an obligation of the state and are assigned solely to the transaction.

12.7 (b) If a utility's application for a financing order is denied or withdrawn for any reason
 12.8 and energy transition bonds are not issued, the commission's costs to retain expert consultants
 12.9 under this subdivision must be paid by the applicant utility and are deemed by the commission
 12.10 to be prudent deferred expense eligible for recovery in the utility's future rates.

12.11 **Sec. 5. [216B.495] ENERGY TRANSITION CHARGE; BILLING TREATMENT.**

12.12 (a) An electric utility that obtains a financing order and causes energy transition bonds
 12.13 to be issued must:

12.14 (1) include on each customer's monthly electricity bill:

12.15 (i) a statement that a portion of the charges represents energy transition charges approved
 12.16 in a financing order;

12.17 (ii) the amount and rate of the energy transition charge as a separate line item titled
 12.18 "energy transition charge"; and

12.19 (iii) if energy transition property has been transferred to an assignee, a statement that
 12.20 the assignee is the owner of the rights to energy transition charges and that the electric utility
 12.21 or other entity, if applicable, is acting as a collection agent or servicer for the assignee; and

12.22 (2) file annually with the commission:

12.23 (i) a calculation of the impact of financing the retirement or replacement of electric
 12.24 generating facilities on customer electricity rates, by customer class; and

12.25 (ii) evidence demonstrating that energy transition revenues are applied solely to the
 12.26 repayment of energy transition bonds and other financing costs.

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

12.30 (c) An electric utility's failure to comply with this section does not invalidate, impair,
 12.31 or affect any financing order, energy transition property, energy transition charge, or energy

13.1 transition bonds, but does subject the electric utility to penalties under applicable commission
13.2 rules.

13.3 **Sec. 6. [216B.496] ENERGY TRANSITION PROPERTY.**

13.4 Subdivision 1. **General.** (a) Energy transition property is an existing present property
13.5 right or interest in a property right even though the imposition and collection of energy
13.6 transition charges depends on the electric utility's collecting energy transition charges and
13.7 on future electricity consumption. The property right or interest exists regardless of whether
13.8 the revenues or proceeds arising from the energy transition property have been billed, have
13.9 accrued, or have been collected.

13.10 (b) Energy transition property exists until all energy transition bonds issued under a
13.11 financing order are paid in full and all financing costs and other costs of the energy transition
13.12 bonds have been recovered in full.

13.13 (c) All or any portion of energy transition property described in a financing order issued
13.14 to an electric utility may be transferred, sold, conveyed, or assigned to a successor or assignee
13.15 that is wholly owned, directly or indirectly, by the electric utility and is created for the
13.16 limited purpose of acquiring, owning, or administering energy transition property or issuing
13.17 energy transition bonds as authorized by the financing order. All or any portion of energy
13.18 transition property may be pledged to secure energy transition bonds issued under a financing
13.19 order, amounts payable to financing parties and to counterparties under any ancillary
13.20 agreements, and other financing costs. Each transfer, sale, conveyance, assignment, or
13.21 pledge by an electric utility or an affiliate of an electric utility is a transaction in the ordinary
13.22 course of business.

13.23 (d) If an electric utility defaults on any required payment of charges arising from energy
13.24 transition property described in a financing order, a court, upon petition by an interested
13.25 party and without limiting any other remedies available to the petitioner, must order the
13.26 sequestration and payment of the revenues arising from the energy transition property to
13.27 the financing parties.

13.28 (e) The interest of a transferee, purchaser, acquirer, assignee, or pledgee in energy
13.29 transition property specified in a financing order issued to an electric utility, and in the
13.30 revenue and collections arising from that property, is not subject to setoff, counterclaim,
13.31 surcharge, or defense by the electric utility or any other person, or in connection with the
13.32 reorganization, bankruptcy, or other insolvency of the electric utility or any other entity.

14.1 (f) A successor to an electric utility, whether resulting from a reorganization, bankruptcy,
14.2 or other insolvency proceeding, merger or acquisition, sale, other business combination,
14.3 transfer by operation of law, electric utility restructuring, or otherwise, must perform and
14.4 satisfy all obligations of, and has the same duties and rights under, a financing order as the
14.5 electric utility to which the financing order applies, and must perform the duties and exercise
14.6 the rights in the same manner and to the same extent as the electric utility, including
14.7 collecting and paying to any person entitled to receive revenues, collections, payments, or
14.8 proceeds of energy transition property.

14.9 Subd. 2. Security interests in energy transition property. (a) The creation, perfection,
14.10 and enforcement of any security interest in energy transition property to secure the repayment
14.11 of the principal and interest on energy transition bonds, amounts payable under any ancillary
14.12 agreement, and other financing costs are governed solely by this section.

14.13 (b) A security interest in energy transition property is created, valid, and binding when:

14.14 (1) the financing order that describes the energy transition property is issued;

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

14.16 (3) value is received for the energy transition bonds.

14.17 (c) Once a security interest in energy transition property is created, the security interest
14.18 attaches without any physical delivery of collateral or any other act. The lien of the security
14.19 interest is valid, binding, and perfected against all parties having claims of any kind in tort,
14.20 contract, or otherwise against the person granting the security interest, regardless of whether
14.21 the parties have notice of the lien, upon the filing of a financing statement with the secretary
14.22 of state.

14.23 (d) The description or indication of energy transition property in a transfer or security
14.24 agreement and a financing statement is sufficient only if the description or indication refers
14.25 to this section and the financing order creating the energy transition property.

14.26 (e) A security interest in energy transition property is a continuously perfected security
14.27 interest and has priority over any other lien, created by operation of law or otherwise, which
14.28 may subsequently attach to the energy transition property unless the holder of the security
14.29 interest has agreed otherwise in writing.

14.30 (f) The priority of a security interest in energy transition property is not affected by the
14.31 commingling of energy transition property or energy transition revenue with other money.
14.32 An assignee, bondholder, or financing party has a perfected security interest in the amount
14.33 of all energy transition property or energy transition revenue that is pledged to pay energy

15.1 transition bonds, even if the energy transition property or energy transition revenue is
15.2 deposited in a cash or deposit account of the electric utility in which the energy transition
15.3 revenue is commingled with other money. Any other security interest that applies to the
15.4 other money does not apply to the energy transition revenue.

15.5 (g) Neither a subsequent commission order amending a financing order under section
15.6 216B.492, subdivision 4, nor application of an adjustment mechanism, authorized by a
15.7 financing order under section 216B.492, subdivision 3, affects the validity, perfection, or
15.8 priority of a security interest in or transfer of energy transition property.

15.9 (h) A valid and enforceable security interest in energy transition property is perfected
15.10 only when it has attached and when a financing order has been filed with the secretary of
15.11 state in accordance with procedures that the secretary of state may establish. The financing
15.12 order must name the pledgor of the energy transition property as debtor and identify the
15.13 property.

15.14 Subd. 3. Sales of energy transition property. (a) A sale, assignment, or transfer of
15.15 energy transition property is an absolute transfer and true sale of, and not a pledge of or
15.16 secured transaction relating to, the seller's right, title, and interest in, to, and under the energy
15.17 transition property if the documents governing the transaction expressly state that the
15.18 transaction is a sale or other absolute transfer. A transfer of an interest in energy transition
15.19 property may be created when:

15.20 (1) the financing order creating and describing the energy transition property is effective;

15.21 (2) the documents evidencing the transfer of the energy transition property are executed
15.22 and delivered to the assignee; and

15.23 (3) value is received.

15.24 (b) A transfer of an interest in energy transition property must be filed with the secretary
15.25 of state against all third persons and perfected under chapter 336, revised article 9, part 3,
15.26 including any judicial lien or other lien creditors or any claims of the seller or creditors of
15.27 the seller, other than creditors holding a prior security interest, ownership interest, or
15.28 assignment in the energy transition property previously perfected under this subdivision or
15.29 subdivision 2.

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

15.33 (1) commingling of energy transition revenue with other money;

16.1 (2) the retention by the seller of:

16.2 (i) a partial or residual interest, including an equity interest, in the energy transition
16.3 property, whether direct or indirect, or whether subordinate or otherwise; or

16.4 (ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed
16.5 on the collection of energy transition revenue;

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

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

16.9 (5) an obligation of the seller to collect energy transition revenues on behalf of an
16.10 assignee;

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

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

16.15 (8) any application of an adjustment mechanism under section 216B.492, subdivision
16.16 3, paragraph (a), clause (6).

16.17 **Sec. 7. [216B.497] ENERGY TRANSITION BONDS.**

16.18 (a) Banks, trust companies, savings and loan associations, insurance companies, executors,
16.19 administrators, guardians, trustees, and other fiduciaries may legally invest any money
16.20 within the individual's or entity's control in energy transition bonds.

16.21 (b) Energy transition bonds issued under a financing order are not debt of or a pledge
16.22 of the faith and credit or taxing power of the state, any agency of the state, or any political
16.23 subdivision. Holders of energy transition bonds may not have taxes levied by the state or a
16.24 political subdivision in order to pay the principal or interest on energy transition bonds. The
16.25 issuance of energy transition bonds does not directly, indirectly, or contingently obligate
16.26 the state or a political subdivision to levy any tax or make any appropriation to pay principal
16.27 or interest on the energy transition bonds.

16.28 (c) The state pledges to and agrees with holders of energy transition bonds, any assignee,
16.29 and any financing parties that the state will not:

16.30 (1) take or permit any action that impairs the value of energy transition property; or

17.1 (2) reduce, alter, or impair energy transition charges that are imposed, collected, and
 17.2 remitted for the benefit of holders of energy transition bonds, any assignee, and any financing
 17.3 parties, until any principal, interest, and redemption premium payable on energy transition
 17.4 bonds, all financing costs, and all amounts to be paid to an assignee or financing party under
 17.5 an ancillary agreement are paid in full.

17.6 (d) A person who issues energy transition bonds may include the pledge specified in
 17.7 paragraph (c) in the energy transition bonds, ancillary agreements, and documentation
 17.8 related to the issuance and marketing of the energy transition bonds.

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

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

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

17.15 (a) If any provision of sections 216B.491 to 216B.499 conflicts with any other law
 17.16 regarding the attachment, assignment, perfection, effect of perfection, or priority of any
 17.17 security interest in or transfer of energy transition property, sections 216B.491 to 216B.499
 17.18 govern.

17.19 (b) Nothing in this subdivision precludes an electric utility for which the commission
 17.20 has initially issued a financing order from applying to the commission for:

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

17.23 (2) approval to issue energy transition bonds to refund all or a portion of an outstanding
 17.24 series of energy transition bonds.

17.25 **Sec. 10. [216B.4991] ENERGY WORKER TRANSITION ACCOUNT.**

17.26 Subdivision 1. **Account established.** The energy worker transition account is established
 17.27 as a separate account in the special revenue fund in the state treasury. The commissioner
 17.28 must credit to the account appropriations and transfers to the account, and payments of
 17.29 proceeds from the sale of bonds realized by an electric utility operating under a financing
 17.30 order issued by the commission under section 216B.492. Earnings, such as interest, dividends,
 17.31 and any other earnings arising from assets of the account, must be credited to the account.

18.1 Funds remaining in the account at the end of a fiscal year are not canceled to the general
18.2 fund but remain in the account until expended. The commissioner must manage the account.

18.3 Subd. 2. **Expenditures.** (a) Money in the account may be used only to provide assistance
18.4 to workers laid off by an electric utility that has ceased operation and issued bonds under
18.5 a financing order issued by the Public Utilities Commission under section 216B.492. The
18.6 types of assistance that may be provided from the account are:

18.7 (1) transition, support, and training services listed under section 116L.17, subdivision
18.8 4, clauses (1) to (5);

18.9 (2) employment and training services, as defined in section 116L.19, subdivision 4;

18.10 (3) income maintenance and support services, as defined in section 116L.19, subdivision
18.11 5;

18.12 (4) assistance to workers in starting a business, as described in section 116L.17,
18.13 subdivision 11; and

18.14 (5) extension of unemployment benefits.

18.15 (b) No more than five percent of funds in the account may be used to pay the department's
18.16 costs to administer the account.

18.17 (c) The commissioner may make grants to a state or local government unit, nonprofit
18.18 organization, community action agency, business organization or association, or labor
18.19 organization to provide the services allowed under this subdivision. No more than ten percent
18.20 of funds allocated to a grantee may be used to pay administrative costs.