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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. **3944**

03/03/2022 Authored by Sandstede

The bill was read for the first time and referred to the Committee on Climate and Energy Finance and Policy

03/30/2022 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to energy; responding to the polar vortex in February 2021; allowing a
1.3 refundable individual income tax credit for excess energy costs due to extreme
1.4 cold weather in February 2021; requiring utilities to disclose certain information;
1.5 providing certain grants to public utilities; appropriating money.

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

1.7 Section 1. **POLAR VORTEX RESPONSE; DISCLOSURE OF COSTS;**
1.8 **REIMBURSEMENT FOR RESERVE FUNDS.**

1.9 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
1.10 the meanings given.

1.11 (b) "Critical period" means the period beginning February 12, 2021, and ending February
1.12 17, 2021.

1.13 (c) "Incremental cost" means the incremental cost of natural gas purchased during the
1.14 critical period, calculated by multiplying the utility's incremental price by its impacted
1.15 volume.

1.16 (d) "Incremental price" means the average unit price a utility paid for natural gas
1.17 purchased for immediate delivery during the critical period, minus the average natural gas
1.18 unit price for wholesale natural gas the utility paid during the period between February 5,
1.19 2021, and February 10, 2021.

1.20 (e) "Impacted volume" means the volume of natural gas a utility purchased for immediate
1.21 delivery in Minnesota during the critical period.

2.1 (f) "Utility" means a nonprofit municipal utility established under Minnesota Statutes,
2.2 chapter 412, that (1) is owned by the city to which it provides service, and (2) sells natural
2.3 gas to retail customers in Minnesota.

2.4 Subd. 2. **Utilities must disclose increased energy costs.** No later than July 1, 2022, a
2.5 utility must calculate, for each of its customers that received natural gas service during the
2.6 critical period, the incremental price multiplied by the volume of natural gas consumed by
2.7 the customer during the critical period. The utility must certify and forward that calculation
2.8 in a written notice to each customer.

2.9 Subd. 3. **Reimbursement for reserve revenues.** A utility that paid for wholesale natural
2.10 gas purchased during the critical period, in whole or in part, by drawing down accumulated
2.11 reserve revenues may apply to the commissioner of commerce for a rebate equal to its
2.12 incremental cost minus any payment of its incremental cost by natural gas customers. The
2.13 commissioner shall require a utility to submit evidence supporting the rebate request amount
2.14 with a rebate application.

2.15 Subd. 4. **Appropriation.** \$35,000,000 in fiscal year 2023 is appropriated from the general
2.16 fund to the commissioner of commerce for the purpose of making rebates to municipal
2.17 utilities under subdivision 3. This is a onetime appropriation. Any unexpended funds
2.18 remaining on December 31, 2022, cancel to the general fund.

2.19 Sec. 2. **TAX CREDIT FOR EXCESS ENERGY COSTS DUE TO THE POLAR**
2.20 **VORTEX.**

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

2.23 (b) "Excess energy costs" means the amount of energy costs disclosed to a taxpayer by
2.24 a utility under section 1, subdivision 2.

2.25 (c) The definitions in section 1, subdivision 1, and Minnesota Statutes, section 290.01,
2.26 apply for this section.

2.27 Subd. 2. **Credit allowed.** (a) An individual income taxpayer is allowed a credit against
2.28 the tax due under Minnesota Statutes, chapter 290, equal to the amount of the taxpayer's
2.29 excess energy costs.

2.30 (b) Credits allowed to a partnership, a limited liability company taxed as a partnership,
2.31 or an S corporation are passed through pro rata to the partners, members, or shareholders
2.32 based on their share of the entity's income for the taxable year.

3.1 Subd. 3. **Credit refundable.** (a) If the amount of credit which a taxpayer would be
3.2 eligible to receive under this section exceeds the claimant's tax liability under Minnesota
3.3 Statutes, chapter 290, the excess amount of the credit shall be refunded to the claimant by
3.4 the commissioner of revenue.

3.5 (b) An amount sufficient to pay the refunds required by this section is appropriated to
3.6 the commissioner of revenue from the general fund.

3.7 Subd. 4. **Denial of double benefit.** For a taxpayer who deducted excess energy costs in
3.8 calculating adjusted gross income and claimed the credit under this section, the amount of
3.9 excess energy costs is an addition, as defined in Minnesota Statutes, section 290.0131,
3.10 subdivision 1. The rules governing additions in that section apply for this subdivision.

3.11 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
3.12 after December 31, 2020, and before January 1, 2022.

3.13 Sec. 3. **ESTABLISHMENT OF ACCOUNT.**

3.14 The polar vortex restitution account is established in the special revenue fund of the
3.15 state treasury. The commissioner of management and budget shall manage the account and
3.16 shall credit to the account all appropriations and transfers to the account. Funds remaining
3.17 in the account at the end of a fiscal year do not cancel to the general fund but remain in the
3.18 account until expended.

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

3.20 Sec. 4. **APPROPRIATION; CUSTOMERS OF PUBLIC UTILITIES.**

3.21 \$..... in fiscal year 2023 is appropriated from the general fund to the commissioner of
3.22 management and budget for deposit in the polar vortex restitution account established in
3.23 section 3 for the purpose of distributing the funds to public utilities, as defined in Minnesota
3.24 Statutes, section 216B.02, subdivision 4, in order to mitigate the price impacts on customers
3.25 who received natural gas service during the critical period, as defined in section 1. The
3.26 Public Utilities Commission shall issue orders determining the amount of each public utility's
3.27 prudently incurred expenses during the critical period and the commissioner of management
3.28 and budget shall distribute the money to public utilities in a grant according to the terms of
3.29 the orders. This is a onetime appropriation.

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