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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 560

02/17/2011 Authored by Downey

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance

03/21/2011 Adoption of Report: Pass as Amended and re-referred to the Committee on Government Operations and Elections

02/01/2012 Pass as Amended and re-referred to the Committee on State Government Finance

1.1 A bill for an act
1.2 relating to public administration; modifying provisions governing energy
1.3 forward pricing mechanisms for government agencies; amending Minnesota
1.4 Statutes 2010, section 16C.143; repealing Minnesota Statutes 2010, sections
1.5 383B.1588; 473.1293.
1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2010, section 16C.143, is amended to read:

1.8 **16C.143 ENERGY FORWARD PRICING MECHANISMS.**

1.9 Subdivision 1. **Definitions.** The following definitions apply in this section:

1.10 (1) "energy" means natural gas, heating oil, propane, diesel fuel, unleaded fuel, and
1.11 any other energy source ~~except electricity used in state operations; and~~

1.12 (2) "forward pricing mechanism" means either: (i) a contract or financial instrument
1.13 that obligates a ~~state government~~ agency to buy or sell a specified quantity of energy
1.14 at a future date at a set price; or (ii) an option to buy or sell the contract or financial
1.15 instrument; and

1.16 (3) "government agency" means the state, the Minnesota state colleges and
1.17 universities, the University of Minnesota, a statutory or home rule charter city, a county, a
1.18 town, a school district, a regional agency, or another political subdivision.

1.19 Subd. 2. **Authority.** Notwithstanding any other law to the contrary, ~~the~~
1.20 ~~commissioner~~ a government agency may use forward pricing mechanisms for budget
1.21 risk reduction.

1.22 Subd. 3. **Conditions.** ~~Forward pricing mechanism transactions must be made only~~
1.23 ~~under the following conditions:~~

~~(1) The quantity of energy affected by the forward pricing mechanism must not exceed 90 percent of the estimated energy use for the state government agency for the same period, which shall not exceed 24 48 months from the trade date of the transaction; and~~

~~(2) a separate account must be established for each state agency using a forward pricing mechanism.~~

Subd. 4. **Written policies and procedures.** Before exercising the authority under this section, the ~~commissioner~~ government agency must develop written policies and procedures governing the use of forward pricing mechanisms.

Subd. 5. **Oversight process.** Before exercising authority under subdivision 2, the government agency must establish an oversight process that provides for review of the government agency's use of forward pricing mechanisms. The oversight process must include: internal or external audit reviews; annual reports to, and review by, an internal investment committee; and internal management control.

EFFECTIVE DATE. This section is effective July 1, 2012, and applies to forward pricing transactions entered into on or after that date.

Sec. 2. **REPEALER.**

Minnesota Statutes 2010, sections 383B.1588; and 473.1293, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2012. The authority previously granted by Minnesota Statutes, sections 383B.1588 and 473.1293, is granted under Minnesota Statutes, section 16C.143, and the repeal of Minnesota Statutes, sections 383B.1588 and 473.1293, does not affect any forward pricing transaction entered into before the effective date of this section.