

Subject Reimbursements for high energy costs due to the February 2021 polar vortex

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Overview

The bill responds to the increase in energy costs due to extreme cold weather in February 2021 (commonly referred to as the “polar vortex.”) The bill addresses these energy costs by:

- Permitting municipal utilities who used funds from their reserves to pay for increased energy costs during the polar vortex to apply to the Department of Commerce for reimbursement.
- Requiring municipal utilities to disclose to their customers the amount of additional energy costs incurred as a result of the polar vortex.
- Offering a refundable tax credit to customers of municipal utilities equal to the amount of additional energy costs due to the polar vortex.
- Establishing a fund in the special revenue account that could be used to reimburse public utilities for additional costs due to the polar vortex.

Summary

| Section | Description |
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| 1 | Polar vortex response; disclosure of costs; reimbursement for reserve funds. |
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Subd. 1. Definitions. Defines the following terms:

“Critical period” means the period beginning February 12, 2021, and ending February 17, 2021.

“Incremental cost” means the incremental cost of natural gas, as calculated by multiplying a utility’s incremental price by its impacted volume.

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“Incremental price” means the difference between the price paid for natural gas during the critical period, as compared to the period between February 5, 2021, and February 10, 2021.

“Impacted volume” means the volume of natural gas purchased during the critical period.

“Utility” means a nonprofit municipal utility which is owned by a city and sells natural gas to retail customers.

Subd. 2. Utilities must disclose increased energy costs. Requires utilities to calculate for their customers the additional amount paid by the customers during the 2021 polar vortex. The amount would equal the incremental price, multiplied by the volume of energy used by the customer.

Utilities would be required to deliver to their customers a written estimate of the additional amount paid.

Subd. 3. Reimbursement for reserve revenues. Permits utilities to apply to the Department of Commerce for reimbursement for any reserves that were drawn down to cover additional energy costs during the 2021 polar vortex.

If appropriations are insufficient, the bill would reduce the reimbursements proportionally.

Subd. 4. Appropriation. Appropriates \$35,000,000 to the commissioner of commerce for reimbursement under subdivision 3. The appropriation is a onetime appropriation.

2 **Tax credit for excess energy costs due to the polar vortex.**

Subd. 1. Definitions. Defines “excess energy costs” as amounts disclosed to a customer under section 1, subdivision 2. Provides that the definitions in section 1 apply to the tax credit.

Subd. 2. Credit allowed. Allows a credit against the taxes imposed in chapter 290 equal to the amount of the consumer’s energy costs. Credits to pass-through entities are passed through pro rata to partners, members, or shareholders.

Subd. 3. Credit refundable. Makes the credit refundable if the credit exceeds a taxpayer’s income tax liability. Appropriates funds sufficient to pay refunds for the credit.

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Subd. 4. Denial of double benefit. Requires taxpayers who deducted excess energy costs that were used to claim the credit to add back the amount deducted.

Effective retroactively for tax year 2021.

3 Establishment of account.

Establishes a polar vortex restitution account in the special revenue fund. Credits appropriations in the bill to the account.

4 Appropriation; customers of public utilities.

Appropriates an unspecified amount to the commissioner of management and budget for deposit in the polar vortex restitution account. The funds must be used to mitigate the price impacts to customers who received natural gas service from a public utility during the 2021 polar vortex.

Requires the Public Utilities Commission to issue orders determining the amount of a utility's expenses incurred during the critical period, and to distribute funds to public utilities according to the terms of the orders.



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