FILE NUMBER: H.F. 3464
Version: First Engrossment
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Subject: Revocation of Mergers of Electric Cooperatives
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Overview

This bill establishes a process to authorize electric cooperatives that have merged or consolidated with other electric cooperatives effective after December 29, 1996 and before January 1, 2001 to revoke the merger or consolidation within five years of the adoption of the merger or consolidation. The merger or consolidation may be partially or fully revoked. The revocation of the merger or consolidation is only effective with regard to those former electric cooperatives that vote to revoke the merger or consolidation.

The bill also establishes a process for reestablishing former electric cooperatives and distributing assets and liabilities of the existing electric cooperative after the partial or complete revocation of a merger or consolidation.

1  **Existence of merged or consolidated electric cooperative.** Provides that electric cooperatives which merge or consolidate cease to exist upon adoption of the merger or consolidation except that an electric cooperative can be reestablished as provided in this bill when the merger or consolidation is revoked.

2  **Definitions.** Defines terms used in this bill.
   "Commission" means the public utilities commission.
   "Department" means the department of commerce.
   "Former electric cooperative" means an electric cooperative that has merged or been consolidated into another electric cooperative.
   "Existing electric cooperative" means an electric cooperative created as a result of a merger or consolidation of electric cooperatives.
   "Reestablished former electric cooperative" means a former electric cooperative that has been reestablished pursuant to this bill.

3  **Partial revocation of a merger or consolidation.** Authorizes the revocation of a merger or
consolidation effective after December 29, 1996 and before January 1, 2001 of three or more electric cooperatives with regard to members or stockholders (hereinafter collectively referred to as "members") of a former electric cooperative when certain requirements are met.

**Subd. 1. Partial revocation.** Establishes a process by which members of a particular former electric cooperative can vote to revoke a merger or consolidation with respect to that particular former electric cooperative and reestablish the former electric cooperative. Provides that a merger or consolidation can only be revoked within five years of its adoption.

**Subd. 2. Petition.** Requires a petition of at least 25 members of a particular former electric cooperative to initiate the vote on whether to revoke the merger or consolidation. Requires the department to verify that at least 25 people signing the petition reside or are located in the service territory of the former electric cooperative.

**Subd. 3. Ballot.** Requires the department to send out ballots to all members of the existing cooperative who reside in the service territory of the particular former cooperative which is seeking the revocation, after the department has verified the petition. Provides that the members have 17 days from the time the department mails the ballots to return them to the department.

**Subd. 4. Voting.** Authorizes the spouse of a member to vote or sign a petition for the member unless the member notifies the department that the spouse cannot do so.

**Subd. 5. Notice of results.** Requires the department to provide notice of the results of a vote pursuant to this section to the PUC and to the existing electric cooperative within seven days after the vote has been counted. Requires the existing electric cooperative to notify members of the results within seven days of receiving notice from the department.

**Reestablishing a former electric cooperative; distribution of assets and liabilities.** Provides a process for reestablishing a former electric cooperative which has voted to revoke a merger or consolidation, and for distributing assets between the reestablished electric cooperative and the remaining existing electric cooperative. The process is designed to allow the reestablished cooperative to take the necessary steps to get organized and to allow a smooth transition in electric service for the members.

**Subd. 1. Reestablished cooperative.** Provides that if the members or stockholders residing in the service territory of a particular former electric cooperative vote in favor of revoking the merger or consolidation, the PUC is required to issue an order reestablishing the former electric cooperative within 15 days of receiving notice of the vote from the department. The former electric cooperative is reestablished first for organizational and transitional purposes and then for purposes of providing electricity. The merger or consolidation is not revoked with respect to the particular former cooperative until the reestablished electric cooperative begins to provide electricity.

**Subd. 2. Members.** Provides that members of the existing electric cooperative who reside or are located in the service territory of the former electric cooperative are members of the reestablished former electric cooperative, but also remain members of the existing electric cooperative until the reestablished cooperative starts providing electric service.

**Subd. 3. Initial meeting; board of directors.** Requires the PUC to set the date, time, and place of the first meeting of the reestablished former electric cooperative and to notify members of the meeting. The meeting must be held within 30 days of issuance of the order reestablishing the former electric cooperative. At the meeting, the members are required to elect a board of directors.

**Subds. 4-5. Articles of incorporation and bylaws.** Provides that the articles of incorporation and the bylaws of the former electric cooperative in effect just prior to the merger or consolidation are the articles and bylaws of the reestablished former electric cooperative until
amended or new ones are adopted.

**Subds. 6-7. Asset and liability allocation.** Requires the PUC to conduct a proceeding to distribute assets and liabilities of the existing cooperative between the remaining existing cooperative and the reestablished former electric cooperative. Includes specific criteria to be considered by the PUC in distributing the assets and liabilities to the extent reasonably possible and taking into consideration the legal rights of secured lenders.

**Subd. 8. Transition plan.** Requires the existing electric cooperative and the reestablished former electric cooperative to submit a transition plan to the PUC, within 30 days of the order regarding asset and liability distribution, that provides for a smooth transition in electric service for members of the reestablished former electric cooperative.

**Subd. 9. Electric service for members.** Requires the existing electric cooperative to continue to provide electric service to members of the existing cooperative who reside in the service territory of the former electric cooperative on the same terms and conditions as other members of the existing cooperative until the date that the reestablished former electric cooperative begins to provide electric service to its members.

**Subd. 10. Service territories.** Provides that the service territory of the reestablished former electric cooperative is the same as that of the former electric cooperative but the service territory does not become effective until the reestablished cooperative begins providing electric service. Provides that on that same date, the service territory of the existing electric cooperative no longer includes the area that has become the service territory of the reestablished electric cooperative.

**Subd. 11. Employees.** Requires the reestablished former electric cooperative, to the extent reasonably possible and permitted by law, to hire employees of the existing electric cooperative who work in the service territory of the former electric cooperative and who wish to work for the reestablished former electric cooperative. Also, requires the reestablished former electric cooperative to abide by the terms of any existing union contracts for employees hired from the existing cooperative.

**Complete revocation of a merger or consolidation.** Provides that if members residing or located in each of the former electric cooperatives that merged or were consolidated into the existing electric cooperative effective after December 29, 1996 and before January 1, 2001 vote pursuant to section 3 within 45 days of each other to revoke the merger or consolidation, each of the former electric cooperatives is reestablished. The process for reestablishing the former electric cooperatives and the transition process is substantially similar to that provided in section 4 with the exception of asset and liability allocation. The asset and liability allocation process for a complete revocation generally provides that assets and liabilities shall be allocated, to the extent reasonably possible, in a manner that places each reestablished former electric cooperatives as close as reasonably possible to the position it would have been in had there been no merger or consolidation while fairly allocating assets and liabilities acquired and incurred since the merger or consolidation. The existing cooperative has 60 days after the PUC order is issued to allocate the assets in accordance with the order. If the existing cooperative fails to do so, the PUC can order it to take steps necessary to ensure compliance. The merger or consolidation is revoked and the existing cooperative ceases to exist when the reestablished former electric cooperatives begin to provide electric service to their members.

**Creditors.** Provides that the rights of a creditor may not be impaired by the revocation of a merger or consolidation of electric cooperatives without the creditor's consent.

**Effective date.** Provides that sections 1 to 6 are effective the day following final enactment and