



STATE OF MINNESOTA PUBLIC UTILITIES COMMISSION

October 17, 2011

Legislative Energy Commission

Senator Julie Rosen and Representative Michael Beard, Co-Chairs
c/o 322 State Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Members of the Legislative Energy Commission:

The Minnesota Public Utilities Commission (PUC) welcomes the examination of the Renewable Development Fund (RDF) by the Legislative Energy Commission (LEC). We look forward to the active engagement of the stakeholders in the RDF and other interested parties as the work of the LEC proceeds.

Regarding the audit of the RDF in October of 2010, at that time the PUC stated its appreciation for the thoroughness of the Report of the Office of the Legislative Auditor (OLA) on the RDF. The PUC expressed support for a re-examination of the purpose of the RDF and consideration of alternatives for the structure and oversight of the Fund. The OLA Report provides a solid foundation for exploring these issues. The Commission offers these main points from its letter to the OLA.

- Several fundamental changes have occurred since the creation of the RDF in 1994 and since the PUC was given authority over expenditures from the fund in 1999:
 - The size of the fund has grown substantially
 - The Legislature established renewable energy objectives in 2001 and renewable energy standards in 2007
 - Renewable generation technology has evolved and costs have decreased
 - As the report points out, the scope of RDF funded activities have been expanded by the Legislature to include projects beyond those requiring approval by the PUC
- The PUC agrees that greater coordination of the various uses of the RDF, and generally increased accountability, should be given serious consideration. A more centralized approval process could be an important strategy by which to accomplish those goals.
- The PUC has no recommendation as to the two possible approaches for a revamped centralized RDF approval process proposed by the OLA. Which approach to follow depends on the fundamental purpose of the Fund as determined by the Legislature:

www.puc.state.mn.us

PHONE (651) 296-7124 • FAX (651) 297-7073 • TDD (651) 297-1200 • 121 7th PLACE EAST • SUITE 350 • SAINT PAUL, MINNESOTA 55101-2147

- If the Legislature wants to keep the RDF's original structure, i.e., separate and apart from the state budget process and funded by Xcel ratepayers, then the PUC is the appropriate body to assume the task of project approval.
 - However, there is a risk in this approach that the current "fragmented" structure could be perpetuated because the PUC regulates neither the Department of Commerce nor the University of Minnesota.
 - If the RDF Board, or an entity very much like it, is not continued and the PUC assumes the tasks now carried out by the RDF Board, this will substantially increase the involvement of the PUC staff in the administration of the RDF.
- If the Legislature believes the scope of the RDF has evolved into something with broader implications than originally envisioned and that the Legislature should have a more direct impact on how projects are selected and which ones are approved, then the suggestion of moving what is now the RDF into a special account in the state budget with project approval by a legislative body should be considered.
 - If this option is considered, the Legislature should consider implementing some sort of state-wide funding mechanism to which *all* electric ratepayers would be required to contribute, rather than leaving the funding burden solely on Xcel electric ratepayers. This would circumvent possible legal questions and would promote greater equity among all Minnesota utility ratepayers.

Again, the PUC welcomes the examination of the RDF by the LEC. We look forward to the direction the LEC and ultimately the Legislature and Governor, as policy-makers, give to the PUC regarding the purpose and administration of the RDF.

Sincerely,

A handwritten signature in cursive script that reads "Ellen Anderson". The signature is written in black ink and is positioned above the printed name.

Ellen Anderson, Chair