

Renewable Energy Development Fund

Update to 2010 Evaluation Report

Problems Identified

- **Diffuse and Inconsistent Grant Administration.** The Legislature broadened the Renewable Development Fund's (RDF) allowable uses, and administrative responsibility for RDF-funded projects has grown more diffuse. Grants from the fund were once awarded entirely by the Public Utilities Commission (PUC); over time, the Legislature, Department of Commerce, and University of Minnesota also separately awarded or administered some RDF grants.
- **Inadequate Representation of Ratepayers in Project Selection.** Funds spent from the RDF are recovered by Xcel Energy from its Minnesota ratepayers. While an advisory committee to the PUC has included ratepayer representatives, other RDF grant-making processes have not. Some RDF projects have provided little or no benefit to Xcel's electrical ratepayers.
- **Statutes Unclear Regarding Use of RDF Funds for Administration.** State law does not address whether—and which—administrative costs can be paid for from the RDF. The RDF's administrative entities have varied in their use of RDF funds to pay for administrative costs.

Changes Implemented

- **Streamlined the Structure for Awarding RDF Grants.** The 2012 Legislature adopted a single process for approving projects to receive RDF grants. The legislation specified that RDF-related expenditures may be made only after approval by the PUC. The legislation also requires the PUC to consult with an advisory group that includes, among others, representatives of ratepayers. In addition, the 2012 legislation clarified the purposes of the RDF and prohibited the Legislature from directly appropriating money from the fund.
- **Froze Expenditures Temporarily.** Preceding the 2012 statutory changes, the 2011 Legislature prohibited the PUC from approving new expenditures from the RDF through July 1, 2012. This “freeze” was intended to give the Legislature time to consider issues raised in the OLA report and address general concerns about the RDF's structure and purpose. In addition, the 2011 Legislature amended state law to authorize allocation of RDF funds to the University of Minnesota through 2011; previously these allocations had been authorized through 2012.
- **Addressed RDF Administrative Costs in State Law.** Legislation passed by the 2012 Legislature authorized the RDF to pay for certain administrative costs. Specifically, “reasonable and necessary” administrative expenses—not to exceed five percent of total expenditures—were authorized.