

House Research Act Summary

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TOPIC: Renewable development account

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Overview

The Renewable Development Account had its origin in the legislative agreement reached in 1994 to allow on-site storage of nuclear waste at Xcel's nuclear generating plant at Prairie Island. Currently, Xcel makes deposits into the account for each cask containing nuclear waste stored at Prairie Island (\$500,000 per cask) and Monticello (\$350,000 per cask), which now amounts to approximately \$20 million annually.

More than \$180 million has been deposited into the account since 1999.

Approximately half of the funds have been awarded as competitive grants for renewable energy research and development projects, based on recommendations of an advisory board. Final award decisions are made by the Minnesota Public Utilities Commission.

The legislature has allocated funds from the account for several purposes, including funding Renewable Energy Production Incentives (up to \$10.9 million annually for 10 years to support 200 megawatts of small wind projects, as well as hydropower and on-farm biogas recovery projects) and as rebates for the installation of solar electric modules manufactured in Minnesota (up to \$21 million between 2011 and 2015).

In October 2010, the Office of the Legislative Auditor issued a report examining the structure and uses of the account. In 2011, the legislature suspended the authority of the Minnesota Public Utilities Commission to approve expenditures from the account to give the legislature time to address the issues raised in the report.

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[116C.779] Subd. 1. Renewable development account. Strikes language describing permissible expenditures from the fund and requiring a Public Utilities Commission (PUC) order to make expenditures.

Specifies purposes for which expenditures from the Renewable Development Account may be made:

- increasing market penetration of renewable sources of electricity in Minnesota;

- promoting the start-up and expansion of renewable electric projects/companies;
- stimulating R&D into new renewable electric technologies; and
- developing near-commercial and demonstration scale renewable electric and electric infrastructure efficiency projects.

Provides that all expenditures from the account must be made by Order of the PUC upon petition of Xcel Energy, which is eligible to apply for grants from the account. The commission may modify proposed expenditures, if Xcel agrees. No more than five percent of grants may be used for administrative expenditures.

Specifies that the account is to be managed by Xcel, which must consult with an advisory group representing Xcel ratepayers and other interests determined by the commission. The advisory group must be consulted on the amount of grants to be advertised in a Request for Proposals and in evaluating grant applications. An independent third-party must also evaluate grant applications. Xcel must attempt to reach agreement with the advisory group regarding projects to be funded, but has sole authority to make funding recommendations to the commission.

An RFP for R&D grants for multiple projects may be made to higher education institutions in Minnesota. Project selection for these grants may be made by a peer review process rather than a third-party evaluation.

Prohibits funds from the account being directly appropriated by the legislature.

Requires preference to be given, when feasible, to the most cost-effective projects for a particular energy source.

Requires Xcel to report to the legislature annually by February 15 on projects funded in the past, and, if possible, on the financial benefits of projects to Xcel ratepayers.

Requires written reports to be produced and posted online.

2 **Renewable energy production incentive.** Technical change.

3 **Repealer.** Repeals language authorizing the PUC to review the appropriateness of transferring the administration of the account to an independent third-party answerable to a board of directors.