

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
ST. Paul. Minnesota 55101

RE: Initial comments on Xcel Energy Renewable Development Fund Cycle 4 Selection Report
(Docket E002/M-12-1278)

Dear Dr. Haar:

The 4th cycle of the Renewable Development Account grant process is fundamentally flawed by:

- o Failure to distinguish between desirable and undesirable projects. Biomass and incineration projects need to be removed and research and development projects limited.
- o The non-transparency of the process so far, the admitted errors by Xcel Energy, and the poor choices proposed, all indicate that a contested case is justified.

Discussion

The Renewable Development Account is authorized by Minn. Stat. 116C.779, and the payments into it by Xcel Energy are related to the amounts of spent nuclear fuel stored in dry casks at the Monticello and Prairie Island (Red Wing) nuclear generating stations.

The responsibilities of the MPUC in regard to this Account (commonly described as "fund") are called out in the above statute:

(e) Expenditures authorized by this subdivision from the account may be made only after approval by order of the Public Utilities Commission upon a petition by the public utility. The commission may approve proposed expenditures, may disapprove proposed expenditures that it finds to be not in compliance with this subdivision or otherwise not in the public interest, and may, if agreed to by the public utility, modify proposed expenditures.

A review of the filings in this docket indicates that essentially all of the public comments, so far, are those of project proposers wanting more favorable treatment, or elected officials commenting on behalf of proposers. Notably absent are comments from a public interest point of view. I have no financial or political interest in any of the projects proposed, and these comments are submitted on behalf of myself only and not on behalf of any other interest or party.

It appears that in recent legislation Xcel Energy successfully sought to reduce the role of the advisory group identified in the statute:

(f) The account shall be managed by the public utility but the public utility must consult about account expenditures with an advisory group that includes, among others, representatives of its ratepayers. The commission may require that other interests be represented on the advisory group. The advisory group must be consulted with respect to the general scope of expenditures in designing a request for proposal and in evaluating projects submitted in response to a request for proposals. In addition to consulting with the advisory group, the public utility must utilize an

independent third-party expert to evaluate proposals submitted in response to a request for proposal, including all proposals made by the public utility. A request for proposal for research and development under paragraph (d), clause (3), may be limited to or include a request to higher education institutions located in Minnesota for multiple projects authorized under paragraph (d), clause (3). The request for multiple projects may include a provision that exempts the projects from the third-party expert review and instead provides for project evaluation and selection by a merit peer review grant system. The utility should attempt to reach agreement with the advisory group after consulting with it but the utility has full and sole authority to determine which expenditures shall be submitted to the commission for commission approval. In the process of determining request for proposal scope and subject and in evaluating responses to request for proposals, the public utility must strongly consider, where reasonable, potential benefit to Minnesota citizens and businesses and the utility's ratepayers.

The Renewable Development Account has a somewhat troubled history, including the legislative diversion of \$10,000,000 for promotion of the Excelsior Energy coal-burning power plant. The April 18, 2013, status report on previous funded projects is discouraging, in that many of the projects have either not proceeded, or have been of a obviously undesirable character. For example, the "Crown Hydro" project, the only Cycle1 project identified, has not proceeded and is widely opposed in Minneapolis, including by the Minneapolis Park Board. This suggests a need for broader public involvement in decision-making and more careful oversight by the Commission. It is interesting to note that many of the earlier projects are misguidedly associated with production of "biomass" fuels, whereas the current emphasis is on solar energy production projects.

It appears that no person involved in the selection process represents or has expertise in public health concerns. This is a major oversight.

"Renewable" sources of electricity are favored by public policy in Minnesota under the assumption that environmental benefits are associated with renewable sources. Yes, some "renewable" electricity sources such as "biomass" and garbage incineration have been show to have unfavorable environmental impacts, indeed "worse than coal" impacts. Yet, it appears that the selection report favors certain biomass and incineration projects, without any meaningful evaluation of the environmental attributes and whether such projects have "*benefit to Minnesota citizens.*" While not called out in the statute, detrimental health, environmental, and economic impacts in Minnesota citizens should obviously be avoided.

I am a resident of the City of Red Wing and take particular note of a proposal by the City of Red Wing for a garbage grinding project that would enable increased burning of garbage (the garbage would be ground up, causing it to then be called "Refuse Derived Fuel." This would then be burnt at Xcel Energy garbage burners in Red Wing, which are converted travelling-grate coal units.) This facility has a notorious history of harmful emission. For example, poisons emitted from the burners were found in the breast milk of people living hundreds of miles away.

The Renewable Development Account originated in response to the storage of nuclear waste in the cities of Monticello (population about 13,000) and Red Wing (population about 16,000). Obviously residents of these communities bear a disproportionate negative impact from the radioactive waste storage. It would be reasonable to suggest that projects tending to offset those negative impacts be favored in the selection process. It would be perverse to authorize projects tending to increase the environmental burden on those communities. The proposal to increase garbage burning in Red Wing would be such a proposal, as garbage incineration involves emissions of health-damaging air pollutants

such as mercury and dioxins.

In general, wind and solar projects can be expected to have favorable impacts on air and water quality, while "biomass" and incineration projects can be expected to have negative impacts. Biomass projects in Minnesota are also associated with high-energy-cost power purchase agreements, high emissions, and poor records of environmental compliance--even with lax permits. Thus, environmental degradation and rate impacts are to be expected from such projects. The Commission should identify and evaluate these impacts before authorizing any such projects under the Renewable Development Account.

Therefore, from a public interest point of view, and because many solar proposals were received, "biomass" and incineration projects should not be authorized by the Commission.

Xcel makes various representations regarding the work of the advisory group. However, Xcel's filings lack meeting minutes, written reports, or other documentation of the role played by this group. There is no evidence of any outreach to any "stakeholders" by members of this group, nor is it clear that, for example, any member of the group actually represents "environmental" interests. Similarly, the role of Xcel's "expert evaluator" is not well documented.

Renewable Development Account funds may be used for both "Energy Production" and "Research and Development." It is perhaps fair to note that Xcel Energy is a regulated utility engaged in the sale of electricity, and as such has little incentive to favor projects offering competitive energy production, such as rooftop PV projects, that might reduce Xcel Energy sales. On the other hand, energy production projects can have some immediate benefit to "Minnesota citizens." Research and development projects, on the other hand, are likely to have little if any measurable benefit to ratepayers. Therefore, the Commission should generally favor energy production projects. I particularly object to the creation of research funds for the University of Minnesota, to be drawn upon in ways outside the control of the Commission or of ratepayers.

It is to be expected that not all projects will be successful. But meaningful evaluation of previous projects is lacking. This is the fourth funding cycle and we should have a clearer understanding of lessons learned--or not learned.

Several commenters have asked for public hearings, and/or a contested case. Xcel Energy has opposed a contested case. After considering the totality of the filed record, the serious errors previously made, the lack of transparency of process, and the potential conflicts of interests between Xcel Energy and the statutory purposes of the Renewable Development Account, I conclude that the cost and delays associated with a contested case are justified.

Therefore I request that the Commission:

- o Not proceed on the basis of the present Xcel Energy proposal;
- o Order an in-depth examination of the health and environmental impacts of proposals;
- o Reject any further funding of incineration-related and biomass-combustion-related proposals; and
- o order a contested case.

o Order a contested case.

Respectfully submitted,

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