

Agency Purpose

Minnesota statutes direct the Minnesota Public Utilities Commission (Commission) to protect the public interest in the provision of electric, natural gas and telephone services.

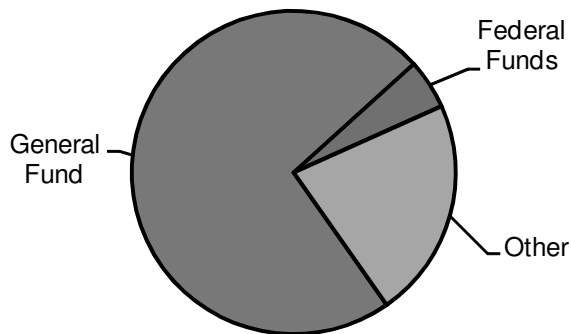
The Commission’s broad policy objectives are to

- assure safe and reliable gas and electric services at reasonable rates (M.S. Chapters 216, 216A, 216B);
- determine the need for and location of large energy facilities (M.S. Chapters 216E, 216F and 216G) and
- foster effective competition in Minnesota’s telecommunications markets (M.S. Chapter 237).

At a Glance

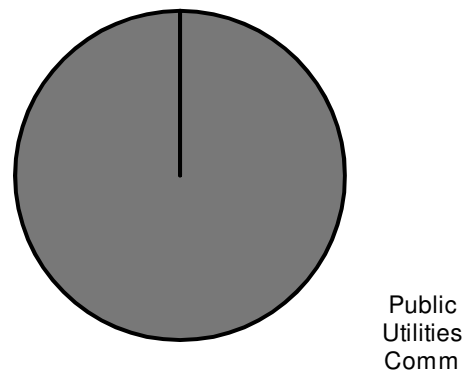
- **Focus on cornerstone industries:** Jurisdiction covers the largest providers of electric, natural gas, and telephone services, with revenues totaling over \$7.7 billion.
- **Decision-making:** Primary output is decision-making dictated by due process. Most cases cleared within 60 to 90 days.
- **Workload:** Average of 1,700 filings annually from 2005 through 2009; i.e., approximately seven filings per business day.
- **Agency costs among the lowest:** Commission staff size and budget per capita is one of the lowest of the 50 states.
- **Consumer issues managed:** Continuing outreach efforts and improved information management reduce formal complaints.
- **Strategic use of technology:** Full implementation of electronic filing; major user-friendly redesign of agency web-page; greater use of database technologies.
- **Regional and nation involvement:** Active involvement in regional and national policy forums as well as regional electric transmission grid issues.

Est. FY 2010-11 Expenditures by Fund



Source: MAPS Data 08/2010

Est. FY 2010-11 Expenditures by Program



Source: MAPS Data 08/2010

Strategies

To accomplish its policy objectives, the Commission provides a disciplined decision-making venue to:

- establish just and reasonable rates and terms of service;
- approve energy infrastructure that enhances the public interest;
- establish broad utility and telephone industry policies;
- adjudicate disputes among companies or other stakeholders concerning competitive conduct, service areas and other similar matters;
- provide a public forum for examination of issues and policies pertaining to the utility and telephone industries;
- mediate consumer complaints concerning services of telephone or energy utility providers; and
- represent Minnesota's interests in regional and national electric transmission policy forums.

Operations

The Commission is a quasi-judicial and legislative body.

- The Commission uses its quasi-judicial powers when it sets rates and terms of service, or otherwise resolves issues related to an individual company or certain groups of companies.
- The Commission uses its legislative powers when it sets broad policies that affect all companies in an industry, as when it establishes rules.

In all cases, the Commission must make its decisions on record evidence and in accordance with due process, including adherence to a strict code of conduct.

Primary stakeholders include ratepayers and the companies that provide electric, natural gas, and telephone services. In addition, commission stakeholders include a wide variety of interest groups representing the interests of low-income households, seniors, regional rate payer groups, the environment, large users, alternative service providers, including renewable energy providers.

Key Activity Goals & Measures

The Commission supports the following Minnesota Milestone statewide goals:

- Minnesota will have sustainable, strong economic growth
 - Growth in gross state product
 - Energy efficiency of the economy
- Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy:
 - Energy Use Per Person
 - Renewable Energy Sources
 - Air Pollutants
- Government in Minnesota will be cost-efficient, and services will be designed to meet the needs of the people who use them
 - Satisfaction with government services
 - Price of government

In addition, the Commission supports the following agency goal:

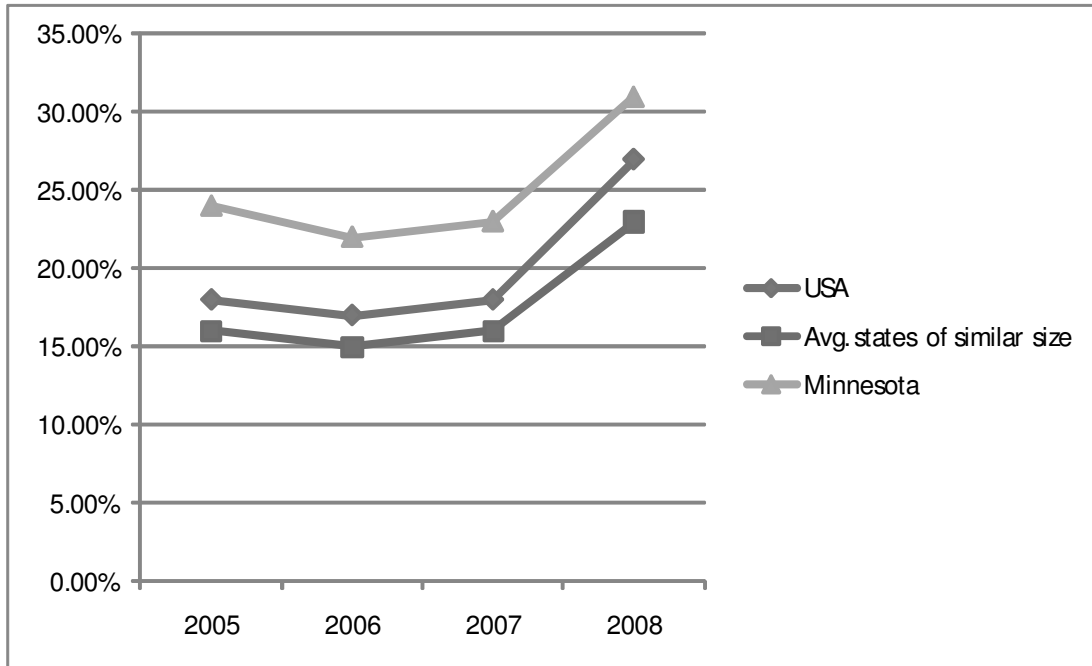
- Create and maintain a regulatory environment that ensures safe, reliable and efficient electric, natural gas and telephone services at fair and reasonable rates.

The following are measures the Commission considers when evaluating its performance on this goal:

Telephone competitiveness: An increasing market share among telephone companies competing with the former regulated monopoly companies, like Qwest, is an indicator of the competitive health of the telephone industry in Minnesota. Figure 1 shows that the collective market share of such competing firms in Minnesota

continued to increase through 2008 and at a pace that exceeded states of comparable population size¹ as well as the nation as a whole.

Figure 1 - Market Share - Competing Firms



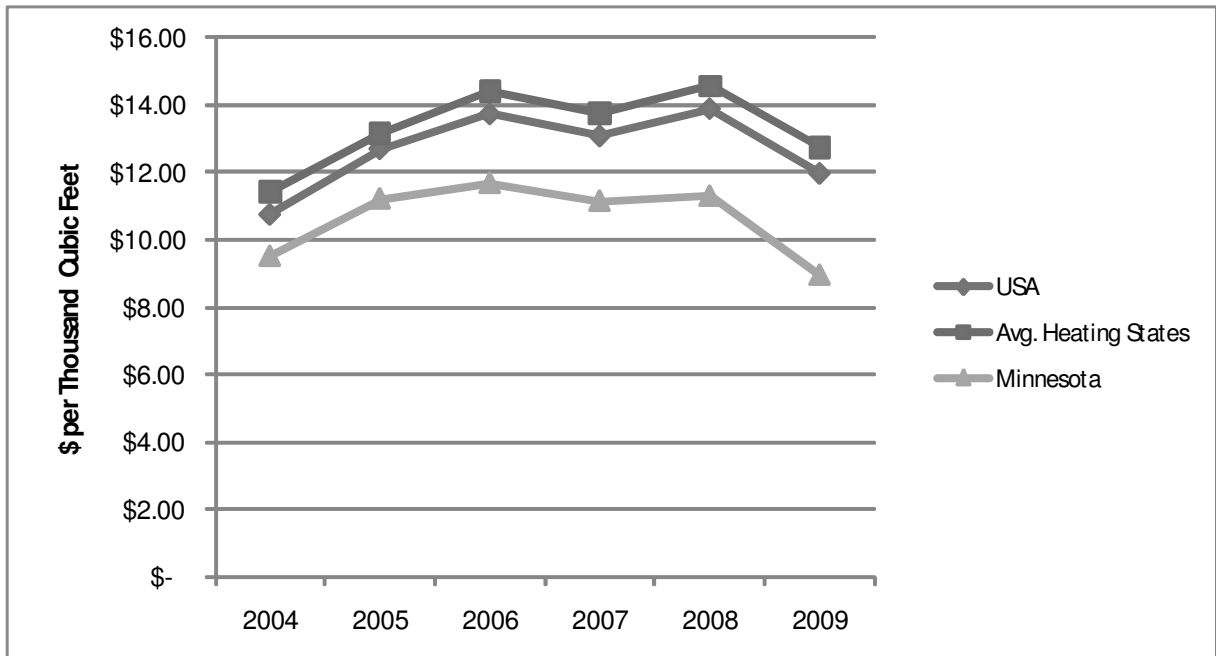
Source: "Table 11: Non-ILEC Share of Total End-User Switched Access Lines and VoIP Subscriptions by State," *Local Telephone Competition: Status as of December, 31, 2008*, U.S. Federal Communications Commission.

Energy prices: Energy price trends provide an indication of the Commission's effectiveness in securing reasonable utility rates. For natural gas, which must be totally imported, Minnesota's retail residential rates have consistently been lower than other heating states² as well as the nation as a whole, as seen in Figure 2. Likewise, Minnesota's average retail electricity rates from 2005 through 2008 have consistently been lower than in states with comparable population size as well as the nation as a whole, keeping Minnesota competitive and promoting economic growth.

¹ Colorado, Kentucky, Louisiana, Maryland, Missouri, South Carolina, Wisconsin

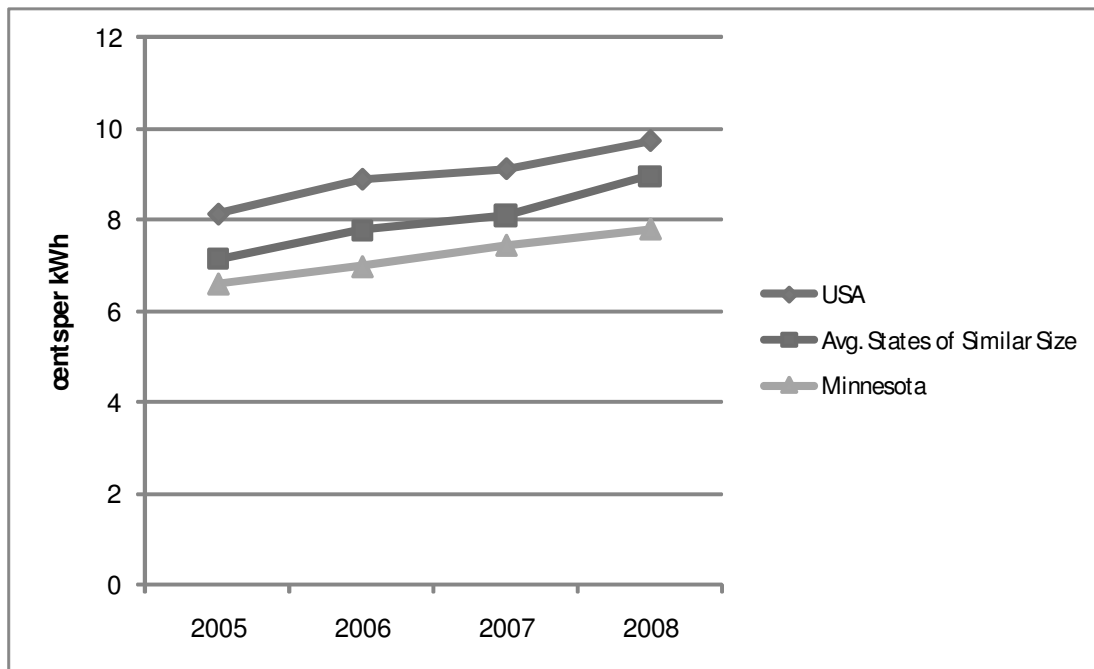
² Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Massachusetts, Michigan, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Dakota, Vermont, and Wisconsin.

Figure 2 Residential Natural Gas Prices



Source: Natural Gas Prices – Residential Price, U.S. Energy Information Administration

Figure 3 Average Electricity Prices – All sectors



Source: "Table A1. Selected Electric Industry Summary Statistics by State", *State Electricity Profiles* (for the years 2005 through 2008), U. S. Energy Information Administration.

Energy efficiency: The American Council for and Energy Efficient Economy (ACEEE) ranks Minnesota 8th in its 2009 rating of state energy efficiency policies. Minnesota’s wide array of energy efficiency programs have been in place for many years and are held up as model for other states. The Commission has contributed to this effort by managing the biennial utility integrated resource planning process, setting financial incentives for meeting efficiency performance goals, leadership on energy efficiency issues through the National Association of

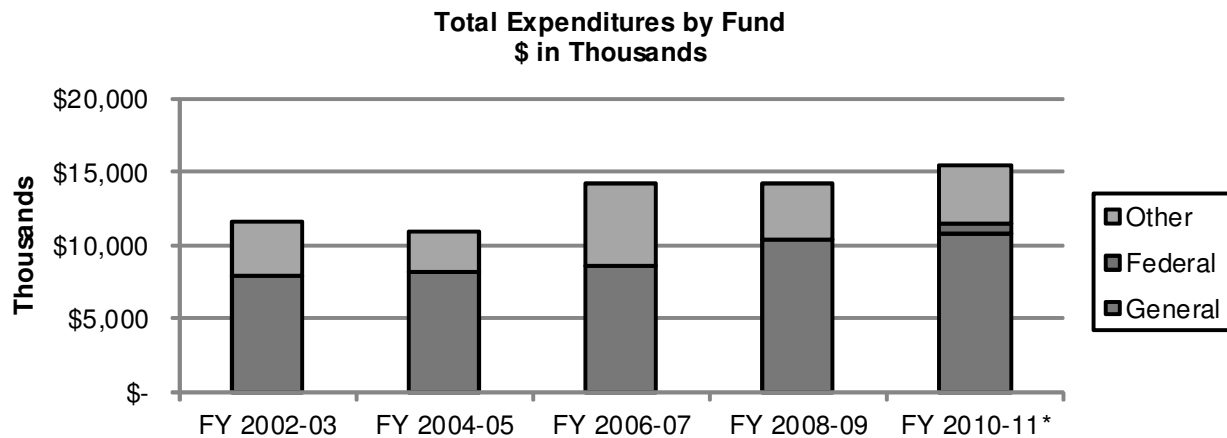
Regulatory Utility Commissioners, and, most recently, establishing criteria and standards for decoupling pilot programs and approving such a program for Minnesota’s largest natural gas utility.

Installed Renewable Electric Generation Capacity: The American Wind Energy Association reported that Minnesota’s in-state electric generation from wind resources was just over 9% in early 2010, which was 2nd highest among all states. The Commission has contributed to this growth in various ways: a) coordination of the 2006 Minnesota Wind Integration Study, b) approval of 24 large wind energy conversion systems since 2005, accounting for 2,189 MW of permitted capacity, c) approval of various transmission facilities needed to bring the wind resource to load, including a major line from the area of Brookings, South Dakota, to the Twin Cities, d) establishment of general permits standards for large wind energy conversion systems less than 25 MW, and e) participation in studies to evaluate the infrastructure implications of renewable energy standards in Minnesota and the Upper Midwest.

Efficient use of staff resources: The Commission does its work with far fewer employees than commissions in comparably sized states. The average number of employees (FTE) for utility regulatory bodies in states with population size comparable to Minnesota (see footnote 1) is 122. The Commission’s staff totals 42 (72 if the staff at the Office of Energy Security who do utility regulatory work are included). On a staff size per capita basis, Minnesota ranks 47th of the 50 states (40th if the related OES staff are included).

Budget Trends

100% of the biennial operating budget comes from the general fund. The agency consistently assesses nearly all of its expenditures to the companies it regulates; thus returning to the general fund almost 100% of what it spends. Approximately 89% of the operating budget covers salary and rent expenses. The Commission’s staff of 46 full-time equivalent employees (including five commissioners) is among the smallest in the United States.



* FY 2010-11 is estimated, not actual

Source data for the previous chart is the Minnesota Accounting and Procurement System (MAPS) as of 08/2010.

External factors affecting the Commission’s work include

- increased frequency of rate case filings due to economic need and changing policy requirement;
- expanded statutory responsibilities (e.g., permitting of large energy facilities and enforcement of new renewable energy standards);
- expanded transmission planning activities in regional and national forums;
- enhanced policy goals to increase renewable electricity generation, promote energy efficiency and reduce emissions; and
- improved technology-including smart grid technology.

Contact

For additional information on Commission activities and decisions, access the main agency website at <http://www.puc.state.mn.us>.

Office of the Executive Secretary (651) 201-2219