

# Annual Report



**MINNESOTA  
DEPARTMENT OF  
COMMERCE**

Energy \* Insurance \* Real Estate \* Securities \*  
Banks \* Credit Unions \* Collection Agencies \* Min-  
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Companies \* Money Transmitters • Telecom-  
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Notaries \* Unclaimed Property • Energy \* Insur-  
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• Payday Lenders \* Debt Settlement Companies  
\* Money Transmitters • Telecommunications  
\* Petrofund \* Weights & Measures \* Notaries \*  
Unclaimed Property • Energy \* Insurance \* Real  
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\* Collection Agencies \* Minnesota Relay • Payday  
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\* Credit Unions \* Collection Agencies \* Minnesota Relay • Payday Lenders \*

# 2009





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An equal opportunity employer

Minnesota is a state vast in resources, business and culture. Everyday, the citizens of Minnesota expect certain vital services to be available and securely within reach. The Minnesota Department of Commerce works to ensure that many of these "basic" services and financial protections are in place and that they remain reliable and affordable.

Our responsibilities are broad. We regulate and license banks, insurance companies, debt collectors, the real estate industry and more than 20 other industries and professions. Our energy group advocates on behalf of the public interest in regulated-utility matters; provides financial heating assistance to income-qualified consumers; and helps educate consumers and businesses on how they can use their energy more wisely. We also check the accuracy of all commercial weighing and measuring devices in Minnesota — from gas pumps to grain elevators to grocery scales — and run the state's Unclaimed Property program, which returns abandoned funds and property to its rightful owners or their heirs.

Our mission is to ensure fair marketplace values for businesses as well as to advocate for consumers served by those regulated industries. In these ways, the Department contributes to the health of Minnesota's business climate, our overall economy and the general sense among Minnesotans that our state is a great place to live.

Over the years, the Department of Commerce has taken positive action toward increasing the efficiency and effectiveness of our regulatory procedures. We've also evolved from mere civil disciplinarians to an agency known for working with federal, state and local law enforcement to get some of the worst offenders in our regulated industries off the street. This report provides an overview of the Department's many activities, highlighting the year's main accomplishments.

Thank you for your continued support of the Department of Commerce.

A handwritten signature in black ink that reads 'Glenn Wilson'.

Glenn Wilson, Jr.,  
Commissioner





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## Agency Purpose:

The Minnesota Department of Commerce protects consumers by ensuring secure, stable, reliable, and fair commercial and financial transactions in more than 20 industries and utilities.

The Department’s activities include:

- Investigating and resolving consumer complaints;
- Regulating and licensing business activity to ensure compliance, responsible business conduct, security and stability;
- Safeguarding consumers’ rights and investments;
- Advocating in front of the Public Utilities Commission to ensure equitable and reliable utility services; and,
- Expanding economic opportunities while working to improve our environment and quality of life.

The Minnesota Department of Commerce is comprised of four Divisions:

- Market Assurance
- Financial Institutions
- Administration
- Energy

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## 2009 SUMMARY

***Given the industries we regulate and oversee—banks, real estate, energy, securities, insurance and collections, just to name a few—the Minnesota Department of Commerce witnessed firsthand the strain the economic recession of 2009 placed on businesses and consumers.***

In 2009, our Office of Energy Security (OES) received more than \$200 million as a result of the federal American Recovery and Reinvestment Act, signed into law in February 2009. The largest portion of that, \$132 million, was allocated to the state's existing Weatherization Assistance Program. Another \$54 million was slated for the State Energy Program, which promotes energy conservation, energy efficiency and renewable energy.

We are working diligently to get the money into the hands of Minnesota consumers, businesses and other entities as quickly as possible. By the end of 2009, hundreds of homes had been weatherized and hundreds more were in the works. Also, in conjunction with the Minnesota Housing Finance Agency, we established a grant program for homeowners making energy-efficiency improvements to their homes.

In 2010, we will have launched appliance, solar and ground-source heat pump rebate programs. Grant and loan programs for local governments and the commercial and industrial sector will also be put into place.

In 2009, we closed six state-chartered banks—most in the metro area. Our watch list for state-chartered banks, meanwhile, grew from around 20 in July of 2007 to 90 at the end of 2009 as more banks had to write down billions of dollars worth of assets.

Our investigations have revealed an increase in the level of sophistication of unethical and criminal behavior in the last few years, impacting the real estate and mortgage markets. For example, where we used to see one person overstate an appraisal or one agent misrepresent someone's income on a mortgage application, today we're seeing multiple licensees all working together to commit fraud. The amount of money involved in these fraud cases has increased, too.

To combat this trend, we've become more aggressive in our investigations. In 2009, Commerce took 438 enforcement actions against companies and individuals and assessed almost \$11 million in fines.

Of the actions we took:

- 100 were insurance-related;
- 89 were against appraisers;
- 71 were in the mortgage arena; and
- 45 were real estate-related.

To ensure the worst and most frequent offenders don't continue to break the law, the Department of Commerce is referring its cases to criminal prosecutors at a much higher rate than ever before. Five years ago, we handed between two and three cases a year to prosecutors across the state. In 2009, we referred 45 cases to prosecuting authorities and we expect that number to increase in 2010. Many of those cases have resulted in criminal charges and jail time for the offenders.



# MARKET ASSURANCE DIVISION



Deputy Commissioner  
Manny Munson-Regala

***The Department's Market Assurance Division is the primary investigation and enforcement arm of the Department, focusing on protecting consumer interests as well as promoting responsible business practices. Consisting of an investigations unit, an insurance filing and product unit, securities registration unit, an insurance fraud unit, licensing, and a Consumer Response Team, the Market Assurance Division touches nearly every aspect of business regulated by the Department of Commerce.***

Market Assurance serves:

- All Minnesota individuals and businesses that buy or sell insurance, have mortgages, buy or sell real estate, make investments or otherwise do business with any of the industries licensed or regulated by the Division
- Licensees and regulated businesses
- Other government and regulatory organizations that engage in similar regulatory activities or interact with the regulated industries

In 2009, the Division responded to nearly 23,000 calls. Almost 18,000 of those calls were related to insurance. The remainder spanned the following categories: Collection Agency/Debt Collectors, Do Not Call List, Real Estate, and Securities.

Market Assurance opened 4,812 cases and took action against 438 individuals and companies in real estate, mortgage, insurance, securities, collections and several other business areas. Actions range from license revocation to steep fines.

Two of the more noteworthy cases in 2009 involved Michael Antonello and Michael Prieskorn.

In April, the Department charged insurance producer Antonello with insurance fraud and forgery. The Department alleged Antonello had secured 44 life insurance policies totalling \$127.8 million in a five-

year period on the life of one man. In December, the Department fined Antonello \$250,000.

In May, the Department revoked the mortgage originator license of Prieskorn and fined him \$2.2 million for his involvement in the fraudulent sale of about 220 homes in Minnesota

Our investigators made 45 referrals to outside criminal authorities for prosecution or helped in their investigations. Some of the larger or more prominent cases resulting in charges, guilty pleas or convictions in 2009 include:

February 2009—Larry Atkins, an insurance agent and owner of a brokerage services company in Fargo, North Dakota was charged in Cass County with numerous counts of various fraud. According to *The Forum of Fargo-Moorhead*, Atkins' Ponzi scheme involved more than 30 victims losing more than \$3 million.

March 2009—David Skjerven, a securities and insurance agent formerly of Audubon, was charged with theft by swindle and theft by misrepresentation in Normal County, Minnesota and fraudulent practice and property theft in Cass County, North Dakota. Skjerven allegedly accepted more than \$288,000 from Minnesota residents in the Moorhead area and converted the funds for personal use. Another Minnesota resident reported an additional \$300,000 loss.

April 2009—Real estate agent Larry Maxwell was convicted of 18 counts (theft by swindle, aggravated

forgery, identity theft, racketeering) in a \$2 million mortgage fraud scheme. Commerce investigators Julie Kosmalski and Cheryl Costello spent four months working out of the Bloomington Police Department on the case and received Citizen Commendation Medals from the City of Bloomington for their work.

June 2009—Kuntée Singramdoo of Lakeville was charged with five counts of theft and three counts of theft by swindle by the Dakota County Attorney's Office. In March, the Department charged Singramdoo with embezzling more than \$230,000 in real estate closing proceeds and using that money to pay off her creditors and family members' creditors

October 2009—Roseann Wagner of Prior Lake pleaded guilty to one count of wire fraud and one count of failure to file a tax return. According to *Minnesota Public Radio*, Wagner pled guilty to stealing more than \$470,000 in a mortgage fraud scam through which she accepted money from lenders at closings then pocketed the money.

A number of these cases involved the joint efforts of both our Division of Insurance Fraud Prevention and our Enforcement unit.

Also in 2009, the Division created a Director of Consumer Education and Outreach. This individual is tasked with educating consumers on a variety of topics including long-term care, annuities, reverse mortgages, and other products targeted at seniors. In addition, this individual will be responsible for creating consumer content both printed and in electronic media.

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## ENFORCEMENT UNIT

The Department's investigation staff fields calls from the public and investigates complaints to determine whether regulated businesses or individuals have violated state laws or rules. Some disputes are resolved informally. Others require the Department to take action. Actions can range from assessing a fine to revoking a license or issuing a cease and desist order if any regulations or rules have been violated.

The majority of cases and complaints handled by the unit are in the following categories:

- Abstracters
- Collection agencies
- Real Estate agents, brokers and appraisers
- Residential mortgage originators and servicers
- Securities brokers, dealers and agents
- Wire transfer agencies (money transmitters)

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## DIVISION OF INSURANCE FRAUD PREVENTION

The Division of Insurance Fraud Prevention was created by the State Legislature and signed into law by the Governor in 2004. All of our detectives are licensed police officers for the State of Minnesota and have prior experience investigating white-collar fraud cases. The Fraud Division currently has eight police officers, who have more than 200 years combined experience in police work. The Division also has five fraud analysts who assist detectives in their

casework and a consumer liaison who is the support staff for the Division.

The Fraud Division's responsibilities include:

- Reviewing reports of insurance fraud submitted by authorized insurers, their employees and/or agents;
- Responding to complaints of suspected insurance fraud generated by other law enforcement agencies, or any other person;
- Initiating inquiries when the Division has reason to believe that insurance fraud has been or is being committed;
- Referring alleged insurance fraud to appropriate law enforcement agencies—including county attorneys, the U.S. Attorney's Office or any other regulatory agency—for criminal prosecution;
- Assembling evidence, preparing charges or otherwise assisting any law enforcement authority having jurisdiction over a case.

Some of the more frequently-reported types of insurance fraud crimes are: arson, auto claim fraud; workers compensation fraud; homeowner fraud; health claim fraud; disability fraud and life insurance fraud.

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## CONSUMER RESPONSE TEAM

In addition to its role in fighting white collar crime, the Division provides education and support to Minnesota consumers of insurance through its Consumer

Response Team.

In 2009, the Consumer Response Team recovered more than \$2.7 million for Minnesota consumers. Recoveries are funds paid to consumers as a result of the Department's intervention that are above and beyond what an insurer would have otherwise paid.

In February 2009, the Department recovered \$150,000 for a widow whose husband had died due to an accidental fall. The company denied the claim using their policy exclusion for alcohol-related injuries. The Department took the position that the alcohol exclusion in the policy should be limited to accidents which occur as the result of driving a motor vehicle while under the influence of alcohol.

In June, the Department assisted a family whose child had a cochlear implant in place that was allowing him to hear. The child needed additional surgery that would damage his existing implant. The family's self-funded employer plan specifically excluded cochlear implants. While federal law allows employers to make such exclusions, the Department advocated on behalf of the family and convinced the employer to replace the cochlear implant that would be damaged as a result of the surgery. The child was able to retain the device that allowed him to hear. Estimated recovery: \$50,000 including implant, surgeon fees, hospital expenses, anesthesia, therapy and miscellaneous expenses.

In July, a man approached the Department for assistance in resolving a claim for theft and vandalism. His claim had been closed by the insurance company because of lack of response to requests for



*Consumer Response Team member visits with a homeowner in South Minneapolis after a tornado ripped through the area in August.*

completed paperwork. The man was bedridden and needed special accommodations. The Department worked closely with the man and his insurance company to coordinate meetings and get the claim resolved, recovering \$10,200 on his behalf.

The Division's Consumer Response Team also plays a crucial role in the aftermath of disasters. In August, the team responded to the tornado that touched down in south Minneapolis. Staff visited directly with homeowners that incurred damage as a result of the storm and provided them with information about the consumer-assistance services available from the Department of Commerce.

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## LICENSING

The licensing unit administers a license application and renewal program for more than 25 occupational and professional licenses, including insurance (producers

and adjusters); real estate (agents, appraisers, abstracters); and debt collection. This unit ensures that standards of education, examination and professional conduct are met and maintained to retain a license.

In 2009, the Department's Licensing Division responded to 46,414 calls concerning real estate and insurance agents, appraisers, collection agency/debt collectors, continuing education, and other general matters. Phone team members answered 15 percent more calls in 2009 than they did the previous year, leading to fewer dropped calls and a reduction in the average call time from 10 minutes to 5 minutes.

Other accomplishments:

- Moved all appropriate licensing done by the Division online.
- Reviewed 50 license education course applications every week.

## Licensing & Securities Registration Statistics for 2009

### Licensing: Debt

45,748	Debt Collectors
646	Collection Agencies
392	Collection Agency Branches
76	Exempt Out-of-State Collection Agencies
13	Credit Service Organizations

### Licensing: Real Estate

17,625	Resident Real Estate Salespersons
6,475	Resident Real Estate Brokers
3,220	Real Estate Companies
2,433	Resident Appraisers
1,982	Real Estate Companies (Individual Proprietorship)
826	Non-Resident Real Estate Salespersons
618	Mortgage Originators
442	Non-Resident Real Estate Brokers
390	Closing Agents
305	Abstracters
287	Non-Resident Appraisers
275	Exempt Mortgage Originators
200	Limited Brokers
151	Abstracter Companies
146	Temporary Practice Appraisers
57	Mortgage Servicers
46	Exempt Mortgage Servicers
3	Abstracter Companies (Individual Proprietorship)

### Licensing: Insurance

39,501	Resident Individual Licensees
64,109	Non-Resident Individual Licensees
4,548	Non-Resident Agencies
3,464	Resident Agencies
434	Resident Individual Property Agencies
299	Third-Party Administrators
74	Utilization Review Entities
52	Non-Resident Managing General Agency
48	Non-Resident Individual Property Agencies
19	Resident Managing General Agencies
18	Non-Resident Reinsurance Intermediate Brokers
17	Resident Reinsurance Intermediary Brokers
16	Viatical Providers
11	Viatical Brokers
5	Non-Resident Reinsurance Intermediate Managers
3	Resident Reinsurance Intermediary Managers

### Securities

1,100	Applications
5,203	Amendments
1,622	Annual Reports
1,501	Exemptions

### Securities: Licenses Reviewed

6,069	Agent (new)
141	Broker-Dealer
115	Investment Adviser

### Franchises:

197	Applications
980	Annual Reports

- Processed an average of 50 real estate and appraiser license applications each day.
- Reduced the processing time for real estate and appraiser license applications by 1 day every month. We now process these applications in 7 business days.
- Processed 90 insurance adjuster license applications each day.

## SECURITIES REGISTRATION AND FRANCHISING UNIT

The Securities Registration and Franchising unit reviews securities and franchising documents filed with the Department for content, disclosures and adherence to Minnesota law and rules.

In the area of securities, we review security applications, amendments, annual reports and exemptions for several securities, including stocks, bonds, debt, preferred stock, real estate investment trusts, limited partnerships, subdivided land and time shares. Over the last three years, we have reviewed about 10,000 filings in these areas. Working with the Financial Industry Regulatory Authority and the Securities and Exchange Commission, we also oversee the licensing of securities broker dealers, agents and investment advisers, processing about 8,500 new applications a year. On the franchising side, we review initial filings, annual reports and amendments.

By the end of 2009, the unit was keeping track of 10,534 Agents, 1,923 Broker-Dealers, and 1,415 Investment Advisers.

## INSURANCE PRODUCT FILING UNIT

The Insurance Product Filing unit reviews insurance policy forms and their accompanying rates to ensure that Minnesota consumers receive the protections and benefits required under Minnesota law. The bulk of the filings reviewed by the unit fall into the categories of life, annuities, health, personal automobile, homeowners, and workers' compensation insurance.

The Insurance Product Filing unit received a total of 5,543 filings in 2009. The breakdown was 2,542 property & casualty filings and 3,001 life & health filings. All filings are submitted to the Department electronically via System for Electronic Rate and Form Filing (SERFF).

The unit accomplished a turnaround time of 25.79 days for property and casualty filings and 38.2 days for life and health filings.

In 2009, the unit was once again certified as Speed-to-Market compliant by the National Association of Insurance Commissioners (NAIC). The unit is evaluated on a number of criteria related to how successfully it has implemented various components of SERFF; a uniform, national rate and form filing system.

Late in 2009, the Insurance Product Filing unit participated in an intensive efficiency workshop. As a result, the unit will implement a number of improvements in 2010 which will help create uniformity in our filing assignment and review procedures; expedite the review and approval of compliant filings; improve coordination of work between the unit and other staff.

### Some helpful licensing category definitions:

**Abstracter:** Any person, firm or corporation engaged in the business of making abstracts of title and issuing certificates showing ownership of, or interest in, or liens upon any lands in the state of Minnesota, whether registered or not.

**Exempt Out-of-State Collection Agency:** A collection agency that has no physical presence in this state that is engaged in the business of collecting claims on behalf of creditors that have no physical presence in this state, and that only conducts business within this state by means of interstate communications including telephone, mail, and facsimile transmission.

**Limited Broker:** An individual authorized to conduct real estate transactions as principal only. An officer of a corporation or partner of a partnership licensed as a Limited Broker may act on behalf of that corporation or partnership without being subject to the licensing requirements.

**Exempt Mortgage Originator:** Persons exempt from residential mortgage originator licensing requirements.

**Exempt Mortgage Servicer:** Persons exempt from residential mortgage servicer licensing requirements.

**Reinsurance Intermediate Broker:** Any person, other than an officer or employee of the ceding insurer, firm, association, or corporation who solicits, negotiates, or places reinsurance cessions or retro-cessions on behalf of acceding insurer without the authority or power to bind reinsurance on behalf of this insurer.

**Reinsurance Intermediate Manager:** Any person, firm, association, or corporation who has authority to bind or manages all or part of the assumed reinsurance business of a reinsurer, including the management of a separate division, department, or underwriting office, and acts as an agent for that reinsurer.

**Managing General Agency:** A business entity appointed by an insurer to solicit applications from agents for insurance contracts or to negotiate insurance contracts on behalf of an insurer and, if authorized to do so by an insurer, to effectuate and countersign insurance contracts.

**Resident Individual Property Agencies:** Also known as a real estate broker. A party who acts as an intermediary between sellers and buyers of real estate (or real property as it is known elsewhere) and attempts to find sellers who wish to sell and buyers who wish to buy.

**Third-Party Administrators:** An organization that processes insurance claims or certain aspects of employee benefit plans for a separate entity.

**Utilization Review Entities:** Entities that evaluate the necessity, appropriateness, and efficacy of the use of health care services, procedures, and facilities, by a person or entity other than the attending health care professional, for the purpose of determining the medical necessity of the service or admission. Utilization review also includes review conducted after the admission of the enrollee. It includes situations where the enrollee is unconscious or otherwise unable to provide advance notification.



# FINANCIAL INSTITUTIONS DIVISION



Deputy Commissioner  
Kevin Murphy

***The Financial Institutions Division is responsible for assuring safe, sound and solvent financial services in Minnesota. A team of financial analysts, examiners and actuaries work to ensure that Minnesota citizens have access to a broad range of financial products and services from numerous providers at competitive prices, while minimizing failures and risk of loss.***

This Division serves all Minnesota consumers and businesses that rely on banks, credit unions, finance companies and insurance companies for financial products and services.

The Financial Institutions Division is divided into two units: the Bank and Credit Union unit and the Insurance/Actuarial unit.

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## BANK AND CREDIT UNION UNIT

The Bank and Credit Union unit examines all state chartered banks, trust companies, credit unions, certificate investment companies, thrift companies and consumer credit companies for financial stability and consumer protection. The unit also reviews and approves applications for bank and credit union charters, branch offices and mergers, as well as license applications for check cashers, payday lenders, money transmitters and ATMs. Residential mortgage loan origination and servicing companies are also licensed by the unit. The division is accredited by the Conference of State Bank Supervisors and the National Association of Insurance Commissioners (NAIC).

In response to various challenges posed by the current economic downturn, the Division has dramatically increased the use of joint examinations of both banks and credit unions. Joint examinations involve staffing examinations with both federal and state examiners, which is a more efficient use of resources

and assures more timely communication of examination findings to all interested parties, including the financial institutions being examined.

Six Minnesota state banks failed in 2009. In each case, the Division, in cooperation with the Federal Deposit Insurance Corporation, arranged for merger of the failed banks into healthy financial institutions with no losses or inconvenience to depositors of the failed institutions. And for the first time since 1995, the division did not approve a single new bank charter in the state.

Also, early intervention and corrective measures initiated by the Division averted the likely failure of at least one troubled credit union in 2009.

Deputy Commissioner Murphy was the principal witness at the Senate Commerce & Consumer Protection Committee hearing held on October 6, 2009 concerning the regulation of financial institutions in Minnesota. The testimony included a primer on community banks, remedies available to regulators for dealing with troubled and failing banks, examiner staffing levels and historical data concerning bank failures in Minnesota.

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## INSURANCE /ACTUARIAL UNIT

The Insurance/Actuarial unit licenses, examines and monitors the financial stability of insurance compa-



*Department Examiners work on site at financial institutions all across the state.*

sion and will likely become the national prototype for similar legislation in other states.

#### OTHER DIVISION ACCOMPLISHMENTS:

In 2009, the Division began the registration of debt settlement companies. Registration of debt management companies began in 2008.

The Division's 2009 legislative proposal included a requirement that all so-called "pay day" lenders making loans to Minnesota residents be licensed by Commerce and be required to follow the relatively conservative fee schedule set forth in Minnesota statutes.

To support financial literacy in Minnesota, Deputy Commissioner Murphy serves as treasurer and director of the Minnesota Jump\$tart Coalition, a nonprofit entity whose mission is to improve the financial literacy of Minnesota's youth.

Insurance unit staff continue to participate in proceedings at the NAIC and chair several important committees.

nies operating in Minnesota. If a company becomes financially unstable, this team steps in to require that the company correct the problems before it is too late.

While there have been discussions about a federal regulator for insurance, the regulation of the industry continues to be a state responsibility. However, the insurance unit of the department does participate in the proceedings of the National Association of Insurance Commissioners (NAIC), which routinely recommends model laws and regulatory standards for each state to adopt. These model acts are often adapted to conditions unique to Minnesota.

The unit continues to lead the country in the risk-focused financial examinations of insurance companies. Started in 2003 in Minnesota, this approach focuses on adequacy of company reserves, strategic planning by management and risk-management controls, rather than "bean counting," which is duplicative of work conducted by a company's independent auditors. The result is a lower examina-

tion costs and a more meaningful work product.

In 2009, the Insurance/Actuarial unit met with industry executives to develop an initiative to improve the regulatory oversight of fraternal insurance companies, a unique category of life insurers which are not covered by the insurance guaranty fund safety net which protects policyholders from losses in the event of a failure. The result was a legislative proposal which will be introduced in the 2010 ses-

#### Depository Institutions in Minnesota

Type of Institution	Number of Institutions	Aggregate Assets	Average Assets	Regulated By
National Banks	77	16,682,219	216,652	Office of the Comptroller of the Currency
Federal Thrifts	23	5,811,016	252,653	Office of Thrift Supervision
State Fed Member Banks	26	4,165,525	160,213	Commerce/Federal Reserve Bank
State Nonmember Banks	284	35,492,573	124,974	Commerce/FDIC
Federal Credit Unions	61	8,575,978	140,590	National Credit Union Administration
State Credit Unions	95	6,801,801	71,598	NCUA/Commerce

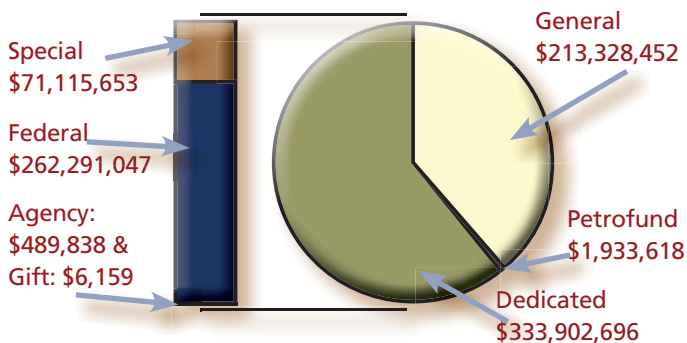
# ADMINISTRATION DIVISION



Deputy Commissioner  
James Pearson

**The Administration Division is home to a number of Commerce-related activities, including the Petrofund, Unclaimed Property program and the Weights and Measures division. The division's deputy commissioner and staff also oversee core functions within the department, including budget, human resources, information technology, legislative relations, communications, word processing and records filing.**

## Total Revenue in 2008–2009: \$549,164,766



### General Fund

Expenditures in this fund come from money appropriated to the Department and are used for operating expenses. Revenue is deposited in the fund as non-dedicated revenue.

### Petroleum Tank Release Clean-up Fund

This fund ensures the cleanup of leaks and spills from petroleum storage tanks that might endanger Minnesotans' health, safety and environment. Funds are generated mainly through the petroleum tank release clean-up fee and used for, among other things, administration, corrective actions, training, and contamination clean-up grants.

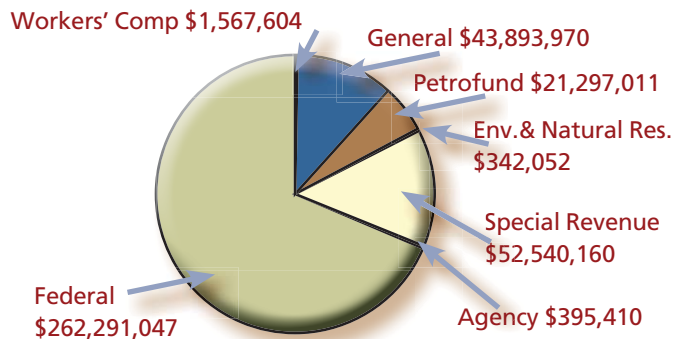
### Environment and Natural Resources

These funds are for the long-term benefit of Minnesota's environment and natural resources. Funds are allocated by the Legislative-Citizen Commission on Minnesota Resources and come from the non-expendable Environmental Trust Fund.

### Federal

The fund accounts for federal money received by the Department and is primarily used to fund the Energy Assistance Program.

## Total Expenditures in 2008–2009: \$382,326,264



### Special Revenue

The special revenue fund includes numerous smaller accounts that have revenues dedicated to a variety of specific purposes. Money in these accounts come from fees and assessments and are used to support the programs for which the funds are collected.

### Agency

The Miscellaneous Agency Fund accounts for resources held by the state as a trustee or in a custodial capacity for various governmental units, individuals or funds.

### Worker's Compensation

The Workers Compensation Special Fund is established for operating the workers' compensation program. Funds are used to investigate workers' compensation fraud.

### Gift

Funds have been received by the Department for the Weatherization and Energy Assistance programs



*Whether in the Petroleum Lab (above) or the Metrology Lab (right), staff at Weights and Measures works to guarantee accuracy and quality for all Minnesotans.*

The metrology lab calibrated more than 13,197 artifacts, including five-gallon measures, one-gram weights, 1,000-gallon provers, tape measures, thermometers, 25-pound, 50-pound, 500-pound, 1,000-pound and 2,000-pound test weights, and 100,000-pound railroad test cars.

#### OTHER ACCOMPLISHMENTS:

The petroleum lab has been upgraded with new equipment to perform additional quality testing for all types of fuels.

## WEIGHTS AND MEASURES

The Weights and Measures Division works for Minnesota buyers and sellers by checking the accuracy of all commercial weighing and measuring devices in Minnesota — from gas pumps to grain elevators to grocery scales. The Division also works to ensure the quality of gasoline, diesel fuel, heating fuel and other petroleum products. The Division has 32 employees, which includes 20 field staff.

The Weights and Measures field staff tested and inspected the following weighing and measuring devices for 2009:

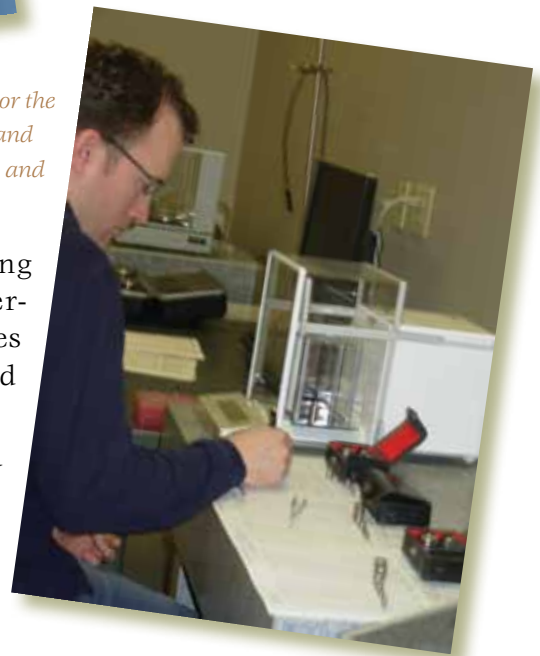
- 46,713 gas pumps with a 96 percent compliance rate
- 7,528 light-capacity scales
- 1,100 vehicle tank meters
- 675 hi-volume meters at the terminals, refineries, ethanol plants, and airports

- 312 package-checking inspections were performed at grocery stores and other food-related facilities
- 2,550 large-capacity scales, vehicles, livestock, railway, hoppers, and mass-flow meters

The light duty field staff also performed 18,344 fuel quality tests including audits, sample collection, inspecting storage tanks, and biodiesel content in diesel fuel.

Weights and Measures received 310 complaints in 2009, with 23 resulting in actions such as warnings, fines, or rejections. The majority of the complaints pertain to petroleum pump accuracy and quality of the product. We received 3,425 below-cost gas pricing complaints.

The petroleum lab performed a variety of quality tests on more than 3,600 fuel samples.



We implemented a new billing system for metrology.

We designed electronic reports for the placing-in-service companies and the liquid petroleum gas inspectors.

We achieved Echelon 1 accreditation in the metrology lab.

## UNCLAIMED PROPERTY

Every day, someone loses some form of financial property because of a change of address, death or just plain forgetfulness. What happens to these forgotten funds? The Unclaimed Property unit holds the abandoned funds or property until the rightful owner or heir claims it. Over \$260 million worth of property has been returned to Minnesota residents since the Unclaimed Property Program began in 1969. As the data below suggests, we have seen a significant increase in claims processed in the last four years. The increase is attributable to the program receiving more than \$100 million in funds from life insurance companies that converted from privately-held to publicly-held entities.

As of June 2009, over \$400 million worth of property remained unclaimed. New property totaling more than \$45 million has been received since July 1, 2009 and \$12 million has been returned (as of December 31, 2009).

Reports of unclaimed property are received on November 1 of each year. In fiscal 2009, the Department received over \$62 million. The Department also received the contents from 554 safe deposit boxes and over 8,800 security-related holdings.



## PETROFUND

The Petroleum Tank Release Cleanup Fund (Petrofund) contributes to a cleaner environment and helps to prevent the pollution of Minnesota's soil and water by providing eligible applicants reimbursement for a portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Eligible applicants include owners and operators of petroleum storage tanks, owners of properties where a petroleum tank release has occurred, and anyone else who has been requested or ordered by the Minnesota Pollution Control Agency (MPCA) to investigate or clean up a petroleum tank release. Since its creation in 1987, the program has reimbursed \$400 million to help clean up over 12,500 contaminated sites.

The Petrofund generally reimburses applicants for up to 90 percent of their eligible costs, and is funded by a \$.02-per-gallon fee on petroleum products that is paid by the first licensed distributor that receives the product in Minnesota. The fee is imposed with the approval of the five-member Petrofund Board, which oversees the program, but only in four-month intervals and only when the unencumbered balance of the fund drops below \$4 million.

*Clean-ups like this, supported through the Petrofund, keep Minnesota's water, soil and ground waters cleaner*



The Petrofund also administers the Abandoned Underground Storage Tank Removal program. Property owners who have abandoned underground petroleum storage tanks on their property can apply to have the Petrofund remove the tanks, with the property owners agreeing to perform any necessary investigation and clean-up work.

### PETROFUND ACCOMPLISHMENTS IN 2009:

The Petrofund approved 664 applications for reimbursement, for a total of \$7.2 million in claims paid.

Petrofund staff reviewed reimbursement applications within an average of 19 days of receiving them, which is within the statutorily-mandated time frame of 60 days for initial applications and 120 days for supplemental applications.

25 releases were identified during the removal of 47 abandoned tanks at 36 properties. Over 19,000 gallons of product/water/sludge were recovered from the tanks before removal.

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## TELECOMMUNICATIONS

The Telecommunications team at Commerce investigates telecommunications issues, advocates the public interest, enforces regulations and administers the Telecommunications Access Minnesota program, created by the Minnesota Legislature in order to provide equal access to the telecommunications network for people who are deaf, hard of hearing, speech disabled, or physically disabled. We provide decision makers with appropriate information and policy alternatives that are responsive to changing market conditions and support the provision of reliable retail and wholesale telecommunications services at fair and reasonable rates, terms and conditions.

In 2009, the Telecommunications unit opened 970 new telephone dockets. Of those, 857 were reviewed and closed by staff.

Some characteristics of those filings:

- 19 complaints
- 3 Department of Commerce-initiated investigations
- 3 Public Utilities Commission-ordered investigations
- 120 company filings for approval of their 911 plans
- 106 interconnection agreements/amendments
- 16 filings requesting new authority
- 25 purchase acquisitions
- 26 dockets requesting a revocation of authority to do business in Minnesota
- 652 miscellaneous filings

The Telecommunications unit also provided staff to the Minnesota Ultra-High-Speed Broadband Task Force. In November 2009, the Task Force submitted a report to the Governor and the Legislature.

### TELECOMMUNICATIONS ACCESS MINNESOTA (TAM)

The Telecommunications Access Minnesota (TAM) program was created by the Minnesota Legislature in order to provide equal access to the telecommunications network for people who are deaf, hard of hearing, speech disabled, or physically disabled. Minnesota Relay and the Telephone Equipment Distribution (TED) Program were established to achieve this objective, and are funded by a surcharge on all wired and wireless telephone access lines in the state of Minnesota. The current TAM surcharge is \$0.06 per access line.

The Department of Commerce-Telecommunications Access Minnesota contracts with Communication Service for the Deaf (CSD) for the provision of Telecommunications Relay Services (TRS) and contracts with the Department of Human Services for the provision of the TED Program.



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### MINNESOTA RELAY

Minnesota Relay is a free service providing full telephone accessibility to persons who are deaf, hard of hearing, or speech disabled. A specially trained communication assistant (CA) relays the telephone conversation between a person who has a hearing loss or a speech disability and the person with which they wish to speak. Calls can be made to anywhere in the world, 24 hours a day, 365 days a year.

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### TELEPHONE EQUIPMENT DISTRIBUTION (TED) PROGRAM

The TED Program provides free, specialized telecommunications equipment to income-eligible Minnesotans who find it difficult to use a standard telephone due to a hearing, speech or physical disability.

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### 2009 ACCOMPLISHMENTS:

Minnesota Relay staff performed 386 outreach activities contacting 22,773 Minnesotans.

Minnesota Relay ran a Public Service Announcement to increase awareness of CapTel relay service and telephone equipment. From September through December 2009, the TED Program distributed 417 CapTel phones and CapTel relay use increased 58 percent.

The TED Program served 1,638 new participants, 3,897 repeat participants, and provided information and referrals to 1,266 consumers.

TED Program specialists conducted 109 presentations and staffed booths at 42 expos, fairs, and other events.

# OFFICE OF ENERGY SECURITY



Deputy Commissioner  
William Glahn

**T**he Office of Energy Security (OES) ensures that Minnesota homes and businesses receive access to energy services that are reliable, reasonably-priced, efficient and economically and environmentally sound. The Division does this by advocating on behalf of the public interest in regulated-utility matters; providing financial heating assistance and energy conservation improvements to income-qualified consumers in homes; assisting viable new energy technologies seeking to enter the commercial market; and educating end users of energy on how they can use their energy more wisely.

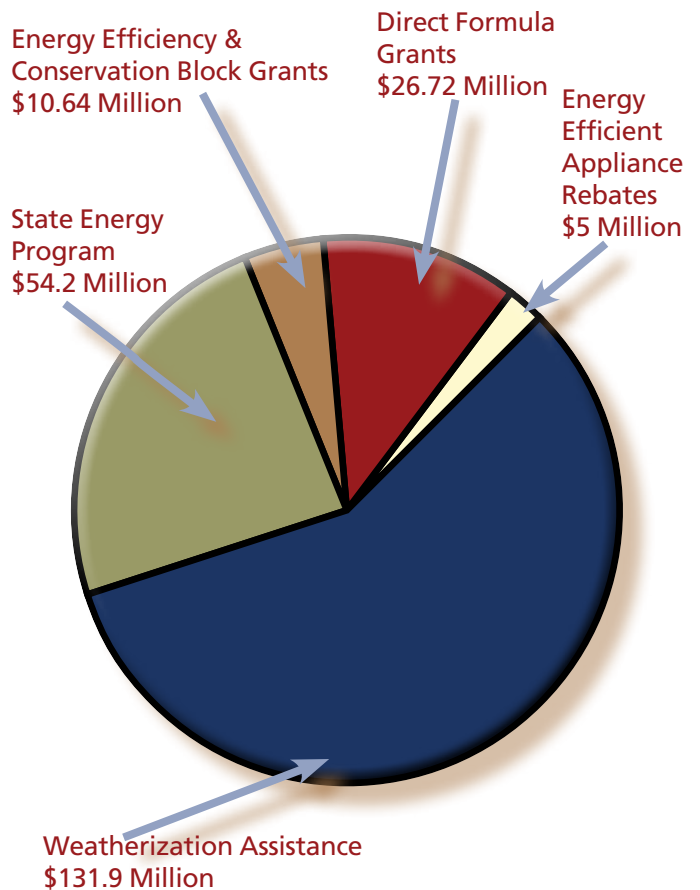
Divided into three units—the State Energy Office, Energy Planning and Advocacy, and Energy Assistance—the energy Division is dedicated to providing reliable, reasonably-priced, environmentally-superior energy to all energy consumers, investors, producers and distributors in Minnesota.

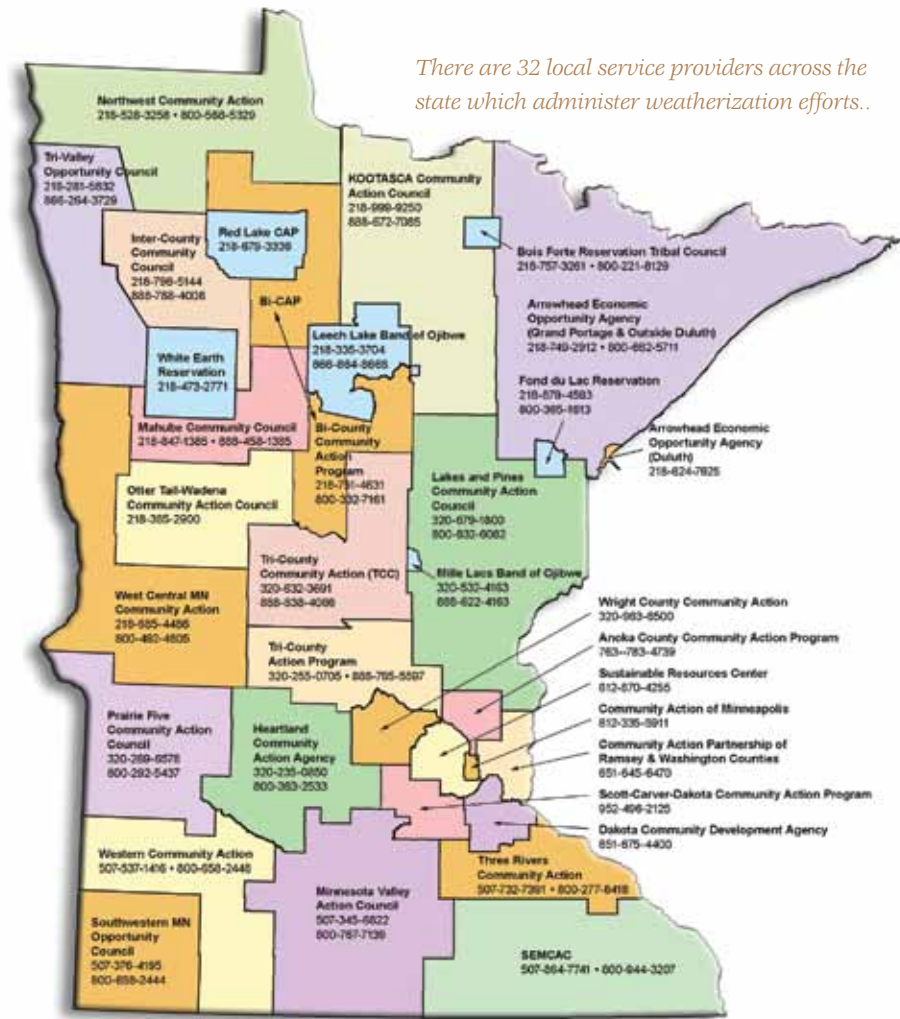
## STATE ENERGY OFFICE

The State Energy Office (SEO) consists of engineers; energy, grants and data specialists; and communications experts who promote energy conservation and the development of new energy technologies. The group's primary responsibility is to move Minnesota toward a sustainable energy future.

In addition to the regular funding SEO receives annually from the U.S. Department of Energy (DOE) for ongoing energy-efficiency and renewable-energy programs, the division was provided with another \$203 million through the American Recovery and Reinvestment Act of 2009 (ARRA). The bulk of the additional funds—\$132 million—were allocated to the state's long-running Weatherization Assistance Program. Another \$54 million was provided to the State Energy Program. The remainder was split among several

## Allocation of Federal Stimulus Funds





*There are 32 local service providers across the state which administer weatherization efforts..*

other new and existing programs. The funds are to be spent over an 18- to 24-month period.

To prepare for the influx of funds and expanded programming, SEO hired another 20 people to administer and monitor both the new and expanded programs. The division also rented 2,500 square feet of additional office space to accommodate the expanded staff.

Programs administered by the State Energy Office include:

- Weatherization Assistance Program
- State Energy Program/ Energy Efficiency Conservation Block Grant

- Demand Efficiency— Conservation Improvement Program
- Energy Information Center

### WEATHERIZATION ASSISTANCE PROGRAM

The Weatherization Assistance Program helps low-income households with their energy costs by making energy-conservation improvements to their homes. Those improvements can include wall and attic insulation; air leak sealing; and safety and efficiency testing to determine necessary repairs or replacements to home heating systems. The state partners with 32 local service providers

to administer weatherization services across Minnesota. SEO staff monitor the weatherization work done by visiting service providers, inspecting weatherized homes and other methods.

Typically, the Weatherization Assistance Program receives about \$10 million in federal funding each year—enough to weatherize about 3,000 homes. By the end of 2009, an additional 1,425 homes were weatherized using ARRA funds. SEO expects to weatherize a total of 17,000 additional homes using ARRA funds by March 2012, with the majority of work completed by the end of 2010. Roughly \$13.5 million of ARRA funds allocated for weatherization assistance had been spent by the end of 2009.

To ensure service providers have the staff necessary to complete the work, SEO set aside some of the ARRA funds to help local service providers partner with training facilities in the state. Three different contracts have been awarded, providing training opportunities for low-income persons across the state.

### STATE ENERGY PROGRAM/ENERGY EFFICIENCY CONSERVATION BLOCK GRANT

Another \$54 million in ARRA funds went to the State Energy Program, which promotes energy conservation, energy efficiency and renewable energy to Minnesota consumers, businesses and policymakers through educational outreach and technical assistance, targeted financial incentives and demonstrations of market-ready new technologies. The funds will support public building retrofits, residential energy financing, renewable energy programs, energy education, training,

data collecting, emerging technologies and more.

At the end of 2009, about \$1.2 million of the ARRA funds designated for the State Energy Program had been spent and by the end of March 2010, over half of the \$54 million has been obligated to Minnesota businesses and homeowners.

## ENERGY EFFICIENCY AND RENEWABLE ENERGY PROGRAMS

A number of other programs are administered by the State Energy Office to promote energy efficiency and renewable energy. Two initiated in 2009 with ARRA funds include:

**Project ReEnergize:** The State Energy Office worked with the Builders Association of Minnesota to create Project ReEnergize, a residential program that provides rebates to homeowners who make energy-efficiency improvements to their homes. As of January 4, 2010, nearly \$1 million in rebates had been issued for 491 houses. The average rebate for homeowners was just under \$2,000 while the contract with their contractors averaged \$10,000.

**Energy Saver:** The State Energy Office also provided a \$4.4 million grant to the Minnesota Housing Finance



*Solar energy use in Minnesota is increasing in both residential and commercial settings due, in part, to the encouragement provided through OES administered solar rebates.*

Agency (MHFA), enabling the creation of the Energy Saver Program, which rolled out on December 7, 2009. As of March 19, 2010, all funds were expended. An additional \$1.3 million will be re-allocated to the program because of its success. The program works in conjunction with MHFA's existing Fix-up Fund loan program and provides a rebate of up to \$10,000 to homeowners who make eligible home energy efficiency improvements with their loan funds.

Several other ARRA-funded grant programs posted in 2009 include:

- Energy Efficiency and Conservation Block Grant (EECBG), \$6.4 million
- Emerging Renewable Energy Industries program, \$2 million
- Energy Programs in Commercial and Industrial Buildings program, \$4.1 million

## CONSERVATION IMPROVEMENT PROGRAM

The Conservation Improvement Program (CIP) promotes consumer and industry awareness of energy conservation and its positive environmental effect. The program aims to reduce utility bills, generate innovations in developing energy-efficient products and technologies and promote new energy resource development.

The Demand Efficiency team within the Office of Energy Security regulates conservation improvement programs in Minnesota and provides technical assistance to utilities and third-party program administrators. The team's goals are to ensure the accuracy of reported energy savings, protect

ratepayer dollars and help achieve the state's broader energy-conservation goals

In 2009, the team reviewed triennial plans for investor-owned electric utilities (Interstate Power & Light and Xcel Energy) and for investor-owned natural gas utilities (CenterPoint Energy, Great Plains Natural Gas, Greater Minnesota Gas, Interstate Power & Light, Minnesota Energy Resources Corp., and Xcel Energy). Utilities submitted their plans on June 1, 2009 to meet the energy conservation provisions of the Next Generation Energy Act of 2007. The plans approved for Xcel Energy and Interstate Power & Light include a total of \$246 million in CIP investments between 2010 and 2012—an increase of 37 percent from 2007-2009. Natural gas utilities' plans called for an even more dramatic boost in CIP investment—\$133 million in 2010-2012, a 133 percent increase. Much of these funds will be available to consumers in the form of rebates or incentives to make homes and businesses more energy efficient.

Other Accomplishments in 2009:

- Reviewed annual status reports submitted by all ten electric and gas investor-owned utilities
- Served as state monitors for nine research and development projects funded by the CIP Applied Research & Development Fund
- Continued refinement of the Minnesota Deemed Savings Database, which was created in 2008 to standardize energy savings assumptions in Minnesota utility programs



*Public education is a key activity of the Energy Information Center.*

- Continued development of the CIP area of the OES web site ([www.energy.mn.gov](http://www.energy.mn.gov)) to provide more online resources to CIP coordinators and improve the public visibility of CIP activities

## ENERGY INFORMATION CENTER

Because of the important role energy plays in the lives of all Minnesotans, the State Energy Office works hard to answer questions and concerns from citizens. Through its Energy Information Center, the State Energy Office interacted with more than two million people last year—either in person, on the phone, via the web site or by dis-

tribution of publications. The Energy Information Center connected with thousands of Minnesotans through its participation in the Eco Experience at the State Fair and at numerous presentations on energy at community events throughout the state. Additionally, Energy Information staff publish legislative and other reports and create public information materials in print and electronic formats.

Lastly, to ensure consumers and other stakeholders are kept up-to-speed on news, grants and other energy-related opportunities, the department launched several e-mail newsletters. One example of this new tool's success: By the

## 2009: Energy Information Contacts

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2009 Totals
Phone/Fair	2,493	3,702	88,976	1,732	96,903
Web Downloads	571,228	539,949	674,227	623,535	2,408,939
Web Visits	103,604	59,993	65,075	72,944	301,616
Publication Distribution	8,291	7,297	2,000	3,088	20,676
<b>Contact Totals</b>	<b>685,616</b>	<b>610,941</b>	<b>830,278</b>	<b>701,299</b>	<b>2,828,134</b>

end of 2009, almost 2,500 individuals, businesses and public entities had taken advantage of the opportunity to receive regular ARRA-activity e-mail updates.

## ENERGY ASSISTANCE PROGRAM

The Energy Assistance Program helps Minnesota's low-income consumers cope with high heating costs. The Department administers energy assistance programs and ensures that the money set aside through government funding is fairly distributed to service providers across the state through which Minnesota residents find help.

The federal Low-Income Home Energy Assistance Program (LIHEAP), administered by the Department's OES assists with home heating costs for income-qualified consumers. Households with the lowest incomes and highest energy costs receive the greatest benefits.

Services include:

- Direct payments to utilities on behalf of the consumer
- Crisis help for utility disconnections or necessary fuel deliveries
- Emergency heating system repair or replacement
- Consumer home heat energy efficiency and safety education
- Advocacy on behalf of consumers

LIHEAP is federally funded through the U.S. Department of Health and Human Services. During federal fiscal year 2009, LIHEAP received approximate-

ly \$164 million to aid more than 153,000 households in Minnesota.

**2009 ACCOMPLISHMENTS:**

- Increased the maximum benefit to \$1,325 from \$1,200
- Served approximately 21 percent more households in fiscal 2009 than the previous fiscal year
- Assisted about 57 percent more households in crisis in fiscal 2009
- Conducted more targeted outreach via the Web site, media and various partner organizations



*Laying pipeline along the MinnCan route which travels 295 miles between Clearbrook, in Clearwater County and the Flint Hills Resources refinery in Rosemount, in Dakota County. The Energy Facility Permitting group helped oversee construction of this line in 2009.*

**ENERGY PLANNING AND ADVOCACY**

The Energy Planning and Advocacy unit of the OES advocates for the public interest in energy utility matters before the Minnesota Public Utilities Commission, the Federal Energy Regulatory Commission and in other national and regional forums. The unit also manages and orchestrates the facilities permitting process and writes the environmental impact document for the siting or routing of large energy facilities.

The unit is comprised of two groups: Energy Regulation and Planning and Energy Facility Permitting.

**ENERGY FACILITY PERMITTING**

Energy Facility Permitting staff assisted the Minnesota Public Utilities Commission (PUC) in permitting 16 energy facilities in 2009:

- 1 power plant (164 megawatts (MW))

- 5 transmission lines
- 1 petroleum pipeline
- 9 wind farms (598.5 MW)

Energy Facilities Permitting is currently engaged (as of December 2009) in permitting 20 energy facilities:

- 1 power plant (1,200 MW)
- 10 transmission lines
- 9 wind farms (1,088.5 MW). Among states, Minnesota currently ranks 4th nationally with an installed wind generation capacity of 1,085 MW.

In 2009, Energy Facilities Permitting staff focused on a variety of issues. However, three areas are noteworthy for the resources expended upon them:

**Wind Farm Siting:** The number of wind farms permitted by the PUC continues to increase, both in number of projects and generation capacity. Areas of work related to wind farms include:

- Collaborating with the PUC and Department of Natural Resources staff to determine next steps in bird and bat monitoring for wind farms.

**Minnesota’s Energy Costs Ranking Compared to Other States**

Natural Gas	Minnesota	U.S. Average
City Gate	\$6.27/thousand cu ft	\$6.89/thousand cu ft
Residential	\$8.92/thousand cu ft	\$10.49/thousand cu ft
Electricity		
Residential	9.70 cents/kWh	10.93 cents/kWh
Commercial	7.56 cents/kWh	9.73 cents/kWh
Industrial	6.01 cents/kWh	6.52 cents/kWh

*(Source: Energy Information Administration)*

- Working with the Minnesota Department of Health to develop a white paper on the potential health impacts of wind turbines.

**Transmission Line Routing:**

Staff engaged in permitting several large transmission projects, including the CapX 2020 Phase I transmission lines. Areas of work related to transmission line routing include:

- Collaborating with the Minnesota Department of Transportation to clarify the co-locating of transmission lines with highways, including interstate highways.

**Public Participation:** Staff used new and existing public participation tools to aid participation in the permitting process. These tools include:

- The ability for citizens to submit comments electronically and directly from the PUC's energy facilities permitting web site.
- Developing a public comment period following application acceptance for wind

farms. Citizens have a new opportunity to suggest topics for consideration in a draft site permit for proposed wind farms.

**ENERGY REGULATION & PLANNING**

Energy Regulation & Planning intervenes on the public's behalf in all matters before the PUC relating to reliability, costs, and soundness of natural gas and electric utility services. We perform both high-level and detailed analyses in our investigations of matters involving utility service reliability, financial issues, cost of capital, sales forecasts, energy conservation and other related issues. We analyze integrated resource plans, certificates of need for large power facilities, transmission lines and pipelines, contested rate cases, rider filings, and miscellaneous filings pertaining to numerous issues.

The scope of this work includes regulation of rates, service and practices of all investor-owned natural gas and electric utilities, along with any cooperative utility whose members have elected to come under rate regulation by the

PUC. Also included is regulation of practices and service standards for cooperative and municipal utilities if a formal complaint is filed against such a utility.

**ELECTRIC UTILITIES**

Three types of utilities serve electric consumers in Minnesota. Investor-owned utilities are rate-regulated by the state and are allowed to recover all prudently-incurred costs of providing electricity to consumers. Distribution cooperative utilities are member/consumer-owned and are regulated by their elected boards. One of these cooperative utilities, Dakota Electric Cooperative, has chosen to be regulated by the state. The third type of electric utility is the municipal utility which is governed by city officials.

**NATURAL GAS UTILITIES**

Natural gas is transported from production areas to local distribution companies (LDCs) through an international grid of large pipelines. These transportation pipelines are regulated by the Federal Energy Regulatory Commission. There are 6 investor-owned LDCs in Minnesota that are regulated by the state, and 31 municipal LDCs that are under city control. There are also a few privately-owned LDCs that do not serve enough customers to meet the threshold for state regulation.

**Overall number of new cases filed in 2009:**

- Electric 214
- Natural Gas 199

Cases requiring the most significant resources (4 to 8 analysts for numerous months) are integrated resource plans, certificates of need and rate cases.

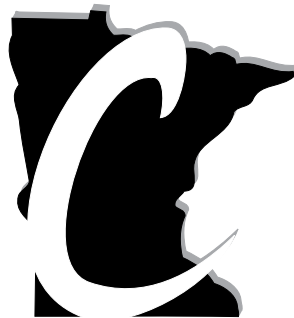
Major cases worked on in 2009:

- Rate cases: 8
- Certificates of need: 15
- Resource plans: 6

Rate reductions in 2009 due to OES work:

- Minnesota Power: \$19 million one-time, plus \$25 million annually
- MERC: \$7 million annually
- Xcel Electric: \$65 million annually
- CenterPoint: \$17 million annually





**MINNESOTA**  
DEPARTMENT OF  
**COMMERCE**

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