E002/M-99-799

(1)

Northern States Power Company

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MINNESOTA PUBLIC

June 7, 1999

Mr. Burl Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, MN 55101

RE: Petition of Northern States Power Company (Electric Utility) for Approval of a City Requested Facilities Surcharge Rider and Miscellaneous Tariff Changes

Dear Mr. Haar:

Pursuant to Minn. Stat. 216B.16 and Minn. Rule 7829.1300 (Miscellaneous Tariff Filings), Northern States Power Company – Electric Utility ("NSP" or "the Company") hereby petitions the Minnesota Public Utilities Commission ("Commission") for approval of miscellaneous tariff changes to the General Rules and Regulations section of its Electric Rate Book and an associated new City Requested Facilities Surcharge Rider. The proposal creates a mechanism by which the Company may recover its costs from customers within a city resulting from a city's request or mandate for special electric facilities.

NSP's current tariffs on file with the Commission govern the process by which the Company installs special facilities for customers and municipalities. The majority of requests for special facilities involves the replacement of overhead facilities with underground facilities.[1] The proposed tariff would clarify the cost recovery responsibility and mechanism in light of the recent Minnesota Court of Appeals decision in NSP v. City of Oakdale, MN (1998) ("Oakdale Decision").

[1] Recently, the Company conducted a study on undergrounding electric service delivery and submitted a report on its findings to the Commission dated January 27, 1999. The study was prompted by the magnitude of electric service outages caused by the extraordinarily severe storms experienced in the first half of 1998. The outages have spurred the interest of local governments, neighborhoods and individual customers in the benefits, if any, of converting existing overhead systems to underground facilities, which increases the need for the proposed tariffs.

NSP's current tariffs establish construction standards in order to minimize the installed cost of facilities while providing reliable service. When responding to a customer's or city's request for a desired special installation, such as moving existing overhead facilities underground, NSP's tariffs require a financial contribution to offset the incremental cost of the non-standard installation. This policy assures that customers who elect special installations or who reside in cities that mandate installation of special facilities (e.g., conversion of overhead to underground facilities) pay for the added costs. This tariff assures that NSP's other customers are not required to contribute to these voluntary choices. The Oakdale Decision, however, provides that a city can require NSP to move electric distribution facilities underground without prepayment from the city if the city requires the undergrounding under a police power ordinance.

Although NSP's existing tariffs provide that the costs of installing these special facilities would be the responsibility of the Company's customers residing within the city, the Company has never proposed a rate mechanism to so charge its customers. With this filing, the Company is proposing to revise its tariffs to incorporate a process by which customers within a city would be surcharged for costs specifically resulting from a city's requirement that NSP install special electric facilities.

Filing Summary

Pursuant to Minn. Rule 7829.1300, Subp. 1, NSP is including in this filing a one-paragraph summary of this petition on a separate page.

Copies and Service on Other Parties

Enclosed is the original and 15 copies of this miscellaneous filing. Pursuant to Minn. Rule 7829.1300, Subp. 2, NSP is serving four copies of this petition on the Department of Public Service and two courtesy copies on the Office of Attorney General - Residential Utilities Division. [2]

The summary of this filing is being served on all other persons on NSP's electric general service list for miscellaneous filings. A copy of the general service list is also

[2] Due to the nature of the proposed tariff changes in this filing, the Company is also serving a courtesy copy of this filing on the following entities: City of Minneapolis, City of St. Paul, League of Minnesota Cities and Suburban Rate Authority.

being served on each such person. A certificate of service and the service list are attached.

General Filing Information

Pursuant to Minn. Rule 7829.1300, Subp. 3, NSP provides the following required information about this petition.

A. Name, Address and Telephone Number of Utility

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414 Nicollet Mall
Minneapolis, MN 55401
612-330-5550

B. Name, Address, and Telephone Number of Utility Attorney

James P. Johnson
Northern States Power Company
414 Nicollet Mall - 5th Floor
Minneapolis, MN 55401
612-330-5889

C. Date of Filing and Date Proposed Rate Will Take Effect

This petition is being filed June 7, 1999. NSP requests the miscellaneous tariff changes be effective August 9, 1999, sixty-three days after filing, without suspension. This date will allow for timely planning and cost recovery for any Summer 1999 construction projects affected by the proposed tariffs.

D. Statute Controlling Schedule for Processing the Filing

This tariff change is submitted under Minn. Stat. 216B.16, Subd. 1 which allows utilities to make tariff changes upon 60 days notice to the Commission, unless the change is suspended under Minn. Stat. 216B.16, Subd. 2. Under Minn. Rule 7829.0100, Subp. 11, this request for a new rider and tariff changes is a "miscellaneous" filing because no determination of NSP's general revenue requirements is necessary. Minn. Rule 7829.1400, Subp. 1 and 4, permits

comments on miscellaneous filings to be made within 30 days and reply comments 10 days thereafter.

E. Signature and Title of Utility Employee Responsible for the Filing

Please see below.

F. Description of and Reasons for the Filing

*1. Reasons for the Filing*

NSP's current tariffs on file with the Commission generally govern the process by which the Company installs special facilities requested by customers and municipalities which exceed the standard construction established by NSP's tariffs. When a customer requests or a city mandates a desired special installation, NSP's tariffs require a financial "contribution in aid of construction" (CIAC) to offset the incremental cost of the conversion. This policy assures that customers who elect to convert to underground facilities, for example, pay for the added costs they impose.

The Oakdale Decision requires NSP to place distribution facilities underground without a CIAC prepayment from a city if the city so requires the undergrounding under a police power ordinance. Under this situation, NSP's existing tariffs provide that the costs of installing these special facilities would be the responsibility of the Company's customers residing within the city (as opposed to the City directly); however, the Company has never proposed a rate mechanism to so charge its customers. With this filing, the Company is proposing to revise certain provisions of its General Rules and Regulations and establish a rate mechanism by which customers within a city would be assessed for costs specifically resulting from a city's requirement that NSP install special electric facilities. The following proposed tariff sheets are included in this petition in **Attachment 1**:

Minnesota Electric Rate Book - MPUC No. 2

Table of Contents, Sheet No. 1-3, 2nd Revision
City Requested Facilities Surcharge Rider, Sheet No. 5-131, Original
City Requested Facilities Surcharge Rider, Sheet No. 5-132, Original
General Rules and Regulations, Sheet No. 6-27, 1st Revision

General Rules and Regulations, Sheet No. 6-27.1, Original
General Rules and Regulations, Sheet No. 6-27.2, Original
General Rules and Regulations, Sheet No. 6-28, 1st Revision
General Rules and Regulations, Sheet No. 6-29, 1st Revision
General Rules and Regulations, Sheet No. 6-29.1, Original
General Rules and Regulations, Sheet No. 6-29.2, Original
General Rules and Regulations, Sheet No. 6-29.3, Original

*2. Proposed Changes to Standard Installation and Extension Rules*

The Company's Standard Installation and Extension Rules, Section 5.1 through 5.6, of its General Rules and Regulations now on file with the Commission, explain NSP's standard electric facility installations and the conditions under which customers and governing bodies are required to contribute to the cost of installing non-standard electric facilities. Requested non-standard electric facilities are over and above what are considered to be necessary to provide designated, permanent electric service. The rules contain extensive guidelines generally tailored toward "service installations." Service installations are the electric facilities directly connected to a customer's premise, usually on private right-of-way (e.g., from the distribution pole to the meter). In this filing, the proposed enhancements are concentrated more toward electric distribution delivery installations, designated by the current tariff as "special facilities."

Distribution facility delivery installations are usually constructed in public right-of-way, that is, city or county streets or highways. These facilities run from neighborhood taps to feeders which connect to distribution substations. The voltage of these facilities may vary. Common examples of special facilities listed in the current tariff include three phase service where single phase service is adequate, excess capacity, trailer park distribution systems, underground installations to wood poles, conversion from overhead to underground and relocation of existing Company facilities.

The Company's proposed revisions specifically address the procedures required of cities and the Company when special facilities are requested by a city for installations in public right-of-way located within the requesting city. When payment for special facilities is not made by the city requesting or mandating the special facilities, the Company will implement a surcharge to be collected from the Company's customers taking service in the city.

Special facilities requested or mandated by cities may involve non-standard new installations, modifications to or replacement of existing facilities, or the installation of standard facilities at a location or on a route not preferred by the Company for the efficient operation of its electric system. In the event a type of construction is required that is different from what the Company would normally install in other similar situations, or is based on a city's desire to accomplish an aesthetic improvement with only nominal support for the decision based on public health, safety or welfare concerns, the rate surcharge mechanism can be used by the Company to assure that NSP's other customers are not required to contribute to these special facilities or aesthetic improvements required by individual cities.

**Attachment 2** shows in detail the proposed deletions and additions to the existing language of Section 5.3 of the General Rules and Regulations.

*3. Proposed City Requested Facilities Surcharge Rider*

The proposed new City Requested Facilities Surcharge Rider is included in this filing in Attachment 1, pages 2 and 3. In the event customer surcharges are required in order to recover the cost of special facilities desired by a city, the Company proposes to establish a regulatory asset tracker account. The monthly balance in this tracker would include the unrecovered costs of the special facilities project offset by the monthly surcharge collected from customers and include a carrying charge on the monthly tracker balance.

As proposed, the initial City Requested Facilities Surcharge for a designated city project would simply be the cost of the non-standard facilities divided by the product of the projected average number of customers located in the requesting city and the number of months the surcharge would be applied. The following limits have been established for the recovery period and size of the monthly customer surcharge in order to maintain reasonable customer billing impacts and administrative efficiency:

(a) The minimum customer surcharge initially applied must be at least $0.25 per month per customer.

(b) An surcharge of $0.25 up to and including $1.00 per customer can be applied for a recovery period of exactly one month (e.g., a one-time surcharge).
(c) An surcharge of $1.00 per month per customer will be applied whenever the tracker balance to be collected allows for a recovery period of 36 months or less.
(d) Surcharges of over $1.00 per month per customer will be applied only when necessary to maintain a recovery period of 36 months.

The initial surcharge could be changed annually to more closely recover the balance in the tracker account and also during the last one to six months of the established recovery period to more closely recover any remaining balance. This process also allows excess expenditures for additional future city requested non-standard construction projects to be added to the city's tracker account at any time. For example, if a city with an existing surcharge required a second special project before collections expired for the first project, NSP would re-compute the surcharge prospectively.

The Company will separately itemize a City Requested Facilities Surcharge on a customer's bill and will provide a bill message and/or a bill insert in the month of implementation.

The proposed surcharge mechanism is designed to operate in a manner somewhat similar to other Company gas and electric programs; e.g., the electric Conservation Improvement Program (CIP) Rider and associated CIP Tracker Account, the New Area Surcharge Rider for certain NSP Gas projects, and the electric Low Income Discount Program Tracker. In each of these cases, the Company is incurring costs beyond established rate levels, and is tracking contributions either to avoid cost shifting to other customers or to fund approved customer programs.

The Company is proposing that the City Requested Facilities Surcharge be a fixed monthly surcharge rather than an energy use or commodity charge. The proposed surcharge would be equally applied to all classes (e.g., $1.00 per month per customer).

The Company has several reasons for proposing this rate structure. First, a city's decision to require special, non-standard construction for facilities on

public rights-of-way normally benefits the general public and is not necessarily for specific residents of the city. Second, the cost of the non-standard facilities is unrelated to the types or size of NSP's customers. Third, recovery of these costs through a surcharge is a substitute for the city making an up-front payment for the special facilities. Cities which do make up-front payments do not recover those costs based on the energy use of residents of the city.

*4. Proposed Reporting Procedures*

The Company proposes to submit an annual report to the Commission including the surcharges in effect, the amounts collected by city through a City Requested Facilities Surcharge and the status of each City Project Tracker Account. The report would be submitted on or before May 1st covering the prior calendar year. A summary of the cities in which the Company is collecting a City Requested Facilities Surcharge and the amount of the current surcharges would be maintained by the Company and be available to the Commission and other interested parties upon request.

The Company believes annual reporting of these surcharges is sufficient because the proposed rider and tariff changes establish a process very similar to other Commission-approved tracking mechanisms. The proposed process allows the Company and cities to work together to establish City Project Tracker Accounts and implement surcharges as construction scheduling permits. By approving a rider to be included in the Company's Electric Rate Book, the Commission is allowing surcharges to be added, modified or terminated for individual cities without Commission action, very similar to how the Company collects city franchise fees on its customer bills through the existing Surcharge Rider.

*5. Proposed Accounting Treatment*

In the event a surcharge is required to recover the incremental costs of special facilities requested by a city, the Company proposes to establish a segregating Regulatory Asset Account. Incremental costs for Underground Services, Overhead Services Retirement Credits and carrying costs would be accumulated utilizing the Project Management System (PMS). Journal entries would be processed to credit the PMS Project(s) and debit the

Regulatory Asset Account with accrued net amounts. The monthly surcharge collected from customers would be credited to the Regulatory Asset Account. Review of the account balance of the Regulatory Asset Account would facilitate adjustment of the surcharge amount prior to the end of the recovery period. Any under or over recovery of costs at the end of the surcharge period would be expensed.

G. Impact on the Utility and Customer Revenues

There is no impact on general rates. Approving the miscellaneous tariff changes and rider allows the Company to directly offset city requested or mandated special construction costs by collecting the costs from customers benefiting from the electric facility changes. The proposal thus avoids the cost shifting which could occur if the additional costs were "rolled-in" to all customer rates.

Service List

The NSP representatives to be included on the Commission service list for this docket are listed below and have been added to the service list attached to this filing:

Joyce V. Gutkowski
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Conclusion

The Company respectfully requests the Commission approve its miscellaneous tariff changes to the General Rules and Regulations section of its Electric Rate Book and the associated new City Requested Facilities Surcharge Rider as proposed. The changes

benefit all of NSP's electric customers in Minnesota by allowing for appropriate recovery of special electric facility installation costs.

If you have any questions related to this filing, please call me at 612-330-7774 or Judy Poferl at 612-330-6125.

Sincerely,

Joyce V. Gutkowski
Manager, Rate Administration

Att.

cc: Service List

**STATE OF MINNESOTA**
**BEFORE THE**
**MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Petition of
Northern States Power Company
For Approval of a New City Requested Facilities
Surcharge Rider and Miscellaneous Tariff Changes

Docket No. E002/M-99-__

## SUMMARY OF FILING

Please take notice that on June 7, 1999, Northern States Power Company (Electric Utility) filed with the Minnesota Public Utilities Commission for approval of miscellaneous tariff changes to the General Rules and Regulations section of its Electric Rate Book and an associated new City Requested Facilities Surcharge Rider. The proposal creates a mechanism by which the Company may recover its costs resulting from a city's request for installation of non-standard special electric facilities through surcharges collected from the Company's electric customers within the city.

## CERTIFICATE OF SERVICE

I, Joyce V. Gutkowski, hereby certify that I have this day served copies or a summary of the foregoing document on the attached list of persons by causing the same to be delivered by hand or placed in the U.S. mail at Minneapolis, Minnesota.

Dated June 7, 1999.

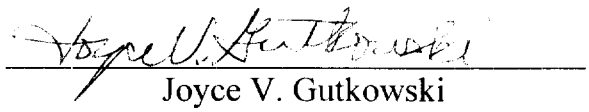

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**TABLE OF CONTENTS (Continued)**

Section No. 1
2nd Revised Sheet No. 3


| Section | Item | Sheet No. | |
|---|---|---|---|
| **SECTION 5** | **RATE SCHEDULES (Continued)** | | |
| | RIDERS | | |
| | Fuel Clause Rider | 5-91 | |
| | Conservation Improvement Program Adjustment Rider | 5-92 | |
| | Surcharge Rider | 5-93 | |
| | Underground Service Rider (Closed) | 5-94 | |
| | Low Income Energy Discount Rider. | 5-95 | |
| | Residential Controlled Air Conditioning and Water Heating Rider | 5-97 | |
| | Commercial and Industrial Controlled Air Conditioning Rider | 5-99 | |
| | Off Season Load Rider | 5-100 | |
| | Standby Service Rider | 5-101 | |
| | Supplemental Service Rider | 5-108 | |
| | Tier 1 Energy Controlled Service Rider | 5-115 | |
| | Experimental Demand Free Power Service Rider | 5-117 | |
| | Area Development Rider. | 5-119 | |
| | Competitive Service Rider | 5-122 | |
| | Competitive Market Rider | 5-124 | |
| | Experimental Tier 1 Peak Controlled Schedule L Interruption Rider | 5-126 | |
| | Experimental Demand Aggregation Rider | 5-129 | |
| | City Requested Facilities Surcharge Rider | 5-131 | N |
| **SECTION 6** | **GENERAL RULES AND REGULATIONS** | | |
| | Table of Contents | 6-1 | |
| | General Service Rules | 6-3 | |
| | Rate Application | 6-8 | |
| | Metering and Billing | 6-13 | |
| | Use of Service Rules | 6-18 | |
| | Standard Installation and Extension Rules | 6-22 | |
| | Curtailment or Interruption of Service | 6-33 | |
| | Company's Rights | 6-35 | |


(Continued on Sheet No. 1-4)

**CITY REQUESTED FACILITIES SURCHARGE RIDER**

Section No. 5
Original Sheet No. 131

N

**APPLICATION**

Applicable to bills for electric service provided under the Company's retail rate schedules in cities requesting or mandating the installation of special non-standard electric facilities. The costs of these facilities are to be collected from customers located within such city in accordance with the provisions in the General Rules and Regulations, Section 5.3, SPECIAL FACILITIES.

**RATE**

In each applicable city, there shall be included in the monthly minimum billing on each customer's bill a separately itemized City Requested Facilities Surcharge determined in accordance with this Rider. The Facilities Surcharge is not subject to current month billing adjustments or city surcharges but is subject to any applicable city and state sales taxes.

**DETERMINATION OF CITY REQUESTED FACILITIES SURCHARGE**

The City Requested Facilities Surcharge for each applicable city project shall be calculated by dividing the Total Excess Expenditure by the product of the Average Monthly Customers and the number of months in the designated Recovery Period. The Facilities Surcharge may be adjusted annually and in the last 6 months of the Recovery Period to more closely recover the balance remaining in the City Project Tracker Account. The Facilities Surcharge may also be increased at any time in order to recover Total Excess Expenditures associated with special non-standard electric facilities for additional city projects.

Average Monthly Customers. The projected average number of active customers located in the city for the designated Recovery Period.

City Project Tracker Account. A regulatory asset account representing the sum of the following:

(1) the Total Excess Expenditures for special non-standard electric facilities for each city project,
(2) monthly carrying charges on the under recovered or over recovered monthly balance in the City Project Tracker Account based on the overall rate of return from the Company's most recent electric general rate case decision, and
(3) less the recovered project costs collected through the applicable city's Facilities Surcharge.

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(Continued on Sheet No. 5-132)

**CITY REQUESTED FACILITIES SURCHARGE RIDER**
**(Continued)**

Section No. 5
Original Sheet No. 132

**DETERMINATION OF CITY REQUESTED FACILITIES SURCHARGE (Continued)**

N

Recovery Period. The number of months the Facilities Surcharge shall be applied to bills for a designated city project determined in accordance with the following limits and conditions:

(1) a Facilities Surcharge of $1.00 per customer per month will be applied whenever the City Project Tracker Account balance to be collected allows for a Recovery Period of 36 months or less,
(2) a Facilities Surcharge of over $1.00 per customer per month will be applied only when necessary to maintain a Recovery Period of 36 months,
(3) a Facilities Surcharge of $0.25 up to and including $1.00 per customer may be applied for a Recovery Period of exactly one month (e.g., a one-time surcharge), and
(4) the Recovery Period shall not commence until the Facilities Surcharge to be applied to bills is at least $0.25 per customer per month.

Total Excess Expenditures. The cost incurred by Company and recoverable from customers within the applicable city due to a city requesting or mandating a type of construction with a cost in excess of Company's designated standard construction determined in accordance with the provisions in the General Rules and Regulations, Section 5, STANDARD INSTALLATION AND EXTENSION RULES.

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**5.2 GENERAL EXTENSION (Continued)**

Refundable payments will be in the amount determined by subtracting from the total estimated installation the anticipated revenue adjusted by the revenue factor, as set forth in Section 5.1, STANDARD INSTALLATION. For each additional customer served directly from the original contracted extension within five years from the date of its completion, the person who made the advance payment will receive refunds based on the revenue to be received from the additional customer served from the extension and the costs required to serve such customer. The total of such refunds will in no event exceed the total advance payment. Refunds will be made only for line extensions on private property to a single customer served directly from the original contracted facilities.

**5.3 SPECIAL FACILITIES**

A. Definitions

1. *Distribution System Facilities* are defined as all primary and secondary voltage wires, poles, insulators, transformers, fixtures, cables, trenches, ductlines, and other associated equipment and accessories, rated 35kV class and below, whose expressed function and purpose is for the distribution of electrical power from the Company's distribution substation directly to residential, commercial, and/or industrial customers; this excludes all facilities used primarily for the purpose of transferring electricity from a generator to a substation and/or from one substation to another substation. As such, distribution facilities serve only customers on the primary and secondary rates of the Company.

2. *Transmission System Facilities* are defined as all poles, towers, wires, insulators, transformers, fixtures, cables, and other associated structures, equipment and accessories, rated 25kV class and above, whose expressed function and purpose is the transmission of electricity from a generator to a substation or substations, and from one substation to another.

3. *Governing Body* is defined as any one of the following entities: the State of Minnesota, a county, a city, or a township.

4. *City* is defined as either a statutory city or a home rule charter city consistent with Minn. Stat. Sections 410.015 and 216B.02, Subd. 9, including an urban township with authority to require a franchise under Minn. Stat. Sections 310.03 and 216B.36.

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(Continued on Sheet No. 6-27.1)

**5.3 SPECIAL FACILITIES (Continued)**

B. General Rule

When the Company is requested by a customer, group of customers, developer, or governing body to provide types of service that result in an expenditure in excess of the Company designated service installation as provided under Section 5.1, STANDARD INSTALLATION, or designated delivery installation as provided under Section 5.3 (C) below, the requesting customer, group of customers, developer, or governing body will be responsible for such excess expenditure. Common examples of these requests are duplicate service facilities, special switching equipment, special service voltage, three phase service where single phase service is adequate, excess capacity, capacity for intermittent equipment, trailer park distribution systems, underground installations to wood poles, conversion from overhead to underground service, specific area undergrounding, other special undergrounding, and relocation or replacement of existing Company facilities.

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C. Special Electric Delivery Facilities in Public Right-of-Way

Whenever a governing body of public right-of-way orders the Company to replace, modify or relocate its existing distribution or transmission facilities due to their interference with construction on said public right-of-way, such facilities will be replaced, modified or relocated at Company expense, provided the construction is the most economical, industry accepted installation designated by the Company. If at the time of initial construction, replacement, modification or relocation of electric facilities, the governing body requests a type of construction with cost in excess of the Company designated standard construction, such excess expenditures will be the responsibility of that governing body or the Company's customers residing within its boundaries. Prior to proceeding to make any such excess expenditures, the Company may require that payment be made, or promise of reimbursement be arranged, by the governing body in accordance with Section 5.3 (F), Special Facilities Payments. Where a city does not provide for the complete payment for special facilities referenced in Section 5.3 (F), the Company will implement a rate surcharge in accordance with the provisions of Section 5.3 (G), Costs of Special Facilities Recovered through City Surcharge.

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(Continued on Sheet No. 6-27.2)

**5.3 SPECIAL FACILITIES (Continued)**

D. Construction Requirements for Non-Standard Electric Facilities

The Company will install non-standard special distribution or transmission facilities, which may include installation of standard facilities at a location/route not preferred by the Company, or the Company will replace, modify or relocate to a Company-approved location/route its existing distribution or transmission facilities upon the request of a customer, a group of customers, or upon request of a governing body if the Company determines the requested non-standard facilities will not adversely affect the reliability, structural integrity, efficient ability to expand capacity or operational integrity of the applicable distribution or transmission system and the work will not adversely impact the Company's previously scheduled or emergency work. The benefited customer, group of customers, or governing body will be responsible for the value of the undepreciated life of the existing facilities being removed and removal costs, less salvage, plus the additional cost, if any, incurred by the Company for costs in excess of standard installation. Such costs shall include, but not be limited to, the following:

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1. the wages (including all fringe benefits) of employees of the Company devoting time toward design, engineering, construction, administration, or any other activity associated with said project;
2. administrative overhead costs associated with surveying, construction and other operations in the field (including but not limited to charges for mileage, equipment rental or cost, etc.);
3. any replacement easement costs assumed by the Company;
4. costs of immediately required changes to associated electric facilities, including backup facilities, to ensure reliability, structural integrity and operational integrity of electric system;
5. the incremental taxes associated with requested non-standard facilities;
6. the incremental cost represented by accelerated replacement cost if the non-standard facility has a materially shorter life expectancy than the standard installation; and
7. material cost for all items associated with said construction, less salvage value of removed facilities.

(Continued on Sheet No. 6-28)

**5.3 SPECIAL FACILITIES (Continued)**

E. Underground Facilities Requirements T

The following provisions apply when replacing overhead facilities with underground facilities.

1. The customer, at his expense, must engage an electrician to adapt his electrical facilities to accept service from Company underground facilities.

2. The Company will allow reasonable time for the customer to make the necessary alterations to their facilities, before removal of the existing overhead facilities.

3. Perpetual easements will be granted Company at no cost to the Company whenever any portion of the underground distribution system is located on private land. Said private easements also will allow the Company access for inspection, maintenance, and repair of Company facilities.

4. When undergrounding is the result of a public improvement project, the governing body will designate and reserve a definite area within the public ways for the installation and location of Company underground facilities. Once the Company facilities have been installed in such designated and reserved areas, if the governing body within five years thereafter requires removal or relocation of such facilities for any reason, the governing body will reimburse the Company for the cost of such removal or relocation. T C T

5. The Company will have full access to its facilities installed underground for the purpose of inspection, maintenance, and repair of such facilities, such right of access to include the right to public ways. T

6. The governing body will give sufficient notice and will allow the Company sufficient time to place its facilities beneath public ways while the same are torn up for resurfacing. The governing body shall provide Company with access to the torn up public ways during such period so that Company will have unobstructed use of sufficiently large sections of the public ways to allow installation of the underground facilities in an economic manner. T T T

7. Secondary voltage service supplied from an underground distribution lateral installation will require that the customer install, own, and maintain necessary conduits and secondary service conductors or bus duct to a point designated by Company within or adjacent to the secondary compartment of the transformer or vault. Company will make final connection of customer's secondary service conductors or bus duct to Company's facilities.

(Continued on Sheet No. 6-29)

**5.3 SPECIAL FACILITIES (Continued)**

E. Underground Facilities Requirements (Continued) T

8. Secondary voltage service supplied from underground secondary service conductors may require that the customer install, own, or maintain necessary conduits on private property to a point designated by the Company at or near the property line. The secondary service conductors usually will be installed by the customer in his conduit, however, in some installations it may be preferred to have Company provide a continuous installation from the Company facilities through the customer conduit to his service equipment. In these installations the customer must pay the total installed cost of the Company's cable installed on private property. The Company will make the final connection of customer's secondary service connectors to Company's facilities.

9. The customer will be subject to any charges imposed as a result of the conditions set forth in Section 5.1, STANDARD INSTALLATION.

F. Special Facilities Payments T

The requesting party shall execute an agreement or service form pertaining to the installation, operation and maintenance, and payment of the facilities. Payments required will be made on a non-refundable basis and may be required in advance of construction unless other arrangements are agreed to in writing by the Company. The facilities installed by the Company shall be the property of the Company. Any payment by a customer or governing body shall not change the Company's ownership interest or rights. T

Payment for special facilities may be required by either, or a combination, of the following methods as prescribed by the Company: a single charge for the costs incurred or to be incurred by the Company due to such a special installation or a monthly charge being one-twelfth of Company's annual fixed costs necessary to provide such a special installation. The monthly charge will be discontinued if the special facilities are removed or if the requester eventually qualifies for the originally requested special facilities.

Where special distribution facilities are requested, or where special distribution, transmission, substation or other facilities in Company's electric system are required by lawful order by a city and payment is not made by the city or its designee, the excess expenditures will be the responsibility of the Company's customers residing within the city and will be recovered from those customers through a rate surcharge set forth in Section 5.3 (G) or other method approved by the Commission. C C

(Continued on Sheet No. 6-29.1)

**5.3 SPECIAL FACILITIES (Continued)** N

G. Costs of Special Facilities Recovered through City Surcharge

1. *Special Facilities Mandated by City.* Subject to the limits and conditions set forth in this Section 5.3 (G), the Company will replace, modify or relocate distribution, transmission, substation or other facilities in Company's electric system upon receipt of a lawful city order and transmittal by Company to city of the Total Excess Expenditure required for any non-standard installation for the particular construction project. If the city or its designee does not make payment for the Total Excess Expenditures, the Company shall implement a rate surcharge in accordance with the provisions of the City Requested Facilities Surcharge Rider. Company reserves the right to challenge the lawfulness of a city order.

2. *Special Facilities Requested by City.* Subject to the limits and conditions set forth in this Section 5.3 (G), the Company will replace, modify or relocate distribution system facilities upon the following:
   a. receipt of a request from city for non-standard distribution facilities;
   b. transmittal by Company to city of the Total Excess Expenditure required for any non-standard installation for the designated city construction project;
   c. written notice of city's desire to not make payment in advance for the Total Excess Expenditures; and
   d. implementation of a rate surcharge in accordance with the provisions of the City Requested Facilities Surcharge Rider.

3. *City Public Right-of-Way.* Company will replace, modify or relocate the designated distribution system facilities within a city public right-of-way to the extent located within the city provided the city issues the Company a lawful permit or other written authorization for the required facility location. In addition, the Company will replace, modify or relocate the designated distribution system facilities within a state or county highway right-of-way to the extent located within the city provided the state or county issues the Company a lawful permit or other written authorization for the required facility location. Special facilities other than distribution facilities will only be constructed if required by lawful order of a city under subsection 1 of this Section 5.3 (G). N

(Continued on Sheet No. 6-29.2)

**5.3 SPECIAL FACILITIES (Continued)** N

G. Costs of Special Facilities Recovered through City Surcharge (Continued)

4. *City Project Tracker Account.* The Company will establish a City Project Tracker Account for the requesting city in order to track non-standard project cost recovery through customer collections. The initial balance in the Tracker Account will be the Company-determined Total Excess Expenditure for the requested non-standard facilities. Excess expenditures for future, additional city requested non-standard construction projects may be added to the Tracker Account at any time.

   The Tracker Account shall be the sum of the following:
   a. Total Excess Expenditure (TEE) for each city construction project to be recovered through a city surcharge. The TEE may be adjusted to reflect actual Company costs and any direct payments made by the city for the designated construction project;
   b. Carrying Charge (CC) on the unrecovered or over-recovered monthly balance in the Tracker Account based on the overall rate of return from the Company's most recent electric general rate case decision;
   c. Less the Recovered Project Costs (RPC) equal to the actual monthly amounts billed to customers in the applicable city through the City Requested Facilities Surcharge Rider, subject to subsequent reductions to account for uncollectibles, refunds and correction of erroneous billings.

5. *Application of City Requested Facilities Surcharge Rider.* Commencing on such date as determined by the Company, monthly bills for all classes of customers located in the requesting city shall include an equal monthly surcharge determined in accordance with the provisions of the City Requested Facilities Surcharge Rider. The surcharge shall not be subject to city gross earnings fees the Company may also be required to collect. The Company may delay implementation of a surcharge for a City Project Tracker Account until the minimum surcharge amount is reached. Any under or over recovery of the Tracker Account balance in the last month of the final Recovery Period will be expensed. N

(Continued on Sheet No. 6-29.3)

**5.3 SPECIAL FACILITIES (Continued)** N

G. Costs of Special Facilities Recovered through City Surcharge (Continued)

6. *Reporting Requirements.* The Company's records associated with a city's Tracker Account shall be available for inspection by such city at reasonable times. If requested by a city, the Company shall provide a report on the status and balance of the City Project Tracker Account as follows:
   a. whenever Total Excess Expenditures for requested non-standard facilities are added to the Tracker Account for a designated city project,
   b. on or before the last business day of the month following the final month of the Recovery Period, or
   c. annually if the Recovery Period is greater than 12 months.

7. *Customer Notification.* Customers in the requesting city will be notified of the implementation of a City Requested Facilities Surcharge through either or both a bill message or a bill insert during the month of implementation of a surcharge and whenever the surcharge increases. N

(Continued on Sheet No. 6-30)

**Proposed Changes in Legislative Format to**
**General Rules and Regulations, Section 5**
**Standard Installation and Extension Rules**

## 5.3 SPECIAL FACILITIES

A. Definitions

1. *Distribution System Facilities* are defined as all primary and secondary voltage wires, poles, insulators, transformers, fixtures, cables, trenches, ductlines, and other associated equipment and accessories, rated 35kV class and below, whose expressed function and purpose is for the distribution of electrical power from the Company's distribution substation directly to residential, commercial, and/or industrial customers; this excludes all facilities used primarily for the purpose of transferring electricity from a generator to a substation and/or from one substation to another substation. As such, distribution facilities serve only customers on the primary and secondary rates of the Company.

2. *Transmission System Facilities* are defined as all poles, towers, wires, insulators, transformers, fixtures, cables, and other associated structures, equipment and accessories, rated 25kV class and above, whose expressed function and purpose is the transmission of electricity from a generator to a substation or substations, and from one substation to another.

3. *Governing Body* is defined as any one of the following entities: the State of Minnesota, a county, a city, or a township.

4. *City* is defined as either a statutory city or a home rule charter city consistent with Minn. Stat. Sections 410.015 and 216B.02, Subd. 9, including an urban township with authority to require a franchise under Minn. Stat. Sections 310.03 and 216B.36.

~~A.~~B. General Rule

When the Company is requested by ~~the~~ a customer, group of customers, developer, or ~~municipality~~governing body to provide types of service that result in an expenditure in excess of the Company designated service installation as provided under Section 5.1, STANDARD INSTALLATION, or designated delivery installation as provided under Section 5.3 (C) below, the requesting customer, group of customers, developer, or ~~municipality~~governing body will be responsible for such excess expenditure. Common examples of these requests are duplicate service facilities, special switching equipment, special service voltage, three phase service where single phase service is adequate, excess capacity, capacity for intermittent equipment, trailer park distribution systems, underground installations to wood poles, conversion from overhead to underground service, ~~urban renewal~~specific area undergrounding, other special undergrounding, and relocation or replacement of existing Company facilities.

~~B.~~C. Special Electric Delivery Facilities in Public Right-of-Way

Whenever a governing body of public right-of-way orders the Company to replace, modify or relocate its existing distribution or transmission facilities due to their interference with construction on said public right-of-way, such facilities will be replaced, modified or relocated at Company expense, provided the construction is the most economical, industry accepted installation designated by the Company. If at the time of initial construction, replacement, modification or relocation of electric facilities, the governing body ~~or municipality~~ requests a type of construction with cost in excess of the Company designated standard construction, such excess expenditures will be the responsibility of ~~the municipality~~that governing body or the Company's customers residing within ~~the municipality~~its boundaries. Prior to proceeding to make any such excess expenditures, the Company may require that payment be made, or promise of reimbursement be arranged, by the governing body in accordance with Section 5.3 (F), Special Facilities Payments. Where a city does not provide for the complete payment for special facilities referenced in Section 5.3 (F), the Company will implement a rate surcharge in accordance with the provisions of Section 5.3 (G), Costs of Special Facilities Recovered through City Surcharge.

~~C.~~D. ~~Replacement of Existing~~Construction Requirements for Non-Standard Electric Facilities

The Company will ~~replace~~install non-standard special distribution or transmission facilities, which may include installation of standard facilities at a location/route not preferred by the Company, or the Company will replace, modify or relocate to a Company-approved location/route its existing distribution or transmission facilities upon the request of a customer, a group of customers, or upon ~~lawful order of a municipality~~request of a governing body if the Company determines the requested non-standard facilities will not adversely affect the reliability, structural integrity, efficient ability to expand capacity or operational integrity of the applicable distribution or transmission system and the work will not adversely impact the Company's previously scheduled or emergency work. The benefited customer, group of customers, or ~~municipality~~governing body will be responsible for the value of the undepreciated life of the existing facilities being removed and removal costs, less salvage, plus the additional cost, if any, incurred by the Company for costs in excess of standard installation. Such costs shall include, but not be limited to, the following:

1. the wages (including all fringe benefits) of employees of the Company devoting time toward design, engineering, construction, administration, or any other activity associated with said project;
2. administrative overhead costs associated with surveying, construction and other operations in the field (including but not limited to charges for mileage, equipment rental or cost, etc.);
3. any replacement easement costs assumed by the Company;
4. costs of immediately required changes to associated electric facilities, including backup facilities, to ensure reliability, structural integrity and operational integrity of electric system;

5. the incremental taxes associated with requested non-standard facilities;
6. the incremental cost represented by accelerated replacement cost if the non-standard facility has a materially shorter life expectancy than the standard installation; and
7. material cost for all items associated with said construction, less salvage value of removed facilities.

~~D.~~E. Underground Facilities Requirements

The following provisions apply when replacing overhead facilities with underground facilities.

1. The customer, at his expense, must engage an electrician to adapt his electrical facilities to accept service from Company underground facilities.

2. The Company will allow reasonable time for the customer to make the necessary alterations to their facilities, before removal of the existing overhead facilities.

3. Perpetual easements will be granted Company at no cost to the Company whenever any portion of the underground distribution system is located on private land. Said private easements also will allow the Company access for inspection, maintenance, and repair of Company facilities.

4. When undergrounding is the result of a ~~municipal~~ public improvement project, the ~~municipality~~governing body will designate and reserve a definite area within the public ways for the installation and location of Company underground facilities. Once the Company facilities have been installed in such designated and reserved areas, if the ~~municipality~~governing body within five years thereafter requires removal or relocation of such facilities for any reason, the ~~municipality~~governing body will reimburse the Company for the cost of such removal or relocation.

5. The Company will have full access to its facilities installed underground for the purpose of inspection, maintenance, and repair of such facilities, such right of access to include the right to open ~~streets and alleys~~public ways.

6. The ~~municipality~~governing body will give sufficient notice and will allow the Company sufficient time to place its facilities beneath ~~streets and alleys~~public ways while the same are torn up for resurfacing. The ~~municipality~~governing body shall provide Company with access to the torn up ~~streets or alleys~~public ways during such period so that Company will have unobstructed use of sufficiently large sections of the public ways to allow installation of the underground facilities in an economic manner.

7. Secondary voltage service supplied from an underground distribution lateral installation will require that the customer install, own, and maintain necessary conduits and secondary service conductors or bus duct to a point designated by

Company within or adjacent to the secondary compartment of the transformer or vault. Company will make final connection of customer's secondary service conductors or bus duct to Company's facilities.

8. Secondary voltage service supplied from underground secondary service conductors may require that the customer install, own, or maintain necessary conduits on private property to a point designated by the Company at or near the property line. The secondary service conductors usually will be installed by the customer in his conduit, however, in some installations it may be preferred to have Company provide a continuous installation from the Company facilities through the customer conduit to his service equipment. In these installations the customer must pay the total installed cost of the Company's cable installed on private property. The Company will make the final connection of customer's secondary service connectors to Company's facilities.

9. The customer will be subject to any charges imposed as a result of the conditions set forth in Section 5.1, STANDARD INSTALLATION.

~~E.~~F. Special Facilities Payments

The requesting party shall execute an agreement or service form pertaining to the installation, operation and maintenance, and payment of the facilities. Payments required will be made on a non-refundable basis and may be required in advance of construction unless other arrangements are agreed to in writing by the Company. The facilities installed by the Company shall be the property of the Company. Any payment by a customer or governing body shall not ~~entitle him to any~~change the Company's ownership interest or rights ~~therein~~.

Payment for special facilities may be required by either, or a combination, of the following methods as prescribed by the Company: a single charge for the costs incurred or to be incurred by the Company due to such a special installation or a monthly charge being one-twelfth of Company's annual fixed costs necessary to provide such a special installation. The monthly charge will be discontinued if the special facilities are removed or if the requester eventually qualifies for the originally requested special facilities.

Where special distribution facilities are requested, or where special distribution, transmission, substation or other facilities in Company's electric system are required by lawful order by a ~~municipality~~ city and payment is not made by the ~~municipality~~city or its designee, the excess expenditures will be the responsibility of the Company's customers residing within the ~~municipality~~ city and will be recovered from those customers through a rate surcharge set forth in Section 5.3 (G) or other method approved by the Commission.

G. Costs of Special Facilities Recovered through City Surcharge

1. *Special Facilities Mandated by City.* Subject to the limits and conditions set forth in this Section 5.3 (G), the Company will replace, modify or relocate distribution, transmission, substation or other facilities in Company's electric system upon receipt of a lawful city order and transmittal by Company to city of the Total Excess Expenditure required for any non-standard installation for the particular construction project. If the city or its designee does not make payment for the Total Excess Expenditures, the Company shall implement a rate surcharge in accordance with the provisions of the City Requested Facilities Surcharge Rider. Company reserves the right to challenge the lawfulness of a city order.

2. *Special Facilities Requested by City.* Subject to the limits and conditions set forth in this Section 5.3 (G), the Company will replace, modify or relocate distribution system facilities upon the following:
   a. receipt of a request from city for non-standard distribution facilities;
   b. transmittal by Company to city of the Total Excess Expenditure required for any non-standard installation for the designated city construction project;
   c. written notice of city's desire to not make payment in advance for the Total Excess Expenditures; and
   d. implementation of a rate surcharge in accordance with the provisions of the City Requested Facilities Surcharge Rider.

3. *City Public Right-of-Way.* Company will replace, modify or relocate the designated distribution system facilities within a city public right-of-way to the extent located within the city provided the city issues the Company a lawful permit or other written authorization for the required facility location. In addition, the Company will replace, modify or relocate the designated distribution system facilities within a state or county highway right-of-way to the extent located within the city provided the state or county issues the Company a lawful permit or other written authorization for the required facility location. Special facilities other than distribution facilities will only be constructed if required by lawful order of a city under subsection 1 of this Section 5.3 (G).

4. *City Project Tracker Account.* The Company will establish a City Project Tracker Account for the requesting city in order to track non-standard project cost recovery through customer collections. The initial balance in the Tracker Account will be the Company-determined Total Excess Expenditure for the requested non-standard facilities. Excess expenditures for future, additional city requested non-standard construction projects may be added to the Tracker Account at any time.

   The Tracker Account shall be the sum of the following:
   a. Total Excess Expenditure (TEE) for each city construction project to be recovered through a city surcharge. The TEE may be adjusted to reflect actual Company costs and any direct payments made by the city for the designated construction project;

b. Carrying Charge (CC) on the unrecovered or over-recovered monthly balance in the Tracker Account based on the overall rate of return from the Company's most recent electric general rate case decision;
c. Less the Recovered Project Costs (RPC) equal to the actual monthly amounts billed to customers in the applicable city through the City Requested Facilities Surcharge Rider, subject to subsequent reductions to account for uncollectibles, refunds and correction of erroneous billings.

5. *Application of City Requested Facilities Surcharge Rider.* Commencing on such date as determined by the Company, monthly bills for all classes of customers located in the requesting city shall include an equal monthly surcharge determined in accordance with the provisions of the City Requested Facilities Surcharge Rider. The surcharge shall not be subject to city gross earnings fees the Company may also be required to collect. The Company may delay implementation of a surcharge for a City Project Tracker Account until the minimum surcharge amount is reached. Any under or over recovery of the Tracker Account balance in the last month of the final Recovery Period will be expensed.

6. *Reporting Requirements.* The Company's records associated with a city's Tracker Account shall be available for inspection by such city at reasonable times. If requested by a city, the Company shall provide a report on the status and balance of the City Project Tracker Account as follows:
a. whenever Total Excess Expenditures for requested non-standard facilities are added to the Tracker Account for a designated city project,
b. on or before the last business day of the month following the final month of the Recovery Period, or
c. annually if the Recovery Period is greater than 12 months.

7. *Customer Notification.* Customers in the requesting city will be notified of the implementation of a City Requested Facilities Surcharge through either or both a bill message or a bill insert during the month of implementation of a surcharge and whenever the surcharge increases.