

The Commission met on **Thursday, February 9, 2006**, with Chair Koppendrayer and Commissioners Nickolai, Johnson, Pugh and Reha present.

**Comment [COMMENT1]:** Minutes by Eric Witte, Marcia Johnson and Peter Brown. 7 motions were made.

The following matters were taken up by the Commission:

## ENERGY

### BLOCK MOTION

Commissioner Johnson moved to take the following actions on the following dockets:

#### **E-229,147/SA-05-1965**

**In the Matter of the Joint Petition of Wild Rice Electric Cooperative, Inc., Detroit Lakes Public Utilities Commission, and the City of Detroit Lakes for Modification of Assigned Service Areas**

- Find that notice had been given, and approve the petition.

#### **E-203,138/SA-05-1898**

**In the Matter of the Joint Petition of Alexandria Light and Power and Runestone Electric Association for Approval of a Service Territory Transfer**

- Find that notice had been given, and approve the petition.

#### **E-203,138/SA-05-1899**

**In the Matter of the Joint Petition of Alexandria Light and Power and Runestone Electric Association for Approval of a Service Territory Transfer**

- Find that notice had been given, and approve the petition.

#### **E-203,138/SA-05-2015**

**In the Matter of the Joint Petition of Alexandria Light and Power and Runestone Electric Association for Approval of a Service Territory Transfer**

- Find that notice had been given, and approve the petition.

#### **E-6521,326/SA-05-2014**

**In the Matter of the Joint Petition of City of Wells and Benco Electric Cooperative for Approval of the Companies' Settlement Agreement Concerning a Change in their Service Territory Boundaries and Related Compensation**

- Find that notice had been given, and approve the petition.

The motion passed 5-0.

**E-001/M-04-2041**

**In the Matter of the Petition of Interstate Power and Light for Approval of Riders for Standby and Supplementary Power and Distributed Generation Rider**

Commissioner Reha moved to approve a modified version of the filing of Interstate Power and Light Company (IPL or the Company) and to take additional measures, as specified below.

1. IPL shall post the relevant process and technical documents<sup>1</sup> on its site on the World Wide Web, a sub-directory of the Alliant Energy website, but with the words "Area EPS" replaced with "Interstate Power and Light Company." Regarding the proposed rider in Volume No. 8, Cogeneration and Small Power Producers – Distributed Generation (Rider DG-1), IPL shall incorporate references to the location of these documents on IPL's website, as well as language directing customers on how to contact IPL for information if they do not have access to the internet.
2. Regarding Rider DG-1, Sheet No. 50, DEFINITIONS, and the rider in Volume No. 8, Standby and Supplementary Power (Rider 1S), Sheet No. 30.4, DEFINITIONS, IPL shall replace its reference to *Technical Guidelines* in its Riders with the Commission-approved documents and identify where they can be found. IPL shall explain how substitution of the Commission-approved documents for IPL's *Technical Guidelines* will affect the implementation of its proposed Riders.
3. Regarding Rider DG-1, Sheet No. 46, Availability:
  - A. IPL may retain the reference to its "interconnection process for distributed generation systems" to the extent that it conforms in substance to the Commission-approved "Distributed Generation Interconnection Requirements."<sup>2</sup>
  - B. IPL shall modify its proposed language as follows:

To any Customer taking service under one of the Company's standard electric rate schedules and who as entered into ~~an Electric Service Agreement with Company~~ the Company version of the State of Minnesota Interconnection Agreement for the Interconnection of Extended Parallel Distributed Generation Systems with Electric Utilities for the interconnection and operation of on-site extended parallel distributed generation systems....
4. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

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<sup>1</sup> See *In the Matter of Establishing Generic Standards for Utility Tariffs for Interconnection and Operation of Distributed Generation Facilities under Minnesota Laws 2001, Chapter 212*, Docket No. E-999/CI-01-1023, ORDER ESTABLISHING STANDARDS (September 28, 2004), Attachments 1 - 5.

<sup>2</sup> *Id.*, Attachment 2.

... for the interconnection and operation of on-site extended parallel distributed generation systems ~~with capacity greater than 100 kW~~.  
The distributed generation facility must connect in parallel to the Company's distribution system....

In addition, IPL shall add language regarding its other tariffs that may be appropriate for DG facilities with less than 100 kilowatts (kW) of capacity.

5. Regarding Rider 1S, Sheet No. 30, Availability, IPL shall add language clarifying that a DG facility with capacity of 60 kW or less is exempt from paying any additional charge for standby service.
6. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

... and must be an operable, permanently installed or mobile generation facility serving the Customer receiving retail electric service at the same site.

7. Regarding proposed Rider DG-1, Sheet No. 47, Power and/or Energy Delivered to Company, IPL shall modify its proposed language as follows:

Customer may sell all of the energy produced by the distributed generation system to the Company or use all or a portion of the distributed energy to meet its own electric requirements. The Company must buy all the energy offered for sale by the Customer selling the power. Energy rates for use under the power purchase agreement for these sales from the Customer to the Company shall reflect current schedule.

8. Regarding Rider DG-1, Sheet No. 46, Availability, IPL shall modify its proposed language as follows:

~~In lieu of service under the Rider,~~ Customer and Company may pursue reasonable transactions outside the Rider, or in lieu of service under the Rider, Customer may take service, as applicable, under Company's Rates for Parallel Generation (Rate 903) as established under Minnesota Rules 7835 – Cogeneration and Small Power Production.

9. Regarding proposed Rider DG-1, Sheet No. 49, CONDITIONS (item 5), IPL shall modify its proposed language as follows:

Power and energy purchased by the DGF from the Company shall be under the ~~available~~ Customer's retail rate to which this Rider is attached for the purchase of electricity.

10. Regarding Rider 1S, Sheet No. 30, Availability, IPL shall modify its proposed language as follows:

Energy provided to the Customer under this tariff is limited to energy for scheduled maintenance, unscheduled outage and supplemental service as defined in Definitions below~~-scheduled during a forced outage or during planned maintenance of the Customer's self-generation.~~

11. Regarding Rider S1, Sheet No. 30, Availability, IPL shall modify its proposed language as follows:

Applicable to power and lighting requirements of Customers having their own generating facilities and desiring standby or supplemental power. ~~to be used by a Customer's need~~ ing for temporary backup power will be used for scheduled maintenance and unscheduled outage service, who is Supplementary power shall be used by a Customer having additional power requirements beyond that provided by their self-generation. Customer shall be taking service under one of the Company's standard electric rate schedules....

12. Regarding Rider S1, Sheet No. 30, Service Agreement, IPL shall modify its proposed language as follows:

Unless Customer also takes service under Rider DG-1, Customer will be required to contract for the service provided under this Rider for an initial term of not less than five years with an appropriate cancellation charge covering the cost of installation and removal of facilities if service is terminated in less than ten years. Customer taking service under Rider DG-1 as well as under this Rider is required to contract for a minimum period of twelve months.

13. Regarding Rider DG-1, Sheet Nos. 46-47, Power and Energy Delivered to Customer, Transmission Services and Distribution Services, IPL shall monitor the development of Revenue Sufficiency Guarantee charges from the Midwest Independent Transmission System Operator, Inc., for one year and then report to the Commission.

14. Regarding Rider S1, Sheet No. 30.2, Terms and Conditions of Service (item 3), IPL shall modify its proposed language as follows:

The Company's meter for standby service shall measure the flow of power and energy from Company to the Customer ~~only~~. Any flow of power and energy from Customer to Company will be separately metered under one of the Company's distributed Generation rates, in accordance with provisions specified in the "Engineering Data Submittal for the Interconnection of Distributed Generation," or by a purchase power agreement.

15. The proposed periodic meter charge at Rider DG-1, Original Sheet No. 46, is approved.
16. Regarding Rider S1, Sheet No. 30, Availability, IPL shall provide additional language addressing the availability of and distinction between firm and non-firm standby service.

17. Regarding Rider DG-1, Original Sheet No. 46, Power and/or Energy Delivered to Customer, Supply Services, permit IPL to recover the cost of distribution plant to a physical assurance customer – that is, a customer who agrees not to require standby service and has a mechanical device that ensures that standby service is not taken – according to the terms under which IPL recovers the cost of facilities requested by a customer that exceed the amount that IPL recovers through the customer’s base rates. The amount of this “excess facilities charge” is currently under review in Docket No. E-001/GR-05-748, *In the Matter of a Petition of Interstate Power and Light Company for Authority to Increase Electric Rates in Minnesota*.

18. Regarding Rider S1, Sheet No. 30.2, Terms and Conditions of Service (item 1), IPL shall add the following language:

A customer taking service under Company's Rider DG-1 and requiring 60 kW or less of standby capacity from the Company is exempted from paying any standby charges. Standby service will be available to these customers through its base tariff rates.

19. Regarding Rider DG-1, Sheet No. 46, Power and/or Energy Delivered to Customer, Supply Services, IPL shall add the following language:

A DG facility of 60 kW or less is exempt from paying any standby charges. Standby service will be available to a DG facility of 60 kW or less through its base tariff rates.

20. Regarding Rider DG-1, Sheet Nos. 47-48, IPL shall modify its proposed language as follows:

Power and/or Energy Delivered to Company:

\* \* \*

Line Loss Credits - If Customer requests the Company to provide a specific line loss study, at the Customer's expense regardless of the study's outcome, Customer may be eligible for additional line loss credits if the study supports such credits.

~~Energy Supply Adjustment: Rider 1M is applicable to energy payments from customer.~~

21. Regarding Rider DG-1, Sheet No. 48, Power and/or Energy Delivered to Company, Renewable Credits, IPL shall modify its proposed language as follows:

If Customer installs a renewable distributed generation system and Company's purchase of energy and capacity from such facility allows Company to meet a requirement to obtain renewable energy and capacity, then the purchase of such renewable energy and capacity shall ~~reflect equal~~ reflect equal the avoided cost of the renewable addition or purchase. The purchase price of ~~such the~~ such the renewable credits associated with this renewable energy and capacity shall be

net of payment for capacity and energy identified above. In the event that Customer receives renewable credits, that is, the Customer is paid by the Company the avoided cost of renewable energy purchases, then this transaction will constitute a transfer of the property rights for those renewable attributes from the renewable energy generated from Customer to the Company.

22. Regarding Rider DG-1, Sheet No. 48, Power and/or Energy delivered to Company, Tradable Emission Credits, IPL shall add the following language:

Customer may receive either renewable credits or tradable emissions credits but not both.

23. IPL's proposed changes to Rider S1 are approved as modified above, to the extent that they will not harm existing S1 customers.
24. Within 24 months of the Commission's September 28, 2004 Order, IPL shall report on the number of customers meeting the 60 kW exemption and their standby usage. The Minnesota Department of Commerce (the Department) shall do the reporting with respect to such facilities.
25. IPL shall provide annually –
- An updated energy payment schedule if different from the previous year;
  - An updated capacity payment schedule if different from the previous year;
  - An updated renewable resource credit schedule if different from the previous year;
  - The average tradable emissions credit for the previous year; and
  - A discussion of and support for any and all changes in the schedules.

The Department shall include IPL's filings on the Department's site on the World Wide Web.

26. The Commission will initiate a docket inviting comments on the impact of FERC Order No. 2006, Final Rule (May 12, 2005) in Docket No. RM02-12-000 *In re Standardization of Small Generator Interconnection Agreements and Procedures* as it relates to the DG tariffs.
27. IPL shall file DG interconnection reports as required by Minnesota Statutes § 216B.1611, subdivision 4. The Department shall post these reports on its site on the World Wide Web.

Commissioner Reha further moved to require IPL to file revised tariff riders complying with the Commission's modifications within 30 days of the date of the Commission's Order and allow parties 10 days to file comments on IPL's compliance filing.

The motion passed 5-0.

**E-002/M-04-1970**

**In the Matter of Xcel's Petition for Affirmation that MISO Day 2 Costs are Recoverable under the Fuel Clause Adjustment Rules and Associated Variances**

**E-015/M-05-277**

**In the Matter of Minnesota Power Petition for Approval of Revision to Rider for Fuel Adjustment to Recovery Costs and Pass-Through Revenues Related to MISO Day 2**

**E-017/M-05-284**

**In the Matter of Otter Tail Power Company Petition for Approval of Revision to Rider for Fuel Adjustment to Pass-Through Revenues and Recover Costs Related to MISO Day 2 under its Transmission and Energy Market Tariff**

**E-001/M-05-406**

**In the Matter of Interstate Power and Light Company Petition or Approval of a Revision to Rider for Fuel Clause to Recovery Costs and Pass-Through Revenue Related to MISO Day 2**

Commissioner Nickolai moved to grant reconsideration of the Commission's ORDER ESTABLISHING SECOND INTERIM ACCOUNTING FOR MISO DAY 2 COSTS, PROVIDING FOR REFUNDS, AND INITIATING INVESTIGATION (December 21, 2005).

The motion passed 5-0.

Commissioner Reha moved to grant the petition for intervention of the Midwest Independent Transmission System Operator, Inc. (MISO) in each of the dockets.

The motion passed 5-0.

Commissioner Nickolai moved to consolidate the dockets.

The motion passed 5-0.

Commissioner Nickolai moved to modify the December 21, 2005 Order as follows:

26. Eliminate the refund obligation as established in Ordering Paragraph 9, which established the obligation to refund the amounts collected pursuant to the Commission's ORDER AUTHORIZING INTERIM ACCOUNTING FOR MISO DAY 2 COSTS, SUBJECT TO REFUND WITH INTEREST (April 7, 2005).
27. For up to 36 months following the date of the Order resulting from today's meeting, permit the petitioners to defer accounting for those MISO Day 2 costs that the Commission subsequently determines should be recovered through base rates. If a utility has not filed a rate case containing these deferred costs within 36 months of the Order, this deferred balance will begin to be amortized out of the deferral balance over the following 36 months.
28. Find that the amounts deferred are subject to a review for prudence and reasonableness before recovery is allowed. The deferred amounts are not guaranteed recovery in the next rate case; rather, the utility will need to provide evidence of benefits to justify recovery.

and propose recovery methods of these costs in rates.

29. Bar the petitioners from recovering interest on the deferred balance.

30. Direct the parties to meet and report back to the Commission for a final decision within 60 days with a joint recommendation on the following:
  - A. Which of the 32 charges should be allowed in the fuel clause and which should be part of base rates, with special attention paid to –
    - the four uplift charges (Revenue Sufficiency Guarantee charge, Option B Uplift charge, Uncollectible Default Accounts and Real-Time Revenue Neutrality Uplift),
    - Schedule 16 and 17, and
    - Congestion revenues and expenses.
  - B. The allocation method of MISO charges between retail and wholesale.
6. Direct utilities to provide the following information regarding wholesale margins:
  - A. How wholesale margins are generated and what utility resources are used to generate them.
  - B. The level of wholesale revenues and related expenses for 2005.
  - C. The level of wholesale revenue or margin approved in the utility's most recently approved rate case and how these amounts were calculated in that case.

The motion passed 4-1. Commissioner Johnson voted no.

**G-004/GR-04-1487**

**In the Matter of a Petition by Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota**

Commissioner Nickolai moved to do the following:

General

1. Determine that the language of the Merger Order, requiring that rate payers not be harmed by the merger,<sup>3</sup> necessitates Great Plains Natural Gas Company (the Company), a Division of MDU Resources Group, Inc. (MDU), to prove that new expenses or increases in expenses are not the result of the merger.

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<sup>3</sup> *In the Matter of a Request by Great Plains Natural Gas Company for Approval to Merge Great Plains Energy Corp. and its Subsidiary, Great Plains Natural Gas Company, with MDU Resources Group, Inc.*, Docket No. G-004/PA-00-184, ORDER ACCEPTING STIPULATION AND AGREEMENT AND APPROVING MERGER SUBJECT TO CONDITIONS (June 13, 2000).

## Financial

2. Regarding the general allocator, determine that the Company's two factor allocator is not comparable to the preferred allocator, and reduce allocations from MDU by \$215,596 and Montana Dakota by \$51,188.
3. To calculate test year corporate costs, determine that the 2003 actual corporate costs minus the adjustments made elsewhere in this motion must be further reduced by \$149,945 and then subjected to the following adjustments which, taken together, equal \$149,945: upward adjustments for 1) merger savings in Gas Supply costs, 2) merger savings in Regulatory Affairs costs, 3) GIS costs, and 4) insurance costs. When all these upward adjustments have been made, the result is a zero net adjustment to the 2003 actual corporate costs.
4. Determine that the time study does not appropriately reflect the time spent on combined regulated/non-regulated activities and that an adjustment of \$49,034 is required.
5. Determine that the test year rate case expense is \$308,450 and that it should be amortized over 3 years.
6. Regarding the unamortized rate case expense from Docket No. G-004/GR-02-1682, *In the Matter of a Petition by Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota*, determine that the unamortized rate case expense is not a current test year cost and can not be recovered in rates in this case.
7. Regarding the true-up of rate case expenses from Docket No. G-004/GR-02-1682, determine that rate case income and expenses are not trued-up from rate case to rate case and that the true-up of \$139,175 is not recoverable from ratepayers.
8. Determine that the Executive Compensation Incentive compensation includes amounts that are for the benefit of shareholders and should not be recovered from ratepayers, resulting in a reduction of \$62,059.
9. Determine that Bad Debt expense should be reduced by \$15,239, that advertising should be reduced by \$206, and that rate of return (RoR) to be used as the Conservation Improvement Program (CIP) Tracker Carrying Charge is the RoR most recently approved by the Commission for either interim rate or final rates that is in effect for the time period for which the carrying charge is being calculated.
10. Determine that the appropriate cost recovery method for CIP costs is the volumetric method where the test year cost is divided by test year sales resulting in an equal rate for all customer classes.
11. Regarding the cost of capital issues, 1) adopt the Company's proposed capital structure of 43.535 % long term debt, 4.557 % preferred stock, and 51.908 % common equity, as supported by the Department and the administrative law judge (ALJ) assigned to this case by the Office of Administrative Hearings; 2) adopt the Company's proposed costs of long

term debt and percent preferred stock of 8.518 % and 4.614 % as supported by the Department and the ALJ; and 3) find that the Department's discounted cash flow analysis appropriately represents the Company's cost of equity, adopt the Department's proposed cost of equity of 9.72 %, and adopt the resulting 8.96 % RoR.

#### Forecasting

12. Regarding residential and firm rate classes, find that the Department's Residential and Firm Rate Classes Forecast is the more appropriate alternative for setting rates and adopt the Department's proposed modifications for the test year.
13. Regarding the interruptible and transport volume sales forecast, find that the Department's recommendation to use the actual volumes approved in the 2003 Rate Rider is the more appropriate alternative for setting rates and adopt the Department's recommendation.

#### Rate Design

14. Regarding the Class Cost of Service (CCOSS), 1) adopt CCOSS as filed by the Company; 2) require the Company to include the Transportation Classes in the CCOSS in the Company's next general rate case; and 3) do not require the Company to produce a CCOSS for each rate area in the Company's next general rate case.
15. Regarding the fixed rate customer charge, 1) increase the residential customer charge from \$5.50 per month to \$6.50 per month; 2) increase the monthly customer service charge by \$5.00 per month for Firm General Service Customers using greater than 500 cubic feet of gas per hour (increasing the rate from \$20 to \$25 per month); and 3) increase the monthly customer service charge by \$25.00 per month for Small Interruptible Customers (increasing the rate from \$100 to \$125 per month).
16. Regarding the revenue responsibility requirement, apportion the relative revenue responsibility based on an across-the-board increase of 3.83%.
17. Regarding the timing of rate consolidation for Crookston and North 4 rate areas, maintain the current schedule for the consolidation of the rates for the Crookston and North 4 rate areas, as clarified by the Company at today's hearing.
18. Order the extension policy issues not agreed upon by the parties or addressed in the ALJ's findings to be addressed in the compliance filing or in a separate miscellaneous tariff filing. Otherwise, approve or accept the extension policy issues agreed upon or addressed in the findings of the ALJ.

Compliance

19. Direct the Company to, within 30 days of the issuance of the Order, file revised schedules and rates and charges reflecting the revenue requirements for annual periods beginning with the effective date of the new rates.
20. If the Commission decision and Order results in a interim rate refund, require the Company to, within 30 days of the Order, file a proposed plan for refunding to customers, with interest, the revenue collected during the Interim Rate period in excess of the final rate amount authorized by the Commission.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: MARCH 8, 2006**

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**Burl W. Haar, Executive Secretary**