

The Commission met on **Thursday, July 20, 2006**, with Chair Koppendraye and Commissioners Johnson, Pugh, Nickolai, and Reha present.

**Comment [COMMENT1]:** Minutes by Peter Brown. 9 motions were made.

The following matters were taken up by the Commission.

## TELECOMMUNICATIONS

### **P-5898,5096/PA-06-813**

#### **In the Matter of the Joint Petition by Qwest Communications Corporation and OnFiber Communications, Inc. for Approval to Transfer Control of OnFiber Carrier Services, Inc. to Qwest Communications Corporation**

Commissioner Reha moved that the Commission

1. approve transfer of control of OnFiber Carrier Services, Inc. to Qwest Communications Corporation;
2. direct Qwest to inform the Commission that the proposed transaction has closed within 20 days of its consummation; and
3. clarify that OnFiber Carrier Services, Inc. will continue to operate under its existing certificate of authority.

The motion passed 5-0.

Commissioner Johnson moved that the Commission take action on several dockets as follows:

### **P-6069/RV-05-1601**

#### **In the Matter of the Revocation of Dynamic Bandwidth Inc.'s Certificate of Authority**

1. revoke the carrier's authority subject to the following: Qwest and Sprint should be notified that the carrier no longer has authority to provide telecommunications service in Minnesota and that services should no longer be offered under its interconnection agreements; and
2. clarify that the carrier is responsible for any unpaid assessments.

### **P-6071/RV-06-827**

#### **In the Matter of the Revocation of the BAK Communications, LCC's certificate of authority**

1. revoke the carrier's authority subject to the following: BAK Communications, LLC remains responsible for any outstanding assessments or other fees currently unpaid to the Department or the Commission.

**P-404,407,430,520,405,413,542,421,426,427,573/CP-05-902**

**In the Matter of a Petition for Extended Area Service from Cokato to the Metropolitan Calling Area**

1. approve EAS between Cokato and the MCA and require Embarq Minnesota, Inc. (Embarq) to implement the service in their exchange within 12 months following the date of the Order Certifying Polling Results (Order);
2. require Embarq to coordinate the implementation of EAS in the Cokato exchange with the telephone companies that serve the MCA and file an implementation schedule within 60 days of the Order; decide that if, for some reason, the implementation schedule changes, Embarq should immediately notify the Commission and explain the reason(s) for the change;
3. require Embarq to file the first of two proposed customer notices for approval by Commission staff within 10 days of the date of the Order; require that the notice for customers in the Cokato exchange list the results of the polling, the EAS additives and the proposed implementation date; direct that after approval, Embarq should serve the notice in the first possible billing cycle;
4. require Embarq to send a final, Commission approved notice to customers in the Cokato exchange, either by bill insert or separate mailing; specify that the final notice should describe the service, instruct customers on dialing, list the additional monthly rates, the date of implementation and any other pertinent information; direct Embarq to issue the notice one month before it implements EAS;
5. require that Embarq make any requests for recovery of non-recurring costs at least 120 days before the planned implementation date; specify that the Department should have 30 days to comment on the proposed charges;
6. require the companies serving the MCA to file proposed customer notices for customers in the MCA for approval by Commission staff 90 days before the anticipated implementation date of the Cokato-MCA route; specify that the notices should describe the service, instruct customers on dialing, list the additional rates to be paid and the date of implementation; direct the companies to send the notices during billing cycles that conclude at least one month, but not more than two months, before EAS is implemented; and
7. require Embarq to file tariff sheets reflecting Commission Orders that establish the rates and terms for EAS between Cokato and the MCA; require that these tariff sheets be filed at least 30 days before implementation of EAS whereupon Docket No. P-404, et al./CP-05-902 will be closed.

The motion passed, 5-0.

**P-999/CI-05-1419**

**In the Matter of the Commission Inquiry Regarding Potential Proscribed Ex Parte Contacts Regarding Commissioner Scott**

**P-421/C-01-391**

**In the Matter of a Complaint of AT&T Communications of the Midwest, Inc. Against Qwest Corporation (UNE-P Testing Case)**

**P-421/C-02-197**

**In the Matter of the Complaint of the Minnesota Department of Commerce Against Qwest Corporation Regarding Unfiled Interconnection Agreements (Unfiled Agreements Case)**

Commissioner Nickolai moved that the Commission deny Qwest Corporation's motion for reconsideration.

The motion passed, 4-1. Commissioner Koppendrayner voted no.

### **ENERGY AGENDA**

**E-229,017/SA-06-837**

**In the Matter of the Joint petition by Otter Tail Power Company and Detroit Lakes Public Utilities Commission for Modification of Assigned Service Areas**

Commissioner Pugh moved that the Commission approve the Petition.

The motion passed, 5-0.

**E-017/M-06-838**

**In the Matter of the Petition of Otter Tail Power Company for Approval of a Waiver of the Customer Service Rules Governing Billing Errors**

Commissioner Pugh moved that the Commission

1. approve the variance of Minn. Rules, Part 7820.3800; and
2. approve a refund of \$2,211.40 to Mr. Jim Zachs.

The motion passed, 5-0.

**E-017/CN-06-677**

**In the Matter of the Otter Tail Power Company Application for Certificate of Need for a 115 Kilovolt Transmission Line Between Appleton and Canby Substations**

Commissioner Reha moved that the Commission

1. approve Otter Tail Power Company's proposed Notice Plan as modified in its June 26, 2006 reply comments and require the Applicant to provide a final copy of the notice and proof to the Commission that the plan has been carried out, as soon as reasonably possible; and
2. grant OTP's Exemption Request in its entirety.

The motion passed, 5-0.

**E-017/RP-05-968**

**In the Matter of Otter Tail Power Company's 2006-2020 Resource Plan**

Commissioner Nickolai moved that the Commission

1. hold in abeyance its final decision on approving, disapproving, or modifying Otter Tail Power Company's current Resource Plan until review of the Company's supplemental information updating its April base case runs; the Department will get back to us in 20 days after receipt of the Company's filing and we will get it back on the Agenda as soon as possible;
2. find that OTP's resource plan demonstrates a good-faith effort to meet its renewable energy objectives under Minn. Stat. § 216B.1691, using vintage-based allocation; find that the Company is in full compliance with REO for 2005 and 2006; and adopt the following allocation method on a going forward basis: vintage-based allocation with a fixed system allocation factor rather than a variable system allocation factor;
3. direct the Company, in its next resource plan, to
  - a. make clear its assumptions concerning costs and potentials;
  - b. include a review of the current price and price trends of allowances and/or credits for SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>; this discussion should include a comparison with the cost of implementing control technologies under consideration for emission reductions in SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>;
4. direct the Company to seek to cooperate with other utilities including Xcel to develop information and be prepared to participate in a Commission-sponsored technical issues workshop on the following subjects:
  - a. wind energy storage research and development;
  - b. with respect to CO<sub>2</sub> planning and risk analysis, various potential mitigation strategies including cost estimates the technology needed to capture and ship CO<sub>2</sub> from an IGCC plant to another appropriate location.
  - c. with respect to distributed generation of heat and power, what the components of a more comprehensive DG strategy might entail: a technical evaluation of the opportunities, technical potential and economics of DG with the OTP system, including
    - evaluation of large customer sites to determine appropriateness and willingness to consider DG, including possible CHP initiatives with the ethanol industry and other industries.
    - determination of total technical DG potential;
    - calculations of grid benefits of DG; and

- economic screening to determine the total economic impact of DG, under either utility ownership or customer ownership of DG;
5. direct that OTP's filing date should be before or simultaneous with the rate case to be filed in 2007.

The motion passed, 5-0.

Commissioner Nickolai moved that the Commission amend the previous motion by adding the following items:

1. approve the wind portion of the proposed Resource Plan which would allow an RFP for up to 75 MW wind generation to go forward;
2. clarify that the 20 day reply period after receipt of OTP's updated cost filing applies to all, not just the Department;
3. in addition to the subjects identified in section 3,c of the prior motion, direct OTP to seek to develop information and be prepared to participate in a technical workshop on the costs of the various regulatory strategies under consideration for emission reduction of NO<sub>x</sub>, SO<sub>2</sub>, and CO<sub>2</sub> as well as the cost of implementing control technologies for those emissions;
4. urge the OTP and the Big Stone II Partners to respond to information requests on an expedited basis.

The motion passed. 5-0.

**ET-2/RP-05-1100**  
**In the Matter of Great River Energy's 2005 Integrated Resource Plan**

Commissioner Nickolai, with a friendly amendment by Commissioner Pugh, moved that the Commission:

5. find the filing useful for resource planning purposes as recommended by the Department, find that the proposed resource plan would maintain reliability over at least the next several years in the Cooperative's system, but also indicate that the resource plan falls short of full acceptability because of certain missing information and analytical deficiencies pointed out by the Department and the Joint Intervenors, and not make any finding with respect to the acceptability or need for future energy facilities;
6. find that GRE's resource plan filing demonstrates a good-faith effort to meet its renewable energy objectives under Minn. Stat. § 216B.1691, using either full allocation or vintage-based allocation as described below, find that the Cooperative is in full compliance with the REO for 2005 and 2006, and adopt one of the following allocation methods on a going-forward basis:

- vintage-based allocation, as supported by the Department, with a fixed system allocation factor (until possibly adjusted in a future proceeding) rather than with a variable system allocation factor;
7. require GRE to file its next report on its progress in meeting its renewable energy objectives on or before October 1, 2006 and suggest that the Cooperative discuss with the Department the type and level of content needed by the Department to prepare its report for the Legislature;
  8. accept GRE's commitment to adopt the following action recommended by the Department and/or the Joint Intervenors:
    - a. to include a capacity expansion model as part of its modeling process;
    - b. to analyze whether wind generation in excess of the REO might be a cost-effective alternative; and
    - c. to attempt to improve its analytical process for DSM and for its 50% and 75% conservation/renewable scenarios (e.g. by separating existing DSM from new DSM);
  9. advise GRE, when preparing future resource plans, to adopt certain actions recommended by the Department and/or the Joint Intervenors next resource plan filing, including to
    - a. include wind as a generic resource that the capacity-expansion model can choose, and also include a capacity value in the wind input assumptions;
    - b. refrain from including any unprocured resources (e.g. the Big Stone II power plant in the current filing) in all of the resource planning scenarios;
    - c. include in its future assessments of DSM resources an analysis of the cost-effectiveness of varying amounts of DSM (i.e. various additional amounts above the statutory minimum amounts)
      - 1) include (consideration of) DSM in its 50% and 75% conservation/renewable scenarios;
      - 2) work with its member cooperatives to develop DSM projects, and clearly communicate to those members the benefits of DSM (e.g., mitigation of future rate increases);
  10. advise GRE, when preparing future resource plans, to consider certain actions recommended by the Department and/or the Joint Intervenors (and, if it decides not to implement some of them, to provide an explanation in the next resource plan filing), including to:
    - a. forecast system level energy and demand requirements using an econometric model;
    - b. reconcile or clean the historical data to explain what appears to be negative line losses;
    - c. incorporate a weather variable into the econometric model;

- d. file an annual forecast with the Department; and
  - e. in at least its contingency plan modeling, use a final Co<sub>2</sub> value of \$8 per ton as an annual levelized cost in 2004 with higher values thereafter, as was done in California.
11. require that GRE include the following informational items recommended by the Department and/or the Joint Intervenors:
- a. review of the current price and price trends of allowances and/or credits for SO<sub>2</sub>, NO<sub>x</sub>, and CO<sub>2</sub>, as well as a comparison of the cost of implementing control technologies for these emissions;
  - b. an update on the development of future pending and potential environmental regulations that may impact electric utility operations, based upon its monitoring of those issues;
  - c. demand and energy goals for its DSM projects, and a report on actual performance in the projects by its member cooperatives (e.g. expenditures, generator kilowatt-hour savings, and generator kilowatt savings): and/or
  - d. annual generation from existing and planned wind facilities and the reasons for significant changes in output;
8. direct the Company to seek to cooperate with other utilities including Xcel to develop information and be prepared to participate in a Commission-sponsored technical issues workshop on the following subjects:
- a. wind energy storage research and development;
  - b. the cost of implementing various mitigation strategies and control technologies for the costs of NO<sub>x</sub>, SO<sub>2</sub>, and CO<sub>2</sub>, including cost estimates the technology needed to capture and ship CO<sub>2</sub> from an IGCC plant to another appropriate location, and the cost of the various regulatory strategies under consideration for reduction of those emissions;
  - c. with respect to distributed generation of heat and power, what the components of a more comprehensive DG strategy might entail: a technical evaluation of the opportunities, technical potential and economics of DG with the OTP system, including
    - evaluation of large customer sites to determine appropriateness and willingness to consider DG, including possible CHP initiatives with the ethanol industry and other industries.
    - determination of total technical DG potential;
    - calculations of grid benefits of DG; and
    - economic screening to determine the total economic impact of DG, under either utility ownership or customer ownership of DG;

9. vary Minn. Rules, part 7843.0300, subpart 2 and establish November 1, 2007 as filing date.

The motion passed, 5-0.

There being no further business before the Commission, the meeting was adjourned.

**APPROVED BY THE COMMISSION: AUGUST 2, 2006**

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**Burl W. Haar, Executive Secretary**