

The Commission met on **Thursday, July 21, 2005**, with Chair Koppendrayer and Commissioners Johnson, Nickolai, Pugh and Reha present.

Comment [COMMENT1]: Minutes by Carol Casebolt, Peter Brown and Eric Witte. 9 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-266,124/SA-05-860

In the Matter of the Petition by Minnesota Valley Electric Cooperative (MVEC) for Modification to the Assigned Service Area Between MVEC and the City of LeSeuer

- Approve the petition.

E-229,147/SA-05-901

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

- Approve the petition.

E-221,002/SA-05-870

In the Matter of the Joint Petition by the City of Buffalo and Northern States Power Company d/b/a Xcel Energy for the Transfer of Certain Assigned Service Area from Xcel Energy to the City of Buffalo

- Approve the petition.

The motion passed 5-0.

E-015/AI-05-353

In the Matter of Minnesota Power's Petition for Approval of an Affiliated Interest Transaction Between Minnesota Power and Enventis Telecom, Inc.

Chair Koppendrayer moved to approve the petition with the following conditions:

1. In future requests for quotations (RFQs), Minnesota Power (MP) shall send the request to a minimum of 10 Cisco Gold Certified Partners, not limited to those located in Minnesota, in addition to others it may choose to include.
2. In future RFQs, MP shall retain all records produced during the RFQ/bidding process until

verified by the Department.

3. In MP's next rate case, MP must show that costs related to new hardware under #Q4159041 were necessary and optimally configured.
4. In its next rate case, MP shall show any arrangement for hardware replacement existing at that time (with Enventis Telecom, Inc., or others) and that no depreciation expense for the associated computer hardware is proposed for recovery in rates.

The motion passed 5-0.

G-002/GR-04-1511

In the Matter of an Application by Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Natural Gas Service in the State of Minnesota

Commissioner Reha moved to do the following:

4. Accept the offer of settlement filed by Northern States Power Company d/b/a Xcel Energy (Xcel) and the Minnesota Department of Commerce (the Department), as amended on April 29, 2005 and May 4, 2005, with the exception of its adoption of a \$45.00 fee for reconnection of residential service.
5. Direct Xcel to recalculate its revenue deficiency using the agreed upon parameters in the settlement offer, i.e. the 8.76% rate of return on equity.
6. State that the final order in this docket shall include a set of financial summaries for Xcel that includes: a schedule showing the calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, and a gross revenue deficiency calculation. Direct parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.
7. Require Xcel to make the following compliance filings within 30 days of the date of the final order in this docket:
 - A. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - i. breakdown of Total Operating Revenues by type;
 - ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of gas. These schedules shall include but not be limited to:

- a. Total revenue by customer class;
 - b. Total number of customers, the customer charge and total customer charge revenue by customer class; and
 - c. For each customer class, the total number of commodity and demand related billing units, the per unit commodity and demand cost of gas, the non-gas unit margin, and the total commodity and demand related sales revenues.
- iii. Revised tariff sheets incorporating authorized rate design decisions;
 - iv. Proposed customer notices explaining the final rates, and the monthly basic service charge.
- B. A revised base cost of gas and supporting schedules incorporating any changes made as a result of this rate case, and automatic adjustments establishing the proper adjustments to be in effect at the time final rates become effective.
 - C. Copies (revised as necessary) of all standard customer service agreements and contracts for inclusion in Xcel's tariff book.
 - D. A proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers. Include the \$300,000 amount for opportunity sales as agreed in the April 29, 2005 Addendum to the Settlement Offer, and the \$624,909 amount for the incentive refund, in Docket No. G-002/GR-92-1186, if approved in that docket.
- 5. Direct parties to work with Commission staff in preparing a calculation of the conservation improvement program (CIP) CCRC based on the decisions made herein for inclusion in the final Order. Direct Xcel to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
 - 6. Authorize comments on all compliance filings within 15 days of the date they are filed.

The motion passed 3-2. Commissioners Johnson and Pugh voted no.

Commissioner Nickolai moved to modify the settlement to set the reconnection fee for the residential class at \$22.50.

The motion passed 4-1. Chair Koppendrayner voted no.

**E-002/M-04-1426
In the Matter of the Xcel Energy Petition for Approval of a Compliance Filing and Replacement Power Purchase Agreement with Invenenergy Cannon Falls, LLC**

Commissioner Johnson moved to do the following:

1. Approve the replacement power purchase agreement (PPA) as reasonable and in the public interest.
2. Find that the PPA is subject only to ongoing prudence review through the annual automatic adjustment reports.
3. Find that Xcel may recover the Minnesota jurisdictional portion of the energy payments from Minnesota customers during the full term of the PPA and that the recovery of capacity costs will be addressed in the Xcel's next rate case taking into account:
 - A. the determination of deliverability rendered by the Midwest Independent System Operator (MISO);
 - B. Xcel's actions to fully implement the requirements mentioned in the MISO System Impact Study; and
 - C. Xcel's good faith in trying to mitigate any other newly identified issues related to the deliverability of the full capacity from the facility of Invenenergy Cannon Falls, LLC.

The motion passed 5-0.

E-002/M-04-91

In the Matter of Northern States Power Company d/b/a Xcel Energy's Petition for Approval of NGPP Minnesota Biomass, LLC Second Amended and Restated Biomass PPA

Commissioner Pugh moved to –

1. approve the Second Amended and Restated Power Purchase Agreement (PPA);
2. approve the assignment of the PPA to the Cities of Hibbing and Virginia via their ownership of NGPP Minnesota Biomass, LLC;
3. find that the PPA complies with the provisions of Minnesota Statutes § 216B.2424 for 35 megawatts of biomass capacity;
4. find that all costs incurred and paid under the PPA are fully recoverable pursuant to Minnesota Statutes § 216B.1645, including transmission and curtailment costs; and
5. find that cost recovery is subject only to a prudence review in the annual automatic adjustment reports and that the PPA is reasonable and in the public interest.

The motion passed 5-0.

TELECOMMUNICATIONS

P-5692, 421/IC-04-549

In the Matter of the Petition of Covad Communication Company (Covad) for Arbitration of an Interconnection Agreement with Qwest Corporation (Qwest) Pursuant to 47 U.S.C. § 251(b)

Commissioner Pugh moved to approve the interconnection agreement and the Line Splitting Amendment.

The motion passed 5-0.

P-421/AR-05-1081

In the Matter of the Petition of Qwest Corporation for Approval of its Revised Alternative Form of Regulation (AFOR) Plan

Commissioner Nickolai moved to do the following:

5. Require Qwest to give a copy of the proposed Revised AFOR Plan to interested parties who will contact Qwest for a copy. Qwest may provide the copy electronically.
6. Require any person who wishes to intervene to file a petition by September 1, 2005.
7. Require any person who wishes to be placed on the service list to indicate so on the Declaration of Interest Form and return it to the Commission by September 1, 2005.
8. Order that, after the official service list is distributed, all parties submitting documents to the Commission must submit proof that the document has been served on all other parties on the service list. An original and 15 copies must be served on the Commission, but parties may send electronic copies to each other.
9. Require that any comments on the adequacy of Qwest's filing as to form be included in the comments on the merits of the filing.
10. Direct the parties to conform to the following schedule:

Initial comments	September 23, 2005
Public meetings in Duluth, Moorhead, Rochester and St. Paul	October 3-10, 2005
Reply to comments	October 12, 2005
Commission proceeding	October 17-28, 2005
Commission order	November 14, 2005

Requests for reconsideration	November 28, 2005
Reply to requests for reconsideration	December 2, 2005
Commission hearing on reconsideration	December 6, 2005
Commission order on reconsideration	December 16, 2005
Qwest acceptance or rejection	December 23, 2005

11. Require that any proposed protective orders be submitted to the Commission within 20 days of the Order.

12. Require Qwest to –
 - A. publish a public notice in newspapers of general circulation in all county seats in Qwest's service area inviting the public to comment on its proposed Revised AFOR Plan,
 - B. send notices to city clerks and/or city administrators in all cities within Qwest's service area,
 - C. provide notice of the proposed Revised AFOR Plan to all of Qwest's customers individually, and
 - D. submit, within 20 days of the Order,
 - the proposed notices described above,
 - a list of the newspapers where the notice will be published and
 - a list of the city clerks/administrators that will be notified.

9. Regarding discovery, require all parties to –
 - A. Answer information requests from any party within 10 days of receipt,
 - B. Serve a copy of each information request issued on the Commission and the service list,
 - C. Serve answers to information requests on the requesting party, and on other parties and non-parties upon request subject to the terms of any protective order.

10. Authorize the Executive Secretary to act on subsequent procedural and notice filings and to vary the time periods established in this Order on his own motion or at the request of a party for good cause shown.
11. Regarding settlement,
 - A. order parties to convene a settlement conference as soon as practicable,
 - B. order Qwest to submit a written progress report on the settlement negotiations every 15 days from the date of the Order, and
 - C. order the parties to submit either a settlement report or a recommended time extension by the time Initial Comments are due.

The motion passed 5-0.

Consideration of Telecommunications New Authority Fee Required by Senate File 69

Commissioner Reha moved, pursuant to Minnesota Statutes § 237.295, subdivision 1, to set the fee for new authority applications at \$570.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: AUGUST 3, 2005

Burl W. Haar, Executive Secretary