

The Commission met on **Thursday, March 4, 2004**, with Acting Chair Reha and Commissioners Johnson, Nickolai and Scott present.

Comment [COMMENT1]: Minutes by Ann Pollack. 20 motions were made.

ENERGY AGENDA

E-002/CN-04-76

In the Matter of the Application of Northern States Power Company (d/b/a Xcel Energy) for a Certificate of Need for a Large Electric Generating Facility

Commissioner Nickolai moved that the Commission

1. accept the application as substantially complete, but with the understanding that additional information may have to be provided by Xcel Energy to the Environmental Quality Board and the Department of Commerce to facilitate preparation of an environmental review document and thorough review of the proposed project;
2. refer the case to the Office of Administrative Hearings for a contested case proceeding;
3. request that the EQB Staff prepare an environmental review document consistent with its recently-effective rules;
4. include in the Order (or one of the Orders) coming out of this meeting:
 - notice of a prehearing conference (with a specified date, time, and location to be determined by the Administrative Law Judge and Commission staff);
 - the name and telephone number of the Commission employee designated to facilitate citizen participation in the process;
 - a request that the Department of Commerce continue to study the issues and indicate during the hearing process its position on the reasonableness of granting a certificate of need to the Company;
 - a requirement that the Applicant facilitate in every reasonable way the continued examination of the issues by the Department of Commerce and the Environmental Quality Board;
 - a directive that Commission staff work with the Administrative Law Judge in selecting suitable locations for the public and evidentiary hearings on the application; and
 - a directive that the Applicant provide notice of the public and evidentiary hearings in newspapers of general circulation at least ten days prior to the start of the hearings, that such notice be in the form of visible display ads, that the applicant obtain proofs of publication of such ads from the newspapers selected, and that the applicant consult with Commission staff on the timing, text, and distribution of such ads prior to publication; and
5. (a) determine that a joint hearing on need and siting under Minn. Stat. § 216B.243, subd.

4 and Minn. Stat. § 116C.57, subd. 2d is feasible, more efficient than separate hearings, and may further the public interest ; and

(b) if joint public hearings are acceptable to the Environmental Quality Board, authorize staff to request at the prehearing conference that the assigned administrative law judge set up a hearing schedule allowing consideration of both need and siting issues in at least some of the sessions.

The motion passed 4-0.

E-001/GR-03-767

In the Matter of a Petition by Interstate Power and Light Company for Authority to Increase Electric Rates in Minnesota

I. Rate of Return

Commissioner Nickolai moved that the Commission take the following action:

- determine that the return on Common Equity be set at 11.25%;

The motion failed on a 2-2 vote. Commissioners Johnson and Scott voted no.

Commissioner Scott moved that the Commission take the following action:

- determine that the return on Common Equity be set at 11%.

The motion passed 4-0.

Commissioner Scott moved that the Commission accept the capital structure ratios and cost rates for Long-Term Debt and Preferred Stock as agreed to by the parties and accepted by the ALJ.

The motion passed 4-0.

II. Financial Issues

A. Test Year

Commissioner Scott moved that the Commission take the following action:

- Accept the proposed 12-month period ending December 31, 2002, as an acceptable test year for purposes of establishing rates in this proceeding.

The motion passed 4-0.

Commissioner Reha moved that the Commission take the following actions:

B Base Cost of Energy Issues

- Accept the adjustments agreed upon by the parties (increase test year revenue \$982,428 and increase energy costs for the base cost of energy by \$332,000 for understated Kapp Station costs). (The \$332,000 is not a test year income statement adjustment.)

C. Interest Synchronization

- Accept the concept of interest synchronization as agreed upon by the parties. Instruct staff, with cooperation of the parties, to calculate the final interest synchronization adjustment incorporating the Commission's decisions in this proceeding.

D. Cash Working Capital

- Accept the need for a recalculation of the cash working capital component of rate case. Direct staff, with cooperation of the parties, to calculate the final cash working capital amount consistent with the decisions of the Commission in this proceeding.

E. Marketing Expense

- Approve the inclusion of \$26,758 of marketing costs for the test year, as agreed by the parties. Direct the Company to provide cost-benefit analysis supporting marketing expenses in future rate cases. The supporting analysis should address concerns identified by the Department.

F. Nuclear Decommissioning Annual Reports

- Direct IPL to file annually, beginning one year from the date of the Order in this proceeding, reporting the status of FAS 143 regulatory assets, internal funding of nuclear decommissioning, and other significant changes or significant events.

G. CIP

- Reduce test year expenses by \$18,476 to remove regulatory review expenses from test year costs, allowing the costs to be treated as other CIP costs are.

H. CCRC, CCRA

- Set the Conservation Cost Recovery Charge included in base rates at \$0.00289 per kWh. Set the Conservation Cost Recovery Adjustment at \$0.00097 per kWh.
- Direct IPL to include schedule of CIP tracker activity beginning with the December 31, 2002 balance of \$2,978,699 through the date final rates are implemented in this proceeding.

The motion passed 4-0.

I. Rate Case Expense

Commissioner Scott moved that the Commission take the following action:

- Accept the stipulated/settled resolution to reduce test year costs to \$657,573, with an amortization of that amount over five years without rate base treatment of the unamortized balance. This results in a reduction of test year expense of \$735,479. Also, the Company shall cap the IPL portion of rate case expenses in its next electric rate case at \$250,000.
- Bring this matter back on reconsideration.

The motion passed 4-0.

J. Weather Normalization

Commissioner Johnson moved that the Commission take the following action:

- Accept the stipulated/settled resolution that the rate case not be rejected and that test year sales be increased by \$148,418, with a related increase in test year energy costs of \$29,640, to remove the weather normalization proposed by the Company in its initial filing. The adjustment results in revised test year kWh sales of 797,720,905.
- Direct IPL to use the weather normalization process, in future rate proceedings, as spelled out at pages 6 and 7 of the stipulation/settlement.

The motion passed 4-0.

K. ERP Accumulated Depreciation

Commissioner Johnson moved that the Commission take the following action:

- Increase test year accumulated depreciation by \$140,360 (reduction to rate base) to cause the accumulated depreciation reserve to reflect a full year of depreciation on the ERP investment as recommended by the Department.

The motion passed 4-0.

L. Nuclear Decommissioning

Commissioner Scott moved that the Commission take the following action:

- Reduce decommissioning expense by \$598,410 as apparently agreed by the parties and the ALJ. Make no finding regarding treatment of nuclear decommissioning expense in future proceedings.

The motion passed 4-0.

M. MISO

Commissioner Scott moved that the Commission take the following action:

1. **\$4,437 Non-firm Wheeling Costs**
 - Accept the recommendation of the Department to reduce test year expense by \$4,437 for non-firm wheeling costs.
2. **\$9,516 Congestion Management/Redispatch Costs**
 - Accept the recommendation of the Department, agreed to by the Company and accepted by the ALJ, to reduce test year costs by \$9,516.

3. \$81,664 Firm Wheeling Costs

- Accept the recommendation of the Department, agreed to by the Company and accepted by the ALJ, to reduce test year costs by \$81,664.

The motion passed 4-0.

4. MISO Schedule 10 Costs

Commissioner Nickolai moved that the Commission take the following action:

- Accept the Company's position. Allow the Schedule 10 costs. Clarify that the Commission is doing this only because of the federal influence on companies and MISO's start-up status. Further clarify that the Commission's action should not be taken as precedential and that a cost/benefit analysis will be required in the future.

The motion failed on a 2-2 vote. Commissioners Johnson and Scott voted no.

Commissioner Scott moved that the Commission take the following action:

- Reduce test year Schedule 10 costs by \$202,798.

The motion failed on a 2-2 vote. Commissioners Nickolai and Reha voted no.

N. Regulatory Study Costs

Commissioner Scott moved that the Commission take the following action:

- Reduce test year costs by \$163,896 to exclude the regulatory study costs as recommended by the Department and the ALJ.

The motion passes 4-0.

O. Incentive Compensation

Commissioner Johnson moved that the Commission take the following action:

- Reduce test year costs by \$339,685 to exclude certain incentive compensation costs as recommended by the Department.

The motion passed 4-0.

P. OPEB and Pension

Commissioner Johnson moved that the Commission take the following action

- Reduce test year expense by \$368,638 to levelize the costs over five years as recommended by the Department.

The motion passed 4-0.

III. Rate Design

Commissioner Reha moved that the Commission take the following action:

- Adopt the proposed Findings of Fact, Conclusions of Law, and Recommendations on the nine non-disputed rate design issues as jointly submitted by IPL and the Department on December 29, 2003, in this docket.

The motion passed 4-0.

A. Non-peak Declining Block Rates

Commissioner Nickolai moves that the Commission take the following action:

- Adopt the Department's proposal to reduce the differential between the initial and end blocks for non-peak declining block rates for residential and the complete elimination of the declining block for the single-phase farm service. Adopt a 60% differential.

The motion passed 4-0.

B. Stored Heat Service Access

Commissioner Scott moved that the Commission take the following action:

- Adopt IPL's proposal to close the Stored Heat Service to new customers. Require IPL to make sure that any advertising for stored heat does not mislead potential buyers about the Company's intentions to eliminate this class of service (see ALJ Findings of Fact 74). Require IPL to provide information to justify a proposal to eliminate the Stored Heat Service in its next rate case, if the Company makes such a proposal. The information should include: (1) the extent to which the Stored Heat customers are expected to transfer their use from off-peak to on-peak periods, and (2) the expected effect on IPL's system of such transfers.

The motion passed 4-0.

C. **Application of Minn. Stat. 216B.1691, subd. 6 to Interstate Power and Light**

Commissioner Johnson moves that the Commission

- Adopt the ALJ's Finding that the renewable resource obligations contained in Minn. Stat. 216B.1691, subd. 6, do not apply to IPL.

The motion passed 4-0.

D. Compliance Filings

Commissioner Reha moved that the Commission

- Require IPL, within 30 days of the date of the Order in this matter, to file with the Commission for its review and approval, and serve on all parties to this proceeding, revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions contained along with the proposed effective date. Parties will have 30 days (from the date of filing) to comment on the revised schedules.
- If the Commission's decisions result in a refund, within 30 days of the date of the Order in this matter, IPL should file with the Commission for its review and approval, and serve on all parties to this proceeding, a proposal to make refunds, including interest calculated at the average prime rate, to affected customers.

The motion passed 4-0.

There being no further business , the meeting was adjourned.

APPROVED BY THE COMMISSION: APRIL 7, 2004

Burl W. Haar, Executive Secretary