

The Commission met on **Thursday, April 8, 2004**, with Chair Koppendrayer and Commissioners Nickolai and Scott present.

Comment [COMMENT1]: Minutes by Ann Pollack, Peter Brown and Carol Casebolt. 6 motions were made.

ENERGY AGENDA

E-017/M-03-507

In the Matter of Otter Tail Power Company's DSM Financial Incentive Project, 2002 Status Report, Electric Utility Conservation Cost Recovery Report, and Annual Filing to Update the CIP Rider

This item was pulled.

E-001/M-04-70

In the Matter of Interstate Power and Light Company's Request for a Variance from Commission Rules Relating to Fuel Clause Adjustments

Commissioner Nickolai moved to do the following:

- Grant a variance to Minnesota Rules part 7825.2400, subparts 8 and 9, from December 2003 through December 2004 to allow inclusion of switchgrass in the definition of fossil fuel and for inclusion in the cost of fuel consumed in the generation of electricity.
- Direct Interstate Light and Power Company (IPL) to comply with the recommended reporting requirements of the Minnesota Department of Commerce.
- Declare that the Commission grants the requested variance with the limitation that the action is limited to the relatively de minimis costs at issue, that the decision should not be considered as precedent in other cases, and that (IPL) will bear the risk of taking actions outside the rules without obtaining prior authorization from the Commission.

The motion passed 3-0.

G-011/M-02-1919

In the Matter of a Request by Aquila Networks - PNG for Approval of a Change in Demand Entitlements on the Northern Natural Gas System for 2002/2003

G-011/M-02-1920

In the Matter of a Request by Aquila Networks - PNG for Approval of a Change in Demand Entitlements on the Viking Gas Transmission System for 2002/2003

G-007/M-02-1921

In the Matter of a Request by Aquila Networks - NMU for Approval of a Change in Demand Entitlements for 2002/2003

Commissioner Nickolai moved that the Commission

1. take action regarding **Docket No. G-011/M-02-1919** as follows:
 - 1) allow Peoples to implement the calculated design day for this heating season because the Company has not encountered reliability problems to date during this heating season;
 - 2) for demand entitlement filings made after the Order in this docket, require Peoples to develop a design day methodology that produces reasonable and consistent results on a going forward basis;
 - 3) for demand entitlement filings made after the Order in this docket, do not allow the Company to use an average of the high and low factor for determining the heat load factor used in calculating the design day;
 - 4) determine that the Company has not complied with the portion of ordering paragraph 3 of the July 17, 2002 Order in Docket No. G-011/M-01-1633 which required the Companies to provide proof that their methodology provides more valid results than a statistical method such as a regression analysis;
 - 5) approve the use of the proposed allocation factor of 37.05 percent for allocating demand costs to Peoples' Northern system customers;
 - 6) deny the costs related to the permanent release of capacity to Cornerstone;
 - 7) approve the Department modified cost recovery effective with the Company's Northern system November 1, 2002 Purchased Gas Adjustment;
 - 8) require Peoples to provide the date it released the NNG storage capacity and the date it acquired the NGPL storage capacity;
 - 9) for all demand entitlement filings after the date of the Order in this docket, require the Company to provide both a customer count for the design day calculation and a customer count for the month in which the heating season's peak day sendout occurred; and
 - 10) with the understanding that the Company will provide, in the form of a response to an Information Request, a schedule that breaks down the total entitlement by

type (i.e., TF-12B, TF-12V etc) showing how much it has for each zone and also how much for individual delivery points in each zone, not include in the Order a requirement that the Company do so;

2. take action regarding **Docket No. G-011/M-02-1920** as follows:
 - 1) approve the proposed increase in Peoples' Viking system design day capacity for the 2002-2003 heating season;
 - 2) approve the proposed increase in FT-A services for the 2002-2003 heating season; and
 - 3) allow the PGA recovery of the costs associated with the requested reallocation, effective November 1, 2002; and
3. take action regarding **Docket No. G-011/M-02-1921** as follows:
 - 1) allow NMU to implement the calculated design day for this heating season because the Company has not encountered reliability problems to date during this heating season;
 - 2) for demand entitlement filings made after the Order in this docket, require NMU to develop a design day methodology that produces reasonable and consistent results on a going forward basis;
 - 3) for demand entitlement filings made after the Order in this docket, do not allow the Company to use an average of the high and low factor for determining the heat load factor for determining the design day;
 - 4) determine that the Company has not complied with the portion of ordering paragraph 3 of the July 17, 2002 Order in Docket No. G-007/M-01-1631 which required the Companies to provide proof that their methodology provides more valid results than a statistical method such as a regression analysis;
 - 5) approve the use of the proposed allocation factor of 4.32 percent for allocating demand costs to NMU's Northern system customers;
 - 6) deny recovery of the costs related to the permanent release of capacity to Cornerstone;
 - 7) approve the Department modified cost recovery effective with the Company's Northern system November 1, 2002 Purchased Gas Adjustment; and
 - 8) for all demand entitlement filings after the date of the Order in this docket, require the Company to provide both a customer count for the design day calculation and a customer count for the month in which the heating season's peak day sendout occurred.

The motion was adopted, 3-0.

G-007,011/M-03-2008

In the Matter of a Request for a Miscellaneous Tariff Change by Aquila, Inc. and its Two Operating Divisions, Aquila Networks-PNG and Aquila Networks-NMU, for Approval to Change Balancing and Scheduling Charges for Transportation Customers

Commissioner Nickolai moved that the Commission take the following action:

1. Aquila's proposed rates and terms of service in its transportation rate schedule for daily scheduling and the monthly resolution of customer imbalances

A. Approve Aquila's proposed tariff provision as modified by the Department

- The MIPs shall be determined as follows:

High MIP: The highest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate, plus a capacity release value, which will be deemed to be \$0.07/Mcf.

Low MIP: The lowest weekly average during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

Average MIP: The average of the weekly averages during the 5 week period for the applicable month, plus pipeline fuel at the effective pipeline fuel rate, plus pipeline commodity at the effective pipeline commodity rate.

- Deny the following proposed tariff provision:

Imbalance caused by meter error and prior period adjustment will be cashed out at the 0%-3% tier using the average MIP.

- Approve the following proposed tariff provision contingent on Aquila submitting a compliance filing showing that this tariff provision is consistent with Northern's implementation of its FERC approved tariff provision:

If the pipeline provides an imbalance to storage option, Company and the transporter may transfer the imbalances to or from pipeline storage accounts, provided certain conditions are met. If the transaction would cause Company's storage account to breach any contractual limitations, or would otherwise cause undue harm to the Company's management of its storage accounts, the storage may not be allowed. If there are any changes from the pipeline to

effectuate the storage transfer, the customer will be responsible for payment of any actual costs.

- Approve Aquila's proposal to use Northern's Substitute Seventh Revised Sheet No. 268 in determining the Company's imbalance provisions, subject to adjustment should the FERC approve differing provisions.
- Require Aquila to keep adequate records of scheduling and imbalance impacts until the Commission ordered implementation date so that adequate adjustments can be made to the appropriate transportation customers, should the Commission require such adjustments.
- Deny Cornerstone's request for a cease and desist order.

The motion passed 3-0.

2. Effective date of this rate change, if Aquila's request is approved

Commissioner Nickolai moved that the Commission take the following action:

- Approve an effective date of May 1, 2004.

The motion passed 2/1. Commissioner Koppendraye voted no.

3. Should the Commission allow Aquila to automatically change its rates and terms of service for scheduling charges and monthly cash-outs as the FERC approves changes for Northern Natural?

Commissioner Nickolai moved that the Commission take the following action:

- Deny Aquila authority to implement a change to any rate, term or condition of service in its transportation rate schedule without prior Commission approval, i.e. automatically on a provisional basis. Require Aquila to make a miscellaneous tariff filing in the future whenever it proposes to change its transportation rate schedule and clarify that Aquila is not authorized to implement any proposed change until the change is approved by the Commission.

The motion passed 2-1. Commissioner Koppendraye voted no.

4. Compliance filing

Commissioner Koppendraye moved that the Commission take the following action:

- Require Aquila to submit, within eight business days of the Commission's Order in the present docket, a revised proposed customer notice and the appropriate tariff sheets that reflect the Commission's determination in this matter.

The motion passed 3-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: APRIL 21, 2004

Burl W. Haar, Executive Secretary