

The Commission met to take up energy matters on **Thursday, May 27, 2004**, with Chair Koppendrayner and Commissioners Johnson, Nickolai, and Reha present.

Comment [COMMENT1]: Minutes by Carol Casebolt. 5 motions were made.

The following matters were taken up by the Commission.

ENERGY AGENDA

E-5987, 145/SA-03-1955

In the Matter of the Joint Petition of the City of St. Charles and Tri-County Electric Cooperative for Approval of a Settlement Agreement and a Change in Their Service Territory Boundary

Commissioner Nickolai moved to approve the settlement on the terms recommended by the Department of Commerce, with the recognition that the parties have now agreed on a compensation formula.

The motion passed 4-0.

G-002/M-03-843

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy, for Approval of a Monthly Demand Cost True-up Mechanism and a Variance from the Commission's Automatic Adjustment Rules

Commissioner Nickolai moved that the Commission take the following action:

- approve the Company's proposed monthly demand cost true-up adjustment and grant a variance until September 30, 2006 but require the following:
 - limit the sum of the monthly demand true-up adjustment and the Company's Demand Cost Recovery Rate to a maximum of 125 percent of the levelized demand rate during the months of November through March;
 - consistently use all calendar month volumes and rates in its calculation of the monthly demand true-up adjustment;
 - provide 1) a detailed calculation of the adjustment factor in a separate schedule attached to the Company's monthly PGA filing; 2) identify the adjustment and the resulting total non-demand billed Demand Cost Recovery Rate for the month as separate line items on page 3 of Schedule A of its monthly PGA filing; and 3) separately identify (by customer class) the monthly demand true-up revenues and summarize for each firm non-demand billed customer class in the Company's annual true-up filings;

- the annual demand cost recovery absent the adjustments;
- the total annual adjustment recovery; and
- the remaining current year demand cost recovery true-up balance;
- require Xcel to provide its methodology and calculations used to convert the billing month sales into calendar month sales when the Company files its first PGA with a monthly demand cost true-up; and
- request that the Department review that data and file an informal report with the Commission on its analysis and conclusions;

The motion passed 4-0.

E-002/M-03-2018

In the Matter of the Petition for Approval to Separate the RDF Cost Recovery from the FCA, Establish an RDF Rate Rider, and Use Deferred Accounting

Commissioner Johnson moved that the Commission take the following actions:

- (1) Find that it is appropriate to establish an RDF rate rider and tracker mechanism as recommended by the Department.
- (2) Approve Xcel's proposed tariff changes and new RDF rate rider.
- (3) Require Xcel to modify the RDF rate rider tariff to state the actual RDF charge.
- (4) Ask the Department of Commerce to review the appropriateness of including a carrying charge on the tracker balance as part of its review of the RDF tariff.
- (5) Require Xcel to work with the Consumer Affairs Office to develop an adequate customer notice.
- (6) Approve Xcel's requested October 1 filing date for the annual RDF Rider Tracker Account Filing.
- (7) Recognize Xcel's commitment that if review is not completed by January 1 following the October 1 filing, that the existing RDF charge would remain in effect and over/under recoveries during that period would remain in the tracker account and be rolled into the rate determination for the next annual period, as discussed on page 2 of Xcel's reply.
- (8) Approve Xcel's request to remove the variance to Minnesota Rules 7825.2400 subd. 9.
- (9) Approve Xcel's request for variances to Minnesota Rules 7820.3500 (K) and 7825.2600.

- (10) Make no change to how costs related to category A projects are allocated.
- (11) Approve Xcel's request to allocate 100 percent of the costs of payments to category B projects to the Minnesota jurisdiction.
- (12) Approve Xcel's request to allocate 100 percent of the costs of REPI payments to the Minnesota jurisdiction on a going forward basis.
- (13) Allocate administrative costs according to the formula discussed in more detail at page 7 of the Department's comments, modified according to the methodology discussed in more detail at page 3 of Xcel's reply.
- (14) Require Xcel to file a combined RDF Compliance and RDF Tracker Account True-up filing on October 1 of each year.
- (15) Adopt a May 29, 2003 effective date for the RDF rate rider tariff.
- (16) Require Xcel to file tariffs in compliance with the Commission's Order in this matter within 30 days of the date of the Commission's Order.
- (17) Require Xcel to file calculations updating the RDF rate rider charge to reflect actual implementation date within 30 days of the Commission's Order in this proceeding.

The motion passed 4-0.

G,E-999/AA-03-1264

In the Matter of the Review of the 2003 Annual Automatic Adjustment of Charges for All Gas and Electric Utilities

Commissioner Nickolai moved that the Commission take the following action:

All Electric Companies

- Accept the fiscal year 2003 annual automatic adjustment reports as filed, revised and supplemented by the electric utilities as being in general compliance with Minn. Rules Part 7825.2390 through 7825.2920;
- Accept the compliance filings submitted with the fiscal year 2003 annual automatic adjustment reports as being in general compliance with Commission orders.

Interstate

- Discontinue the requirement that Interstate investigate the use of a forecasted fuel clause

adjustment.

Otter Tail

- Take no action in this docket on the Department's recommendation and defer this issue to the Otter Tail true-up investigation, in Docket No. E-017/M-03-30.

Xcel

- Take no action on the funding of the Anaerobic project through Xcel's renewable development fund in this docket and address this issue in the RDF matter, in Docket No. E-002/M-00-1583.
- Make the following a standing requirement that does not need to be renewed every year and allow Xcel or the Department to ask that this requirement to be discontinued at any time for cause:
 - require Xcel Electric to submit a written request to its external auditor that in the preparation of the auditor's report that will be submitted with Xcel Electric's fiscal year 2004 AAA reports, the external auditor must specifically examine whether Xcel is correctly accounting for gas financial instruments used to support wholesale electric transactions and ensure that the accounting separation is implemented appropriately. This is a continuation of a requirement that was first established in Docket No. E-002/M-01-1953.
- Accept Xcel's comments on eastern Wisconsin transmission related problems.

The motion passed 4-0.

E-999/TL-03-1752

In the Matter of the Biennial Transmission Projects Reports and the Development of a Certified List of Transmission Line Projects

Commissioner Reha moved that the Commission take the following actions:

- (1) Require the Minnesota Transmission Owners (MTO) to submit a compliance filing by December 31, 2004 providing an update on concrete progress steps made towards addressing the transmission deficiencies identified in the biennial filing.
- (2) Order MTO to meet with the Department and arrange a system for tracking deficiencies through several biennial cycles no later than six months from the date of the Commission's Order in this docket.
- (3) Order MTO to meet with the Department and determine how to structure a reporting requirement providing easily accessible information summarizing the status of the projects discussed in the biennial transmission plan and require MTO

to report upon the framework agreed to by MTO and the Department within six months of the date of the Commission's Order. At a minimum the presentation of deficiencies and alternatives in the Report should be expanded to include

- (a) an initial general description of the processes and factors that lead to identification of deficiencies and alternatives, a comparative description of how short- and long- term solutions can be assessed (including impacts on cost and reliability), and a generic discussion of the factors typically considered in determining whether local (distributed) generation is feasible and cost-effective; and
 - (b) cost data for all alternatives, to the extent available, but at a minimum for those alternatives that are rejected on the basis of cost. (In conjunction with the development of improved project tracking, a matrix summarizing the reporting compliance elements for each project, including cost, would be useful.)
- (4) Request that the utilities, with input from the Department of Commerce, in planning for the next round of zonal planning meetings and for preparation of the November 2005 biennial filing, consider the criticisms and suggestions of C.U.R.E. regarding efforts to notify local officials and the general public and involve them in the planning process, seek clarifications as necessary, and implement changes judged to have merit.
 - (5) Require MTO to file providing an update on concrete progress steps made towards addressing the transmission deficiencies identified in the previous biennial filing.
 - (6) Require MTO to file, regarding the projects in Attachment 3 (of the Department's January 29 comments), information on:
 - which alternative was selected;
 - a brief explanation of the factors leading MTO to select the preferred alternative;
 - whether a certificate of need is required and, if so, an estimated date for the filing;
 - if a certificate of need is not required, an expected date for permitting and construction to begin.
 - (7) Order MTO to further develop its discussion on potential regional impacts and address how its planning process will respond to and incorporate any projects that are not initiated by MTO participants; order MTO to provide, in addition to the identification of system performance criteria limits, an assessment of how transmission service on the Minnesota system is affected by interruptions or curtailments due to system constraints; and order MTO to provide a summary of the most recent two-year transmission loading relief (TLR) incident data, a discussion of efforts to mitigate recurring TLRs that are reported, and a listing, for the reporting period, of each limiting line, the outage which causes it, and the total number of days at which TLRs above level 3 were called.

- (8) Order MTO to meet with the Department, the Environmental Organizations, and any other interested parties to discuss ways to overcome obstacles to using the two exploratory studies to assess necessary REO transmission upgrades to facilitate the development of all types of renewable development business models, should any obstacles arise, and to provide a compliance filing that addresses generally the status of the two studies underway and the likely outcome of the studies. If these entities cannot make a joint determination that the scopes of the two pending exploratory studies are adequate, the Commission should order MTO to work with all parties and the Department to initiate and scope an REO-specific study to determine necessary upgrades and develop supporting information in sufficient detail to support a certification filing.
- (9) Require MTO to file on or before August 31, 2005 in regard to the Mille Lacs transmission project either a) certificate of need petition; B) a letter explaining why a certificate of need petition is no longer required as well as any other relevant information; or c) a letter explaining when a certificate of need petition will be filed and updates on the proposal.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: JUNE 16, 2004

Burl W. Haar, Executive Secretary