

The Commission met on Thursday, July 29, 2004, with Chairperson Koppendray and Commissioners Johnson, Nickolai, and Reha present.

Comment [COMMENT1]: Minutes by Peter Brown. 12 motions were made.

ENERGY AGENDA

Commissioner Johnson moved that the Commission take action regarding the following four items:

G-002/M-04-503

In the Matter of a Petition for Approval of Northern States Power Company D/b/a Xcel Energy's Conservation Cost Recovery, Including a 2003 Demand Side Management Financial Incentive; and a Revised CIP Adjustment Factor

1. approve recovery of the Department's proposed 2003 DSM financial incentive of \$1,096,682 that reflects the exclusion of mandated payments from Xcel's gas CIP to the University of Minnesota's Initiative in the calculation of net benefits for 2003 (which does not set a precedent for future treatment of Initiative payments or other similar types of payments in the calculation of net benefits) and the exclusion of this payment in the calculation of the Company's incentive cap, and allow Xcel to record that amount in the Company's CIP Tracker Account as of the date of the Commission's *Order* in the present docket;
2. approve Xcel's 2003 CIP Tracker Account, including recovery of \$3,933,423 in CIP expenditures and negative carrying charges of \$30,217;
3. approve the Department's proposed CIP Adjustment Factor of \$0.00231 per therm, which will be implemented on the earliest billing cycle after the issue date of the Order in the present docket; and
4. require Xcel to file, as a compliance filing within 20 days of the *Order's issue* date in the present docket, the relevant tariff sheets that comply with the Commission's determination in this matter;

G-008/M-04-672

In the Matter of CenterPoint Energy Minnegasco's 2003 Demand Side Management Financial Incentive and Conservation Improvement Program Tracker Report Compliance Filing

1. approve the Company's filing with modifications;
2. approve the Company's CIP Tracker Account, including recovery of \$6,126,266 in CIP expenditures; and
3. approve recovery of the Department's proposed 2003 DSM financial incentive of \$1,390,856 and allow Center Point Energy to record that amount in the Company's CIP Tracker Account as the date of the Commission's Order in the present docket;

G-011/M-04-828

In the Matter of a Request by Aquila Networks-PNG, a Division of Aquila Inc., for Approval of its 2003 Demand-Side Management Financial Incentives

1. approve the Company's Petition, together with the Company's revisions submitted on June 24, 2004 and June 30, 2004;
2. approve recovery of a 2003 DSM financial incentive of \$463,623 and allow Aquila Networks-PNG to record that amount in the Company's CIP Tracker Account as of the date of the Commission's Order in this matter;
3. approve the Company's 2003 CIP Tracker Account , including recovery of \$1,457,499.92 in CIP expenditures and a negative \$972.86 in carrying charges; and

G-007/M-04-835

In the Matter of a Request by Aquila Networks-NMU, a Division of Aquila Inc., for Approval of its 2003 Demand-Side Management Financial Incentives

1. approve the Company's Petition, together with the Company's revisions submitted on June 24, 2004 and June 30, 2004;
2. approve recovery of a 2003 DSM financial incentive of \$10,322.72 and allow Aquila Networks-PNG to record that amount in the Company's CIP Tracker Account as of the date of the Commission's Order in this matter;
3. approve the Company's 2003 CIP Tracker Account , including recovery of \$299,729.10 in CIP expenditures and \$34,860.71 in carrying charges.

The motion passed 4-0.

G-008/M-04-649

In the Matter of a Petition by CenterPoint Energy Minnegasco for Approval to Revise the No Surprise Bill Tariff

Commissioner Johnson moved that the Commission approve the petition with the revised marketing documents.

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 actions on Aquila's annual true-up filings:

Aquila Networks-Peoples (MN)

2. Require Peoples-MN to reduce the firm ratepayers' demand costs by \$2,684 in its next true up due September 1, 2004.
3. Require Peoples-MN (including Peoples-MN Northern, Peoples-MN Great Lakes, and Peoples-MN Viking) to continue to report in its true-up filings the over- and under-recovery by individual demand- and commodity-cost components (Peoples-MN's Schedules D3), and to provide explanations for discrepancies on a component basis for each of its three systems.
4. Require Peoples-MN to separately list on future Schedule D3s, its capacity releases and DDVC costs.
5. Postpone determining the amount of capacity release revenue from Aquila's permanent release of capacity to Cornerstone Energy Inc. in conjunction with Cornerstone's purchase of Aquila's shipper services; make that determination in docket G-011/AA-03-1380.
6. Require Aquila to respond to the July 16, 2004, response comments of the Department of Commerce within 15 days of the date of the meeting.
7. Require Peoples-MN to pay interest at the rate of 9.934% (its authorized weighted average cost of capital from its 2000 rate) on the average monthly balance of the released pipeline capacity and SBA cost.
8. Require Peoples-MN to file a refund report within 10 days after the refund is completed.

Aquila Networks-NMU

9. Require NMU to separately list on future Schedule D3s, its capacity releases and DDVC costs.
10. Postpone determining the amount of capacity release revenue from Aquila's permanent release of capacity to Cornerstone Energy Inc. in conjunction with Cornerstone's purchase of Aquila's shipper services; make that determination in docket G-011/AA-03-1379.
11. Require Aquila to respond to the July 16, 2004, response comments of the Department of Commerce within 15 days of the date of the meeting.
12. Require NMU to pay interest at the rate of 9.934% (its authorized weighted average cost of capital from its 2000 rate) on the average monthly balance of the released pipeline capacity and SBA cost.
13. Require NMU to file a refund report within 10 days after the refund is completed.

The motion passed 4-0.

Commissioner Johnson moved that the Commission take the following actions on the remaining true-up filings:

All Gas Companies

1. Accept the fiscal year 2003 annual automatic adjustment reports as filed, and subsequently amended, by the gas utilities as being complete as to Minnesota Rules, parts 7825.2390 through 7825.2920.
2. Require all gas utilities to meet with their independent external auditors prior to the auditors' examinations concerning the companies' annual automatic adjustment reports which are to be filed September 1, 2004, to review audit procedures and Minn. Rules, part 7825.2820.
3. Require all gas utilities to provide a specific justification for each piece of information for which the designation of trade secret is claimed in their annual reports and true-up filings. Require all companies to limit the designation of trade secret to words, numbers, or phrases that are actually trade secret and not designate entire paragraphs or pages which contain the trade secret words, numbers, or phrases.
4. Ask the Department of Commerce to include the same Commission-requested information in its fiscal year 2004 report as was included in the fiscal year 2003 report.
5. Ask the Department to continue its investigation of the amount of pipeline capacity release revenue the local distribution companies receive from the pipeline and the amount of revenue the local distribution companies refund to their customers.
6. Ask the Department to review how well each local distribution company is handling the changes in the method Northern Natural uses to resolve monthly imbalances, the impact these changes have had on each utility's monthly PGA and true-up, and how each local distribution company is using (or plans to use) Northern's imbalance to storage option for resolving monthly imbalances.

Greater Minnesota Gas, Inc.

1. Accept Greater Minnesota Gas' annual true-up filing, in Docket No. G-022/AA-03-1512.
2. Encourage Greater Minnesota Gas to identify and respond to the Department's concerns in its next AAA report about any future plans to incorporate storage gas as a tool in mitigating future potential high gas costs for its customers.
3. Encourage Greater Minnesota Gas to implement procedures for regulatory purposes that will assist GMG in the future to verify the accuracy of any and all information prior to its submission to state agencies.
4. Grant Greater Minnesota Gas a variance to the Annual Auditor's Report rule (Minn. Rule, part 7825.2820) for fiscal year 2003.

Great Plains Natural Gas Company

1. Accept Great Plains' annual true-up filing, for its Northern and Southern system, in Docket No. G-004/AA-03-1423, and allow Great Plains to implement its true-up as shown in Attachment G6 of the Department's February 27, 2004, report.
2. Require Great Plains to recalculate its Canadian dollar denominated Brokered Reservation Charges based on the U.S./Canadian currency exchange rate on a quarterly basis or more frequently if there are significant changes in the exchange rate.

Interstate Power

Accept Interstate's annual gas true-up filing, in Docket No. G-001/AA-03-1406, and allow Interstate Gas to implement its annual true-up, as shown in Department Attachment G7 of the Department's February 27, 2004, report.

CenterPoint Energy Minnegasco

1. Accept Minnegasco-Northern's annual true-up filing, in Docket No. G-008/AA-03-1377, and allow Minnegasco-Northern to implement its true-up, as shown in Attachment G10 to the Department's February 27, 2004, report.
2. Accept Minnegasco-Viking's annual true-up filing, in Docket No. G-008/AA-03-1378.
3. Encourage Minnegasco to identify and respond to the Department's concerns in its next AAA report about any future plans for incorporating storage gas as a tool in mitigating future potential high gas costs for its Viking rate area served by the Viking Gas Transmission pipeline.

Northern States Power Company d/b/a Xcel Energy'

1. Accept Xcel's annual true-up filing, in Docket No. G-002/AA-03-1408, as corrected and twice revised.
2. Require Xcel to make a prior period adjustment to its 2003-2004 true-up (to be filed September 1, 2004) to reflect an adjustment for a \$39,120 overstatement of 2002-2003 commodity and peaking costs allocated to Minnesota general system customers in the second true-up Xcel filed on April 15, 2004.
3. Accept Xcel and the Department's explanation of why Xcel did not need a variance to the Errors rule (Minn. Rule 7825.2920, subp. 2) to implement corrected true-up factors on January 1, 2004.
4. On the Commission's own motion, vary the true-up filing rule (Minn. Rule, part 7825.2910, subpart 4) to allow Xcel to implement corrected 2002-2003 true-up factors as of January 1, 2004.

The motion passed 4-0.

Commissioner Nickolai moved that the Commission take action regarding the following two dockets:

G-011/M-03-1778

In the Matter of a Request by Aquila Networks-PNG, a Division of Aquila, Inc. for Approval of a Change in Demand Entitlement on Great Lakes Gas Transmission Pipeline System

1. approve the demand entitlements as revised by the Department, for which Peoples' GL system customers pay;
2. require Peoples to develop a design-day methodology that produces reasonable and consistent results on a going forward basis; and
3. approve the PGA recovery of the costs associated with the demand entitlement level revised by the Department, effective November 1, 2003; and

G-011/M-03-1779

In the Matter of a Request by Aquila Networks-PNG, a Division of Aquila, Inc. for Approval of a Change in Demand Entitlement on Viking Gas Transmission Pipeline System

1. approve the demand entitlements as revised by the Department, for which Peoples' Viking system customers pay;
2. require Peoples to develop a design-day methodology that produces reasonable and consistent results on a going forward basis;
3. approve the PGA recovery of the costs associated with the demand entitlement level revised by the Department, effective November 1, 2003;

The motion passed 4-0.

Commissioner Reha moved that the Commission take action on the following two dockets:

G-011/M-03-1780

In the Matter of a Request by Aquila, Inc. d/b/a Aquila Networks - PNG for Approval of a Change in Demand Entitlement on its Northern Pipeline System

1. require the Company to use the Department recommended methodology for allocating winter and non-winter entitlements starting with the 2004-2005 year (that is require PNG to reduce the jurisdictional capacity by direct assignments instead of the design day by direct assignments); and
2. require PNG to defer for review in the 2004 Annual Automatic Adjustment Report any penalties which may result from Aquila's negative reserve margins in Zones E-F and D and to not pass through its PGA or true up any such penalties;
3. allow PNG to directly assign the discounted TTX(5); and

4. allow the cost recovery based on the filed allocation effective with PNG's Northern system November 1, 2003 Purchased Gas Adjustment; and

G-007/M-03-1781

In the Matter of a Request by Aquila, Inc. d/b/a Aquila Networks - NMU for Approval of a Change in Demand Entitlements for 2003-2004

1. require the Company to use the Department recommended methodology for allocating winter and non-winter entitlements starting with the 2004-2005 year (that is require NMU to reduce the jurisdictional capacity by direct assignments instead of the design day by direct assignments);
2. require NMU to defer for review in the 2004 Annual Automatic Adjustment Report any penalties which may result from Aquila's negative reserve margins in Zones E-F and D and to not pass through its PGA or true up any such penalties;
3. allow NMU to directly assign the discounted TTX(5); and
4. allow the cost recovery based on the filed allocation effective with NMU's Northern system November 1, 2003 Purchased Gas Adjustment;

The motion passed 4-0.

The following items were considered starting at 1:00 p.m.

G-011/AI-04-61

In the Matter of a Request by Aquila, Inc. and its Operating Division Aquila Networks-PNG for Approval of the Transfer of Shipper Services Contracts to an Affiliate, EnergyOne Ventures, L.P.

Commissioner Koppendrayner moved that the Commission

- approve Aquila Networks-PNG's transfer of its Shipper Services contracts for regulatory purposes with the stipulation agreed to by the parties;
- close the docket;

The motion passed 4-0.

E-015/D-04-580

In the Matter of Minnesota Power's 2004 Remaining Life Depreciation Petition and Five-year Production Plan Depreciation Study

Commissioner Johnson moved that the Commission

1. continue to require MP to provide, in the next Remaining-Life (RL) petition, a schedule and narrative explaining the differences between the electric generation plant lives in its most recent resource plan and the electric generation plant lives in its remaining life depreciation petition; and

2. approve MP's requested service lives, salvage rates, and resulting depreciation rates as proposed.

The motion passed 4-0.

E-002/M-04-490

In the Matter of a Petition by Northern States Power Company d/b/a Xcel Energy for Approval of an Electric CIP Adjustment Factor and a Variance from Minnesota Rules 7820.2600 and 7820.3500 (K)

Commissioner Nickolai moved that the Commission approve Xcel's Petition as modified by the April 26, 2004 errata with the following modifications:

- \$5,363,729 as the Company's CIP Financial Incentive; and
- 1.39 percent as the Company's CIP Adjustment Rate.

The motion passed 4-0.

E,G-001/AI-04-112

In the Matter of the Application of Interstate Power and Light Company for Approval of an Affiliated Services Agreement Between Interstate Power and Light Company and RMT, Inc.

Commissioner Reha moved that the Commission a

1. approve the affiliated interest agreement between IPL and RMT as recommended by the Department;
2. limit approval to three years;
3. direct that a request for continued approval beyond the initial three years shall be supported by data developed through a competitive bidding process.

The motion passed 4-0.

E-002/M-04-595

In the Matter of a Petition by Northern States Power Company d/b/a Xcel Energy for a Renewal of Variances to the Fuel Clause Adjustment Rule

Commissioner moved that the Commission

1. approve petition as filed by Xcel;
2. extend variances for an additional year to allow the forecasted FCA method to continue with a monthly true-up mechanism, and allowing the monthly FCA to be prorated based on the number of days in each billing cycle;

3. direct that updated tariff pages reflecting the extension shall be filed within 15 days of the Order;
4. direct that compliance reports be provided as agreed by the Company in its reply (basically those recommended by the Department with the possible exception of the lead/lag, customer reaction, and isolation of the effects of the financial instruments from the forecasted FCA reports);
5. direct Xcel to include, in its compliance reports, reporting on lead/lag, customer reaction, and isolation of effects of the financial instruments, as recommended by the Department.

The motion passed 4-0.

E-002/M-04-451

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Power Purchase Agreement with Mankato Energy Center LLC

Commissioner Reha moved that the Commission

1. approve the PPA:
 - a. as reasonable and in the public interest;
 - b. subject only to ongoing prudence review; and
 - c. and allow Xcel to recover the Minnesota jurisdictional portion of the amounts incurred for energy payments during the agreement. (Capacity costs will be addressed in the next electric rate case); and
2. approve the PPA as modified by the Department including:
 - a. the placement of additional submetering should the capacity of the facility be increased to facilitate wholesale sales;
 - b. provide notification to the Commission if Xcel intends to assign the facility to an affiliate; and
 - c. Put a limit on the financial responsibility of ratepayers as described in Article 11.2(B) of the PPA.

The motion passed 3-1. Commissioner Johnson voted no.

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

APPROVED BY THE COMMISSION: AUGUST 11, 2004

Burl W. Haar, Executive Secretary