

The Commission met on **Thursday, August 26, 2004**, with Chair Koppendrayer and Commissioners Johnson, Nickolai and Reha present.

Comment [COMMENT1]: Minutes by Ann Pollack and Eric Witte. 5 motions were made.

[Before considering items on the Energy Agenda, the Commission considered items on the meeting's Telecommunications Agenda. Minutes of that portion of the meeting are not shown here but may be found in the Telecommunications Section of this website.]

## ENERGY AGENDA

### G-008/GR-04-901

#### **In the Matter of the Application of CenterPoint Energy Minnegasco, a Division of CenterPoint Energy Resources Corp., for Authority to Increase Natural Gas Rates in Minnesota**

Commissioner Nickolai moved that the Commission take the following action:

1. Accept the filing of CenterPoint Energy Minnegasco, a Division of CenterPoint Energy Resources Corp., (Minnegasco) being in proper form and substantially complete as of August 9, 2004.
2. Suspend Minnegasco's proposed rates until the Commission makes a final determination in this matter.
3. Refer this matter to the Office of Administrative Hearings and request a report from the administrative law judge by April 9, 2005.
4. Direct the parties to thoroughly address and develop a complete record in testimony, at hearing, and in settlement documents if applicable, regarding the following issues:
  - A. Is the test year revenue increase sought by Minnegasco reasonable or will it result in unreasonable and excessive earnings by Minnegasco?
  - B. Is the rate design proposed by Minnegasco, including the monthly customer charge, reasonable?
  - C. Are Minnegasco's proposed capital structure and return on equity reasonable?
    - Is it appropriate to use an imputed divisional capital structure that is significantly different from the parent organization's actual capital structure?
    - How does the proposed basic service charge affect the required rate of return on equity?
    - How does the proposed Highway and Street Infrastructure Cost Recovery

Rider affect the required rate of return on equity?

- D. Is the proposed Highway and Street Infrastructure Cost Recovery Rider appropriate and reasonable?
  - E. Is the proposed Large Commercial/Industrial Credit Policy Rider appropriate and reasonable?
  - F. What service quality standards should the Commission adopt, if any, for Minnegasco?
  - G. Is Minnegasco's marginal class cost-of-service study adequate?
5. Approve the capital structure, cost of capital and other financial matters regarding Minnegasco's \$16,869,000 interim rate proposal as filed.
  6. Find no exigent circumstances warranting Minnegasco to change its rate design for interim rates, and instead require Minnegasco to impute revenues to all of its customers on an equal percentage basis.
  7. Direct Minnegasco to make interim rate compliance filings as follows:
    - A. Minnegasco shall file with the Commission and the Minnesota Department of Commerce (the Department) interim rate tariff sheets and supporting documentation reflecting the decisions herein. Minnegasco's filing shall also include a proposed notice to customers, approved by the Commission's Executive Secretary, regarding the rate change under the interim rate schedule.
    - B. Minnegasco shall keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund shall be made within 120 days of the effective date of the Commission's final order in a manner approved by the Commission.
    - C. Minnegasco shall include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary. Upon completion of this task, Minnegasco shall certify this fact to the Commission.
  8. Delegate authority to approve notices and bill inserts to the Executive Secretary for the duration of the proceeding.
  9. Serve the Commission's NOTICE AND ORDER FOR HEARING on Minnegasco, which shall mail copies of the Order to all municipalities and counties in its Minnesota service area and to such other persons as the Department may request.
  10. Direct that public hearings be held in this matter at locations within Minnegasco's service area.

11. Direct Minnegasco to give the following notices of the evidentiary and public hearings, and to submit the proposed notices for Commission approval prior to publication or service:
  - A. Individual written notice to each customer, which may be in the form of a bill insert, and shall be served at least ten days before the first day of hearings.
  - B. Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in Minnegasco's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
  - C. Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within Minnegasco's Minnesota service area. These advertisements shall appear at least ten days before the first day of hearings. They shall include the heading RATE INCREASE NOTICE, which heading shall appear in bold face type no smaller than 30 points.
12. Direct Minnegasco to file supplemental direct testimony regarding a service quality plan not later than 30 days prior to the date that the other parties to the docket file direct testimony.

The motion passed 4-0.

**G-008/MR-04-1070**

**In the Matter of the Petition of CenterPoint Energy Minnegasco, a Division of CenterPoint Energy Resources Corp., to Zero Out the Purchased Gas Adjustment and Establish a New Base Cost of Gas to Coincide with the Implementation of Interim Rates in Docket No. G-008/GR-04-901**

Commissioner Reha moved that the Commission take the following action:

- Approve Minnegasco's new base cost of gas to coincide with the implementation of interim rates, pursuant to Docket No. G008/GR-04-901.

The motion passed 4-0.

**E,G-002/CI-03-2002**

**In the Matter of Xcel Energy's Compliance Filing on Rate and Cost-Allocation  
Consequences of Modifications to Employee/Retiree Medical Benefits and of Discontinuing  
Funding for the Tax Advantaged External Fund (VEBA) for Retiree Medical Cost and  
Addressing the Issue of Single Issue Ratemaking**

Commissioner Nickolai moved that the Commission take the following action:

- Adopt the agreed upon resolution submitted in Xcel's July 9, 2004 supplemental comments and summarized in the briefing papers on pages 12 and 13. This moves the issues of medical benefits costs for retirees and supplemental pension costs for active employees to Xcel's next gas and electric rate proceedings. The Company would include information and testimony in its rate case filings as listed on pages two and three of the supplemental comments. Parties would be allowed further discovery and retain the ability to make legal and policy arguments.
- Clarify that the agreement is applicable whether or not Xcel seeks to recover pension costs in its next gas and electric rate cases.
- Xcel shall supplement its next rate case filing not later than 60 days after the filing to permit review of the supplemental pension benefit and the ongoing share medical benefits costs for the closed retiree group.
- Clarify that the question of whether or not this information is needed in future rate cases should be an issue upon which a recommendation should be given to the Commission at the close of the first case where this is decided.

The motion passed 4-0.

**E,G-002/CI-02-2034**

**E,G-002/CI-02-1346**

**In the Matter of an Investigation and Audit of Northern States Power Company's Service  
Quality Reporting  
In the Matter of an Inquiry into Possible Effects of Financial Difficulties at NRG and Xcel  
on NSP and its Customers and Potential Mitigation Measures**

Commissioner Reha moved that the Commission take the following action:

- Deny Mr. Shark's request for party status.
- Approve the proposed service quality tariff with the following modifications:
  - remove the word "systemic" from the proposed tariff (see Xcel's Proposed

- Service Quality Tariff page 4 of 10);
- add the word “maximum” as the second word in the second paragraph (see Xcel’s Proposed Service Quality Tariff page 8 of 10);
- clarify that the maximum under-performance payment can be triggered by either “insufficient or in accurate documentation of outages” or a SAIDI of 118 minutes or above. To accomplish this, replace the word “may” in the first sentence in the second paragraph with the “shall”(see Xcel’s Proposed Service Quality Tariff page 8 of 10); and
- Subject to a supplemental compliance filing that includes a middle step in the section entitled “2. Telephone Response Time” (see Xcel’s Proposed Service Quality Tariff page 7 of 10).

The motion passed 4-0.

**E,G-002/C-03-1871**

**In the Matter of the Complaint by Myer Shark Regarding Xcel Energy's Income Taxes**

Commissioner Nickolai moved that the Commission take the following action:

- Amend the caption of this docket to include “ et al” after “Myer Shark.”
- Find that the Complainant is already a party.
- Find that the Commission has jurisdiction under Minn. Stat. 216B.17.
- Find that the grounds are insufficient to warrant further investigation because of the long standing principle used by this Commission of looking at taxes on a stand alone basis.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: SEPTEMBER 8, 2004**

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**Burl W. Haar, Executive Secretary**