

The Commission met on **Thursday, September 9, 2004, at 9:30 a.m.**, with Commissioners Johnson, Nickolai, Pugh, and Reha present. Commissioner Reha chaired the meeting until Chair Koppendrayner joined the meeting at approximately 9:45.

Comment [COMMENT1]: Minutes by Carol Casebolt. 6 motions were made.

The following matters were taken up by the Commission.

ENERGY AGENDA

UNCONTESTED MATTERS

Commissioner Johnson moved that the Commission take the actions listed below:

E-015/M-04-963

In the Matter of Minnesota Power's Petition for a Variance to Commission Rules Regarding Billing Errors

- Approve the variance to Minn. Rules, part 7820.3800.
- Encourage the Company to adjust its refund calculations to include a six percent interest for all accounts affected by the billing errors.
- Require the Company to submit a compliance filing upon completion of the refunds in six months. If the refund process has not been completed within six months, the Company should submit a compliance filing detailing the progress of the refunds and the expected completion date.

E-015/AI-04-680

In the Matter of Minnesota Power's Petition for Approval of Affiliated Interest Transaction with Enventis Telecom, Inc.

- Approve the petition with an effective date of January 1, 2004, with the following conditions:
 - Minnesota Power must verify that the building was not, is not, and is not intended for future use for regulatory purposes and that the Company will not seek recovery for costs related this asset absent some change in its use.
 - In its next rate case, Minnesota Power must demonstrate that costs associated with this asset and this lease agreement have not been and continue not to be incorporated into customer rates.

The motion passed 4-0.

OTHER COMMISSION ACTION

E-015/AI-04-735

In the Matter of Minnesota Power's Petition for Approval of an Affiliated Interest Agreement and Aircraft Ownership Transfer Between ALLETE, Inc. and ADESA, Inc.

Commissioner Nickolai moved that the Commission take the following action:

- Approve the transfer of 70 percent ownership of aircraft assets from ALLETE to ADESA as being in the public interest under Minn. Stat. 216B.50, property transfer statute.
- Approve the Aircraft Ownership Agreement & Management Agreement as in the public interest under Minn. Stat. 216B.48, affiliated interest statute.
 - a. Require MP to make a compliance filing within 30 days of the execution of the agreement detailing the accounting entries resulting from the execution of the agreement.
 - b. Require MP to include a cost/benefit analysis in its next rate case filing. Such analysis should support whether the benefits of this arrangement allocating 30 percent of an aircraft to the regulated utility exceed the costs under the arrangement to the regulated utility? Is the aircraft ownership allocated to the regulated entity necessary in the provision of utility service? Is the arrangement beneficial compared to utilizing alternative transportation?
 - c. Require MP to show cause in its next rate case filing why all the costs of the accounting, regulatory filings, reviews, and Commission actions regarding the aircraft agreement should not be fully allocated to the unregulated entities.
 - d. Remind MP that the burden is on the Company under Minn. Stat. 216B.48 in future rate cases to show that the actual experience under the agreement is reasonable.
- Grant variance to Minn. Rules 7825.1400 and 7825.1800.
- Find that competitive bidding requirements of the Commission's Order and rules are reasonably satisfied by the explanation that the net-book valuation exceeds the market valuation, as recommended by the Department.

The motion passed 4-0.

At this point Chair Koppendrayner joined the meeting.

IP-6345/CN-03-1884

In the Matter of the Application of Mankato Energy Center, LLC, a Wholly-Owned Subsidiary of Calpine Corporation, for a Certificate of Need for a Large Electric Generating Facility

Commissioner Nickolai moved that the Commission take the following action:

- Accept the findings and conclusions of the Administrative Law Judge, as amended by the corrections/clarifications identified by staff, the Applicant, and the Department, and issue a certificate of need for the proposed facility and the transmission line(s) directly associated with the plant that are necessary to interconnect the plant to the transmission system, and, as part of that certification, add that the Environmental Assessment prepared by the EQB staff and the record created adequately address the issues identified by the EQB Chair in the scoping decision.
- Request that the applicant, in its operation of the proposed facility, continue to investigate the technical feasibility and economic viability of the use of a biodiesel blend for those times when the facility does not have access to natural gas as fuel.

The motion passed 5-0.

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

E-001/MR-03-768

In the Matter of Interstate Power and Light Company's Compliance Filing for Proposed Implementation Plan for New Base Energy Adjustment Charge

Commissioner Nickolai moved that the Commission

- In docket 03-767, adopt the recommendations of the Department of Commerce, with minor modifications as follows:
 - Approve the Company's compliance filing of August 2, 2004 and amended refund plan filed August 23, 2004, with the additional requirement that the Company make a compliance filing within 30 days of completion of the refund, including the following items:
 - An updated CIP tracker balance with the actual amounts for the months of July, August, and September 2004.
 - An updated refund report showing actual sales for all months being refunded, the calculation of the actual amounts to be refunded, and the

actual amounts refunded by class.

- In docket 03-768, approve the Company's revised tariff sheet number 29 (Rider 1M), which includes the new base energy cost adjustment of \$0.01573 per kWh, as provided in the attachment to IPL's petition.

The motion passed 5-0.

E-002/M-04-404

In the Matter of Northern States Power Company d/b/a Xcel Energy Request for Approval of a Power Purchase Agreement with Ivanhoe Wind Energy LLC

Commissioner Reha moved that the Commission approve the Power Purchase Agreement (PPA) between Xcel and Ivanhoe, with the following clarifications and reporting requirements listed below:

- allow automatic recovery of payments made by Xcel pursuant to Section 7.3, for the curtailment event described under B.I.1, only until the Southwest Minnesota Transmission Project is completed (currently anticipated to be in Fall of 2007) and MISO has granted NSP Network Integration Transmission Service for the Ivanhoe project;
- allow automatic recovery of all reasonable payments made by Xcel pursuant to Section 7.3 for the curtailment events described under B.I.2 and B.I.3 on an ongoing basis;
- require Xcel to credit to the fuel clause any compensation it receives from the relevant transmission authority for calling an interruption of the energy generated from the Ivanhoe project during the period that Xcel is recovering curtailment provision costs from ratepayers;
- require Xcel to identify in its monthly fuel adjustment report the date, length, cost to ratepayers, and reason for each Voluntary Curtailment associated with the Ivanhoe project and any other information requested by the Department. In addition, all such events should be summarized in the Company's annual automatic adjustment (AAA) report in a format to be specified by the Department;
- ask the Department to continue to monitor curtailment payments made by Xcel under the Ivanhoe PPA, and other PPAs that contain similar curtailment payment provisions, through Xcel's monthly and annual automatic adjustment reports, to determine if the use of the curtailment payments is reasonable and prudent, and ask the Department to report back to the Commission on its findings annually, beginning in its review of the Electric Utility AAA report, expected February 2005;
- require Xcel to provide a compliance by August 1, 2005 describing the cost/benefit assessment leading to the timing of the Notice to Proceed; this compliance requirement will continue annually thereafter until the Notice to Proceed is given; and

(g) require Xcel to seek Commission pre-approval of any revised price Ivanhoe may submit in the absence of Federal Production Tax Credit (PTC) and show that the revised price is competitive with all available alternative resources at the time it seeks approval.

The motion passed 5-0.

E-015/C-04-955

In the Matter of the Complaint of NAWO and SOUL Against Minnesota Power Regarding the Arrowhead Transmission Line Project

Commissioner Nickolai recused himself from this case.

Commissioner Reha moved that the Commission take the following actions:

- Find that the Commission has jurisdiction over some of the issues raised in the Complaint but that it is not in the public interest and there are no reasonable grounds to investigate the issues raised in the Complaint at this time.
- Find that Minnesota Power must file for approval under Minn. Stat. § 216B.50, or file with the Commission its reasons for determining such a filing is not required, prior to any transfer of ownership of transmission lines, rights of way, easements, and/or related assets to the American Transmission Company or any other entity.

The motion passed 4-0.

There being no further energy business, the energy agenda was adjourned and was followed by the Telecommunications agenda.

APPROVED BY THE COMMISSION: SEPTEMBER 22, 2004

Burl W. Haar, Executive Secretary