

The Commission met on **Thursday, November 4, 2004**, with Chair Koppendrayner and Commissioners Johnson, Nickolai, Pugh and Reha present.

Comment [COMMENT1]: Minutes by Eric Witte and Carol Casebolt. 3 motions were made.

The following items were taken up by the Commission:

ENERGY AGENDA

G-002/GR-04-1511

In the Matter of an Application by Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Natural Gas Service in the State of Minnesota

Commissioner Nickolai moved to do the following:

1. Accept the application of Northern States Power Company d/b/a Xcel Energy (Xcel) for authority to increase rates for natural gas service in the state of Minnesota as being in proper form and substantially complete as of October 22, 2004.
2. Suspend the proposed final rates until the Commission makes its final determination in this matter.
3. Refer this matter to the Minnesota Office of Administrative Hearings for a contested case proceeding and request a report from the administrative law judge within eight months of the date of the Commission's acceptance of this filing.
4. Request that the parties thoroughly address and develop a record on the following issues, in addition to the standard rate case issues:
 - a. Cost of capital,
 - b. Xcel's partial decoupling proposal and the proposed alternative of raising the monthly residential customer charge to \$14, and
 - c. Continuation of Xcel's end-user allocation service, including Xcel's submission of supplemental testimony on its pilot program.
5. Set December 1, 2004, as the effective date of interim rates.
6. Approve Xcel's interim rate increase proposal with the following modifications:
 - a. Increase the originally filed interim test year revenues and cost of gas by \$6,701,000 to correct for the true-up issue. This results in interim gas costs consistent with the cost of gas in Docket No. G-002/MR-04-1544, *In the Matter of a Petition by Northern States Power Company d/b/a Xcel Energy 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-002/GR-04-1511.

- b. Reduce test year rate case expenses for the interim period by requiring an allocation to non-jurisdictional businesses and amortizing rate case expenses over five years. This reduces test year rate case expense by \$178,000 resulting in an interim increase of \$6,423,000.
 - c. Recognize exigent circumstances in accepting the modified allocation methodology for interim rates.
7. Approve Xcel's proposed apportionment of the interim rate increase (i.e. apply the interim rate increase to its non-gas margin revenue) and its proposed method for collecting the interim rate increase using a single, line-item interim rate adjustment.
8. In the NOTICE AND ORDER FOR HEARING, require the following:
- a. The Order shall be served on Xcel, which shall mail copies of the Order to all municipalities and counties in its Minnesota service area.
 - b. Public hearings shall be held in this matter at locations within the service area of Xcel.
 - c. Xcel shall give the following notices of the evidentiary and public hearings:
 - 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.
 - Written notice to the governing bodies of all municipalities and counties in the area affected and to all parties in Xcel's last two rate cases. These notices shall be mailed at least ten days before the first day of hearings.
 - Display advertisements in legal newspapers of affected counties and other newspapers of general circulation within Xcel'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.
 - Xcel shall submit proposed notices for Commission approval prior to publication or service.
9. In the ORDER SETTING INTERIM RATE, do the following:
- a. Order Xcel to file with the Commission and the Minnesota Department of Commerce (the Department) interim rate tariff sheets and supporting documentation reflecting the decisions herein. Xcel's filing should also include a proposed notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rate schedule.

- b. Order Xcel to keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund should be made within 120 days of the effective date of the Commission's final order in a manner approved by the Commission.
 - c. Order Xcel to include with each customer's first bill under the interim rate schedule a notice of the rate change, approved by the Executive Secretary, and order Xcel to certify to the Commission when it has completed this task.
10. Delegate authority to approve notices and bill inserts to the Commission's Executive Secretary for the duration of this proceeding.

The motion passed 5-0.

G-002/MR-04-1544

In the Matter of a Petition by Northern States Power Company d/b/a Xcel Energy 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-002/GR-04-1511

Commissioner Pugh moved to approve Xcel's proposed base cost of gas effective at the time interim rates are implemented.

The motion passed 5-0.

E-001/RP-03-2040

In the Matter of Interstate Power Company's 2003 Resource Plan

Commissioner Reha moved to do the following:

9. Accept the plan as filed by the Interstate Power Company (the Company).
10. Require the Company in its next resource plan to make the following changes:
 - a. Regarding demand-side management (DSM),
 - Use the same range of data to estimate both the load forecast and the implicit effects of future DSM, if data is available.
 - Design at least one DSM scenario that includes new DSM in each year of the planning period, assuming at a minimum that Conservation Improvement Program statutory spending requirements will continue throughout the planning period.
 - b. Regarding supply-side analysis,

- Verify that generation resources used to comply with the renewable energy objective (REO) established at Minnesota Statutes §§ 216B.1691, 216B.2422 and Docket No. E-999/CI-03-869 *In the Matter of Detailing Criteria and Standards for Measuring an Electric Utility's Good Faith Efforts in Meeting the Renewable Energy Objectives Under Minn. Stat. §216B.1691* have not been double counted and still has the green tags/renewable attributes attached.
 - Include an updated quantitative and qualitative analysis of the decision between relicensing the Duane Arnold nuclear generating plant and other options, such as the construction of a jointly owned coal plant.
 - Base its supply-side analysis on the levels of resource needs remaining after deploying its most cost-effective DSM scenario.
 - Incorporate the effects of the Commission's decisions pertaining to Minnesota's REO.
- c. Identify transmission constraints in its service territory and the impact these constraints have on its resource availability.
- d. Include a discussion and analysis on how environmental regulations impact the operation and cost of its supply-side resources.
3. Require the Company to keep the Commission and the Department apprized on an ongoing basis of any significant decisions made by the Company regarding generation or transmission facilities.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: NOVEMBER 17, 2004

Burl W. Haar, Executive Secretary