

The Commission met on **Thursday, December 16, 2004**, with Chair Koppendrayner and Commissioners Johnson, Nickolai, and Pugh present for the entire meeting. Commissioner Reha joined the meeting during the discussion of docket E-017/M-03-970.

Comment [COMMENT1]: Minutes by Carol Casebolt. 4 motions were made.

The following matters were taken up by the Commission.

ENERGY AGENDA

Not Yet Assigned

In the Matter of Aquila Networks-PNG's Refusal to Grant Swift & Company's Request for an End-User Allocation Agreement

Commissioner Nickolai moved that the Commission take the following action:

- accept Swift's request to withdraw its request for formal action;
- require Aquila to file within 90 days revised language for Aquila's tariff that will provide for availability of end-user allocation agreements.
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The motion passed 4-0.

E-017/M-03-30

In the Matter of Otter Tail Power Company's Petition for Approval of a Monthly Fuel Clause Adjustment True-up Mechanism

Commissioner Nickolai moved that the Commission take the following action:

- approve implementation of OTP's annual true-up proposal, effective August 1, 2005, including:
 - permit change from mid-month FCA to calendar-month FCA;
 - grant variance to FCA rules to permit true-up;
 - require filing of proposed customer notice within 30 days of the Order and delegate to the Executive Secretary authority to approve;
 - require filing of updated tariff page to reflect true-up within 30 days of the Order.

The motion passed 4-0.

E-017/M-03-970

In the Matter of the Petition by Otter Tail Power Company to Revise its Cost of Energy Adjustment Clause Tariff to Accommodate Purchased Energy from Renewable Resources

Commissioner Nickolai moved that the Commission take the following action:

- allow recovery of 100 percent of the costs of the purchases from the FPL Energy ND Wind II project (and any other purchases of wind-generated electricity Otter Tail may make through June 30, 2006) through the fuel clause adjustment until July 1, 2006;
- direct OTP to file appropriate tariffs and accompanying request to vary the rules accordingly;
- ask the Department to prepare and submit a report, prior to June 30, 2006, regarding the appropriateness of continuing to allow recovery of 100 percent of the costs of purchasing wind-generated electricity through the FCA.

The motion passed 5-0.

E-002/M-04-864

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Renewable Energy Purchase Agreement with Velva Windfarm, LLC

Commissioner Nickolai moved that the Commission take the following action:

- Approve the PPA between Xcel and Velva with modifications discussed below.
- Find that, given the history of the project and the way it evolved, it is reasonable to allow an exception to the 12 MW threshold for competitive bidding.
- Take no action in this docket on the countability of this generation toward the renewable energy objectives and defer to the resource plan both the issue of whether the Velva facility qualifies for Xcel's REO, and if so, the proper REO allocation of the energy generated.
- Approve recovery of both energy and capacity costs incurred under the Velva purchased power agreement through the Fuel Clause Adjustment until June 30, 2006.

- Ask the Department of Commerce to examine and report on the capacity characteristics of wind generation, potential methods for measuring any capacity component that might exist, and appropriate rate recovery of wind capacity costs. Ask the Department to conduct this review on the basis of its institutional experience, comments from Xcel and other interested persons, and information from other organizations with expertise in generation issues, such as the Mid-Continent Area Power Pool and the Midwest Independent System Operator.
- Take no action on the Department's proposal to revise the language in Xcel's Fuel Clause Adjustment, pending receipt and examination of the Department's report on wind capacity.
- Require Xcel to seek Commission pre-approval of any revised price under Section 3 (Exhibit A-1). The filing should include an analysis showing that the revised price is competitive with all available alternative resources at the time Xcel seeks approval.
- Require Xcel to modify the language in Section 7.3(C) to reflect the Department's suggestion to place an upper bound of 13 MWh on the calculation of estimated lost production so this calculation will correspond with Xcel's purchase commitment limit of 13 MWh per hour.
- Find that a determination of whether specific payments for production under curtailment are prudent will be determined through the Department's review of these payments in the FCA filings. Require Xcel to explicitly state in each FCA filing:
 - a. the amount of any curtailment payments made under the three curtailment categories of this PPA;
 - b. if any payments are made under the third category, the reasons why Xcel did not maintain a reservation for NITS for 13 MWh per hour associated with this REPA;
 - c. why Xcel believes it would be prudent for ratepayers to pay for curtailment costs under any category.
- Xcel shall credit to the fuel clause any compensation it receives from MISO or the relevant transmission authority for calling an interruption of the energy generated from the Velva project during the period that Xcel is recovering curtailment provision costs from ratepayers.

- The Commission requests that the Department continue to monitor curtailment payments made by Xcel under the Velva 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. The Commission requests that the Department report back to the Commission on its findings annually, beginning in its review of the Electric Utility AAA report, expected February 2005.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: JANUARY 5, 2005

Burl W. Haar, Executive Secretary