

The Commission met on **Thursday, June 26, 2003**, with Chairperson Koppendrayer and Commissioners Gavin, Johnson, Scott, and Reha present.

Comment [COMMENT1]: Minutes by Peter Brown. 4 motions were made.

## ENERGY AGENDA

Commissioner Koppendrayer moved that the Commission take action on the following four dockets as follows:

### **E-015/D-03-500**

In the Matter of the Five-year Review of Minnesota Power's Average Service Lives for Transmission and Plant Accounts for 2003

1. approve MP's three proposed changes to average service lives and two proposed changes to salvage rates for Accounts 364, 365, and 368;
2. require MP to continue to provide an update on its SFAS 143 accounting and reporting in its next 5-year average service life depreciation filing for transmission and distribution plant; and
3. accept MP's information provided in this petition and in the information request to satisfy the reporting requirement to assign and allocate general plant assets as required in Docket Np. E-015/M-01-1416, subject to review in MP's next rate case proceeding, with MP bearing the burden of proof to show that its allocators are cost causative and fairly allocate costs;

### **E-015/M-03-509**

In the Matter of Minnesota Power's 2002 Conservation Improvement Program Consolidated Filing

1. approve MP's year-end 2002 CIP Tracker 2 account balance of \$49,561.73;
2. approve MP's 2002 financial incentive of \$92,178, as supported by Department Exhibit A;
3. approve MP's Conservation Program Adjustment factor of 0.92 percent, without proration, for bills rendered on and after July 1, 2003, as supported by Department Exhibit B; and
4. approve a variance to Minn. Rules, Part 7820.3500 and 7825.2600, allowing the Company to continue combining the Conservation Program Adjustment with the Fuel Clause Adjustment on customer bills;

### **E-017/M-03-507**

In the Matter of a Petition by Otter Tail Power Company for Approval of 2002 CIP Tracker Account, DSM Financial Incentive, and CIP Adjustment Factor

1. adopt the Department's recommendation to approve OTP's petition as filed; and
2. take no action on the issues raised by the Customers regarding OTP's DSM financial incentive for 2003 at this time; accept the agreement among the parties to take these issues up at a later date; and

**E-002/M-00-1583**

In the Matter of the Request of Northern States Power Company d/b/a Xcel Energy for Approval of a Renewable Development Fund Oversight Process

- approve Xcel's request for an exemption from the kW size requirement associated with the Department of Commerce-State Energy Office solar rebate program.

The motion passed 5-0.

**E-002/M-00-1583**

In the Matter of the Request of Northern States Power Company d/b/a Xcel Energy for Approval of a Renewable Development Fund Oversight Process

Commissioner Scott moved that the Commission

A. Fuel Clause Pass-Through of RDF Grant to U of M

1. direct the Company and the Department of Commerce to work out the issue and report the results of their discussion to the Commission;

B. Board make-up and separation agreement

1. approve the expansion of the RDF Board to five members, in order to include a member of the PI Community on the Board;
2. require Xcel to file the RDF Board separation agreement, for review by the Department, prior to the issuance of the next RFP;

C. Project selection and Commission/Board oversight

1. approve the steps set forth below for RDF project selection and Commission/Board oversight:
  - a. the Commission reviews and approves selection criteria;

- b. a Board is created to oversee the selection process, including the development of an RFP based on the selection criteria, applying the selection criteria, and assisting in the selection of winning bids;
- c. the Board develops an RFP, which will be submitted to the Commission; within 32 days of the filing date, Xcel issues the RFP, unless it is otherwise directed by the Commission;
- d. Xcel files an informational status report with the Commission;
- e. the Board has oversight and provides a final selection recommendation, which shall be deemed to be conclusive and result in selection by Xcel unless Xcel requests reconsideration by the Board of the decision; Xcel makes its request for reconsideration to the Board within 14 days of receiving the Board's final selection recommendation;
- f. Xcel submits final proposal selections to the Commission for approval;
- g. Xcel enters into negotiations for grant contracts with the selected entities; in the event of an impasse in negotiations, Xcel notifies the Board in order to determine whether to move to another selection or to otherwise proceed;
- h. Xcel will file all grant contracts with the Commission and the Department for compliance with the final selection;
- i. the Board submits biennial progress reports to the Commission and Legislature addressing the operation of the RDF fund.

D. Selection criteria and other requirements for the second round of RDF funding

- 1. approve the two overall goals for the second round of RDF funding as proposed by the Board, but require Xcel to file, as a compliance filing, the more specific selection criteria the Board intends to apply in selecting projects (see compliance filings below);
- 2. approve the proposal by the Board to include biomass, wind, solar PV and hydro technologies as eligible renewable technologies;
- 3. approve the proposal by the Board to exclude renewable education projects;
- 4. approve the proposal by the Board to limit eligible project size to projects less than 12 MW;
- 5. approve the proposal by the Board to give preference to biomass development and R&D projects. The level of preference and the method of awarding this preference should be clearly specified in the draft RFP so that parties and the Commission can

review it;

6. approve the proposal by the Board to limit wind energy development projects to less than 2 MW;
  7. approve the proposal by the Board for two project categories: energy production projects and R&D projects;
  8. approve the proposal by the Board for target allocations, as follows: 60% of available RDF funds to energy production projects, and 40% of available RDF funds to R&D projects, with the understanding that the Board could deviate from these target allocations if warranted, and if supported.
  9. approve the proposal of the Board that eligible self-generation projects be located within Xcel's Minnesota service territory, and that eligible projects proposing to sell energy to Xcel, and located outside its territory, be able to deliver power to a delivery point on the NSP system;
  10. approve the proposal of the Board to develop a mechanism for giving preference to Minnesota institutions for R&D projects, while continuing funding awards to research institutions outside the state.
    11. approve the proposal of the Board to set a maximum funding level of \$2,000,000 for individual projects in the energy production category, and \$1,000,000 in the R&D category;
    12. approve the agreement between the Board and the Department of Commerce to state that solar projects intending to request funds under existing Department of Commerce programs will not be eligible to receive additional RDF funds;
- E. Funding limits and cost-effectiveness
1. grant the request of the Board and the Department of Commerce to continue their discussions on limiting the percentage of total project costs payable by the Renewable Development Fund and on measuring the cost effectiveness of proposed projects;
  2. require the Board to make a compliance filing on a proposed resolution of these issues on or before August 8, 2003;
- F. Ten percent preference for PI Community-sponsored projects
1. approve a ten percent bonus for PI Community-sponsored projects in the RFP, as recommended by the PI Community;

G. Issuance of the second RFP

1. require Xcel to issue the second RFP by the end of the fourth quarter of 2003;

H. Independent evaluator

1. require Xcel, if it uses the services of an evaluator, to use an independent evaluator or organization, which will not otherwise participate in the RDF bid process;

I. Compliance filings for Department review

1. require Xcel, by August 8, 2003, to file a statement of the proposed "selection criteria" for the second RDF funding cycle, similar to the "RDF Draft Selection Criteria" approved by the Commission in an April 20, 2001 Order in this docket;
2. require Xcel to file, by August 8, 2003, the proposed separation agreement to be signed by all members of the Board;
3. require Xcel to file its proposed system for awarding a preference for R&D proposals from Minnesota institutions, by August 8, 2003;
4. require Xcel to file a report, by August 8, 2003, on modifications to the RDF fund and process, given legislation passed in the 2003 legislative session.

The motion passed 5-0.

**E-002/M-02-633**

In the Matter of a Petition by Xcel Energy for Approval of a Three-Plant Emissions Reduction Proposal and Rate Rider to Recover Costs

Commissioner Scott moved that the Commission

1. hold public meetings throughout Xcel's service territory including in the immediate vicinity of the three facilities in the plan; the first such public meeting will be a technical conference on natural gas cost issues and will be held in the Commission's Large Hearing Room;
2. establish a time line and request that the Office of Administrative Hearings conduct the public hearings and provide a summary of the public hearings;
3. order Xcel to notify all customers of its emissions reduction proposal filed with the Commission using a bill insert or direct mail and notify all customers of the times, place, and locations of public hearings and, using the Sierra Club approach, place an advertisement in local as well as major newspapers;

4. delegate to the Executive Secretary authority to review and approve notices, schedule public hearings, and relate administrative matters; and
5. direct Xcel to work with interested parties (including but not limited to the state agencies) in an attempt to reach agreement on cost, competitive bidding, and other issues and to report back to the Commission on progress within 90 days after the Commission's Order.

The motion passed 5-0.

**E-002,PT-6205/PA-02-2152**

In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of the Transfer of Functional Control of Transmission Facilities to TRANSLink Transmission Company LLC and for Related Relief

**E-001,PT-6205/PA-02-2219**

In the Matter of the Petition of Interstate Power and Light Company for Approval of the Transfer of Transmission Facilities to TRANSLink Transmission Company LLC and for Related Relief.

Comment and reply period following TRANSLink filing discussed. No motion.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION

Approval Date:

July 9, 2003

Burl W. Haar  
Executive Secretary