

The Commission met on **Thursday, November 6, 2003**, with Chair Koppendrayer and Commissioners Nickolai, Reha and Scott present.

Comment [COMMENT1]: Minutes by Carol Casebolt, Ann Pollack, Eric Witte, Peter Brown. 9 motions were made.

The following items were taken up by the Commission:

ENERGY AGENDA

BLOC MOTION

Chair Koppendrayer moved as follows:

E-015/M-03-1469

Petition for Approval of an Amended and Restated Electric Service Agreement Between United States Steel Corporation and Minnesota Power

- Approve.

E-015/M-03-1513

Petition for Approval of an Amendment to the Electric Service Agreement Between United States Steel Corporation and Minnesota Power

- Approve.

E-001/M-01-1954

Interstate Power and Light Company's Second Nature Status Report

- Direct Interstate Power and Light (IPL) to file before May 1, 2004, a compliance report similar to its July 3, 2003 filing but covering the period of March 2003 - February 2004.

E,G-001/PA-03-31

Interstate Power and Light Company's Petition for Approval of its Annual Review of Depreciation Rates for 2003

- Approve the requested remaining service lives, salvage values and resulting depreciation rates.
- Direct IPL to include in future filings a table comparing the resource planning lives and remaining lives for purposes and depreciation and to explain the differences.
- While amounts recorded as certified depreciation rates may differ from amounts recorded according to Financial Accounting Standard No. 143, decline to rule on whether those differences may be treated as regulatory assets or liabilities.
- Direct IPL to address in its next review the *Exposure Draft of a Proposed Statement of Position: Accounting for Certain Costs and Activities related to Property, Plant and Equipment* as issued by the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants.

E-002/GR-92-1185

G-002/GR-92-1186

Northern States Power Company d/b/a Xcel Energy Annual Report on the Operation and Performance of its 2002 Incentive Compensation Plan Pursuant to MPUC Orders After Reconsideration

- Approve the refund proposal.

The motion passed 4-0.

E-111/GR-03-261

In the Matter of a Petition by Dakota Electric Association for Authority to Increase Electric Rates

Chair Koppendrayer moved as follows:

1. Approve the proposed rate increase as modified by the testimony and reflected in the Findings of Fact, Conclusions of Law, and Recommendation (September 26, 2003) of the Administrative Law Judge (ALJ), which eliminates the need for a resource and tax adjustment.
2. Adopt the rates proposed by the parties in their proposed findings as reflecting in the ALJ's recommendation.
3. Approve Dakota Electric Association's proposed notice and specify that, for each billing cycle, the approved rates are effective with the beginning of the new cycle in January and apply to service and usage on and after that date.

The motion passed 4-0.

G-004/M-03-303

In the Matter of a Request by Great Plains Natural Gas for Approval of the 2002-2003 Demand Entitlement Level and Their Allocation Between the Southern and Northern Districts

Commissioner Scott moved as follows:

1. Regarding entitlement changes, allow Great Plains to implement the calculated design day for this heating season because the Company has not reported any reliability problems to date; approve the requested TF-12 Base/TF-12 Variable reallocations for the South District; along with the PGA recovery associated with it effective November 1, 2002; and approve the PGA recovery of the costs associated with the requested reallocations effective March 1, 2003.

2. Regarding design day calculation, require Great Plains to work with the Minnesota Department of Commerce (the Department) to develop a design day methodology that produces reasonable and consistent results on a going forward basis and file a compliance filing with the Commission detailing the result within 60 days of the Order implementing this motion.
3. Regarding entitlements, require the Company to make a compliance filing within 60 days of the Order implementing this motion where it will –
 - explain how it will meet the needs of its customers should a historic peak-day occur because its firm entitlement per customer for all three of its systems are below the highest peak-day send out;
 - explain how it will meet the needs of its Crookston and North 4 customers should a peak-day occur because of its negative reserve margin; and
 - explain how it will meet the needs of its Crookston and North 4 customers should a peak-day occur because of the back haul contract with Viking for TFX service is not of sufficient quantity to guarantee firm service (if the Company has a written agreement allowing it to exchange gas that should be included in the explanation).
4. Regarding peak day send out data, require the Company to develop a process for determining the firm only peak day sent out, have it implemented for the 2003-2004 heating season and provide a description of that process in a compliance filing within 60 days of the Order implementing this motion.
5. Regarding regulatory compliance, require Great Plains to develop and implement procedures that will result in compliance with its regulatory obligations; the Company shall make a compliance filing 90 days from the date of the Order in this docket detailing the procedures.
6. Regarding cost recovery, require the Company to apply interest equal to its authorized rate of return to the amounts over-collected during the period of November 2002 through February 2003 from customers in the Southern District and Crookston service areas should the Commission choose to allow the Company to recover its requested costs.

The motion passed 4-0.

E-999/CI-03-802

In the Matter of the Petition of the Commission's Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustments

Chair Koppendrayer moved as follows:

1. All electric utilities within Minnesota jurisdiction shall be included in the investigation.
2. Initially the investigation shall focus on whether the fuel clause adjustment (FCA) continues to be an appropriate tool for use in the current regulatory environment. The investigation shall begin with a review of the original purpose, structure, and rationale of the current FCA,

current operation of the FCA, and relevance to the current regulatory environment. If the investigation demonstrates a continuing need for the FCA, the investigation's scope may be expanded to address related issues. The Executive Secretary shall be authorized to develop questions based on this scope.

3. The investigation shall proceed as follows: Utilities shall file written analyses of the topic at issue. Parties may file comments on the analyses. Utilities may file replies. Where necessary, the parties may convene workgroups before bringing a topic to the Commission. The Executive Secretary may set schedules and develop questions to assist in initiating the process based on the docket's scope.

The motion passed 4-0.

E-002/CN-01-1958

In the Matter of the Application of Northern States Power Company (d/b/a Xcel Energy) for Certificates of Need for Four Large High Voltage Transmission Line Projects in Southwestern Minnesota

Commissioner Scott moved that the Commission clarify and amend its March 11, 2003 Order in this case as follows:

4. Amend ordering paragraph 5 to add the word "aggregated" between the phrases "locally-owned" and "wind generation," so that paragraph 5 would read as follows:

Xcel must purchase at tariff rates all available small, locally-owned, aggregated wind generation on Buffalo Ridge up to a total of 60 megawatts for purposes of triggering the timing of substation facilities prior to completion of the certified lines.

5. Clarify that it was and is the intention of the Commission that the construction and location of the substations required under ordering paragraph 6 be driven by the emergence of the small, locally-owned, aggregated wind generation projects referenced in ordering paragraph 5 and not by large projects emerging through the Company's bidding process.
6. Require Xcel to provide a full accounting of its wind generation commitments and associated transmission capacity.
7. Ask the Office of Administrative Hearings to appoint a facilitator to facilitate communications between the parties in this case for the purpose of implementing the provisions of the Commission's March 11, 2003 Order as clarified in this motion.

The motion passed 4-0.

G-007, 011/GR-00-951

In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities

Commissioner Scott moved as follows:

8. Approve the inclusion of these additional rate schedules based on the tables of proposed charges and margins for Peoples and NMU submitted on August 29, 2003 (which were omitted from the Company's August 28, 2003 compliance filing):
 - Peoples - Joint Sales Service - Large Joint-Mainline
 - Peoples - Transportation Service - Large Joint-Mainline
 - NMU - Joint Sales Service - Small Volume Joint-Town Plant
 - NMU - Joint Sales Service - Large Volume Joint-Town Plant
 - NMU - Interruptible Sales Service - Large Joint-Mainline
2. Deny the request of Aquila, Inc. (Aquila) and clarify that these rate schedules (which were omitted from the parties' March 31, 2003 stipulation and agreement and the parties' April 11, 2003 corrections to the tables of proposed charges and margins for Peoples and NMU) were not accepted and adopted in the Commission's July 29, 2003 Order because these schedules were not included in the parties' March 31, 2003 stipulation and agreement or the parties' April 11, 2003 corrections to the tables of proposed charges and margins for Peoples and NMU that were in the March 31, 2003 stipulation and agreement.
3. Require Aquila to implement final rates for services rendered on and after the authorized effective date.
4. Approve the modification of the settlement to include additional fee revenue of \$25,935 for PNG and \$4,842 for NMU.
5. Direct the Company to correct the tracker account as of August 2002 by reducing the posted charge of \$328,188.10 by \$38,384.60 to reflect the carrying charge posted backwards.
6. Reduce the carrying charge allowed in the Commission's September 5, 2003 Order, in Docket No. G-011/M-03-853, by \$2,360.39 (from \$54,351.68 to \$51,991.29) to correct the error in the interest calculation caused by the error in recording the 2001 carrying charge and direct the Company to correct the amount posted to the tracker account in September 2003.
7. Clarify that because the Stipulation was effective as of the date of the Commission's Order approving the Stipulation (July 29, 2003) that no carrying charge is allowed as of July 29, 2003.
8. Approve the revised Operating Income Summaries for PNG and NMU.
9. Accept Aquila's proposed revenue apportionments and Aquila's proposed customer charges and non-gas margins rates as filed.
10. Approve the Companies' proposed tariff, except:
 - Approve a modified reference to tariff Sheet Nos. 14c through 14g contained in tariff Sheet No. 15c, Section 9, as stated in Attachment 11 of the February 8, 2001 *Stipulation and Agreement*, and in so doing reject the Companies' proposed change to this reference."

- On Original Sheet No. 84, Section IX, D, 5. Reconnection at Beginning of Cold Weather Months, Aquila's tariff states: ".....household income is less than 185 percent of the federal poverty level" The correct language for Aquila's tariff is: ".....50 percent of state median income."
 - On Original Sheet No. 87, Section XIII, Disputes, Subsection G, Escrow Payments, paragraph 7, states: "... shall be supplemented by an interest charge based on the current prime interest rate from the date of payment to the date returned by the Company." The correct language for Aquila's tariff is "shall be supplemented by an 8 percent per annum interest charge from the date of payment to the date returned by the Company."
 - Delete references to Shipper Services on tariff Sheet Numbers 14h (item 11), 15c (item 11), 18a (item 4, second paragraph) because Aquila no longer offers this service.
 - Delete references to the Conservation Cost Recovery Adjustment and Resource Adjustment Charge on tariff Sheet Numbers 17 (column C), 18C (items 1 through 6), 19 (column entitled CCRA Factors), 20 (column entitled CCRA Factors), 21 (column entitled CCRA Factors), and 21a (column entitled CCRA Factors) because Aquila is no longer authorized to use a Resource Adjustment Charge.
11. Approve Aquila's proposal to delete the old NMU tariff in its entirety and to update the PNG tariff that was approved during interim rates with the Commission's approved changes, together with the Companies' proposed changes (except for Item e. discussed in Attachment 2, Order Item 2 (c)).
 12. Require Aquila to file revised tariff sheets consistent with the final Order in Docket No. G-007,011/MR-03-1372 if later found by the Commission to be inconsistent with the Commission's determination of the base cost of gas.
 13. Reject Aquila's proposed customer notice language and require Aquila to file revised language within 10 days consistent with schedule B attached to the briefing papers.
 14. Defer any decision regarding the Companies' proposed base cost of gas to Docket No. G-007,011/MR-03-1372.
 15. Accept Aquila's calculation of the CCRC for both Peoples and NMU, and require Aquila to resubmit the CIP tracker balance, costs, and revenues for the entire period of interim rates along with the CIP tracker balance 10 days after final rates become effective.
 16. Require Aquila to update references in its proposed customer agreements and contracts to conform to its tariffs within 10 days of the Commission's Order in the present docket.
 17. Allow Aquila to credit existing customer accounts or issue checks to refundable accounts that are no longer customers if the refund amount is greater than \$2, as close as possible to the implementation of final rates.
 18. Require Aquila to explain what it proposes to do with refund monies that are not returned to current ratepayers by bill credit or former ratepayers by check.

19. Require Peoples to file a compliance filing notifying the Commission 30 days in advance of implementing a lower rate for the reduction of manufactured gas plant clean up costs.
20. Require Aquila to file a modified exhibit for its tariff book on main and service extension feasibility models, reflecting staff concerns enumerated in the bullet points on pages 23 and 24 of the staff briefing materials.

The motion passed 4-0.

Commissioner Scott moved to accept Aquila's proposed bill format, as set forth in Exhibit H.

The motion passed 3-1. Commissioner Nickolai voted no.

G-007, 011/MR-03-1372

In the Matter of a Petition by Peoples Natural Gas and Northern Minnesota Utilities to Establish a New Base Cost of Gas

Chair Koppendrayer moved to approve the new base cost of gas to be effective with the implementation of final rates in the above docket, *In the Matter of a Petition by Peoples Natural Gas Company and Northern Minnesota Utilities, Divisions of UtiliCorp United Inc., for Authority to Increase Natural Gas Rates in Minnesota and to Consolidate the Two Utilities* Docket No. G-007, 011/GR-00-951.

The motion passed 4-0.

G-007, 011/CI-03-277

In the Matter of an Investigation into Aquila, Inc.'s Sale of Its Shipper Services

Commissioner Scott moved as follows:

21. Find that the Commission has jurisdiction under Minn. Stat. § 216B.48 over the sale of Aquila's Shipper Services operations via a transfer of assets to EOV.
22. Require Aquila to request approval of the sale of its Shipper Services operations and the transfer of property and information from Aquila to EOV within 60 days from the date of the order.
23. Require Aquila to demonstrate in its request for approval that –
 - the transfer and sale did not strand Minnesota ratepayers with unnecessary costs;
 - the transfer and sale did not affect regulated service or reliability by disposing of assets that are necessary for utility operations; and
 - the transfer and sale did not otherwise negatively impact the remaining unsold portion of Aquila and/or its Minnesota regulated customers.

4. Note Aquila's agreement to cooperate with and provide financial information that may be requested by the Department.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: DECEMBER 3, 2003

Burl W. Haar, Executive Secretary