

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Application of Northern States Power Company for Authority to Increase its Rates for Electric Service in Minnesota

ISSUE DATE: December 21, 1987

DOCKET NO. E-002/GR-87-670

ORDER SUPPLEMENTING NOTICE AND ORDER FOR HEARING OF DECEMBER 4, 1987

PROCEDURAL HISTORY

On November 2, 1987 Northern States Power Company (NSP or the Company) filed with the Minnesota Public Utilities Commission (the Commission) a petition to increase its electric rates. On December 4, 1987 the Commission issued orders under Minn. Stat. Section 216B.16, Subd.2 accepting the Company's filing, suspending the proposed rates, and setting the matter for contested case hearing by the Office of Administrative Hearings. Order Accepting Filing and Suspending Rates; Notice and Order for Hearing.

Since issuing those Orders, the Commission has become aware of another issue which might appropriately be addressed in the rate case, the possibility of "phasing in" to rate base the Company's new Sherco 3 plant.

FINDINGS AND CONCLUSIONS

The Commission finds that it would be worthwhile to explore the possibility of "phasing in" the Sherco 3 plant, as opposed to adding the entire investment to rate base at one time. The Commission finds that the gradual addition of Sherco 3 to rate base, and the gradual rate increases that would entail, might offer substantial advantages to ratepayers over a one-time addition and a one-time rate increase.

The Commission also finds that adding Sherco 3 to rate base at one time raises the possibility of overrecovery of investment in subsequent years. As rate base components depreciate, overrecovery

occurs, unless the utility lowers rates or adds new components of similar cost. An investment of the magnitude of Sherco 3 may lessen the need for new additions to rate base for some time, making overrecovery more likely than in the usual case.

The Commission finds that it requires further information on the advantages and disadvantages of "phase in" and on possible means of implementation, should "phase in" prove to be desirable. The Commission will order that "phase in" be added to the list of issues to be addressed in the contested case proceedings or in any stipulated settlement of the rate case.

ORDER

1. Parties shall address the issue of possible "phase in" of the Sherco 3 plant in the same manner and to the same extent as the other issues identified in the Commission's Notice and Order for Hearing dated December 4, 1987.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)