

E-002/CI-91-966 ORDER REQUIRING REPORT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm	Chair
Tom Burton	Commissioner
Cynthia A. Kitlinski	Commissioner
Dee Knaak	Commissioner
Norma McKanna	Commissioner

In the Matter of an
Investigation Regarding Northern
States Power Company's Refuse
Derived Fuel Activity

ISSUE DATE: July 6, 1992

DOCKET NO. E-002/CI-91-966

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PROCEDURAL HISTORY

On November 27, 1991, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the 1991 rate case filed by Northern States Power Company (NSP or the Company).¹ In that Order, the Commission found reasonable the test year costs for NSP's two generating plants which were converted for the use of refuse derived fuel (RDF). The Commission also allowed the Company to include the costs of electricity purchased from United Power Association (UPA), which in turn buys RDF from NSP's nonregulated processing operations. Further, the Commission required the Department of Public Service (the Department) to open a docket to investigate NSP's RDF activity.

On December 12, 1991, the Commission issued its ORDER INITIATING INVESTIGATION in the current docket. In that Order, the Commission directed the Department to initiate the RDF investigation and to file a report on or before March 1, 1992.

On January 13, 1992, the Commission issued its ORDER GRANTING IN PART AND DENYING IN PART PETITION FOR RECONSIDERATION. In that Order, the deadline for the Department's report was extended to May 1, 1992. Interested parties were allowed a further 15 days in which to comment on the Department's report.

The Department filed its report and recommendation on May 1, 1992. NSP responded on May 15, 1992. Comments from Mankato Citizens Concerned with Preserving Environmental Quality (Mankato) were filed on May 18, 1992.

¹ In the Matter of the Application of Northern States Power Company for Authority to Increase Its Rates for Electric Service in the State of Minnesota, Docket No. E-002/GR-91-1.

The matter came before the Commission for consideration on June 9, 1992.

FINDINGS AND CONCLUSIONS

I. Factual Background

NSP processes metropolitan solid waste (MSW) into fuel at its nonregulated RDF operations at Elk River and Newport. The fuel is then burned at Red Wing and Wilmarth, two NSP generating facilities which have been modified to accommodate the use of RDF. NSP also sells RDF to UPA. That fuel is burned in UPA's Elk River generating station; NSP purchases the power produced.

II. The Department's Report

In its report, the Department gave five recommendations to the Commission:

1. Cap the recovery of the investment costs of converting Wilmarth and Red Wing in NSP's next rate case at \$795/kW, plus proper allocation to jurisdiction;
2. Cap the recovery of fixed operation and maintenance (O&M) costs for Wilmarth and Red Wing in NSP's next rate case at \$18/kW, plus proper allocation to jurisdiction;
3. Allow full recovery of the energy costs of Wilmarth and Red Wing, with the qualification that NSP keep the Commission informed of any changes in the RDF purchase agreements;
4. Disallow the capacity costs related to the UPA purchase power agreement in the next rate case;
5. Order NSP to have an audit of allocations by an outside firm, with the results available for inclusion in the next rate case.

III. Comments of the Parties

NSP disputed many of the Department's recommendations. The Company stated that the 15 day comment period had been insufficient to answer the Department's statements. NSP urged the Commission to refrain from accepting the Department's report and acting on the matter now. Instead, the Company argued, the Commission should defer a decision on the RDF issues until the context of the Company's next general rate case, where the

Department's report could be included in rate case testimony. As filed testimony, the Department's recommendations could be commented upon by all other parties.

While Mankato expressed general satisfaction at the Department's report and recommendations, Mankato cited a number of issues which it felt should be strengthened or clarified.

IV. Commission Analysis

The Commission finds that there are numerous matters still at issue among the parties to the proceeding. Such issues as comparative evaluation methods, ratepayer benefits, and many others, remain contested. There is no urgency to decide this matter before the Company files its next rate case, because NSP has moved the projected date for such a filing from the very early part of 1992 to the end of 1992. The Commission finds that it is therefore premature to form a decision in this matter at this time.

The Commission is aware that a contested case proceeding is costly for utilities, intervenors and state agencies. Ratepayers, shareholders, and the general public are all affected by the money and time resources which must be expended in a contested case proceeding. The Commission has a general policy of avoiding contested case proceedings or reducing their scope if matters at issue can be resolved outside a contested case proceeding in a fair, reasonable and equitable manner.

The Commission notes that all parties to the proceeding have expressed their willingness to meet to discuss the issues which remain unresolved. At this point, it is impossible to tell if the matters are capable of resolution through dialogue. If they are not, it is still quite possible that the issues can be clarified and sharpened, and the scope of the contested matters can be reduced. These are worthwhile goals which can be productive for all parties.

The Commission will order the Department, NSP and Mankato to meet to discuss the matters at issue in this matter. The parties must then report to the Commission regarding their meeting or meetings. When the parties have met and reported to the Commission, the Commission will decide what further process is necessary in this matter.

ORDER

1. The Department, NSP and Mankato shall meet to discuss the matters at issue in this proceeding. Within 30 days of the

date of this Order, the parties shall jointly or separately report to the Commission regarding the meeting or meetings, stating the issues covered, matters clarified, resolved or narrowed in scope, and matters still at issue.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)