

E-002/M-91-710 ORDER APPROVING MODIFICATION OF PLAN AND REQUIRING
FURTHER FILING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Request by
Northern States Power Company to
Modify its Area Development
Rider

ISSUE DATE: January 15, 1992

DOCKET NO. E-002/M-91-710

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PLAN AND REQUIRING FURTHER
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PROCEDURAL HISTORY

On March 29, 1990, the Minnesota legislature passed area development rate (ADR) legislation which was codified as Minn. Stat. § 216B.161 (1990). The statute calls for at least one public utility to offer a pilot rate plan program designed to assist industrial revitalization projects within certain economically depressed or stagnant area development zones. The statute requires participating utilities to provide the Commission with information regarding the implementation of the plan. The Commission must evaluate the impact and effectiveness of the plan and share the evaluation with the legislature by January 1, 1995.

On June 28, 1990, the Commission issued its ORDER APPROVING TARIFF in the above-numbered docket. In that Order the Commission approved the two year pilot ADR program of Northern States Power Company (NSP or the Company). Under this plan, NSP would allow a discount on certain customers' demand charges for a period of five years. Targeted customers would be in the manufacturing or wholesale class of trade, and would be located in four specified "area development zones" within St. Paul and Minneapolis. The Commission required NSP to file evaluative information regarding the ADR plan within one year from the date of the Order's issuance.

On September 17, 1991, NSP filed a request to modify the plan by adding a fifth area development zone to the ADR plan. The proposed site would be in the City of South St. Paul.

Between September 30 and October 17, 1991, the Commission received five letters in support of NSP's proposed plan expansion. The letters were submitted by the Mayor of the City of South St. Paul, the Housing and Redevelopment Authority for

the City of South St. Paul, the South St. Paul/Inver Grove Heights Chamber of Commerce, Progress Plus and Norwest Banks.

On October 18 and December 6, 1991, the Department of Public Service (the Department) filed comments opposing NSP's proposal to add a fifth area development zone.

On October 28 and November 15, 1991, NSP filed responsive comments in support of the proposal.

On November 1, 1991, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) filed comments in opposition to NSP's expansion proposal.

The matter came before the Commission on December 30, 1991.

FINDINGS AND CONCLUSIONS

The proposed area development zone

NSP's proposed expansion site includes approximately 97 acres of industrial land acquired by the City of South St. Paul and planned for redevelopment. The proposed area development zone includes, among other things, the former Armour/Swift meat packing plant, which ceased operations in 1980.

In response to comments by the RUD-OAG, NSP stated that both the proposed site and the community are comparable to the four existing pilot area development zones located in Minneapolis and St. Paul. NSP argued that the following characteristics of the proposed site were similar to the four existing sites:

1. South St. Paul has experienced a decline in manufacturing and wholesale trade employment;
2. The community of South St. Paul has made a substantial investment to make the site usable for redevelopment;
3. South St. Paul can offer financial assistance to companies that locate in the ADR zone.

NSP noted that the proposed expansion site was not available for redevelopment at the time of the Company's original ADR pilot proposal.

Positions of the commenting parties

The Department opposed approval of the Company's proposed pilot ADR program when it was under consideration in 1990. The Department now argued against expanding the pilot program before

an evaluation by the Commission has taken place. In comments before the Commission, the Department representative stated that the Department opposed the basic concept of NSP's proposed expansion and not necessarily the specific area which was chosen for expansion.

Progress Plus, the economic development organization representing the City of South St. Paul, requested that the Commission allow expansion of NSP's ADR project. Comments in favor of the expansion were also received from the South St. Paul Chamber of Commerce, the City of South St. Paul, and Norwest Banks.

The RUD-OAG recommended denial of NSP's request for expansion because there is insufficient evidence of site comparability at this time to determine if the proposed expansion is in the public interest.

Commission action

The Commission finds that NSP's proposed expansion site fits the statutory definition of "area development zone" found at Minn. Stat. § 216B.161, subd. (c) (1):

"Area development zone" means a contiguous or noncontiguous area designated by an authority or municipality for development or redevelopment and within which one of the following conditions exists:

1. obsolete buildings not suitable for improvement or conversion or other identified hazards to the health, safety, and general well-being of the community;
2. buildings in need of substantial rehabilitation or in substandard condition; or
3. low values and damaged investments.

The proposed expansion site fits the statutory definition because it was designated for redevelopment by Progress Plus, the economic development organization representing South St. Paul. All three of the above enumerated characteristics also exist in the proposed site. There is no indication that the South St. Paul site would not have been an acceptable part of NSP's original ADR proposal.

The proposed South St. Paul area development zone also fulfills the expressed intent of the ADR statute. An ADR program extended to this area will be "designed to assist industrial revitalization projects located within the service area of the participating utility." Minn. Stat. § 216B.161, subd. 2.

The Commission recognizes the possibility that it may be difficult for the Company to supply meaningful data regarding this project at the time of its second annual evaluative filing in June, 1992. While this situation is not ideal, the Commission finds that other considerations outweigh the difficulty. First, the proposed expansion is a modest one and remains true to the original focus of the pilot program. Second, the Commission does not wish to risk losing any possible commercial expansions into this economically stressed area by delaying the inclusion of the site in NSP's development plan. Third, both the area development rate statute and the Commission's June 28, 1990 Order call for periodic evaluations of NSP's pilot program. NSP's program will be evaluated by the Commission and expanded, reduced, or modified, as the Commission determines. The fact that the Commission will not be able to evaluate fully the use of the expanded site in June of 1992 does not mean that the suitability of the site will not be fully considered at a later date.

For these reasons, the Commission will approve the expansion of NSP's pilot ADR program into the proposed South St. Paul area development zone. The Commission notes particularly that this Order does not constitute an evaluation of the program to date. The evaluation will follow at a later time, as noted above.

Finally, the Commission finds that it would be appropriate and helpful for the Department to file comments on the effectiveness of NSP's ADR program. This filing will be required within 30 days of NSP's filing of its second annual report in June, 1992.

ORDER

1. The Commission approves NSP's expansion of its ADR pilot program into the proposed South St. Paul area development zone.
2. Within 30 days of the filing of NSP's second annual ADR report, the Department shall file comments on the effectiveness of the ADR rate.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)