

ISSUE DATE: October 27, 2000

DOCKET NO. E-002/M-00-791

DOCKET NO. E, G-999/CI-00-1343

**ORDER AUTHORIZING DISPLAY OF OVERALL AVERAGE GENERATION COSTS
ON CUSTOMERS' BILLS AND OPENING AN INVESTIGATION INTO DISCLOSURE
OF ENVIRONMENTAL INFORMATION**

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**Gregory Scott
Edward A. Garvey
Joel Jacobs
Marshall Johnson
LeRoy Koppendrayner**

**Chair
Commissioner
Commissioner
Commissioner
Commissioner**

In the Matter of the Petition of Northern States Power Company for Authorization to Display Unbundled Generation Costs on Customer Bills

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In the Matter of an Investigation into Disclosure of Environmental Information to Utility Customers

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ORDER AUTHORIZING DISPLAY OF OVERALL AVERAGE GENERATION COSTS ON CUSTOMERS' BILLS AND OPENING AN INVESTIGATION INTO DISCLOSURE OF ENVIRONMENTAL INFORMATION

PROCEDURAL HISTORY

On June 12, 2000, the Commission issued its ORDER APPROVING MERGER, AS CONDITIONED.¹ This Order approved Northern States Power Company's (NSP) merger with New Century Energies and Stipulations and Agreements between NSP and the Minnesota Energy Consumers (MEC), between NSP and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), and between NSP and the Department of Commerce (DOC). As part of these agreements NSP agreed to file for authorization to disclose generation costs on the bills of its electric customers.

On June 26, 2000, to comply with the requirements of the Stipulations and Agreements, NSP filed a Petition for Authorization to Display Unbundled Generation Costs on Customer Bills.

On July 21, 2000 the DOC filed comments recommending approval of NSP's proposal.

On August 2, 2000, Minnesotans for an Energy Efficient Economy (ME3) filed comments supporting the concept of disclosing cost information but indicating that the disclosure should also contain the identification of a utility's resource mix and environmental impacts of the Company's generation sources.

¹ In the Matter of the Application of Northern States Power Company for Approval to Merge with New Century Energies, Inc., Docket No. E,G-002/PA-99-1031.

On August 2, 2000, the RUD-OAG filed comments which, among other things, recommended an alternative approach to calculating generation costs.

On August 30, 2000, NSP filed a joint proposal representing the reply comments of NSP, RUD-OAG, the DOC, and MEC.

On October 5, 2000, this matter came before the Commission for consideration.

FINDINGS AND CONCLUSIONS

I. Background

The three separate Stipulations and Agreements between NSP and the RUD-OAG, MEC and the DOC, arising from the Commissions' approval of the merger of NSP and New Century Energies, required, among other things, that NSP file for authorization to disclose generation costs on the bills of electric consumers. NSP filed for such authorization on June 26, 2000.

The Stipulation Agreement between NSP and RUD-OAG specified the method to be used to calculate generation costs:

... NSP will seek Commission authorization to use the following methodology to calculate the generation costs to be displayed under this Stipulation and Agreement: any and all prior-year costs, fees and charges NSP functionalizes or allocates to generation or recovers through the fuel clause, allocated to each customer class in accordance with NSP's current rates, shall be totaled and divided by the sales to that class. These costs shall be calculated no less frequently than on an annual basis. (Section V., A.)

Further, NSP was required to display NSP's cost of generation by customer class. NSP/MEC Agreement, Section III.

II. Positions of the Parties

A. NSP's Position

To determine generation costs per customer for each customer class NSP:

- used 1999 actual generation costs;**
- allocated the 1999 costs between generation and non-generation costs using the allocation factors approved in NSP's 1993 general rate case;**
- allocated the 1999 generation costs among the various customer classes using the 1993 rate case class cost allocation factors;**
- divided each class's share of the costs by 1999 class sales to determine a per-unit class share of generation costs.**

Based on its calculations NSP proposed to disclose the following generation costs on customer's bills:

Residential	4.0 cents/kWh
Small Commercial/Industrial, non-demand	4.1 cents/kWh
Commercial/Industrial, demand-metered	3.6 cents/kWh

NSP indicated its intent to update these costs annually and that it would use the same calculation method to update the cost per class.

B. Department of Commerce

The DOC stated the calculations were appropriate and NSP's method met the merger's unbundling stipulation requirements.

C. RUD-OAG

RUD-OAG indicated that NSP's approach to calculating class costs overstated the costs that were recovered from residential customers in 1999 by approximately 6.5 percent and understated the actual costs recovered from commercial/industrial customers in 1999 by approximately 6.7 percent. These differences stem primarily from NSP's use of 1993 allocation factors to spread 1999 revenues across the different customer classes.

RUD-OAG indicated that NSP's sales and revenues have changed since NSP's 1993 compliance filing with proportionately more revenue collected from the commercial/industrial classes in 1999 than in 1993 and proportionately less revenue collected from the residential class in 1999 than in 1993. Because of this, NSP's approach assigns more costs, including generation costs, to the residential class although their relative share of energy sales have declined relative to the 1993 class allocation factors. Likewise, NSP's approach assigns fewer costs to commercial/industrial customers although their share of energy sales have increased relative to the 1993 class allocation factors.

For these reasons, the RUD-OAG recommended an alternative approach to calculate generation costs. The RUD-OAG proposal recommended calculating generation costs by using the class revenues collected in 1999 to allocate the 1999 costs, while continuing to use the 1993 allocation factors to allocate each class's cost between generation and non generation.

The RUD-OAG proposal produced the following average costs:

	Generation	Non-Generation
Residential	3.77 cents/kWh	4.25 cents/kWh
Commercial and Industrial non-demand	4.19 cents/kWh	3.7 cents/kWh
Commercial and Industrial demand	3.19 cents/kWh	1.33 cents/kWh

D. Minnesotans for an Energy Efficiency Economy

Minnesotans for an Energy Efficiency Economy (ME3) indicated that besides displaying generation costs to customers, NSP should be required to disclose environmental information about the Company's generation sources. Further, an explanation of environmental impacts should also be required. ME3 indicated that this information was necessary to begin educating consumers about the environmental effects of the Company's fuel mix.

ME3 specifically recommended that NSP be required to disclose the following:

- **the sources of electricity supplied by the company broken out by the percentages of different fuel types;**
- **the amount of air emissions specifically including sulfur dioxide, nitrogen oxides, particulates, carbon dioxide, mercury and nuclear waste.**
- **a description of the environmental impacts associated with each fuel type.**

E. Minnesota Power

Minnesota Power requested that if the Commission broadens the scope of this docket to address the disclosure of environmental information on customer bills, that additional time be provided to interested parties to specifically address that component of unbundling.

F. Joint Comments

The DOC, RUD-OAG, MEC and NSP, after discussing alternative means of allocating costs, agreed:

- **to report the overall average generation cost of 3.8 cents per kWh on all customer's bills;**
- **that this approach is preferable to the implementation of the inter-class allocation as set forth in Section V., A. of the Stipulation and Agreement between NSP and RUD-OAG.**

III. Commission Action

The Commission will accept the Joint Proposal to display the overall average generation cost on customers' bills. The parties have determined that this number is relatively accurate and avoids potential problems of false accuracy associated with alternative proposals. The Commission agrees.

The Commission will open a separate docket to address the issue of what environmental costs should be disclosed on customers' bills and how such costs would be disclosed. This docket will involve all rate-regulated utilities in Minnesota. The Commission recognizes that there is a need for the consumer to be informed and educated on environmental issues and

that all Minnesota utilities' customers, not just NSP's, should have similar access to information. For this reason, the Commission will reject imposing additional disclosure obligations on NSP in the current docket but will instead open a separate docket giving all rate-regulated utilities in Minnesota the opportunity to put forth proposals on this matter.

ORDER

- 1. NSP is authorized and directed to display on customers' bills the overall average generation costs, as set forth in the joint proposal between NSP, DOC, RUD-OAG and MEC. The Executive Secretary is hereby delegated the authority for final approval of the specific language that will appear on customers' bills.**
- 2. The Commission hereby opens an investigation into the disclosure of environmental information to utility customers (Docket No. E, G-999/CI-00-1343).**
- 3. All rate-regulated utilities in Minnesota shall work with the DOC, ME3, RUD-OAG and any other interested parties, as appropriate, to determine what environmental costs shall be disclosed on customers' bills and how such costs should be disclosed. Each rate regulated utility shall file its proposal for disclosure by February 1, 2001.**
- 4. This Order shall become effective immediately.**

BY ORDER OF THE COMMISSION

**Burl W. Haar
Executive Secretary**

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