

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer	Chair
Ellen Gavin	Commissioner
Marshall Johnson	Commissioner
Phyllis A. Reha	Commissioner
Gregory Scott	Commissioner

In the Matter of Xcel's Petition for Approval to  
Reduce Rates and Issue Refund Regarding  
Minnesota Property Tax Reduction

ISSUE DATE: March 27, 2003

DOCKET NO. E-002/M-02-514

ORDER EXCLUDING FLINT HILLS  
RESOURCES FROM REFUND AND  
INCLUDING REAL TIME PRICING  
CUSTOMERS IN CALCULATING REFUND

**PROCEDURAL HISTORY**

In its September 4, 2002 ORDER DIRECTING REFUND AND RATE REDUCTION, WITH ASSOCIATED COMPLIANCE FILINGS, the Commission directed Xcel Energy to commence a lump-sum refund of the excess amounts collected in rates for property taxes for the year 2002, and to file tariffs effective January 1, 2003 reflecting the lower taxes on a going-forward basis. The Order specified that competitive rate customers defined in Minn. Stat. 216B.162 would be excluded from participating in the refund and rate reductions related to the tax reduction.

Refunds were made in November. Tariff pages were filed, with later corrections in January.

On December 27, 2002, Xcel Energy filed a petition, indicating that in the course of distributing the refunds, it noted that one customer, Flint Hills Resources, was not technically a competitive rate customer under Minn. Stat. § 216B.162 but has a special competitive market status under Minn. Stat. 216B.1621. Xcel Energy stated that it would hold the refund calculated for Flint Hills Resources pending the Commission's consideration.

On January 7, 2003, the Minnesota Department of Commerce (the Department) filed comments.

On February 7, 2003, Xcel filed reply comments.

The Commission met on March 13, 2003 to consider this matter.

## **FINDINGS AND CONCLUSIONS**

### **I. XCEL'S PROPOSAL**

Xcel Energy argued that Flint Hills Resources should not share in the refund of personal property taxes related to Xcel Energy's generation machinery because Flint Hills Resources receives only transmission and distribution services from Xcel Energy and receives generation services from a third party.

Xcel Energy proposed 1) that the refund calculated for Flint Hills Resources (\$439,000) be redistributed to the other Commercial and Industrial (C&I) Demand-Billed customers, including Real Time Pricing (RTP) customers and 2) that Flint Hills Resources not receive an ongoing rate reduction which would also be redistributed to the other C&I Demand-Billed customers. For each month that the tariff originally approved is in effect in 2003, the Company would refund an extra \$40,000 to the C&I Demand-billed class, including interest.

As an alternative, Xcel Energy discussed distributing the Flint Hills Resources refund and rate reduction to all customers, but preferred not to use this approach because the amount would be relatively small compared to the additional administrative burdens.

### **II. THE DEPARTMENT'S RECOMMENDED COMPROMISE**

The Department supported the exclusion of Flint Hills Resources from the refund calculation and from the ongoing rate adjustment and the inclusion of the RTP customers in the refund calculation.

The Department differed with Xcel Energy, however, regarding the redistribution of the Flint Hills Resources refund and the amount by which the ongoing tariffs should be adjusted. The Department argued that the refund and future rate adjustment related to Flint Hills Resources should be distributed to all customers instead of just the C&I Demand-Billing customers. The Department did not believe that the other C&I Demand-Billed customers picked up the property taxes not paid by Flint Hills Resources at the time Flint Hills Resources began taking generation from the third party.

At the same time, the Department recognized the administrative burden of going back and issuing another refund to all customers for an amount which may only total six cents for a residential customer on an annual basis. Consequently, the Department recommended a compromise position under which Xcel Energy would be permitted to refund the additional refund amount to the C&I Demand-Billed customers, but would be required to allocate the additional ongoing tax reduction amount related to Flint Hills Resources to all customers.

### **III. THE COMMISSION'S ANALYSIS AND ACTION**

The Commission finds that the compromise position recommended by the Department and agreed to by Xcel is reasonable. The Commission will accept it and direct Xcel to proceed accordingly.

**ORDER**

1. The compromise position recommended by the Department and agreed to by Xcel is accepted. Accordingly, Xcel shall
  - exclude Flint Hills Resources from the 2002 refund and the ongoing rate adjustment;
  - include Real Time Pricing (RTP) customers in the refund for 2002;
  - modify tariffs for all customers for the ongoing adjustment; and
  - permit the additional refund to be distributed to the C&I Demand-Billed class.
2. Within 10 days of the Order, Xcel shall file the corrected tariff pages.
3. Within 30 days of completion of the refund, Xcel shall file a report of the additional refund.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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