

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Ellen Gavin  
Marshall Johnson  
Phyllis A. Reha  
Gregory Scott

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Northern States  
Power Company d/b/a Xcel Energy for  
Approval of a Power Purchase Agreement with  
Crown Hydro, LLC

ISSUE DATE: June 10, 2003

DOCKET NO. E-002/M-03-547

ORDER APPROVING POWER PURCHASE  
AGREEMENT

**PROCEDURAL HISTORY**

On April 3, 2002, the Commission issued an Order in Docket No. E-002/M-00-1583 approving the selection of the Crown Hydro project for funding under Xcel's Renewable Development Fund (RDF).

On May 6, 2002, the Commission issued an Order approving the grant contract for the Crown Hydro project, also in Docket No. E-002/M-00-1583.

On April 9, 2003, Xcel requested that the Commission approve its Purchased Power Agreement (PPA) with Crown Hydro and authorize recovery of the combined energy and capacity costs through the fuel clause.

On May 9, 2003, the Minnesota Department of Public Service (the Department) reviewed the purchase price in the PPA, and concluded it was reasonable. The Department also reviewed the financial and operational risks in the PPA, and concluded Xcel's ratepayers are reasonably protected from both. The Department asked Xcel to clarify in reply comments Section 10.8(B) of the PPA.

On May 16, 2003, Xcel replied that the Department's understanding of this section was correct.

The Commission met on June 5, 2003 to consider this matter.

**FINDINGS AND CONCLUSIONS**

**I. REASONABLENESS OF THE PPA**

Both the project proposal (approved April 3, 2002) and grant contract (approved May 6, 2002) contemplated a PPA between Xcel and Crown Hydro for the purchase of energy. However, the Commission has not yet approved a purchase price (or range of purchase prices) for the energy. Those issues are before the Commission in this Order.

The Commission has considered the Department's evaluation and recommendation and has also reviewed the Crown Hydro-Xcel PPA on its own. The Commission finds the PPA (including the price) reasonable and will approve it.

## II. RECOVERY OF COSTS

The Crown Hydro PPA presents a unitary price, that is a price designed to recover both energy and capacity costs without separately pricing the capacity and energy components. The Commission fuel clause rule does not allow capacity charges to flow through the fuel adjustment. Capacity charges traditionally are established in rate proceedings, the costs of fuel and purchased *energy* are adjusted in the fuel clause.

The Department recommended that the combined capacity and energy charge be allowed recovery through Xcel's fuel adjustment clause. The Department supported its recommendation with reference to the language of Xcel's Fuel Clause Rider, paragraph 3 and Minn. Stat. §216B.1645, subd. 2, which states that "the expenses incurred by the utility over the duration of the approved contract.....made pursuant to section 116C.779 shall be recoverable."

The Commission finds that in the context of a Renewable Development Fund (RDF) project such as the Crown Hydro Project a reasonable interpretation of Minn. Stat. § 216B.1645, subd. 2 is that the statute takes precedence over fuel clause rule language and authorizes Crown Hydro to recover energy and capacity costs through the FCA.<sup>1</sup>

### ORDER

1. The Commission hereby approves the power purchase agreement (PPA) between Xcel and Crown Hydro, as well as the proposed recovery of energy and capacity costs through the fuel clause adjustment (FCA).
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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<sup>1</sup> The FCA Rules solely authorize adjustment of rates to reflect **changes in the cost of energy** delivered to customers from those costs authorized by the Commission in the utility's most recent general rate case. They do not authorize automatic adjustment of rates based on **increased capacity costs**. See Minn. Rules, Part 7825.2390.