

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye	Chair
Marshall Johnson	Commissioner
Ken Nickolai	Commissioner
Phyllis A. Reha	Commissioner
Gregory Scott	Commissioner

In the Matter of a Petition to Determine
Eligibility for Recovery Under Tracker Account
and Renewable Cost Recovery Adjustment

ISSUE DATE: March 8, 2004

DOCKET NO. E-002/M-03-1882

ORDER MAKING PRELIMINARY
DETERMINATION OF ELIGIBILITY

PROCEDURAL HISTORY

On November 25, 2003, Northern States Power Company d/b/a Xcel Energy (Xcel or the Company) filed a petition requesting a preliminary finding that eight specific transmission improvement projects were eligible for cost recovery through the automatic rate adjustment authorized under Minn. Stat. § 216B.1645.

On January 2, 2004, the Department of Commerce filed comments recommending that the Commission make a preliminary finding of eligibility.

On February 12, 2004, the matter came before the Commission.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Under Minn. Stat. § 216B.1645, subd. 2, the Commission is to permit Xcel to use an automatic rate adjustment mechanism to recover the costs of complying with specific statutory renewable energy mandates. The statute limits recovery to the “portion of actual transmission costs that are directly allocable to the need to transmit power from the renewable sources of energy”; the statute prohibits recovery of any portion of costs allocable to the transmission of power sold into the wholesale market.

In a January 14, 2003 Order, the Commission established a two-step process for reviewing costs proposed for automatic rate recovery under Minn. Stat. § 216B.1645, subd. 2.¹ In step one the Commission makes a threshold finding as to whether the projects at issue were related to the provision of renewable energy, making their costs eligible in concept for automatic recovery. In step two the Commission examines prudence, considers rate impact, and determines what portion of the costs of eligible projects may be booked to the tracker account and recovered through the automatic rate adjustment.

II. Commission Action

The Company requested a threshold determination of eligibility for the following eight projects:

- Chanarambie Substation and 115 kV System Improvements Between Pipestone, Chanarambie, Lake Yankton, and Lyon County Substations
- Black Dog Substation Transformer Replacement
- 345 kV Line Clearance Improvements from Wilmarth Substation to Lakefield Junction Substation
- 69 kV Line Upgrade from Bird Island Substation to Franklin Substation
- 115 KV Line Upgrade from Summit Substation to Loon Tap to West Faribault Substation
- Troy Switching Substation
- GM, LLC Project
- Wind Generator Interconnects on the 35 kV System in Southwestern Minnesota

These eight projects are all part of the infrastructure Xcel uses to transmit power from renewable sources of energy. They are all “related to the provision of renewable energy” meet threshold requirements for inclusion in the Renewable Cost Recovery tracker account. They merit approval under step one of the review process established in the January 14, 2003 Order.

In step two of that process, the Commission will examine the costs of each project for prudence and reasonableness of rate impact. It will also determine what portion of the costs are directly

¹ *In the Matter of Northern States Power Company d/b/a Xcel Energy Petition for Approval of a Renewable Cost Recovery Tariff and Tracker Account, Docket No. E-002/M-02-474, Order Approving Proposal with Modifications (January 14, 2003).*

allocable to transmitting renewable generation and what portion of the costs are allocable to transmitting generation sold into the wholesale market.

The Commission will so order.

ORDER

1. The Commission hereby makes a preliminary determination that the eight transmission improvement projects discussed herein meet threshold eligibility requirements for inclusion in the Renewable Cost Recovery tracker account and for cost recovery through the Renewable Cost Recovery automatic rate adjustment.
2. The Company is hereby authorized to submit the costs of these projects for review under step two of the approval process, when the Commission will
 - (a) examine the costs of the projects for prudence and reasonableness of rate impact;
 - (b) determine what portion of the costs are directly allocable to the need to transmit power from renewable sources of energy;
 - (c) determine what portion of the costs are allocable to the transmission of power sold into the wholesale market; and
 - (d) determine what portion of the costs may be booked to the tracker account and recovered through the automatic rate adjustment.
3. The Company shall include in its step-two filing a proposal for notifying customers of the new automatic rate adjustment and proposed updated tariff sheets.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice) or 1-800-627-3529 (TTY relay service).