

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye	Chair
Marshall Johnson	Commissioner
Ken Nickolai	Commissioner
Thomas Pugh	Commissioner
Phyllis A. Reha	Commissioner

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

ISSUE DATE: November 29, 2004

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

ORDER APPROVING PROPOSAL AS
MODIFIED AND REQUIRING REPORTS
AND UPDATED TARIFF PAGES

PROCEDURAL HISTORY

On January 14, 2003 in Docket No. E-002/M-02-474, the Commission issued an Order approving a two-step process for the recovery of eligible renewable investments and expenses, pursuant to Minn. Stat. § 216B.1645.

Step One: Preliminary Finding of Eligibility

On November 25, 2003, Xcel filed a step 1 petition seeking a determination of preliminary eligibility for eight transmission projects. The matter was assigned to the current docket, E-002/M-03-1882.

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

On March 8, 2004 in Docket No. E-002/M-03-1882, the Commission issued an Order making a preliminary determination that the eight transmission projects met threshold eligibility requirements for inclusion in the renewable cost recovery (RCR) tracker account and for cost recovery through the RCR automatic rate adjustment.

Step Two: Authorization to Recover

On March 3, 2004, Xcel filed its request to begin recovery, through the RCR automatic rate adjustment, of approximately \$6 million in the remainder of 2004 for costs associated with

transmission projects needed to deliver renewable energy to customers in Minnesota. This is the request that is before the Commission in this Order.

On May 18, 2004, the Minnesota Department of Commerce (the Department) recommended approval with conditions, including a capacity adjustment to reduce the amount allowed for recovery in the RCR adjustment and removal of Operations and Maintenance (O & M) costs. In addition, the Department recommended various compliance information for future proceedings.

On June 11, 2004, Xcel filed reply comments. Xcel asked that the Commission take no action regarding the recovery of O &M costs, grant full recovery of the eight projects previously found eligible, approve the Company's proposed tracker account mechanism, and allow the proposed RCR Rider adjustment factors to be placed into effect with the first billing month after the Commission Order in this docket.

On October 20, 2004, Xcel filed supplemental comments requesting Commission approval of an agreement reached between the Company and the Department regarding the Company's petition and future eligible projects. Xcel also requested that the Commission approve the Company's proposed implementation plan.

On October 26, 2004, the Department filed supplemental comments recommending approval with reporting requirements.

The Commission met on November 10, 2004 to consider this matter.

FINDINGS AND CONCLUSIONS

I. Xcel's Proposal As Modified

The proposal finally agreed upon by the Company and the Department is as follows:

- " The Company and the Department agree that the transmission investments in this petition are related to renewable energy and are recoverable under the RCR adjustment. Going forward, the parties agree that some allocation (allocation determined at the time of the investment and based on planned use of the facility) may be needed for transmission resources serving multiple purposes and should be addressed in any such future applications.

- " Xcel should be required to report if any of the wind contracts and/or proposed projects listed by Xcel in its supplemental comments does not go forward or the wind facilities do not get built. Such report would be required within 30 days and include discussion of replacement facilities.

- " O & M costs are not be included in the RCR adjustment.
- " Xcel should be required to show the amounts of over or under recovery of costs in future RCR tracker account cost recovery filings.
- " Xcel should be required to provide necessary schedules and calculations in the next rate case to show the rolling-in of transmission projects into base rates and the exclusion and/or closing out of the tracker account to ensure timing would not result in double recovery of the transmission costs.
- " The RCR adjustment factors will be set at the levels listed in Attachment 2 to Xcel s supplemental comments, effective December 1, 2004. The factors represent one-twelfth of the amount originally proposed to be collected during 2004. Xcel will make its 2005 RCR filing, possibly within 30 days of the decision in this proceeding, to recover the remaining 2004 balance and the costs expected for 2005.

II. Commission Analysis

Three issues raised in this docket warrant brief discussion.

A. Usage Issue

On the question of whether the full investment in transmission facilities needed to serve the renewable sources is to be recovered or whether some portion should be excluded based on a capacity factor, the Department has offered its interpretation of the statute and made its recommendation for recovery based on a capacity factor. Xcel has also offered its interpretation of the statute and made its arguments for full recovery.

In light of the information provided in the supplemental comments and the apparent agreement between the Department and the Company that all of the subject transmission projects are related to renewable energy and thus recoverable under the terms of the RCR tariff, this issue need not be addressed at this time and should be considered at the time future projects are proposed.

B. O & M Costs

The Department has raised a concern regarding the appropriateness of including O & M costs for recovery through the RCR adjustment under the statute. However, Xcel has clarified that O & M costs are not included for recovery in this request. Accordingly, it is not necessary for the Commission to make a final determination at this time and the Commission will no do so. Any future request by the Company to achieve recovery will be addressed at that time.

C. Effective Date

In its supplemental comments, the Company proposed to implement the RCR adjustment effective December 1, 2004. This would allow the Company to recover one-twelfth of the costs initially proposed for 2004. The Commission finds that this proposal is reasonable.

III. Commission Action

The Commission finds that Xcel's proposal, as modified in the supplemental comments filed by the Department and the Company, is reasonable and consistent with the statute and the public interest. The Commission will approve it as so modified and will direct that the Company file updated tariff pages before the RCR adjustment is implemented on December 1, 2004.

ORDER

1. Xcel's petition for a renewable cost recovery (RCR) adjustment, with the conditions as recommended by the Department and modified by the supplemental comments, is approved.
2. The renewable cost recovery (RCR) rate is set at one-twelfth of 2004 costs.
3. The Company shall comply with the agreed upon future information requirements:
 - " Xcel shall report to the Commission and the Department any significant changes in planned use of the transmission facilities in this docket within 30 days of such changes.
 - " If any planned wind project fails to be developed, Xcel shall note in its report whether any replacement wind facilities are under development.
4. The renewable cost recovery (RCR) adjustment shall become effective December 1, 2004 as detailed in Xcel's October 20, 2004 supplemental comments.
5. Xcel shall file updated tariff pages by December 1, 2004.
6. 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 (MN relay service).