

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application of Northern
States Power Company d/b/a Xcel Energy for
Authority to Increase Rates for Electric Service
in Minnesota

ISSUE DATE: February 12, 2007

DOCKET NO. E-002/GR-05-1428

ORDER APPROVING COMPLIANCE
FILING WITH ADDITIONAL
REQUIREMENTS AND GRANTING
VARIANCES

PROCEDURAL HISTORY

On September 1, 2006, the Commission issued its Findings of Fact, Conclusions of Law, and Order, in this docket.

On November 2, 2006, the Commission declined to reconsider any decisions in the Order.

On November 20, 2006, Northern States Power Company d/b/a Xcel Energy (Xcel) submitted its compliance filing in accordance with Ordering Paragraphs 10 and 17 of the Order, and in accordance with Part C of the April 26, 2006 Settlement Agreement related to the refund of asset and non-asset base wholesale margins.

Xcel filed corrections to its initial compliance filing dated December 1, 7, 12, 14, and 20, 2006.

On December 20, 2006, the Department of Commerce (the Department) filed comments on Xcel's compliance.

On December 21, 2006, the Minnesota Chamber of Commerce filed comments.

On January 2, 2007, Xcel filed reply comments.

On January 4, 2007, the Department filed reply comments.

On January 25, 2007, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

I. Rate Case Compliance Filing

A. The Department's Comments

The Department recommended that the Commission approve Xcel Energy's compliance filing with the following additional compliance requirements:

- 1) Require Xcel Energy to file a revised Windsource Rider including voluntary renewable adjustment charges for Windsource participants equal to the difference between the proposed \$3.53 voluntary renewable adjustment charge and the Windsource participants' base cost of energy;
- 2) Require Xcel Energy to file a corrected tariff to remove the language referencing odd and even day control groups in section 5, sheet 47 and 48;
- 3) Require Xcel Energy to provide additional clarifying language pertaining to the supplemental service rider and contributions in aid of construction;
- 4) Require Xcel Energy to submit the missing table of contents from section 10, distributive generation;
- 5) Require Xcel Energy to provide the spreadsheet (updated version of Xcel's response to MCC-11) used to calculate the new class weighting factors;
- 6) Require Xcel Energy to resubmit the conservation improvement program tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within ten (10) days after final rates become effective; and
- 7) Require Xcel Energy to file, within ten (10) days of the refund, a compliance filing report that shows the actual refunds and interest paid by class including the calculations.

B. The Minnesota Chamber of Commerce's Comments

The Minnesota Chamber of Commerce (Chamber) submitted comments on the standby/supplemental service rider, and the revenue multiplier for contributions in aid of construction. The Chamber asked that Xcel be required to include the waiver to market-based penalty charges under both riders.

C. Xcel's Response

In its response to the comments of the Department and the Chamber, Xcel addressed the issues raised:

- Ordering paragraph No. 10, Windsource program;
- Ordering paragraph No. 17(A), subp. 6, and ordering paragraph No. 17(D);
- Table of contents for section 10, distributive generation;
- Ordering paragraph No. 17(B), Department request for spreadsheet in response to information request MCC-11;

- Settlement agreement, section C, part 2: asset based and non-asset based wholesale margins; and
- Additional compliance requirements regarding the conservation improvement program tracker and a showing of actual refunds and interest paid.

II. Commission Analysis and Action

A. Approval of Compliance Filing

The Commission has assessed Xcel's compliance filing, finds that it is reasonable and will approve it as revised and supplemented by the Company, with the following additional requirements.

1. Interim Rate Refund

The Commission granted an interim increase of \$147,318,000 effective January 1, 2006, subject to refund. In its September 1, 2006 Order, the Commission authorized a final increase of \$131,455,000 for 2006, and \$114,941,000 beginning January 1, 2007. Xcel proposed that final rates become effective February 1, 2007, and refunds would begin on March 1, 2007.

The Commission accepts Xcel's interim rate refund proposal, with the added requirement that Xcel make a compliance filing within ten days of the completion of the refund detailing the actual refunds and interest paid by class including the calculations.

2. Refund for Asset Based and Non-Asset Based Wholesale Margins

In its November 2006 compliance filing, Xcel estimated the refund amount for the period January 1, 2006 through February 1, 2007 at \$38.3 million, including \$1.8 million of interest calculated at the prime rate.

Xcel proposed to refund this amount in equal amounts, through the fuel clause adjustment, over a 12-month period beginning on March 1, 2007, with interest to accrue on the remaining balance until the refund is completed.

The Department concluded that the proposed method was reasonable and should be approved, but pointed out that the agreement did not specify the mechanism for refunding the wholesale margins.

The Commission will require Xcel to provide the information requested by the Department, to ensure that the wholesale margins being passed back to ratepayers are consistent with the settlement and that the approach is fair to customers now and in the future.

3. Conservation Cost Recovery Charge

Xcel calculated a conservation cost recovery charge of \$0.00084741 per kWh for the period interim rates were in effect and \$0.00137892 beginning with the implementation of final rates effective February 1, 2007.

The Commission will approve the conservation improvement program/conservation cost recovery charge filing, and require Xcel to submit a final conservation improvement program tracker report for the entire period that interim rates were in effect within ten days after the final rates are in effect.

4. Low-Income Discount

By letter dated December 1, 2006, Xcel reported that it discovered an error in its application of the low-income discount to the interim rate increase as applied to low-income discount eligible customers.¹ Xcel supplied additional information on its plan to correct the error in late December and early January 2007. Xcel also indicated that it would provide a report regarding this issue to the Commission.

B. Variances Required

The Commission will grant two variances with respect to implementation of the settlement agreements in this proceeding. First, a variance to the Billing Content Rule, Minn. Rule 7820.3500, is required. This rule provides that certain information shall be included on customer bills, including at subsection K, "fuel or power adjustment clause separately itemized, if applicable." A variance to this provision is necessary to allow the showing of the combined costs of energy as a single line item on the bills.

The Commission will also grant a variance to Minn. Rule 7825.2400, subp. 7:

Subp. 7. Cost of energy purchased. "Cost of energy purchased" is the cost of purchased power and net interchange defined by the Minnesota uniform system of accounts, class A and B electric utilities, account 555 and purchased under federally regulated wholesale rates for energy delivered through interstate facilities. All electric public utilities shall use this definition regardless of class.

The settlement agreement regarding wholesale margins will flow wholesale margins through the fuel adjustment. The rule appears to focus on the inclusion of cost items, and does not appear to anticipate the inclusion of a margin item, necessitating a variance to allow the inclusion of the margin items approved in this proceeding.

¹ Xcel explained that it did not apply the 50 percent low-income discount to the interim rate increase during the period interim rates were in effect, resulting in an overcharge to customers eligible for the low-income discount. The total amount of money at issue is estimated at approximately \$200,000, affecting some 27,000 customers.

The Commission finds that the three-fold requirements of the variance rule (Minn. Rule, Part 7829.3200) have been met and, therefore, will grant Xcel a variance to Minn. Rules 7820.3500 and 7825.2400, subp. 7, pursuant to Minn. Rules, Part 7829.3200, subp. 1.

1. Enforcement of the rules would impose an excessive burden because it would prevent the application of resolutions reached by many parties in this proceeding, approved by the Commission, and therefore deemed reasonable and in the public interest.
2. Granting the variances would not adversely affect the public interest.
3. Granting the variances does not conflict with any standards imposed by law.

ORDER

1. The Commission approves Xcel's November 20, 2006, compliance filing, with corrections, and as supplemented in its reply comments filed January 2, 2007, with the following additional requirements:
 - A. Xcel shall provide the additional information, as requested by the Department, to ensure that the wholesale margins being passed back to ratepayers are consistent with the settlement and that the approach is fair to customers now and in the future.
 - B. Xcel shall resubmit the conservation improvement program tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within ten days after final rates become effective.
 - C. Xcel shall file, within ten days of the refund, a compliance filing report that shows the actual refunds and interest paid by class including the calculations.
2. The Commission approves Xcel's proposal to include, with the interim rate refund, the correction for the error made when the low-income discount was not properly applied to the interim rate increase. The Company shall include a report, with the interim rate refund, indicating the finally calculated amount of the correction, the amount refunded, the disposition of any amounts not refunded, and the number of customers impacted.
3. The Commission approves the customer notice attached to the briefing papers for this filing and as modified by e-mail on January 24, 2007.

4. The Commission grants a variance to Minn. Rules 7820.3500 to permit the proposed combined showing of the cost of energy as a single item on customer bills. This variance shall not expire under Minn. Rules 7829.3200, but shall remain in effect until further Commission action.
5. The Commission grants a variance to Minn. Rules 7825.2400, subp. 7, to permit the inclusion of margins on wholesale transactions, as described in the settlement agreement, in the fuel adjustment. This variance shall not expire under Minn. Rules 7829.3200, but shall remain in effect until further Commission action.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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