

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
David C. Boyd
Marshall Johnson
Thomas Pugh
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Joint Application for
Approval and Consent of Interstate Power and
Light Company and FPL Duane Arnold, LLC

ISSUE DATE: October 12, 2007

DOCKET NO. E-001/PA-05-1272

In the Matter of the 2006-2007 Annual
Automatic Adjustment Reports and 2006-2007
Annual PGA True-Ups

DOCKET NO. E. G-999/AA-07-1130

ORDER CONTINUING INQUIRY AND
REQUIRING SUPPLEMENTAL FILING

PROCEDURAL HISTORY

On January 25, 2006, the Commission issued an Order Approving Sale and Transfer of Ownership Interest in the Duane Arnold Energy Center with Conditions.¹ The Order approved Interstate Power and Light Company's (IPL or the Company) request for the sale of its ownership interest in the Duane Arnold Energy Center, a nuclear power base load generation facility, to Florida Power and Light Energy Duane Arnold LLC (FPLE).

The Order set forth certain requirements – among them that IPL ensure that Minnesota ratepayers will not be subjected to higher rates as a result of the transaction.²

On February 2, 2007, the Midwest Independent System Operator (Midwest ISO or MISO) Reliability Coordinator declared Conservation System Operating Procedures for the entire MISO Reliability Coordination Area for February 4, 2007 through February 6, 2007, due to forecasted cold weather, expected transmission constrained conditions, and possible natural gas supply interruptions.

¹ Docket No. E-001/PA-05-1272.

² Id. at Ordering paragraph 8.

On February 4, 2007, FPLE shut down the Duane Arnold Energy Center for a planned refueling outage.

On February 22, 2007, the Department of Commerce (the Department) filed comments relating to FPLE's shut down for maintenance. The Department requested IPL to respond to questions regarding the shut down, including why a refueling outage would be planned during the winter peak season, noting that DAEC had previously been subject to a 24-month refueling schedule (which would have occurred at the end of March); and why the outage was not suspended in light of MISO's declared Conservation System Operating Procedures.

On March 5, 2007, IPL responded to the Department's comments.

On July 17, 2007, after investigation, the Department filed further comments, recommending that IPL be required to credit Minnesota customers some \$460,000 due to the unsupported timing of the DAEC outage. The Department also recommended that IPL be put on notice that it might be at risk for cost recovery at the time of its 2008 refueling at DAEC.

On August 27, 2007, IPL filed reply comments. IPL first questioned the statutory authority relied upon by the Department for the relief requested. The Company also argued that while the 2007 refueling occurred at a winter peak time, it was reasonable to do so as IPL is a summer peaking utility. IPL asserted that ratepayers have not been subjected to higher rates as the result of the sale of DAEC. Finally, the Company argued that the Department's estimate of replacement costs for a different outage time period is unreasonable and potentially overstates the actual replacement energy cost impact of the outage timing, as numerous events had an impact on the locational marginal pricing (LMP) that occurred at the time of the outage.

On October 4, 2007, the Commission met to consider the matter.

FINDINGS AND CONCLUSIONS

At the hearing on this matter, IPL asserted that the fuel replacement outage had been planned literally years in advance, and that FPLE had little flexibility in terms of scheduling by the time MISO declared its Conservation Operating Procedures on February 2, 2007. IPL further asserted that it did take action to hedge replacement costs. Finally, the Company argued that the facts presently before the Commission are inadequate to determine whether IPL should credit back the \$460 million dollars the Department calculated should be returned to Minnesota ratepayers.

The Department continued to question IPL as to the Company's decision to schedule an outage in January/February 2007. The Department also questioned why IPL didn't take more reasonable steps to obtain replacement power, rather than relying on locational marginal pricing (LMP) of the Midwest Independent System Operator's spot market. Finally, the Department argued that the Company was presenting for the first time information and arguments to which it had not had an adequate opportunity to evaluate and respond.

After discussion, the parties agreed to continue the prudence inquiry initiated, but to transfer it to

the Automatic Adjustment Docket, Docket No. GE-999/AA-07-1130. Such transfer will allow the Company the opportunity to answer the concerns raised by the Department regarding the February - March 2007 outage. IPL also agreed to address the prudence of the Company's currently scheduled plans to conduct another shut down of the facility in February 2008.

The Commission concurs that transferring the information from the current docket to the Automatic Adjustment docket will best work to promptly resolve this matter. The Commission will therefore take no action in Docket No. E-001/PA-5-1272, but directs the Company to make a supplementary filing in Docket No. G,E-999/AA-07-1130 as set forth herein.

ORDER

1. The Commission directs Interstate Power and Light Company to promptly make a supplementary filing in the automatic adjustment docket, Docket No. G,E-999/AA-07-1130, answering the concerns raised by the Department and the Commission regarding the prudence of the February 2007 Duane Arnold Energy Center outage and the Company's plans to conduct another shut down of this facility in February 2008, clarifying that the Company bears the burden of proof regarding the prudence of these actions.
2. The Commission transfers all the information from the current docket to the automatic adjustment docket, Docket No. G,E-999/AA-07-1130.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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