

The Commission met on **Thursday, July 19, 2012**, with Commissioners Jones Heydinger, Boyd, O'Brien, Reha and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

G-008/M-12-547

In the Matter of CenterPoint Energy's Request for a Variance to the Billing Error Rules

Commission Wergin moved that the Commission approve CenterPoint Energy's request for a variance to Minn. Rules, part 7820.4000 and a one-time modification to the Company's tariff.

The motion passed 5-0.

E,G-002/M-12-185

In the Matter of the Petition of Northern States Power Company for Approval of a Modification to SEP Tariff Rates, 2012 Project Eligibility, 2012 SEP Adjustment Factors, and 2011 SEP Compliance Filing

Commissioner Reha moved that the Commission: approve Xcel's proposed 2012-2013 SEP Rider Adjustment Factors, 2011 Annual SEP compliance filing, and proposed customer notice and tariff updates, with an August 1, 2012 effective date for implementation of the new rates; and require Xcel to file the following information in its next SEP Rider filing:

- a comparison by month for the past twelve months for which actual data is available of the actual electric and natural gas costs to the budgeted costs;
- specific to the Cast Iron Replacement Project:
 - cost per mile of the replacement, by subcategories, including the following subcategories and any others Xcel finds helpful:
 - Areas where Xcel Energy was able to coordinate with other construction work being done (cost per mile and total miles);
 - Areas where Xcel Energy was not able to coordinate with other construction work being done (cost per mile and total miles);
 - Areas where Xcel Energy converted from low-pressure to high-pressure pipe (costs per mile and total miles);
 - Areas where Xcel Energy did not convert from low-pressure to high-pressure pipe (cost per mile and total miles); and
 - Savings Xcel Energy was able to achieve due to not needing to install regulators or other equipment due to high-pressure pipe, along with supporting documentation for these avoided costs; and

- industry standards of costs per mile of installed pipe, preferably for the relevant subcategory (such as Handy-Whitman Index or other indices);
- areas where costs were higher than budgeted, the reasons for the higher costs, and any lessons learned about such circumstances; and
- areas where costs were lower than budgeted, the reasons for the cost savings, and any lessons learned about such circumstances

The motion passed 5-0.

G-007,011/M-12-362

In the Matter of a Request by Minnesota Energy Resources Corporation for Approval of its Proposed Winter Construction Charges

Commissioner Boyd moved that the Commission:

1. Approve the Department's revised tariff language concerning MERC's Winter Construction Charges in the 3rd Revised Sheet No. 9.06, as follows:

Winter Construction Charge: \$5.28 (7 County Metro), \$4.76 (out-state) per lineal foot;
Frost Charge: \$5.81 (7 County Metro), \$5.55 (out-state) per lineal foot.

Bell Holes: When it is necessary to use thawing devices in order to excavate the bell hole, or locate other utility crossings, there will be a one-time charge of \$264.03 regardless of the number of thawing devices required.

2. Approve an effective date of December 1, 2012; and
3. Require MERC, within 10 days of the Order issue date in the present docket, to submit a compliance filing including the relevant tariff sheets that comply with the Commission's determinations in this proceeding.

The motion passed 5-0.

G-008/M-12-166

In the Matter of the Petition Seeking Approval of an Extension of Rule Variances to Minnesota Rules, Parts 7825.2400, 7825.2500, and 7825.2700, to Recover the Costs of Certain Natural Gas Financial Instruments through the Purchased Gas Adjustment Clause

Commissioner Body moved that the Commission:

Grant, under Minnesota Rules 7829.3200, CenterPoint the necessary variance extensions to Minnesota Rules, parts 7825.2400, 7825.2500, and 7825.2700, to continue recovering hedging costs through its PGA, permitting recovery of hedging costs from

arrangements entered into from July 1, 2012 through June 30, 2016 with the following conditions recommended by the Department:

- Allow the variance to apply to all Commission-approved financial positions that CenterPoint enters into through June 30, 2016;
- Require an annual limit on hedging volumes of 26 Bcf;
- Require an overall limit on hedging volumes of 65 Bcf;
- Allow multi-year hedging contracts of up to 60 months in duration, with annual limits on volumes for years beyond 2016-17 of 13 Bcf;
- Require an annual limit on net option premiums of \$6.5 million, excluding premiums or reservation fees paid for daily call gas;
- Deny recovery of interest costs thru the PGA;
- Continue to allow CenterPoint to engage in put options in combination with call options to form a collar, but deny the Company's use of put options for any other reasons without specific Commission approval;
- Require CenterPoint to report data and follow the reporting requirements as detailed in Section II of CenterPoint's Petition;
- Require CenterPoint to include, in future variance requests, a ratepayer benefit analysis similar to what the Company provided in its response to informal Department discovery in this docket;
- Require CenterPoint to file, as compliance filing in this docket, a copy of its hedging plan each year once the plan has been approved for use by Company management; and
- Require CenterPoint to provide, on an annual basis, any, and all, input data, output data, and results associated with any statistical analyses (e.g., Monte Carlo simulation) used in the determination of its annual hedging strategy and risk analyses.

The motion passed 5-0.

G-008/GR-08-1075

In the Matter of an Application by CenterPoint Energy for Authority to Increase Natural Gas Rates in Minnesota

Commissioner O'Brien moved that the Commission:

1. Accept CenterPoint's second revenue decoupling and inverted block rate evaluation report.
2. Approve CenterPoint's March 1, 2012 revenue decoupling rate adjustments.
3. Accept CenterPoint's inverted block rate modification workgroup report, and direct CenterPoint to terminate the inverted block rate structure.
4. Require CenterPoint to submit a compliance filing within thirty days of the Commission's order with revised tariff language that implements the Commission's decision.
5. Authorize CenterPoint to combine the inverted block rate over/(under) gas-cost balances with the true-up/gas cost recovery factor of the purchased gas adjustment mechanism, effective September 1, 2012.

6. Authorize CenterPoint to discontinue the separate line-item on customer bills for the inverted block rate reconciliation factor, effective September 1, 2012.
7. Require CenterPoint to continue reporting separately its inverted block rate related gas cost recovery from its other gas-cost recovery in a manner similar to exhibits 2A through 2D in CenterPoint's September 1, 2010 Annual Automatic Adjustment Report in Docket No. G-999/AA-11-793.
8. Authorize CenterPoint to change its gas cost recovery factor, effective September 1, 2012, from one billing factor for all firm classes to separate gas cost recovery factors: one for the Residential class, one for the Commercial-A and Commercial/Industrial-B classes, and one for the Commercial/Industrial-C class, leaving the dual fuel gas cost recovery factors unchanged. Authorize CenterPoint to keep the gas cost recovery firm factors separate for two years, and then roll them back together, effective September 1, 2014, when the inverted block rate cost recovery should be completed.
9. Require CenterPoint, within 30 days of the date of the Commission's order, to submit a compliance filing with a proposal (including any required customer notices, bill inserts, bill messages, website communication materials, etc.) and revised tariff language implementing the decisions made in the Commission's order.

The Motion passed 5 – 0.

Chair Heydinger left the meeting and Vice Chair Reha presided when the Commission reconvened.

E-002/GR-10-971

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

Commissioner Wergin moved to deny the Office of the Attorney General's request for reconsideration.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: September 5, 2012



Burl W. Haar, Executive Secretary