

The Commission met on **Thursday, January 5, 2012**, with Chair Anderson and Commissioners Boyd, O'Brien, Reha, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

E-002/CN-08-185

In the Matter of the Application of Northern States Power, a Minnesota Corporation, for a Certificate of Need for the Monticello Nuclear Generating Plant Extended Power Uprate.

Commissioner Wergin moved that the Commission:

Notify the Company that the proposed in service date change is acceptable without recertification.

The motion passed 5-0.

E,G-002/S-11-1058

In the Matter of the Petition of Northern States Power Company for Approval of Capital Structure for Issuance of Long-Term and Short-Term Securities for 2012.

Commissioner Boyd moved that the Commission:

1. Approve NSP-MN's requested 2012 capital structure; this approval to be in effect until the 2013 Capital Structure Order is issued. Xcel shall file its next securities issuance petition no later than January 1, 2013.
2. Approve a ± 10 percent range around NSP-MN's common equity ratio of 52.3 percent (i.e., a range of 47.07 to 57.53 percent).
3. Approve NSP-MN's short-term debt issuance not to exceed 15 percent of total capitalization at any time while the 2012 Capital Structure is in effect.
4. Approve NSP-MN's total capitalization contingency of \$477 million (i.e., a total capitalization of \$8,250 million, including the \$477 million).
5. Continue the variance authorizing NSP-MN to enter into multi-year credit agreements and issue associated notes thereunder, but require NSP-MN to also continue to report on its use of such facilities, including:

- How often they are used;
- The amount involved;
- Rates and financing costs; and
- The intended uses of the financing.

6. Approve NSP-MN's request to issue securities provided that the Company remain within the contingency ranges or does not exceed them for more than 60 days.

7. Require NSP-MN to obtain the Commission's preapproval of any issuance expected to result in the Company remaining outside the contingency ranges for more than 60 days.

8. Approve NSP-MN's flexibility to use risk-management instruments that qualify for hedge accounting treatment under ASC No. 815.

9. Require, in its next capital structure filing, NSP-MN to include an exhibit providing a general projection of capital needs, projected expenditures, anticipated sources, and anticipated timing, with the understanding that such exhibit is not intended to require dollar-for-dollar on the uses identified in the exhibit or to limit issuances to project specific financing. The exhibit need not list short-term, recurring security issuances.

10. Require, in its next annual capital structure filing, NSP-MN to include a report of actual issuances and uses of the funds from the prior year. The report will be for information purposes only and need not cover short-term recurring security issuances.

11. Require, within 20 days of each non-recurring security issuance, NSP-MN to file for informational purposes only an after-the-fact report providing the following information: 1) the type of security issued; 2) the total amount issued; 3) the purpose of the issuance; 4) the issuance cost associated with the security issuance; and 5) the total cost of the security issuance, including details such as interest rate or cost per share of common equity issued.

The Commission agrees with and adopts the recommendations of the Department of Commerce.

The motion passed 5-0.

G-004/CI-11-1110

In the Matter of an Investigation of the Earnings Level of Great Plains Natural Gas Company, Division of MDU Resources Group, Inc.

Commissioner Boyd moved that the Commission:

1. Within 180 days of the date of this Order, Great Plains shall initiate a rate proceeding under Minn. Stat. § 216B.16.
2. The Commission is not satisfied that all significant factual issues with respect to the reasonableness of Great Plains' rates have been resolved.

3. Great Plains, the Minnesota Department of Commerce (Department), and other interested parties are encouraged to engage in settlement discussions.
4. Great Plains shall file a report on the status of settlement discussions within 30 days of the date of this Order. Great Plains shall file an updated report on the status of settlement discussions within 60 days of the date of this Order.
5. The Department and other interested parties are encouraged to file a report on the status of settlement discussion within 30 days of the date of this Order. The Department and other interested parties are also encouraged to file an updated report on the status of settlement discussions within 60 days of the date of this Order.

The motion passed 5-0.

TELECOMMUNICATIONS AGENDA

P-405/AR-11-562

In the Matter of Frontier Communications of Minnesota's Proposal to Join an Existing AFOR Plan of its Corporate Affiliate Citizens Telecommunications of Minnesota

Commissioner Wergin moved to approve Section IV.I of the Alternative Form of Regulation (AFOR) Plan proposed by Frontier Communications of Minnesota (Frontier) on October 11, 2011 as follows:

In the event the Minnesota Public Utilities Commission mandates a reduction in the access charges Frontier may petition the Commission with a proposal to offset the revenue losses. The Commission may accept, reject or modify any such proposal. There is no obligation on the part of the Commission to approve an offset.

Nothing in this AFOR plan precludes Frontier from implementing any federally mandated or authorized changes related to access charges.

The motion passed 5 – 0.

Commissioner O'Brien left the meeting.

Commissioner Wergin moved to approve the proposed AFOR Plan Appendix C --

1. Modifying page 7 as follows:

. . . if consumer demand is established through 20 or more web-based inquiries and/or complaints, the reasonableness of consumer demand will be determined by analyzing whether the extension of such service will have a positive net present value within ~~42~~ 60 months.

2. Modifying page 6 as follows:

~~To the extent the Commission requires a net reduction in Frontier's intrastate access rates and revenues, Frontier will not be obligated, and may not be able, to fulfill the commitments listed above.~~

3. Adding language stating that twice each year Frontier shall make a compliance filing reporting data, disaggregated by exchange, to estimate --
 - A. The cost of extending broadband service to 95% of customers (and the transmission speeds assumed in the definition of "broadband").
 - B. The feasibility of extending broadband service to 95% of customers, and relevant factors to consider.
 - C. Opportunities for funding extension of broadband service to 95% of customers.
 - D. Frontier's progress in extending broadband service to 95% of customers -- identifying the numbers of customers served at each level of transmission speed -- in light of federal and state broadband deployment goals.

4. Adding the following language:

Frontier would file an updated investment plan with the Commission by October 1, 2012, addressing any changes or expansion of its investment plans for 2013 and 2014.

The motion passed 4 – 0.

Commissioner Wergin moved to approve the following portions of the proposed AFOR Plan --

1. Changing the title page as follows:

~~*REVISED ALTERNATIVE FORM OF RETAIL REGULATION PLAN FOR THE STATE OF MINNESOTA*~~

2. Changing the Table of Contents as follows:

~~*VII. APPLICABILITY OF STATE AND FEDERAL LAW.....12*~~
~~*A. Applicability of Federal Law.....12*~~
~~*B. Applicability of State Law.....12*~~

3. Changing page 1 as follows:

Frontier Communications of Minnesota, Inc. ("Frontier") shall be subject to an alternative regulation plan in Minnesota as set forth in this Revised AFOR Plan ("Plan" or "AFOR Plan") on the AFOR Plan Effective Date. The elements of the Plan are set forth in detail in the following sections.

Since 1996, the telecommunications industry in Minnesota has been ~~in the~~ process of making the transitioning to a vibrant, aggressively competitive marketplace characterized by customer choices in price, service offerings,

technology and providers. Competition ~~is emerging~~ has emerged from ~~an array of~~ communications providers that use various technologies to deliver local telephone service including competitive local carriers, cable companies, voice over internet protocol (VOIP), and wireless companies. The Plan is intended to allow consumers to enjoy the benefits of the competitive marketplace at affordable and equitable rates and with a quality of service consistent with Commission rules; to facilitate telecommunications alternatives; and to provide a regulatory environment with greater flexibility.

Commissioner Reha proposed amending the motion to omit the first paragraph above.

Commissioner Wergin declined the amendment.

Commissioner Wergin moved to approve the following additional portions of the proposed AFOR Plan --

4. Adopting proposed AFOR Plan Section II.
5. Adopting proposed AFOR Plan Section III.A.

Chair Anderson proposed amending the motion at 5. to modify Frontier's proposed language as follows:

III. PRICE AND SERVICE QUALITY REGULATION

A. Alternative Regulation.

Frontier's retail services are ~~is~~ not subject to rate of return regulation or earnings investigations pursuant to sections 237.075 or 237.081 of Minnesota Statutes during the term of the Plan.

Nothing in this section limits the Commission's jurisdiction or authority over Frontier's wholesale services.

Commissioner Wergin accepted the amendment.

Commissioner Wergin moved to approve the following additional portions of the proposed AFOR Plan --

6. Amending proposed AFOR Plan Section III.C. as follows:

The Plan shall be adopted pursuant to the requirements of Minn. Stat. § 237.766, subd. 4, and will continue for a period of three (3) years (36 consecutive months) from the Plan Effective Date.

Pursuant to Minn. Stat 237.766, subd 1, within six months prior to the termination of the Plan, Frontier shall file with the Commission notice that it proposes a new plan, extend the existing plan, or revert to rate of return regulation.

~~At the election of the Company, this Plan shall be renewable for one (1) additional year, for a potential total Plan duration of four (4) years. No later than six months prior to the termination of the Plan, Frontier shall file with the Commission notice that it will exercise its right to extend the Plan for one year, propose a new plan, or revert to rate of return regulation.~~

~~If Frontier notifies the Commission that it intends to propose a new plan, interested parties shall have such time as the Commission shall designate to file comments on the proposal submitted by Frontier.~~

~~If Frontier notifies the Commission that it intends to renegotiate the Plan, interested parties shall have such time as the Commission shall designate to file comments on the proposal submitted by Frontier. The Commission shall establish such procedures as it deems necessary to make a determination on the proposal pursuant to Minn. Stat. § 237.61. If the Commission rejects or modifies Frontier's proposal in a manner that is unacceptable to Frontier, Frontier may permit the Plan to expire according to its terms and shall be regulated pursuant to applicable Minnesota Statutes and Commission Rules then in effect.~~

7. Adopting proposed AFOR Plan Section IV.A.1.b.
8. Amending proposed AFOR Plan Section IV.B.1. as follows:

The "Regulated Price" of a service is the price of the service on the effective date of this Plan. Frontier may, on its own initiative, reduce the rate for a price-regulated service below the Regulated Price and may subsequently increase those prices of price-regulated services that had been reduced at Frontier's initiation up to the Regulated Price without Commission approval. The rates or prices may not be reduced below the Total Service Long Run Incremental Cost of providing service.

9. Amending proposed AFOR Plan Section IV.B.1.a. to adopt language authorizing Frontier to raise the cap on monthly rates for one-party basic local residential service (R1), on installation or service restoration associated with one-party basic local residential service (R1), and on one-party basic business service (B1) by \$1 during the plan's third year.

Chair Anderson proposed amending the motion to prohibit increasing the price cap during any plan extension.

Commissioner Wergin accepted the amendment.

Commissioner Wergin moved to approve the following additional portions of the proposed AFOR Plan --

10. Amending proposed AFOR Plan Section IV.B.1.c. as follows:

In the event Frontier proposes a price increase above the Regulated Price of a Price-Regulated Service, the proposal shall be supported by affirmative evidence, if a Any interested person or the Commission has reason to believe that the

~~proposed increase is inconsistent with the practices of other telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services, the interested person may file an objection with the Commission, or the Commission on its own motion, may act within 30 days of the notice. In its objection, the interested person or the Commission shall specify facts demonstrating the manner in which Frontier' proposal is significantly inconsistent with the same or similar prices of any telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services violates state law or Commission rules or is otherwise not in the public interest. If, after receipt of a valid objection or upon its own motion, the Commission within 120 days of the date of notice makes specific findings based on substantial evidence demonstrating that Frontier' proposal is significantly inconsistent with the same or similar prices of other providers of similar services violates state law or Commission rules or is otherwise not in the public interest, it may disapprove the requested increase or approve a lesser increase. If the Commission does not make such a determination within 120 days, the proposal shall be deemed approved. If no objection is filed or the Commission on its own motion does not act within 30 days of Frontier' filing, the price increase(s) shall be deemed approved. Frontier may not increase the price of a price-regulated service if it has not demonstrated substantial compliance with the quality of service standards set forth in the plan.~~

~~Frontier will not initiate any revenue neutral price changes during the term of the AFOR except as specified in this Plan. Nor shall the Commission mandate any price decreases during the term of the AFOR except as specified in this Plan. Frontier shall be permitted to institute rate changes as provided in Minnesota Statute section 237.762, subd. 5.~~

11. Adopting proposed AFOR Plan Section IV.B.3.

12. Amending proposed AFOR Plan Section IV.C.2.c. as follows

~~In the event Frontier proposes a price increase to a flexibly-priced service, if any interested person has reason to believe that the proposed increase is inconsistent with the practices of other telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services, the interested person may file an objection with the Commission or the Commission on its own motion may act within 20 days of the notice. In its objection, the interested person or the Commission shall specify facts demonstrating the manner in which Frontier' proposal is significantly inconsistent with the same or similar prices of any telecommunications carriers including CLECs, telephone companies, cable providers, wireless providers and any other provider including providers of VOIP services include the manner in which Frontier's proposal violates state law or Commission rules or otherwise is not in the public interest. If, after receipt of a valid objection, the Commission within 120 days of the date of notice makes specific findings based on substantial evidence demonstrating that Frontier' proposal is significantly inconsistent with the same or similar prices of other~~

~~providers of similar services violates state law, or Commission rules or is otherwise not in the public interest, it may disapprove the requested increase or approve a lesser increase. If the Commission does not make such a determination within 120 days, the proposal shall be considered approved. If no objection is filed within 20 days of Frontier' filing, the price increase(s) shall be deemed approved.~~

13. Amending proposed AFOR Plan Section IV.C.3 as follows:

~~The Commission shall reclassify a flexibly-priced service as a non-price regulated service when the Company submits documentation demonstrating that the requirements of pursuant to Minn. Stat. § 237.761, subd. 5 are met by demonstrating that there are two other communications providers providing the same or functionally equivalent service and that the service is actually available and being used by customers.~~

14. Adopting Proposed AFOR Plan Section IV.C.4.

15. Adopting Proposed AFOR Plan Section IV.F.

Chair Anderson proposed amending the proposed language as follows:

Except to the extent Frontier has already established non-uniform rates within its exchanges prior to the effective date of this Plan, Frontier shall charge uniform rates for local services within its exchanges. However, Frontier may offer special pricing arrangements on the same regulatory terms and conditions that apply to competitive local exchange carriers as set forth in Minnesota Rule 7812.2210, subpart 5. The customer contracts for services priced with special pricing arrangements are not required to be routinely filed, but shall be provided to the Commission, the Department or the OAG upon request. Each service offering with special pricing arrangements must be identified in the tariff and contain the rules and conditions for which special pricing may be offered. To the extent prohibited by federal or state law or the Commission, Frontier shall not give preference or discriminate in providing services, products, or facilities to an affiliate or to its own or an affiliate's retail department that sells to consumers.

Commissioner Wergin accepted the amendment.

Commissioner Wergin moved to further amend the proposed language as follows:

Except to the extent Frontier has already established non-uniform rates within its exchanges prior to the effective date of this Plan, Frontier shall charge uniform rates for local services within its exchanges. However, Frontier may offer special pricing arrangements on the same regulatory terms and conditions that apply to competitive local exchange carriers as set forth in Minnesota Rule 7812.2210, subpart 5, section (a) and (b), and other applicable law. The customer contracts for services priced with special pricing arrangements are not required to be routinely filed, but shall be provided to the Commission, the Department or the

OAG upon request. Each service offering with special pricing arrangements must be identified in the tariff and contain the rules and conditions for which special pricing may be offered. To the extent prohibited by federal or state law or the Commission, Frontier shall not give preference or discriminate in providing services, products, or facilities to an affiliate or to its own or an affiliate's retail department that sells to consumers.

16. Adopting proposed AFOR Plan Section IV.H.

17. Amending proposed AFOR Plan Section VII. as follows:

~~A. Applicability of Federal Law.~~

~~The requirements of Federal Law, including but not limited to the Telecommunications~~

~~Act of 1996, shall apply to Frontier except as otherwise stated in this Plan.~~

~~B. Applicability of State Law.~~

~~The requirements of state law, including but not limited to Minnesota Statutes Chapter 237, Commission Rules, and Commission Orders shall apply to Frontier including Minn. Stat. §§ 237.121, 237.12, 237.162, 237.163, 237.52, 237.70, 237.701, 403.11, 237.66, 237.661 and 237.663, except as stated otherwise in this Plan.~~

18. Adopting the following policies:

- A. This Plan is effective at 12:00 midnight on March 1, 2012 (the "Plan Effective Date").
- B. The terms of this amended Second Revised Alternative Form of Retail Regulation Plan shall not become effective unless by February 29, 2012, Frontier states its acceptance of these terms and files a) a final revised AFOR Plan as modified by the Commission, and b) a red-lined copy showing the specific modifications directed by the Commission.

Commissioner Wergin retracted part 18 of the motion.

The amended motion passed 4 – 0.

Commissioner Wergin again moved to adopt the following policies:

- 1. This Plan is effective at 12:00 midnight on March 1, 2012 (the "Plan Effective Date").

2. The terms of this amended Second Revised Alternative Form of Retail Regulation Plan shall not become effective unless by February 29, 2012, Frontier states its acceptance of these terms and files a) a final revised AFOR Plan as modified by the Commission, and b) a red-lined copy showing the specific modifications directed by the Commission.

The motion passed 4 – 0.

Chair Anderson moved to amend the language at the proposed AFOR Plan Section IV.H. as follows:

The Commission ~~may~~ shall, upon petition, grant recovery of any Exogenous Change through the associated rate including price-regulated rates.

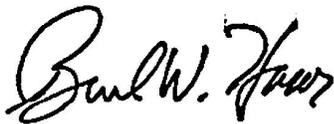
The motion passed 4 – 0.

Chair Anderson moved to further amend the proposed AFOR Plan Section IV.H. to provide for the Commission to establish a process for addressing the Exogenous Change petitions and permitting members of the public to be heard consistent with due process.

The motion passed 4 – 0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: April 11, 2012



Burl W. Haar, Executive Secretary