

The Commission met on **Tuesday, November 9, 2010**, with Chair Boyd and Commissioners Pugh, O'Brien, Reha, and Wergin present.

The following matters came before the Commission:

## **ENERGY AGENDA**

### **G-002/GR-09-1153**

#### **In the Matter of the Application of Northern States Power Company, a Minnesota Corporation, for Authority to Increase Rates for Gas Service in Minnesota**

Commissioner Wergin moved that the Commission

1. accept the ALJ's recommendations except where overridden by Commission decisions below;
2. adopt the following position of the SRA regarding relocation capital expenditures:

\$6,652,000 when adjusted historical average for only 2006-2009 of \$1,002,000 is added to the \$5,650,000.
3. regarding O&M materials expense, adopt the OES and revised Company amount of \$4,156,096.
4. regarding O&M Expense—Contract Outside Vendor, adopt the OES and revised Company amount of \$1,645,596;
5. regarding Employee Compensation—Annual Incentive Pay, allow full recovery of Xcel's proposed AIP of \$927,855 provided that the Company continue the current practice of returning to the rate payers any portion of the AIP that is not dispersed to employees;
6. regarding Xcel Foundation Administrative Expenses, deny cost recovery of administrative expenses;
7. regarding change in tax law related to medicare Part D, authorize Xcel to defer cost recovery of Medicare Expense Cost to allow for more time for proper evaluation of the Health Care Reform legislation until Xcel's next rate case;
8. regarding bad debt expense, accept the OES ( ALJ) recommendation of \$4,200,879 and direct Xcel and parties to explore in the Company's pending electric rate case alternate methods for assignment of bad debt amounts as they relate proportionately to gas and electric bad debt;
9. regarding the sales forecast, use the Company's proposed sales forecast, as modified by the OES, and substituting weather-normalized actual sales for the first four months of the test year;
10. approve Xcel's final capital proportions;
11. approve 1.36% as the cost of short-term debt;

12. accept Xcel Energy's proposed Class Cost of Service Study (CCOSS) as the starting point for designing rates;

13. regarding class revenue allocation, accept Xcel's amendment to the Administrative Law Judge Finding #310:

If the Commission determines that a lower revenue requirement than Xcel's requested \$9.924 million is appropriate, the approved revenue requirement should be apportioned using the percentages shown in the table "Summary of NSPM's Proposed Revenue Apportionment" above as a guide. The Company shall in its compliance filing provide a proposed class allocation that holds revenue from the negotiated transportation and generation transportation classes constant and include the five rate design features referenced in subparagraphs (a) through (e) immediately above.

14. regarding customer charges (other than Residential and Small Commercial), accept the customer charges agreed to by the Company and the OES (excluding residential and small commercial customer charges) and require that Xcel provide an analysis in its next rate case regarding the appropriate balance of setting customer charges and distribution charges at levels higher than the CCOSS indicates for such costs when a customer class is apportioned revenue responsibility that is higher than the CCOSS indicates;

15. regarding the residential customer charge, approve a \$9.00 residential customer charge. (OES);

16. regarding the Small Commercial Class Customer Charge, approve an increase to the small commercial class customer from \$20.30 to \$25.00;

17. regarding general housekeeping and compliance filings,

A. State that the final order in this docket shall include a set of financial summaries for Xcel that includes: a schedule showing the calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, and a gross revenue deficiency calculation. Direct the parties to work with Commission staff to prepare such schedules for inclusion in the Order, should modifications be necessary to reflect the Commission's final decision.

B. Require Xcel to make the following compliance filings within 30 days of the date of the final order in this docket:

1. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:

a. Breakdown of Total Operating Revenues by type.

b. Schedules showing all billing determinants for the retail sales of gas. These schedules shall include but not be limited to:

- i. Total revenue by customer class.
    - ii. Total number of customers, the customer charge and total customer charge revenue by customer class.
    - iii. For each customer class, the total number of energy and demand related billing units, the per unit energy and demand related cost of energy, and the total energy and demand related sales revenue.
  2. Revised tariff sheets incorporating authorized rate design decisions.
  3. Proposed customer notices explaining the final rates, and the monthly basic service charge.
  4. A revised base cost of gas to be put into effect with final rates, supporting schedules, and revised fuel clause tariffs.
  5. A calculation of the CIP CCRSs based on the decisions made herein and schedules detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
  6. Copies (revised as necessary) of all standard customer service agreements and contracts for inclusion in Xcel's tariff book.
  7. A proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers.
- C. Authorize comments on all compliance filings within 15 days of the date they are filed.
18. direct Xcel to disclose in all future rate case filings if the utility has elected a rate recovery method alternative to a FASB pronouncement in reliance on FAS 71.

The motion was adopted, 5-0.

Commissioner Wergin moved that the Commission set the cost of common equity at 10.09 percent.

The motion was adopted, 5-0.

Commissioner Wergin moved that the Commission approve an overall rate of return of 8.28 percent.

The motion was adopted, 5-0.

Commissioner Wergin moved that the Commission take the following action regarding the rate case expense recovery (amortization) period: adopt a four year recovery period (OES position) and direct the Company to defer any amounts recovered for rate case expenses after the amortization period and credit those amounts against the revenue requirement in the next rate case.

The motion was adopted, 5-0.

**ET-2/RP-08-784**

**In the Matter of Great River Energy's 2008 Resource Plan**

Commissioner O'Brien moved to take the following actions:

1. Find that the Commission has the authority to explore an exemption under Minn. Stat. § 216H.03, subd. 7(3), but determine that since no party has specifically presented evidence that Spiritwood be granted an exemption nor requested an exemption, the Commission will not explore an exemption any further at this time.
2. Direct staff to assign a new docket number to GRE's proposed carbon dioxide offset plan and take other administrative actions necessary to separate the offset plan from the integrated resource plan.
3. Do not refer GRE's proposed carbon dioxide offset plan to the Office of Administrative Hearings at this time. Direct staff to issue a notice of comments soliciting substantive comments on GRE's proposed offset plan, after staff consults with the parties on timing issues.
4. Accept GRE's resource plan without approving it, close this docket, and require GRE to file its next resource plan by November 1, 2012.

The motion passed 5-0.

**ET-2/TL-10-86**

**In the Matter of the Route Permit Application for the Potato Lake 115-kV Transmission Line and Substation in Park Rapids, Minnesota**

Commissioner O'Brien moved to take the following actions:

Approve and adopt the Findings of Fact, Conclusions of Law and Order submitted by the Energy Facility Permitting Staff, as amended by the Errata Sheet submitted by that staff, which

1. determines that the environmental assessment and record created at the public hearing address the issues identified in the environmental assessment scoping decision; and

2. approves Route A for the construction of the transmission line; and
3. issues a high-voltage transmission line route permit, with appropriate conditions, to Great River Energy, amended as follows:

Section 5.1 on Page 16 of the Draft Order should read:

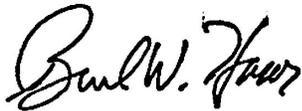
5.1 Avian Mitigation Plan for Potato River Crossing

The Applicant shall prepare an Avian Mitigation Plan to identify potential issues that may pose a risk to avian species or their habitats ~~specific to~~ at the Potato River crossing and other public waters along the route. The Permittee will develop strategies in an Avian Mitigation Plan that will be implemented to avoid or minimize impacts to birds or their habitats at these crossings. ~~Among other elements, the Plan shall require the applicant~~ Permittee to use large swan type bird diverters. The Permittee shall coordinate the number and spacing of the diverters with the Minnesota Department of Natural Resources (MnDNR). The Permittee is to consult with the ~~Minnesota Department of Natural Resources (MnDNR)~~ and the U.S. Fish and Wildlife Service (USFWS) in developing the Plan. The Avian Mitigation Plan will be submitted to the Commission for approval with the Plan and Profile for the Project.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: NOVEMBER 24, 2010**



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**Burl W. Haar, Executive Secretary**