

The Commission met on **Thursday, March 29, 2012**, with Vice Chair Reha and Commissioners Boyd, O'Brien, and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

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

Block Motion

Commissioner Wergin moved to take the actions set forth below:

1. *Stipulation and Settlement* – Approve the Stipulation and direct that categories of expenses that the Commission disallowed in the 08-1065 Xcel Electric rate case, including but not limited to Xcel Foundation costs and unamortized rate case expenses; the \$7.5 million adjustment for employee compensation and benefits reflected in the Stipulation; and other appropriate adjustments under Minn. Stat. § 216B.16, subd. 3, be excluded from interim rates in the Company's next electric rate case.

2. *Bonus Depreciation* – Xcel must establish a reporting and tracker mechanism for the deferred taxes generated by the bonus depreciation established at the time of this rate case filing. Require Xcel to make an annual filing detailing its utilization of the tax benefit until the tax benefit is fully realized.

3. *Rate Case Expense* – The Company shall return any over-recovery of rate case expense if the collection continues beyond the two-year amortization period by crediting the revenue requirement in its next rate case.

4. *Class Cost of Service Study* –

- a. Determine that although a CCOSS is not precise, it can be a useful tool for setting rates.
- b. Make no specific determination regarding the appropriate ROR for various rate classes in a CCOSS.
- c. Determine that the actual hourly marginal costs and customer loads at the margin drive average costs, therefore use of the E8760 allocator is appropriate.
- d. Adopt the Company's position regarding demand related costs and maintain the allocation methods currently used by Xcel in its CCOSS.

e. Adopt the Company's recommendation and functionalize step-up transformers as generation.

f. Determine that the Company appropriately allocates other production O&M expenses as 15% demand related and 85% energy-related.

5. *Interruptible Service Discounts* –

a. Adopt Xcel's clarification to proposed finding 483. (See p. 27 of briefing papers)

b. Determine that Xcel is appropriately treating interruptible service discounts.

6. *Chamber of Commerce's Concerns with Class Cost of Service Study* –

a. Determine that the Company is treating company-owned wind resources appropriately.

a. Adopt the Chamber's recommended modifications to the ALJ's proposed finding 307.

b. Adopt the Company's recommended modifications to the ALJ's proposed finding 306.

7. *Overall Class Cost of Service Study* –

a. Adopt Xcel's recommended modifications to the ALJ's proposed finding 461.

b. Adopt Xcel's final CCOSS.

8. *Class Revenue Allocation* – Adopt the ALJ recommendation to approve the use of DOC's proposal for revenue allocation, including the DOC's proposal to use the class revenue allocation percentages by applying these to the final revenue requirement to determine the percentage of the revenue requirement to allocate to each class under a reduced revenue requirement.

9. *Customer Charges* –

a. Adopt the ALJ Findings on the issue of Customer Charges and approve Xcel's proposed increase to Residential class customer charges.

b. Adopt Xcel's proposed increases to the C&I Non-Demand class customer charges.

c. Do not require Xcel as part of its next rate case filing to evaluate low-income customers with very low usage to determine if there is a significant number who may be adversely affected by an increase in the monthly charge.

10. Stipulated Rate Design Issues –

a. Based on ALJ’s Finding 450 that the rate design issues incorporated in the Stipulation are fair and reasonable, adopt the stipulated rate design issues contained in the Stipulation, Section F – Rate Design of the Stipulation and Settlement Agreement.

b. Adopt Xcel’s proposed correction to ALJ Finding 306.

11. Interruptible Service – Adopt Xcel’s proposed changes to Interruptible Service, including tariff language changes, the interruptible discounts agreed to in the Stipulation, and Xcel’s current application of the Interruptible Performance Factor.

12. C&I Demand Voltage Discounts – Adopt the C&I Demand voltage discounts for demand and energy proposed by Xcel in Rebuttal Testimony (Exhibit 82).

13. C&I Firm Demand-Metered Service – Adopt Xcel’s proposed changes to the C&I Demand-Metered firm demand and energy charges, including the Energy Charge Credit agreed to in the Stipulation.

14. Small Municipal Pumping Rate Differential – Adopt Xcel’s proposal to eliminate the energy rate differential between Small General Service and Small Municipal Pumping Service, by increasing the Small Municipal Pumping Service rate.

15. Demand-Metered Municipal Pumping Service – Adopt Xcel’s proposed changes to the Demand-Metered Municipal Pumping Service, including the Agreement between Xcel and the SRA on Demand Metered Municipal Pumping Service attached to Mr. Huso’s Surrebuttal Testimony as Schedule 1.

16. Distributed Generation Tariff –

a. Adopt Xcel’s proposed changes to the Company’s DG tariffs, including the stipulated agreements on DG and Large Solar Facilities contained in Section F. of the Stipulation.

b. Require Xcel to file with the DOC and the Commission the results from its study of load profiles of Large Solar Facilities required under Section F (2) of the Stipulation.

c. Adopt the modification to ALJ Finding 317 as proposed by MCC.

17. Windsource Program –

a. Adopt Xcel’s proposal for a Windsource Program annual cost recovery true-up mechanism and tracker account. The true-up mechanism will be effective upon approval of the compliance rates in the current rate case. The Company’s first annual true-up report seeking a true-up and potential change to the Windsource rate should be filed on November 1, 2012 and each November 1 thereafter in the Windsource Program Docket No. E-002/M-01-1479.

b. Past program cost recovery

- Allow the Company to use a cost tracker account and true-up recovery mechanism for Windsource Program costs incurred in calendar year 2011.
- Allow the Company to use a cost tracker account and true-up recovery mechanism for Windsource Program costs incurred beginning in calendar year 2012.

c. Deny Xcel's request to apply a carrying charge to the new cost tracker account

18. Windsource Supply Options – Adopt the ALJ recommendation to approve supply Option 4, which will maintain the Windsource rate at \$3.53 per 100 kWh block through 2012. (Note: Xcel and the DOC have resolved the issue of the capacity charge credit.)

19. Agreement on RECs Used to meet Windsource Demand – Adopt the agreement between Xcel and the DOC that any RECs used to satisfy the Company's Windsource obligations comply with applicable statutory, Commission, and DOC certification requirements.

20. Customer Survey Regarding the Use of RECs to Meet Windsource Demand – Require Xcel to complete a study of price sensitivity and customer understanding of market REC purchases versus the use of higher priced new or incremental wind energy for the Windsource Program, as proposed by the DOC and outlined by Xcel witness Mr. Zins in Rebuttal Testimony. The study should be filed no later than November 1, 2012 in both the rate case Docket No. E-002/GR-10-971 and in the Windsource Program Docket No. E-002/M-01-1479.

21. Resolved, Stipulated, and Agreed to Issues – Adopt the resolution of the rate design issues listed below, as resolved, stipulated and agreed to by the parties:

1. Classification of Customers
2. Conservation Improvement Program
3. Dedicated Switching Charges
4. Demand-Metered Municipal Pumping Service
5. Distributed Generation Tariff
6. Energy Charge Credit
7. Energy-only Lighting
8. Excess Footage Charges
9. Interruptible Service Tariff Language
10. Modified FCA Tariff
11. Service Charges
12. Large Solar Facilities
13. Standby Service
14. Winter Construction Charges

22. Step-In Rates Implementation – Adopt ALJ Finding 262 and the Step-In Rates Implementation Plan as agreed to by the parties and outlined by the DOC in its Brief (p. 181).

Specifically, the 2012 Step-In Rates will be implemented using 2011 billing determinants as calculated for the Step-In Rates in Xcel's Revised Financial Schedules, filed March 5, 2012.

23. ALJ's Report – Adopt the ALJ's Report and recommendations except as otherwise decided.

24. General Housekeeping Issues – State that the final order in this docket shall contain summary financial schedules including: a calculation of Xcel's authorized cost of capital, a rate base summary, an operating income statement summary, a gross revenue deficiency calculation, and a statement of the total allowed revenues. Direct 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.

25. General Compliance Issues – Require Xcel to make the following compliance filings within 30 days of the date of the final order in this docket:

a. 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:

- i. Breakdown of Total Operating Revenues by type;
- ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of electricity. These schedules shall include but not be limited to:
 1. Total revenue by customer class;
 2. Total number of customers, the customer charge and total customer charge revenue by customer class; and
 3. For each customer class, the total number of energy and demand related billing units, the per unit energy and demand cost of energy, and the total energy and demand related sales revenues.
- iii. Revised tariff sheets incorporating authorized rate design decisions;
- iv. Proposed customer notices explaining the final rates, the monthly basic service charge, and any and all changes to rate design/billing.

b. A revised base cost of energy, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.

c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.

d. Direct Xcel to file a computation of the CCRC based upon the decisions made herein for inclusion in the final Order. Direct Xcel to file a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment 20 Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.

e. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers.

Authorize comments on all compliance filings within 30 days of the date they are filed. However, comments are not necessary on Xcel's proposed customer notices.

The motion passed 4-0.

Motion on MISO Resource Adequacy Construct

Commissioner Boyd moved to require the Company to provide a quantitative cost benefit analysis of any requested cost changes if MISO implements its proposed resource adequacy construct. (The Company agreed to this requirement.)

The motion passed 4-0.

Motion on Petition to Reduce Interim Rates

Commissioner O'Brien moved to take the following actions:

A. Accept Xcel's voluntary, conditioned request to reduce interim rates to an annualized level of \$72,851,000, with a 4.49% interim rate factor on customer bills, effective on bills rendered on and after May 1, 2012.

B. Approve the Company's proposed bill message on page 6 of its February 6, 2012 filing to be included on the first bill for which the new lower interim rates are effective; and

C. Direct the Company to file revised tariff pages reflecting the Commission's decision herein within 10 days of the date of the Order.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: May 9, 2012



Burl W. Haar, Executive Secretary