

The Commission met on **Tuesday, January 11, 2011**, with Chair Boyd, and Commissioners O'Brien, Pugh, Reha and Wergin present.

The following matters were taken up by the Commission:

ENERGY AGENDA

G-011/M-10-407

In the Matter of a Petition by Minnesota Energy Resources Corporation-PNG for Approval of its 2009 CIP Tracker Account, DSM Financial Incentive, and CIP Adjustment Factor

G-007/M-10-409

In the Matter of a Petition by Minnesota Energy Resources Corporation-NMU for Approval of its 2009 CIP Tracker Account, DSM Financial Incentive, and CIP Adjustment Factor

Commissioner O'Brien moved to take the actions set forth below:

I. Large Energy Facility Exemption under §216B.16, subd. 6b (c)

- A. Require MERC to make a filing addressing the items listed below within 30 days of the date of the Order:
 - 1. What process should be used to verify that a customer is eligible for the exemption?
 - 2. From what point in time should each existing eligible customer's rates be reduced to eliminate the collection of CIP-related costs? Should the reduction be retroactive to January 1, 2008?
 - 3. Should rates for these customers be adjusted to recover 2006 and 2007 CIP-related costs? If so, how?
 - 4. Should each eligible customer's rates be recalculated to eliminate the CCRC currently built into base rates? If so, how?
 - 5. Should MERC be allowed to collect any of the "foregone" CCRC and CCRA revenues it would have received from the exempt customers from other customers? If so, how, from whom, and for what time period?
- B. Make a provisional determination that LSP-Cottage Grove is eligible for the statutory exemption and set the following requirements:
 - 1. Direct MERC to stop charging the CCRA to LSP-Cottage Grove effective with the February 2011 bill;

2. Direct MERC to refund CCRA amounts collected since November 1, 2010 no later than March 31, 2011;
3. Specify the condition that LSP-Cottage Grove would be subject to any requirements subsequently developed in this docket;
4. Require MERC to make a compliance filing by April 29, 2011 that clearly shows the amounts of the refund to this customer and related MERC accounting criteria.

II. Stay/Suspension of the CCRA

- A. Require MERC to make a filing addressing the items below within 45 days of the date of this Order:
 1. For each customer: the customer name; the rate class, subclass/subgroup if applicable, and rate area; actual 2010 volumes, the applicable per therm rate, and the annual impact of the CCRA on the customer's annual bill.
 2. Identification of any of these customers who have directly participated in MERC CIP projects in 2006-2010 and a brief description of the projects.
 3. A specific proposal for how MERC would track the revenues that would have been collected via the CCRAs from all identified customers during the suspension period and how MERC would assure that no carrying charges are applied to these balances;
 4. A specific refund and compliance reporting plan;
 5. A discussion of stay/suspension alternatives, including applying the stay only to specific customers who have the ability to bypass in the near term and applying the stay to the same group of large customers for whom exigent circumstances have been requested to reduce the interim increase in the pending rate case;
 6. A proposed due date for filing a proposal to end the stay/suspension.
- B. Allow MERC to suspend the collection of the CCRA from the Large Volume Interruptible Flex, Super Large Volume Interruptible, and Large Volume Joint Mainline customer classes with the following requirements and conditions as of the date of the order; and subject to the Commission's further review and approval:
 1. Direct MERC to stop charging the CCRA to these customers effective with February 2011 bills;
 2. Specify the condition these customers would be subject to any requirements subsequently developed in this docket;

3. Direct that no carrying charges be applied to the suspended CCRA amounts;
4. Require MERC to make a compliance filing by April 29, 2011 that clearly shows the names of these customers and how it will track the revenues that would have been collected, and related MERC accounting entries.

III. Housekeeping Matters

- A. Delegate to the Executive Secretary the authority to establish and modify time lines and procedures as necessary to resolve the subject matters of these dockets in a timely manner, including timelines established in this Order.

Commissioner Pugh offered a friendly amendment to add a fifth filing requirement under part II.

- B. of Commissioner O'Brien's motion; that requirement would read as follows:

5. Require MERC to address in the April 29 filing the issue of whether MERC should be allowed to collect any of the "foregone" CCRC and CCRA revenues it would have received from the exempt customers from other customers? If so, how, from whom, and for what time period?

Commissioner O'Brien accepted the friendly amendment.

The motion, as amended, passed 5-0.

G-007,011/GR-10-977

In the Matter of the Application of Minnesota Energy Resources Corporation for Authority to Increase Rates for Natural Gas Service in Minnesota

Commissioner Wergin moved that the Commission:

1. Accept the filing as being in proper form and substantially complete as of November 30, 2010.
2. Suspend the proposed final rates until the Commission makes its final determination in this matter and find that the Commission has insufficient time to make a final determination if the rates are suspended for a 10-month suspension period because of the need to make a final determination in other pending cases involving changes in general rates. Find that the rates in this case should be suspended for an additional 90 days, until December 29, 2011.
3. Refer this matter to the Office of Administrative Hearings for a contested case proceeding.
4. Request the Administrative Law Judge's report on or before October 10, 2011.

5. Identify issues requiring development of a complete record in this case, including:
 - a. is the test year revenue sought by the Company reasonable or will it result in unreasonable and excessive earnings by the Company;
 - b. is the rate design proposed by the Company reasonable;
 - c. are the Company's proposed capital structure and return on equity reasonable;
 - d. is the Company's proposed revenue decoupling mechanism reasonable;
 - e. is the Company's proposal to consolidate its non-gas margin rates reasonable;
 - f. is the Company's proposal to consolidate gas cost recovery rates reasonable;
 - g. is the Company's proposed uncollectable expense tracking mechanism reasonable;
 - h. over the last five years, what is the percentage increase of employee wages and benefits; and
 - i. under Minn. Stat. § 216B.16, subd. 17(c), how should the salary data of the Company's sixth through tenth highest paid officers be treated.
6. Grant MERC's request to waive its right under the statute to put interim rates into effect on January 29 and authorize MERC to implement interim rates for service rendered on and after February 1, 2011.
7. Approve MERC's proposed rate of return on common equity of 10.21% for the calculation of interim rates.
8. Find that exigent circumstances exist, which justify MERC's request to collect less than the full amount of the interim rates increase from its Super Large Volume customers and to not seek recovery of the difference from its other customers.
9. Do not approve the request of the Residential and Small Business Utilities Division of the Office of the Attorney General to reduce or not impose the Company's proposed interim rate increase on residential and small business customers.
10. Approve MERC's proposed apportionment of the interim rate increase and MERC's proposed method for collecting the interim rate increase using a single line-item interim rate adjustment.
11. Require MERC to include in its interim rates tariff filing sample customer bills that show the interim rate adjustment as this adjustment will appear on customer bills.

12. In the Notice and Order for Hearing, require the following:
- a. This Order will be served on the Company, which shall mail copies of the Order to all municipalities, counties, and local governing bodies in its Minnesota service area.
 - b. Public hearings shall be held in this matter at locations within the service area of the Company.
 - c. The Company shall give the following notices of the evidentiary and public hearings:
 - individual written notice to each customer, which may be in the form of a bill insert and shall be served at least ten days before the first day of hearings.
 - written notice to the governing bodies of all municipalities, counties, and local governing bodies in the area affected and to all parties in the Company's last tow rate cases. These notices shall be mailed at least ten days before the first day of hearing. They shall include the heading **RATE INCREASE NOTICE**, which shall appear in bold face type no smaller than 30 points.
 - d. the Company shall submit proposed notices for Commission approval prior to publication or service.
13. In the Order setting interim rates, require the following:
- a. order the Company to file with the Commission and the Office of Energy Security interim rate tariff sheets and supporting documentation reflecting the decisions herein. The Company's filing should also include the notice to customers, approved by the Executive Secretary, regarding the rate change under the interim rate schedule.
 - b. order the Company to keep such records of sales and collections under interim rates as would be necessary to compute a potential refund. Any refund should be made within 120 days of the effective date of the Commission's final Order in a manner approved by the Commission.
 - c. order the Company to include with each customer's first bill under the interim rates schedule a notice of the rate change, approved by the Executive Secretary; order the Company to submit a compliance filing demonstrating completion of this requirement.

- d. require the Company to maintain records of CIP costs and collection through the interim period to ascertain that recoveries dedicated to CIP are properly recorded as CIP.
14. Delegate authority to the Executive Secretary to approve notices and bill inserts for the duration of this proceeding.

The motion passed 5-0.

G-007,011/MR-10-978

In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a New Base Cost of Gas to Coincide with the Implementation of Interim Rates

Commissioner Boyd moved that the Commission:

Approve the Company's new base cost of gas of \$215,071,912, effective with interim with the implementation of interim rates in Docket no. G-007,011/GR-10-977 with the following clarifications:

- The Company shall update the commodity cost of gas and work with the Office of Energy Security and Commission staff to assess cost volatility and to evaluate whether the Company's use of the New York Mercantile Exchange is the appropriate source to use for commodity cost data. The updates must be filed in this docket and in the general rate case, Docket No. G-007,011/GR-10-977.
- MERC shall submit a compliance filing, prior to interim rates becoming effective, which shows and reconciles the impact of removing the South Dakota and the Company Use gas costs from the base cost of gas.
- If MERC's approved base cost of gas figures (calculated using updated rates in the Company's January 7, 2011 supplemental filing) affect any tariffs in the general rate case, MERC shall, prior to interim rates becoming effective, file revised tariff sheets appropriately reflecting the approved base cost of gas rates).

The motion passed 5-0.

TELECOMMUNICATIONS AGENDA

P5681/RL-10-1198

In the Matter of Digital Telecommunications Inc.'s Application to Discontinue Services, Application for Variance, and Request for Expedited Handling

Commissioner Wergin moved to do the following:

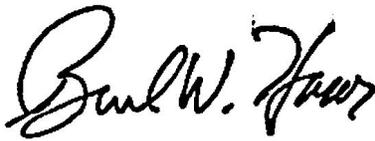
1. Find that it is not in the public interest to disconnect the remaining customers at this point in time who would then be without telephone service and extend the date for disconnection of DTI's customers to on or after January 31, 2011.
2. Direct DTI to report by January 24, 2011, the names and phone numbers of DTI's remaining customers.
3. Authorize the Executive Secretary to issue a press release of the impending disconnection at the earliest possible convenience.

Commissioner O'Brien proposed amending the motion to add, "Parties should not assume that the Commission will accept the responsibility of making contact with the remaining customers." Commissioner Wergin accepted the proposal.

The amended motion passed 5 – 0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: February 16, 2011



Burl W. Haar, Executive Secretary