

The Commission met on **Thursday, July 14, 2016**, with Chair Heydinger and Commissioners Lange, Lipschultz, Tuma, and Schuerger present.

The following matters were taken up by the Commission:

## **TELECOMMUNICATONS AGENDA**

### **P-5615/SA-16-375**

#### **In the Matter of a Request by Charter Fiberlink CC VIII, LLC to Amend its Certificate of Authority by Expanding its Service Area**

Commissioner Tuma moved to grant conditional approval to expand Charter Fiberlink CC VIII, LLC's service area to include the Backus and Hackensack exchanges of Arvig Telephone Company d/b/a TDS Telecom and the Altura exchange of Embarq Minnesota, Inc. d/b/a Century Link, with the following conditions:

1. Filing any necessary tariff updates; and
2. Filing any necessary updates to the 911 plan.

The motion passed 5–0.

### **P-6656/RL-16-414**

#### **In the Matter of the Petition of Nexus Communications, Inc. d/b/a Nexus-TSI to Relinquish its Eligible Telecommunications Carrier (ETC) Status in Minnesota**

Commissioner Lipschultz moved to approve the petition of Nexus Communications, Inc. d/b/a Nexus-TSI to relinquish its ETC status and to cancel its informational tariff.

The motion passed 5–0.

## **ENERGY AGENDA**

### **E-015/M-16-226**

#### **In the Matter of Minnesota Power's Conservation Improvement Program Consolidated Filing**

Commissioner Lange moved that the Commission

1. approve Minnesota Power's 2015 CIP tracker account, as summarized in Table 1 above, with a December 31, 2015 tracker balance of (\$2,649,747.91);
2. approve a 2016/2017 CPA of \$0.002494;

3. approve an incentive of \$7,476,643 for Minnesota Power's 2015 CIP achievements;
4. grant Minnesota Power a variance to Minnesota Rules part 7820.3500 (K) and a variance to Minnesota Rules part 7825.2600 for one year after the issue date of the Commission's *Order* in the present docket; and
5. require Minnesota Power to submit a compliance filing, within 10 days of the issue date of the *Order* in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.

The motion passed 5–0.

**E-017/M-16-278**

**In the Matter of a Request by Otter Tail Power Company for Approval of the Company's 2015 Conservation Cost Recovery Adjustment and 2015 Electric Demand Side Management Financial Incentive**

Commissioner Lange moved that the Commission

1. approve Otter Tail's 2015 CIP tracker account, as summarized in Table 1 above, resulting in a December 31, 2015 tracker balance of \$4,333,061;
2. approve an incentive of \$4,257,105 for Otter Tail's 2015 CIP achievements;
3. approve a CCRA factor of \$0.00275/kWh with an effective date of October 1, 2016;
4. grant Otter Tail a variance to Minnesota Rules part 7820.3500 (K) and a variance to Minnesota Rules part 7825.2600 for one year after the issue date of the Commission's *Order* in the present docket; and
5. require Otter Tail to submit a compliance filing, within 10 days of the issue date of the *Order* in the present docket, with revised tariff sheets reflecting the Commission's determinations in this matter.

The motion passed 5–0.

**G-002/M-16-283**

**In the Matter of Northern States Power Company d/b/a Xcel Energy-Gas 2015 Natural Gas CIP Tracker and Financial Incentive**

Commissioner Lange moved that the Commission

1. approve Xcel's proposed 2015 gas DSM financial incentive of \$5,763,443 and allow Xcel to include the incentive in the Company's gas CIP tracker account no sooner than the issue date of the Commission's *Order* in the present docket;
2. approve Xcel's 2015 gas CIP tracker account activity, as provided in the Company's *Petition* and summarized above in Table 1, resulting in a December 31, 2015 tracker balance of \$488,314;
3. approve Xcel's proposed bill message language; and
4. allow Xcel to implement its proposed gas CIP Adjustment Factor of \$0.024195 per therm beginning October 1, 2016, conditional on the Company submitting, within 10 days of the issue date of the *Order* in the present docket, a compliance filing with tariff sheets and necessary calculations that comply with the Commission's determinations in this matter.

The motion passed 5-0.

**G-008/M-16-486**

**In the Matter of CenterPoint Energy's Evaluation of its Gas Affordability Program**

**G-004/M-16-493**

**In the Matter of Xcel Energy's Evaluation of its Gas Affordability Program**

**G-004/M-16-495**

**In the Matter of Great Plains Natural Gas Company's Gas Affordability Program 2016**

Commissioner Schuerger moved that the Commission

1. Extend the termination date of the Gas Affordability Programs of CenterPoint Energy, Xcel Energy, and Great Plains Natural Gas to June 30, 2017; and
2. Require the Companies to file updated tariff sheet reflecting the extension date of the program within ten days after the order is issued.

The motion passed 5-0.

**E-015/S-16-165**

**In the Matter of a Petition by Minnesota Power for Approval of its 2016 Capital Structure and Authorization to Issue Securities**

Commissioner Tuma moved that the Commission

1. REGARDING SECURITIES ISSUANCES AND CAPITAL STRUCTURE

- a. Approved ALLETE, Inc.'s (ALLETE) 2016 proposed capital structure. This approval will remain effective until the latter of May 1, 2017, or the date at which the Commission issues a new capital structure Order.
- b. Approved ALLETE's equity ratio contingency of plus/minus 10 percent around its 2016 proposed equity ratio. Equity ratios outside this range may not exceed a period of 60 days without Commission approval.
- c. Approved ALLETE's proposal to issue short-term debt not to exceed 15 percent of its proposed total capitalization during the authorization period as needed.
- d. Approved ALLETE's total capitalization contingency of \$400 million above its 2016 total capitalization. ALLETE may not exceed its total capitalization including the requested contingency of \$400 million for a period longer than 60 days without prior Commission approval.
- e. Approved any issuance of securities in 2016 that would not result in an equity ratio outside the proposed range or a total capitalization exceeding its proposed cap for more than 60 days.
- f. Required MP to obtain prior approval for the issuance of any securities in 2016 that would result in an equity ratio outside the approved range or a total capitalization exceeding its approved cap for more than 60 days.
- g. Required MP to provide, within 20 days after each non-recurring issuance of securities, the following information:
  - i. The specific purposes for the individual issuances;
  - ii. The type of issuances;
  - iii. The timing of issuances;
  - iv. The amounts of issuances;
  - v. Issuance costs (for common equity issuances, include price per share), and
  - vi. Interest rates.
- h. Required MP to provide, in its next capital structure filing, an exhibit showing 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 spending on the uses identified in the exhibit or to limit the issuances to project-specific financing. The exhibit need not list short-term security issuances.

- i. Required MP to provide, in its next annual capital structure filing, 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 security issuances.
  - j. Required MP to provide in its next annual capital structure filing a schedule comparing its actual capital investments in the past year with the capital investments projected by MP in its previous capital structure filing.
  - k. Required MP to provide in its next annual capital structure filing the Company's investment plan not only for the next year, but for at least the next five years.
  - l. Approved MP's request for a variance to allow it to treat any loan under its multiyear credit facility as a short-term debt and require MP to report on its use of such facilities including:
    - i. How often they are used;
    - ii. The amount involved;
    - iii. Rates and financing costs; and
    - iv. The intended uses of the financing.
2. DECISIONS REGARDING POTENTIAL CORPORATE RESTRUCTURING EFFECT ON CREDIT RATINGS
- a) Required MP to keep the Commission informed of any corporate restructuring.
  - b) Required MP to keep the Commission informed of any rating agency action.
3. DECISION REGARDING NEXT ANNUAL FILING—Required MP to make its next security issuance approval request no later than May 1, 2017.

The motion passed 5–0.

**G-002/M-16-396**

**In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy's Petition for Approval of a One-Year Variance to the Purchased Gas Adjustment Rules to Allow Recovery of Storage-Related Ad Valorem Taxes Through the PGA**

Commissioner Lipschultz moved that the Commission

- 1. grant Xcel a one-year variance to Minn. Rule 7825.2400, subp.12 to allow recovery in the PGA of ad valorem taxes related to natural gas storage for retail natural gas operations;
- 2. direct Xcel to include the Kansas property tax as a separate line item in its monthly PGA;

3. require Xcel to list the Kansas property tax costs and revenues as separate line items in the Annual Automatic Adjustment report and PGA True-Up filings as well as in the Company's Schedule C, Schedule D page 1 through 2 of 4 and page 4 of 4;
4. require Xcel to submit a report with its Annual Automatic Adjustment and True-Up report detailing the total amount paid to Kansas and collected from ratepayers during the gas year; and
5. require Xcel, in its next request for a variance to Minn. Rule 7825.2400, subp. 2, to provide a discussion of the storage alternatives examined and its efforts to obtain the most cost-effective storage options.

The motion passed 5–0.

### **G-002/M-15-808**

#### **In the Matter of the Petition of Northern States Power Company d/b/a Xcel Energy for Approval of a Gas Utility Infrastructure Cost Rider (GUIC) True-up Report for 2015, the Forecasted 2016 GUIC Revenue Requirement, and Revised GUIC Adjustment Factors**

Commissioner Lipschultz moved that the Commission:

1. Require Xcel to provide an updated 2015 GUIC True-up Report for informational purposes.
2. Require Xcel to develop metrics to measure the appropriateness of GUIC expenditures, to be included in future GUIC Rider filings, and provide stakeholders the opportunity for meaningful involvement. Each metric should include a reconciliation to the pertinent TIMP/DIMP rules, and/or if not tied to TIMP/DIMP requirement, the Company must identify what goal, benefit, and/or requirement it addresses.
3. Determine that the proposed GUIC rider revenue apportionment is reasonable.
4. Determine that the Federal Code Mitigation (FCM) project is an eligible GUIC project. Allow Xcel to recover the costs of this project through the GUIC Rider to the extent its costs are not included in base rates.
5. Approves a GUIC tracker year ending March 31. Authorize Xcel to recover the Commission-approved 2016 revenue requirements over the 15-month period, January 1, 2016 through March 31, 2017. Require Xcel to recalculate the GUIC rate adjustment factors to recover the remaining Commission-approved 2016 revenue requirements over the remaining months through March 31, 2017.
6. Require Xcel to adjust the projected GUIC true-up over recovery to actual amounts, both the 2015 recovery and revenue requirement amounts and the 2016 recovery activity balances, proximate to the implementation date of the 2016 factors

7. Require Xcel, within ten days of the date of the order, to make a compliance filing to provide the final rate adjustment factors that reflect the Commission's decisions in this matter, including any underlying schedules and all related tariff changes.

8. Require Xcel to modify the proposed customer notice to read:

This month's Resource Adjustment includes ~~the addition of~~ the-an updated Gas Utility Infrastructure Cost Adjustment (GUIC), which recovers the costs of assessments, modifications and replacement of natural gas facilities as required by state and federal safety programs. The GUIC portion of the Resource Adjustment is \$x.xxxx per therm for Residential customers; \$x.xxxx per therm for Commercial Firm customers; \$x.xxxx per therm for Commercial Demand Billed customers; and \$x.xxxx per therm for Interruptible customers. Questions? Contact us at 1-800-895-4999.

9. Require Xcel to use the following capital structure: 52.50 percent equity, 45.61 percent long-term debt, and 1.89 percent short-term debt.

10. Make the following determinations concerning the rate of return and its components:

- a. the cost of long-term debt approved in the last GUIC case, 4.94%, is appropriate.
- b. the cost of short-term debt should be updated to reflect the 1.12% cost in Xcel's electric rate case in Docket No. E-002/GR-13-868.
- c. a cost of equity of 9.64% as recommended by the Department is appropriate.
- d. an overall rate of return of 7.34% is appropriate.

11. Require, as part of Xcel's next GUIC petition, the Company to file a cost/revenue study based on 2015 actuals reconciled back to Xcel's 2015 Jurisdictional Annual Report.

12. In future GUIC filings, require Xcel to provide specific information about each individual project in the GUIC Rider that sufficiently, (1) describes what the project is, (2) explains why the project is necessary, (3) discusses what benefits ratepayers will receive from the project, and (4) identifies the agency, regulation, or order that requires the project.

The motion passed 4-1; Commissioner Tuma voted no.

**G-011/GP-15-858**

**In the Matter of the Application of Minnesota Energy Resources Corporation for a  
Route Permit for the Rochester Natural Gas Pipeline Project in Olmsted County**

Commissioner Tuma moved to accept the comments and recommendations of EERA staff for route segments for further consideration at the public hearing.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: September 7, 2016**

A handwritten signature in black ink that reads "Daniel P. Wolf". The signature is written in a cursive style with a large, sweeping 'D' and 'W'.

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**Daniel P. Wolf, Executive Secretary**