

The Commission met on **Thursday, July 9, 2015**, with Chair Heydinger and Commissioners Lange, Lipschultz, Tuma, and Wergin present.

The following matters came before the Commission:

### **TELECOMMUNICATIONS AGENDA**

**P-407/AR-15-388**

#### **In the Matter of a Petition by Citizens Telecommunications Company of Minnesota, LLC's Proposal to Adopt an Existing Alternative Form of Regulation Plan**

Commissioner Wergin moved to take the following actions:

1. Approve Attachment A, the Customer Notice of Regulatory Filing.
2. Direct Citizens Telecommunications Company of Minnesota, LLC (Citizens) to work with the Minnesota Department of Commerce (the Department), the Antitrust and Utilities Division of the Minnesota Office of the Attorney General (OAG), and Commission staff to establish a website containing information about its proposed Alternative Form of Regulation (AFOR) Plan and a feature permitting interested persons to ask questions and submit comments about the proposed plan. Require that Citizens share all questions, comments, and responses generated through the website with the Department, the OAG, and Commission staff.
3. Order the parties to convene a settlement conference to encourage settlement or stipulation of issues with respect to how the plan should be modified.
4. Establish the following timeline:
  - Finalize customer notice: ..... July 24, 2015
  - Establish website: ..... July 24, 2015
  - Settlement or Comments: ..... August 14, 2015
  - Reply Comments: ..... August 24, 2014
  - Final Comments: ..... September 4, 2015
  - Commission hearing: ..... October 1, 2015
  - Statutory deadline: ..... October 31, 2015
5. Delegate authority to the Executive Secretary to revise the timeline if necessary.

The motion passed 5–0.

## ENERGY AGENDA

### **E-017/M-15-279**

#### **In the Matter of Otter Tail Power Company - 2014 CIP Tracker Account, DSM Financial Incentive, and Conservation Cost Recovery Adjustment**

Commissioner Tuma moved to take the following actions:

1. Approve the 2014 Conservation Improvement Program (CIP) tracker account for Otter Tail Power Company (Otter Tail) as summarized below:

#### **Selected Summary Statistics for Otter Tail's CIP Program (2012-2014)**

<u>Description</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Demand-Side Management Financial Incentive	\$2,681,575	\$4,026,600	\$2,957,972
CIP Expenditures	\$4,816,994	\$5,259,625	\$5,188,931
Achieved Energy Savings in Kilowatt-Hours (kWh)	30,793,654	35,792,002	33,805,392
Average Cost per kWh Saved	\$0.16	\$0.15	\$0.15

2. Approve an incentive of \$2,957,972 for Otter Tail's 2014 CIP achievements.
3. Approve a Conservation Cost Recovery Factor of \$0.00287/kWh with an effective date of October 1, 2015.
4. Grant Otter Tail a variance to Minn. R. 7820.3500(K) and a variance to Minn. R. 7825.2600 for one year after the date of the Commission's order in the present docket.
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-011/M-15-441**

#### **In the Matter of a Petition by Minnesota Energy Resources Corporation for Approval of a New Area Surcharge for the Detroit Lakes - Long Lake Project**

Commissioner Lipschultz moved to take the following actions:

1. Approve the Detroit Lakes New Area Surcharge (NAS) project.

2. Do not require Minnesota Energy Resources Corporation (MERC) to use the 20-year NAS recovery term and associated NAS factors recommended by the Department, but require MERC to use a 15-year Detroit Lakes NAS recovery terms to develop associated NAS factors.
3. Require MERC to exclude service extension costs from its NAS model, thus, creating a service line extension allowance in the NAS model, similar to MERC's 75-foot service extension allowance.
4. Require MERC to file a compliance filing within 30 days of the Commission issuing its Order in this docket that revises MERC's NAS tariff sheets and NAS customer notice to correspond to the Commission's chosen NAS recovery term, and, if so ordered, to reflect the removal of service extension costs from the Detroit Lakes project NAS factors.

Chair Heydinger moved to amend the motion to add the following:

5. Require MERC to publish NAS factors in its NAS tariff only for its residential and small commercial customer classes.
6. Require MERC to file a Detroit Lakes NAS factor proposal for any other customer classes that develop in this area in the future.
7. Require MERC to disclose to potential customers the following at a minimum:
  - The monthly surcharge rate and that the rate is in addition to the regular bill for gas service. Provide a pro forma gas bill for the month of January based on average customer use for that month in that area of Minnesota and also include the surcharge as a separate line item.
  - The annual cost of the surcharge.
  - A statement that the surcharge is expected to be charged for the Commission chosen recovery term and what the total cost of the surcharge would be for that time period.

Commissioner Lipschultz accepted the amendment.

The amended motion passed 5-0.

**E-002/CI-13-754**

**In the Matter of a Commission Investigation into Xcel Energy's Monticello Life-Cycle Management/Extended Power Uprate Project and Request for Recovery of Cost Overruns**

Commissioner Wergin moved to deny the requests for reconsideration of both OAG and Northern States Power Company d/b/a Xcel Energy (Xcel).

The motion passed 5-0.

**E-001/GR-13-868**

**In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in the State of Minnesota**

Commissioner Lipschultz recused himself and left the meeting.

*1. Reconsideration: Nuclear Refueling Outage*

Commissioner Wergin moved that the Commission deny the OAG's petition for reconsideration regarding the 2015 Nuclear Refueling Outage Expense.

The motion passed 4-0.

*2. Reconsideration: Passage of Time Adjustments*

Commissioner Lange moved that the Commission deny the Department's petition for reconsideration regarding the passage of time adjustment.

The motion passed 4-0.

*3. Reconsideration: Prairie Island Debt-Only Return*

Commissioner Wergin moved that the Commission deny the OAG's petition for reconsideration regarding the return on Prairie Island Extended Power Uprate costs.

The motion passed 4-0.

*4. Reconsideration: Decoupling Cap*

Commissioner Tuma moved that the Commission deny Xcel's petition for reconsideration.

The motion passed 4-0.

5. *Clarification: Monticello Depreciation*

Commissioner Wergin moved that the Commission clarify that all (past, present and future) depreciation expense recorded in accumulated depreciation/depreciation reserve be allocated on a pro-rated basis between the \$415 million on which Xcel is allowed to earn a return and the \$333 million that it is not.

The motion passed 4–0.

6. *Clarification: Monticello EPU*

Commissioner Wergin moved that the Commission:

1. clarify that the Monticello Extended Power Uprate was not considered used and useful as of January 1, 2015; and
2. instruct Xcel to make a compliance filing that provides the Commission with the date Monticello completed its full ascension to 671 megawatts.

The motion passed 4–0.

7. *Clarification: Multi-Year Rate Plan – Application of Step-Year Cost of Capital*

Commissioner Lange moved that the Commission clarify that the 2015 Step-Year cost of capital should only apply to the 2015 Step capital projects which would produce retail-related revenues of \$2,993,760,000 for the 2015 Step.

The motion passed 4–0.

8. *Clarification: Decoupling mechanism implementation*

Commissioner Lange moved that the Commission:

1. affirm the Commission’s May 8 decision;
2. keep the January 1, 2016 start date for calculating decoupling deferrals;
3. set the baseline fixed revenue per customer and baseline fixed energy charges using the authorized revenues from whatever rates are in place, be that final rates from this rate case (if Xcel decides not to file another rate case) or final rates from a future rate case (if Xcel files a rate case for 2016); and
4. adopt the Department’s proposed implementation schedule.

The motion passed 4–0.

9. *Other Financial Items: Sherco 3 Insurance*

Commissioner Wergin moved that the Commission require Xcel to include the insurance proceeds from Sherburne County Generating Station 3 as an offset to its rate base in this proceeding.

The motion passed 4–0.

10. *Other Financial Items: Babcock & Wilcox Settlement*

Commissioner Tuma moved that the Commission accept Xcel’s proposed refund and order the Company to incorporate its proposed adjustment into the interim rate refund and the calculation of final rates.

The motion passed 4–0.

11. *Other Financial Items: 2014 Property Tax*

Commissioner Tuma moved that the Commission:

1. Accept Xcel’s proposal to incorporate final 2014 Minnesota electric jurisdictional property tax expense into 2014 and 2015 revenue requirement calculations.
2. Require Xcel and parties to work with Commission staff to prepare such schedules in compliance with the Commission’s final decision in this proceeding for inclusion in the Order issued after this meeting and prior to Xcel submitting its thirty-day compliance filing.

The motion passed 4–0.

12. *CCOSS: Classification of Grand Meadow and Nobles Wind Farms and Allocation of other Operation & Maintenance Costs*

Chair Heydinger moved that the Commission accept Xcel’s June 8, 2015, filing, and find that although it has not been shown that the filing complies with the Commission’s Findings of Fact, Conclusions, and Order (May 8, 2015), the differences are not likely to materially affect the revenue apportionment.

The motion passed 4–0.

13. *CCOSS: Weather-Normalized Sales Data Revision*

Commissioner Lange moved that the Commission accept the energy sales data revisions (Table 5, in the staff’s briefing paper, third column (marked as Column 2)) in Xcel’s May 1, 2015, compliance filing.

The motion passed 4–0.

14. *CCOSS: Customer Count Data Revision*

Commissioner Lange moved that the Commission accept the customer count data revisions (Table 8, in this briefing paper, third column (marked as Column 2)) in Xcel’s May 1, 2015 compliance filing.

The motion passed 4–0.

15. *CCOSS: Revenue Data Revision*

Commissioner Lange moved that the Commission accept the revenue data revisions (Table 10 above, column 2) in Xcel’s May 1, 2015 compliance filing.

The motion passed 4–0.

16. *CCOSS: Amount of Economic Development Discounts*

Commissioner Tuma moved that the Commission take no action with regard to Xcel’s May 1, 2015, filing as it pertains to this issue.

The motion passed 4–0.

17. *CCOSS: Overall Compliance*

Chair Heydinger moved that the Commission:

1. Accept the following class cost of service results for test year 2014 and step year 2015 contained in Xcel’s June 8, 2015 filing for use in the class revenue apportionment:

**Summary of 2014 Compliance Class Cost of Service Study (CCOSS) Results (in \$000)**

ADJUSTED COST RESPONSIBILITIES						
		Total	Residential	Non-Demand	Demand	Street Ltg
[11]	Adjusted Rate Revenue Reqt (line 1 + line 10)	2,884,839	1,047,820	109,712	1,702,974	24,332
[12]	Incr Misc Chrgs & Late Pay (CCOSS page 7, line 21 to line 23)	<u>107</u>	<u>78</u>	<u>5</u>	<u>24</u>	<u>0</u>
[13]	Adjusted Operating Revenues (line 11 + line 12)	2,884,946	1,047,899	109,717	1,702,998	24,333
[14]	Present Rates (line 4)	<u>2,826,039</u>	<u>1,023,255</u>	<u>108,102</u>	<u>1,668,360</u>	<u>26,321</u>
[15]	Adjusted Deficiency (line 13 - line 14)	58,908	24,643	1,615	34,638	(1,989)
[16]	Defic / Pres Rates (line 15 / line 14)	2.1%	2.4%	1.5%	2.1%	-7.6%
[17]	Ratio: Class % / Total %	1.00	1.16	0.72	1.00	-3.62

**Summary of 2015 Compliance Class Cost of Service Study Results (\$000)**

ADJUSTED COST RESPONSIBILITIES						
		Total	Residential	Non-Demand	Demand	Street Ltg
[11]	Adjusted Rate Revenue Reqt (line 1 + line 10)	2,994,440	1,087,141	113,603	1,767,855	25,841
[12]	Incr Misc Chrgs & Late Pay (CCOSS page 7, line 21 to line 23)	<u>306</u>	<u>224</u>	<u>14</u>	<u>67</u>	<u>1</u>
[13]	Adjusted Operating Revenues (line 11 + line 12)	2,994,746	1,087,364	113,617	1,767,923	25,842
[14]	Present Rates (line 4)	<u>2,826,661</u>	<u>1,023,121</u>	<u>108,086</u>	<u>1,669,134</u>	<u>26,319</u>
[15]	Adjusted Deficiency (line 13 - line 14)	168,085	64,243	5,530	98,789	(477)
[16]	Defic / Pres Rates (line 15 / line 14)	5.9%	6.3%	5.1%	5.9%	-1.8%
[17]	Ratio: Class % / Total %	1.00	1.06	0.86	1.00	-0.30

2. Require Xcel to:

- a. ensure internal consistency within its CCOSS in time for the next rate case and provide direct links to all inputs used in its model;
- b. include specific tabs within its CCOSS model that clearly identify all inputs (non-financial and financial) as well as all relationships between variables used in the cost model;
- c. link input sources to the financial data and non-financial data filed in the record so that any changes made in compliance are clearly and promptly reflected in the relevant compliance cost study; and
- d. provide estimated rate and bill impacts for customer classes to affirm the methodology of apportioning revenue responsibility.

The motion passed 4–0.

*18. Class Revenue Apportionment*

Commissioner Wergin moved that the Commission accept Xcel’s proposed class revenue apportionment.

The motion passed 3 – 1. Commissioner Tuma voted no.

*19. Class Revenue Apportionment Compliance Filing*

Commissioner Lange moved that the Commission require Xcel to provide estimated rate and bill impacts for customer classes (in its thirty-day compliance filing) once the financial and CCOSS issues are finalized in this proceeding.

The motion passed 4–0.

*20. Passage-of-Time in Future Multi-Year Rate Cases*

Commissioner Lange moved that the Commission require the following in future multiyear rate cases regarding the issue of the passage of time:



1. The Company must explicitly explain in Direct Testimony how the Company adjusts rates in years following the first year for the passage of time (all increased and decreased adjustments shown clearly).
2. Filings must contain clear calculations, including narrative, detailed calculations, well-labeled information, and support for how calculations tie out to the rate case revenue requirement requested by the Company.

The motion passed 4–0.

### *21. Interim Rate Refund Plan*

Chair Heydinger moved that the Commission:

3. find exigent circumstances and approve the Department’s alternative refund scenario;
4. authorize Xcel, in its thirty-day compliance filing, to net its test year interim rate revenue refund obligation against step-year interim rate revenue under-collections for the period from March 3 through the date final rates take effect; and
5. not authorize Xcel, in its thirty-day compliance filing, to: (a) net its test-year interim rate revenue refund obligation against its step-year interim rate revenue under-collections through March 3, 2015, nor (b) reduce the amount of interest paid on excess interim rates collected in 2014 by offsetting the average balance of excess interim rates collected using under-collections in 2015, through March 3, 2015.

The motion passed 3 – 1. Commissioner Tuma voted no.

### *22. Interest Rate on Interim Rates Refund*

Commissioner Wergin moved that the Commission determine that the appropriate interest rate to be paid on a possible interim rate refund should be the prime interest rate, or 3.25%.

The motion passed 3 – 1. Commissioner Tuma voted no.

### *23. Housekeeping*

Chair Heydinger moved that the Commission:

6. state that the order issued after this meeting in this docket shall contain revised 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;
7. 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; and

8. direct that the written order memorializing these decisions may rearrange, reorganize, or renumber the items included as necessary for clarity and may standardize or correct abbreviations, punctuations, and format.

The motion passed 4–0.

Chair Heydinger moved that the Commission

9. re-open the Commission’s May 8, 2015 Order for clarification and to address issues left open; and
10. direct that the written order memorializing this decision may clarify, as necessary, whether, and the extent to which, the Commission is reconsidering, clarifying, amending, modifying, not reconsidering or rejecting a particular parties’ request or recommendation or acting on its own motion.

The motion passed 4–0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: September 9, 2015**



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**Daniel P. Wolf, Executive Secretary**

**In the Matter of a Petition by Citizens Telecommunications Company of Minnesota, LLC's  
Proposal to Adopt an Existing Alternative Form of Regulation Plan (AFOR),  
Docket No. P-407/AR-15-388**

**CUSTOMER NOTICE OF REGULATORY FILING**

Citizens Telecommunications Company of Minnesota, LLC (“the Company”) has notified the Minnesota Public Utilities Commission of its proposal to adopt the current Alternative Form of Regulation plan of its affiliated company, Frontier Communications of Minnesota, Inc. If the Company’s proposal is approved as filed, the plan will be effective November 1, 2015 through October 31, 2018.

Under the plan, as proposed, the Company would cap basic local service rates for one year. After the first year of the plan, the monthly rate for basic local service could be increased by up to \$2. The plan also includes a commitment to service quality standards and customer remedies for failure to meet those standards.

If you would like further information, the proposed Alternative Form of Regulation plan can be viewed at the Company’s website ([www.frontier.com/minnesotaAFOR](http://www.frontier.com/minnesotaAFOR)) or at the Commission’s website ([mn.gov/puc](http://mn.gov/puc)).

Public comments or questions may be submitted online by visiting the Commission’s website ([mn.gov/puc](http://mn.gov/puc)), selecting Speak Up!, finding the docket (15-388), and adding your comments to the discussion. Persons without internet access may send comments by U.S. mail to: Minnesota Public Utilities Commission, 121 7th Place East, Suite 350, St. Paul MN 55101-2147. Please include the Commission’s docket number (15-388) in all communications.