MINNESOTA
CHAMBER *of*
COMMERCE

July 19, 2007

VIA E-FILING
Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 7th Place East
St. Paul, MN 55101-2147

Re: COMMENTS REGARDING MPUC DOCKET NO. E999/CI-03-802
SHOULD THE FCA BE MODIFIED, LEFT AS IS, OR ELIMINATED?

Dear Dr. Haar:

Enclosed for filing please find comments from the Minnesota Chamber of Commerce in the above-referenced Docket.

Sincerely,

Michael A. Franklin
Director, Energy Policy

William A. Blazar
Senior Vice President

C: Service List

400 ROBERT STREET NORTH, SUITE 1500, ST. PAUL, MN 55101
T: 651/292-4650 800/821-2230 F: 651/292-4656 WWW.MNCHAMBER.COM

A. Introduction

The MN Chamber has been very active in electric FCA issues as evidenced by the Chamber's participation as a stakeholder in the MPUC consolidated MISO Day 2 Cost Docket and as an expert witness in the recent Xcel Energy electric rate case (MPUC Docket No. E-002/GR-05-1428). The Chamber's FCA settlement proposal for reporting FCA strategy and other FCA aspects in the Xcel Energy rate case docket were not only accepted but were also used as a blueprint for a 4-company settlement in the MISO docket.

The Chamber feels that the settlements in both cases was a very important first step, but the Commission should require further steps to ensure that the FCA's are properly managed and applied. Utility FCA's have experienced large increases and extreme volatility since the startup of the MISO Day 2 Market, and the next step should, among other things, address how the additional information now being filed by the four Minnesota IOU's should be utilized.

B. Utility Comments

Comments submitted by the four MN IOU's generally conclude that FCA's have the following benefits:

1. FCA's allow utilities and regulators to address increases in fuel prices and fuel price volatility without numerous rate cases and related expenses otherwise required.

2. FCA's allow automatic recovery of costs beyond a utility's control.

3. FCA's reduce a utility's business risk.

The IOU's recommend that the subject docket should either be completely dismissed or further considered under the consolidated MISO cost recovery docket. Additionally, one IOU has argued that the Commission has limited (or no) ability to make any retroactive changes to amounts already recovered.

C. MN Chamber Comments

Utility comments to date certainly bring forth FCA benefits from a utility perspective. However, the Chamber's concern is that FCA's are well within management control, and because of the large FCA increases and increases in volatility, utilities now have more responsibility than ever to demonstrate that their FCA's are being well managed.

Recent additions to the AAA reports such as FCA forecasts, quarterly updates, deviation reports, re-forecasts, and MISO market management strategies provide essential basic information both to customers and to regulators, but the Commission should now consider how performance indicators can be developed based on this information and used as a regulatory tool, perhaps in connection with incentives.

A list of performance indicators which the Commission should consider includes:

1. How well (completeness and timliness) are utilities responding to the new mandated FCA information, including explanation of deviations?

2. Do utility CEO's properly recognize FCA management as one of their key management responsibilities? How are they accountable for FCA management?

3. Are boards of directors reinforcing CEO obligations for FCA management as part of their compensation considerations for responsible officers?

4. How aggressively are utilities challenging railroads and coal mine owners in their contract negotiations? Are utilities seeking alternate routes and alternate carriers? Are utilities seeking legislative and regulatory assistance where necessary? We note OTP's good example of a Surface Transportation Board challenge to the BN Santa Fe RR costs for transporting Big Stone coal, even though unsuccessful. Are joint actions appropriate and permitted?

5. How well are utilities training and rewarding their market traders? We note that the new MRO rules for operator training and performance are very strict.

6. How well are hedge positions being taken via such actions as fuel hedges, bilateral contracts, FTR's and other hedging instruments?

7. Should FCA forecasts be converted to targets with consequences (rewards or penalties) for deviations outside of a deadband range around the target? Customers would be given access to the targets for their planning purposes.

8. Referring to foregoing item # 7, should utilities be allowed automatic pass through of FCA changes within the deadband? How about FCA changes outside the deadband?

9. Should out-of-period adjustments for items such as MISO retroactive billings and true-ups for actual vs. forecast from prior month estimates which exceed five % of current month FCA be amortized over several months to avoid peak-period rate shock, especially to customers on Xcel's new time-of-day FCA?

10. Should generator performance become a subset of FCA management responsibilities? Should utilities forecast and track unit availability, forced outage rates, scheduled outage rates and total outage rates consistent with reports now made to EEI and other organizations to which the indices are now reported? Should utilities have bilateral

contracts or other hedges in place to cover unit outages? Should the FCA cost of unplanned outages be treated differently than those that are planned?

11. As forecast data becomes actual, should utilities post comparisons and deviations on their web sites? This might be an incentive to improve forecast accuracy.

In the Matter of an Investigation into the
Appropriateness of Continuing to Permit Electric
Energy Cost Adjustments
Docket No. E999/CI-03-802

(3-26-04)

Burl W. Haar (O+15)
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

Sharon Ferguson(4)
Docket Coordinator
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

Julia E. Anderson
Minnesota Attorney General's Office
1400 Bremer Tower
445 Minnesota St
St Paul, MN 55101-2131

Curt Nelson
OAG-RUD
900 Bremer Tower
445 Minnesota Street
St. Paul, MN 55101-2127

Christopher Anderson
Senior Attorney
Minnesota Power
30 West Superior St
Duluth, MN 55802-2093

Bernadeen Brutlag
Manager
Otter Tail Power
PO Box 496
215 South Cascade
Fergus Falls, MN 56538-0496

Mark F. Dahlberg
President
NW Wisconsin Electric Company
PO Box 9
Grantsburg, WI 54840-0009

Marilyn E. Foreman
Dakota Electric Association
4300 – 220th Street West
Farmington, MN 55024-9583

Bruce Gerhardson
Associate General Counsel
Otter Tail Power Company
PO Box 496
215 South Cascade St
Fergus Falls, MN 56538-0496

William L. Glahn
Dahlen, Berg & Co.
200 South Sixth St, Suite 300
Minneapolis, MN 55402-1423

Todd J. Guerrero
Lindquist & Vennum, PLLP
4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2205

Douglas R. Larson
Power System Engineering Inc.
Suite 250
12301 Central Avenue NE
Blaine, MN 55434

Scot McClure
Interstate Power & Light Company
PO Box 77007
4902 North Biltmore Lane
Madison, WI 53707-1007

Jennifer Moore
Regulatory Attorney
Alliant Energy Corporate Services Inc.
200 First Street SE
PO Box 351
Cedar Rapids, IA 52406-0351

Phillip Zins
Pricing & Planning Manager
Xcel Energy
414 Nicollet Mall, 5th Flr
Minneapolis, MN 55401-1993

SaGonna Thompson
Records Analyst
Xcel Energy
414 Nicollet Mall, 5th Flr
Minneapolis, MN 55401-1993