

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: December 19, 2013 **Agenda Item # *7**

Companies: Northern States Power Company, a Minnesota Corporation (“Xcel Energy”, “Xcel” or the “Company”)

Docket Nos. E-002/PA-13-484
In the Matter of Xcel Energy’s Petition for Approval of Transfer and Exchange of Transmission Assets with Great River Energy

- Issues:**
1. Should the Commission grant approval of the proposed Asset Exchange Agreement under Minn. Stat. 216B.50?
 2. Should the Commission grant a variance to Minn. Rule 7825.1800 Subpart B?

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Relevant Documents

Xcel Petition..... June 11, 2013
Copy of FERC Order September 20, 2013
Department Of Commerce Comments.....October 11, 2013

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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Statement of the Issues

Should the Commission grant approval of the proposed Asset Exchange Agreement under Minn. Stat. 216B.50?

Should the Commission grant a variance to Minn. Rule 7825.1800 Subpart B?

Background

On February 21, 2013 Xcel Energy (NSP) and Great River Energy (GRE) signed an Asset Exchange Agreement (Agreement), subject to Commission approval. In the Agreement, Xcel agreed to exchange all its transmission assets at GRE's Benton County substation for all GRE's transmission assets at Xcel's Carver County, Coon Creek, Wakefield, and Wilmarth substations.

On June 11, 2013, Xcel filed a Petition for Approval of a Transfer and Exchange of Transmission Assets with Great River Energy

On September 20, 2013 Xcel provided a copy of the FERC September 19, 2013 Order Authorizing Disposition of Jurisdictional Facilities in Docket No. EC13-133-000.

On October 11, 2013 the Department of Commerce filed comments recommending approval, pending their final review of the accounting.

Parties' Positions

Xcel

Xcel affirmed that Minn. Stat. §216B.50 governs the Commission's review of the proposed transmission asset exchange transaction. According Xcel, the statute requires that the proposed transfer of assets be "consistent with the public interest." Xcel further stated the Commission has established that this public interest standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with public interest." Xcel concluded that the required standard has been met based on the Commission's previous ruling that the transfer or exchange of transmission assets between Minnesota utilities at net book value is consistent with public interest.

Xcel claimed the proposed exchange will result in a more defined ownership, operation and maintenance of transmission facilities in Minnesota. Xcel alleged that since the exchange will consolidate ownership and maintenance of transmission facilities it will result in increased efficiency for both companies. Furthermore, the transaction will also simplify compliance with NERC reliability standards. Xcel concluded that, since the result will be 100% ownership and maintenance responsibility for assets in the substations, the transaction serves the public interest.

Xcel stated that the value of the assets that will be transferring to GRE had a book value, at the end of 2012, of approximately \$3.9 million. Conversely, the value of the assets they will be receiving from GRE had a book value, at the end of 2012, of approximately \$3.2 million. At closing, GRE will pay Xcel the estimated difference, to be adjusted as of the closing date, of approximately \$722,000. Xcel further attests the transaction constitutes a tax-free exchange of “like kind” property under section 1031 of the IRS Code.

This Petition is similar to a prior 2006 petition (Docket E002/PA-06-932) between both parties. The 2006 petition was approved on October 16 of the same year.

Pursuant to Minn. Rule 7825.1400 under Minn. Rule 7825.1800 subpart B, Xcel asserted that the “information is relevant to a capital structure filing and is required for purposes of investigating the issuance of securities”. Furthermore, Xcel believes that, under Minn. Rule 7829.3200, all three requirements for granting a variance apply:

- 1) The information has no relevance in this instance and its requirements would impose an excessive, unnecessary burden on the Company.
- 2) Granting the variance would not conflict with any statutory provisions.
- 3) Granting the variance would not adversely affect the public interest.

FERC

In its September 19, 2013 Order, the FERC concluded that the Proposed Transaction is consistent with the public interest and authorized the disposition of the jurisdictional facilities.

Department of Commerce

In its October 11, 2013 comments, the Department of Commerce (DOC) provides an overview and analysis of the transaction which staff will not attempt to repeat here.

Subject to review of the final accounting entries, the Department recommended that the Commission grant approval.

The DOC’s conclusions are the following:

- Xcel has provided the required information for Minnesota Rule 7825.1800 subparts B, C and D in its filing. The Department agrees with NSPM that information required by Minnesota Rule 7825.1400 (as referenced by Minn. Rule 7825.1800 subpart A) relates to capital structure filings and is not applicable to the current petition. As a result, the Department recommends the Commission grant NSP a waiver, if needed, regarding the filing requirements under Minnesota Rule 7825.1400.
- Based on the Department’s review, it appears that NSPM has made all necessary filings with state and federal agencies.

- The Department agrees with the Company that allowing the exchange of transmission assets between NSPM and GRE at net book value is reasonable and consistent with the public interest according to past Commission decisions.
- Based on the Department's review of the Agreement's terms and conditions, it considers the Asset Exchange Agreement to be reasonable.

The DOC recommendations are the following:

- The Department recommends that the Commission require final journal entries be submitted by NSPM as a compliance filing once the exchange of transmission assets has been completed.
- The Department has reviewed the reasons for why NSPM considers the transmission asset exchange to be in the public interest. Based on their review the Department recommended the Commission approve the transmission asset exchange between NSPM and GRE.

Decision Alternatives

A. Variance of Minn. Rule 7825.1800 Subpart B

1. Determine that Xcel has met the requirements for variance and grant the Company's request.
2. Determine that Xcel has not met the requirements for variance and deny the Company's request.
3. Take some other action the Commission thinks is appropriate.

B. Transfer of Assets between Xcel and GRE

1. Determine that the transfer is consistent with the public interest and approve Xcel's Petition for Approval of Transfer and Exchange of Transmission Assets with Great River Energy. If the transfer is approved, the Commission, as a compliance item and as recommended by the DOC, should require the Company to submit final journal entries.
2. Determine that the transfer is not in the public interest and reject Xcel's Petition for Approval of Transfer and Exchange of Transmission Assets with Great River Energy.
3. Take some other action the Commission thinks is appropriate.

Staff Recommendations

Staff recommends options A1 and B1.