

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

The following matters came before the Commission:

ENERGY AGENDA

E-015/M-15-875

In the Matter of Minnesota Power's Petition for Approval of Credit to Customers

E-015/M-15-875

In the Matter of Minnesota Power's Petition for Approval of Credits to Customers

Commissioner Tuma moved to take the following actions:

1. Approve Minnesota Power's proposed WPPI Energy refund allocation.
2. Approve the settlement between Minnesota Power and the Minnesota Department of Commerce (the Department) regarding the refund credit to customers is approved. Require Minnesota Power to refund ratepayers consistent with the settlement as described in the Minnesota Power's February 16, 2016, filing. State that this approval does not bar the Department from recommending a larger refund upon its review of the contracts.
3. Within 10 days of the date of this order, require Minnesota Power to file an explanation of the facts relevant to the determination of the amount of Minnesota Power's refund credit.
4. Within 10 days of the date of this order, require Minnesota Power to file with the Department any vendor contracts, agreements and arrangements relevant to Minnesota Power's refund credit to determine whether any further Commission action is warranted with respect to the refund credit.
5. Deny Minnesota Power's March 23, 2016, reimbursement request.
6. Require Minnesota Power to file compliance filings in this docket and in Docket No. E-999/AA-14-579, *In the Matter of the Review of the 2013–2014 Annual Automatic Adjustment Reports for All Electric Utilities*.

The motion passed 4–0.

E-999/CI-03-802

In the Matter of an Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustments

E-999/AA-12-757

In the Matter of the Review of the 2011-2012 Annual Automatic Adjustment Reports for All Electric Utilities

E-999/AA-13-599

In the Matter of the Review of the 2012-2013 Annual Automatic Adjustment Reports for All Electric Utilities

E-999/AA-14-579

In the Matter of the Review of the 2013-2014 Annual Automatic Adjustment Reports for All Electric Utilities

Commissioner Lipschultz moved to take the following actions:

1. Accept –
 - A. in Docket No. E-999/AA-12-757 the annual automatic adjustment (AAA) reports for the fiscal year ending in 2012 (FYE 2012),
 - B. in Docket No. E-999/AA-13-599 the AAA reports for the fiscal year ending in 2013 (FYE 2013), and
 - C. in Docket No. E-999/AA-14-579 the AAA reports for the fiscal year ending in 2014 (FYE 2014),

as filed and subsequently amended by Dakota Electric Association (Dakota Electric), Interstate Power and Light Company (Interstate Electric), Minnesota Power, Northern States Power Company d/b/a Xcel Energy (Xcel Electric), and Otter Tail Power Company (OTP) (collectively, the electric utilities) as being substantially complete as to Minn. R. 7825.2390 through 7825.2920.
2. Accept the Minnesota Department of Commerce's uncontested recommendations in –
 - A. Docket No. E-999/AA-12-757 for FYE 2012, set forth in Attachment A,
 - B. Docket No. E-999/AA-13-599 for FYE 2013, set forth in Attachment B, and
 - C. Docket No. E-999/AA-14-579 for FYE 2014, set forth in Attachment C.
3. Request the Department to continue its monitoring and review of electric automatic adjustment issues and compliance filings and all other related and relevant issues in its review of the FYE 2015 electric AAA reports.

The motion passed 4-0.

Commissioner Lipschultz moved to take the following action:

4. Defer any decision on the recovery of energy replacement costs arising from the unscheduled outage of Unit 3 of the Sherburne County Generating Station (Sherco 3) until there is a sufficient record to determine if recovery is appropriate and clarify that the Commission may act in the future to remedy any inequities for ratepayers.

The motion passed 4-0.

Commissioner Tuma moved to take the following action:

5. Disallow OTP's recovery of 100 percent of the difference between the actual amount of Revenue Sufficiency Guarantee (RSG) charges and the average amount of RSG monthly charges for the relevant period in May 2013 as calculated by OTP, *i.e.* \$74,170.

Chair Heydinger proposed to amend the motion to take the following additional action:

6. Accept OTP's identification of and explanation for the higher RSG and make-whole payments in May 2013.

Commissioner Tuma accepted the amendment.

Commissioner Tuma amended his motion to take the following action in lieu of Motion Paragraph 5:

- 5a. Disallow 50 percent of the difference between the actual amount of RSG charges and the average amount of RSG monthly charges for this period in May 2013 as calculated by OTP, *i.e.* \$37,058.

The amended motion passed 4-0.

Commissioner Tuma moved to take the following action:

6. Find that except for the coal shortage period that Minnesota Power experienced in 2013/2014, Minnesota Power's coal procurement policies, actions, and associated rates charged ratepayers for rail transportation for the 2012-2014 period were reasonable. If the Commission does not receive a request from the Department or any other party to continue the investigation and review in Docket No. E-999/AA-14-579 within 90 days of the filings required in Docket No. E-015/M-15-875, *In the Matter of Minnesota Power's Petition for Approval of Credit to Customers*, it is determined that Minnesota Power's coal procurement policies, actions, and rates charged ratepayers for the coal shortage period of 2013/2014 is reasonable.

The motion passed 4-0.

Commissioner Lipschultz moved to take the following action:

7. Direct the Department within nine months of the date of this order to prepare, alone or jointly with other parties, a complete proposal to reform the FCA with all the details necessary to fully implement such a proposal. The proposal should identify and explain –

- A. the specific problems the Department believes exist with the current FCA structure,
- B. how the proposal effectively addresses those problems and better incents utilities to control their fuel costs; and
- C. how the proposal would impact the different types of costs or cost categories recovered through the FCA.

Commissioner Lipschultz amended the motion to set the deadline at nine months of “the Commission’s order ~~this Order~~...”

Chair Heydinger proposed to amend the motion to direct the Department to prepare a complete proposal “for the recovery of energy costs delivered to customers, including possible reform of the FCA, ~~to reform the FCA~~...”

Commissioner Lipschultz accepted the amendment.

Commissioner Lipschultz amended the motion to direct the Department to “prepare and file” a proposal to reform the FCA.

Commissioner Lipschultz amended the motion to delegate to the Executive Secretary the authority to modify this timeframe upon request.

The amended motion passed 4-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: June 29, 2016



Daniel P. Wolf, Executive Secretary

E-999/AA-12-757

In the Matter of the Review of the 2011-2012 Annual Automatic Adjustment Reports for All Electric Utilities

COMPLIANCE FILINGS

1. Approve the compliance filing of Northern States Power Company d/b/a Xcel Energy on the high level cost allocation test between retail and wholesale customers for June, July and August 2012, and require Xcel Electric to continue to report this generation cost allocation in future AAA filings.
2. Accept Xcel Electric's Natural Gas Financial Instruments compliance filing in the FYE12 docket.
3. Accept Xcel Electric's FYE12 wind curtailment report.
4. Accept Xcel Electric's compliance filing regarding Xcel Electric's Nuclear Fuel Sinking Fund.
5. Accept Otter Tail Power's Enbridge Energy compliance filing in this docket. The Department will continue to monitor this compliance filing in future AAA reports.
6. Find that Xcel Electric complied with the April 30, 2010 order in Docket No. E-002/M-10-161 regarding reporting on any curtailment from WM Renewable Energy, including the reasons for any such curtailments and the amounts paid.
7. Find that Xcel Electric complied with the January 29, 2009 order in Docket No. E-002/M-08-1098, requiring Xcel Electric to report in future AAA filings any revenue from any source as a result of the Renewable Energy Purchase Agreement with Koda Energy, and to itemize any such revenue by source and amount.
8. Find that Xcel Electric complied with the August 26, 2010 order in Docket No. E-002/M-10-486, requiring Xcel Electric to offset its recovery of costs by any revenues Xcel Electric receives from any and all sources as a result of Xcel Energy's purchase power agreement with Diamond K Dairy, and to report and itemize any such revenues by source and amount in its annual automatic adjustment reports.
9. Find that the investor-owned utilities (IOUs) complied with the April 6, 2012 order in Docket No. E-999/AA-10-884 (Ordering Point 8), requiring the IOUs to report in future AAA filings any offsetting revenues or compensation recovered by the utilities as a result of contracts, investments, or expenditures paid for by their ratepayers.
10. Accept the IOUs' compliance filings regarding their actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the IOUs' most recent rate cases.

11. Accept the IOUs' compliance filings regarding their plant outages contingency plans.
12. Find that the IOUs are in compliance with the April 6, 2012 order in Docket No. E-999/AA-10-884 (ordering Point 22) regarding sharing lessons learned about forced outages.
13. Find that Minnesota Power complied with the Commission's March 11, 2011 order in Docket No. E-015/M-10-961 regarding reporting information on Minnesota Power's power purchase agreement (PPA) with Manitoba Hydro.

MISO DAY 1

14. Find that the IOUs' responses have complied generally with all of the AAA MISO Day 1 compliance reporting requirements.
15. Require the utilities to continue to provide in the initial filing of all future electric AAA reports the Minnesota jurisdictional Schedule 10 costs together with the allocation factor used and support for why the allocator is reasonable.
16. Require the utilities to provide, in the initial filing of all future electric AAA reports, information to support increases in MISO Schedule 10 costs of five percent or higher over the prior year's costs, including an explanation of benefits received by customers for these added costs.

MISO DAY 2

17. Accept Xcel Electric's MISO Day 2 reporting for FYE12.
18. Accept Minnesota Power's MISO Day 2 reporting for FYE12.
19. Accept OTP's MISO Day 2 reporting for FYE12.
20. Accept Interstate Electric's MISO Day 2 reporting for FYE12.

ANCILLARY SERVICES MARKET

21. Accept Xcel Electric's ancillary services market (ASM) reporting.
22. Accept Minnesota Power's ASM reporting.
23. Accept OTP's ASM reporting.
24. Accept Interstate Electric's ASM reporting.

E-999/AA-13-599

In the Matter of the Review of the 2012-2013 Annual Automatic Adjustment Reports for All Electric Utilities

COMPLIANCE FILINGS

1. Approve the compliance filing of Northern States Power Company d/b/a Xcel Energy on the high-level cost allocation test between wholesale and retail customers for June, July, and August of 2013. Continue to require Xcel Electric to report this generation cost allocation data in future AAA filings.
2. Accept Xcel Electric's Natural Gas Financial Instruments compliance filing in the FYE13 docket. The Department will review Xcel Electric's continued compliance with this requirement in the FYE14 AAA Report.
3. Accept Xcel Electric's FYE13 wind curtailment report.
4. Find that Xcel Electric's FYE13 AAA filing included information and analysis to address the FCA Settlement Agreement approved by the Commission in Docket No. E-002/GR-05-1428.¹
5. Accept Xcel Electric's compliance filing regarding Xcel Electric's Nuclear Fuel Sinking Fund. The Department will continue to monitor Xcel Electric's Nuclear Fuel Sinking Fund in future filings.
6. Accept Otter Tail Power's Enbridge Energy compliance filing in this docket. The Department will continue to monitor this compliance filing in future reports.
7. Find that Xcel Electric complied with the January 29, 2009 order in Docket No. E002/M-08-1098, requiring Xcel Electric to report in future AAA filings any revenue from any source as a result of the Renewable Energy Purchase Agreement with Koda Energy, and to itemize any such revenue by source and amount.

¹ During Xcel's Electric's 2005 rate case (Docket No. E-002/GR-05-1428), the Minnesota Chamber of Commerce and the Large Industrial Group entered into an FCA Settlement Agreement with Xcel Electric. The settlement included several commitments by Xcel Electric intended to provide customers with more information and analysis to enhance the ability of customers to plan for and manage volatility in fuel costs. Xcel Electric's FYE13 AAA filing included this additional information and analysis.

8. Find that Xcel Electric complied with the August 26, 2010 order in Docket No. E002/M-10-486, requiring Xcel Electric to offset its recovery of costs by all revenues Xcel Electric receives from any and all sources as a result of Xcel Energy's purchase power agreement with Diamond K Dairy, and to report and itemize any such revenues by source and amount in its annual automatic adjustment reports.
9. Find that the IOUs complied with the April 6, 2012 order in Docket No. E-999/AA-10-884 (Ordering Point 8), requiring the IOUs to report in future AAA filings any offsetting revenues or compensation recovered by the utilities as a result of contracts, investments, or expenditures paid for by their ratepayers.
10. Accept the IOUs' compliance filings regarding their actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the IOUs' most recent rate cases.
11. Accept the IOUs' compliance filings regarding their plant outages contingency plans.
12. Accept the IOUs' compliance filings regarding sharing lessons learned about forced outages.²
13. Find that Xcel Electric complied with the April 30, 2010 order in Docket No. E002/M-10-161 regarding reporting on any curtailment of WM Renewable Energy, including the reasons for any such curtailments and the amounts paid, in Xcel's monthly fuel clause adjustment filings.
14. Find that Minnesota Power complied with the Commission's March 11, 2011 order in Docket No. E-015/M-10-961 regarding reporting information on Minnesota Power's PPA with Manitoba Hydro.
15. Accept Interstate Electric's compliance with the Commission's October 2, 2009 order in Docket No. E-001/M-09-455 requiring Interstate Electric to file the same quarterly reports regarding the costs and benefits of transactions involving Auction Revenue Rights that it files with the Iowa Utilities Board.³

² The Department provided further recommendations regarding recovery of replacement power costs.

³ Interstate Electric's compliance filing N regarding quarterly filings of accounting costs for Auction Revenue Rights.

MISO DAY 1

16. Find that the Companies' responses have complied generally with all of the AAA MISO Day 1 compliance reporting requirements.⁴
17. Require the utilities to continue to provide in the initial filing of all future electric AAA reports the Minnesota jurisdictional Schedule 10 costs together with the allocation factor used and support for why the allocator is reasonable.
18. Require the utilities to provide, in the initial filing of all future electric AAA reports, information to support MISO Schedule 10 cost increases of five percent or higher over the prior year's costs, including an explanation of benefits received by customers for these added costs.

MISO DAY 2

19. Accept Xcel Electric's MISO Day 2 reporting for FYE13.
20. Accept Minnesota Power's MISO Day 2 reporting for FYE13.
21. Accept all aspects of OTP's MISO Day 2 reporting for FYE13 except for the amounts reported for Revenue Sufficiency Guarantee (RSG) charges and Make Whole Payments for the month of May 2013.
22. Accept Interstate Electric's MISO Day 2 reporting for FYE13.

ANCILLARY SERVICES MARKET

23. Accept Xcel Electric's ASM reporting for FYE13.
24. Accept Minnesota Power's ASM reporting for FYE13.
25. Accept OTP's ASM reporting for FYE13.
26. Accept Interstate Electric's ASM reporting for FYE13.

⁴ The Department expects utilities to continue to work hard to mitigate costs or the effects of changes by MISO or FERC that could negatively impact Minnesota retail customers. Utilities are required to continue to show benefits of MISO Day 1 in the context of their rate cases before receiving cost recovery of Schedule 10 costs.

E-999/AA-14-579

In the Matter of the Review of the 2013-2014 Annual Automatic Adjustment Reports for All Electric Utilities

COMPLIANCE FILINGS

27. Approve the compliance filing of Northern States Power Company d/b/a Xcel Energy on the high-level cost allocation test between retail customers and the wholesale sector for June, July, and August of 2014. Continue to require Xcel Electric to report this generation cost allocation data in future AAA filings.
28. Accept Xcel Electric's Natural Gas Financial Instruments compliance filing in the FYE14 docket. The Department will review Xcel Electric's continued compliance with this requirement in the FYE15 AAA Report.
29. Accept Xcel Electric's FYE14 wind curtailment report.
30. Require Xcel Electric to discuss in a supplement to its FYE15 AAA report whether and why it is still reasonable to curtail wind facilities that are receiving Production Tax Credits, in response to Manual Curtailment Events.
31. Accept Xcel Electric's compliance filing regarding Xcel Electric's Nuclear Fuel Sinking Fund. The Department will continue to monitor Xcel Electric's Nuclear Fuel Sinking Fund in future AAA filings.
32. Accept Otter Tail Power's compliance filing in this docket on its electric service agreement with Enbridge Energy, which was required by the Commission's January 16, 2007 order in Docket No. E-017/M-06-1332. Allow OTP to stop reporting this information.
33. Find that Xcel Electric complied with the January 29, 2009 order in Docket No. E-002/M-08-1098, requiring Xcel Electric to report in future AAA filings any revenue from any source as a result of the Renewable Energy Purchase Agreement with Koda Energy, and to itemize any such revenue by source and amount.
34. Find that Xcel Electric complied with the August 26, 2010 order in Docket No. E-002/M-10-486, requiring Xcel Electric to offset its recovery of costs by any revenues Xcel Electric receives from any and all sources as a result of Xcel Energy's purchase power agreement with Diamond K Dairy, and to report and itemize any such revenues by source and amount in its annual automatic adjustment reports.

35. Find that the IOUs complied with the April 6, 2012 order in Docket No. E-999/AA-10-884 (Ordering Point 8), requiring the IOUs to report in future AAA filings any offsetting revenues or compensation recovered by the utilities as a result of contracts, investments, or expenditures paid for by their ratepayers.
36. Accept the IOUs' compliance filings regarding their actual expenses pertaining to maintenance of generation plants, with a comparison to the generation maintenance budget from the IOUs' most recent rate cases.
37. Accept the IOUs' compliance filings regarding their plant outages' contingency plans.
38. Accept the IOUs' compliance filings regarding sharing lessons learned about forced outages.⁵
39. Find that Xcel Electric complied with the April 30, 2010 order in Docket No. E-002/M-10-161 regarding reporting on any curtailment from WM Renewable Energy, including the reasons for any such curtailments and the amounts paid.
40. Find that Minnesota Power complied with the Commission's March 11, 2011 order in Docket No. E-015/M-10-961 regarding reporting information on Minnesota Power's PPA with Manitoba Hydro.
41. Accept Interstate Electric's compliance with the Commission's October 2, 2009 order in Docket No. E-001/M-09-455 requiring Interstate Electric to file the same quarterly reporting regarding the costs and benefits of transactions involving Auction Revenue Rights that it files with the Iowa Utilities Board.
42. Discontinue the reporting requirement, from Docket No. E-999/AA-10-884, that Interstate Electric explain in future filings why it does not have economic generation resources comparable to other utilities in the MISO footprint and explain how this affects what happens when there are outages on its system.

⁵ However, the Department continues to conclude that utilities should do more to develop joint systems to share information about outages, similar to the mechanisms developed by the nuclear generation owners. The Department looks forward to discussing the general issue of consumer protection and various ways to accomplish that goal when the Commission considers the comments in Docket Nos. E-999/AA-12-757 and E-999/AA-13-599.

RAIL DELIVERY ISSUES

43. Accept Xcel Electric's reporting with respect to fuel costs associated with coal shortages during FYE14.
44. Accept Otter Tail's reporting with respect to fuel costs associated with coal shortages during FYE14. Require Otter Tail to report in future AAA filings any coal conservation measures taken in response to coal delivery issues during the relevant reporting period, along with a discussion of Otter Tail's efforts to minimize coal, coal delivery and any replacement power costs if needed to address issues with coal supplies for Otter Tail.
45. Accept Interstate Electric's reporting with respect to fuel costs associated with coal shortages during FYE14.

MISO DAY 1

46. Find that the Companies' responses have complied generally with all of the AAA MISO Day 1 compliance reporting requirements.⁶
47. Require the utilities to continue to provide in the initial filing of all future electric AAA reports the Minnesota jurisdictional Schedule 10 costs together with the allocation factor used and support for why the allocator is reasonable.
48. Require the utilities to provide, in the initial filing of all future electric AAA reports, information to support MISO Schedule 10 cost increases of five percent or higher over the prior year's costs, including an explanation of benefits received by customers for these added costs.

⁶ The Department expects utilities to continue to work hard to mitigate costs or the effects of changes by MISO or FERC that could negatively impact Minnesota retail customers. Utilities are required to continue to show benefits of MISO Day 1 in the context of their rate cases before receiving cost recovery of Schedule 10 costs.

MISO DAY 2

- 49. Accept Xcel Electric's MISO Day 2 reporting for FYE14. Require Xcel to report its Real-Time Schedule 24 Allocation and Real-Time Schedule 24 Distribution charges (revenues) as separate line items in future AAA filings. Accept Xcel's plan to pass back its MVP ARR revenues to customers in its TCR Rider compliance filing in Docket No. E-002/M-14-852
- 50. Accept Minnesota Power's MISO Day 2 reporting for FYE14.
- 51. Accept Otter Tail's MISO Day 2 reporting for FYE14. Require Otter Tail to provide in future AAA filings, information and narrative to explain why the selected Option for FTRs and ARRs is better for rate payers than the alternative.
- 52. Accept Interstate Electric's MISO Day 2 reporting for FYE14.

ANCILLARY SERVICES MARKET

- 53. Accept Xcel Electric's ASM reporting for FYE14. Require Xcel Electric, in future AAA filings, to allocate the asset-based wholesale portion of Day-Ahead Regulation Amount and Real-Time Regulation Amount separately under each charge type.
- 54. Accept Minnesota Power's ASM reporting for FYE14.
- 55. Accept OTP's ASM reporting for FYE14.
- 56. Accept Interstate Electric's ASM reporting for FYE14.