

The Commission met on **Friday, June 12, 2015**, with Commissioners Lange, Lipschultz, and Tuma present.

The following matters were taken up by the Commission:

#### **ENERGY AGENDA**

##### **G-008/AI-15-50**

##### **In the Matter of the Petition of CenterPoint Energy Minnesota Gas for Approval of a Change in Scope to its Master Service Agreement with CenterPoint Energy Services Inc.**

Commissioner Tuma moved that the Commission:

1. Approve CenterPoint's proposed modified MSA.
2. Require the Company to file in its next general rate case Direct Testimony showing the monthly financial impact to ratepayers in dollar amounts to CenterPoint Energy related to the corporate allocations in the proposed MSA from the time of its implementation. The Direct Testimony should also provide any anticipated savings going forward and impact on the rate case.

The motion passed 3-0.

##### **G-008/M-14-561**

##### **In the Matter of CenterPoint's Request for a change in Demand Units Effective November 1, 2014**

Commissioner Lipschultz moved that the Commission:

1. Approve CenterPoint's proposed level of demand entitlement.
2. Approve the design-day level proposed by CenterPoint.
3. Approve CenterPoint's proposed allocation of the fixed costs associated with the two new storage contracts, with 75% allocated to demand and 25% allocated to commodity.
4. Approve a variance to Minn. R. 7825.2700, subp. 5, to allow CenterPoint a one-month delay in implementing its test- year demand volumes.

The motion passed 3-0.

**G-022/M-14-651**

**In the Matter of the Petition by Greater Minnesota Gas, Inc. for Approval by the Minnesota Public Utilities Commission for a Change in Contract Demand Entitlement Units Effective November 1, 2014**

Commissioner Lange moved that the Commission:

1. Approve Greater Minnesota's proposed level of demand entitlements, subject to any possible changes in anticipated entitlements between the filing of the Department's Comments and November 1, 2014, as shown in the Company's Petition;
2. Allow Greater Minnesota to recover associated demand costs, subject to any possible changes in anticipated entitlements between the filing of the Department's Comments and November 1, 2014, through the monthly Purchased Gas Adjustment effective November 1, 2014.
3. Require Greater Minnesota to undertake the following prior to its next demand entitlement filing and detail its findings in its next demand entitlement filing:
  - a. review of its regression models and attempt to determine what factor, or factors, may be driving the under-estimation bias regarding consumption identified by the Department;
  - b. explore other methods to estimate baseload consumption if regression models calculate negative baseload; and
  - c. maintain, on a going forward basis, a two-part design-day process involving both regression analysis and mathematical analysis based on the Company's historical all-time peak-day sendout.
4. Require Greater Minnesota to make a supplemental filing on, or about, November 1, 2014, detailing final demand entitlements and costs.

The motion passed 3-0.

**G-011/M-14-660**

**In the Matter of a Petition by Minnesota Energy Resources Corporation-Northern Natural Gas for Approval of Changes in Contract Demand Entitlements for the 2014-2015 Heating Season Supply Plan Effective November 1, 2014**

**G-011/M-14-661**

**In the Matter of a Petition by Minnesota Energy Resources Corporation-Consolidated for Approval of Changes in Contract Demand Entitlements for the 2014-2015 Heating Season Supply Plan effective November 1, 2014**

Commissioner Lipschultz moved that the Commission:

1. Accept MERC's peak-day analysis with the caveat that the Department cannot fully verify the results of MERC's analysis (as described in the Department's comments) for all of its PGA areas; and
2. Approve MERC's demand entitlement petitions for 2014-2015, effective November 1, 2014, for its two PGA areas –MERC-Consolidated and MERC-NNG.
3. Require MERC to include in its next petition for a change in demand entitlements for the MERC-Consolidated (VGT) area a description and explanation of the different alternatives MERC reviewed and a discussion on each option that was considered by MERC to resolve Consolidated-VGT negative reserve margin.

The motion passed 3-0.

**G-011/PA-14-664**

**In the Matter of a Request for Approval of the Merger Agreement Between Integrys Energy Group, Inc. and Wisconsin Energy Corporation**

Commissioner Lipschultz moved to take the following actions:

1. Determine that additional written comments are not necessary.
2. Determine that the Proposed Transaction is consistent with the public interest only if conditions identified below are applied and approve the petition subject to these conditions.
3. Adopt the 23 conditions contained in Attachment C of the Department's April 20, 2015 filing and the OAG's recommended condition number 32 from OAG's April 20, 2015 comments.
4. Adopt the ten unnumbered conditions contained in Attachment A of the Company's April 3, 2015 filing.
5. Adopt the conditions that MERC, WEC, and Integrys agree are already covered by Minnesota law as reflected in the OAG's April 20, 2015 filing (pp. 5–6) and include these requirements in the order:
  22. Regardless of whether a Commission review is performed, the cost of any acquisition condition from another jurisdiction subsequently found to have an adverse cost impact on Minnesota shall be absorbed by WEC Energy without recourse to, or reimbursement by, MERC.

23. All books and records of all entities in the corporate structure, including the service company, shall be readily available for Commission and Department staff review in a reasonable manner, subject to approval by the Commission.

24. If, in the future, Wisconsin Energy Group or its subsidiaries are down-sized in any significant way, the absolute cost allocation to MERC shall not increase unless the Petitioners demonstrate that the cost allocation is just and reasonable.

25. The commission shall have approval authority over allocation methodology and factors. If the allocation methodology and factors ultimately approved by the Commission differ from those approved in other jurisdictions, the holding company should absorb any cost differentials.

26. ~~Commission staff shall~~ Request parties to review MERC's Low Income Programs in future rate cases, to ensure that the programs continue to produce optimal benefits.

27. MERC shall not defer transition costs.

28. For severance and/or early termination costs the Petitioners shall provide detailed information in any rate proceeding on each instance of severance and/or early termination, including the position, the reasoning, the costs and savings, etc., in sufficient detail for the Commission to make a determination on whether the cost is an unrecoverable transaction cost or a transition cost.

6. Determine that MERC may request recovery of transition costs only to the extent that MERC can demonstrate that the transition costs produce acquisition-related savings that are greater than the transition costs.
7. Require that MERC request and obtain Commission approval pursuant to Minnesota Statutes section 216B.48 and/or Minnesota Statutes section 216B.49 before it includes any debt provided by its parent companies in its capital structure.
8. In its performance of services, the service company: (a) shall follow applicable federal and state regulation, including codes and standards of conduct; (b) shall not give one or more entities in the corporate structure a competitive advantage in relevant markets; (c) shall not subsidize WEPCO, WG, and/or WPSC or cause MERC to subsidize an affiliate; and (d) may include a return on its net assets at a rate no higher than the appropriate weighed cost of capital for MERC.

9. Determine that intercompany loans, if beneficial to MERC, are appropriate and modify the language of condition number 73 to state as follows:
  1. Prohibit MERC from loaning funds to or borrowing funds from postacquisition parent or other regulated subsidiaries except to the extent that such borrowing arrangements existed prior to approval of the Proposed Transaction or the transaction (i.e. the borrowing arrangement) costs less than other MERC alternatives.
10. For the next five years, require MERC to maintain a detailed record of the description and amount of each of its 2014 corporate costs allocated from its parent company or affiliates.
11. Within the next five years, require MERC to demonstrate that no part of the requested rate increase is a result of the merger.
12. Require MERC to report, for 5 years, any operational changes in Minnesota, including any personnel reduction or reorganization of field operations that could have more than a *de minimis* impact on service quality.
13. Within 90 days of closing, require MERC to file the accounting entries that recorded the merger. This filing shall include the description, amount, and FERC account name and number for each item, including the actual account entries for the merger-related costs.

The motion passed 3–0.

**E,G-002/CI-02-2034**

**E,G-002/M-12-383**

**In the Matter of the Petition of Northern States Power Company for Approval of Amendments to its Natural Gas and Electric Service Quality Tariffs and an Investigation and Audit of the Company’s Service Quality Reporting**

Commissioner Lipschultz moved that the Commission:

1. Find that the Commission has jurisdiction over this matter.
2. Find that there are reasonable grounds to investigate this matter.
3. Further develop the record through written comments, according to a schedule established by the Executive Secretary after consulting with the parties.
4. Encourage the parties to enter into discussions regarding small municipal pumping credits.

The motion passed 3-0.

**Docket No. E-999/R-13-729**

**In the Matter of Possible Amendments to Rules Governing Cogeneration and small Power Production, Minnesota Rules, Chapter 7835**

Commissioner Lange moved that the Commission:

1. Approve the attached rule draft, with any of the following changes, as recommended by staff, and authorize staff to take the necessary steps to continue the rulemaking process and finalize adoption of the rule. Delegate to Commissioner Lange authority to make necessary, non-substantive edits to the rule that may be required after OAH's review under Minn. R. 1400.2310.

**7835.0100. Point of Common Coupling.**

Add a definition of "point of common coupling" to read as follows:

the point where the qualifying facility's generation system, including the point of generator output, is connected to the utility's electric power system.

**7835.0100, subp. 5. Capacity Costs.**

Modify the definition of capacity costs to read:

"Capacity costs" means the costs associated with providing the capability to deliver energy. ~~They consist of~~ The utility capital costs consist of the costs of facilities used to generate, transmit, and distribute electricity and the fixed operating and maintenance costs of these facilities.

**7835.0100, subp. 20a. Standby Charge.**

Modify the definition of "standby charge" to read:

"Standby charge" means the rate or fee a utility charges for the recovery of costs for the provision of standby service or standby power.

**7835.0100, subp. 20b. Standby Service.**

Modify the definition of "standby service" to read:

"Standby service" means:

A. for public utilities, service or power that includes backup or maintenance ~~and related~~ services, as described by a utility in its Commission-approved tariff, necessary to make electricity service available to the distributed generation facility. ~~as described in the public utility's commission-approved standby tariff;~~

**7835.0100, subp. 24 – Utility.**

Modify the definition of “utility” to read:

"Utility" means:

B. for the purposes of parts 7835.0200 to 7835.1200, 7835.1900 to 7835.4400, 7835.4600 to 7835.6100, ~~and 7835.9910, and 7835.9920~~, any public utility, including municipally owned electric utilities and cooperative electric associations, that sells electricity at retail in Minnesota, except those municipally owned electric utilities that have adopted and have in effect rules consistent with this chapter.

**7835.0800 – Schedule E.**

Modify the following sentence of this rule part to read:

These standards and procedures must not be more restrictive than the standards contained in the electrical code under part 7835.2100 or than the interconnection standards distributed to customers under part 7835.4750.

**7835.2100 – Area Electric Power System.**

Modify the proposed rule as follows:

**Subpart 1. Compliance; Standards.**

The interconnection between the qualifying facility and the utility must comply with the requirements in the most recently published edition of the National Electrical Safety Code, ~~1981 edition~~, issued by the Institute of Electrical and Electronics Engineers as ~~American National Standards Institute Standard C2 (New York, 1980)~~. The interconnection is subject to subparts 2 and 3.

**Subpart 2. Interconnection.**

The qualifying facility is responsible for complying with all applicable Local, state, and federal codes, including building codes, the National Electric Code (NEC), the National Electric Safety Code (NESC), and noise and emissions standards. The utility must require proof that the qualifying facility is in compliance with the NEC before the interconnection is made. The qualifying facility must obtain installation approval from an electrical inspector recognized by the Minnesota State Board of Electricity.

**Subpart 3. Generation System.**

The qualifying facility's generation system and installation must comply with the American National Standards Institute/Institute of Electrical and Electronics Engineers(ANSI/IEEE) standards applicable to the installation.

**7835.4019 – Qualifying Facilities of 1,000 Kilowatt Capacity or More.**

Modify the proposed rule as follows:

A qualifying facility with 1,000 kilowatt capacity or more must negotiate a contract with the public utility to set the applicable rates for payments to the customer of avoided capacity and energy costs.

**7835.4750 – Interconnection Standards.**

Modify the proposed rule as follows:

Before a customer signs the uniform statewide contract, a utility must distribute to that customer a copy of, or electronic link to, the commission’s order establishing interconnection standards dated September 28, 2004, in docket number E-999/CI-01-1023, or currently effective interconnection standards established by subsequent commission order.

**7835.5900 – Existing Contracts.**

Modify the proposed rule language as shown in bold:

Any existing interconnection contracts executed between a utility and a qualifying facility with ~~installed~~ capacity of less than 40 kilowatts ~~before November 13, 1984, may be canceled and replaced with the uniform statewide contract at the option of either party by either party giving the other written notice~~ **remains in force until terminated by mutual agreement of the parties or as otherwise specified in the contract.** ~~The notice is effective upon the shortest period permitted under the existing contract for termination, but not less than ten nor more than 30 days.~~

**7835.5950 – Renewable Energy Credit; Ownership.**

Modify the proposed rule as follows:

Generators own all RECs unless (1) other ownership is expressly provided for by a contract between a generator and a utility; (2) state law specifies a different outcome, or (3) specific Commission orders or rules specify a different outcome.

**7835.9910 – Uniform Statewide Form of Contract.**

Modify the first sentence of Contract Term 2 to read:

The Cooperative Electric Association or Municipally Owned Electric Utility will buy electricity from the QF under the current rate schedule filed with the Commission.

Modify the first sentence of Contract Term 3 to read:

3. The Public Utility will buy electricity from the QF under the current rate schedule filed with the Commission.

Modify Contract Term 4 as follows and add Contract Term 4a as follows:

4. The Public Utility will buy electricity from the QF under the current rate schedule filed with the Commission. If the QF is not a net metered facility and has at least 40 kilowatt capacity but less than 1,000 kilowatt capacity, the QF elects the rate schedule category hereinafter indicated:

\_\_\_ a. Simultaneous purchase and sale billing rate under part 7835.4014.

\_\_\_ b. Time-of-day purchase rates under part 7835.4015.

A copy of the presently filed rate schedule is attached to this contract.

4a. The Public Utility will buy electricity from a net-metered facility under the current rate schedule filed with the Commission or will compensate the facility in the form of a kilowatt-hour credit on the facility's energy bill. If the net metered facility has at least 40 kilowatts capacity but less than 1,000 kilowatt capacity, the QF elects the rate schedule category hereinafter indicated:

\_\_\_ a. kilowatt hour energy credit on the customer's energy bill, carried forward and applied to subsequent energy bills, with an annual true-up under part 7835.4017.

\_\_\_ b. Simultaneous purchase and sale billing rate under part 7835.4014.

\_\_\_ c. Time-of-day purchase rates under part 7835.4015.

A copy of the presently filed rate schedule is attached to this contract.

Modify Contract Term 6 to read:

6. The Public Utility, the Cooperative Electric Association, or the Municipally Owned Electric Utility will compute the charges and payments for purchases and sales for each billing period. Any net credit to the QF or to the net metered facility, other than kilowatt hour credits under 4a above, will be made under one of the following options as chosen by the QF:

\_\_\_ 1. Credit to the QF's account with the Utility.

\_\_\_ 2. Paid by check to the QF within 15 days of the billing date.

**7835. 1400; 7835.1500; 7835.3300; 7835.4012; and 7835.9910 –  
Average Retail Utility Energy Rate.**

Use “average retail utility energy rate” rather than “net energy billing rate.” This would apply to existing language in parts 7835.1400 (governing reporting requirements) 7835.3300 (governing compensation rates) and 7835.9910 (the statewide uniform contract), as well as to proposed rule part 7835.4012 (governing compensation rates).

Replace “net energy billing” with “average retail utility energy billing” in parts 7835.1400 and 7835.1500.

**SONAR.** Modify p.24 of the SONAR, which lists persons who will probably benefit from the proposed rule, by striking the following statement:

Retail electric customers, who will offset their reliability concerns during outages by using electricity they are producing.

The motion passed 3-0.

There being no further business, the meeting was adjourned.

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

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

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**Daniel P. Wolf, Executive Secretary**