

The Commission met on **Thursday, October 10, 2019** with Chair Sieben and Commissioners Means, Schuerger, Lipschultz, and Tuma present.

The following matters were taken up by the Commission:

**IP-7002/CN-19-154**

**In the Matter of the Application for a Certificate of Need for the up to 200 MW Three Waters Wind Farm in Jackson County**

Commissioner Sieben moved that the Commission:

1. Accept the application as substantially complete as of August 27, 2019;
2. Direct the use of the informal review process;
3. Delegate scheduling authority to the Executive Secretary; and
4. Adopt the additional items listed below:
  - A. the name, telephone number, and e-mail address of the Commission employee designated to facilitate citizen participation in the process;
  - B. request that the Department continue to study issues and indicate during the hearing process its position on the reasonableness of granting a certificate of need to the Three Waters;
  - C. require that Three Waters facilitate in every reasonable way the continued examination of the issues by the Department;
  - D. request Three Waters to place an electronic or print copy of the application for review in a Government Center and/or Public Library in the vicinity of the project;
  - E. direct Commission staff to work with the Administrative Law Judge and the staff of the Department in selecting suitable time(s) and location(s) for a public hearing on the application; and
  - F. direct Three Waters to work with staff of the agencies to arrange for publication of the notice of the hearings in newspapers of general circulation at least ten (10) days prior to the hearings, that such notice be in the form of visible display ads, and proofs of publication of such ads be e-Filed with the Commission.

The motion passed 5-0.

**E-999/AA-18-373**

**In the Matter of the Review of the 2017-2018 Annual Automatic Adjustment Reports for All Electric Utilities**

Commissioner Schuerger moved that the Commission:

**AAA Reports**

1. Accept the Companies' FYE18 AAA reports as filed, and subsequently amended. As being substantially complete under Minn. R. 7825.2390 through 7825.2920;
2. Accept the compliance filings required by Commission Order, as discussed in Section III, items A through R of the Report;
3. Accept the utilities' MISO Day 1, MISO Day 2, asset-based margin, and ancillary services market reporting (High Bridge);
4. Authorize Xcel Energy to surcharge its electric customers for the misallocations from 2017-2018;
5. Require Xcel Energy to identify and include error reports in future AAA filings and annual FCA true-up filings under the new FCA reform process;
6. Accept Minnesota Power, Otter Tail, and Xcel Energy's May 8, 2019 compliance filings required by Ordering Paragraph 4 of the Commission's February 7, 2019 Order in Docket No. E-999/AA-17-492;
7. Require Minnesota Power, Otter Tail, and Xcel Energy to submit a compliance filing within ten days of the date of this order showing any final adjustments that are a result of this order and all related tariff changes.

**Commission Investigation**

8. The Commission will open an investigation in a separate docket and require Minnesota Power, Otter Tail, and Xcel Energy to report their future self-commitment and self-scheduling analyses using a consistent methodology by including fuel cost and variable O&M costs, matching the offer curve submitted to MISO energy markets;
9. In that investigation, the Commission will require Minnesota Power, Otter Tail, and Xcel Energy to provide stakeholders with the underlying data (work papers) used to complete their analyses, in a live Excel spread sheet including, at minimum, the data points listed below for each generating unit, with the understanding that this may include protected data.

Hourly data for all units:

- a) Date and hour
- b) Commit status (Null / Economic / Emergency / Must Run / Outage / Not Participating)
- c) Dispatch Status for Energy (Null / Economic / Self Schedule)
- d) Cleared MW
- e) Day ahead locational marginal price at unit node
- f) Real time MW adjustment
- g) Real time locational marginal price at unit node
- h) Day ahead dispatch minimum
- i) Real time dispatch minimum
- j) Fuel cost (\$/MWh)
- k) Variable operations and maintenance costs (\$/MWh)
- l) Day ahead locational marginal price representative of utility load zone
- m) Real time locational marginal price representative of utility load zone
- n) Whether Day Ahead Cleared = Day Ahead Dispatch Minimum (0 or 1)
- o) Actual production in MWh (for all 8,760 hours of the year)
- p) Day ahead MISO payment
- q) Real time MISO payment
- r) Net MISO energy payment
- s) Production costs  $((J+K) * O)$
- t) Net cost or benefit  $(R - S)$  Monthly or annual data for all units:
- u) Revenue from ancillary services (monthly)
- v) Fixed operations and maintenance costs (preferably monthly), or reasonable estimates in approximation thereof
- w) Capital revenue requirements (annual) or reasonable estimates in approximation thereof;
- x) Average heat rate at economic minimum

y) Average heat rate at economic maximum

10. In that investigation, require Minnesota Power, Otter Tail, and Xcel Energy to submit a compliance filing analyzing the potential options for seasonal dispatch generally, and potential options and strategies for utilizing “economic” commitments for specific coal-fired generating plants. Including a specific explanation of barriers or limitations to each of these potential options, including but not limited to technical limits of the units and contract requirements (shared ownership, steam offtake contracts, minimum fuel supply requirements, etc.) as relevant, with their next periodic FCA report on March 1, 2020.

The motion passed 5-0.

**G-999/AA-18-374, et al.**

**In the Matter of the Review of the 2017-2018 Annual Automatic Adjustment Reports and Annual Purchased Gas Adjustment True-up Filings**

**G-008/M-18-462**

**In the Matter of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas’ Request for Change in Demand Units**

Commissioner Lipschultz moved that the Commission:

1. Accept the FYE18 annual reports as filed by the gas utilities as being complete as to Minnesota Rules 7825.2390 through 7825.2920;
2. Require each utility that hedges (including physical and financial) to continue to provide a post-mortem analysis, in a format similar to what was provided in this docket, in subsequent AAA filings;
3. Accept GMG’s FYE18 true-up as filed in Docket No. G-022/AA-18-563;
4. Allow GMG to implement its true-ups, as shown in Department Attachment G5 of the Department’s April 25, 2019, Review of the 2017-2018 Annual Automatic Adjustment Reports;
5. Accept Great Plains’ FYE18 true-ups, Docket No. G-004/AA-18-567;
6. Allow Great Plains to implement its true-ups, as shown in Department Attachment G6 of the Department’s Review;
7. Accept MERC-NNG’s FYE18 true-up filing in Docket No. G-011/AA-18-489;

8. Allow MERC-NNG to implement its true-up, as shown in Department Attachment G8 of the Department's Review;
9. Accept MERC-Consolidated's FYE18 true-up filing in Docket No. G-011/AA-18-490;
10. Allow MERC-Consolidated to implement its true-up, as shown in Department Attachment G9 of the Department's Review;
11. Require MERC to provide both a discussion regarding the treatment of recovery of gas losses due to contractor main strikes, as well as totals for its Schedule Q, Third Party Damage, in future initial AAA filings;
12. Accept CenterPoint Energy's FYE18 true-up, Docket No. G-008/AA-18-573;
13. Allow CenterPoint Energy to implement its true-up, as shown in Department Attachment G10 of the Department's Review;
14. Allow CenterPoint Energy to recover \$224,226 from the 2017-2018 gas year and \$437,060 from the 2018-2019 gas year related to the Viking Demand Entitlement error in its PGA;
15. Approve CenterPoint's proposed level of demand entitlement and proposed recovery of associated demand costs effective November 1, 2018 adjusted for any action the Commission takes on the Viking Demand Entitlement issue;
16. Accept the design-day level proposed by CenterPoint;
17. Require CenterPoint to discuss, in future demand entitlement filings, ways of mitigating the reliability risk regarding the loss of peak shaving capability on a peak day;
18. Accept Xcel Gas' FYE18 true-up, Docket No. G-002/AA-18-572;
19. Allow Xcel Gas to implement its true-up, as shown in Department Attachment G11 of the Department's Review;
20. Approve Xcel Energy's proposed refund to gas customers related to the High Bridge Adjustment;
21. Require Xcel Energy to calculate interest at the Prime Rate on the 2013-2017 prior period adjustment portion of the High Bridge allocation error, ~~or \$3,669,040~~, and include it as a credit no later than its next AAA true-up filing (2020 AAA due September 1, 2020);

22. Going forward, all regulated utilities identify each non-standard-period adjustment made in an Annual True-Up filing, demonstrate whether each adjustment is subject to a Minnesota Rule (e.g., Billing Error Rule 7820.4000, Approval for Automatic Adjustment of Charges 7825.2920, or some other Rule), and demonstrate the reasonableness of each such adjustment.

The motion passed 5-0.

**G-011/M-18-527**

**In the Matter of Minnesota Energy Resources Corporation's Petition for Approval of a Change in Demand Entitlement for its Consolidated System**

**G-011/M-18-526**

**In the Matter of Minnesota Energy Resources Corporation's Petition for Approval of a Change in Demand Entitlement for its Northern Natural Gas System**

Commissioner Sieben moved that the Commission take the following actions:

1. Regarding Docket No. 18-527, the Consolidated PGA area:
  - a. accept MERC's proposed level of demand entitlement; and
  - b. allow MERC to recover associated demand costs through the monthly PGA effective November 1, 2018.
2. Regarding Docket No. 18-526, the Northern Natural Gas PGA area:
  - a. accept MERC's proposed level of demand entitlement; and
  - b. allow MERC to recover associated corrected demand costs through the monthly PGA effective November 1, 2018.
3. Allow MERC to refund firm customers and recover from interruptible customers the approximately \$423,646 over- and under-charged amounts related to the Rochester demand entitlement error through the monthly PGA over a six-month period following Commission approval.
4. Grant a variance to Minn. R. 7825.2910; Minn. R. 7825.2700, subp.7; Minn. R. 7825.2920, subp. 2; Minn. R. 7820.4000; and any other applicable rule as necessary.

The motion passed 5-0.

**G-004/M-18-454**

**In the Matter of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc.'s  
(Great Plains) Demand Entitlement Filing**

Commissioner Tuma moved that the Commission:

1. Approve Great Plains' proposed level of demand entitlements as amended by its supplemental filing.
2. Allow Great Plains to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2018.
3. In its next demand entitlement petition, require Great Plains to provide the following information:
  - a. What are the possible sources of the "pressure" issues in Fergus Falls?
  - b. Have the previous "pressure" issues impacted service to the Company's firm customers?
  - c. An explanation of how Great Plains' distribution/transmission system and city gates would be impacted if there ever were a loss of a single compressor station on:
    - i. NNG's system,
    - ii. Viking's system, or
    - iii. Both NNG and Viking's systems.

The motion passed 5-0.

**G-002/M-18-528**

**In the Matter of Northern States Power Company, doing business as Xcel Energy's (Xcel or the Company) Petition for Approval of Changes in Contract Demand Entitlements**

Commissioner Lipschultz moved that the Commission:

1. Approve Xcel's proposed level of demand entitlements as amended by its Supplemental Filing.

2. Allow Xcel to recover associated demand costs through the monthly Purchased Gas Adjustment effective November 1, 2018.
3. In its next demand entitlement petition, require Xcel to provide the costs to the Company of the “Northern Lights 2019” project, and a detailed description of the incremental annual and/or winter peak-day capacity that Xcel contracted with Northern.

The motion passed 5-0.

**E, G-999/CI-19-160**

**In the Matter of a Commission Inquiry into the Impacts of Severe Weather in January and February 2019 on Utility Operations and Service**

Commissioner Lipschultz moved that the Commission take the following actions:

1. Within 30 days, require Xcel Gas and CenterPoint to file information on their reinforcement projects completed this year.
2. Annually, in their September 1 AAA report filings, require natural gas utilities to file complete analyses of circumstances when an interruptible customer fails to curtail twice, or a single noncompliant event is significant.
3. Approve CenterPoint’s proposal to increase its penalty amounts to charge noncompliant interruptible customers \$3 per therm or \$6 per therm, depending on whether it is the first or second occurrence in the heating season, in addition to the highest incremental supply cost for the day.
4. Approve Xcel Gas’ proposed tariff changes included in its June 28, 2019 reply comments, to be effective May 1, 2020, except to the extent they conflict with other tariff changes required in this order.
5. Approve MERC’s proposed tariff changes included in its July 1, 2019 reply comments, effective immediately, except to the extent they conflict with other tariff changes required in this order.
6. Approve CenterPoint’s proposed tariff changes submitted September 12, 2019, to be effective May 1, 2020, except to the extent they conflict with other tariff changes required in this order.
7. For tariff changes required in this order, require affected utilities to file compliance filings with red-lined tariffs.



8. By November 1, 2019, require all of the electric and natural gas utilities to report their progress in implementing various process improvements to address severe weather events.

The motion passed 5-0.

At this point in the meeting, Chair Sieben left.

**G-002/M-18-692**

**In the Matter of the Petition of Northern States Power Company, d/b/a Xcel Energy, for Approval of a Gas Utility Infrastructure Cost Rider True-Up Report for 2018, the Forecasted 2019 Revenue Requirements, and Revised Adjustment Factors**

Commissioner Lipschultz moved that the Commission:

1. Accept Xcel's 2018 True-Up Report as modified.
2. Approve Xcel's proposed 2019 Gas Utility Infrastructure Cost (GUIC) rider revenue requirement and adjustment factors as modified.
3. Prohibit Xcel from applying prorated accumulated deferred income tax (ADIT) to rate base when it is not required by the Internal Revenue Service for normalization purposes.
4. Require Xcel to, in the revenue-requirement schedules of its final compliance filing, show a breakdown of the ADIT balance to separately identify the excess ADIT balance, attributed to Pub. L. 115-97, a tax reform bill originally introduced in Congress as the 'Tax Cuts and Jobs Act,' that will be returned to ratepayers as well as the amortized amount of the excess ADIT being included in the GUIC revenue requirement.
5. Require Xcel to use the most recent 12 months of actual natural gas sales to calculate the final GUIC rate.
6. Deny Xcel's request for a carrying charge in the GUIC tracker account.
7. Require Xcel to remove and exclude from the GUIC rider costs related to low-risk infrastructure replacement that is not mandated by government regulations or public-work requirements.
8. Limit the return on the capital costs incurred to remediate the system's MAOP data gaps to Xcel's weighted long-term cost of debt.

9. Require Xcel to remove the costs of Overhead, Transportation, and Other, totaling \$8,157,695, from the GUIC rider.

10. Approve the following cost of capital for Xcel's 2019 GUIC Rider:

|                       | <b>Capital Structure</b> | <b>Cost</b>  | <b>Weighted Cost</b> |
|-----------------------|--------------------------|--------------|----------------------|
| Long-Term Debt        | 45.81%                   | 4.75%        | 2.18%                |
| Short-Term Debt       | 1.69%                    | 4.31%        | 0.07%                |
| Common Equity         | 52.50%                   | <b>9.04%</b> | 4.75%                |
| <b>Rate of Return</b> |                          |              | <b>7.00%</b>         |

11. Require Xcel to exclude from its 2019 and future GUIC rider revenue requirements all costs related to emergency sewer-conflict work. Accordingly, Xcel must adjust its 2019 GUIC rider revenue requirement to remove (1) \$50,000 for these costs applicable to 2019, and (2) \$371,364 for costs that were erroneously included in the rider in previous years.

12. Require Xcel to remove \$1.97 million from the 2019 GUIC revenue requirement for forecasted TIMP-related costs that were ultimately not incurred.

13. Permit Xcel to recover \$900,000 in DIMP-related cost overruns.

14. Require Xcel to continue to improve its risk assessment reporting in future GUIC filings, with the goal of providing better explanations of the Company's assets.

15. Require Xcel to provide consequence class information for both plastic and steel mains and services in future GUIC filings.

16. Require Xcel to develop full risk-assessment profiles for the TIMP Transmission Pipeline Assessment program and the TIMP Programmatic/MAOP Remediation program.

17. Require Xcel to include an updated copy of page 1 of Attachment D1(a) that reflects removal of the DIMP projects from the Company's 2019 GUIC rider in its final compliance filing.

18. Require the Department and Xcel to continue efforts to reach a consensus on establishing performance metrics in future GUIC petitions.

19. Require Xcel to submit a final compliance filing within 10 days of the date of the order showing the final rate-adjustment factors and all related tariff charges.

20. Require Xcel to include electronic files of its revenue requirement schedules, with formulae intact, in its final compliance filing.

The motion passed 4-0.

There being no further business, the meeting was adjourned.

**APPROVED BY THE COMMISSION: February 12, 2020**

A handwritten signature in black ink, appearing to read "Will Seuffert", with a long horizontal flourish extending to the right.

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**Will Seuffert, Executive Secretary**