

#### **b. General Service Discount for High Voltage Service**

The Company proposed to increase the discount for high voltage service, to more closely track a differential in costs that results from serving customers at higher voltage levels. The present rate has a discount of \$0.50 per kW for customers receiving service above 13,000 volts. Under the Company's proposal, General Service customers receiving service between 13,000 and 115,000 volts will receive a \$1.00 per kW discount, while those receiving service at or above 115,000 volts (transmission voltage) will receive the equivalent of a \$2.00 per kW discount.

The Department testified that the voltage discount for General Service customers as proposed by the Company was cost justified. No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to increase the discounts for high voltage service as described above.

#### **c. General Service Power Factor Adjustment**

The Company proposed placing a limit on the adjustment provision for General Service customers having a poor power factor. Under present rates, there is no limiting provision. The proposed adjustment provision restricts the adjustment factor applied to the customer's billing demand to slightly less than two. This would provide General Service customers with a more reasonable penalty for poor power factors.

The Department noted that a limit on the adjustment for poor power factors imposes a more reasonable penalty on customers and recommended approval of the provision. No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to apply such an adjustment provision.

#### **d. General Service Non-Metered Rider**

The Company proposed a General Service non-metered rider applicable to any General Service customer whose operation is not practical to meter at the point of service. Under this proposal, customers would pay the standard General Service customer and energy charges. Monthly usage is estimated for five, different non-metered customers. Billing to non-metered customers are based on those usage characterizations.

The Department concluded the estimated charges for the service were reasonable and recommended adoption. No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to offer this rider as described above.

#### **e. General Service Controlled Access Electric Service**

The Company proposed a General Service Controlled Access Electric Service tariff. It will be available for controlled-storage space-heating and/or water heating loads that are served daily between 11 p.m. and 7 a.m. and supplied through one meter. The proposed tariff consists of a customer charge and an energy charge.

The Department noted that the Company supplied adequate cost information to support the proposed service and recommended approval. No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to offer this service as described above.

### **3. Large Light and Power Service Issues**

#### **a. Large Light and Power Service Rate Design**

The Large Light and Power tariff is available to customers whose total electric requirements are supplied at one point and whose total power requirements are less than 10,000 kW. The tariff includes a minimum demand charge, incremental demand charges for additional billing demand over 100 kW, and energy charges.

The Company proposed greater percentage increases for the customer and demand charges than the energy charge for this service. Specifically, the Company proposed to increase the customer charge from \$790.00 to \$950.00 for Large Light and Power schedules 55 and 75.

The Department testified that its cost study indicated that the customer and demand charges for this service are currently priced below cost. The Department supported the Company's proposal to move these rates toward cost, and to increase the customer and demand charges by a higher percentage increase than the energy charge.

No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to increase its customer, demand and energy charges for this service as proposed above.

#### **b. Large Light and Power Discount for High Voltage Service**

The Company proposed a discount for high voltage service for the Large Light and Power tariff that mirrors its proposal for the General Service tariff.

The Department testified that the high voltage discount proposed by the Company is cost justified and recommended approval. No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to offer this discount.

#### **c. Large Light and Power Factor Adjustment**

The Company proposed a limit to adjust billing demand for poor power factors for LL&P customers that mirrors its proposal for the General Service tariff.

The Department testified that the Company's proposal for a limit to adjustments for poor power factors provides a more reasonable penalty for these customers. It recommended approval of the proposal. The Commission finds it reasonable to authorize the Company to adjust LL&P Service billing demand for poor power factors as proposed.

**d. Rider for Schools Associated with Large Light and Power Schedules 55/75**

The Rider for Schools applies to LL&P Service Schedules 55 and 75 for schools, which are part of the elementary and secondary school system. Under this Rider, the rate (and other provisions) of "other applicable schedules" apply. The Company proposed an increase to the first 100 kW block of Demand Charge under this Rider. It also proposed the same limit on the adjustment for power factors suggested for the General Service.

No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to make these changes as proposed.

**e. Large Light and Power Service Reduction in Demand Ratchet**

In Rebuttal testimony, the Company proposed a reduction in the LL&P Rate Schedules 55/75 demand ratchet from 90% to 75%. The Company asserted that the 75% ratchet level would still maintain reasonable incentive for LL&P customers to operate at an efficient level. Yet, this level of ratchet still provides an opportunity for customers to increase production on a short-term basis in order to compete for spot-market or short-term sales.

No party opposed the Company's proposal. The Commission finds it reasonable to authorize the Company to reduce the demand ratchet for this service as proposed.

**4. Municipal Pumping Service Issues**

**a. Municipal Pumping Service Rate Design**

The Municipal Pumping Service is available to municipalities for the operation of water-pumping and sewage-disposal facilities whose electric requirements are supplied at one point. For customers without a demand meter, the tariff includes a customer charge and an energy charge. For customers with a demand meter, the tariff includes customer, demand and energy charges.

The Company proposed that the customer and demand charges be increased by a greater percentage than the energy charges. The Department noted that the Company's cost study indicated that the customer and demand charges are priced below cost. In an effort to move these rates toward cost, the Department recommended that these rates receive a larger increase than the energy rate.

The Commission will not adopt the Company's proposal to increase the customer and demand charges for this service by a greater percentage than the energy charge for this service. Instead, the Commission finds it appropriate to require the Company to increase the customer and demand charges by the same or no greater percentage than the energy charge.

In general, where appropriate, the Commission prefers to increase energy charges rather than fixed charges. By placing an increase in an energy charge rather than a fixed charge, customers are more likely to see differences in their bills based on variable energy consumption.

**b. Municipal Pumping High Voltage Discount**

The Company proposed a discount for high voltage service for Municipal Pumping Service that mirrors its proposal for the General Service and LL&P tariffs.

The Department recommended approval of the Company's proposal for a high voltage discount. It relied on the same reasoning given for its support of the discount for the General Service and LL&P tariffs. The Commission finds it reasonable to authorize the Company to offer the discount as proposed.

**c. Municipal Pumping Billing Adjustment for Poor Power Factors**

The Company proposed a limit to adjust billing demand for poor power factors for Municipal Pumping customers that mirrors its proposal for the General Service and LL&P tariffs.

The Department testified that the Company's proposal for a limit to adjustments for poor power factors provides a more reasonable penalty for these customers. It recommended approval of the proposal. The Commission finds it reasonable to authorize the Company to adjust Municipal Pumping Service billing demand for poor power factors as proposed.

**5. Lighting Service**

The Company's Lighting Service is available to customers for outdoor lighting purposes. The Lighting Service tariff includes a flat monthly charge for each lamp.

The Company proposed several intra-class rate changes to this service. In addition, the Company proposed a monthly estimated kWh usage amount to replace the current annual average usage amount. The Company also proposed to consolidate the current Area and Outdoor Lighting Services into one schedule, and the Street Lighting, Ornamental Lighting, Highway Lighting, and International Falls Street Lighting into a second schedule. Finally, the Company proposed to discontinue the Tower Light and Traffic Controller rate under Highway Lighting.

The Department recommended approval of all the Company's proposed changes to this service. The Department noted that the Company's replacement-cost study indicates that the monthly replacement-cost revenue requirement varies significantly by technology. The Department also testified that the intra-class changes are a justifiable effort to move these rates closer to cost. It testified that the introduction of monthly usage levels will better match usage levels and costs.

The Department also supported approval of the Company's proposed schedule consolidations and the discontinuance of the Tower Light and Traffic Controller rates under Highway Lighting. It testified that both these proposed changes promote administrative ease. It noted that the Tower Light and Traffic Controller services have not been used for a number of years.

The Commission finds it reasonable to authorize the Company to make the proposed changes to the Lighting Service. The Commission also finds it reasonable to authorize the Company to apply the revenue deficiency allocated to the Lighting class in a way that will better align rates with costs.

#### **6. Large Power Service**

The Company proposed changes to the Surcharge Provision of the LP schedule 54/74. No party opposed the Company's proposed change to this provision. The Commission finds it reasonable to authorize the Company to make the change.

The Company also proposed changes to the Rider for Implementing Company's "Best Efforts" Marketing Policy for the LP class. No party opposed the Company's changes to this Rider. The Commission finds it reasonable to authorize the Company to make the proposed changes to this Rider.

The Company currently offers a service voltage adjustment as part of its LP tariff. No party opposed the Company's proposed adjustment. The Commission finds this provision is reasonable and will authorize the Company to continue this adjustment.

#### **7. Rider for Fuel Adjustment**

The Rider for Fuel Adjustment applies to electric service under all the Company's retail rate schedules (except Competitive Rate Schedules, Seasonal Residential Service, and Traffic and Police Signal Rate Code 65).

The Company proposed changes to the conditions in the Rider for Fuel Adjustment. It also proposed to include a new base cost of fuel of 1.018 cents per kWh. (This new base cost of fuel was approved in Docket No. E-015/MR-94-2.)

No party opposed these changes. The Commission finds it reasonable to authorize the Company to make these changes.

#### **8. Technical Terms and Abbreviations**

The Company proposed changes in its listing of Technical Terms and Abbreviations. No party opposed these changes. The Commission finds it reasonable to authorize the Company to make them.

## XVII. OVERALL FINANCIAL SUMMARIES

### A. Rate Base Summary

In its original filing, the Company proposed a rate base of \$483,657,724. Incorporating the above findings, the Commission concludes that the rate base for the test year is \$485,896,166 (including the effects of SFAS 106 and the 1994 effects of the National Stipulation) as shown below:

Utility Plant in Service	\$1,023,868,262
Less: Accumulated Depreciation	<u>-380,870,938</u>
Net Utility Plant in Service	642,997,324
Construction Work in Progress	9,421,886
Working Capital:	
Cash	-28,815,840
Materials and Supplies	8,535,051
Fuel	6,630,885
Prepayments	7,682,243
Accumulated Deferred Income Tax	-151,641,557
Customer Advances and Deposits	-927,839
Unamortized Rate Case Expense	398,588
Unamortized Transmission Charge	-10,190,779
Unamortized LP Contract Payments	<u>1,806,204</u>
Total Average Rate Base	<u><u>\$ 485,896,166</u></u>

### B. Operating Income Statement Summary

The Company proposed an operating income of \$27,114,613 in the original filing. Incorporating the above findings, the Commission concludes that the operating income for the test year (including the effects of SFAS 106 and the 1994 effects of the National Stipulation) is \$31,890,642 as shown below:

<b>Operating Revenues</b>	
Sales of Electricity by Rate Class	\$270,010,391
LP Interruptible, Dual Fuel	26,266,450
Other Electric Revenues	33,863,764
Other Revenues	<u>1,988,766</u>
<b>Total Operating Revenues</b>	<b>332,129,371</b>
<b>Operating Expenses</b>	
Operations and Maintenance	222,353,727
Depreciation	31,031,395
Amortization	1,092,799
Taxes Other Than Income	36,326,133
State Income Tax	3,509,025
Federal Income Tax	10,766,279
Provision for Deferred Tax (net)	-3,067,577
Investment Tax Credit	<u>-1,350,982</u>
<b>Total Operating Expenses</b>	<b>300,660,799</b>
<b>Operating Income Before AFUDC</b>	<b>31,468,572</b>
<b>AFUDC</b>	<u><b>422,070</b></u>
<b>NET OPERATING INCOME</b>	<b><u><u>\$ 31,890,642</u></u></b>

### C. Gross Revenue Deficiency

Based on the Commission findings and conclusions, the Minnesota jurisdictional gross revenue deficiency for final rates for the test year (including the effects of SFAS 106 and the 1994 effects of the National Stipulation) is \$22,929,330 as shown below:

Rate Base	\$485,896,166
Rate of Return	<u>9.33%</u>
Required Operating Income	45,334,112
Test Year Net Operating Income	31,890,642
Operating Income Deficiency	13,443,470
Revenue Conversion Factor	<u>1.705611</u>
Revenue Deficiency	<u><u>\$ 22,929,330</u></u>

In the test year income statement, the Commission found revenues from sales of electricity by rate class and dual fuel/LP interruptible of \$296,276,841. Increasing revenues by \$22,929,330 results in total authorized Minnesota revenues in these categories of \$319,206,171 for final rates for the test year.

As discussed in the National Stipulation section of this Order, the stipulation reduces MP's revenue deficiency by \$3,944,854 to \$18,984,476, based on stipulated revenues of \$298,025,022. Rates effective January 1, 1995 should reflect the provisions of the National Stipulation.

### **ORDER**

1. **Minnesota Power is entitled to increase gross annual revenues from Minnesota sales of electricity by rate class and dual fuel/LP interruptible of \$22,929,330 to produce authorized revenues from these categories of \$319,206,171. For rates effective January 1, 1995, the increase is reduced by \$3,944,854 resulting from the National Stipulation as discussed herein.**
2. **Within 30 days of the date of this Order, the Company shall file with the Commission and the Department and serve on the parties a revised base cost of fuel and supporting schedules incorporating the changes made herein. The Company shall also file a fuel clause adjustment to be in effect at the time final rates become effective. The Department shall review these filings in the same manner as any other automatic adjustment filings.**
3. **Within 30 days of the date of this Order, the Company shall calculate the amount of results sharing and incentive compensation included in test year expense which exceeds the 15 percent of base compensation limit per individual employee discussed herein. The Company shall include the adjustment in establishing its authorized rate level and interim rate refund. This information shall be filed with the Commission and served upon all parties to this proceeding.**
4. **Within 30 days of the date of this Order, the Company shall file with the Commission for its review and approval, and serve upon all parties to this proceeding, a proposal to make refunds, including interest calculated at the average prime rate, to affected customers. The proposal shall reflect the difference between the revenue collected during the interim rate period and the amount authorized herein, taking into account the refund adjustments discussed herein.**
5. **Within 60 days after all administrative review of this Order has been exhausted, the Company shall file with the Commission, and serve on all parties, a report of its actual rate case expenditures in this docket.**
6. **MP is authorized to commence decommissioning cost recovery effective with the date of implementation of final rates in this proceeding as discussed herein. MP shall prepare a contingency plan in the event that Hibbard units 3 and 4 are restarted, including a comprehensive evaluation of the appropriate remaining life for these units. MP shall address the contingency plan and decommissioning issues in future depreciation studies and filings.**

7. Within 30 days of the date of this Order, MP shall file with the Commission, and serve on all parties, its calculations of lost margin per kWh reflecting the rate changes resulting from this proceeding.
8. MP shall set its conservation program adjustment (CPA) at zero effective with the date of implementation of final rates resulting from this proceeding. The CPA shall be collected on a percentage of revenue basis in the future.
9. On or before April 1, 1995, and annually thereafter, MP shall file with the Commission, and serve on all parties, its report of lost margins, CPA proposal, and evaluation of the CIP tracker balance.
10. The return on equity for MP is 11.60 percent, which combined with other factors results in an overall rate of return of 9.33 percent, calculated as shown in the body of this Order.
11. The Commission accepts and adopts the Stipulation for Order Reopening the Record as filed on September 9, 1994.
12. Within 30 days of the date of this Order, the Company shall file with the Commission for review and approval, and serve on all parties to this proceeding, revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions contained herein, along with the proposed effective date.
13. Within 12 months of the date of this Order, the Company shall file with the Commission, and serve upon all the parties to this proceeding, a report on the study of real-time energy pricing.
14. Parties shall have 15 days to comment on the filings required in Ordering Paragraphs 12 and 13.
15. On or before June 30, 1995 the Company shall file with the Commission, and serve upon the Department, the RUD-OAG and the Senior Federation, a report summarizing the progress of the low income customer assistance work group.
16. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION



Burl W. Haar  
Executive Secretary

(S E A L)



# STATE OF MINNESOTA

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## RECEIVED

February 11, 2005

FEB 11 2005

MN PUBLIC UTILITIES COMMISSION

## RECEIVED

## PUBLIC

FEB 11 2005

Kathleen D. Sheehy  
Administrative Law Judge  
Office of Administrative Hearings  
100 Washington Square, Ste 1700  
Minneapolis, MN 55401-2138

MN PUBLIC UTILITIES COMMISSION

RE: In the Matter of the Petition of Northern States Power Company dba Xcel Energy  
Request for General Rate Increase  
OAH Docket No. 3-2500-16292-4  
MPUC Docket No. G002/GR-04-1511

Dear Judge Sheehy:

Enclosed for Filing in the above referenced docket, please find the Direct Testimony and Exhibits of Sundra Bender, Jason Bonnett, Cynthia Fang, Marlon F. Griffing, Dale V. Lusti, Bryan J. Minder, Sachin Shah, and Vincent Chavez on behalf of the Minnesota Department of Commerce.

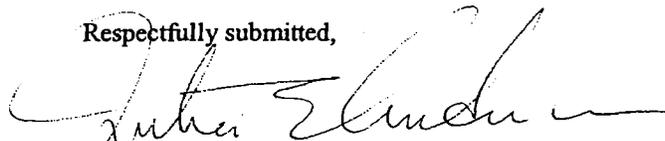
For clarification, the following sets forth the specific identification of Public and Trade Secret versions by witness:

<u>Witness</u>	<u>Public Volumes</u>	<u>Trade Secret Volumes</u>
Sundra Bender	One public volume (Testimony & Exhibits)	None
Jason Bonnett	One public volume (Testimony & Exhibits)	None
Cynthia Fang	One public volume (Testimony & Exhibits)	None
Marlon F. Griffing	Two public volumes (Testimony & Exhibits)	One Trade Secret volume (Exhibits)
Dale V. Lusti	One public volume (Testimony & Exhibits)	None
Bryan J. Minder	Three public volumes (Volume 1-Testimony & Exhibits) (Volume 1 - Exhibit No. 5) (Volume 2-Testimony & Exhibits)	None
Sachin Shah	Two public volumes (Testimony & Exhibits)	None
Vincent C. Chavez	One public volume (Testimony & Exhibits)	None

Kathleen D. Sheehy  
February 11, 2005  
Page 2

Also enclosed is an affidavit of service.

Respectfully submitted,



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Enc.  
C(w/enc.): All Parties of Record



G002/GR-04-1511

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