

our heating bill is going way up this winter

WE TAKE A HARD LOOK

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Congressional panel grills Qwest, Xcel

NORTHERN STATES POWER

Prairie Island -
Enron's Costly Misadventure
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Minnesota officials

Energy asks
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2002 ANNUAL REPORT

State of Minnesota

Public Utilities Commission

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Side Deals With Qwest
up a red alert
of Xcel service records
Aquila, Xcel face similar utilities commission scrutiny
Investigators from House Panel Have Talk With
New York Sues Five Telecom Execs
REPORTS
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Table of Contents

State of Minnesota Public Utilities Commission

2002 ANNUAL REPORT

January 21, 2003

Who are the Minnesota Public Utility Commissioners	1
What Does the PUC Do	3
Key Services	3
Broad Policy Objectives	3
Commission’s Unique Role and Structure	3
Major Projects in 2002	5
Special Challenges of 2002	5
Pursuing Competitive Telecommunications Markets	5
Assuring Reliable Utility Energy Services	10
Implementing 2001 and 2002 Energy Legislation	11
Tapping the Potential of Information Technology	16
Mediation of Consumer Complaints	18
Facts About Operations	21
Commission Staff, Organization and History	23
Executive Secretary	23
Staff	23
History Snapshot	25

Appendices

Summary of Commission Activities	
Regarding Extended Area Service	Appendix A
Commission Organizational Chart	Appendix B
Telephone Companies and Utilities	
Serving Customers in Minnesota	Appendix C
Commission Staff Telephone Numbers and E-mail List	Appendix D
Docket Comparison Report	
Dockets Opened 1996-2002	Appendix E
Consumer Affairs Office Cold Weather Rule (CWR) Fact Sheet	Appendix F
Cold Weather Data for 2001-2002 Season	Appendix G
Consumer Affairs Office Link-Up Minnesota Fact Sheet	Appendix H

Special thanks to Mary Swoboda for making this report readable, well organized and attractive

Who are *THE* Minnesota Public Utility Commissioners?

LeRoy Koppendrayer Chairman # Republican



Vermillion State Junior College; Course work at Anoka Vocational Technical Institute; Dunwoody Institute, Minneapolis; 1990 elected to Minnesota State Legislature and served through 1998; served as Assistant House Minority Leader and House Republican Whip; 1986-91 self-employed international agriculture consultant, lived in Indonesia for three years, also worked in South America, Africa, Jamaica, Phillipines and former U.S.S.R. Countries; 1974-86 dairy farmer; 1969-1974 manager, Fingerhut Corp. in Princeton, Alexandria, Sauk Center and Mora, MN; 1960-69 heavy equipment operator, truck driver, Reserve Mining Company; currently serves on NARUC Committee on Electricity, NARUC Regulatory Advisory Committee to the Institute of Public Utilities; chairs the NARUC Subcommittee on Strategic Issues and

is a liaison on the NARUC International Relations Committee; also serves on Minnesotans for School Choice; appointed Commissioner January 6, 1998; term expires January 5, 2004.

Ellen Gavin Commissioner # Democrat



Skidmore College, B.A; University of Minnesota Law School, J.D.; lawyer in private practice specializing in telecommunications law; Assistant Attorney General representing the Departments of Commerce and Public Service; Senior Policy Analyst with the New York State Department of Public Service; Staff Attorney with the Public Utility Law Project; Staff Attorney with Southern Minnesota Regional Legal Services; appointed Commissioner, November 8, 2002; term expires, January 6, 2003.

R. Marshall Johnson **Commissioner # Independent**



Duke University, Duke in Brazil Summer Program, 1987; University of Minnesota, B.A.; CEO and Chair of Anchor Gas and Fuel, Inc., and Anchor Transport, Inc.; NARUC Gas Committee; Gas Research Institute (GRI); appointed Commissioner August 11, 1993; reappointed December 11, 1995; term expires January 7, 2008.

Phyllis A. Reha **Commissioner # Democrat**



University of Minnesota, B.A.; University of Minnesota Law School, J.D.; Administrative Law Judge, Minnesota Office of Administrative Hearings where she specialized in public utility, telecommunications and environmental regulation; Assistant Professor, Hamline University Graduate School of Public Administration and Management; Free Lance Mediator and Arbitrator specializing in employment contract and discrimination disputes; Administrative Appeals Referee, Appellate Section and Supervisor, Complex Case Unit, Minnesota Department of Economic Security; Attorney, Michigan Migrant Legal Assistance Project; Past Chair, Administrative Law Section, Minnesota State Bar Association; Member, Public Utilities Section, Environmental and Natural Resource Section, Conflict Management and Dispute Resolution Section and Public Law Section, Minnesota State Bar Association; Member, Hennepin County Bar Association; Member and past Chair, Administrative Judiciary Section, national Association of Women Judges; Member, National Association of Conflict Resolution, Inc.; Past President, Minnesota Society of Professionals in Dispute Resolution; appointed Commissioner May 16, 2001; term expires January 1, 2007.

Gregory Scott **Commissioner # Independent**



St. John's University, B.A.; William Mitchell College of Law, J.D. magna cum laude; practiced law at the law firm of Messerli & Kramer, specializing in corporate transactions, health care litigation and regulation, and products liability litigation and regulation; formerly with Popham, Haik, Schnobrich & Kaufman, Ltd. and Rinke, Noonan, Grote & Smoley, Ltd.; Member, American Bar Association and International Bar Association; Chairman, International Law Subcommittee, Product Liability Litigation Committee, American Bar Association; appointed Commissioner August 29, 1997; reappointed March 31, 1999; appointed Chairman January 3, 2000-2003; term expires January 3, 2005.

What Does the PUC Do?

The Minnesota Public Utilities Commission (PUC) regulates three cornerstone service industries in Minnesota's economy, i.e., electricity, natural gas, and telephone. It is the Commission's responsibility to ensure that vendors of these services provide safe, adequate, and reliable service at fair, reasonable rates (M.S. Chapters 216A, 216B and 237).

Key Services

- # Disciplined decision-making for adjudicating party-to-party disputes and establishing broad industry rules and policies
- # A public forum for examination of policies pertaining to regulated industries
- # Mediation of consumer complaints concerning services of telephone or energy utility providers

Broad Policy Objectives

- # Guiding the transition to effective competition in telecommunications markets
- # Assuring safe and reliable gas and electric services at reasonable rates

Commission's Unique Role and Structure

The Commission is somewhat unique because its statutory responsibilities involve elements of all three branches of government. In resolving specific party-to-party disputes, the Commission acts like a court (quasi-judicial function; M.S. § 216A.02, Subd 4). In setting broad industry policies through investigations or rule-making, the Commission is a policy-making, or legislative body (legislative function; M.S. § 216A.02, Subd 2). In executing statutes and rules, the Commission is an administrative body (administrative function; M.S. § 216A.02, Subd 3).

In addition, the Commission is deliberately structured to have a significant degree of independent decision-making autonomy. Minnesota statutes require a Code of Conduct. The tone of that Code is reflected in the following phrase:

Commissioners shall not be swayed by partisan interests, public clamor, or fear of criticism.

There are some additional noteworthy factors that preserve the integrity of the Commission's decision-making process:

- # The Commission's Standards of Conduct (Rules of Minnesota, Chapter 7845) include specific restrictions on employment, investments and gifts, as well as prohibitions regarding ex parte communications and conflicts of interest.
- # Commissioners are appointed by the Governor with the advice and consent of the Senate for six year staggered terms; no more than three of the members can be from any political party; commissioners must satisfy certain requirements relating to professional background and residency; and can be removed only upon a showing of cause.
- # All decisions relating to docketed matters must be made on the basis of record evidence and must be made in an open meeting.
- # All decisions relating to docketed matters are recorded in written orders which must incorporate the rationale for the decision and are subject to appeal.

MAJOR PROJECTS IN 2002

Special Challenges of 2002

The telecommunications and energy industries in the United States faced significant economic change during 2002. The expansion of the 1990s gave way to downturn in 2001 and 2002. Corporate strategies based on projections of continued growth proved ill-suited for the turn of events and have left some industry members in a weakened financial condition. Moreover, instances of corporate miscalculations and, in some cases, misdeeds, further weakened a struggling economy and has prolonged its recovery.

The effects of these national trends on key industry players in Minnesota is of great concern to the Minnesota Public Utilities Commission. The Commission's duty to provide for quality services at reasonable rates unquestionably requires attention to ratepayers' needs. But it also involves creating conditions where service providers can deliver quality services at rates that reflect the costs of providing utility services. Although the financial difficulties facing many key industry players in 2002 arose largely from misfortune in unregulated activities, those difficulties could adversely affect regulated rates and services. The Commission is striving to protect ratepayers against unwarranted costs while allowing the telephone and energy companies under its authority to be fairly reimbursed for the essential services they provide. Maintaining this balance has been one of the chief challenges facing the Minnesota Public Utilities Commission in 2002.

In addition to these over-riding concerns, the Commission devoted considerable energy to an array of major projects in 2002. The following several sections provide a summary of those projects.

Pursuing Competitive Telecommunications Markets

The Commission's major efforts to pursue competitive telecommunications markets in Minnesota during 2002 can be categorized as follows:

- # Qwest's entry to Minnesota long-distance market
- # Service quality
- # Anti-competitive conduct
- # Interconnection Agreements
- # The role of wireless providers
- # Extended Area Service
- # Telephone programs for special needs
- # Universal Service
- # Investigation of Qwest financial condition

Qwest's Entry to Minnesota Long Distance Market (P-421/CI-01-1371; 1372; 1373; 1375 and 1376)

To offer long distance services in Minnesota, Qwest must demonstrate to the Federal Communications Commission that the market for local telephone service in Minnesota is open to competition. Prior to filing with the FCC, a Minnesota specific record must be developed. The PUC has had underway a number of major investigations which review the various issues that will make up Qwest's application to the FCC. These issues include: the prices that competitors must pay to use Qwest's network; whether Qwest offers access to its network and computer systems that is open and nondiscriminatory to competitors; how Qwest will be expected to perform after it is allowed to provide long distance service and the consequences if it does not; and whether allowing Qwest into the long distance market is in the public interest. Qwest is expected to make its request for long distance authority for Minnesota in the first quarter of 2003.

Service Quality

Qwest End User Service Quality

(P-421/AR-97-1544) Qwest's service quality obligations to retail customers are incorporated in Qwest's 5-year Alternative Form Of Regulation (AFOR) Plan. These include service measurements and standards, as well as provisions for penalties and customer remedies. Price increases allowed under the AFOR Plan are subject to Qwest's substantial compliance with these service quality standards.

The Commission found Qwest to be deficient in the provision of some services and approved penalties amounting to \$765,400 for the year 2001. In addition, the Commission approved the Department of Commerce's recommendation to use \$890,500 from penalties accumulated in a previous year to develop and implement a telecommunications outreach and education campaign. The Department launched the campaign in late 2002.

Qwest Wholesale Service Quality

(P-421/M-00-849) This case, based on Minnesota law, focuses on the service quality standards for Qwest as it interconnects, leases, or resells its local network to competing telecommunication service providers. The case involves many of the same issues as those related to Qwest's application for authority to offer long distance service in Minnesota, which is done under federal law. The Commission will determine whether the service quality standards in this case are necessary in light of the status of the FCC's decision on Qwest's application.

Anti-competitive Conduct

- # AT&T Complaint Against Qwest
(P-421/C-01-391) Competitive telecommunications providers can offer local service by reselling the service of another local provider, by leasing all or part of another provider's network, or by building their own facilities and interconnecting with other local providers. AT&T was interested in leasing network parts from Qwest. However, prior to making a final decision to offer service in this manner, AT&T wanted to conduct a market entry test. As the details of the test were negotiated, both AT&T and Qwest accused the other of acting in bad faith. Following evidentiary hearings, the Commission found that Qwest had acted anti-competitively and in bad faith and fined the company \$900,000. On July 18, 2002, Qwest appealed the Commission's decision to Federal District Court where the case is pending.

- # Desktop Media Complaint Against Qwest
(P-421/C-02-1597) Desktop Media, Inc. filed a complaint alleging that Qwest has acted in an anti-competitive manner by failing to provide services and by interfering with the ability of customers to switch service. The Commission has referred this matter for evidentiary hearings.

- # Eschelon Complaint Against Qwest
(P-421/C-02-550) Eschelon Telecom filed a complaint asserting that Qwest was violating its interconnection agreement by overcharging for high capacity connections between wire centers. The Commission resolved the matter in Eschelon's favor.

- # MN Department of Commerce Complaint Against Qwest
(P-421/C-02-197) The Department of Commerce filed a complaint alleging that Qwest had acted in a discriminatory and anti-competitive manner by failing to make public and seek approval of a number of interconnection agreements with several competitors. After evidentiary hearings, the Commission found that Qwest had violated both federal and state law by failing to file the agreements. Appropriate remedies are under consideration by the Commission.

- # Onvoy Complaint Against Qwest
(P-421/C-01-1896) This complaint alleged that Qwest failed to properly bill for the costs for certain critical wholesale services. The Commission found in favor of the complainant and directed Qwest to make direct measurement of quality payments to Onvoy for failure to provide local interconnection services on a timely basis.

Interconnection Agreements

Interconnection agreements form the fundamental contractual link between incumbent local phone service providers (e.g., Qwest, Sprint) and their competitors. These agreements are designed to provide a seamless link between the providers' networks. In 2002, over 150 such agreements were filed with the Commission for approval. Most of these were amendments to previously approved agreements. All but one of the agreements were negotiated to the satisfaction of the companies. The single interconnection dispute was placed before the Commission for arbitration.

The Role of Wireless Providers

- # Midwest Wireless Communications' Application for ETC Designation (PT-6153/AM-02-686); and, RCC Minnesota, Inc. and Wireless Alliance L.L.C.'s Application for ETC Designation (PT- 6182/M-02-1503) The Commission is considering whether to designate these wireless providers "Eligible Telecommunications Carriers" (ETCs). This would enable them to receive all available financial support from the federal Universal Service Fund, including support for rural, insular and high-cost areas and low income customers. This case is noteworthy because, until now, this support has gone mainly to local providers using land-lines, or to a wireless service carrier using "fixed wireless" service. These applications include support for all cellular service plans using standard hand-held cellular devices. Minnesota is the first state to consider such a request. Midwest Wireless seeks ETC designation in an area covered by 35 counties in the southern and central part of Minnesota currently served by 50 local exchange companies, while RCC seeks ETC designation in an area covered by 33 counties in the northern and central part of Minnesota and currently served by 43 local exchange companies.
-

Extended Area Service

Extended Area Service (EAS) allows communities to expand their local toll-free calling area. Communities pay increased monthly local service rates to offset the reductions in their long distance call charges. The Commission processed requests for EAS from 29 communities in 2002. Appendix A provides more detail about EAS cases.

Telephone Programs for Special Needs

- # Telephone Assistance Plan The telephone assistance plan is designed to help low-income disabled and senior customers defray the monthly cost of telephone service. In 2002, about 35,000 customers received approximately \$1,500,000 in assistance under this program. Individual eligible customers received a monthly credit of up to \$1.75 or \$6.98, depending on whether the customers also receive federal Lifeline support. The state credits were funded by a surcharge of five cents per month on all local telephone lines in Minnesota. The Commission is responsible for determining the level of credits and the surcharge, and administers the TAP fund.
- # Telecommunications Access Minnesota The former Telecommunications Access for Communication Impaired Persons (TACIP) program has been renamed Telecommunications Access Minnesota (TAM). TAM provides two main services in Minnesota: a) the telephone equipment distribution service, and b) the telephone relay service which allows communications-impaired persons to send and receive telephone messages from non-communications-impaired persons. During 2002, about 2,700 items of equipment were distributed and over 1.4 million messages were transmitted. TAM is funded by a surcharge of ten cents per month currently paid by wired and wireless telephone customers. The Commission is responsible for reviewing the TAM budget and for determining the level of surcharge.

Universal Service

- # Universal Service Cost Case
(P-999/CI-00-829) The Commission has continued its investigation to determine the current cost of providing basic telephone service for telephone companies operating in all parts of Minnesota. This cost information will be used in determining what support, if any, is needed to provide reasonably priced telephone service everywhere in Minnesota when competition is more prevalent. The Commission will consider this matter later in 2003.

- # Universal Service Rulemaking
(P-999/R-97-609) This matter would specify how universal telephone service would be provided in a competitive telephone service market. The Commission previously convened a task force to provide advice on these complex issues. No consensus was reached. The Commission also has collected information that would quantify the financial and rate impacts of various policy decisions regarding universal service. Attention to Qwest's entry into the long distance market and resource constraints combined to preclude further work on this docket in 2002. The Commission hopes to dedicate resources to this important issue in 2003.

Investigation of Qwest Financial Condition (P-421/CI-02-1391)

In response to reports regarding accounting errors, employee layoffs, and reduced earnings, the Commission sought information and attendance by Qwest representatives to a meeting called on August 15, 2002 to consider these matters. The Commission discussed the issues with representatives from Qwest, other utilities, and public agencies. The Commission directed the Department of Commerce to continue its monitoring of Qwest operations and to make recommendations to the Commission based on this monitoring.

Assuring Reliable Utility Energy Services

The Commission's major efforts to assure reliable energy services during 2002 are categorized as follows:

- # Investigations into utility financial conditions
- # Implementing 2001 and 2002 energy legislation
- # Resource need, planning, and selection activities
- # Rates and related matters
- # Review of fuel costs and purchasing practices
- # FERC activities (Standard Market Design, Locational Marginal Pricing)

Investigations into Utility Financial Conditions

In the last few years the unregulated sector of the electricity energy industry has encountered significant market and economic setbacks that have resulted in severe financial difficulties including bankruptcies. Three companies providing utility services in Minnesota have come under financial pressure as their investments in foreign companies, unregulated generation, and energy markets have suffered losses.

- # Effects of NRG and Xcel Financial Difficulties on NSP and its Ratepayers
E,G-002/CI-02-1346 After investigation, the Commission directed NSP to abide by past commitments, provide periodic reports on its financial status and service quality, and file additional information. The matter is pending.
- # Investigation and Audit of Northern States Power Company's Service Quality Reporting
E,G-002/CI-02-2034 As part of the inquiry into the financial difficulties of NRG and Xcel, and their potential impact on service in Minnesota, the Commission specifically directed that an independent audit of Xcel's service quality reporting be conducted to investigate allegations of inaccurate reporting. This aspect of the inquiry is being carried out as an independent investigation.
- # Effects of UtiliCorp (now Aquila) Financial Difficulties on Peoples, NMU, and their Ratepayers
G-007,011/CI-02-1369 The Commission directed Aquila to provide information on a number of matters related to financial conditions and ratepayer impacts. In January of 2003, the Commission directed Aquila to file further information and to develop a service availability plan. The matter is pending.
- # Effects of Reliant Energy (now CenterPoint) and Reliant Resources Financial Difficulties on Minnegasco and its Ratepayers
G-008/CI-02-1368 The Commission directed Reliant to provide responses and information on a number of matters related to financial conditions and ratepayer impacts. Information from the Company and parties has been received and the matter is pending.

Implementing 2001 and 2002 Energy Legislation

Legislation passed in 2001 and 2002 gave the Commission a number of new responsibilities. These are organized into the following categories:

- # Distributed generation standards
- # Rate adjustments for property tax reductions
- # Distribution service quality
- # Renewable energy and pricing options
- # Transmission planning
- # Large energy facility certificate of need
- # Recovery for emission reduction costs

The Commission's efforts to carry out these duties is summarized as follows:

Distributed Generation Standards

Generic Standards for Distributed Generation

E-999/CI-01-1023 The Commission has identified some general objectives for the orderly development of distributed generation in Minnesota and asked the Department of Commerce to convene work groups to develop recommendations and to report back to the Commission by February 1, 2003.

NSP Distributed Generation

E,G-002/PA-99-1031 The Commission approved a Distributed Generation Tariff for NSP which is applicable for facilities up to 2 MW and will facilitate the development of distributed generation through standardization and simplified interconnection terms. It also involves a short review, approval and implementation process that is consistent with goals of reliability and public safety. This tariff is intended to fulfill part of NSP's agreement as part of its merger with New Centuries energy, and is subject to future revisions when generic standards for all utilities are developed.

Rate Adjustments for Property Tax Reductions

Minnesota Power (E-015/M-01-1957)

Interstate Power (E-001/M-02-494)

Xcel Energy (E-002/M-02-514)

Otter Tail Power (E-017/M-02-515)

Northwestern Wisconsin Electric Company (E-016/TX-02-1281) The Commission conducted proceedings for each regulated investor-owned electric utility and determined that a reduction of \$19 million annually in Minnesota was appropriate. Minnesota Power's reduction reflected adjustments for transmission and distribution assets as well as generation.

Distribution Service Quality

Distribution Service Quality Rulemaking

E-999/R-01-1671 The Commission has adopted rules setting safety, reliability, and service quality standards for Minnesota's investor-owned electric distribution utilities.

Renewable Energy and Pricing Options

Xcel Energy Automatic Adjustment of Charges for Transmission

E-002/M-02-474 The Commission was directed to approve a rate schedule providing for the automatic adjustment of charges to recover the costs of transmitting power from renewable sources of energy. In this proceeding, the Commission is establishing a model, or procedure, under which proposed projects will be reviewed for possible automatic adjustment of charges.

Renewable Energy and High Efficiency Rate Options

Electric utilities must offer customers the option of buying a certain amount of electricity generated or purchased from renewable energy or energy generated by high efficiency low emissions distributed generation. The Commission has approved such plans for five electric utilities.

Transmission Planning

Transmission Projects Report Filings

In 2001, the Legislature created an alternative review process for transmission lines of jurisdictional voltage and length. In 2002, the Commission completed its review of the first biennial filing received under the new legislation, a joint submission by all of the major transmission-owning utilities serving Minnesota. While the filing contained no requests for certification, review of the filing created considerable interaction among stakeholders on a number of issues, including informational and notice requirements for future filings.

Transmission Planning Rulemaking

E-999/R-02-327 The Commission has proposed rules to implement the transmission planning provisions of the 2001 Energy Security and Reliability Act. The new law requires three major changes in the current transmission planning process:

- } Utilities and generation and transmission organizations must file reports every two years on the state of the transmission system in Minnesota;
- } Utilities and generation and transmission organizations are permitted to bypass the certificate of need process and request certification of new high-voltage transmission lines in the biennial transmission projects reports;
- } Increased public and local government involvement in transmission planning.

The proposed transmission planning rules will set content requirements for the biennial transmission projects reports, the procedural framework for Commission proceedings on these reports, and baseline requirements for seeking the input of local government officials and members of the public on transmission issues.

Large Energy Facility Certificate of Need

Certificate of Need for Large Energy Facilities

The Energy Security and Reliability Act changed requirements for certificate of need approval on certain energy facilities. The Act:

- } lowered the need threshold for generating plants to 50 MW for all types of facilities,
- } lowered the need threshold for transmission lines to 100 kV and 10 miles in length,
- } eliminated any length threshold if the facilities cross state borders.

The Commission has two pending transmission line Certificate of Need proceedings that involve projects that would not have required approval prior to the new legislation. Those, and other certificate of need proceedings, are discussed in the Resource Need, Planning, and Selection Activities section below.

Recovery for Emission Reduction Costs

- ### # Xcel Energy's Emissions Reduction Rider
- Xcel Energy has filed for an emissions reduction project and cost recovery for three of its large generating plants. Xcel's proposed plan seeks to install a state-of-the-art air quality control system at its King plant and to convert the High Bridge and Riverside plants to natural gas, eliminating the use of coal at those sites. In late December of 2002, the Commission received the environmental assessment of the proposal from the Minnesota Pollution Control Agency. With this report on record, the Commission has asked for comments on the merits of Xcel proposed plan and request for cost recovery. The Commission will address this matter in 2003.

Resource Need, Planning, and Selection Activities

Certificates of Need

One of the Commission's major responsibilities is to decide whether statutorily-defined large energy facilities, including power plants, high-voltage transmission lines, and certain types of pipelines, are needed and in the public interest. The Commission must weigh cost, reliability, environmental, and other information. In 2002, the Commission continued its work on several projects:

- } Xcel Energy's proposal for several transmission upgrades in southwestern Minnesota to provide increased outlet capability for new wind generation in that area of the state.
- } Hutchinson Utilities Commission's proposal for an intrastate pipeline connection from the Trimont area to Hutchinson to meet continuing and growing needs for natural gas in Hutchinson.
- } A proposal to construct a 115-kilovolt transmission line in the western suburbs of the Twin Cities.
- } A proposal for a 250-megawatt gas-fired generating unit to be constructed near Faribault.
- } Also continued discussions with developers of large wind farms about possible applications in the near future.

Review of Integrated Resource Plans

Investor-owned utilities, generation and transmission cooperatives, and municipal joint action agencies are required to file integrated resource plans with the Commission. In 2002, the plans must contain projections of customers' demands for energy and power over a 15-year period, as well as analysis of supply-side and demand-side resource alternatives to meet those needs. The Commission completed its review of the proposed resource plans of Missouri River Energy Services and Alliant Energy Corporation. At year-end, the Commission was in various stages of review for the proposed resource plans filed by Minnesota Power, Minnkota Power Cooperative, Otter Tail Power Company, and Xcel Energy.

NSP Resource Bidding Processes

NSP has two resource bidding processes underway at the Commission. One is part of its contingency planning in the event the 1100 MW of capacity currently provided by the Prairie Island Nuclear Generating Units is no longer available (E-002/M-01-1480). The other is Xcel's 2001 All-Source Request for Proposal which resulted in proposals for up to 1000 MW in additional generation resources to cover expected load growth (E-002/M-01-1618).

The Commission requires a detailed bidding process which involves certification by an independent auditor. The short-list selections for each of these competitive bidding processes have been filed with the Commission. After additional analysis and negotiations, the Commission will review the Power Purchase Agreements (PPAs) and approve, reject, or modify their terms.

Xcel's first All-Source bid (E-002/M-099-888) occurred in 1999 and resulted in a 15 year, 51 MW wind power purchase from Navitas Corp., beginning in 2003, as well as a 10 year, 500 MW purchase from Manitoba Hydro for deliveries beginning in 2005.

- # Xcel Energy's Renewable Development Fund Under legislation passed in 1994, Xcel Energy is required to establish a renewable development account to which it transfers \$500,000 each year for each dry cask containing spent nuclear fuel at its Prairie Island facility. The Commission approved the recommendation of the Renewable Development Board of 19 renewable development projects that will result in an investment in renewable technologies of about \$16 million. The projects include technologies that use biomass, wind, hydro and solar energy.

Rates and Related Matters

Great Plains Natural Gas Company Rate Case

G-004/GR-02-1682 In October 2002, Great Plains Natural Gas Company, a Division of MDU Resources Group, Inc. filed a general rate case and proposed to increase its rates by \$1,587,202 (or approximately 6.9%) over existing rates. The Commission accepted Great Plains' filing and authorized interim rates of \$1,367,287 (or approximately 5.98%) subject to refund, effective December 6, 2002. The Commission will make a final decision on Great Plains request no later than August 22, 2003.

- # Aquila Networks-PNG (formerly Peoples Natural Gas Company) and Aquila Networks-NMU (formerly Northern Minnesota Utilities), Divisions of Aquila, Inc. (formerly UtiliCorp United Inc.) Rate Case
G-007,011/GR-00-951 This case has gone through many phases since its initial filing in 2000. However, in December 2002, Aquila and the Department of Commerce proposed a revised settlement of this case that would result in a rate increase for Peoples of \$5,045,293, and for NMU of \$696,942. The Commission expects to make a decision on this matter in 2003.

 - # Minnegasco "No Surprise Bill" Program
G-008/M-01-974 The Commission approved a four year pilot program for CenterPoint Minnegasco allowing it to offer a guaranteed annual charge for gas service which is collected in twelve equal payments. The program provides a predictable monthly bill which may be more or less than what the customer would pay under standard service. 23,179 customers signed up for the program for the first year.

 - # NSP Nuclear Decommissioning
E-002/M-02-1766 The Commission requires Xcel Energy to file every three years revised estimates of the cost to decommission the Prairie Island Nuclear Generating Units 1 and 2 and the Monticello Nuclear Generating Plant. The purpose is to review whether the amounts accumulated to meet the future decommissioning costs through current rates will be reasonably sufficient. The current filing was made on October 11, 2002 and remains under review. The cost estimates, now ranging between \$1 billion and \$2 billion, are exhibiting more volatility due to uncertainties regarding final spent fuel storage and the operating lives of the Prairie Island units.
-

Review of Fuel Costs and Purchasing Practices

- # 2000-2001 Annual Automatic Adjustment Reports for all Electric and Gas Utilities
G,E-999/AA-01-838 All rate regulated electric and gas utilities filed annual reports regarding their fuel costs. These must be approved by the Commission. In 2002, there were disputed issues involving NMS and Peoples' gas purchasing practices. These two matters were referred for evidentiary hearings. In addition, Xcel's filing was ultimately approved pursuant to a settlement agreement with the Department of Commerce. All other utility filings were approved.

- # Investigation into Aquila, Inc.'s (formerly UtiliCorp United Inc.'s) 1998-99 Gas Purchasing Practices
G-007,011/CI-01-295 Acting upon information provided by the Department of Commerce, the Commission closely examined Aquila's 1998-1999 gas purchasing practices. After a thorough investigation, the Commission found that Aquila's 1998-99 gas purchasing decisions were reasonable and prudent.

- # Investigation into Aquila, Inc.'s (formerly UtiliCorp Untied Inc.'s)
Gas Supply Services Department
G-007,011/CI-01-501 The Commission received an anonymous whistle blower letter alleging improprieties in the way Aquila's handling of gas purchasing. The Department of Commerce has recommended that Aquila compensate Minnesota ratepayers for the risk resulting from these practices and that the Commission adopt procedures to correct Aquila's system of allocating less expensive gas to its non-regulated operations and more expensive gas to its regulated operations. Aquila disputed the Department of Commerce's recommendations. The Commission has referred this matter for evidentiary hearings.

 - # Reliant Energy Minnegasco Gas Purchasing and Bidding
G-008/AI-01-1378 Minnegasco (now CenterPoint Energy Minnegasco) asked for approval of agreements to purchase natural gas supplies from an affiliate. Concerns were raised about the cost of the gas purchased and the bidding procedures used for those purchases and its general system supply. The Commission approved a settlement which provides refunds to customers who participated in the "No Surprise Bill" program, a reduction in future administrative charges for that program, and changes to the way Minnegasco purchases fixed price gas.
-

FERC Activities (Standard Market Design, Locational Marginal Pricing)

The Federal Energy Regulatory Commission has continued to pursue reforms in the electric industry. The FERC's goals of attracting investment capital for infrastructure development and providing reliable energy at the least cost necessitates that individual companies are not able to exercise market power. To this end, FERC has been promoting the development of independent transmission system operations (i.e., Regional Transmission Organizations or RTOs) and standards for market design that will allow all participants equal opportunities in the market and relieve system congestion. FERC's decisions on these matters are affecting the planning process and focus of the electric utilities in this state. A fundamental issue is the separation of regulatory authority. FERC regulates the rates and operation of the transmission system while states have siting authority for new facilities and upgrades.

Tapping the Potential of Information Technology

The Minnesota Public Utilities Commission must capture, analyze, publish, and manage a huge volume of information in order to perform its duties successfully. A major goal of the Minnesota Public Utilities Commission is to meet the information and document needs of all its stakeholders in a timely, effective and efficient manner and, in so doing, contribute to the State's goal of implementing electronic government services (EGS). While the agency has made considerable progress planning and implementing well-focused technology applications, there is still great untapped potential which must be realized to ensure the continued success of the agency.

The information technology objectives of the Commission are:

Web Development

Facilitate stakeholder interaction with the PUC, using PUC's web site to facilitate EGS delivery. This includes access to documents, the ability to file documents, and communications. Although the Commission has been successful in enhancing its web site, it is now challenged to maximize that web presence and interactivity.

Content Management

The PUC handles thousands of documents every day. A content management system would allow the agency to receive, capture, manage and publish content from any source, paper or electronic. The agency will seek to make use of the web content management manager available through the State's system and continue to work toward participating in the development of an enterprise content management solution.

Robust Database

A sound database is at the foundation of a good content management system. Such a database organizes data so that it can be accessed or reassembled in many different ways and provides a way of finding what you need quickly and efficiently.

Electronic Filing

Documents submitted by most filers at the Commission are created as word processing files. Electronic filing would allow the PUC to receive documents electronically, from the Internet or by other electronic means (e-mail, diskette, CD, etc.).

Multi-agency Coordination

Believing that small agencies have tremendous resources to share and a great deal of experience and expertise to bring to the technology table, the PUC has proposed an initiative that would allow these resources to be shared, leveraged and maximized. The agency has requested the assistance of the Minnesota Office of Technology in building a partnership among small agencies to promote and facilitate the delivery of electronic government services to agency stakeholders. Working together would avoid great duplication of effort and create the potential for tremendous actual dollar savings.

Survey of Major Stakeholders

In October of 2002, the PUC sent a survey to 101 major stakeholders representing energy and telephone utilities, government and non-government advocates, legislative interests, Minnesota state agencies. Fifty-nine (59) responses were received from regulatory liaisons, analysts, managers, legal/accounting professionals, and researchers.

Survey Highlights

- # 44% of respondents represented an energy or telecom company.
- # 63% of energy or telecom respondents judged that the ability of the PUC to secure funding for web-based electronic government services was either important or very important. (The PUC is funded by assessment of these utilities.)
- # 68% of respondents visited the PUC's web site 1-5 times a week; an additional 19% visited 6-10 times a week.
- # Over 70% of respondents used the PUC's web site to access the PUC calendar, briefing papers, commission orders and documents filed in current cases before the Commission.

Survey Highlights (continued)

- # 67% of respondents said that it was either "important" or "very important" to access all documents in a current filing.
- # 61% of respondents answered that it was either "important", "very important", or "critical" to be able to submit filings electronically.
- # 88% of respondents would usually be willing to forego a paper copy of PUC documents if they could access these documents on the web within 24 hours of filing.

Expected Benefits From Technology Plan

- # Enhance understanding of issues, procedures and Commission actions by internal and external stakeholders
- # Streamline operations and increase productivity
- # Integrate all information resources
- # Effectively receive and manage information
- # Maximize the potential of the web to deliver information and services to stakeholders
- # Leverage in-house resources by seeking partnerships with other state agencies sharing similar needs and goals

Success Indicators

- # Web access for all Commission stakeholders to all case documents as well as consumer complaint forms
- # Implementation of electronic filing for all docket-related cases
- # Ability to conduct analysis of consumer complaint trends and issues

Mediation of Consumer Complaints

The Consumer Affairs Office (CAO) provides information and dispute resolution assistance to consumers seeking assistance. The CAO also administers the Minnesota's Cold Weather Rule program and the federally-funded Link-Up America and Lifeline programs for Minnesotans. CAO staff are in constant contact with ratepayers and other Commission stakeholders, including consumer advocacy agencies and other state agencies.

Complaints and inquiries are received by telephone, letters, e-mail and facsimile. Complaints often are handled within CAO, but also are forwarded to the utility for review and response to CAO staff. Under Commission rules, utilities must respond within a specified period or provide interim reports pending further investigation. In most cases, these complaints are resolved informally. However, in some cases the complaint is forwarded to the Commission for resolution. Commission rules require utilities to file annual reports summarizing the total number and type of complaints, among other things.

Level of Activity

During 2002, CAO received over 17,000 consumer calls and managed nearly 4,000 complaints and inquiries which required some action beyond the initial contact. Over 3,400 cases were closed, producing more than \$284,000 in ratepayer credits. The greatest number of complaints were billing disputes.

The complaint numbers for 2002 were down from 2001, when over 5,000 complaints were opened. While there is no definitive explanation for the decrease in complaints, the increased focus on consumer education and consumer awareness undoubtedly contributed to this reduction. Particularly noteworthy was the 25% decrease in billing dispute complaints. Other leading complaints include service interruptions, customer service as well as issues related to cellular and internet services which are referred directly to the Attorney General's office.

Greater Outreach Efforts

CAO has joined with several other state agencies to develop coordinated educational programs and media programs to increase consumer awareness, particularly in the telecommunications industry. The CAO has also spent a great deal of time working directly with utility companies in assisting them with developing company customer service training materials that are more consumer-oriented with greater emphasis on sensitivity to individual consumer situations. These efforts have greatly increased the number of consumers who diligently read their billing statements each month and contact the utility companies directly to discuss any discrepancies.

Enhanced Reporting Capability

The Consumer Affairs Office is developing a more in-depth reporting system that will provide greater details of consumer contacts and the results of those contacts. In addition, the recently adopted Distribution Service Quality Rules require utility companies to provide expanded information pertaining to customer call center traffic, service interruptions, meter reading performance, service extensions, customer complaints by class of service to name a few. The agency will utilize this information in future annual reports.

Efficient Management of Growing Call Traffic

CAO has implemented an enhanced call processing (ECP) system to handle a growing volume of incoming calls. The ECP has been very helpful in efficiently routing and handling the 17,000 consumer calls received during 2002. This improvement in efficiency has been critical since CAO's staff size was reduced through attrition and has not been replaced. Despite these reductions, the critical measure of call management efficiency, the abandoned call rate, continued to drop in 2002, i.e., it dropped to 9%.

Multi-agency Coordination

The Consumer Affairs Office has been a charter member of the State's Call Center Focus Group which was initially formed in 2000. This group meets regularly to discuss common operational issues and to study media and information technology that will assist in automating customer contact to meet the demands of a multi-contact center. Participation in this group has led to implementing changes to call center equipment and programming that will hopefully increase the availability of instant information to consumers, relieving consumers from waiting in que to speak to a representative. The goal is not to remove all personal contact with consumers. Rather it is to manage the limited human resources so they are devoted to the highest priority cases and improve accessibility and availability of information that consumers may be seeking.

Efficient Management of Consumer Contact Data

The Consumer Affairs Office is the Commission's primary link to the public. CAO's consumer contact tracking system enables CAO to efficiently analyze the thousands of contacts received by the Commission each year. In this way, the CAO can address generic as well as individual problems more efficiently. In addition, the system allows CAO to provide the Commission with more timely knowledge of public opinion. Since the database's inception July 1, 1999, information obtained through tracking consumer inquiries, public comments or complaint investigations has proved a valuable resource for measuring changes in industry performance. The database is designed to allow common access to all case files in order to track utility responses and more thoroughly respond to customer progress report inquiries. Proposed improvements and expansion of the database, as incorporated in the agency's strategic information plan, would provide more in-depth information on emerging problems based on customer contacts.

Cold Weather Rule

The Cold Weather Rule was developed as a result of a directive in the 1974 Public Utilities Act and has been modified and expanded through subsequent legislative directives. The CWR regulates the conditions under which gas and electric utilities may disconnect residential service in the winter (October 15 to April 15). The Rule requires that ratepayers who have difficulty paying heating bills contact their utility to work out a mutually acceptable payment plan and, thereby, preserve service. The type of plans available depends on family income level. Appendices F and G provide more detailed Cold Weather Rule information.

Link-Up America

The Link-Up America program was established by the Minnesota Public Utilities Commission in May 1988. The program is designed to provide eligible individuals with a reduction of one-half of the local telephone service connection and installation charges, up to \$30. Residents of Tribal Lands may qualify for an additional reduction of up to \$70. Customers apply directly with their telephone company (see Appendix H).

Federal Lifeline Program

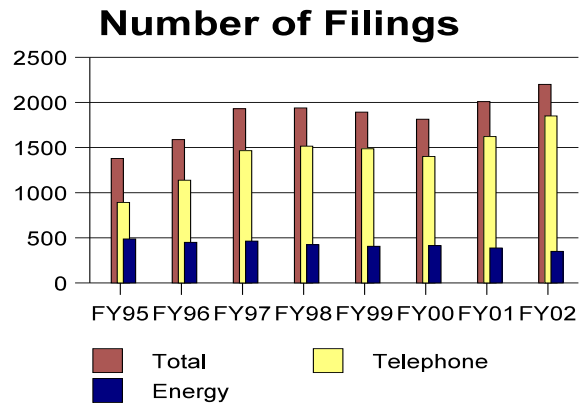
Lifeline is a federally-funded national program that provides a monthly discount on basic telephone service. Eligible participants are enrolled in one or more federal assistance programs or live on a federally recognized reservation and receive federal assistance. Consumers are not eligible solely based on income; they must participate in one of the federal assistance programs to receive Lifeline.

FACTS ABOUT OPERATIONS

Record Number of Filings

The Commission received 2,230 filings during calendar year 2002. This level of filings is a 12% increase over 2001 and is a new high, sustaining a trend which began in the mid-1990s.

The vast majority of cases coming to the Commission are disposed of in 60 - 90 days. This amount of time reflects the minimum needed to satisfy basic due process requirements under Minnesota law. Implementation of a special approval process for non-controversial cases under recently granted legislative authority has enhanced the Commission's ability to render timely decisions. While particularly complex or controversial cases typically take more time, many are resolved in a matter of months.

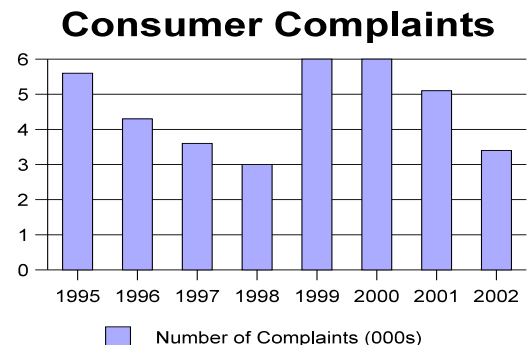


Increasing Complexity of Cases

Not only has the overall quantity of cases increased, but the complexity of cases has increased as well. For the year beginning on July 1, 2001 extending through June 30, 2002, the Commission rendered decisions on 174 cases involving complex or unique new issues or disputed formal petitions, up from 108 such cases during the preceding 12 months. The total for 2002 is equivalent to three such cases per week. Of these 174 cases, 82 were telephone dockets and 92 were energy dockets. Therefore, although there were substantially more telephone filings in 2002, the cases that commanded the vast majority of the time for the Commission and staff were nearly equally divided between the telephone and energy areas.

Record Number of Consumer Calls Reduced Consumer Complaints

The Consumer Affairs Office received a record number of calls during 2002 (over 17,000). Despite this total, greater efforts in consumer education has helped to actually reduce the number of actual complaints and cases requiring detailed follow-up. Also, more efficient use of telephone and computer technology has allowed the Office to manage its workload despite a reduction in human resources.

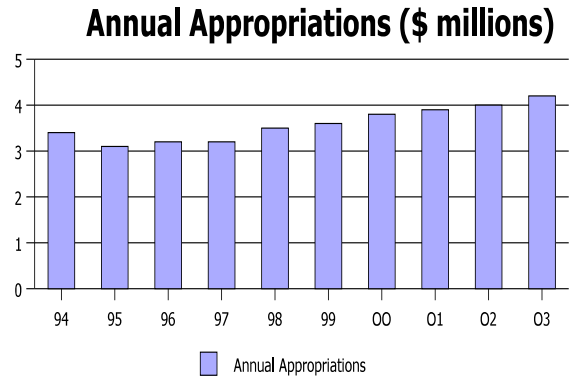


Developing Value of Web Site

The Commission has continued to enhance the value of its web site www.puc.state.mn.us. The site offers access to Commission orders dating back to 1987, a wealth of information on upcoming meetings, as well as access to document log sheets and staff briefing papers, information on recent Commission decisions, official notices, recent filings and consent calendar items.

Stable Budget Changes

Despite these increases in activity, the Commission’s operating budget has been stable over the last several years, showing a very gradual increase. Moreover, the Commission’s budget size (\$4.1 mil) and staff size (38) both are well below the average for states of comparable size, even if the relevant budget and staff from the Department of Commerce is included in the tally. The costs of Minnesota’s regulatory agencies are quite low for a state its size.



Recovers Expenditures for General Fund

In addition, the Commission recovers for the State’s General Fund nearly all of the expenditures it makes under its authorized budget. This is done through assessments of the utilities and telephone companies that seek the services of the Commission (M.S. § 216B.62; M.S. § 237.295). The Commission recovers approximately 97% of its budget through the assessment process.

COMMISSION STAFF, ORGANIZATION AND HISTORY

Executive Secretary

The Executive Secretary is appointed by and serves at the pleasure of the Commission. The Executive Secretary is responsible for properly recording Commission transactions and proceedings, coordinating information for Commission decision-making, managing agency staff and budget, organizational planning, and acting as spokesperson for the Commission. (M.S. § 216A.04)

Burl W. Haar **Executive Secretary**

Winona State University, B.A.; Mankato State University, M.A.; University of Nebraska, Ph.D.



(Economics); Served as Deputy Commissioner and, later, Assistant Commissioner for the Minnesota Department of Public Service (1988-92); Special Projects Manager (1992-93) and Telecommunications Manager for the Minnesota PUC(1987-88); Economist for the Residential Utilities Division of the Minnesota Attorney General's Office (1984-87); Assistant Professor of Economics at Baylor University in Waco, Texas (1982-84); served as an antitrust investigator for the Minnesota Attorney General's Office and a police officer and criminal investigator in the metropolitan Twin Cities area; Member of the NARUC Staff Subcommittee on Executive Management and the NARUC Staff Subcommittee on International Relations.

Staff

The Commission staff consists of approximately 38 staff members organized into the following general groups:

Administrative Management

The Commission is driven by legal process and by the flow of information from parties. The Administrative Management Unit must ensure that the flow of information is properly managed so all staff, commissioners and stakeholders are informed in a timely manner as to Commission activities. In addition, the Unit coordinates the agency's backbone functions related to budget, human resources, and general coordination of inter-related activities among units.

Consumer Affairs

The Consumer Affairs Office (CAO) provides dispute resolution assistance to consumers filing complaints against utilities under Commission jurisdiction. For the most part, consumer complaints represent customer appeals to the Commission resulting from the inability of the utility and the customer to reach a mutually acceptable resolution to a dispute. The CAO also fields questions about utility industry practices and collects public comments and opinions regarding issues pending before the Commission. The CAO also administers the Cold Weather Rule and Link-Up Minnesota programs. CAO staff are in constant contact with ratepayers and key Commission stakeholders.

Energy

The Energy Unit reviews all matters relating to natural gas or electricity coming before the Commission. Cases investigated by the Unit fall into several broad categories: rate changes, energy resource planning and certification, service area matters, mergers and acquisitions, and formal complaints. The Unit has also been actively engaged in monitoring the structural changes occurring in these industries.

Executive Office

The Executive Office encompasses all functions related to the activities of the individual five commissioners.

Information Technology

The Information Technology Unit is responsible for maintaining the agency's information resources as well as planning and developing the agency's proficiency in the use of technologies.

Legal

The Legal Unit provides legal perspective to assist the commissioners in their decision-making process. They review summary orders in non-controversial cases; review and summarize policy precedents for cases under consideration; write orders to describe the decisions made by the Commission, and prepare minutes from Commission agenda meetings. The Unit also has responsibility for coordination of rule-making.

Telecommunications

The Telecommunications Unit reviews matters relating to rates and services of telephone companies. In addition to the more traditional types of cases under regulation, the Unit also has had to assist the Commission in carrying out ground-breaking policy changes as the telecommunications industry has been moved toward deregulation.

History Snapshot

The Minnesota Public Utilities Commission's predecessor agency was the Railroad Commission which was established in 1871. Over the years the name was changed to the Railroad and Warehouse Commission, the Public Service Commission, and ultimately, the Public Utilities Commission. During this period, the agency's authority has included setting rates and terms of service for railroads, trucks and buses, warehouses, grain elevators, weights and measures, telephone and telegraph, and electric and natural gas utilities. In addition to its date of creation in 1871, there are several other key dates to note in reviewing PUC history:

- 1915 ▶ Minnesota telephone companies are placed under state regulation.
- 1975 ▶ Investor-owned gas and electric companies are placed under state regulation.
- 1980 ▶ Administrative separation of Public Service Commission into Department of Public Service and Public Utilities Commission. The separation created clear demarcation between the advisory and advocacy roles of professional staff.
- 1983 ▶ PUC given authority of Certificate of Need approval process for large energy facilities. In the same year, the PUC's authority over railroad, bus and truck rates was transferred to the newly created Transportation Regulation Board.

Today the PUC has authority to set rates and terms of service for gas, electric and telephone utilities operating in Minnesota (Appendix C), as well as mediate and otherwise resolve disputes between utility service providers and consumers.

Summary of Commission Activities Regarding Extended Area Service

EAS ROUTES THAT DID NOT MEET PRELIMINARY REQUIREMENTS AND WERE CLOSED FOR 2002	
Big Falls to Littlefork and International Falls	
Fulda to Worthington and Slayton/Avoca	
Lake Park to Detroit Lakes and Moorhead/Fargo	
Blooming Prairie to Austin	
Isabella to Two Harbors	

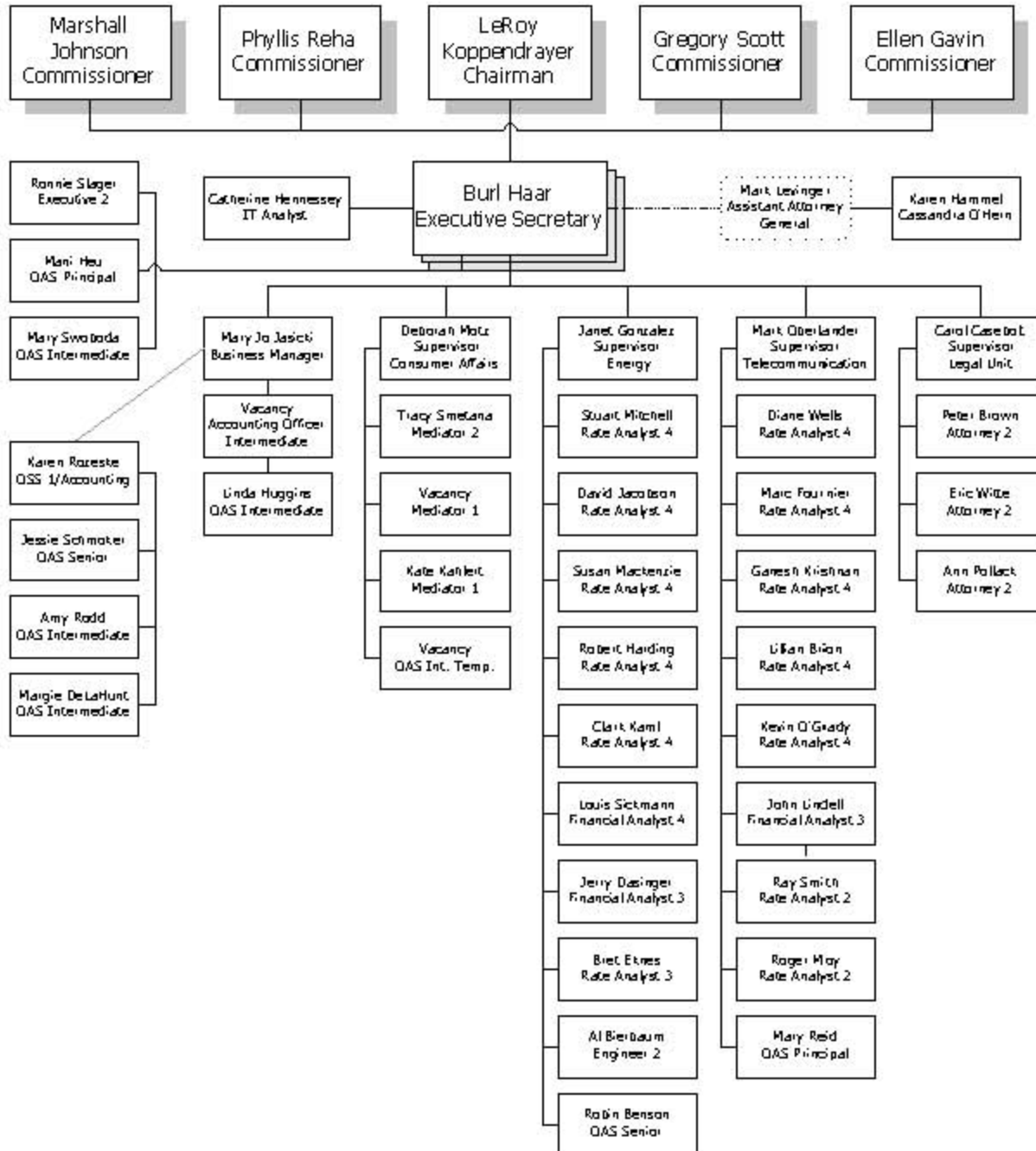
EAS ROUTES APPROVED IN 2002	
Callaway to Detroit Lakes	Henderson to the Metro
Kabetogama/Ray to International Falls	Howard Lake to the Metro
Lewiston to Winona	Lonsdale to the Metro
School District EAS between Crane Lake and Orr	Princeton to the Metro
School District EAS among the exchanges of Jeffers, Lambertson, Sanborn and Storden	Cromwell to Duluth/Cloquet/Carlton
Dodge Center to Kasson-Mantorville	Elrosa to Sauk Centre and Greenwald/Melrose
Kerkhoven to Willmar	Granada to Fairmont/East Chain
Lewiston to Rochester/St. Charles	Maple Lake to Metro
Taylor Falls to the Metro	Argyle to Warren
Altura to Winona and Rochester/St. Charles	

EAS ROUTES REJECTED BY VOTERS IN 2002
EAS routes: West Concord to Kasson-Mantorville; Freeborn to Hartland/ Manchester/ Albert Lea; Hitterdal to Glyndon/Moorhead
School District EAS routes: Preston, Cherry Grove, Fountain, Granger and Harmony; New Richland, Clarks Grove, Ellendale and Hartland

Commission Organizational Chart

Minnesota Public Utilities Commission

January 9, 2003



Telephone Companies and Utilities Serving Customers in Minnesota

Telecommunications

There are four Local Exchange Companies serving customers in Minnesota which are regulated by the Commission. Those companies are:

- # Citizens Telecommunications Company of Minnesota
- # Frontier Communications Company of Minnesota, Inc.
- # Qwest Corporation
- # Sprint Minnesota

There are also 91 competitive Local Exchange Companies with authority to provide service in Minnesota. There are over 400 long distance carriers with authority to provide service in Minnesota. The extent of Commission authority over these different categories of carriers varies with the category.

Electric

There are five investor-owned electric utilities serving customers in Minnesota which are subject to Commission regulation. Those companies are:

- # Allete (formerly Minnesota Power)
- # Alliant Energy - Interstate Power Company
- # Northwestern Wisconsin Electric Company
- # Otter Tail Power Company
- # Xcel Energy (formerly Northern States Power)

One cooperative association, Dakota Electric Association, also has opted to be rate regulated by the PUC. There are also six generation and transmission cooperatives, 44 distribution cooperatives and 126 municipal electric utilities serving customers in Minnesota. The Commission does not have primary jurisdiction over these entities.

Natural Gas

There are six investor-owned natural gas utilities serving customers in Minnesota which are subject to Commission regulation. Those companies are:

- # Alliant Energy - Interstate Power Company
- # Great Plains Natural Gas Company
- # Northern States Power Company - Gas
- # Reliant Energy Minnegasco
- # UtiliCorp United - Peoples Natural Gas
- # UtiliCorp United - Northern Minnesota Utilities

There are also seven small privately-owned and 25 municipal gas utilities serving Minnesota customers. The Commission does not have primary jurisdiction over these entities.

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For more information please visit our web site at www.puc.state.mn.us

Docket Comparison Report

Dockets Opened 1996 - 2002

Type of Filing	1996	1997	1998	1999	2000	2001	2002
Affiliated Interest	10	16	19	16	12	15	8
Alternative Misc.	213	300	312	324	214	355	381
Alternative Regulation	16	3	3	2	5	1	2
Auto Fuel Adj	207	232	226	216	203	204	205
Certificate of Need	0	0	2	3	0	5	4
Change in Election Status /Elected	0	0	0	0	0	0	0
CIP Complaint	0	0	0	0	0	0	0
Citizen Petition	33	30	12	5	9	3	6
Cogeneration	0	0	0	0	0	0	0
Coin Telephone	61	97	81	51	0	0	0
Complaint	18	26	22	20	8	4	16
Conservation Improvement Programs	24	45	27	31	33	4	17
Depreciation	57	70	61	50	7	7	9
Disaggregation Plan	0	0	0	0	0	0	91
DPS Initiated Investigation	11	6	15	10	11	5	4
Elected Misc.	174	171	186	51	64	120	160
Election	4	0	1	0	0	0	0
Emergency System (911)	24	27	57	92	74	163	251
Federal Docket	0	0	0	0	0	0	0
Fuel Clause Adjust/Refund	2	2		1	2	0	1
General Rate Case	2	2	0	0	2	1	1
Interconnection	0	0	0	0	84	168	169
Misc. Changes	267	335	362	350	373	615	755
New Authority	116	121	103	111	112	67	65
Nuclear Waste Strategy Coalition	0	0	0	0	0	0	0
Periodic Reports	5	3	4	4	4	3	4
Prop. Acquisition	34	56	54	58	58	45	43
PUC Initiated Investigation	11	9	9	16	12	14	13
Resource Planning	3	6	5	4	6	6	3
RR Right of Way	0	0	1	3	1	2	1
Rule Making	0	4	2	2	1	2	2
Securities	9	7	7	5	4	5	4
Service Area	40	39	22	20	20	22	14
Tax Exemption	0	0	0	0	3	1	1
Telecomm Carrier	301	338	351	399	445	154	0
Transmission Line	0	0	0	0	0	1	0
Total Dockets Opened	<u>1,642</u>	<u>1,945</u>	<u>1,944</u>	<u>1,844</u>	<u>1,767</u>	<u>1,992</u>	<u>2,230</u>

Consumer Affairs Office Cold Weather Rule(CWR) Fact Sheet

What is the CWR and who is it for? It is a set of regulations with one simple and important goal: To provide options that protect residential households from disconnection of their primary heat source from October 15 through April 15.

Who must follow the Rule? All gas and electric utilities regulated by the PUC. Even though Municipal and Cooperatives are not regulated by the PUC, they are required to have a Cold Weather Law which mirrors the Inability To Pay (ITP) Plan (explained below). Fuel oil, LP or propane gas dealers are not covered under any cold weather legislation.

Fallacy My heat can not be turned off during the winter.

Fact Your heat CAN be turned off during the winter.

Background

- # 1974 Public Utilities Act required rules defining Customer Service Standards for regulated gas and electric utilities.
- # 1976 Temperature-based CWR Rule established providing protection from disconnection of heat source when temperatures dropped below 0 degree Fahrenheit
- # 1978 Congress passed the Public Utility Regulatory Policy Act (PURPA) requiring adoption of service termination standards similar to Minnesota's CWR. The Commission determined that the freezing point is a more reasonable guideline and customers should be protected when temperatures fall below 32 degrees. The CWR time period was selected because of the National Weather Service statistics on average statewide temperatures.
- # 1979 Commission changed CWR from temperature-based (0 degrees F) to date-based (Oct. 15 - Apr. 15) beginning with the 1980-81 heating season.
- # 1989 MN Legislature directed Commission to amend CWR to offer more options. New rules became effective during 1990-91 heating season.
- # 2001 MN Legislature directed the Commission to amend its CWR to incorporate a change in the household income limit from 185% of federal poverty income level to 50% of the state median income, automatically extending inability to pay status to all federal energy assistance recipients and removing the budget counseling requirement. This same legislation modified requirements for municipal utility companies and cooperative electric associations by applying the same income guidelines.

Consumer Affairs Office Cold Weather Rule (CWR) Fact Sheet (continued)

What options are available, what are the requirements and what happens if the customer does not follow through on their agreement with the utility?

The CWR offers four types of protection each with their own unique requirements.

1. **Payment Schedule (PS)** is available to a customer at any income level. The customer must pay any outstanding bill plus the current bills through next October 15 (unless the customer and the utility agree on a different date) under the plan. These installments need not be equal each month, but may be based on other factors such as lump sum payments or payments that reflect expected income.
2. **Inability to Pay (ITP)** status is available to an income-qualified, heat-affected residential customer that establishes a payment schedule for the remainder of the heating season. Customers who are fully paid up or making reasonably timely payments under a payment schedule as of October 15 qualify for the greatest protection. But even customers who have fallen behind on their payments may qualify for some protections.
3. **Ten Percent Plan (TPP)** status is available to those who meet income requirements. Customers pay 10% of their monthly household income, OR the full amount of the current bill, whichever is less. If the customer misses a payment, they may be disconnected.
4. **Reconnect Plan** status is available to customers who are disconnected as of October 15, apply for reconnection under this plan, meet income requirements, pay the current month's bill AND arrearages in monthly installments of not more than 10% of the monthly household income until April 15. Any outstanding balance as of April 15 must be paid or new payment arrangements negotiated to retain service. If the customer misses a payment, service may be disconnected.

General information that pertains to all CWR plans

If a customer is subject to disconnection, the utility must send the customer a CWR packet explaining protections available and sources for financial and weatherization assistance. If the utility and customer reach a mutual agreement, the process is over. If a mutually acceptable agreement is not reached, the utility or the customer can submit an appeal to the PUC. During the appeal process, a customer is protected from shut off until a decision on the appeal is made. All household income requirements are based on total household income of all persons residing in the household. Household income does not include any amount received from energy assistance. The total household income must be less than 50 percent of the state median income.

Appeals

- # All appeals are submitted to the PUC for determination
- # Appeals are processed within 30 days
- # Most common reasons for appeals are exceeding income guidelines and inability to agree on payment schedules

Questions? Call 651- 296-0406

Cold Weather Data for 2001-2002 Season

Number of Residential Customer Accounts	2,088,550
Number of Past Due Residential Customer Accounts	115,873
Number of Cold Weather Protection Requests	20,955
RECONNECTION AT BEGINNING OF COLD WEATHER MONTHS	
Number of "Right to Appeal" notices mailed to customers	0
Number of reconnect requests/appeals withdrawn	SUSPENDED
Number of customer accounts granted reconnection	13
INABILITY-TO-PAY (ITP)	
Number of ITP appeals forwarded to PUC	3
Number of ITP requests/appeals withdrawn	0
Number of customer accounts granted ITP status by utility	477
Number of ITP requests pending	N/A
10% PLAN (TPP)	
Number of 10% plan appeals forwarded to PUC	0
Number of 10% plan requests/appeals withdrawn	0
Number of customer accounts granted 10% plan by utility	306
Number of 10% plan customer accounts prorated	294
Primary accounts	1
Secondary accounts	285
Number of 10% plan requests pending	N/A
PAYMENT SCHEDULE (PS)	
Number of "Right to Appeal" notices mailed to customers	0
Number of PS requests/appeals withdrawn	SUSPENDED
Number of PS negotiations mutually agreed upon	261
Number of PS requests pending	N/A
DISCONNECTIONS	
Number of disconnection notices mailed to customers	428,352
Total # disconnected	7,184
DOLLAR VALUE	
Total dollars past due on all residential accounts	\$ 32,209,900
Avg past due dollar amt per past due acct	\$ 225
Total dollars received from energy assistance programs	\$ 14,668,671
Total dollars received from other sources (private organizations)	\$ 1,108,259
Revenue from sales to residential accounts	\$ 423,780,402
Average monthly residential bill	\$ 74
Average annual residential bill	\$ 639
Total residential account write-offs due to uncollectibles	\$ 5,182,590
DISCONNECTION DURATION	
# Electric - heat affected	290
# Electric - heat not affected	641
# Gas - heat affected	239
# Gas - heat not affected	35
Total # disconnected (customers not seeking protection)	557
# Occupied heat-affected accts disconnected 24 hrs or more	206

Consumer Affairs Office Link-Up Minnesota Fact Sheet

Link-Up America is a national consumer education and outreach program designed to help many Americans without telephone service get into the telephone network. Specifically, Link-Up America is a cooperative effort of federal, state and local telephone regulators, consumer groups, telephone companies, and other participating organizations to educate eligible individuals about the program's availability; and assist in defraying costs for those qualifying for Link-Up services.

- # On March 12, 1987, the concept of Link-Up America was federally initiated to the Federal Communications Commission (FCC).
- # The FCC adopted the Link-Up America program on April 16, 1987.
- # In March, 1988, a recommendation for a Minnesota Link-Up America plan and a Proposed Link-Up America tariff was sent by a joint Commission Telephone Assistance Plan (TAP) Advisory Task Force-TAP Research Work Group to the Minnesota Public Utilities Commission for its review and approval. This task force consisted of representatives from state agencies, local telephone companies and citizens groups.
- # On April 22, 1988, the Commission issued the Order Adopting Plan and Approving Link-Up America Tariff. The Commission endorsed the Link-Up America implementation group and directed it to begin promotion of the Link-Up America program and make program applications available by May 2, 1988, or as soon after that date as was practical. The Link-Up America implementation group was a subcommittee of the Task Force-Research Work Group and consisted of representatives from the House of Regulated Industries Committee, the State Organization of Active Retirees, the United Handicapped Federation, the Minnesota Telephone Association and the Minnesota Public Utilities Commission.
- # Link-Up Minnesota applications became available on May 2, 1988. Applications are available from local telephone company business offices and at various social service and community organizations throughout the state.
- # On February 27, 1989, the FCC eliminated two limitations on the eligibility of potential beneficiaries of the Link-Up America program. The FCC determined it would be easier for low income households to obtain telephone service if program requirements were relaxed. The eliminated criteria were: the applicant must have lived at an address where there has been no telephone service for at least three months prior to the date assistance was requested; and the applicant must not have received this assistance (Link-Up) within the last two years.
- # On July 14, 1989, the Commission issued the Order Amending Uniform Link-Up America tariff removing the above two referenced eligibility requirements from the Link-Up America/Minnesota program.

Consumer Affairs Office Link-Up Minnesota Fact Sheet (continued)

- # In 1992, the Commission published advertising material to increase use of connection assistance. The Commission's Consumer Affairs Office conducts an annual mailing to local telephone companies, social service agencies, mayors' offices and county commissioners. This mailing consists of an updated Link-Up Minnesota application, income guideline changes, and notification of any changes to the program.
- # In January, 1994, Commission staff made application to the FCC requesting recertification of the Link-Up Minnesota program.
- # The financial assistance offered under the Link-Up America program is funded entirely with federal monies generated from interstate access charges. No state monies are required to obtain the federal funding. However, before Link-Up America funds can be used at the state level, each state must develop a Link-Up America plan for its area and obtain FCC certification and approval of the plan.
- # Telephone companies file reports with the National Exchange Carrier Association (NECA) and are reimbursed by this agency.

Questions? Call 651-296-0406

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