

**ROSEVILLE**  
**REQUEST FOR COUNCIL ACTION**

Date: 4/26/10  
Item No.: 12.d

Department Approval



Acting City Manager Approval



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Item Description: Adopt Resolution Approving the Undergrounding of the Overhead Electric Lines along Rice Street

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1 **BACKGROUND**

2 The Highway 36 and Rice Street interchange reconstruction is expected to begin in mid to late  
3 June of this year. As a result of Roseville and Little Canada City Council's actions in January,  
4 staff from both cities have continued to pursue the of burying the overhead power lines that  
5 currently run along the west side of Rice Street. These overhead electric lines and poles blight  
6 the corridor and it would greatly improve the aesthetics of a key street to both cities if they could  
7 be eliminated.

8  
9 Initially, Xcel Energy provided a preliminary estimate of over \$2 million to bury the power lines  
10 from County Road B to County Road B2. Staff requested additional preliminary design and a  
11 new scoping estimate suggested it would cost \$574,300 to perform the additional work to  
12 underground these lines. This estimate has been further refined and now is estimated at **\$551,259**  
13 which also includes the burying of the east-west overhead lines at the Co. Rd. B-2 intersection.  
14 Roseville's share of the cost is estimated at **\$275,629.50**. This is the amount Xcel is expecting to  
15 incur above the cost of relocating the existing overhead facilities to accommodate the new road  
16 design. There are also some additional costs for Roseville for easements necessary for ground  
17 mounted transfer switches and other equipment estimated at up to \$10,000.

18  
19 The cities agreed that the cost for this undergrounding be shared equally. The Council authorized  
20 staff to work with Xcel Energy on a surcharge option for the Xcel to recover their incremental  
21 costs incurred in Roseville on this project. The surcharge option, CRFS (Community Requested  
22 Facility Surcharge) is available for these projects where each rate payer of the city would have a  
23 small surcharge added to their electric bill based on a formula to finance the cost of the work  
24 over a period of time. Little Canada is utilizing other finance tools for their share of this project.

25  
26 City staff from Roseville and Little Canada agree that burying the power lines along Rice Street  
27 will dramatically improve the appearance along this important stretch of street that serves as a  
28 gateway to both cities. Burying the power lines would mean the overhead communication  
29 would be buried as well since they are on Xcel's power poles by agreement. The total cost of the  
30 Rice Street/Highway 36 interchange project is currently estimated at \$28 million. Burying the  
31 power lines would seem to be great improvement given the magnitude of work being performed  
32 along the corridor and the additional aesthetic improvements being included in the road project.

33  
34 Looking forward, another issue for future consideration is continuing the overhead power line

35 undergrounding going north as Ramsey County eventually reconstructs Rice Street north of  
36 County Road B2. The stretch of Rice Street from County Road B2 north to Little Canada Road  
37 is currently in Ramsey County's five-year TIP for 2012. The stretch from Little Canada Road  
38 north to I-694 has not been scheduled yet by Ramsey County, but would appear to be at least six  
39 years out.

40  
41 The Little Canada City Council will be considering final approval of the undergrounding project  
42 at their April 28, 2010 meeting.

43  
44 Attached is a resolution for Council approval formally asking Xcel to implement the  
45 undergrounding project. (Attachment A) We also are attaching the final estimate which includes  
46 the total cost for the facilities on the Roseville side of Rice Street as well as the surcharge  
47 amount for the various rate classes. (Attachment B)

48 **FINANCIAL IMPACTS**

49 The Roseville rate payers cost share for the undergrounding of the overhead electric lines is  
50 proposed to be financed by a (CRFS) surcharge on Roseville's Xcel electric customers. The  
51 impact on a residential class rate payer is estimated at \$0.44 per month for a three year period.  
52 This includes carry costs. The equal sharing of these costs will require Little Canada to pay  
53 Roseville \$97,179.50 which Roseville will in turn submit to Xcel for the remainder of the cost of  
54 the work on the Roseville side of Rice St. Staff is working on an agreement with Little Canada  
55 regarding this transaction and will submit it for Council approval at a May meeting.

56 **STAFF RECOMMENDATION**

57 Staff recommends the Council approve the resolution authorizing Xcel to move forward with the  
58 undergrounding of the overhead electric lines along Rice St. as a part of the interchange project  
59 utilizing the Minnesota Public Utilities Commission authorized surcharge.

60

61 **REQUESTED COUNCIL ACTION**

62 Motion approving a resolution requesting Xcel Energy implement the undergrounding of the  
63 overhead electric power lines along Rice St. from Co. Rd. B to Co. Rd. B-2 utilizing the CRFS  
64 financing option.

**Prepared by: Duane Schwartz, Public Works Director**

Attachments: A. Resolution  
B. Final Estimate

**EXTRACT OF MINUTES OF MEETING  
OF CITY COUNCIL  
CITY OF ROSEVILLE  
RAMSEY COUNTY, MINNESOTA**

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota, was duly held in the City Hall at 2660 Civic Center Drive, Roseville, Minnesota, on Monday, the 26th day of April, 2010, at 6:00 o'clock p.m.

The following members were present: \_\_\_\_\_ and the following were absent: .

Councilmember \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION**

**RESOLUTION DIRECTING XCEL ENERGY TO UNDERGROUND  
OVERHEAD UTILITIES ON RICE STREET  
BETWEEN COUNTY ROAD B AND COUNTY ROAD B-2**

WHEREAS, Ramsey County in 2010, will be constructing roadway and enhancement improvements in Roseville on Rice Street between County Road B and County Road B-2; and

WHEREAS, the roadway improvement project requires that Northern States Power Company d/b/a Xcel Energy relocate its overhead electric distribution facilities; and

WHEREAS, the City seeks to enhance aesthetics along Rice Street by directing Northern States Power Company d/b/a Xcel Energy to underground its electric utility facilities between County Road B and County Road B-2; and

WHEREAS, Xcel Energy will not agree to place its facilities underground within a county road unless the City agrees that it will not oppose Xcel Energy's recovery through a surcharge on customers within the City the additional costs it will incur because of the undergrounding of facilities; and

WHEREAS, the City is in receipt of an engineering estimate dated April 19, 2010, outlining the estimated added cost of the requested undergrounding and the estimated monthly surcharge on Xcel Energy's customers in the City and acknowledges that the surcharge design and amount is based on a tariff approved by the Minnesota Public Utilities Commission on November 6, 2002 and that Xcel Energy has rights under its existing tariff to seek a surcharge for special facilities.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Roseville, Minnesota that:

1. Xcel Energy is hereby requested and directed to relocate and underground its overhead facilities along Rice Street from County Road B to County Road B-2.
2. The relocation is subject to obtaining permits from the County for the facilities to be relocated underground and the City shall, prior to the relocation, deliver to Xcel Energy

permanent easements on a form provided by Xcel Energy for the relocation underground of facilities that cannot be placed within the public right-of-way along Rice Street.

3. The City agrees that it will not oppose Xcel Energy's implementation of a surcharge consistent with the tariff on customers of Xcel Energy located within the City. The amount shall be Xcel Energy's necessary, actual and reasonably incurred costs of undergrounding less the estimated costs Xcel Energy would have incurred through relocation of its overhead lines along the project site because of the Rice Street project.
4. The City does not waive its right to verify by legal means available to it that the amount of the surcharge is the necessary, actual and reasonable cost incurred.
5. The City hereby agrees to the collection of a surcharge for the added cost of the underground placement of the Xcel Energy distribution electric line along Rice Street between County Road B and County Road B-2.

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember     and upon vote being taken thereon, the following voted in favor thereof:     and     ; the following voted against the same:





3000 Maxwell Avenue  
Newport, Minnesota 55055-1001

April 19, 2010

Mr. Duane Schwartz  
Public Works Director  
City of Roseville  
2660 Civic Center Drive  
Roseville, MN 55113

SUBJECT: City of Roseville/Rice Street  
Engineering Estimate for Special Facilities Project

Dear Mr. Schwartz:

Your city has requested information from Northern States Power d/b/a Xcel Energy ("Xcel Energy") regarding replacement of the existing overhead electric distribution system on Rice Street between County Road B and County Road B-2 with an equivalent underground system. We have completed an Engineering Estimate of the cost of this project, which we have determined is a "special facilities" project. Section 5.3 of the rules and regulations in our Minnesota Electric Rate Book (tariff) contains the definition of standard and special facilities; the relevant tariff sections are provided in Attachment B to this letter.

Attachment A to this letter is an Engineering Estimate form, which provides the project scope, assumptions and estimated excess expenditures (i.e., the incremental costs above those for standard facilities) for this project. The estimated excess expenditure associated with this "special facilities" project is \$372,809.00. Xcel Energy can commence construction based on this engineering design; however, scope changes, field conditions, winter construction charges and other variables may impact the final "special facilities" project cost, and hence, the excess expenditures.

The Xcel Energy tariff allows Xcel Energy to recover or seek recovery of any excess expenditure associated with special facilities. The available methods of cost recovery depend on several factors. For example, if the project is distribution facility undergrounding ordered by a city, the cost recovery procedures in our City Requested Facilities Surcharge (CRFS) Rider may apply (see Attachment B). The CRFS Rider may also apply if a City requests undergrounding and agrees to use the CRFS. This is a Minnesota Public Utilities Commission (PUC) approved surcharge on customers within your city only. If the "special facility" does not involve the undergrounding of a distribution facility pursuant to a city's police powers, or if the city and Xcel Energy do not mutually agree to use the CRFS to recover the excess expenditures, there is no

automatic surcharge and Xcel Energy must propose a surcharge for approval by the Minnesota Public Utilities Commission.

Or, the city can choose to prepay or to otherwise arrange for payment of the excess expenditures. We understand that the City of Roseville intends to make a partial direct payment in the amount of \$97,170.50 bringing the final CRFS amount to \$275,629.50.

If this project were to proceed and cost recovery were to occur under the CRFS Rider or similar surcharge, the following information is useful. Based on the projected excess expenditures associated with this Engineering Estimate and assuming the CRFS Rider is used to recover the costs, the estimated term of the surcharge is 36 months, and the estimated monthly surcharge amount per customer class is as shown below. However, the surcharge would reflect Xcel Energy's actual expenditures related to this project, so the term and/or total excess expenditures may be different than shown here.

<b><u>Customer Class</u></b>	<b><u>Monthly Surcharge</u></b>
Residential	\$\$ 0.44
Residential Low Income	\$\$ 0.44
Small C&I Non-demand Billed	\$\$ 0.44
Small C&I Demand Billed	\$\$ 1.32
Large C&I	\$\$ 1.76
Street Lighting	\$\$ 0.44
Small Municipal Pumping Non-demand	\$\$ 0.44
Small Municipal Pumping Demand	\$\$ 1.32
Large Municipal Pumping Demand	\$\$ 1.76

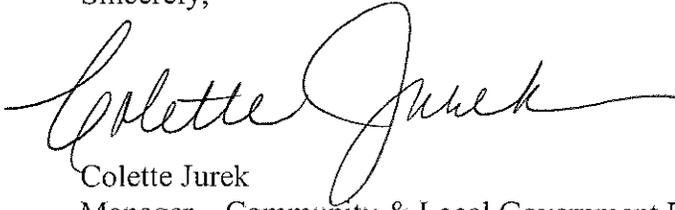
Please note that your City will have the opportunity to challenge: (1) Xcel Energy's determination that a surcharge is necessary; (2) the amount of the surcharge; and (3) how the surcharge is distributed among Xcel Energy's customers in your City.

### **Next Steps**

Please let us know if the City wishes to proceed with this project. If so, please sign and date the enclosed Engineering Estimate and return it to me as soon as possible for we cannot proceed without City approval. If the project is to proceed, Xcel Energy will confirm that understanding in writing to the City.

If you have any questions, please feel free to contact me at (651) 458-1228 or via e-mail at [colette.c.jurek@xcelenergy.com](mailto:colette.c.jurek@xcelenergy.com).

Sincerely,

A handwritten signature in black ink, reading "Colette Jurek". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Colette Jurek  
Manager – Community & Local Government Relations  
SE Metro Area  
Newport Service Center

cc: Bill Malinen, City Manager

Attachment A: Project Engineering Estimate Form

Attachment B: Xcel Energy MN Electric Rate Book, Rules and Regulations,  
Section 5.3

Attachment C: City Requested Special Facilities Surcharge (CRFS) Spreadsheet

## **ATTACHMENT A**

### **SPECIAL FACILITIES ENGINEERING ESTIMATE**

This “Engineering Estimate” provides estimated Excess Expenditures based on an engineered design for a requested or ordered non-standard installation (Special Facility). This estimate is only valid for the specific project information and assumptions as detailed in this form.

This Engineering Estimate is Xcel Energy’s best evaluation of the Excess Expenditures associated with this Special Facility. However, there will be many factors that influence actual costs, such as: those associated with permitting; inclement weather; winter construction costs; unexpected increases in material costs; unexpected increases or changes in labor charges; scheduling, availability, and/or mobilization; ability to schedule outages on the existing electric facilities of Xcel Energy or other electric companies; emergencies occurring on the electric systems of Xcel Energy or electric companies; and other factors not specifically identified herein but allowed as an incremental cost for recovery. The actual Excess Expenditures will be calculated using Xcel Energy’s actual costs, including all allowed overheads.

#### **REQUESTOR INFORMATION**

Requestor Name: Duane Schwartz, Public Works Director  
City of Roseville  
Address: 2660 Civic Center Drive  
Roseville, MN 55113  
Phone: 651/792-7041  
E-mail: [duane.schwartz@ci.roseville.mn.us](mailto:duane.schwartz@ci.roseville.mn.us)

#### **PROJECT, PERMITTING AND SITING INFORMATION**

Xcel Energy has relied on the Project Information, Project Assumptions and Permitting Requirements detailed below to produce this engineering estimate:

## **Project Information**

Name: Rice Street Underground Distribution Project  
Location: Rice Street between County Road B and County Road B-2

Scope: This project requested by the City of Roseville includes the removal of the existing overhead main line feeder and distribution system by Xcel Energy and replacing it with an equivalent underground main line feeder and distribution system.

Project Assumptions: This estimate includes the costs associated with the removal of the existing overhead system and installation of the following materials:

Five electric cabinet enclosures consisting of four switch centers and one pad mounted transformer.

9,535 feet of mainline, distribution and secondary underground cable will be installed.

New poles will be set to terminate the new underground system and to serve the existing overhead system adjacent to the area being converted to underground.

This estimate **does not include:** Repair and/or replacement of privately-owned sprinkler systems; additional costs incurred due to soil conditions (debris, rock or any other obstruction encountered in the soil that increase the cost of installation); additional installation costs due to frost and/or winter construction charges; repair of customer-owned underground facilities not located prior to construction; replacement of privately-owned shrubbery located in public right-of-way or utility easements; any costs associated with the acquisition of additional right-of-way or easements necessary to install underground facilities.

## **Permitting Requirements/Siting Issues**

Xcel Energy has reviewed the permitting requirements and siting issues that may be a factor for this project. These requirements must generally be satisfactorily resolved prior to starting any field construction.

Right-of-way and private easements: **It will be the responsibility and at the expense of the City to acquire and record any additional easements necessary to accommodate the installation of new underground distribution facilities.**

Xcel Energy has determined there will be a need for additional utility easements to accommodate the new underground distribution system. At no cost to Xcel Energy, the City and/or its contractor will provide surveying (as needed or requested by Xcel Energy) during construction of the overhead to underground system.

Conversion of existing overhead customer's electric service entrance panels to accept underground service: If applicable, the City will take an active role in notifying all affected residential and commercial customers about the impending changes (and costs) associated with the conversion of their electrical service equipment.

#### **ADDITIONAL INFORMATION**

Because costs increase over time, this Engineering Estimate may be considered valid for sixty (60) days from the date below. Unless otherwise agreed, the Requestor may be asked to prepay for Xcel Energy's costs to prepare any additional or revised Engineering Estimate necessary because of project scope changes, delays, or other factors beyond the control of Xcel Energy.

#### **COST ESTIMATES FOR STANDARD AND SPECIAL FACILITIES AND EXCESS EXPENDITURES**

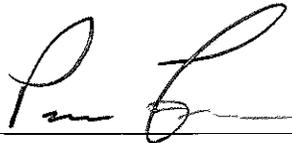
Estimate of Standard Facility Costs:	\$ 173,539.00
Estimate of Non-Standard Facility Costs:	\$ 546,348.00
Engineering Estimate of	
Total Excess Expenditures	\$ 372,809.00
(non-standard costs - standard costs)	
Minus direct cash payment to Xcel Energy	\$ 97,179.50
Final amount for CRFS	\$ 275,629.50

**This estimate expires in 60 days.**

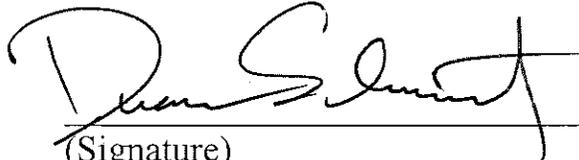
Estimate Prepared by: Pam Fossum, Xcel Energy Electric Design  
Supervisor

Dated: April 19, 2010

Estimate Prepared by:

  
\_\_\_\_\_  
(Signature)

Acknowledgement by: City of Roseville  
Duane Schwartz, Public Works Director

  
\_\_\_\_\_  
(Signature)

Dated: April 21, 2010

Northern States Power Company, a Minnesota corporation  
and wholly owned subsidiary of Xcel Energy Inc.  
Minneapolis, Minnesota 55401

**MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2**

**CITY REQUESTED FACILITIES SURCHARGE RIDER**

Section No. 5  
1st Revised Sheet No. 131

**APPLICABILITY**

Applicable to bills for electric service provided under the Company's retail rate schedules in a City ordering the installation of non-standard underground Distribution Facilities. The Excess Expenditure costs for these Special Facilities are to be collected from customers located within such City in accordance with the provisions in the General Rules and Regulations, Section 5.3, SPECIAL FACILITIES.

C

Company will provide notice to and affected City of any miscellaneous rate filing by Company under Minn. Stat. §216B16, Subd. 1 to establish a Special Facilities surcharge applicable to customers in such City.

N

N

**RATE**

In each applicable City, there shall be included in the monthly minimum billing on each customer's bill a separately itemized surcharge line item determined in accordance with this Rider entitled City Requested Special Facilities. The City Requested Special Facilities Surcharge shall not be subject to current month billing adjustments or City surcharges and shall be subject to any applicable sales taxes.

**DETERMINATION OF CITY REQUESTED FACILITIES SURCHARGE**

The City Requested Special Facilities Surcharge for each applicable City project shall be calculated by determining a Class Facilities Surcharge to be applied to the Average Monthly Customers in the designated City such that the total Excess Expenditure plus carrying charges in the City Project Tracker Account are recovered over the designated Recovery Period.

Average Monthly Customers shall be the projected average number of active customers in each applicable customer classification located in the City for the designated Recovery Period.

Class Facilities Surcharge shall be the surcharge amount for each applicable customer classification determined in accordance with the Rules for Application.

City Project Tracker Account is a regulatory asset account representing the sum of the following:

- (1) The total Excess Expenditures for each Distribution Facilities undergrounding project in such City,
- (2) Monthly carrying charges on the under recovered or over recovered monthly balance in the City Project Tracker Account based on the overall rate of return from the Company's most recent electric general rate case decision,
- (3) Less the recovered project costs collected to date through the applicable City's Facilities Surcharge.

Recovery Period is the number of months the City Requested Special Facilities Surcharge shall be applied to bills for a designated City project determined in accordance with the Rules for Application.

Excess Expenditures shall be determined in accordance with the provisions in the General Rules and Regulations, Section 5.3.

(Continued on Sheet No. 5-132)

Date Filed: 11-02-05 By: Cynthia L. Leshner Effective Date: 02-01-07  
President and CEO of Northern States Power Company  
Docket No. E002/GR-05-1428 Order Date: 09-01-06

Northern States Power Company, a Minnesota corporation  
and wholly owned subsidiary of Xcel Energy Inc.  
Minneapolis, Minnesota 55401

**MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2**

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**CITY REQUESTED FACILITIES SURCHARGE RIDER  
(Continued)**

Section No. 5  
Original Sheet No. 132

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**RULES FOR APPLICATION**

1. The Recovery Period shall not commence until the City Requested Facilities Surcharge to be applied to bills is at least \$0.25 per customer per month. A surcharge of \$0.25 up to and including \$1.00 per customer regardless of customer class may be applied for a Recovery Period of exactly one month (e.g., a one-time surcharge).
2. For a Recovery Period greater than one month, the Class Facilities Surcharge per month per customer in each non-residential customer class for any month in which a Residential Class Facilities Surcharge is applicable shall be as follows:
  - a. Commercial & Industrial (C&I), Street Lighting and Municipal – Non-Demand Billed: Equal to the Residential Class Facilities Surcharge.
  - b. Small C&I and Small Municipal – Demand Billed: Three times the Residential Class Facilities Surcharge.
  - c. Large C&I – Demand Billed: Four times the Residential Class Facilities Surcharge.

However, whenever the Non-residential Class Facilities Surcharges to be billed exceed the Customer Charge applicable on a customer account, the Class Facilities Surcharge for that account shall be equal to such Customer Charge.

3. A Residential Class Facilities Surcharge of \$0.25 up to and including \$1.00 per Residential customer per month will be applied each month whenever the City Project Tracker Account balance to be collected allows for a Recovery Period of 36 months or less.
4. A Residential Class Facilities Surcharge of over \$1.00, up to and including \$4.50, per Residential customer per month will be applied each month for a Recovery Period of 36 months whenever the City Project Tracker Account balance is uncollectable at a Residential Class Facilities Surcharge level of \$1.00 or less, provided that the surcharge amount for any Residential class customer account receiving a Low Income Energy Discount shall not exceed \$1.00 per month.
5. A Residential Class Facilities Surcharge of \$4.50 per Residential customer per month for a Recovery Period of 36 months up to and including 60 months will be applied only when necessary to recover the City Project Tracker Account balance, provided a surcharge of \$4.50 may be collected pending Commission action on a Company petition or City complaint to modify the design of the rate surcharge for a specific project which cannot be recovered in 60 months.

(Continued on Sheet No. 5-133)

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		President and CEO of Northern States Power Company		
Docket No.	E002/GR-05-1428		Order Date:	09-01-06

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**MINNESOTA ELECTRIC RATE BOOK – MPUC NO. 2**

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**CITY REQUESTED FACILITIES SURCHARGE RIDER**  
**(Continued)**

Section No. 5  
Original Sheet No. 133

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**RULES FOR APPLICATION (Continued)**

6. The Class Facilities Surcharges may be adjusted annually and in the last 6 months of the Recovery Period to more closely recover the balance remaining in the City Project Tracker Account.
7. Subject to the limits on monthly surcharge amounts set forth above, the Class Facilities Surcharges may also be increased at any time, with notice as provided in Section 5.3 of the General Rules and Regulations, in order to recover Excess Expenditures associated with additional Distribution Facilities undergrounding projects requested or ordered by City.

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Date Filed:	11-02-05	By: Cynthia L. Leshner	Effective Date:	02-01-07
		President and CEO of Northern States Power Company		
Docket No.	E002/GR-05-1428		Order Date:	09-01-06

**5.2 GENERAL EXTENSION (Continued)**

Non-refundable payments will be in the amount determined by subtracting from the total estimated installation cost the product of three and one half (3.5) times the anticipated annual revenue, excluding the portion of the revenue representing fuel-cost recovery, as set forth in Section 5.1, STANDARD INSTALLATION. Additional refundable payments may be required where service is extended and where customer occupancy is expected to be delayed. In such cases, for each additional customer served directly from the original contracted extension within five years from the date of its completion, the person who made the advance payment will receive proportionate refunds as additional customers take occupancy. The total of such refunds will in no event exceed the total refundable advance payment. Refunds will be made only for line extensions on private property to a single customer served directly from the original contracted facilities.

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**5.3 SPECIAL FACILITIES**

A. Definitions

For the purposes of Section 5.3 and the City Requested Facilities Surcharge Rider, the following definitions apply:

1. "Distribution Facilities" are defined as all primary and secondary voltage wires, poles, insulators, transformers, fixtures, cables, trenches, ductlines, and other associated accessories and equipment, including substation equipment, rated 35kV class and below, whose express function and purpose is for the distribution of electrical power from the Company's distribution substation directly to residential, commercial, and/or industrial customers. Distribution Facilities exclude all facilities used primarily for the purpose of transferring electricity from a generator to a substation and/or from one substation to another substation. As such, Distribution Facilities serve only customers on the primary and secondary rates of the Company.
2. "Transmission Facilities" are defined as all poles, towers, wires, insulators, transformers, fixtures, cables, and other associated structures, accessories and equipment, including substation equipment, rated 25kV class and above, whose express function and purpose is the transmission of electricity from a generator to a substation or substations, and from one substation to another.
3. "Municipality" is defined as any one of the following entities: a county, a city, a township or other unit of local government.
4. "City" is defined as either a statutory city or a home rule charter city consistent with Minn. Stat. Sections 410.015 and 216B.02, Subd. 9.

(Continued on Sheet No. 6-27.1)

Date Filed: 11-02-05 By: Cynthia L. Leshner Effective Date: 02-01-07  
President and CEO of Northern States Power Company  
Docket No. E002/GR-05-1428 Order Date: 09-01-06

**5.3 SPECIAL FACILITIES (Continued)**

A. Definitions (Continued)

5. "Standard Facilities" are those facilities whose design or location constitute the reasonable and prudent, least-cost alternative that is consistent with the existing electric system configuration, will meet the needs of the Company's customers and will maintain system reliability and performance under the circumstances. In determining the design or location of a "Standard Facility", the Company shall use good utility practices and evaluate all of the circumstances surrounding the proposal, including (i) public and employee safety in the installation, operation and maintenance of the facility, (ii) compliance with the National Electrical Safety Code, other applicable engineering standards and electric utility norms and standards, (iii) electric system reliability requirements, (iv) the presence, age, condition and configuration of existing facilities in the affected area, (v) the presence and size of existing right-of-way in the affected area, (vi) existing topology, soil, spacing, and any environmental limitations in the specific area, (vii) existing and reasonably projected development in the affected area, (viii) installation, maintenance, useful life and replacement cost factors, and (ix) other relevant factors under the particular circumstances.
6. "Special Facilities" are non-standard facilities or the non-standard design or location of facilities as provided in Section 5.3(B).
7. "Excess Expenditure" is defined as the total reasonable incremental cost for construction of Special Facilities, including: the value of the un-depreciated life of existing facilities being removed and removal costs less salvage; the fully allocated incremental labor costs for design, surveying, engineering, construction, administration, operations or any other activity associated with said project; the incremental easement or other land costs incurred by the Company; the incremental costs of immediately required changes to associated electric facilities, including backup facilities, to ensure reliability, structural integrity and operational integrity of electric system; the incremental taxes associated with requested or ordered Special Facilities; the incremental cost represented by accelerated replacement cost if the Special Facility has a materially shorter life expectancy than the standard installation; the incremental material cost for all items associated with said construction, less salvage value of removed facilities, and any other prudent costs incurred by Company directly related to the applicable Special Facilities.

(Continued on Sheet No. 6-27.2)

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Date Filed:	11-02-05	By: Cynthia L. Leshner	Effective Date:	02-01-07
		President and CEO of Northern States Power Company		
Docket No.	E002/GR-05-1428		Order Date:	09-01-06

**5.3 SPECIAL FACILITIES (Continued)**

**B. General Rule**

1. When the Company is requested by a customer, group of customers, developer, or Municipality to provide types of service that result in an expenditure in excess of the Company designated standard service installation as provided under Section 5.1, STANDARD INSTALLATION, or designated standard Distribution Facilities or Transmission Facilities under Section 5.3 (A)(5) the requesting customer, group of customers, developer, or Municipality will be responsible for such Excess Expenditure, unless otherwise required by law. Common examples of Special Facilities include duplicate service facilities, special switching equipment, special service voltage, three phase service where single phase service is adequate, excess capacity, capacity for intermittent equipment, trailer park distribution systems, underground installations to wood poles, conversion from overhead to underground service, specific area undergrounding, other special undergrounding, location and relocation or replacement of existing Company facilities.
2. When requested under Section 5.3 (B)(1) the Company will evaluate the circumstances and determine the Standard Facility(ies) that would be appropriate to the particular situation. From this evaluation, the Company will determine the facilities design/configuration for the proposed project that meets the definition of a Standard Facility. This design/configuration shall constitute the Standard Facility for purposes of determining the Excess Expenditure associated with any requested or ordered Special Facility, including a Special Facility subject to a City Requested Facilities Surcharge or other rate surcharge.
3. Subject to the requirements of applicable law, and subject to the Company's previously scheduled or emergency work, the Company will initially install Special Facilities or will replace, modify or relocate to a Company-approved location or route its existing Distribution Facilities or Transmission Facilities (a) upon the request of a customer, a group of customers, developer, or upon request or lawful order of a Municipality if the Company determines the requested or ordered Special Facilities will not adversely affect the reliability, structural integrity, ability to efficiently expand capacity or operational integrity of the Company's Distribution Facilities or Transmission Facilities; and (b) the requesting or ordering customer, group of customers, developer, or Municipality arranges for payment of the Excess Expenditures under Section 5.3(E)(1) or 5.3(E)(2), or a requesting or ordering City elects that the Excess Expenditures for undergrounding of Distribution Facilities be recovered by surcharge under Section 5.3(E)(3).

(Continued on Sheet No. 6-28)

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**5.3 SPECIAL FACILITIES (Continued)**

C. Special Facilities In Public Right-Of-Way

1. Whenever a Municipality as a governing body of public right-of-way orders or requests the Company to replace, modify or relocate its existing Distribution Facilities or Transmission Facilities located by permit in said public right-of-way to the extent necessary to avoid interference with construction on said public right-of-way, such facilities will be replaced, modified or relocated at Company expense, provided the construction is the Standard Facility(ies) installation designated by the Company.
2. If the Municipality requests or orders a facility other than the standard facility(ies) determined under 5.3(C)(1), the Company will provide the Municipality notification of the Excess Expenditure compared to the Standard Facility. If the Municipality requests or orders a type of construction with cost in excess of the Company designated standard construction, recovery of such Excess Expenditures will be subject to Section 5.3(E).
3. Except in emergencies, the Company has no obligation to commence initial construction of new Special Facilities, or to commence construction for replacement, modification, reconstruction or relocation of existing facilities, until the Company receives a permit, or other written authorization, from the Municipality (or its designee) having jurisdiction over use of the applicable public right-of-way, authorizing the construction at a Company-approved reasonable location within the public right-of-way or at a location established by lawful order of the Municipality.
4. The Company reserves the right to require an order from a Municipality if the Company determines the requested Special Facilities constitute an improvement primarily for the benefit of a landowner or other group and only an incidental benefit to public use of the right-of-way. The Company also reserves the right to challenge the lawfulness of a Municipality's order.

D. Underground Facilities Requirements

The following provisions apply when replacing overhead facilities with underground facilities:

1. The customer, at customer's expense, must engage an electrician to adapt the customer's electrical facilities to accept service from Company underground facilities.
2. The Company will allow reasonable time for the customer to make the necessary alterations to their facilities, before removal of the existing overhead facilities. The customer, group of customers, developer or Municipality must provide Company reasonable notice of the undergrounding request so Company may efficiently plan and install such facilities.

(Continued on Sheet No. 6-29)

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**5.3 SPECIAL FACILITIES (Continued)**

D. Underground Facilities Requirements (Continued)

3. Perpetual easements will be granted Company at no cost to the Company whenever any portion of the underground distribution system is located on private land. Said private easements also will allow the Company access for inspection, maintenance, and repair of Company facilities.
4. The Company must receive, by franchise or permit, full access to its facilities installed underground for the purpose of inspection, maintenance, and repair of such facilities, such right of access to include the right to open public ways.
5. The Municipality will give sufficient notice and will allow the Company sufficient time to place its facilities beneath public ways while the same are torn up for resurfacing. The Municipality shall provide Company with access to the torn up public ways during such period so that Company will have unobstructed use of sufficiently large sections of the public ways to allow installation of the underground facilities in an economic manner.
6. Secondary voltage service supplied from an underground distribution lateral installation will require that the customer install, own, and maintain necessary conduits and secondary service conductors or bus duct to a point designated by Company within or adjacent to the secondary compartment of the transformer or vault. Company will make final connection of customer's secondary service conductors or bus duct to Company's facilities.
7. Secondary voltage service supplied from underground secondary service conductors require that the customer install, own, or maintain necessary conduits on private property to a point designated by the Company at or near the property line. The secondary service conductors usually will be installed by the customer in the customer's conduit, however, in some installations it may be preferred to have Company provide a continuous installation from the Company facilities through the customer conduit to the customer's service equipment. In these installations the customer must pay the total installed cost of the Company's cable installed on private property. The Company will make the final connection of customer's secondary service connectors to Company's facilities.
8. The customer, group of customers, developer or Municipality will be subject to any charges imposed as a result of the conditions set forth in Section 5.1, STANDARD INSTALLATION and charges for Special Facilities as provided in this Section 5.3.

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(Continued on Sheet No. 6-29.1)

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**5.3 SPECIAL FACILITIES (Continued)**

**E. Special Facilities Payments**

1. Where the requesting or ordering party is required to prepay or agrees to prepay or arrange payment for Special Facilities, the requesting or ordering party shall execute an agreement or service form pertaining to the installation, operation and maintenance, and payment of the Special Facilities. Payments required will be made on a non-refundable basis and may be required in advance of construction unless other arrangements are agreed to in writing by the Company. The facilities installed by the Company shall be the property of the Company. Any payment by a requesting or ordering party shall not change the Company's ownership interest or rights.

Payment for Special Facilities may be required by either, or a combination, of the following methods as prescribed by the Company: a single charge for the costs incurred or to be incurred by the Company due to such a special installation or a monthly charge being one-twelfth of Company's annual fixed costs necessary to provide such a special installation. The monthly charge will be discontinued if the special facilities are removed or if the requester eventually qualifies for the originally requested Special Facilities.

2. Where Special Facilities are requested or ordered by a Municipality which is not a City, or in circumstances other than those addressed in Section 5.3(E)(3), and payment is not made or arranged by the Municipality, the Company may seek approval of the Commission to allow the Excess Expenditures to be the responsibility of the Company's customers residing within the Municipality and may seek approval by the Commission pursuant to Minn. Stat. Chap. 216B to allow recovery of such expenditures from those customers through a rate surcharge or other method.

Company will provide notice to an affected Municipality of any miscellaneous rate filing by Company under Minn. Stat. Sect. 216B.16, Subd. 1, to establish a Special Facilities surcharge applicable to customers in such Municipality. Customers in the applicable Municipality will be notified of (a) the implementation of the Special Facilities surcharge through either a bill message or bill insert during the month of implementation of such surcharge, and (b) any change in the surcharge.

Continued on Sheet No. 6-29.2)

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**SPECIAL FACILITIES (Continued)**

E. Special Facilities Payments (Continued)

3. Where undergrounding of Distribution Facilities as a Special Facility is ordered by a City, and payment for excess expenditure is not made or arranged by the City, the Excess Expenditures will be recovered from the Company's customers located in the City through a rate surcharge set forth in Section 5.3 (F) and the City Requested Facilities Surcharge Rider subject to the following conditions:
  - a. The Company shall provide written notice to the City containing the following:
    - i. the estimated total excess expenditures required for the designated City undergrounding project and an estimate of the resulting surcharge;
    - ii. notice to the City Clerk that the City has sixty (60) days from its receipt of the notice to file with the Commission an objection to the proposed surcharge under Minnesota Statutes 216B.17 or other applicable law. The notice shall contain a brief statement of facts and tariff or other legal authority on which the Company bases its right to surcharge the ratepayers located in the City.
  - b. Within the sixty (60) day period noticed by the Company, the City may give written notice to the Company of its intention to pay all, a portion or none of the estimated Excess Expenditures, or otherwise enter into an agreement with the Company regarding payment of any Excess Expenditures. If the City does not respond in writing within the sixty (60) days, it is deemed to have elected not to pay any portion of the Excess Expenditures and will have waived its right to object to the Company's right to surcharge ratepayers in the City for the Excess Expenditures. Such failure, however, is not a waiver of the City's right to object to the Company's Excess Expenditures surcharged to ratepayers in the City, which objection may be exercised pursuant to other applicable law.
  - c. A rate surcharge set forth in Section 5.3(F) and the City Requested Facilities Surcharge Rider may be used to recover the excess Expenditures of Distribution Facilities when such projects are initiated and controlled by a city even if the city does not act within its police powers to require the undergrounding project to be completed and the City and Company mutually agree in writing to using such a surcharge.

(Continued on Sheet No. 6-29.3)

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**SPECIAL FACILITIES (Continued)**

E. Special Facilities Payments (Continued)

- d. The City may bring its objection to the proposed surcharge to the Commission by filing a statement of objection with the Commission and serving the Company within sixty (60) days. An objection proceeding shall not halt or delay the project, except for good cause shown. Notice and implementation of the surcharge shall be stayed until the Commission or a court of competent jurisdiction issues a final order or judgment.
- e. Nothing in this tariff is intended to establish or limit the rights of a Company customer that is a member of the class of customers surcharged or proposed to be surcharged from pursuing its rights under applicable law.
- f. Customers in the applicable City will be notified of: (i) the implementation of a City Requested Facilities Surcharge either through a bill message or a bill insert during the month preceding the month the surcharge is commenced; and (ii) any change in a preexisting surcharge. The Company shall provide the Department and City the proposed notice to customers no less than sixty (60) days prior to the first day of the month in which the Company intends to notify customers of the surcharge.

(Continued on Sheet No. 6-29.4)

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**SPECIAL FACILITIES (Continued)**

F. Costs of Special Facilities Recovered by City Requested Facilities Surcharge

1. The Excess Expenditure required for any Special Facility undergrounding of Distribution Facilities requested or ordered by a City shall be subject to surcharge in accordance with the provisions of this section and the City Requested Facilities Surcharge (CRFS) Rider, if the City does not prepay or otherwise arrange payment. The surcharge shall commence on such date as determined by the Company, but no earlier than the first full billing month following at least 60 days notice to the applicable City of the planned implementation date of a surcharge.
2. City Project Tracker Account. The Company will establish a City Project Tracker Account for the applicable City in order to track project cost recovery through customer collections. The initial balance in the Tracker Account will be the Company-determined Excess Expenditure for the applicable Special Facilities. Excess Expenditures for subsequent, additional City requested or ordered Special Facilities may be added to the Tracker Account balance at any time to the extent additional Excess Expenditures are incurred by Company. The Tracker Account balance shall be determined as follows:
  - a. The total Excess Expenditure ("EE") for each City Special Facility undergrounding project to be recovered through a CRFS surcharge. The EE will be adjusted to reflect actual Company costs and any direct payments made by the City for the designated construction project;
  - b. Plus the Carrying Charge ("CC") on the unrecovered or over-recovered monthly balance in the Tracker Account based on the overall rate of return from the Company's most recent electric general rate case decision; and
  - c. Less the Recovered Project Costs ("RPC") equal to the actual monthly amounts billed to customers in the applicable city through the CRFS Rider, subject to subsequent reductions to account for uncollectibles, refunds and correction of erroneous billings.

(Continued on Sheet No. 6-29.5)

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**SPECIAL FACILITIES (Continued)**

F. Costs of Special Facilities Recovered by City Requested Facilities Surcharge (Continued)

3. The Company may delay implementation of a surcharge for a City Project Tracker Account until the minimum surcharge amount provided in the CRFS Rider is reached. Any under or over recovery of the Tracker Account balance in the last month of the final Recovery Period will be expensed. The Company will limit over-recoveries to no more than \$0.05 per customer at the time the Tracker Account is terminated.
4. Record Access and Reporting Requirements. The Company's records associated with a City's Tracker Account shall be available for inspection by such City at reasonable times. If requested by a City, the Company shall provide a report on the status and balance of the City Project Tracker Account as follows:
  - a. whenever Excess Expenditures for requested or ordered Distribution Facilities undergrounding are added to the Tracker Account for a designated or new City project,
  - b. on or before the last business day of the month following the final month of the Recovery Period, or
  - c. annually if the Recovery Period is greater than 12 months.
5. The surcharge for a particular Special Facility Distribution Facilities undergrounding project may be of a different design than set forth in the City Requested Facilities Surcharge Rider if approved in advance by Commission order in response to a rate filing by the Company under Minn. Stat. Section 216B.16, or in response to a complaint filed by the applicable City under Minn. Stat. Section 216B.17.

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Northern States Power Company, a Minnesota Corporation  
**City Requested Special Facilities Surcharge (CRFS)**  
**City of Roseville**

				<b>Excess Expenditures = \$275,630</b>
<b>Customer Class</b>	<b>Customers</b>	<b>Surcharge<sup>(1)</sup></b>	<b>Months</b>	<b>Recovery</b>
Residential	14,806	\$0.44	36	\$233,984
Res Low Income	360	\$0.44	36	\$5,689
Small C&I ND	1,078	\$0.44	36	\$17,036
Small C&I	891	\$1.32	36	\$42,242
Large C&I	169	\$1.76	36	\$10,683
Street Lighting	39	\$0.44	36	\$616
Sm Mun Pump ND	10	\$0.44	36	\$158
Small Mun Pump	3	\$1.32	36	\$142
Large Mun Pump	0	\$1.76	36	\$0
<b>Total</b>	<b>17,356</b>			<b>\$310,552</b>
<b>Total Carrying Charges included in recovery amount<sup>(2)</sup></b>				<b>\$34,922</b>

<b>Allowable Class Surcharge Levels per Month Under CRSF Tariff</b>	
Residential:	\$0.25 up to \$4.50
Low Income Residential:	\$0.25 up to \$1.00
Small C&I Non-Dmd:	\$0.25 up to \$4.50
Small C&I - Demand:	3 Times Residential Amount
Large C&I - Demand:	4 Times Residential Amount

- (1) Adjustment possible in final months of recovery period for more precise cost recovery.  
(2) Monthly carrying charge of 1.0132% applies to outstanding balance, equal to compounded rate based on 8.83% overall rate of return from the last general rate case (2008) and 4.03% tax factor.