

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter of the approval of a code of conduct	)	
for CONSUMERS ENERGY COMPANY and	)	Case No. U-12134
THE DETROIT EDISON COMPANY	)	(NSP-W)
_____	)	

At the December 18, 2003 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. J. Peter Lark, Chair
Hon. Robert B. Nelson, Commissioner
Hon. Laura Chappelle, Commissioner

ORDER GRANTING WAIVER

On November 25, 2003, Northern States Power Company-Wisconsin, d/b/a Xcel Energy, (NSP-W) filed a request for a waiver from section II.F of the code of conduct adopted in the December 4, 2000 order in this docket, as amended on rehearing in the October 29, 2001 order, pursuant to MCL 460.10a(4). Section VI of the code permits an electric utility to request waivers, but requires it to carry “the burden of demonstrating that such waiver will not inhibit the development or functioning of the competitive market.” October 29, 2001 order, Ex. A.

NSP-W, a wholly owned subsidiary of Xcel Energy Inc., is a public utility that provides retail electric service in Michigan subject to the Commission’s jurisdiction as well as retail service regulated in Wisconsin. Xcel Energy is a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA) that is subject to the oversight of the Securities and

Exchange Commission (SEC). In addition to NSP-W, Xcel Energy has other public utility subsidiaries providing services regulated in other states.

NSP-W states that it, along with the other utility subsidiaries, have entered into a utility money pool agreement with Xcel Energy and Xcel Energy Services Inc. (Xcel Services), another wholly owned subsidiary. The purpose of the agreement is to provide an efficient, flexible cash management tool that will enable the utility subsidiaries to invest their excess funds in the pool and borrow short-term funds from the pool. (The pool may also borrow from external sources of funding.) The pool will function as an inter-company revolving credit facility. The participating utilities will not be under any obligation to invest in or borrow from the pool, but each utility may use the pool when it is financially beneficial and lowers its borrowing costs or increases its returns on excess cash holdings. The pool should enable the participating utility subsidiaries to avoid costs that they would otherwise duplicate if each were to undertake the services for itself. The pool should also minimize administrative overhead.

NSP-W further explains that PUHCA effectively prohibits Xcel Energy, as the parent company, from providing shared overhead services to utility operating companies. For this reason, NSP-W says, Xcel Services will operate the pool.

For the limited purpose of implementing the utility money pool agreement, NSP-W requests a waiver of section II.F of the code of conduct, which states: “An electric utility or alternative electric supplier shall not finance or co-sign loans for affiliates.” The Commission Staff has reviewed NSP-W’s request, concurs that the utility money pool agreement may have value as a means of lowering borrowing costs, and supports a grant of the waiver.

The Commission finds that the requested waiver is reasonable and in the public interest, and will not inhibit the development or functioning of a competitive market in Michigan. It therefore

grants the waiver. As noted in conjunction with the waivers granted to NSP-W in the October 3, 2002 order in this docket, the waiver applies only to the program described in the request. Any new programs or modifications to existing programs may require additional waiver requests. All conditions to waivers that were previously imposed remain in effect.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 106, as amended, MCL 460.551 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; 1969 PA 306, as amended, MCL 24.201 et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1999 AC, R 460.17101 et seq.

b. The request for a waiver of section II.F of the code should be granted to enable NSP-W to participate in the utility money pool agreement.

THEREFORE, IT IS ORDERED that the request filed by Northern States Power Company-Wisconsin, d/b/a Xcel Energy, for a waiver of section II.F of the code of conduct to enable its participation in the utility money pool agreement is granted.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION

/s/ J. Peter Lark
Chair

(S E A L)

/s/ Robert B. Nelson
Commissioner

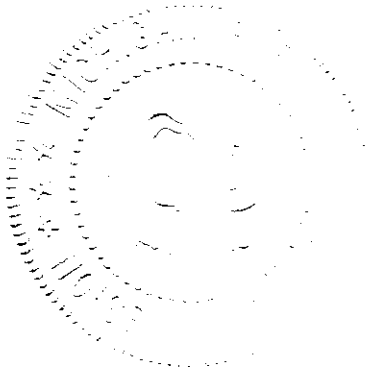
/s/ Laura Chappelle
Commissioner

By its action of December 18, 2003.

/s/ Mary Jo Kunkle
Its Executive Secretary

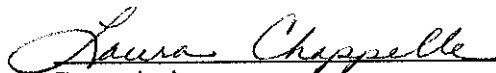
Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26.

MICHIGAN PUBLIC SERVICE COMMISSION




Chair


Commissioner


Commissioner

By its action of December 18, 2003.


Its Executive Secretary

P R O O F O F S E R V I C E

STATE OF MICHIGAN)

Case No. U-12134

County of Ingham)

Patricia A. Fronta being duly sworn, deposes and says that on December 18th, 2003, A.D.
she served a copy of the attached Commission orders by first class mail, postage prepaid,
or by inter-departmental mail, to the persons as shown on the attached service list.

Patricia Fronta

Subscribed and sworn to before me
this 18th day of December 2003

Notary Public, Eaton County, Michigan
Acting in Ingham County
My Commission expires November 22, 2004

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