

STATEMENT OF POLICY ON INTERIM RATES

The purpose of this policy is to inform regulated companies of the expectations of the Minnesota Public Utilities Commission (the Commission) concerning petitions for approval of interim rates which are filed in conjunction with general rate cases.

The Commission recognizes that a policy statement does not have the force or effect of law. Instead, it is an expression of the Commission's general intention which will be followed unless circumstances demonstrate the policy to be inappropriate. In each particular case, the policy statement can be expected to form the starting point of the Commission's decision, but the final decision will depend upon the facts of the case.

Recent changes to Minn. Stat. §§ 216B.16 and 237.075 provide in part that "the interim rates schedule shall be calculated using the proposed test year cost of capital, rate base, and expenses, except that it shall include: (1) a rate of return on common equity for the utility equal to that authorized by the Commission in the utility's most recent rate proceeding; (2) rate base or expense items the same in nature and kind as those allowed by a currently effective order of the Commission in the utility's most recent rate proceeding; and (3) no change in existing rate design." Minn. Stat. § 216B.16, subd. 3 (1982). For regulated telephone companies, the interim rate schedule shall be computed in the same manner as above, except that item (3) has been altered to provide that there will be "no change in the existing rate design, except for products and services offered by nonregulated competitors." Minn. Stat. § 237.075, subd. 3 (1982).

The Commission interprets that "no change in the existing rate design" applies to both the allocation of revenue responsibility among customer classes (or product and service categories) and the structure of the individual rates. Accordingly, interim rates should consist of the existing rate schedules with an interim rate adjustment equal to the overall requested interim increase percentage. This procedure will assure that consumption decisions will be made on the same basis as under existing rates and will allow refunds, if necessary, to be made across-the-board to all customers such that the final rates are prospective only. In the case of telephone utilities

which request rate design changes for products and services provided by nonregulated competitors which differ from the overall requested interim increase, the increase in rates for other services should be calculated at the residual average percentage increase.

Regulated gas and electric companies which have included changes in the cost of fuel, gas, or purchased power in the operating income statement may adjust interim rates to reflect the new costs resulting from the "zero-out" of the automatic adjustment charges.

The utility should keep records of all amounts collected in excess of present rates and submit monthly reports to the Commission. The interim rate adjustment should be shown as a separate item on the customer's bill, if practical.

The Commission encourages any regulated company seeking interim rates to submit to the Commission an interim rate petition as part of its general rate case filing. The interim rate petition should include a cover letter and supporting schedules.

The cover letter of the interim rate petition should provide the following information:

- 1) Name, address, and telephone number of the utility without abbreviation and the name and address and telephone number of the attorney for the utility, or other representative upon whom official service may be made.
- 2) Date of filing and date the proposed interim rates are requested to become effective.
- 3) Description and need for interim rates.
- 4) Description and corresponding dollar amount of changes included in interim rates as compared with the most current approved general rate case and with the most recent actual year for which audited data is available. The data for the most recent actual year should be for the same time period in months as the test year, if the test year is a projected test year.
- 5) Effect of the interim rates expressed in gross revenue dollars and as a percentage of test year gross revenue.
- 6) A certification, signed by the Chief Executive Officer of the utility, that affirms the

proposed interim rate petition is in compliance with Minnesota Statutes.

- 7) Signature and title of the utility officer authorizing the proposed interim rates.

The supporting schedules accompanying the interim rates petition should include the following:

- 1) A schedule showing the interim rate of return calculation. This schedule should show the capital structure and rate of return calculation approved by the Commission in the most recent general rate case; the capital structure and rate of return calculation proposed for interim rates; and a description and corresponding dollar amount of any changes between the two capital structures.

- 2) A schedule showing the interim operating income statement. This schedule should show the same operating income statement accounts as filed in the general rate case. Also, the schedule should include the operating income statement approved by the Commission in the most recent general rate case; the equivalent operating income statement corresponding with the most recent actual year for which audited data is available and corresponding with the same period in months as the test year, if the test year is a projected test year; and the operating income statement proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the operating income statements should be provided. Work papers should be provided which show how revenues, AFUDC, taxes, expenses, and other income statement components have been determined.

- 3) A schedule showing the interim proposed rate base. This schedule should show the same rate base accounts as filed in the general rate case. This schedule should include the average rate base approved by the Commission in the most recent general rate case; the equivalent average rate base corresponding with the most recent actual year for which audited data is available and corresponding with the same period in months as the test year, if the test year is a projected test year; and the average rate base proposed for interim rates. A description of all changes and corresponding dollar amounts between each of the rate bases should be

provided. Workpapers should be provided which show how the rate base components have been determined.

4) A schedule showing revenue deficiency calculations for each of the operating income statements and rate bases requested in 2) and 3) above. The revenue deficiency should be calculated for the actual data and the interim data using the rate of return calculated in 1) above.

5) For regulated telephone companies which have proposed interim rate design changes based on products and services offered by nonregulated competitors, the interim rate change supporting schedules should include a complete description of these changes and show the calculation of the proposed interim rate design based on these changes.

If the Commission finds that the interim rates are in excess of the rates in the final determination, the Commission will order a refund based on its authority under Minn. Reg. PSC 401B. The utility must refund to the customers or credit to the customers' accounts the excess amount collected under the interim rate schedule. This amount will be determined in a manner prescribed by the Commission including interest at the average prime interest rate computed from the effective date of the interim rates through the date of the refund or credit. The utility will be ordered to begin distribution of the refund within 120 days of the final order, not subject to rehearing or appeal.

Adopted April 14, 1982.