

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of Interstate Power Company for Authority to Increase its Rates for Electric Service in the State of Minnesota

ISSUE DATE: APRIL 15, 1988

DOCKET NO. E-001/GR-86-384

ORDER DIRECTING RECALCULATION OF COMPLIANCE RATES AND SETTING COMMENT PERIOD

PROCEDURAL HISTORY

On January 21, 1988, the Commission issued its Order Denying Stay, Ordering Rate Reductions, and Ordering Refunds in the above-captioned matter.

On February 12, 1988, the Commission received a filing of the calculations of revenue requirements and rates performed by Interstate Power Company (Interstate or the Company) pursuant to the January 21 Order. The rates were proposed to become effective July 1, 1987. The Company stated that significant numbers of its current general service customers will experience large increases (up to 95%) because of the Commission's rate design decision placing those customers with demands of 50 KW or more on the large power and lighting rate.

On February 25, 1988, the Company supplemented its filing with a more extensive analysis of the billing impacts on the affected general service customers.

The Commission received comments on Interstate's filings from the Minnesota Department of Public Service (DPS) and the Residential Utilities Division of the Office of the Attorney General (RUD-AG). Replies to these comments were submitted by Interstate and the DPS.

FINDINGS AND CONCLUSIONS

The Commission must first decide whether to implement the filed compliance rates.

The RUD-AG said that the increases dramatically conflict with a rate design policy which includes

moderation of billing impacts as an important element. It noted that none of the intervenors nor the Commission was fully aware of these billing impacts during the hearing. It recommended that the Commission reopen and reconsider this issue to consider rate design alternatives which would moderate the billing impact of this filing.

The DPS, in contrast, said that Interstate miscalculated the rates for the General Service and Large Power and Lighting classes. Interstate first apportioned revenue to customer classes, then computed class rates based on its proposed billing determinants, and finally accounted for the transfer of customers between the two classes. What it should have done, according to the DPS, was to transfer the customers first, then recalculate the billing determinants and revenue apportionment.

Following its method, the DPS said, the overall increase for the transferred customers would decrease from 15% to 1.5%. Presumably, individual billing impacts would be reduced accordingly. The DPS recommended that the Commission order Interstate to recalculate its final rates based on the Department's recommended method and resubmit its compliance filing, along with a revised analysis of the billing impacts. All parties should then have the opportunity to comment on the revised filing, so if severe billing impacts remain, appropriate action could be recommended.

In its reply comments, Interstate said that it had brought the severe billing impacts to the Commission's attention and the other parties' attention throughout this proceeding. It quoted from its brief, its proposed findings to the ALJ, and its petition for rehearing and reconsideration. The Company agreed with the RUD-AG that the rates should not be implemented, and that, if it is within the Commission's authority, the Commission should change its rate design decision.

Interstate said it did not miscalculate the rates as alleged by the DPS. It concluded that it is still the Company's position that customers should be able to receive the applicable rate most economical to that customer without any 50 KW restriction.

The issue of whether customers should be allowed to choose between service on the General Service rate schedule and service on the Large Power and Lighting rate schedule has been addressed previously. In In the Matter of Interstate Power Company, Docket No. E-001/GR-78-1065, the Commission stated, "Any commercial or industrial customer with a measured demand of 50 kw or more shall be required to purchase electric service under the Large Power and Lighting rate schedule." (Findings of Fact, Conclusions of Law, and Order, September 27, 1979, p. 35.)

This language was, apparently, implemented by Interstate by requiring customers as of the date of that Order to be on the Large Power and Lighting rate schedule if they had demands of 50 Kw or more. However, new customers have been given the option of choosing between the rate schedules regardless of their demand levels.

In this case, Interstate proposed to allow all customers to choose freely between the two rate schedules to eliminate a double standard between new and existing customers, and thus eliminate an unduly discriminatory rate. The DPS proposed that customers with demands of 50 Kw or more be served under Large Power and Lighting, while others would be under General Service.

The Commission adopted the DPS proposal, finding that under this proposal all customers will be

treated consistently. The Commission also noted that there are differences between the two customer groups, those consuming over 50 kw and the others consuming below 50 kw, with respect to customer costs, load factor, and contribution to system peak. On this basis, the Commission found it reasonable to establish criteria for grouping customers with similar costs into appropriate rate classes.

The Commission is extremely reluctant to reverse a rate design decision it has made at least twice on the merits of the proposals. The Commission declines, therefore, simply to change its decision. On the other hand, the Commission will not subject a group of customers to the kinds of extreme billing impacts which result from the Company's calculations.

Fortunately, these are not the only alternatives. The rates could be recalculated using a different calculation method, or further hearings could be held to place more evidence on the record.

The Commission finds that the DPS rate calculation proposal, in which the customers are assigned to the classes before billing units are determined, makes sense. If the rates which flow from that method result in reasonable billing impacts to all affected customers, this matter may be expeditiously brought to a conclusion. The Commission will, therefore, direct Interstate to recalculate the rates using the method proposed by the DPS. The Company will also be directed to analyze the billing impacts on affected General Service and Large Power and Lighting customers and file this with the Commission.

All parties will have ten days to review the new rates and submit comments on their implementation to the Commission.

ORDER

1. Within 30 days of the service date of this Order, Interstate shall recompute the compliance rates using the method proposed by the DPS. Interstate shall also analyse the billing impacts of the application of these new rates to customers in the General Service and Large Power and Lighting Classes. Interstate shall file the rates and analysis with the Commission and the parties.
2. Within ten days of the date the new rates are filed, the parties shall submit comments on whether they have been correctly computed and should be implemented.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

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