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 Peoples Natural Gas Company's Request for Approval of its Proposed Standard Large Volume Contracts

ISSUE DATE: April 27, 1988

DOCKET NO. G-011/M-87-830

ORDER APPROVING PROPOSED STANDARD CONTRACTS AND GRANTING VARIANCES TO CUSTOMER SERVICE RULES

PROCEDURAL HISTORY

On December 9, 1987 Peoples Natural Gas Company filed a request for approval of proposed standard large volume contracts for its Interruptible and Joint Firm/Interruptible customers. In the past, such contracts had been individually negotiated.

The Department of Public Service (DPS or the Department) examined the proposed contracts and recommended approval, with modifications. The Company accepted the modifications. The Department also noted that approval would require variance of certain of the Commission's customer service rules.

STATEMENT OF THE ISSUE

The issue before the Commission is whether to vary its customer service rules and approve the proposed contracts as modified.

FINDINGS AND CONCLUSIONS

Contract Conditions Requiring Variances

The contract conditions which would require variances are the following. All of them would apply only to delinquent customers.

(a) A provision allowing the Company to terminate service to delinquent customers on twenty-four hours' notice instead of the five day notice required under Minn. Rules, part 7820.2400;

(b) A provision allowing accelerated billing, including requiring pre-payment of anticipated charges, instead of the 30 day billing cycle established by Minn. Rules, parts 7820.3200 -3300;

(c) A provision allowing the Company to examine financial information on new applicants for service from credit reporting agencies, suppliers and vendors, and financial institutions, instead of relying solely on the customer's utility credit history, as required by Minn. Rules, part 7820.4700.

Standards for Granting a Variance

The Commission may grant a variance to any of its rules upon finding that the following conditions apply:

1. Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;

2. Granting the variance would not adversely affect the public interest; and

3. Granting the variance would not conflict with standards imposed by law.

Minn. Rules, part 7830.4400.

Commission Action

The Commission finds that the standard contracts proposed by the Company are reasonable, are in the public interest, and should be approved. Standard contracts simplify regulatory oversight and help ensure non-discriminatory treatment of customers. The Commission approves of standard contracts in principle. These particular contracts also meet applicable standards of clarity and reasonableness.

The Commission also finds that the specific provisions requiring variances of its customer service rules are reasonable, in the public interest, and should be approved. Each provision will be discussed in turn.

Termination on Twenty-four Hours' Notice

The Company requests authorization to terminate delinquent customers on twenty-four hours' notice instead of the five days' notice required under Minn. Rules, part 7820.2400. The Company and the Department state that the shorter period is appropriate because customers in these two classes can incur bills large enough to represent substantial losses for the Company in the course of four days. They point out that this risk is not merely speculative; the Company did incur substantial losses due to the recent bankruptcies of its Taconite customers Reserve Mining Company and Erie Mining Company.

The Commission agrees with the Company and the Department and will grant the variance. Enforcing the rule and requiring five days' notice would impose an excessive burden on the Company, by exposing it to unnecessary financial risk, and on its ratepayers, who share that risk. The first requirement for a variance is therefore met.

Granting the variance would not adversely affect the public interest, the second requirement for granting a variance. The Commission remains committed to the public policy objectives underlying the five day notice requirement: providing a buffer period for resolution of disputes, ensuring that customers recognize the threat of shut-off, allowing adequate time for customers to locate resources to pay their bills. These concerns apply primarily to residential and small business customers.

Large volume customers, on the other hand, are major businesses. They are unlikely to have overlooked their utility bills. They normally raise billing disputes promptly. Communicating with creditors is part of their daily routine. The public policy considerations underlying the five day notice period, then, are largely inapplicable to them. Since varying the notice period would not adversely affect the public interest, the second requirement for a variance is met.

Finally, granting the variance would not conflict with standards imposed by law. The Commission will therefore vary the five day notice period of Minn. Rules, part 7820.2400.

Accelerated Billing

The Company also proposes that it be allowed to bill more frequently than monthly, and to require pre-payment of estimated charges, when the customer is delinquent. This requires a variance of Minn. Rules, parts 7820.3200 - .3300, which establish 30-day billing cycles.

Enforcing the 30 day billing cycle in cases in which a large volume customer has recently been delinquent would impose an excessive burden on the Company and ratepayers in the same way that enforcing the five day pre-termination notice requirement would. It would expose them to unnecessary and substantial financial risk. The first requirement for a variance is therefore met.

The second requirement, that granting a variance not adversely affect the public interest, is also met. The 30 day billing cycle fulfills several purposes: It assures that customers are billed in an orderly, predictable manner. It prevents discrimination between customers. It provides a steady stream of revenue for the utility. None of these purposes is subverted by establishing a separate, accelerated billing cycle for delinquent large volume customers. In fact, establishing such a cycle protects the public interest by protecting utilities and ratepayers from potentially substantial losses.

The third requirement, that granting the variance not conflict with any standards imposed by law, is also met. The Commission will therefore vary Minn. Rules, parts 7820.3200 .3300 to allow accelerated billings.

Examining Non-Utility Credit History

The Company also requests authority to examine credit information from more sources than those allowed by the customer service rules when setting deposit and guarantee requirements for new large volume service customers. Those rules limit the Company to considering the applicant's utility payment history. Minn. Rules, part 7820.4700. The Company proposes considering information from credit reporting agencies, vendors and suppliers, and financial institutions as well.

The Commission finds that enforcing the rule in this case would impose an excessive burden on the Company and its ratepayers by exposing them to significant and unnecessary financial risk. The size of these customers' bills can make their inability to pay a threat to the financial stability of the Company and to all its ratepayers. The first requirement for a variance is therefore met.

The Commission also finds that granting the variance would not adversely affect the public interest. The rule is primarily intended to benefit residential customers. The policy behind it is to prevent discrimination against people who have managed to maintain good utility payment records despite financial difficulties. It is grounded in the assumption that, since utility service is a necessity, a customer who is financially over-extended is not necessarily a bad risk for the utility. It also strikes a balance in favor of the customer due to the essential nature of utility service.

These considerations do not apply with the same force to large volume users. Since their inability to pay could endanger other ratepayers as well, the Commission finds that the public interest would not be adversely affected by the requested variance. In fact, the variance would serve the public interest. The second requirement for a variance is therefore met.

Since the variance would not conflict with any standards imposed by law, the third requirement is met as well. The Commission will therefore vary Minn. Rules, part 7820.4700 as requested by the Company and recommended by the DPS.

ORDER

1. The standard large volume contracts filed by the Company and modified in consultation with the Department of Public Service are hereby approved.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)