

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 Minnesota Power & Light Company, d/b/a Minnesota Power, for Authority to Change Its Schedule of Rates for Retail Electric Service in the State of Minnesota

ISSUE DATE: August 26, 1988

DOCKET NO. E-015/GR-87-223

ORDER ON COMPLIANCE FILING AND REFUND PLAN

PROCEDURAL HISTORY

On March 1, 1988, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER in the above-captioned general rate case. On May 16, 1988, the Commission issued its ORDER AFTER RECONSIDERATION AND REHEARING. The May 16 Order directed Minnesota Power (MP or the Company) to decrease gross annual utility operating revenues by \$8,342,232 to produce gross annual Minnesota utility operating revenues of \$326,566,225.

On June 16, 1988, MP made its compliance filing to the Commission's March 1 and May 16 Orders, and served copies on all parties to this proceeding. The Department of Public Service (DPS) was the only party to submit comments on the filing.

On July 12, 1988, the Commission issued its ORDER STAYING IMPLEMENTATION OF REFUNDS BELOW RATE LEVELS PRECEDING GENERAL RATE CASE. The July 12 Order stayed the requirement to refund the difference between final rates and the rates in effect before the filing of the general rate case, pending resolution of MP's appeal of this issue to the Minnesota Court of Appeals.

STATEMENT OF THE ISSUES

The Commission must decide whether the proposed compliance rates implement the Commission's March 1 and May 16 Orders, what is the appropriate effective date for the rates, and whether the proposed refund plan properly returns the overcollections to customers.

FINDINGS AND CONCLUSIONS

I. Compliance Rate Schedules

MP filed proposed compliance rate schedules for the Residential, General Service, Large Light & Power, Large Power, Municipal Pumping, and Lighting classes in its June 16 filing. MP also filed four other proposed schedules, including a Rider for Implementing Company's "Best Efforts" Marketing Policy for the Large Power class.

The DPS recommended approval of the filing.

The Commission finds that the compliance rates proposed by MP collect the authorized level of revenues and properly implement the rate design decisions in the Commission's March 1 and May 16 Orders. Therefore, the Commission will approve the Company's proposed compliance rate schedules.

The Company did not file revised tariff language on weekly billing for the Large Power class. The Commission finds that the currently-effective "Rider for Expedited Billing Procedures, Large Power Class" does not fully reflect the intent of its Orders, and should therefore be modified. MP will be directed to file revised language within 20 days of the issue date of this Order.

II. Effective Date of Final Rates

MP proposed to begin applying the new rates on customers' August 1988 bills. (Given the scheduling of Commission review of the rates, the Company now would begin to apply them on September 1988 bills instead.)

However, MP requested that the rates be made effective as of March 1, 1988, the date of the Commission's Findings of Fact, Conclusions of Law, and Order in this proceeding. This would be accomplished by adjusting customer refunds for March 1, 1988 to August 31, 1988, as more fully described in Section III.

The DPS recommended approval of the filing.

The Commission finds it reasonable under the specific circumstances of this case to make the compliance rate design effective on March 1, 1988 as MP requested. The rate design decisions here resulted in significant changes in inter-class revenue allocations. The Commission finds it fair and reasonable to allow the Lighting class and the Large Power class to receive the benefit of the authorized class rate decreases as early as practical. Since relatively small rate increases were authorized for all other classes, all customers will still receive net refunds for all periods. Therefore,

the Commission concludes that the compliance rates should be effective on March 1, 1988.

III. Refund Plan

Pursuant to the Commission's July 12, 1988 stay Order, MP is required at this time to refund only the difference between final rates and the rates in effect prior to the rate case filing. MP labelled this option as "Plan B" in its compliance filing.

All customer classes except the Large Power class received an interim increase over prior rates of 1.65%. The Company did not collect an interim increase from the Large Power class. MP proposed to refund 1.65%, plus interest, to all customer classes except Large Power for the interim rate period of July 1, 1987 through August 31, 1988.

As noted in Section II above, MP proposed to adjust the refunds for all classes from March 1 to August 31, 1988 to make the compliance rates effective on March 1. All classes other than Lighting and Large Power would receive a 0.64% refund for that period, which is the 1.65% interim increase less the 1.01% rate level increase. The Lighting class would receive a larger percentage refund, 18.52%, for that period because it received a 16.87% final rate decrease.

The Large Power class as a whole received a 3.58% rate decrease. MP proposed to use a rebilling method to determine the adjustment for the March 1 to August 31 period. Because of the rate structure changes ordered, some Large Power customers will receive small rate increases under the new rates. To avoid surcharges for these customers, MP proposed to subtract the relatively small amount that would otherwise have been owed by these customers from the positive credit due the majority of Large Power customers.

MP proposed to make refunds to all active accounts as a credit on bills the month after the new compliance rates are implemented. Inactive accounts, and any other customer upon request, would receive checks if \$1.00 or more of refund is due. Interest of the average prime rate from July 1, 1987 to the date of the refund would be applied.

The DPS recommended approval of MP's refunding Plan B.

The Commission finds the refunding method proposed by MP under Plan B will return the difference between the interim revenue level and the revenue level prior to the rate case filing to customers in a reasonable manner. This plan will also allow the compliance rates approved herein to be effective as of March 1, 1988 except where the application of rate schedules would result in a surcharge to customers, as discussed above. Therefore, the Commission concludes MP's refund plan should be approved.

The Company will be required to file a plan for additional refunding within 30 days of a ruling by the Court of Appeals upholding the Commission's authority to order refunds below the level of rates existing prior to the rate case filing.

ORDER

1. The modified rate schedules for Residential, General Service, Large Light & Power, Large Power, Municipal Pumping, Lighting, and Miscellaneous contained in Minnesota Power's June 16, 1988 compliance filing are approved, effective March 1, 1988.
2. The refund methodology referred to as "Plan B" in the Company's June 16, 1988 compliance filing, reflecting the stay of refunds below the prior rate level, is approved.
3. Within 20 days of the issue date of this Order, MP shall file a revised rider for weekly billing for the Large Power class as discussed herein. Copies shall be served on all parties, who shall have 10 days to comment on the filing.
4. Within 30 days of the completion of the refund ordered herein, MP shall file a report of refund with the Commission detailing the interest rate used and the monies returned by customer class.
5. Within 30 days of a ruling by the Minnesota Court of Appeals upholding the Commission's decision on refunding levels, MP shall file with the Commission and serve on all parties to this proceeding a plan for refunding to customers the monies held pursuant to the stay granted by the Commission on July 12, 1988. Parties shall have 15 days to comment.

6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)