

G-007/M-88-809 GRANTING ONE-YEAR EXTENSION OF TWO VARIANCES FROM
PURCHASE GAS ADJUSTMENT RULES

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 Northern Minnesota Utilities'
Request for a One-Year Extension of Two
Variances from the Purchase Gas Adjustment
Rules

ISSUE DATE: November 23, 1988

DOCKET NO. G-007/M-88-809

ORDER GRANTING ONE-YEAR
EXTENSION OF TWO VARIANCES FROM
PURCHASE GAS ADJUSTMENT RULES

PROCEDURAL HISTORY

On September 23, 1987, the Minnesota Public Utilities Commission approved two, one-year variances from its Purchase Gas Adjustment (PGA) Rules, Minn. Rules, part 7825.2500 et seq., for Northern Minnesota Utilities (NMU or the Company). The variances allow the Company to calculate its Commodity and Demand Adjustment differently than prescribed in Minn. Rules, part 7825.2700, subps. A and B.

On October 13, 1988, NMU asked the Commission to extend the variances for one year. Specifically, the Company asked for extensions of variances from Minn Rules, part 7825.2700, subps. A and B to allow the Company to calculate the Commodity Adjustment by forecasting its per-unit commodity cost instead of using the twelve-month historical sales volumes and calculate the demand adjustment so that the Large Volume Class' customers that have converted to transportation services continue to bear an appropriate share of the demand related purchased-gas costs.

The Department of Public Service recommended that the Commission extend the Company's variances for one year or until the Commission revises and implements amendments to the PGA rules (Docket No. G-999/R-85-789) whichever is sooner.

FINDINGS AND CONCLUSIONS

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

Commodity Adjustment

The Commission finds that enforcing the current PGA rules would excessively burden ratepayers because using the method required by the rules in the new competitive environment could result in significant over-or-under-collection of gas costs. The Company's proposal to forecast volumes when computing its PGA will more accurately estimate current gas cost since the Company and end-users now have more options to secure their gas supplies. Further the Commission finds that granting the variance serves the public interest as rates will reflect the actual cost of gas more accurately. Finally, granting this variance would not conflict with standards imposed by law.

Demand Adjustment

The Commission finds that enforcing the current rules would require the Company or other firm customers to pay the Large Volume customers' unrecovered demand cost, thereby imposing an excessive burden on the Company or its ratepayers. Further granting the variance would not adversely affect the public interest. In fact it will serve the public interest because the Company's proposal allocates demand costs to customers who incur them. Finally, granting this variance would not conflict with standards imposed by law.

The requirements of Minn. Rules, part 7830.4400 have been met. The Commission will extend the variances for one year. The Commission notes that it is in the process of amending its rules on Purchase Gas Adjustments (Docket No. G-999/R-85-789). If the Commission implements amended PGA rules before these variances expire, the variances will terminate and the Company will be required to implement a PGA consistent with the amended rules.

ORDER

1. The Commission hereby extends NMU's variances from the PGA Rules, Minn. Rules, parts

7825.2500 et seq., as described above. The extension shall be for one year or until the Commission revises and implements amendments to the PGA rules in Docket No. G-999/R-85-789, whichever is sooner.

2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)