

G-999/CI-88-302 DEREGULATING AGENCY SERVICES AND REQUIRING ACCOUNTING PROCEDURES

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 an Investigation Into the
Provision of Agency Services by Natural Gas
Utilities

ISSUE DATE: December 20, 1988

DOCKET NO. G-999/CI-88-302

ORDER DEREGULATING AGENCY
SERVICES AND REQUIRING
ACCOUNTING PROCEDURES

PROCEDURAL HISTORY

On April 27, 1988 the Commission directed the Department of Public Service (the Department) to investigate the provision of agency services by Minnesota natural gas utilities and to make recommendations on whether or to what extent the Commission should regulate these services. In the Matter of a Petition by Northern States Power Company to Offer Agency Services under a Tariffed Range of Rates, Docket No. G-002/M-87-532.

The Department filed its report on June 27, 1988 and recommended that the Commission not undertake regulation of agency services. The Department also recommended that the Commission require gas utilities providing agency services to segregate the costs of providing these services from the costs of providing regulated services.

On August 19, 1988 the Commission issued its Order Initiating Investigation and served it, together with the Department's report, on all Minnesota natural gas utilities. The Order requested comments on the Department's report, on whether the Commission should regulate agency services, and on what accounting procedures should be required if the Commission decided not to regulate agency services.

No party disputed the Department's conclusions or opposed its recommendations.

FINDINGS AND CONCLUSIONS

The Commission agrees with the Department that competition in the provision of agency services makes it unnecessary to regulate these services at present. It is clear that customers who desire assistance in locating and purchasing their own gas supplies have realistic, workable alternatives to dealing with their natural gas utility. The primary reason for regulation, then, to protect captive customers from a natural monopoly, does not apply.

Furthermore, the Department's investigation did not disclose a need for regulation on any other basis. Brokers offering agency services do not report any difficulty in using the distribution systems of regulated gas utilities. There are no significant barriers to entry or exit from the agency services market. Utilities offering agency services do not enjoy an unfair advantage over unregulated brokers and are not charging excessive prices for the service. The Commission will therefore permit regulated utilities to offer agency services on an unregulated basis.

The Commission agrees with the Department that it is important to guard against any subsidization of agency services by regulated services, both to protect the ratepayers and to preserve the integrity of the agency services market. The Commission will therefore require that regulated utilities file plans for segregating the costs of agency services from the costs of regulated services within 60 days of this Order.

ORDER

1. Regulated gas utilities may offer agency services on an unregulated basis, subject to compliance with accounting procedures which segregate the costs of providing agency services from the costs of providing regulated services.
2. Within 60 days of the date of this Order, regulated gas utilities which offer or plan to offer agency services shall file with the Commission and serve on the Department a plan for segregating the costs of providing agency services from the costs of providing regulated services.
3. The Department shall file comments on each plan submitted within 30 days of its filing.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)