

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 Request by Iowa Electric Light and Power Company and Peoples Natural Gas Company for Authority to Transfer Three Rate Adjustments from Iowa Electric to Peoples

ISSUE DATE: February 17, 1988

DOCKET NO. G-006/M-86-751

Docket No. G-011,006/PA-87-303

ORDER MODIFYING AND APPROVING  
REQUESTS

PROCEDURAL HISTORY

On August 18, 1987 the Minnesota Public Utilities Commission (the Commission) approved the sale of the gas distribution system of Iowa Electric Light and Power Company (Iowa Electric) in Fairmont, Minnesota to Peoples Natural Gas Company, Division of UtiliCorp United Inc. (Peoples).

On August 25, 1987 Iowa Electric sent a request to the Commission for authority to true-up its gas costs as of the sale closing date, September 1, 1987, and transfer to Peoples any true-up amounts along with principal and interest due to the Tax Reform Act of 1986, pipeline refunds, and pipeline bill credits.

On August 28, 1987 Peoples sent a letter to the Commission. It noted the annual reduction in revenue requirements for the Fairmont properties due to the change in the tax rates coming from the Tax Reform Act of 1986, and requested to make this adjustment as soon as possible, retroactive to July 1, 1987. The Commission addressed this matter on November 23, 1987 in Docket No. G-006/M-87-460.

Peoples also requested authority to true up any over- or under-collected revenues resulting from Iowa Electric's PGA clause, consistent with Iowa Electric's letter of August 25.

On January 8, 1988 the Minnesota Department of Public Service (the DPS) sent a letter to the Commission. It commented upon the PGA annual true-up calculation and the handling of pipeline refunds and bill credits as proposed by Iowa Electric. It recommended approval of the request to transfer these matters from Iowa Electric to Peoples subject to certain modifications in the calculations proposed by Iowa Electric.

On January 18, 1988 Iowa Electric sent a filing reflecting the modifications recommended by the DPS to the Commission.

On January 25, 1988 the DPS sent the Commission a letter stating that Iowa Electric had informed the DPS that it had recently received a refund of approximately \$127,000 from its pipeline supplier, Northern Natural Gas Company. The DPS concurred with Iowa Electric's request that this refund be included in the adjustments discussed in the DPS's letter of January 8.

### FINDINGS AND CONCLUSIONS

The primary issue among the parties, at least initially, was the method by which the PGA annual true-up amount would be calculated.

As initially proposed by Iowa Electric, the difference between gas cost recovery and gas cost incurrence would be based entirely on volumes purchased from Northern. In contrast, the DPS argued that gas cost recovery should be based on volumes billed to customers. In its filing of January 18, 1988, Iowa Electric agreed.

The Commission finds that the method now agreed upon properly reflects actual differences in recovery and incurrence. A gas distributor's revenues are more directly related to its billings than to its gas purchases. The true-up between costs incurred and costs recovered should be based upon the most accurate measures of both incurrence and recovery. The method proposed by the DPS provides that. The Commission concludes that this method should be approved.

The second issue for Commission determination relates to the DPS proposal for distributing pipeline refunds and bill credits to customers.

With respect to this issue, the Commission has recently approved a particular refund method which attempts to more accurately return funds to the particular customers who were consuming during the period in which the overcharge occurred than does the standard method, which is effected by reducing the gas charge during a specified period. The Commission prefers the more accurate method, and is pleased that the information will be provided to Peoples.

The Commission finds that the additional refund amount of approximately \$127,000 should be returned to customers in the manner described by the DPS and agreed to by Iowa Electric.

The Commission finds that the compliance filing submitted by Iowa Electric on January 18, 1988, reflects these decisions. The Commission concludes that it should be approved.

ORDER

1. The requests of Iowa Electric and Peoples of August 25, 1987 and August 28, 1987, respectively, are approved as agreed with the modifications proposed by the DPS.
2. Iowa Electric's compliance filing of January 18, 1988 is approved.
3. The additional refund amount of approximately \$127,000 reported in the DPS letter of January 25, 1988, shall be handled as the other refunds and pipeline bill credits discussed above.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)