

G,E-999/AA-88-600ACCEPTING ANNUAL AUTOMATIC ADJUSTMENT REPORTS AND
REQUIRING FURTHER INVESTIGATION AND REVIEW OF AUTOMATIC ADJUSTMENTS
OF NORTHERN STATES POWER COMPANY

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 Review of 1988
Automatic Adjustment of Charges for All Gas
and Electric Utilities

ISSUE DATE: April 5, 1989

DOCKET NO. G,E-999/AA-88-600

ORDER ACCEPTING ANNUAL
AUTOMATIC ADJUSTMENT REPORTS
AND REQUIRING FURTHER
INVESTIGATION AND REVIEW OF
AUTOMATIC ADJUSTMENTS OF
NORTHERN STATES POWER COMPANY

PROCEDURAL HISTORY

Under Minn. Rules, parts 7825.2390 through 7825.3000, regulated utilities may adjust their rates between general rate cases to reflect fluctuations in the prices they pay for gas or electricity purchased for delivery to ratepayers or for fuel purchased to generate electricity for ratepayers. These adjustments are called automatic adjustments, because they normally take effect without prior Commission approval.

Utilities using automatic adjustments are required to make several annual filings, all due September 1, providing information on automatic adjustments made during the preceding twelve month period between July 1 and June 30. Utilities are required by rule to serve notice of these filings on all persons who intervened in their last two general rate cases. Minn. Rules, part 7825.2840.

All Minnesota utilities required to do so have filed their 1987-88 annual reports and have complied with the service requirements of Minn. Rules, part 7825.2840. Those companies are as follows:

Dakota Electric Association
Great Plains Natural Gas Company
Northern Minnesota Utilities
Interstate Power Company (Electric Division)
Interstate Power Company (Gas Division)
Midwest Gas Company
Minnegasco, Inc.
Minnesota Power and Light Company
Northern States Power Company (Electric Division)
Northern States Power Company (Gas Division)
Otter Tail Power Company
Peoples Natural Gas Company
Western Gas Utilities, Inc.

The Department of Public Service (the Department) examined the filings and submitted its report and recommendation on December 21, 1988. No other party commented on the filings.

FINDINGS AND CONCLUSIONS

Reports on Procurement/Dispatching Policies

Under Minn. Rules, part 7825.2800 utilities using automatic adjustments must file annual reports setting forth their procurement policies, dispatching policies where applicable, and cost containment measures undertaken during the year. These reports are not intended to provide the detailed information necessary for a full scale prudence review, but are expected to provide enough information to apprise the Commission and interested parties of general company policy in these areas.

All utilities' reports were sufficient for these purposes and will be accepted.

Independent Auditors' Reports

Under Minn. Rules, part 2825.2820 all utilities using automatic adjustments must file annual reports by independent auditors evaluating the accounting procedures used in regard to their automatic adjustments. All utilities filed reports meeting this requirement.

Five-Year Projections

Under Minn. Rules, part 2825.2830 all utilities using automatic adjustments must file annual reports containing five-year projections of their fuel and gas costs by energy source. These reports must contain monthly projections for the first two years of the five year period and annual projections for

the remaining three years. All utilities filed reports meeting these requirements.

Specific Reports on Individual Automatic Adjustments

Under Minn. Rules, part 2825.2810 all utilities using automatic adjustments must file annual reports providing specified, detailed information on all automatic adjustments made during the preceding year. That section provides as follows:

By September 1 of each year, all gas and electric utilities shall submit to the commission an annual reporting by month of all automatic adjustment charges for each customer class for the prior year commencing July 1 and ending June 30. This report must include:

- A. the commission-approved base cost of fuel or gas as defined by part 7825.2400, subpart 4;
- B. billing adjustment amounts, such as Kwh, Mcf, Ccf, or Btu, charged customers for each type of energy cost, such as nuclear, coal, purchased power, purchased gas, peak shaving gas, or manufactured gas;
- C. billing adjustment amounts, by gas supplier, that were used to bill the utility during the reporting period;
- D. the total cost of fuel or gas delivered to customers;
- E. the revenues collected from customers for energy delivered;
- F. the amount of supplier refunds received as defined by part 7825.2700; and
- G. the amount of refunds credited to customers.

Minn. Rules, part 7825.2810.

The detailed information required under this section is intended to ensure a comprehensive review of all utilities' automatic adjustment practices at least annually. As a practical matter, however, the Department monitors each company's automatic adjustments on an ongoing basis. Therefore, most of the discrepancies between utilities' fuel and energy costs and the fuel and energy components of their rates were already the focus of ongoing investigatory proceedings. This was true of collection imbalances incurred by Western Gas Utilities, Inc. and Midwest Gas Company, for example.

The report filed by Northern States Power Company, however, revealed two previously undiscovered discrepancies: an under-recovery of commodity gas costs from the large general service class and an over-recovery from the small interruptible class, both exceeding 1.5%. The reasons for the disparities are not readily apparent, but must be determined. One of the purposes of

the annual automatic adjustment reports is to provide reliable information about the general operation of automatic adjustments, such as the circumstances under which over- and under-recoveries are likely to occur. The Commission will therefore require the Company to file an explanation of these disparities and to cooperate with the Department in its examination of them.

Commission Action

The Commission will accept the annual reports filed by all utilities as being in proper form and in general compliance with Minn. Rules, parts 7825.2390 through 7825.3000. The Commission will require Northern States Power Company to provide further information regarding its under-recovery from the large general service class and its over-recovery from the small interruptible class.

ORDER

1. The annual reports filed by all gas and electric utilities for the twelve-month period between July 1, 1987 and June 30, 1988 are accepted as being in proper form and in general compliance with Minn. Rules, parts 7825.2390 through 7825.3000.
2. Within 30 days of the date of this Order Northern States Power Company shall file an explanation of its apparent under-recovery of gas costs from the large general service class and its apparent over-recovery of gas costs from the small interruptible class.
3. Northern States Power Company shall cooperate with the Department of Public Service in its efforts to ascertain the reasons for the apparent under-recovery of gas costs from the large general service class and the apparent over-recovery of gas costs from the small interruptible class.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)