

G-002/M-88-254 ESTABLISHING PERFORMANCE-BASED DISBURSEMENT PLAN FOR  
CITY OF ST. PAUL PROJECTS

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 Implementation of an Energy Conservation Improvement Program for Northern States Power Company Gas Utility

ISSUE DATE: April 25, 1989

DOCKET NO. G-002/M-88-254

ORDER ESTABLISHING  
PERFORMANCE-BASED  
DISBURSEMENT PLAN FOR CITY OF ST.  
PAUL PROJECTS

PROCEDURAL HISTORY

On December 30, 1988 the Commission issued its ORDER APPROVING AND REVISING CIP PROJECT in the above-captioned matter. Among other things, that Order required Northern States Power Company Gas Utility (NSP or the Company) to file a proposal for a performance-based system for paying service providers for work performed in the Company's St. Paul projects.

The Company made the required filing and proposed a quarterly advance disbursement system. The Department of Public Service (the Department) examined the filing and recommended approval.

The matter came before the Commission on April 11, 1989.

FINDINGS AND CONCLUSIONS

The Company's filing makes it clear that it is the City of St. Paul which is administering the Company's St. Paul projects. The Commission's inquiry about payment procedures for these projects should therefore focus on Company procedures for paying the City, not on procedures for paying the individual service providers.

The Company proposed paying the City on a quarterly basis, with 90% of each quarter's allocation being paid in advance. The remaining 10% would be paid upon receipt of documentation that work was proceeding as agreed. The Company also assured the Commission it would aggressively

monitor actual performance and would adjust the final quarterly payment to reflect any shortfall in work to be performed under the contract. The City's payments to the service providers were expected to track this disbursement system.

The Commission expressed dissatisfaction with the level of accountability, control, and incentive provided by this disbursement system. The Company and the Department then acquiesced in a monthly disbursement system, proposed in general terms by the Commission, in which the City would bill NSP on a monthly basis for conservation work performed that month. NSP could choose to disburse either an amount equal to payment for actual work performed or a flat monthly amount. If the Company chose a flat monthly amount, it would be required in the tenth month of the contract to begin adjusting monthly payments for any discrepancies between earlier monthly payments and work performed. NSP would also aggressively monitor performance and retain the right to reduce flat monthly payments before the tenth month if performance fell significantly below projected levels.

This system would mitigate the effects of the cyclical nature of conservation work by allowing flat monthly payments. It would also prevent serious discrepancies between work performed and payments made by requiring monthly invoicing. The Commission believes that this system represents a reasonable balancing of the City's (and the service providers') need for stable financing and the ratepayers' need for payment mechanisms which minimize the possibility of paying for work which is not performed. The Commission will approve the monthly disbursement system.

### ORDER

1. Northern States Power Company Gas Utility shall file, with its May 1 annual CIP filing, a description of its performance based system for paying the City of St. Paul for work performed in the St. Paul CIP projects. The system shall contain all essential features of the system described above.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)