

E-001/GR-86-384 APPROVING INTERRUPTIBLE RIDER

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 Application of Interstate Power Company for Authority to Increase its Rates for Electric Service in Minnesota

ISSUE DATE: June 7, 1989

DOCKET NO. E-001/GR-86-384

ORDER APPROVING INTERRUPTIBLE RIDER

PROCEDURAL HISTORY

In its final Order in the above-captioned general rate case, the Commission required Interstate Power Company (Interstate or the Company) to file a revised Interruptible Service Rider for its Large Power and Light customer class.

The Company filed the revised rider on February 13, 1989. The Department of Public Service (the Department) filed comments and proposed modifications on March 20, 1989. The Company responded to the Department's filing on April 3, 1989.

The matter came before the Commission on May 10, 1989.

FINDINGS AND CONCLUSIONS

The Department recommended seven modifications to the revised rider filed by the Company:

1. Elimination of the requirement that a customer's interruptible load normally be on-line during peak periods to qualify for service under the rider;
2. Modification of the minimum firm billing demand for rider customers from 100% to 75% of their designated Base Firm KW Load;
3. Addition of tariff language clarifying which portions of a customer's monthly usage would be charged at firm energy rates and which at interruptible energy rates;

4. Addition of a requirement that rider customers agree to take service under the rider for a minimum term of five years;
5. Application of a voltage discount of 1.7% for all energy consumed at the interruptible energy rate by customers receiving service at primary or transmission voltage;
6. Limitation of the proposed carrying charge to the recovery of capital costs for additional metering equipment and load control devices and clarification that the carrying charge will be 21% per annum;
7. Increase in the flat monthly charge to rider customers from \$50 to \$60 to recover operating and maintenance expenses relating to metering.

The Company agreed to incorporate all of the modifications proposed by the Department, except the one regarding limiting eligibility to customers whose interruptible loads would normally be on-line during peak periods. The Company wanted to retain this requirement, because it considered the primary purpose of the rider to be to reduce peak consumption by encouraging load shifting. Offering reduced rates to customers that are unable to reduce load during peak periods would reduce Company revenues without furthering this goal. The Company also noted that the Iowa and Illinois Commissions had approved this eligibility condition in tariffs filed in those states.

The Department responded that no other regulated utility in Minnesota applied such an eligibility requirement, that allowing non-peak consumers to use the rider would help assure that their consumption continued to be off-peak, that there would be practical difficulties in determining whether an applicant's load was normally on-line during the Company's peak, and that allowing non-peak customers to benefit from the rider would better reflect the costs they imposed on the system.

The Commission believes that the Company should be allowed to limit service under the rider to customers whose loads are normally on-line during the system peak, for the reasons cited by the Company. The purpose of the rider is to forestall the need for new plant construction by reducing peak consumption. The Company is acting correctly in designing the rider to maximize the possibility of achieving this goal.

The Commission accepts the Company's representation that its familiarity with its Large Power and Light customers' load patterns will prevent any significant difficulty in determining which customers meet the on-line peak period requirement.

The Commission believes that any inaccurate price signals which may result from non-peak consumers' ineligibility for the rider are minimal and that limiting eligibility to peak consumers strikes a proper balance between the competing policies of precision in cost allocation and reduction of peak consumption.

Finally, the Commission believes that the operation of the rider should be carefully monitored. There is a possibility, noted by the Department, that it will prompt non-peak consumers to shift their

loads to peak periods to obtain rider eligibility. This is something of which the Commission should be promptly apprised. Similarly, as with any new rate design, the rider may have unanticipated consequences which require Commission action. The Commission will therefore require the Company to file a report on the operation of the rider at the end of this calendar year.

### ORDER

1. The revised Interruptible Service Rider filed by Interstate Power Company on February 13, 1989 is approved, with all modifications proposed by the Department of Public Service, with the exception of the Department's proposal to disapprove limitation of eligibility to customers who can demonstrate that their interruptible loads would normally be on-line during the Company's peak.
2. On or before December 29, 1989 the Company shall file a report on the operation of the revised Interruptible Service Rider. The report shall include, but shall not necessarily be limited to, the following information:
  - a. The effect of the rider on Company revenues and rates;
  - b. The effect of the rider on peak consumption;
  - c. Any difficulties the Company has encountered in determining eligibility for the rider, including details regarding all instances in which customers applied for service under the rider and were denied;
  - d. For each customer receiving service under the rider, a description of consumption patterns and volumes before and after it began taking service under the rider;
  - e. A full explanation of any increase in peak demand which is or may be attributable to customers' efforts to qualify for service under the rider.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)