

G-007/M-89-908 GRANTING A VARIANCE IN CALCULATING THE TRUE-UP
ADJUSTMENT FACTOR

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Patrice Vick	Commissioner

In the Matter of a Petition by Northern Minnesota Utilities to True-up Its Purchased Gas Costs for the Year Ending June 30, 1989 and Recalculate Its Propane/Storage Surcharge Adjustment

ISSUE DATE: December 21, 1989
DOCKET NO. G-007/M-89-908

ORDER GRANTING A VARIANCE IN CALCULATING THE TRUE-UP ADJUSTMENT FACTOR

PROCEDURAL HISTORY

The Commission has granted two previous variances to Northern Minnesota Utilities (NMU or the Company) regarding the true-up of its purchased gas costs for the year ending June 30, 1989:

First, the Commission approved a variance allowing the Company to true-up its purchased gas costs annually. In the Matter of Northern Minnesota Utilities' Request For Three One-Year Variances to the PGA Rules, Docket No. G-007/M-88-332, ORDER GRANTING VARIANCES (July 7, 1988).

Second, the Commission approved a variance allowing the Company to implement a revised propane/storage surcharge adjustment on September 1, rather than on June 1 as specified in Minn. Rules, part 7825.2700. In the Matter of Northern Minnesota Utilities' Request for a One-Year Extension of Its Three Variances From the Commission's Purchase Gas Adjustment (PGA) Rules, Docket No. G-007/M-89-405, ORDER GRANTING EXTENSION OF VARIANCES (July 27, 1989).

On August 14, 1989, the Company filed its true-up and surcharge adjustments in response to these orders, proposing a change in the method of calculating its true-up adjustment factor. The Company proposed to combine two classes of its customers (the small firm customer class and the large firm customer class) and recover a loss experienced in one class (the large firm class) by assessing a small surcharge on all firm customers through the true-up mechanism.

The Department of Public Service (the Department) supported the Company's proposal which came on before the Commission for decision on December 12, 1989.

FINDINGS AND CONCLUSIONS

The Company's proposal is contrary to the requirements of Minn. Rules, Part 7820.2700 which requires that purchase gas adjustments be recovered from or distributed to the customer class from which the overcharge was received or in which the undercollection was experienced. Minn. Rules, part 7820.2700, Subpart 7 provides:

Subp.7. True-up amount. The true-up amount is the difference between the commodity-delivered gas cost and demand-delivered gas cost by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910,

subpart 3. (Emphasis added.)

The Commission must decide whether the Company has shown entitlement to a variance from the rule that amounts undercollected from one class of customers may not be recovered by assessing the customers of another class. Minn. Rules, part 7825.2700, Subpart 7.

Variances are granted pursuant to Minn. Rules, part 7830.4400.

The Commission must grant a variance to any of its rules in an instance where it appears to the satisfaction of the Commission that:

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. granting of the variance would not adversely affect the public interest; and
- C. granting the variance would not conflict with standards imposed by law.

The party seeking the variance (in this instance, the Company) has the burden of demonstrating that these conditions exist.

In this case, the Commission finds that the Company has borne its burden of demonstrating the grounds for such a variance:

- A. Excessive Burden: When the undercollection (\$34,775.00) was experienced, the class of large firm customers consisted of five (5) customers. At present, this class of customers, from which the undercollection would normally be recovered pursuant to the rule, has shrunk to one customer: the federal Prison Camp. The Commission finds that recovering the entire undercollection from this one customer would place an "excessive burden" upon that customer.
- B. Public Interest: The Commission finds that granting the requested variance is in the public interest. Compared to the burden potentially imposed upon the one remaining large firm customer, the proposal to collect the amount from all the firm customers would not place an undue burden upon the small firm customers because the resulting surcharge of \$.0340/Mcf will increase the annual bill of the typical residential heating customer by 99 cents. Also, without this variance, the Company would have to choose between recovering its loss from a class depleted by customers who have opted for transportation services and foregoing recovery of the loss at all. This would seriously discourage the Company from making transportation services as readily available to its customers as sales services.
The public interest would not be served if customers did not have both services readily available.
- C. Conflict With Legal Standards: The Commission finds no legal standard that would be violated by granting this variance.

ORDER

1. The Company's request for a variance from the requirements of Minn. Rules 7825.2700, Subpart 7, for permission to deviate from the required procedure for calculating the true-up adjustment factor by combining the undercollections attributable to large firm class customers and the small firm class customers and recovering that undercollected amount from all firm customers through the true-up adjustment, is granted.
2. The Company's true-up and surcharge filing, filed with the Commission on August 14, 1989, is approved.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson
Acting Executive Secretary

(S E A L)