

G-999/CI-90-40 FOCUSING DISCUSSION AND ESTABLISHING STRUCTURE AND
TIMETABLE OF COMMENT PERIOD

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 Take-Or-Pay Buy-Out/Buy-Down Costs Incurred By Interstate Natural Gas Pipelines

ISSUE DATE: February 26, 1990

DOCKET NO. G-999/CI-90-40

ORDER FOCUSING DISCUSSION AND ESTABLISHING STRUCTURE AND TIMETABLE OF COMMENT PERIOD

PROCEDURAL HISTORY

On February 10, 1989, the Minnesota Department of Public Service (the Department) submitted a report to the Commission entitled "Take or Pay Buy-Out/Buy-Down Costs: Background and Issues."

On December 29, 1989, the Federal Energy Regulatory Commission (FERC) approved the settlement of Northern Natural Gas Company's (NNG) rate case and NNG's filing to recover take-or-pay settlement costs. FERC specified that its approval of the settlement did not constitute approval of or precedent regarding any principle or issue in the proceeding. Northern Natural Gas Company, 49 FERC ¶61,437 (1989), Order Approving Settlement.

On January 23, 1990, the Commission opened the current docket (Docket No. G-999/CI-90-40) to address the Commission's responsibilities with respect to these matters.

On January 25, 1990, the Commission gave notice of a meeting to be held February 6, 1990 for the purpose of informal discussion of the issues associated with the pass-through to consumers of take-or-pay costs incurred by interstate natural gas pipelines.

On February 6, 1990, the Commission met to consider this matter and heard from Northern States Power Company (NSP), the Department and other interested parties.

FINDINGS AND CONCLUSIONS

In developing its policy on recovery of take-or-pay buy-out and buy-down costs, the Commission faces many of the same issues (such as cost sharing and rate design) as other states. These issues are now at the forefront because on December 29, 1989 FERC approved a settlement which determined (1) the amount of these costs to be recovered from NNG's customers and (2) the cost-recovery method that NNG would use. Under the settlement, NNG is authorized to recover approximately \$280 million in take-or-pay buy-out/buy-down costs from its Minnesota customers, e.g. local gas distribution companies (LDCs) such as Minnegasco, Peoples Gas Company and Northern States Power Company. The settlement authorized NNG to recover these costs through a volumetric surcharge on all through-put, i.e. sales and transportation volumes, over a five-year period beginning October 1, 1989.

As of the effective date of the NNG settlement (October 1, 1989), NNG's gas utility customers in Minnesota (e.g. Minnegasco, Northern States Power, etc.) began to pass through to their own customers NNG's take-or-pay surcharges through the Purchased Gas Adjustment (PGA). The Commission must determine whether it is appropriate for Minnesota's regulated LDCs to pass through these charges to their customers. In addition, the Commission must determine whether the Purchased Gas Adjustment (PGA) is the appropriate vehicle for this cost recovery.

The Department has indicated that it is unprepared to recommend that the Commission approve this recovery method which, for example, does not require any contribution to the cost recovery effort from the LDCs themselves and does require contribution from transportation customers.

Before making a final determination of this matter, the Commission will afford all interested parties an opportunity to propose changes to the LDCs' current method of take-or-pay cost recovery. The Commission, therefore, will establish a comment period for that purpose.

ORDER

1. Within 60 days of the issue date of this Order, any party may file comments with the Commission regarding what changes should be made in the amounts or method of recovery of take-or-pay costs from customers of Minnesota regulated gas distribution utilities.

2. Within 20 days of the close of the comment period established in Paragraph 1, any party wishing to file reply comments shall do so.

3. Within 20 days of the close of the reply comment period established in Paragraph 2, any party wishing to respond to the reply comments authorized in Paragraph 2 shall do so.

4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Lee Larson
Acting Executive Secretary

(S E A L)