

G,E-999/CI-90-1008 ORDER INITIATING INVESTIGATION AND REQUIRING  
REPORT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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

In the Matter of an  
Investigation into the  
Competitive Impact of Appliance  
Sales and Service Practices of  
Minnesota Gas and Electric  
Utilities

ISSUE DATE: January 4, 1991  
DOCKET NO. G,E-999/CI-90-1008  
ORDER INITIATING INVESTIGATION  
AND REQUIRING REPORT

**PROCEDURAL HISTORY**

On August 21, 1990, Minnegasco, Inc. (Minnegasco or the Company) filed notice of its intent to merge with and into Arkla, Inc., a Louisiana company incorporated in the State of Delaware. Docket No. G-009/PA-90-604 (the 604 docket).

On September 11, 1990, the Minnesota Alliance for Competition (MAC) filed a petition to intervene in the 604 docket, and to refer the matter to the Office of Administrative Hearings for contested case proceedings. MAC stated that the proposed merger would create a new company with vertically integrated operations in the manufacture, wholesale and retail marketing, financing, and servicing of major appliances. MAC stated further that Minnegasco's regulated operations unfairly subsidize its appliance sales and service business, to the detriment of MAC's members. MAC urged the Commission to investigate these issues in the 604 docket.

On September 14, 1990, the Commission issued its ORDER ESTABLISHING PROCEDURES AND DENYING PETITION TO INTERVENE in the 604 docket. In that Order the Commission denied MAC's petition to intervene, stating that MAC's interests were not different from the interests of other ratepayers or the general public. The Commission also found that the issue of alleged subsidization of Minnegasco's unregulated business by its regulated business could be raised and examined independently of the merger proceeding. The Commission assured MAC that although MAC had been denied intervenor status, it could appear and offer comments or evidence as a participant in the 604 proceeding.

On October 15, 1990, MAC filed comments in the 604 docket. MAC alleged that Minnegasco has an unfair competitive advantage over other unregulated companies. MAC stated that Minnegasco is engaged in unfair use of utility bills for non-utility billing, its ratepayer lists and other information, and the Minnegasco name, service personnel and equipment.

On November 9 and 20, 1990, the Commission met to consider the Minnegasco/Arkla merger. In conjunction with those meetings, the Commission considered MAC's written comments.

### FINDINGS AND CONCLUSIONS

The Commission finds that MAC has raised issues regarding appliance sales and service by utilities which merit further investigation. These issues are not unique to Minnegasco's circumstances. There is a possibility for gas and electric utilities to subsidize their nonregulated sales and service of appliances by means of their regulated utility enterprises. Whether such cross-subsidization actually takes place is unclear from the facts presently before the Commission. The Commission will therefore direct the Department of Public Service (the Department) to initiate an investigation of the appliance sales and service practices of all Minnesota gas and electric utilities. The Department shall file a report of its investigation, including recommendations for future actions, with the Commission within 60 days. Interested parties will be given an opportunity to comment on the report.

### ORDER

1. The Department of Public Service shall initiate an investigation of the appliance sales and service practices of gas and electric utilities in Minnesota. The investigation shall include but not be limited to the following issues:
  - a. A description of each utility's appliance sales and service operations, including the organization of operations (e.g., as divisions or subsidiaries), the types of appliances sold and/or serviced, the outlets used for appliance sales and/or service and the methods used to market sales and/or service.

- b. A description of the accounting treatment for appliance sales and service operations, including the cost separation mechanism and any cost separation agreements.
  - c. The extent to which information and services from the regulated utility (e.g. ratepayer records, utility billing system, information from energy audits) are used to market the utilities' appliance sales and service business, and a description of how the regulated utility is reimbursed for the use of the information and services, including the use of its name and its goodwill.
  - d. A description of the information and services made available to other providers of appliance sales and service, including a description of reimbursement for those services.
  - e. A discussion of the cost separation and billing of emergency and other regulated service calls from unregulated service calls.
2. Within 60 days of the date of this Order, the Department shall file a report of its investigation.
  3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster  
Executive Secretary

(S E A L)